An Examination of Three Approaches to the
Study of the Politics of Interdependence

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(ABSTRACT)

This thesis examines three approaches to the study of
the politics of interdependence: realism, holism, and the
state-based approach. To facilitate this analysis effort
will be directed into three areas. First, the definitional
clarity of each theory will be examined to determine if the
concept of interdependence and related notions have been
fully developed. Definitional clarity is of critical
importance before any attempt can be made at applying the
concepts. Secondly, the individual ability of each theory
to explain the manifestations of conditions of
interdependence will be examined. Finally, the specific
relationship between the United States and Canada will be
examined within the auspices of each approach to determine
the ability of each to provide useful insight into the
politics within this relationship. From this, it will be
demonstrated that the state-based approach, with its
concentration on the examination of bilateral relationships
and the employment of an extreme method of disaggregation, is by far the most appropriate method to study conditions of interdependence.
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Finally to my fellow graduate students who have toiled and endured with me through these past two years. My deep appreciation to Johannes-Georg Schilling who helped me clarify my thoughts and was always there in the same boat as me. To Timothy W. Maas whose style of argumentation I will never understand but whose friendship and support I will always be grateful for. To Eric P. Lashley, Capri Burchett, Richard G. Davis, and John Snapp who kept me from taking everything far too seriously. Finally my appreciation goes to Helmut Lang, Harold Hauser, Paul O’Neill, and Helen Thompson.
I would like to dedicate this thesis to my parents, Col. Melville A. Madsen, whose stubbornness is exceeded only by his generosity, and Susan F. Madsen, whose love and support has kept me going at the worst of times.
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Introduction

Within this thesis I will examine three approaches to the study of interdependence: realism, the state-based approach, and holism. What I wish to determine is which of these best explains the politics of interdependence. To do this, I will first reconsider the three approaches in detail to ascertain if each one has definitional clarity, as complete definitional clarity is necessary before any attempt can be made at applying the definitions. If there are too many meanings attached to the terms of interdependence within any theory, then no concerted effort can be undertaken to examine the effects of interdependence, inasmuch as one working within the theory could know exactly what interdependence is. John MacLean argues that "if a concept can have as many meanings as there are offerings explicitly about it, it is then a concept with little or no specificity of application."\(^1\) As I will show in the following analysis, realism perceives interdependence as nothing less than the integration of states. Two or more states must be integrated to the point where these states are virtually one single unit economically, politically, and

\(^1\) MacLean, p.134
militarily. Holism theorists' conception of interdependence hinges upon their perception of dependence as asymmetrical or vulnerable interdependence. The concept of dependence is synonymous with the concept of underdevelopment. Both notions share the same essential attributes according to holism. Finally, state-based theorists define interdependence in terms of the costs of dissociation of a relationship. They differentiate four conceptions of interdependence: simple interconnectedness, asymmetrical interdependence, symmetrical interdependence, and integration. Each of these categories of interdependence hinge upon a concrete measure of the costs of dissociation. These notions of interdependence will be the focus of examination within the sections analyzing definitional clarity.

Once the definitional clarity of each approach has been determined, the individual contribution of each theory in explaining the manifestations of interdependence will be examined. Since realism seems to deny the existence or influence of interdependence, I will examine this theory's ability to explain phenomena, which have been routinely indicated as resulting from interdependence, as actually resulting from other conditions of state interaction, such as power politics. In other words, has this theory provided

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useful insight into why states act the way they do in a
supposed interdependent environment. Furthermore, I will
examine if each approach is applicable to studying all types
of interdependent relationships, because, as I will attempt
to show later, the different types of interdependence are as
numerous as there are pairs or groups of states interacting
in the global environment. It is my contention that any
single bilateral or multilateral relationship of
interdependence is unique and cannot be generalized. The
rationale for this claim will be demonstrated in a later
chapter. From this I will attempt to demonstrate that the
state-based approach to interdependence, with its
concentration on the examination of bilateral relationships
and recognition of conditions of interdependence, is by far
the most appropriate method to study complex
interdependence.

Ultimately, I will examine the specific relationship
between Canada and the United States in terms of each
approach to demonstrate that state-based theory can best
explain certain phenomena that result from interdependencies
within the relationship. It will be shown that realism and
holism fail to add useful insight into these phenomena which
have been associated with conditions of interdependence. I
have intentionally chosen the United States-Canadian
relationship because it seems to have at face value a high degree of interdependence. As I am examining which of these approaches is best at providing explanatory ability into conditions of interdependence, it is only sensible to examine a relationship which has a great degree of interdependencies relative to other bilateral relationships.
Chapter One

1.0 Introduction

This chapter will examine realist theory in the context of interdependence. The first task will be to determine if there are clearly defined concepts of interdependence within the realist approach, as definitional clarity is of paramount importance before any application of the theory can proceed. Secondly, I will examine realism's ability to bring understanding to phenomena routinely associated with interdependence.

1.1 Realism and Interdependence

Realists dismiss the idea of interdependence in its entirety. The state is conceptualized as the fundamental unit in the political system and, therefore, the world system is best characterized in terms of interstate relations. Also, that interstate relations are governed by maintaining the ultimate goals of a nation-state which are sovereignty, survival, and independence. Any action by a state to enter into a relationship with another state which compromises any of these ultimate goals is inconceivable.
Therefore, no state will voluntarily enter into a dependent relationship for fear of compromising the security of the state.

The three tenets of the state centric view of the world order are outlined by Kjell Goldmann as follows;

(1) The characteristics of the international system are significant determinants of international politics.
(2) The most important characteristic of the international system is that it is composed of sovereign states and lacks a central authority.
(3) In such a system the power of an actor is a function of its ability to inflict damage on others, primarily with military means.²

As revealed by this, realist deny that power can be a function of economic strength, wealth, technology, culture, national cohesiveness, etc. Given the fact that most actors within the world environment do not act within the milieu of war, this conclusion seems, at face value, ludicrous. In this anarchic world system the units are theoretically homogeneous, in that their functions are basically the same. The nation-state is the sole actor within this system and is seen as basically a "relatively hard-shelled unit"³, in that it has specific geographic boundaries and is completely independent. Because the state is the fundamental unit,

² Goldmann, p.19
³ Young, (1972), p.131
realists theorize that international politics should be analyzed entirely in terms of interstate relations. Furthermore, because of these assumed characteristics of the world environment, interdependence between states is seen as non-existent.

Because the units in the international arena are the same in type, interdependence among them is low even if those units are approximately equal size. Interdependence is further reduced by the immense disparity in the capabilities of states. This last point can be stated as an iron law: high inequality among like units is low interdependence.⁴

Realists not only claim that interdependence between states is almost non-existent but that what little interdependence which does exist is on the decline.⁵ They claim that the reason for the conflict with theorists who believe that conditions of interdependence have a profound effect on the behavior of states, and other actors within the global environment, is in part due to a misperception by these interdependence theorists. Kenneth Waltz sees that there is confusion on what qualifies a relationship as interdependent and therefore this conflict is, to some extent, a definitional issue. Waltz states that; "What interdependence entails is often incorrectly understood.

⁴ Waltz, 1970, p.207
⁵ Waltz, 1970, p.206
Because this is so, economic developments are looked at aside from their proper context." This explanation in itself raises an important question. What exactly is the 'proper context' to view interdependence? The context in which realists offer explanations of international politics is based on the extremely limited tenets of their approach. Given the inherent restrictions of this approach, their view of what constitutes the proper context cannot be taken at face value.

1.2 Power

Military security is of paramount importance in the realist paradigm. Power in terms of military capability is therefore the focus of study within this school of thought. Realists define the international system's power structure in terms of military force and potential military force, excluding economic influence and dependence as irrelevant because of their limited import. Power in its most rudimentary form means the ability of one actor to affect another actor in a manner contrary to the second actors'  

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*Waltz, 1970, p.206*
interest.' In these terms, realists believe that states have little influence on the behavior of other states through economic leverage alone. Power according to Waltz has four recognized benefits:

First, power provides the means of maintaining one's autonomy in the face of force that others wield. Second, greater power permits wider ranges of action, while leaving the outcomes of action uncertain. Third, the more powerful enjoy wider margins of safety in dealing with the less powerful.... Fourth, great power gives its possessor a big stake in their system and the ability to act for its sake.  

What must be understood in this conception of power is that power is generally a form of military capability or potential military capability. Economic strength can comprise power but usually only to the extent that it can be transformed into military capability. The primary reason for this view is that, since the state is supposedly the only unit acting within the global environment and it is much easier for the state to bring to bear military power versus economic power, military capability is seen as the only or primary means to exert influence. Therefore, because realists focus on military power as the primary influence in the international environment, realist see that statesmen act only on the basis of power relationships.

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7 Lukes, p.34
8 Waltz, 1979, p.194-95
That statesmen are rational actors who exclusively advance the goals of the nation-state and view power, as military capability, as the primary instrument for achieving these goals. All actions of states are governed by their perception of other states' power, primarily in the form of military capability. As a result, to account for manifestations in which statesmen act through the influence of economic power is incomprehensible, except in terms of their rigid framework of military security. If there is recognition of other actors within the system, economic power may become an appreciated means of achieving goals.

The greatest criticism of power-based theory is directed at its simplistic view of the international power structure which focusses on military power almost exclusively and therefore overlooks non-military power elements. Also, its single minded study of the anarchic world system creates a perception which is far too state centered.\(^9\)

To determine if these criticisms are valid, examination of the state-centered model and the influence of non-military power within the system must be examined. Therefore, the first question which needs to be asked is

\(^9\) Goldmann, p.23-24

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whether the nation-state is still a tenable concept in the study of international politics?

1.3 The Obsolescence of the Nation-State

Most contemporary theories of international politics focus on the nation-state as the principle actor in the world environment. The validity of this focus has come into question in recent years due to the influence of non-state actors in the world system, such as multinational corporations and international organizations. Also, transformations of the modern world may have created an environment where the nation-state is ill-equipped to function. Oran Young states that

rapid and continuing developments in a variety of areas such as communications, transportation, and military technology have caused an effective shrinking of the world and have led to a situation in which the state, nation-state, and states system are increasingly obsolescent and ineffective structures for the achievement of human security and welfare.\(^{10}\)

What has to be examined to determine the validity of the nation-state in today’s environment is the extent of the role of non-state actors in the world system. For if it can be shown that non-state actors and non-state processes are

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\(^{10}\) Young, (1972), p.128

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significantly assuming the roles of the nation-state, then it would seem clear that the nation-state is in decline and therefore becoming obsolete. As will be shown below, the non-state actor project attempts to empirically do just this.

Mansbach, Ferguson, and Lampert identify six types of actors in the contemporary global system. These include nation-states, interstate governmental actors, interstate nongovernmental actors, governmental noncentral actors, intrastate nongovernmental actors, and finally individuals. Interstate governmental actors are primarily organizations composed of representatives from more than one state. Interstate nongovernmental actors are transnational actors not directly associated with sovereign governments. Prominent members of this group include multinational corporations. Governmental noncentral actors are "composed of personnel from regional, parochial, or municipal governments within a single state or of colonial officials representing the state." Intrastate nongovernmental actors are nongovernmental groups subject to central government regulation primarily located within a single country. Examples include political parties and ethnic

\[11\] Mansbach, Ferguson, & Lampert, p.41
communities. Finally, individuals comprise the last group of global actors. These include any prominent individual who acts autonomously in the world system. Keohane and Nye define significant actors in world politics more broadly. They state;

a significant actor is any somewhat autonomous individual or organization that controls substantial resources and participates in political relationships with other actors across state lines. Such an actor need not be a state: At any point where transnational organization employs techniques such as economic boycotts, airline hijackings, or religious excommunication to achieve the modification of other actors' behavior, it is behaving politically.

The greatest attention in contemporary literature has been directed at interstate governmental organizations (IGOs) and interstate nongovernmental organizations (INGOs), as these two groups comprise the greatest threat or competition for the modern nation-state. That, these groups have encroached more than any other type of actor into areas dominated by the state. Both groups transcend the limits of the nation-state and give impetus to the idea that the world can exist without the anarchic structure of numerous sovereign states competing to ensure independence, sovereignty, and survival.

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12 For a more complete description of these global actors see Mansbach, Ferguson, & Lampert p.39-41

13 Keohane & Nye, 1970, p.xxiv-xxv

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Arguments which contend that interstate governmental organizations are beginning to take predominance over the nation-state are mainly based in the increase of IGOs since World War II. In 1940 there were eighty IGOs in the world. By 1972 this had increased to at least two hundred and eighty such IGOs. Also, the assertion has been made that IGOs are becoming more and more highly influential because of their involvement in international interactions and events. The non-state actor project which empirically examined the influence of non-state actors concluded that:

all of the dyadic interactions in the three regions (Middle East, Latin America, and Western Europe) for twenty-five years, under half involved nation-states simultaneously as actors and target, and over 11 percent involved non-state actors exclusively! While this study does indicate that the nation-state as an actor in the international arena is on the decline, it also concludes that the nation-state is still the most prominent actor in international politics. "Without doubt, nation-states through their governments are still the primary actors involved in global politics". Obsolete means something which is no longer in use or no longer useful. To

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14 Sullivan, p.198
15 Mansbach, Ferguson, & Lampert, p.275
16 Mansbach, Ferguson, & Lampert, p.276
conclude that the nation-state as an actor in international politics is no longer in use is clearly very premature. To conclude that the nation-state is no longer useful is indeed a difficult judgement to make. What is clear is that the nation-state is increasingly losing degrees of its usefulness.

While the nation-state has never been the only actor in international politics, it has always been and continues to be the principal actor in the contemporary international arena. The continuation of its role as the principal actor in international politics seems to be ensured even though it has come under much pressure and will continue to come under increasing pressure from other possible actors. I do not believe that any other actor can overtake the dominance of the nation-state in the near future for the simple reason that a world order dominated by another form of international political actor could not unquestionably create a world order which is preferable to the one dominated by the nation-state. While there may be idealistic beliefs that a world order dominated by another type of actor could create a world order which is better than the current world order, this is unquestionably impossible to substantiate before it actually occurs. Change for changes' sake does not exist in international
politics. A catalyst for change must exist. Maintenance of a system dominated by an actor is much easier than construction of a system dominated by another form of actor. The principles, rules, and procedures of interaction between states are well established and firmly embedded in the system. Regularity of interaction between states within this system helps to maintain the system itself. It may even be argued that the increase in International Governmental Organizations (IGOs) helps in maintaining the system, and therefore the dominance of nation-states, because the primary operational goals of most of these organizations revolve around the nation-state itself. The goal of many of these organizations is to help facilitate the cooperation of nation-states, not to replace them. Since the primary actor is recognized by the IGOs as the nation-state and not the organization itself, it reinforces the dominance of the nation-state as the primary unit in international politics. It would seem that no other actor could achieve dominance over the nation-state unless some catastrophic event occurs. A good analogous example to this is Oliver Williamson’s arguments on the cooperation of oligopolists. He states that:

If the system is operating at a low level of adherence and communication, a substantial improvement in the environment will be necessary before the system will

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shift to a high level of adherence and communication. Indeed, the condition of the environment required to drive the system to the collusive solution is much higher than the level required to maintain it once it has achieved this position. 17

What I am trying to reinforce here is the fact that the creation of a system in which one actor dominates, involves great costs but the maintenance of that system, once created, is relatively low in costs, for the structure in place is already established.

Therefore, it seems that the nation-state is not dead yet and will most likely continue its dominance at least into the foreseeable future. What must be made clear here is that, while the nation-state survives, it is not the only actor in international politics. International politics today is characterized by the interaction of many different types of actors, as shown above. The realists' failure to examine the influence of these non-state actors or the significance of their existence may be the cause for their inability to explain certain manifestations of international politics. By narrowly focussing on state interaction through military power, the effects of non-state actors in the global environment may be obscured.

17 Williamson, p.592
1.4 Definition of Interdependence within Realism

The reason for realism's inability to account for the phenomena of interdependence rests mainly on the definition used by realists to explain or dismiss interdependence. In fact, the definition of interdependence used by the realists and that used by interdependence theorists are so incompatible that for one school to address the other's explanation of interdependence is analogous to two people arguing with one another in different languages.

As I have shown earlier, military security is the primary focus for the realist. The realist's definition of interdependence arises from their conception of the anarchic world system. Interdependence is unlikely in a world of states, where these states actively compete with each other to maintain their own survival, independence, and sovereignty. Kenneth Waltz presents what seems to be the most widely accepted definition of interdependence used by the realist school. He states that:

If interdependence is really close, each state is constrained to treat other states' acts as though they were events within its own borders.  

While he never intended it to be, I feel this is an

\(^{18}\) Waltz, 1970, p.220

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excellent definition of integration. Integration in its most rudimentary meaning is to make independent units whole or to unify them. If a state is constrained to treat other states' actions as if they were occurring within its own border, that state ceases to be a coherent unit. In essence it functionally becomes united with another state. Therefore, the realist sees interdependence as nothing less than integration.

The definitional focus of the realist is constrained by their continued focus on war and power politics. While war, above all other forms of interaction, clearly has the most devastating impact on the world, it should not be the exclusive focus because of this. The definition of interdependence must be relaxed for the realist to be able to explain certain phenomena which lie outside their explanatory ability. While interdependence in the form of integration, as Kenneth Waltz describes it, is unlikely, interdependence defined in a different manner may in fact lead to insight within international phenomena.

1.5 Realism and the Manifestations of Interdependence

Realism's concentration on explaining the warring nature of states seems to overlook many phenomena which
occur between states that lie outside the framework of power politics. In the post war era the wars which have occurred have usually occurred to great extent between the peripheral states in the system.

<table>
<thead>
<tr>
<th>Table 1.1</th>
<th>Interstate Wars, 1946-1990</th>
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<tbody>
<tr>
<td><strong>Name</strong></td>
<td><strong>Date</strong></td>
</tr>
<tr>
<td>1. Palestine</td>
<td>1948-49</td>
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<tr>
<td>2. Tibetan</td>
<td>1950-51</td>
</tr>
<tr>
<td>5. Sinai</td>
<td>1956</td>
</tr>
<tr>
<td>6. Sino-Indian</td>
<td>1962</td>
</tr>
<tr>
<td>7. Vietnamese</td>
<td>1963-75</td>
</tr>
<tr>
<td>8. Second Kashmir</td>
<td>1965</td>
</tr>
<tr>
<td>10. Israeli-Egyptian</td>
<td>1969-70</td>
</tr>
<tr>
<td>11. Football</td>
<td>1969</td>
</tr>
</tbody>
</table>

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<table>
<thead>
<tr>
<th></th>
<th>Country/Region</th>
<th>Year(s)</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>12.</td>
<td>Bangladesh</td>
<td>1971</td>
<td>India/ Pakistan</td>
</tr>
<tr>
<td>14.</td>
<td>Turco-Cypriot</td>
<td>1974</td>
<td>Turkey/ Cyprus</td>
</tr>
<tr>
<td>15.</td>
<td>Vietnamese-Cambodian</td>
<td>1975-88</td>
<td>Vietnam/ Cambodia</td>
</tr>
<tr>
<td>17.</td>
<td>Sino-Vietnamese</td>
<td>1979</td>
<td>China/ Vietnam</td>
</tr>
<tr>
<td>19.</td>
<td>Libya-Chad</td>
<td>1980-</td>
<td>Libya/ Chad</td>
</tr>
<tr>
<td>22.</td>
<td>Laos-Thailand</td>
<td>1987-</td>
<td>Thailand/ Laos</td>
</tr>
<tr>
<td>23.</td>
<td>Iraq-Kuwait</td>
<td>1990</td>
<td>Iraq/Kuwait</td>
</tr>
<tr>
<td>24.</td>
<td>Desert Storm</td>
<td>1991-</td>
<td>United States et. al./ Iraq</td>
</tr>
</tbody>
</table>

Those core states, which have remained fairly mutually pacific in the post war era, continue to have relations with each other and most obviously outside the traditional framework of power politics. This is not to say that traditional state centric theory has become obsolete in

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19 Small & Singer, p.92-95 and Sivard, p.22

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explaining the behavior of states. In relation to these affluent industrialized states, the state centric approach has provided insight into why peace has been achieved between these states, but it has failed to explain the behavior of statesmen once this state of affairs is at hand. Also, it fails to show how states interacting through trade affects their behavior. Again, realism's concentration on conflict may in fact limit their outlook and explanation of phenomena in a pacific environment. The economic interconnectedness of states may in fact have great impact, or at least a marginal impact, on the behavior of states in a pacific environment. I will try to show this more clearly in my examination of the relationship between the United States and Canada.

1.6 Realism's Abandoned Understanding of Interdependence

While traditional realists have dominated the literature on the realists conception of interdependence, some realists have made some attempt to come to terms with interdependence in a less rigid framework, but still staying within the original tenets of the realist conception of international politics. The most prominent of these is Thomas Schelling. In his book *The Strategy of Conflict*,

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Schelling addresses the concept of interdependence, or as he says "mutual dependence", and how it effects relations between actors in situations of conflict. He shows that conflict takes the form of cooperative and competitive behavior. While he is specifically addressing game theory and its inability to explain certain phenomena where mutual dependencies exist, his arguments are applicable to realist theory due to the compatibility of realist theory and game theory. To elaborate his point on game theory, he says that "on the strategy of action where conflict is mixed with mutual dependence...traditional game theory has not yielded comparable insight or advice."²⁰ That game theory provides insight only in cases of pure conflict. Furthermore, he shows that, in cases of interaction between two parties, interdependencies naturally exist and must be recognized. He states that "though the element of conflict provides the dramatic interest, mutual dependence is part of the logical structure and demands some kind of collaboration or mutual advantage."²¹ Schelling proposes a solution to this problem by synthesizing pure collaboration games, where two actors win or lose together, and pure conflict games

²⁰ Schelling, p.83
²¹ Schelling, p.83

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where two actors are in perfect competition. The intricacies of game theory are clearly beyond the scope of this thesis. Simply, what I wish to show is that there have been attempts to furnish realism with the ability to explain phenomena resulting from interdependencies.

As shown by Schelling, there is room within realist theory for a conception of interdependence which recognizes that interstate dependence is an inherent integral part of the international environment, but at this point it has not been clearly developed. The failure to do this has limited realist insight into phenomena resulting from interdependencies.

1.7 Conclusion

What I have attempted to do within this chapter is to evaluate realist theory's ability to add insight into conditions of interdependence. I am aware that realism may have other failings in other areas, but this is outside the context of my argument. Within this specific area, I have shown that the greatest criticism against the realists can be logged against their inability or unwillingness, in their traditional form, to address phenomena routinely associated with conditions of interdependence. Their focus is so
occluded that they truly fail to address interdependence as less than integration. This is not to say that the theory is incapable of doing so, but that the heart of realist theory is so completely unconcerned with this phenomena, as their definition has warped their outlook so as to see interdependence as insignificant, that it just fails to do so. Because realists never address interdependence as less than integration, even though Schelling, as shown above, has provided a conception of interdependence which is at least partially capable of incorporating the influence of economic interdependence on the behavior of states while continuing to hold to the basic tenets of realist theory, they have failed to develop a framework for the study of the manifestations in the international environment routinely attributed to interdependence. Because of this, I feel that realism is poorly suited to the study of interdependence. As I will demonstrate in chapter three, the state-based theory of interdependence is developed to a much greater degree and has provided much understanding into the phenomena of interdependence which realism has only obscured.
Chapter Two

2.0 Introduction

A distinctly different approach to the study of interdependence from realism is the holistic approach to interdependence. The term holism is derived from the systemic focus of the theories contained within this approach. Here, interdependence is not examined by investigating bilateral relations but instead is examined by investigating actors overall relationship to, and location within, an overarching global system. Unlike the realist approach to interdependence, the holistic approach has a much greater diversity of theories contained within it. These theories include the myriad of notions grounded within the dependency paradigm, world system theory, and others which all have one commonality in that they all envision an overarching world system of interdependence or dependence between not only states but separate groups within states and non-state actors. Within this world system economics is the key means of interaction. Holistic theorists believe that forms of interdependence not only exist but that they are some of the primary governing forces in the global...
environment. Many holists believe that conditions of interdependence affect the behavior of states and that these conditions are forcing the inevitable decline of the nation-state itself. A good example of one who subscribes to this belief is Lester Brown. He contends that the world is inevitably moving toward a world without borders. Brown states that; "a unified global society must now be regarded not as a fiction or an ideal, but as the inevitable reality toward which we must move."\(^{22}\) The rise of new non-state actors within this new system herald a new age in the global environment.

The system itself, usually the capitalist world system, is of preeminent importance as the focus in the understanding of the phenomena of interdependence. The study of the system must dominate the analysis of interdependence. Investigation of the component relationships within the system to determine the overall interdependence within the system is inadequate for obtaining a full understanding of the global condition of interdependence according to holism theorists.

\(^{22}\) Brown, L., p.352

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2.1 Perspectives within the Holistic Approach

There are basically two different perspectives which exist under the holistic approach. While I do distinguish between these perspectives, generally most holistic theories contain elements of both. The first, which I call the component perspective, disaggregates the overall system into component actors of interest groups, classes, organizations, and individuals. This perspective is not primarily concerned with the state as an actor however. Instead, its focus is on the component actors of interest groups, classes, and/or organizations. In this perspective, these groups transcend the traditional boundaries of nation-states and act in an environment of close interaction between groups in an overall world system where competition is between different classes, groups, organizations, etc. and not between states. Brown's conception of a unified global society where transnational business enterprises influence all facets of society is a good example of a theory within this perspective. As Brown states:

Trends of the past two decades indicate that the multinational or global corporation is profoundly affecting the economic relationships among nations. These mammoth economic entities are responsible for the internationalization of production, finance and ownership, and for the increasing integration of
national economies into a single global economy.\textsuperscript{23}

The second perspective, contained within this approach, is what I call the global system perspective, where systemic determination of all actors governs their functions and all interactions taking place. Here, the concentration is on the overall world system, where there is a complex network of relationships, not just component bilateral relationships. According to this perspective, examination of bilateral relationships between states fails to capture the inner dynamics of the system itself and is therefore unable to attain a full understanding of the true nature of the global environment.

Here, the essence of the interdependence with which any state is faced is not to be discerned in any one or more of its bilateral relationships with other states, but in its overall relationship to, and location within, a complex of global conditions and relationships, the sum of which is greater than the addition of its component parts.\textsuperscript{24}

This perspective generally recognizes the importance of the nation-state as one of the primary actors in world politics. Unlike realist theory, however, it recognizes the influence of other non-state actors within the overall system. The perspective attempts to examine the effects of this world system and non-state actors on the behavior of nation-states

\textsuperscript{23} Brown, L., p.229

\textsuperscript{24} Jones, R. J., p.30

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themselves.

While there are many theories within this holistic approach, no theory can be truly classified as being within one or another of these perspectives. All holistic theories, to some extent, have elements of both perspectives within their framework. Therefore, what I wish to do here is to discuss and examine two of the most prominent theories which aggregate each of these overall perspectives. The first is world-systems theory developed by Immanuel Wallerstein. The second theory, within this perspective, is dependency theory. There are other theories which can be classified within this approach, but dependency theory and world-systems theory advance the strongest view of systemic determination. That these theories, more than any other, attempt to demonstrate the overwhelming impact of a system on the actors within that system. They truly believe that actors within the system can only be examined in relation to their place within the system and how that system governs their behavior. Theories, such as Keohane and Nye's conception of complex interdependence,\(^\text{25}\) have elements of the holistic approach, but their emphasis on systemic determination is so diluted that they more appropriately fall within the state-based approach to the study of

interdependence.

2.2 Dependency Theory and World-Systems Theory

This summary of dependency theory and world-systems theory is a broad simplification which excludes much detail of the argumentation within these theories. I feel that it is beyond the scope of this thesis and unnecessary to review all debates and criticisms associated with dependency theory and world-systems theory. Each theory’s specific relation to the concept and study of interdependence will be the focus here.

2.2.1 Dependency Theory

Unlike the state based approach, the dependency school does not predominately focus upon the relations of affluent industrialized states. Instead, dependency examines the relationship between less developed countries, primarily located in the southern hemisphere, and those affluent industrialized counties primarily located in the northern hemisphere. The general theory of dependence argues that the underdevelopment of these peripheral countries is the result of their subjugation by a world capitalist economic...
system dominated by the advanced capitalist core countries of the north. These countries within the core support a system which induces the peripheral satellite states to maintain a role as raw material exporting countries, so the core states can have a source for the needed input of their manufacturing process and to preserve a market for these goods in the peripheral states. As a result, the core states extract the surplus of the peripheral states allowing them to maintain their high relative development.

Capitalism, as a world system, is no longer considered to be homogeneous but it contains a hierarchical international system where more developed countries exploit the less developed ones.\textsuperscript{26}

The system, in essence, subjugates the economies of the peripheral states to those of the core and relegates the peripheral states to a permanent condition of underdevelopment.

The actors which control and maintain this relationship are the elite or bourgeois classes which are present in both the core countries and the peripheral countries. Each of these groups profit by the relationship and therefore have great incentive for maintaining the current system. These elites form an alliance where both groups profit enormously while the poor in both the core and periphery, especially

\textsuperscript{26} Larrain, p.115

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the poor in the periphery, are exploited and forced into a condition of eternal poverty. Development of these peripheral states is therefore impossible as long as these groups ensure that the surplus value of the peripheral countries are drawn off to the core to sustain the core states' economic dominance.

Dependency theorists focus on a fundamental dichotomy between an elite center class and a subjugated peripheral class, with each class existing in both core and peripheral states. Dependency theorists perceive these elite classes within all capitalist countries as the controlling force within the world environment. They do recognize many other actors within the system such as states, transnational business enterprises, international organizations, etc. but these actors are controlled by the elite classes which always dominate.

Dependency writers see as purely derivative the importance traditionally allocated to the state as the unit of analysis, and it is therefore neglected in their approach, or at best, 'unwrapped', that is, in the sense that its internal structure is subjected to scrutiny and its components (class among them) are either elevated to the level of or assumed to have a role above that of states.27

Another pertinent attribute of the environment of exploitation is the tendency of the poor in both the core

27 Kubalkova & Cruickshank, p.109
and the periphery to view themselves as adversaries.

The rich in the Core and the rich in the Periphery tend to form alliances among themselves, whereas the poor in the Core and the poor in the Periphery tend to view themselves as rivals.\textsuperscript{28}

As long as these poor groups do not recognize that the rich in both the core and the periphery are acting in conjunction to exploit them, this adversarial relationship between the poor in both the core and the periphery will continue.

Further maintenance of the system is achieved by the lack of large proletariat classes within the peripheral states. Because the system prevents significant industrial growth within the peripheral states, no significant proletariat class can develop. This, therefore, excludes the possibility of a proletariat revolution envisioned by traditional marxists.\textsuperscript{29}

2.22 World-Systems Theory

World-systems theory, which rose from the work of Immanuel Wallerstein, is basically a reinterpretation of the theory of capitalist development inspired by dependency theory. As in dependency theory, world-systems theory makes

\textsuperscript{28} Weisband, p.137

\textsuperscript{29} Staniland, p.120
the distinction between the core and the periphery, where the core areas are those states whose production is capital intensive and the peripheral areas are those states whose production is labor intensive. Within this theory, capitalism, as a mode of production, constitutes an hierarchical division of labor with the core areas at the summit and the periphery comprising the lower ranks.

The other basic dichotomy was the spatial hierarchy of economic specialization, core versus periphery, in which there was an appropriation of surplus from the producers of low-wage (but high supervision), low-profit, low-capital intensive goods by the producers of high-wage (but low supervision), high-profit, high-capital intensive, so-called 'unequal exchange'.

Wallerstien's interpretation of a world system rests on a historical analysis which concentrates on differentiating between 'world empires' and 'world systems'. After the demise of feudalism, capitalism arose as a world system to dominate much of the global environment. No single state was able to impose its authority over the whole. Therefore no single state could create a new world empire. Unlike the pre-capitalist era, where modes of production were furnishing products for the local economies, in the capitalist era, modes of production were integrated into the world capitalist economy. Production was directed away from the local economies and directed toward the core. States

\[30\] Wallerstein, 1979, p.162

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became divided into three zones within one world economy: the core, the semi-periphery, and the periphery. The semi-periphery are areas which were at one time core areas which fell due to the processes of the world economy or peripheral areas which became elevated within the world economy. The semi-periphery is instrumental in maintaining the system by deflecting, as Wallerstein states:

the political pressures which groups primarily located in the peripheral areas might otherwise direct against core-states and the groups which operate within and through their state machineries.31

Unlike dependency theory, world-systems theory does not see the role of being a core country, a semi-peripheral country, or a peripheral country as definitive. The role of nations can change over time dependent upon the dynamics of the world capitalist system. Yet all nations cannot develop at the same time, because the system itself require development through exploitation. As Wallerstein states:

the fact that particular states change their position in the world-economy, from semi-periphery to core say, or vice versa, does not in itself change the nature of the system. These shifts will be registered for individual states as 'development' or 'regression'. The key factor to note is that within a capitalist world-economy, all states cannot 'develop' simultaneously by definition, since the system functions by virtue of having unequal core and peripheral regions.32

31 Wallerstein, 1974, p.350
32 Wallerstein, 1975, p.23

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The dominance of the whole within world-systems theory is akin to that within dependency theory. That, like dependency theory, world-systems theory has an intense holistic outlook. All actors in the global environment are derived from and act only within the boundaries of the world capitalist system. "Everything that has happened, has not happened, and will happen is explained by reference to the needs of the world system; exceptions tend to be explained away as accidents."

The major divergence of world-systems theory from the tenets of dependency theory comes in the role of political power. Dependency theory generally contends that the appropriation of surplus from peripheral economies to core economies is mainly through the international division of labor and the technological dominance of the core economies. World-systems theory adds the influence of political power within the system. That core economies are able to develop strong state structures and from this they are able to control the terms under which they relate to the international economy.\textsuperscript{34}

While both dependency theory and world-systems theory both see the state as merely one type of actor within the

\textsuperscript{33} Staniland, p.142

\textsuperscript{34} Randall & Theobald, p.124
world capitalist economy, world-systems theory seems to carry it to an extreme. World-systems theorists devalue any real importance of the state. States are non-systems. According to Wallerstein, the correct unit of analysis is the world-system. States are just one type of organizational structure within a single social system.35

2.3 Definitional Clarity and Strength of Explanation within Dependency Theory and World-Systems Theory

Because of a great deal of commonality between dependency theory and world-systems theory, especially in the areas which I am examining here, I will now examine these theories together. Separation would lead to many unnecessary redundancies of argumentation. While world-systems theory is distinctly different from dependency theory, they both share in the same conception of systemic determination of the behavior of states within the global environment. At the times when I omit specifically referencing world-systems theory it is because of this reason.

I do realize that the state is not the unit of focus within these theories but it is clear that all actors,

35 Wallerstein, 1979, p.7
including states, are the subjects of an overarching system within this approach. Therefore, the behavior of states is dependent upon their place within the system and the effects of that system.

2.31 Definitional Clarity within Dependency Theory and World-Systems Theory

Dependency theory's and world-systems theory's explanation of the global environment hinges upon their conception of dependence. Generally, within these theories dependence can be characterized as asymmetrical or vulnerable interdependence, where asymmetrical interdependence typifies all relationships between northern core countries and southern peripheral countries. It is this asymmetrical interdependence which leads to and supports the continued underdevelopment. The implication is that all asymmetrical interdependent relationships should lead to the underdevelopment of the weaker partner in the relationship. In fact, this conclusion is not always sound. Simply, holistic theorist seem to mistake dependence for underdevelopment. They are not necessarily the same thing, nor are they always found together. There are many relationships within the world environment where asymmetries
do not lead to great exploitation and underdevelopment. One of the most prominent of these is the asymmetrical relationship between Canada and the United States. As I will show in chapter four, Canada is extremely dependent upon the United States in many ways, but it would not be classified as underdeveloped. Even Wallerstein classifies Canada as a semi-peripheral country and not part of the periphery.\textsuperscript{36} Philip O’Brien states that;

"if the concept of dependency is to replace the concept of underdevelopment, as, for example, Celso Furtado has suggested, it is important to answer why some dependent countries are rich and others poor- for the important consideration is still poverty in all its manifestations" and "if dependency is taken to be the conditioning structure of poverty, as Dos Santos argues, then one has to explain why some dependent countries are rich and others are poor."\textsuperscript{37}

Sanjaya Lall points out that Canada is clearly more dependent on foreign investment than say India or Pakistan but the dependency school would not classify Canada as a dependent country.\textsuperscript{38} Lall also points out that, in the areas of foreign trade and foreign technology, many non-peripheral countries are more dependent than those countries routinely classified by dependency theorist as peripheral.

The proportion of patents taken out by foreign

\textsuperscript{36} Wallerstein, 1979, p.100
\textsuperscript{37} O’Brien, p.24
\textsuperscript{38} Lall, p.799

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corporations as compared to local ones is almost as high, or higher, in Canada or Belgium as, say, in India or Brazil, and the extent of technological 'dependence' in Denmark is probably just as great as, say, in Columbia or Taiwan.\(^9\)

Clearly, there are many other factors other than the condition of asymmetry which influence the outcomes of conflicts in a relationship. Keohane and Nye state that;

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.\(^9\)

As will be shown in the following chapter, it is because there are many influencing factors on the behavior of states, other than the overall asymmetrical relationship, that a relationship must be examined on a more rudimentary level. That the extrapolation of an overall condition of asymmetry, and the assumed strength of the dominant actor within that relationship, to all interactions within a relationship is inappropriate.

The conception of dependence within the dependency school and world-systems theory must be able to generate

\(^9\) Lall, p.804

\(^9\) Keohane & Nye, 1977, p.19

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answers to two questions before it becomes an applicable
definition to real world situations: (1) What
characteristics of the peripheral countries are distinctly
different from other countries in the global environment?
(2) How do these characteristics adversely affect these
peripheral countries?! When answers to these questions
ensue from a concrete definition of ‘dependence’ developed
by dependency theorists, then that definition should have
enough definitional clarity for progress to be achieved in
the study of interdependence. Unfortunately, the dependency
school and world-systems theory have not as yet provided a
clear definition able to accomplish this task.

2.32 Explanation of Conditions of Interdependence

To this point I have specifically referenced
definitions of interdependence and related concepts, such as
dependence, within the dependency school and world-systems
theory. Here I will examine the ability of these theories
to explain real world phenomena associated with conditions
of interdependence. First, I will briefly describe the
holistic outlook of the theory.

As briefly shown in the previous section, the

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*Lall, p.800*
dependency school's inability to explain conditions of
dependence which lie outside the specific environment of
peripheral underdeveloped states is the principal area where
I feel dependency theory shows its weakness in explaining
conditions of interdependence. That dependency theorists
always equate dependency with underdevelopment. The causal
link between the two has not been established.
Specifically, this inability can be shown in two areas.
First, there are countries which have been able to
industrially develop which were supposedly in the periphery.
Secondly, there are countries which would be classified as
being highly dependent upon foreign investment, trade, and
technology but are clearly not peripheral states.

Addressing the first of these two areas, how have
countries such as Canada, Australia, and Taiwan achieved
industrialization and a capital intensive economic
structure? Dependency theorists point to the effects of the
colonial infrastructure present in most peripheral countries
as the influencing factor in these cases. In this
explanation, the structure of a country which was once a
colony remains even after independence. The exporting raw
material industry, with an infrastructure which was designed
to support this type of economy, remains. Also, the
relationship to the former colonial power remains.
The neo-colonial State may be obliged to take the manufactured products of the imperialist power to the exclusion of competing products from elsewhere. Control over government policy in the neo-colonial State may be secured by payments towards the costs of running the State, by the provision of civil servants in positions where they can dictate policy, and by monetary control over foreign exchange through the imposition of a banking system controlled by the imperial power. Where neo-colonialism exists the power exercising control is often the State which formerly ruled the territory in question.42

Alternatively, countries such as South Africa and Japan have never endured the true colonial exploitation which occurred in most peripheral countries. Because of this, these countries did not have to overcome a structure created by colonialism and maintained by the relationship between the elites in the periphery and the elites in the core. Yet, there are many countries in the periphery which have not endured colonialism to any significant degree and whose domestic structure is not derived out of colonialism. As Martin Staniland has pointed out:

Ethiopia, Liberia, and Thailand (none of which suffered under prolonged colonial rule) have not, according to conventional indicators, done any better at vanquishing underdevelopment than such victims of imperialism as, Kenya, the Ivory Coast, and Singapore.43

Colonial rule cannot definitely be the cause of dependent underdevelopment as long as dependent underdevelopment is

42 Nkrumah, p.ix-x
43 Staniland, p.126
not limited to ex-colonies.

Under the dependency theorist's conception of dependence, industrialization of any country, which is under the yoke of the capitalist world system, is virtually impossible without cutting the exploitive ties with the core countries. Autonomy of the country from the world market is the necessary condition to end the exploitation of the core.

Since the periphery was doomed to underdevelopment because of its linkage to the center, it was considered necessary for a country to disassociate itself from the world market and strive for self-reliance. To make this possible a more or less revolutionary political transformation was necessary. As soon as the external obstacles had been removed, development as a more or less automatic and inherent process was taken for granted.44

To address the second area which I feel shows the incapacity of dependency theory to adequately explain manifestations resulting from conditions of interdependence, dependency theory's aptitude for explaining the dependence of nations, such as Canada, Belgium, Australia, and Denmark, who are not classified as peripheral states,45 but whose reliance on foreign investment, trade, and technology is as

44 Blomstrom & Hettne, p.76


Amin also refers to Canada, Belgium, and Australia as core-type countries, (1976) p.136 & 327.

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great or greater than that of many peripheral countries, must be examined. The specific relationship of Canada's dependence on the United States will be examined in detail in chapter four.

Categorizing countries as dependent or non-dependent seems to be the hurdle which the dependency school cannot clearly cross. That dependency theorist cannot definitely provide a firm basis on why countries should be categorized as dependent or not.

One looks in vain through the theories of dependency for the essential characteristics of dependency. Instead one is given a circular argument: dependent countries are those which lack the capacity for autonomous growth and they lack this because their structures are dependent ones.\(^46\)

This clearly is the result of failing to define dependence and related concepts such as underdevelopment without any exactitude. Sanjaya Lall presents the most commonly used characteristics to classify dependent countries. These are;

1. A heavy penetration of foreign capital.
2. The use of advanced, foreign, capital-intensive technologies in a relatively small industrial sector
3. Specialization in exports of primary commodities or labor-intensive manufactures.
4. Elite consumption patterns determined by those of the advanced countries.
5. 'Unequal exchange', in various senses.
6. Growing inequalities in income distribution, and rising unemployment ('marginalization'), especially in

\(^{46}\) O'Brien, p.24

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urban areas.\textsuperscript{47} As Lall points out though these characteristics are not common to all supposedly dependent countries. Dependent or peripheral countries may exhibit some or all of these characteristics, but other countries which would be classified as non-dependent also exhibit some of these characteristics.\textsuperscript{48} Examples of this include Canada and Belgium. Each of these countries are characterized by a heavy penetration of foreign capital, which is the first characteristic above, and are highly dependent upon foreign capital-intensive technologies.\textsuperscript{49} A more detailed review of the conformity of Canada to these characteristics will come in chapter four.

Wallerstein's conception of a semi-periphery seems to be an attempt to overcome this fault. In essence he has attempted to create three categories of states instead of two: core, semi-periphery, and periphery. That those states which do not fit clearly within the core or the periphery are categorized as being semi-peripheral. Yet this conception has just as many flaws as dependency theory. There are no distinct characteristics which place states

\textsuperscript{47} Lall, p.803
\textsuperscript{48} Lall, p.803
\textsuperscript{49} Lall, p.804

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into any of these categories. Lall's argument on categorizing states, while not specifically directed at Wallerstein's theory, are uniquely appropriate here. As Lall states;

it appears that the dependence school is trying to pick off some salient features of modern capitalism as it affects some LDCs and put them into a distinct category of 'dependence.' While it has certainly made important and substantial contributions to the understanding of particular phenomena and of individual LDCs, its attempt to form a general category do not seem to have been successful. On static criteria, it would perhaps be more sensible to proceed in terms of a 'scale' of dependence than a discrete class of dependent countries.50

Since dependency's central assertion is that there is an overarching world capitalistic structure that governs all interaction within the global environment, then no clarification or understanding manifestations of international relations can be achieved unless the system, as a whole, is examined. Also, no individual part or bilateral relationship can be examined except in its relation to the global system. More importantly for dependency theorist, no worthwhile knowledge can be gained by examining bilateral relationships outside of their place within the system and the influence that system has upon them. Unfortunately though, a world capitalist system where everything is interconnected with each other is exceedingly

50 Lall, p. 806-807

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arduous to examine empirically because of the sheer complexity. In fact, dependency theorists seem to take refuge in this fact. Also, the intricacies of how the world capitalist system actually functions are conspicuously excluded from the writing of dependency theorists.

The actual mechanisms of dependency are seldom spelt out in detail. In the correct desire to avoid illegitimate isolation (a fault dependency theorists certainly cannot be accused of) they tend to lose the parts in the totality. Everything is connected to everything else, but how and why, often remains obscure.\(^5\)

To show that the holistic approach to interdependence contained within dependency theory is not sound, I feel it is necessary to discredit dependency theory's view that there is an overarching exploitive capitalist system by presenting a critique of this conception. Because the dependency school contains a vast body of differing theories, I feel it is beyond the scope of this paper to address each theory. I do feel, though, that most theories of the dependency school share some basic general assumptions and values. Therefore, it will be on the grounds of these commonalities which my argument will lie.

To discredit the assumption that there exists an overarching world capitalist system, alternative explanations to the causes of economic underdevelopment must

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\(^5\) O'Brien, p.23

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be examined. One of these possible alternative causes is economic imperialism, where large powerful states impose dependence on weaker neighbor states. By discrediting the existence of a world capitalist system, the implication that systemic determination controls all actors within the environment is also discredited. David Ray recognizes three inherent fallacies in the dependency model. The first of these fallacies is that dependency theorists discount the possibility that economic imperialism, and not a world capitalist system, is the primary cause of the dependence of states. As Ray states, the dependency model;

claims that dependency is caused by the economics of capitalism. In making this claim, the dependency theorists consciously choose to ignore an equally plausible and much more comprehensive explanation, and they do so on a shallow and patently illogical pretext. ²²

The 'more comprehensive explanation' which Ray speaks of here is economic imperialism, whether capitalist or not. What Ray is trying to show here is that large powerful nations have always imposed economic dependence on their weak neighbors. That economic imperialism has existed in precapitalist international relations as well as modern socialist international relations. He shows that the Soviet Union has imposed economic imperialism on its smaller

²² Ray, p.7

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satellite nations, particularly Hungary and Romania. While he shows that, like dependency theory, economic imperialism theories have not been truly verified, they are dismissed out of hand by dependency theorists even though they may have equal or better explanatory ability than does dependency theory.

To further add to this criticism of the conception of a world capitalist system, I feel it is necessary to examine more closely the economic exploitation by the Soviet Union of its weaker socialist neighbors. If it can be shown that economic imperialism exists clearly outside of the supposed capitalist world system then I feel this will cast doubt on the existence of this overarching capitalist system. That by showing that there may not necessarily be a strong connection between the economics of capitalism and dependence, the claim that the capitalist system is the governing force in all relations in this environment may be discredited. By doing this, I feel that it will strengthen the argument that interdependence should be viewed in terms of bilateral and multilateral state specific relations.

Soviet economic imperialism of its east bloc neighbors has been just as real and persistent as United States economic imperialism of Latin America. It is true that these are distinctly different situations, but the
commonalities between the two are considerable. The evidence for Soviet economic imperialism in the post war period can be seen in three areas. The first was the creation of mixed Soviet and satellite country enterprises contained within the satellite country. These enterprises were basically joint venture enterprises where the Soviet Union controlled the enterprise through unfair valuations of investment. The Soviets used these joint venture enterprises to restrict development which was not in their interest. Most importantly these enterprises were used to extract surplus from these satellite countries.\(^53\) This is most strikingly shown by the attempt to place these enterprises into Yugoslavia after the second world war. Barratt Brown shows that Tito refused to let these enterprises into Yugoslavia, because he recognized them as extracting mechanisms. Brown goes to the extent of claiming that these enterprises were used against former enemies of the Soviet Union to extract war reparations, which is supported by a quote of Joseph Stalin who said that these enterprises were 'unsuitable for Yugoslavia and should only be established in former enemy countries'.\(^54\)

The second area in which Soviet economic imperialism

\(^{53}\) Brown, M., p.294

\(^{54}\) Brown, M., p.294
can be seen is in price discrimination by the Soviet Union against its satellite states. Here Franklyn Holzman states that;

Utilizing Soviet foreign trade data, Dr. Mendershausen compared the prices (average unit values) of Soviet exports to and imports from other Soviet bloc nations and Western Europe, respectively, for 1955 to 1959. He found that there was a tendency for the Soviets to charge more for exports and pay them less for imports in those instances in which the bloc and Western Europe both bought or sold similar commodity categories from (to) the USSR.\footnote{Holzman, p.44}

Brown also shows that price discrimination was a "bitter complaint of the Poles and the Hungarians against the Soviet Union in 1956."\footnote{Brown, M., p.294}

The final area in which the Soviet economic imperialism of its satellite states can be shown is the use of the Comecon, the council on mutual economic assistance, by the Soviet Union and the more affluent members of the bloc, to implement a pricing structure more favorable to that of the Soviet Union. As Brown points out, the Soviet Union and the more developed members of the bloc, such as East Germany and Czechoslovakia, would use "capitalist world prices as a basis for bargaining rather than prices based on production costs inside the bloc."\footnote{Brown, M., p.295} Frederic Pryor shows that
Bulgarian economists complained that intra-Bloc prices should be based on production costs because "Capitalist market prices are not 'equivalent' and they caused inequities within the CMEA Bloc when they were employed." Furthermore this type of price structure based on Capitalist world prices would "tend to perpetuate the backwardness of the underdeveloped countries and to conserve the old economic structures inherited from the domination of monopolistic trusts." The reason why these Capitalist world prices supposedly had this effect was that various states within the bloc had different levels of technological development and therefore their production costs differed. The remedy proposed by the less advanced countries was to base prices on production costs.

Clearly some form of economic imperialism existed within the Soviet bloc. While this imperialism is not of the same type as that between the United States and Latin America, it does have some remarkable similarities. The overall exploitation of the dominant members within the bloc over the weaker members does show that a similar form of dependence can exist outside a capitalist world system.

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58 Fryor, p.157
59 Montias, p.32
60 Brown, M., p.295

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That the existence of a capitalist world system of exploitation may in fact be a misconception, because clearly exploitation of the weak by the strong is evident across capitalism's boundaries.

Clearly it cannot be demonstrated that dependency theory is totally valid or invalid. The theory's acceptance reflects strength of argument and some compelling tenets of the theory. What I am attempting to do here is show that the theory has some faults which make it less appropriate for the study of interdependence than other theories. Primarily these faults are the inability of the theory to clearly demonstrate that study should by conducted at the systemic level and that the world capitalist system governs all relations between actors in the global environment. If the theory cannot definitively demonstrate that this is the best method, or even a marginally productive method, to study conditions of interdependence, then effort in the study of interdependence should be directed into an alternative direction, if there is an alternative theory which seem more productive in gaining knowledge on conditions of interdependence.
2.4 Conclusion

While not all holistic theories focus exclusively on the system as a whole and completely ignore all of the component parts, most holistic theories believe that true understanding of international phenomena hinges on the recognition of the whole as more important than the component parts. The sheer complexity of studying a global system, where everything is interconnected with everything else in the system, presents a truly perplexing problem. The examination of this highly interconnected global environment seems to be not only arduous but virtually impossible. Without clearly presenting that knowledge gained from studying bilateral relationships apart from their place in, and influence by, an overarching system is misleading and erroneous, there does not seem to exist a sound argument for the superiority of holism or the prospect of it to produce useful insight into conditions of interdependence in the future. The complete disregard for the autonomy of the individual units in the global environment, especially in the case of the nation-state, which remains the dominant actor in international politics, is unsupportable and a grievous error on the part of holist theorists. As I will show more clearly in the following
chapter, I feel that by studying bilateral relationships outside of their place in an overarching system not only produces fruitful insight into conditions of interdependence but in fact may derive information which has greater validity than information derived from systemic analysis.

The definition of interdependence within holistic theories seems to be completely obscured by their inability or unwillingness to develop their theory. As I stated at the outset of this endeavor, for the explanation of international phenomena resulting from interdependence to be examined, definitional specificity must be achieved. The definitions of dependence and asymmetrical interdependence are not developed enough to facilitate the examination of the interrelationships present in an environment of complex interdependence or their impact.

Undoubtedly, the holistic approach to the study of interdependence has some imperfections. The true holistic approach, with its exclusive focus on an overarching global system, does not have much capacity to add understanding to the phenomena of interdependence, mainly because of the definitional obscurity present within most theories. The only theories within this holistic approach which seem to add insight into the explanations of the manifestations of interdependence are those theories which accept that, to
some extent, the individual units within the system can be studied to some degree outside of their place within the greater system. While these inadequacies are not denied by most versions of holism, they do not exempt holism from being judged. Simply, if there are other approaches to the study of the politics of interdependence, which present a more productive method for gaining knowledge of the conditions of interdependence, then effort should be directed into these alternative directions.
Chapter Three

3.0 Introduction

A more rudimentary approach to the study of interdependence, than the holistic approach, is the state-based approach to interdependence. Unlike the holistic approach to interdependence, the state-based approach does not envision an overarching world system which must be analyzed to capture a true understanding of interdependence. All theories within this approach suggest that by studying bilateral and multilateral relationships knowledge about the politics of interdependence can be gained.

What I will attempt to do in this chapter is, again, to outline the varying definitions of interdependence within this approach and to determine if the theory has definitional clarity. Following this, I will examine the approaches' ability to add insight into the phenomena of interdependence.
3.1 State-Based Approach to Interdependence

The following discussion assumes that interdependence should be viewed in terms of state to state relationships. The state-based approach, as discussed below, seems to be the dominant approach to the study of interdependence, in that it has led to the most extensive and clearest explanations of the phenomena of interdependence. Insofar as the state-based approach, unlike realism and holism, actually examines specific interdependencies between states. The state-based approach to interdependence is less a group of theories, like realism and holism, than it is a compilation of practices to study interdependence. Apart from a few theorists, such as Keohane and Nye, those who study interdependence in the state-based tradition do not necessarily subscribe to the specific tenets of an established theory. Yet, they do share some basic assumptions and methods in the study of interdependence. The following discussion will attempt to show some of these basic commonalities so as to present a foundation for the examination of definitional clarity contained within this approach. The specific theories of Keohane and Nye will be addressed in detail because they present the best effort to develop a framework for the study of interdependence on the
state level. Because much of what I address within this chapter relies upon many of the arguments of Keohane and Nye, I do feel it is necessary to show where I object to some of these arguments.

3.11 Keohane and Nye's Systemic Focus

While it is evident that much of what Keohane and Nye address is in the area of bilateral relationships between states, they do conceptualize an overall system of interaction in a global environment of interdependence. Their theory is not as concentrated as dependency theory in the area of an overarching system but they are quite earnest in their assertion of a global system of interaction. The reason for this division between interdependence theorists and dependency theorists is clearly the fact that dependence theorists wish to explain inherent inequalities between states as a result of a global system, while state-based theorists generally examine the relationships between affluent industrialized states where few asymmetries exist. Therefore, since the system is not examined as the cause of any great single manifestation in the world environment by state-based theorists, the holistic emphasis becomes somewhat diluted.
As will be shown below, Keohane and Nye's definitions of interdependence are very well developed and represent one of the best attempts to clarify the concept of interdependence, but the ability to apply these definitions at the systemic level is unclear. Keohane and Nye discuss very clearly the interdependencies within bilateral relationships, but when these conclusions are extrapolated to the systemic level they are unsupported.

It is very clear, even to Keohane and Nye, that they have not developed a theory which is able to explain the manifestations of international politics that are the result of systemic interdependence. They state that "we do not claim, therefore, to have developed a general theory of world politics under conditions of complex interdependence" and that "our systemic models alone are not adequate to analyze the politics of interdependence." This inability to explain phenomena which result from an overarching system of interdependence is not necessarily the fault of these holistic theories themselves, but are most likely the result of the sheer complexity of a world environment in which everything is interlinked and there is a multiplicity of actors within the system. They do

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61 Keohane & Nye, 1977, p.224
62 Keohane & Nye, 1977, p.224
recognize that much more has to be done to analyze the systemic phenomena resulting from complex interdependence. Unfortunately, without further development of their theory it can have little strength of argument. Therefore, to extrapolate this type of systemic view of interdependence to explain an infinite variety of ramifications of complex interdependence, such as world peace and the complete decline of power as military capability, is clearly a fallacy. As shown earlier, this type of endeavor is one of the major inhibitions to progress in the study of interdependence.

3.12 Bilateral and Multilateral Study of Interdependence

The state-based approach to interdependence examines the manifestations of relationships between two or more states with no real concentration on an underlying structure of a world system. For example, examining the relationship between the United States and Brazil would not exclusively focus on an overarching world system and its control over the behavior of these states, such as the capitalist world system that dependency theorists envision, but instead would examine the relationship as a single entity. The reason for this is that state-based theorist do not necessarily
discount the existence of a world system but they believe
that knowledge can be gained by examining bilateral
relationships. State-based theorists dismiss the claim that
just examining the component relationships within an overall
system leaves out conditions and manifestations which can
only be understood if the system as a whole is examined.

In examining world economic interdependence, some
holists make the mistake of examining the individual
interdependencies between two states and then extrapolate
these findings to world economic interdependence. This
seems very inappropriate and short sighted. As Jones
states;

The costs involved in the disruption of various
patterns of international trade may be quite different
in type and intensity when one form of society is
compared with another. 63

This also seems to hold in the focus on regional, or group-
to-group, interdependence. According to the state-based
approach, interdependence must be understood in terms of a
single relationship between two actors. While the costs
involved in the relationship seem to be applicable to other
relationships, they are in fact state specific, in that the
actors in the situation differ in their ability to manage
the effects of dissociation. Therefore, efforts to

63 Jones, R. J., p.29

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understand interdependence should not be directed towards a holistic view of interdependence. Theorists should not focus on state behavior in terms of global interdependence, because no single theory, that has the ability to add insight into the phenomena, can account for every relationship in the system when just looking at the whole.

3.2 Definitional Clarity within the State-Based Approach

The differentiation of the degrees of meaning is of paramount importance when defining the concept of interdependence. Within the state-based approach, there seems to be four distinct conceptions which are used to classify interstate relationships: simple interconnectedness, symmetrical interdependence, asymmetrical interdependence, and integration. All of these conceptions hinge on the magnitude of costs involved in dissociation of the relationship to each actor involved. That, by terminating a relationship with another state, that state must look within or elsewhere for the products, services, and information that was once supplied by the first state. Also, that producers within the state must look elsewhere for markets for their product, thus adding to the cost of dissociation. As Arad, Hirsch, and Tovias
state, "costs of dissociation are strictly defined as the change in national income following dissociation."64

Careful attention to the cost of dissociation of a relationship is the foundation for classifying a relationship in the categories above.

Unfortunately though, the concept of costs, in reference to the relationship between states, is ambiguous in itself. Therefore, since this is the cornerstone in determining the intensity of the relationship, the nature of costs must be clarified.

R.J. Barry Jones makes the distinction between costs which are incurred through maintaining a relationship and costs which result from the disruption of a relationship. On the one hand, an interconnected relationship may involve high maintenance costs but no or few costs if the relationship is disrupted. On the other hand, a relationship which involves high cost if the relationship were disrupted is clearly a form of interdependence. Jones shows that this latter relationship is characterized by real persisting vulnerabilities.65

Robert Keohane and Joseph Nye's analysis of costs and interdependence focuses on the distinction of

64 Arad, Hirsh, & Tovías, p.27
65 Jones, R. J., p.25-26
interdependence as either 'vulnerable' or 'sensitive' interdependence. Keohane and Nye define sensitive interdependence as the "liability to costly effects imposed from outside before policies are altered to try to change the situation." Therefore, the incurred costs imposed by an external event will end after policies are changed. The differentiation of sensitive interdependence and interconnectedness appears unclear, however.

Sensitivity interdependence for Keohane and Nye is, therefore, a form of interconnectedness in which the relevant international linkages cause a notable degree of mutual responsiveness and/or a form of short-term vulnerability to external developments and/or pressures.

Interconnectedness can be basically defined as a relationship which has high maintenance cost but little or no costs if the relationship is disrupted. Clearly sensitive interdependence, as defined by Keohane and Nye, also has few costs of dissociation, if the costs of dissociation are negligible after policies of the state are changed in response to the outside influence. Therefore, the clarity and usefulness of this new concept does not seem to be apparent. For in fact, a new label for an old concept

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67 Jones, R. J., p.23
68 Jones, R. J., p.24
can do little to alleviate the murkiness present in the study of interdependence. Also, by labeling this type of relationship as interdependent and not interconnected may in fact contribute to misunderstanding, for the relationship does not include any real dependencies.

Vulnerable interdependence on the other hand, seems to be a more distinct and usable concept in the study of interdependence. Keohane and Nye define vulnerability as "an actor's liability to suffer costs imposed by external events after policies have been altered." This definition includes all levels of interdependence and types of interdependence, symmetric and asymmetric.

Before moving on to the final connotation of interdependence contained within the state-based approach, integration, it is necessary to examine the differences between symmetrical and asymmetrical interdependence. Again we move back to the conception of costs. In cases where the costs of dissociation are evenly balanced between the participants, that is, they affect each participant equally relative to their individual overall welfare, the character of the relationship can be termed symmetrical or perfectly mutually dependent. Alternatively, in cases where the costs of dissociation are not evenly balanced between the

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69 Keohane & Nye, 1977, p.13

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participants the character of the relationship can be termed asymmetrically dependent. No real relationships lie on either of these extremes and are therefore characterized by some degree of asymmetry. The interaction between states in an interdependent relationship generally revolve around these asymmetries. It is truly these asymmetries which make up the politics of interdependence. As Keohane and Nye expound:

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.⁷⁰

While the conception of asymmetrical interdependence is useful in the study of interdependence, I feel that characterizing a relationship between two states as symmetrical or asymmetrical is a fallacy. Components of a relationship between states can be examined in this context, but the overall relationship should not be classified as symmetrical or asymmetrical. A good example of why this should not be done is the relationship between the United States and Saudi Arabia. On nearly all components of trade and in most issue areas the United States would clearly be seen as dominant in this relationship and, therefore, the

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⁷⁰ Keohane & Nye, 1977, p.10-11

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association would be classified as asymmetrical. However, the overwhelming importance of one single unit of trade, oil, clearly invalidates this conclusion. Asymmetries must be examined relative to specific issues or components of trade. Otherwise spurious conclusions about the character of the relationship will be derived.

The final degree of interdependence which is commonly incorporated under this broad term is integration. In his discussion of interdependence Kenneth Waltz states a definition of high interdependence, which is:

If interdependence is really close, each state is constrained to treat other states' acts as though they were events within its own borders.\(^1\)

As I have shown earlier, this seems to be more a definition of integration than interdependence. In the discussion of state behavior integration does not in fact need to refer to the unification of two states but that certain elements of a state, such as economic, social, or political elements, have become unified. Two or more states which have been unified in all elements is unquestionably irrelevant to the discussion of interdependence because the unit of study here is the nation-state and its behavior, not the domestic or internal policy of a single political unit.

As shown above, the definitions of interdependence and

\(^1\)Waltz, 1970, p.220

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related concepts are directed at the specific study of the interdependencies within a bilateral relationship. That, all definitions refer to costs involved in the relationship between two states and the costs of dissociation of this relationship. The above analysis has discussed definitions which are used to classify relationships as interdependent or not. State-based interdependence theorist do not terminate their analysis after the recognition and classification of a relationship as interdependent in some form. Once recognition of an interdependent relationship is made, analysis proceeds in a distinctly different manner. What I will show below is how state-based theorists analyze these interdependencies and their effects after the recognition of a condition of interdependence.

3.3 State-Based Analysis of Conditions of Interdependence

The state-based approach to the analysis of interdependence can be generally characterized as a perspective which focusses on the complex interdependence of industrialized affluent states and how this complex interdependence affects the behavior of these states within the global environment. This is not to say that this approach cannot be applicable to relationships which involve
less developed nations, but that generally this is the area of concentration of state-based theorists because of the relatively high interconnectedness of these states. This perspective sees the nation-state as the primary unit in international politics, but that it is not the only significant actor. Countries are seen as linked in many ways and therefore there is a multiplicity of interests. The state is not best suited for acting within every issue area. There are other actors, such as transnational business enterprises, which are more fully capable of acting within certain spheres of interaction. This theory also seriously questions the influence of power, in the form of military capability, as the only instrument for achieving the goals of the state. Instead, the increasingly complicated interdependence of states has created an environment where force ceases to be the primary instrument for achieving the goals of the state and also where the desirability of using force in most circumstances is diminished. Robert Keohane and Joseph Nye conceptualize this type of world where;

actors other than states participate directly in world politics, in which a clear hierarchy of issues does not exist, and in which force is an ineffective instrument of policy.\footnote{Keohane & Nye, 1977, p.24}
Understanding the concept of power as more than military capability is the key to the interdependence theorists' explanations of international phenomena.

Power, as I have shown earlier, is the ability of one actor to alter the actions of another actor contrary to what the second actor would normally have done. On the one hand, realists see power as a function of actual and potential military capability. According to Waltz, "to be politically pertinent, power has to be defined in terms of the distribution of capabilities." On the other hand, interdependence theorists distinguish different forms of power as military, political, and economic. The use of power in any or all of these forms depends upon the issue at hand. The use of force or threat of force to achieve desired results for all issues is not only inappropriate but a fiction in the real world. The concept of power is not abandoned in the state-based approach but in fact becomes more refined. Martin Staniland also addresses the state-based approach but outside the strict context of the study of interdependence. He refers to theories such as Keohane and Nye's as being contained within the interdependence school of the study of the international political economy. As Staniland states:

72 Waltz, 1979, p.192

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Interdependence theory thus discounts the brutal simplicities of realism without discounting (as liberals have) the equally brutal reality of power.\textsuperscript{74}

Economic power, mainly in the control of resources, accounts for much of the interaction between actors in many different issue areas. It is this recognition of issue areas, where economic influence is the most appropriate means for achieving desired outcomes, that interdependence theorists place their greatest attention.

3.31 Issues and Issue Areas

Study of interdependence is best accomplished by dissecting an aggregate relationship into smaller parts, namely issue areas, where the nature of power and its effectiveness is specifically relevant to the affairs at hand. Ernst B. Haas defines issues as "items that appear on the agenda of negotiators."\textsuperscript{75} In other words, issues mainly arise out of conflict, in that they are the result of disagreements which have to be resolved through negotiation. Where actors pursue policies which do not conflict with the goals of others there is no reason for negotiation. If two

\textsuperscript{74} Staniland, p.112

\textsuperscript{75} Haas, p.364
or more actors are in agreement, or are in harmony without agreement, then no effort need be made to interact. Examples of issue areas include standards for marine pollution, dimensions of territorial sea zones, whether there will be fixed, flexible, or floating currency exchange rates, and limits on trade barriers. According to Haas issue areas are "a recognized cluster of concerns involving interdependence not only among the parties but among the issues themselves."76 Here, certain issues are inherently linked together because of the commonality of elements within these issues. For example, the international oceans management issue area. This area includes component issues such as fishing, oil extraction, research, and pollution.

According to the state-based approach, there is a multiplicity of actors who act within the different issue areas. Each relationship must be dissected to determine which type of actor dominates the interaction. The state-based approach asserts that the rise of the transnational business enterprise and supranational organizations have created an environment where the nation-state is not the only actor in international politics. and may in fact not be the most dominant actor, especially in certain issue areas. Accordingly, in the environment of complex interdependence,

76 Haas, p.365

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the nature of power changes in relation to the issue area and the type of participants involved. As Staniland asserts:

the international world has to be seen as one of complex interdependence, in which the nature and effectiveness of power vary according to what the issue is, how other issues and priorities are related to it by the participants, how skillfully the participants bargain, and how well they can bring into play resources and inducements unrelated to those engaged initially.  

Keohane and Nye view the global environment as composed of many different state and non-states actors. Each of these actors dominate interaction in certain issue areas. While no single actor is completely excluded from participating in the interaction within specific issue areas, no single actor dominates all interaction within all issue areas. Therefore, the nation-state is no longer seen as the dominant force in the interaction on all issue areas as realists conclude.

As military force is devalued, military strong states will find it more difficult to use their overall dominance to control outcomes on issues in which they are weak.  

Because the issue area is central in the explanations of state-based interdependence theorists, international

77 Staniland, p.112
78 Keohane & Nye, 1977, p.30
economic relations are seen as a great determinant of state behavior. Regimes provide the forum and rules for interaction on many issue areas.

Regimes, as defines by Haas are,

norms, rules, and procedures agreed to in order to regulate an issue-area" where "norms tell us why states collaborate; rules tell us what, substantively speaking, the collaboration is about; procedures answer the question of how the collaboration is to be carried out." It is within these regimes where interaction in areas of conflict take place. Therefore, it is mainly in the study of the functioning of actors within these regimes in which the dynamics of conditions of interdependence can be examined.

3.32 Issue Linkage

The idea of issue linkage is of foremost importance to state-based theorists. Issue linkage is basically a means of tying together the outcomes of two issue areas. That by linking together issues where one state is strong and issues where that state is weak, the state can achieve desired outcomes in both areas. For example, a militarily strong state can use its dominance in that area to influence the

79 Haas, p.358
outcomes on other areas such as fishing rights. State-based theorists of interdependence contend that in an environment of complex interdependence, where force is devalued, it becomes difficult to link military security to other issue areas.

Under complex interdependence, such congruence is less likely to occur. As military force is devalued, military strong states will find it more difficult to use their overall dominance to control outcomes on issues in which they are weak.\(^8\)

A state which has overall economic dominance in an environment of complex interdependence may also have obstacles to linking issues where that state is dominant economically to other areas where it is weak. There are two main reasons for this inability, as outlined by Keohane and Nye. First, because there is a multiplicity of actors within each state which act within the relationship, it becomes difficult to persuade one actor to exchange its interest for the interest of another actor.

Economic linkage by the strong is limited by domestic, transnational, and transgovernmental actors who resist having their interest traded off.\(^9\)

Secondly, because there are differing types of actors which interact within many different types of arenas and organizations, it becomes increasingly difficult to tie the

\(^8\) Keohane & Nye, 1977, p.30

\(^9\) Keohane & Nye, 1977, p.31

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actors together.

Furthermore, the international actors may be different on different issues, and the international organizations in which negotiations take place are often quite separate. Thus it is difficult, for example, to imagine a militarily or economically strong state linking concessions on monetary policy to reciprocal concessions in oceans policy.\textsuperscript{82}

Alternatively, weak states which have a less complex group of domestic interests, thereby limiting the number of types of actors participating in negotiations, are less constrained to link issues. Thereby, these states are able to link unrelated issues to extract concessions or side payments from rich and powerful states. Also, the instruments for linkage differ for weak and powerful states. A common notion, especially amongst realists, is that powerful states use military force as an effective instrument for linkage. Yet, military force is usually prohibitively expensive to use and, therefore, becomes a unproductive means of achieving desired goals. Alternatively though, weak states use international organizations as the primary instrument for linkage, which is inexpensive and a productive means for achieving desired goals.\textsuperscript{83}

\textsuperscript{82} Keohane & Nye, 1977, p.31

\textsuperscript{83} Keohane & Nye, 1977, p.31
3.4 Conclusion

Within this chapter I have attempted to achieve two goals. First, to outline the basic tenets of the state-based approach to the study of interdependence. Second, to examine the ability of the approach to add insight into the phenomena resulting from conditions of interdependence. To achieve the second goal, I have focussed my effort in two areas.

First, the definitional clarity contained within the approach has been explored. As I have shown earlier, it is critical for a theory to have definitional clarity before the concepts included can be utilized. From this first analysis I hope to have shown that the definitional clarity of the concepts used by state-based theorists is more than adequate. Because of this, their application is appropriate.

The second area in which I directed my effort to examine the ability of the state-based approach to add insight into conditions of interdependence was to explore the method by which state-based theorists examine bilateral and multilateral interdependent relationships. While an examination of the approach in a specific relationship, Canada-United States, will be conducted in the following
chapter, it has been shown here that the method of analysis and the basic assumptions of the state-based approach seem sound.
Chapter Four

4.0 Introduction

The purpose of this chapter is to evaluate the ability of each of the approaches, addressed in the previous chapters, to illuminate the politics of interdependence within the relationship between two individual states, specifically the United States and Canada. This examination will not be an attempt to present a comprehensive analysis of the ability of each approach to add insight into all facets of the United States-Canadian relationship, but will attempt to show, through limited example, where each approach has inadequacies, or strengths, in dealing with the politics of a specific relationship. I have intentionally chosen the United States-Canadian relationship because it seems to have, at face value, a high degree of interdependence. Since I am examining which of these approaches is best at providing explanatory ability into conditions of interdependence, it would seem only reasonable to examine a relationship which seems to have a great degree of interdependencies relative to other bilateral state relationships within the global environment. Simply, I wish
to show which approach is most helpful in explaining the politics within interdependent relationships. I hope to show that the approaches of holism and realism are not genuinely helpful in this endeavor. That the outcomes of conflicts within this interdependent environment are not predicted well by these approaches.

4.1 Realism’s Explanation of the Politics within the U.S.-Canadian Relationship

As I have shown in chapter one, the realist approach to the study of interdependent relationships is quite simplistic, in that realists recognize only one type of significant actor, the nation-state, which dominates all interaction within the global environment and thereby allowing only one method of interaction which is based on state power relationships. Because of this, the evaluation of any relationship is also simplistic. The states involved merely attempt to advance their goals through the exercise of power, as military capability. All actions by states are governed by their perceptions of other states’ power. Force, threat of force, or perception of force are the primary means by which states interact and resolve conflicts.
Therefore, this rudimentary conception of the global environment creates a framework of examination where the evaluation of relationships is also very simplistic. The evaluation of the Canadian-U.S. relationship would begin by determining each state's power. If one state has a preponderance of power capabilities relative to the other state in the relationship, the first state will dominate on the outcomes of all conflicts.

What I wish to do in what follows is to evaluate the Canadian-U.S. relationship within this realist framework. The purpose of this is to show the weakness of the realist approach by specifically showing that, within the conditions of a specific interdependent relationship, realists are incapable of explaining a distribution of gains which favors the weaker country within the relationship.

4.2 United States' and Canada's Power Capabilities

Realists define a state's power primarily in terms of military capability and potential military capability. Economic strength can comprise a state's power but only to the extent that it can be transformed into military capability. Therefore the best indicator of the degree of power the United States and Canada possess is their
individual aggregate military force at a specific time.

The United States' and Canada's national defense outlays from 1978 to 1988 are as follows:

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>United States' Defense Outlay(\textsuperscript{d})</th>
<th>Canada's Defense Outlay(\textsuperscript{e})</th>
</tr>
</thead>
<tbody>
<tr>
<td>1978</td>
<td>104.495</td>
<td>4.792</td>
</tr>
<tr>
<td>1979</td>
<td>116.342</td>
<td>4.550</td>
</tr>
<tr>
<td>1980</td>
<td>133.995</td>
<td>4.950</td>
</tr>
<tr>
<td>1981</td>
<td>157.513</td>
<td>4.785</td>
</tr>
<tr>
<td>1982</td>
<td>185.309</td>
<td>5.355</td>
</tr>
<tr>
<td>1983</td>
<td>209.903</td>
<td>5.720</td>
</tr>
<tr>
<td>1984</td>
<td>227.413</td>
<td>6.067</td>
</tr>
<tr>
<td>1985</td>
<td>252.748</td>
<td>6.178</td>
</tr>
<tr>
<td>1986</td>
<td>273.375</td>
<td>n.a</td>
</tr>
<tr>
<td>1987</td>
<td>282.246</td>
<td>7.180</td>
</tr>
<tr>
<td>1988</td>
<td>297.550</td>
<td>7.770(\textsuperscript{e})</td>
</tr>
</tbody>
</table>

In addition to the sheer disparity between these two countries in their respective defense spending, the United States clearly has an overwhelming military superiority in virtually all areas;

\(\textsuperscript{d}\) Figures in billions of U.S. dollars.

\(\textsuperscript{e}\) Figures in billions of U.S. dollars.

\(\textsuperscript{e}\) O'Neill, p.13-59
<table>
<thead>
<tr>
<th></th>
<th>United States</th>
<th>Canada&lt;sup&gt;87&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active Military</td>
<td>2,158,000</td>
<td>84,600</td>
</tr>
<tr>
<td>Personnel</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reserves</td>
<td>1,152,700</td>
<td>21,300</td>
</tr>
<tr>
<td>Ballistic Missiles</td>
<td>1640</td>
<td>0</td>
</tr>
<tr>
<td>Tanks</td>
<td>13,300</td>
<td>114</td>
</tr>
<tr>
<td>Ships</td>
<td>438</td>
<td>50</td>
</tr>
<tr>
<td>Combat Aircraft</td>
<td>7,719</td>
<td>203&lt;sup&gt;88&lt;/sup&gt;</td>
</tr>
</tbody>
</table>

From the above profile of these countries, it can be unquestionably seen that the United States has an overwhelming superiority of military capability. Considering the aggregate gross national products of each country, the United States' currently exceeding five trillion dollars per year and Canada's at around five hundred billion dollars per year,<sup>89</sup> the United States would most likely also have greater potential military capability. Therefore, it would follow, in the realist context, that the United States has a gross advantage in state power over Canada.

<sup>87</sup> Figures for year 1988
<sup>88</sup> O’Neill, pp.14-59
<sup>89</sup> Canadian Economic Observer, p.3 & 121
Given this conclusion of overwhelming advantage in state power by the United States, the realist would assume that the United States should dominate all interaction between these states and, in the event of any conflict, the United States would naturally succeed in forcing an outcome that is to its advantage.

Accordingly, to see if this conclusion is valid, and therefore to demonstrate the soundness of the realist approach to interdependence, examination of specific conflictual interaction between these states is necessary. For this purpose I have chosen three major conflicts between the United States and Canada where, given the rational of the realist approach, the United States should have clearly dominated the confrontation, but in fact where Canada achieved agreements which were closer to their objectives. Primarily what I wish to show is that, in an environment of interdependence, realist do not recognize the existence of other actors or their impact on the outcomes of conflicts between these two states. Within the following examples it will be demonstrated that within conflictual interaction between two interdependent states, there is a multiplicity of actors which have influence on the outcome. Furthermore, military capability is not an element which is linked to the primary issues involved. This endeavor is not designed to
disprove the validity of realist theory, but instead to simply show some failings which limit realist understanding of the politics of interdependence.

The first of these conflicts was the imposition of oil import quotas by the United States against Canadian oil. From the mid-fifties through the late sixties the United States Government repeatedly imposed import quotas on foreign oil producers to ensure that domestic American independent producers could be protected from cheaper foreign sources. Canada was able to get formal exemptions from the import restrictions in 1958, 1959, and 1962, partly through the efforts of multinational corporations and the Canadian oil industry's close ties to the American bureaucracy. 90 Clearly the outcome of this case is contrary to the logic of realist theory which would not recognize any other significant actor except for the state and would conclude that the United States would dominate in all conflictual interaction. The inability of the United States to link military supremacy to this issue shows that the realist contention that force, threat of force, or an actors perception of force is not the primary means by which goals are achieved. This conclusion also holds for the following two incidents.

90 Lloyd, p.82-91
The second conflict involved Canada's unilateral declaration of extended fishing zones in 1963 against the extreme objections of the United States. During the 1960 Law of the Sea Conference Canada pursued the goal of extended universal territorial sea zones for all states. This action, in essence, would have protected what Canada viewed as their traditional fishing zones. The proposal failed in 1960 and again in 1962 when the United States withdrew its support. As a result, the Canadian government unilaterally passed legislation in 1964 establishing a nine mile fishing zone extended on to Canada's three mile territorial sea. The United States government protested in earnest but eventually gave in and established their own nine mile addition of fishing zone. \(^91\)

The final incident occurred when in 1961 the United States requested that Canada join the Organization of American States (OAS) so as to strengthen the weak states of Latin America against Cuba and communism. Also, the United States hoped that Canadian membership would offset the bipolarity which often resulted between the United States and Latin America within the OAS. Alternatively, Canada wished to continue its strong ties with the Commonwealth and Britain, especially since Britain was nearing membership in

\(^91\) Saywell, 1965, p.200-201

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the European Economic Community. Canada viewed membership in the OAS as conflicting with these goals. Also, Canada recognized the bipolarity between the United States and Latin America within the OAS and did not want to be continually offending one or the other by voting for or against one or the other. Finally, Canada had always rejected the belief that Latin America was the exclusive interest of the United States and the western hemisphere. Joining the OAS would only reinforce this attitude and prevent non-hemispheric states from dealing with the problems of Latin America. In the end, Canada did not comply with the request of the United States to join the OAS. 

Clearly Canada has not achieved success in all conflicts with the United States, but it is also clear that they have achieved gains where realist theory would foresee imminent failure. Realism's assertion that within bilateral relationships where one actor has an overwhelming preponderance of power, that state will always dominate in all conflictual circumstances, is erroneous. Processes of political bargaining within conditions of interdependence are not fully, or even remotely, understood by traditional realists. Because of this, the realist approach to

Saywell, 1963, p.80-83
interdependence would seem to carry little weight of explanation or predictive ability.

4.3 Holism's Explanation of the Politics within the U.S.-Canadian Relationship

As I have shown in chapter two, the holistic approach to the study of interdependence predominately focusses upon an overarching world system, usually the capitalist world system, which governs all interaction within the global environment. Investigation of component relationships within the system, instead of investigation of the system as a whole, is inadequate for obtaining a full understanding of the politics of interdependence. As I have attempted to demonstrate earlier, dependency theory appears to be the most fully developed holistic theory for evaluating conditions of interdependence. Therefore, it is within this framework of analysis that I will attempt to show the ability of holism to explain the politics within the Canadian-U.S. relationship.

Examination of the Canadian-U.S. relationship presents some unusual problems with respect to dependency theory. First, at face value this relationship would seem to lie outside of the context for which dependency theory was
intended. Dependency theory is basically a response to modernization theory and is intended to show how the world capitalist system promotes the dominance of core areas, primarily located within affluent industrialized countries, over peripheral areas located within labor intensive less developed countries. Since Canada and the United States would both seem to lie outside the periphery, this relationship would appear to be outside the context of dependency theory. Wallerstein classifies Canada along with other states such as Norway, Finland, Italy, Australia, and New Zealand as all being within the semi-periphery. As I will show below, the arbitrary method used to classify these countries is one of the failings of the holistic approach. To discuss nations such as Canada as a whole may in fact be misleading in certain respects, since certain provinces within Canada may differ considerably in their character. Yet, since the focus here is state behavior, and both dependency and world-systems theory both focus on the exploitation of countries as a whole, it would seem inappropriate to reduce the level of focus in this discussion. Secondly, to address specifically a single relationship, Canada-United States, would be inappropriate to dependency theorist because much of the true

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Wallerstein, 1979, p.100

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understanding of the interaction within the global environment is excluded unless the system as a whole is examined. Also, the conclusions derived from the study of a single relationship warp or hide true understanding of the processes that are actually occurring within interactions and of the mechanisms which drive the interaction according to dependency theorists.

It is within these two problems, which seem to actually give dependency theory immunity from judgement through the examination of the U.S.-Canadian relationship, that I feel will show the greatest deficiency of dependency theory when examining a real concrete relationship.

As implied by the first problem, dependency theorist could take refuge from examining the Canadian-United States relationship for the simple reason that dependency theory was never intended to examine the relationship between two core countries. It is within this problem where one of the greatest criticism can be lodged against dependency theory. Specifically, the arbitrary classification of states as being core areas or peripheral dependent areas. What makes Canada a core country and what excludes it from being a peripheral dependent country?
4.4 Classification of Canada

Must the classification of dependent states always be a subjective process? I contend that there has to be some characteristics of a country which concretely place it within one or another of these classifications. Without this, how can any cause and effect pattern be identified. Philip O'Brien states that;

in a world of increasing interdependence it is important to know what makes a dependent country dependent. For clearly many countries have many of the characteristics of dependency. Canada is an obvious example of a dependent country, and yet Canada has also many of the characteristics of a developed country- high per capita incomes, and high levels of education, health, welfare and so on.  

As I have shown earlier, Lall presents what he considers the most commonly used characteristics to classify dependent countries.

(1) A heavy penetration of foreign capital.
(2) The use of advanced, foreign, capital-intensive technologies in a relatively small industrial sector.
(3) Specialization in exports of primary commodities of labor-intensive manufactures.
(4) Elite consumption patterns determined by those of the advanced countries.
(5) 'Unequal exchange', in various senses.
(6) Growing inequalities in income distribution, and rising unemployment ('marginalization'), especially in

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94 O'Brien, p.24

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urban areas.\textsuperscript{95}

As Lall points out, though, these characteristics are not common to all supposedly dependent countries. Dependent or peripheral countries may exhibit some or all of these characteristics, but other supposedly non-dependent countries also exhibit some of these characteristics. Also, each of these characteristics are judgement based. That each requires a value judgement to determine if a country exhibits one or more of these characteristics and to what extent they exhibit these characteristics. It would seem more appropriate to determine the degree to which a country is dependent or exploited and not to make these arbitrary categories or cutoffs which place countries as fully being within the core or periphery and therefore carry with them all of the implied consequences.

The classification of Canada as a dependent peripheral state is a highly subjective process. Each of the characteristics above could in fact apply to Canada and in varying degrees. As Lall points out, Canada is more dependent on foreign capital than say India or Pakistan.\textsuperscript{96} Also, the extent of foreign technology dependence can be judged as quite high within Canada.

\textsuperscript{95} Lall, p.803

\textsuperscript{96} Lall, p.803
The proportion of patents taken out by foreign corporations as compared to local ones is almost as high, or higher in Canada or Belgium as, say, in India or Brazil.  

Third, the specialization in exports of primary commodities has historically characterized Canada, both in its colonial relationship to Britain and within its relationship with the United States. Currently, for the year 1989, Canada exported approximately 83 billion dollars worth of primary goods and 54 billion dollars worth of finished goods.

Classifying countries as being within distinct categories based on characteristics which must rely on subjective judgements is a misleading and unsound practice. Since this is one of the common practices of dependency analysis, this approach in itself must be somewhat misleading. Exclusion of Canada from examination based on these subjective qualifications is unreasonable.

To demonstrate the second argument against holism's ability, that insight can be gained by studying individual relationships and actors outside of their place in the system, it is best to refer to the analysis of the state-based approach to interdependence below. In the following I

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7 Lall, p.804
8 Figures in Canadian dollar values.
9 Canadian Economic Observer, p.54
will show that by analyzing a bilateral relationship on a very specific level a small number of important insights are gained which are not distorted by the exclusion of the examination of systemic determinants.

4.5 State-Based Explanation of the Politics within the United States-Canadian Relationship

The state-based approach to the study of the politics of interdependent relationships is not a complete framework for analysis, rather it, in its current form, provides a direction for productive inquiry into conditions of interdependence. Through the analysis of issue area, the multiplicity of actors within the relationship, forums of interaction, and the distinct forms of power used, a sound understanding of the politics of interdependent relationships can be achieved.

Because of the above limitations of the approach, what I wish to do in the following is to, first, outline a specific conflict in detail between the United States and Canada and secondly to describe the symmetrical outcomes to conflictual interaction over time between these countries. The purpose of this is to show that by directing study into the areas directed by the state-based approach it can be
seen that there are more subtle causal elements which control interaction than are indicated by both realism and holism. Also, the influence of non-state actors becomes an important factor to the outcomes within interdependent relationship.

4.51 State-Based Explanation of a Specific United States-Canadian Conflict

As I have shown in chapter three, analysis of the politics of interdependent relationships within the state-based framework centers around specific bilateral or multilateral relationships. Unlike the holistic approach to interdependence, the state-based approach does not envision an overarching world system which controls all interaction and therefore must be analyzed to capture a true understanding of conditions of interdependence. The belief that genuine insight can be gained by studying specific relationships outside of the actors position in an overall world system is the cornerstone of the state-based framework.

As I have previously shown, the study of the politics within an interdependent relationship is best accomplished by dissecting an aggregate relationship into smaller parts.
namely issue areas, where the actors involved and the nature and effectiveness of power is specifically relevant to the affairs at hand. Because of this extreme dissection of the aggregate relationship, it would indeed be a herculean task to examine all conflictual instances, or issues, over the entire time period of an interdependent relationship. Also, it would be out of the scope of this current endeavor. What I will demonstrate, though, is that by using the guidelines of the state-based approach to interdependence, insight can be gained into the specific politics of an interdependent relationship. Therefore, what I wish to accomplish here is to simply examine a specific conflict or issue to show that by discerning the types and number of actors involved, the nature and effectiveness of power, and the forum under which the interaction takes place, a good understanding of the processes and mechanisms of interaction can follow. The conflict I have chosen to demonstrate this concerns an attack on Canadian jurisdiction of northern arctic waters by the United States. Specifically, the conflict involves events leading up to the establishment of a one hundred mile arctic pollution zone in 1969 by the Canadian government.

After oil discoveries on the Alaskan North Slope and the proven feasibility of shipping within arctic waters in the late sixties, oil companies such as Atlantic Richfield,
British Petroleum, and Humble Oil began to put increasing pressure on the Canadian government to provide information on ice conditions in the Northwest Passage to the U.S. east coast. Without waiting for the Canadian Government to conduct its own tests, Humble Oil decided to send a reinforced supertanker, the SS Manhattan, in 1968 through the Northwest Passage. The U.S. government supported the sea trial and decided to use this opportunity to test Canadian jurisdiction in these northern waters. To do this the United States, in what was intended to be viewed as a magnanimous gesture of good will, decided to send the U.S. Coast Guard icebreaker Northwind to accompany the SS Manhattan. The test of Canadian jurisdiction was the result of the fact that the U.S.C.G. Northwind was in fact a military ship. As such, the Northwind was required to request official permission from the Canadian Government when entering Canadian waters. Since the U.S. questioned Canadian jurisdiction, no such request was made. Canada requested to the State Department that the U.S. apply for permission. The U.S. declined to do so because if the U.S. applied for permission it would in fact be recognizing Canadian jurisdiction over the arctic waters. To attempt to diffuse the situation Canadian officials granted permission to use the waters without a U.S. request, thereby hoping
the United States would be acquiesced and finally recognize
Canadian jurisdiction in arctic waters.

The United States, however, failed to recognize
Canadian jurisdiction and in 1970 the Trudeau government
proposed the Arctic Waters Pollution Act. This act
essentially advanced Canadian commercial regulations to
zones extending up to one hundred miles off shore. The U.S.
government's reaction was swift in limiting Canadian oil
imports to the U.S. to 395,000 barrels a day and threatening
further reductions. The Canadians eventually passed the act
with very few compromises, which resulted in an even more
tense relationship between the two countries.\(^{100}\)

The situation was never truly resolved, but much of the
tension between the two countries was eased when the oil
companies decided to transport the oil in Alaska via a
pipeline instead of tankers. Also, the use of quotas
reducing Canadian oil imports as a means of achieving
American goals soon became a great impediment after the oil
shortages in the early seventies. While the issue was in
essence diffused over time, Canada still achieved a
substantial victory in gaining an outcome which is clearly
to their benefit and the United States detriment. It is
evident that even though Canada did have control of oil

\(^{100}\) Dosman, 1976a, p.34-56
resources which were essential to the United States after
the oil shortages of the early seventies, it is also evident
that Canada did take unilateral action against the interests
of the United States before they had a superior bargaining
position. It is also apparent that the United States did
not attempt to link their vast military capability in their
attempt to achieve a desired result.

To better understand the politics of this conflict, it
is first necessary to identify all the issues involved
including all unrelated issues which were linked to the
conflict. Clearly the main issue within this conflict is
Canadian sovereignty in arctic waters. Secondary issues
which are in the same issue area or were linked to the
conflict include United States and Canadian security linked
to the free movement of U.S. naval vessels, arctic
pollution, economic and social costs linked to arctic
pollution, decreasing Canadian oil exports linked to the
creation of a sea route for Alaskan oil, United States
energy self sufficiency linked to creation of sea route for
Alaskan oil, U.S. commercial shipping linked to a new route
for transporting goods, Canadian rights to minerals and oil
within arctic waters, enforcement and recognition of the Law
of the Seas Convention, authority of United Nations, etc.
There is undoubtedly a multiplicity of issues which can be
linked to one single conflict, but by determining the major ones as I have above, the type and number of actors involved in the conflict and the nature and effectiveness of power can be determined.101

The actors which are involved within this specific conflict are numerous. First, and foremost, the two most prominent actors are the respective governments of Canada and the United States. Other actors include the oil companies, environmental pressure groups, individual agencies of state bureaucracies, member nations of the Law of the Seas Convention and their respective bureaucracies, any nation which has an interest in the unilateral extension of territorial waters, commercial shipping companies, the United Nations, individuals, and others. As with almost all conflicts within interdependent relationships, there is a plethora of actors which have an interest and exert some influence within the conflict. Also, the national interest or that interest espoused by the central government of a country may not be the same as the individual interest of certain agencies within the bureaucracy. The national interest itself is a very ambiguous concept. Different agencies either view the national interest differently or manipulate their view of the national interest to further

101 Dosman, 1976a, p.34-56
their own individual goals. Because of this, and the fact that bureaucracies contact each other directly across national borders without going through state departments, these individual agencies and branches of government become independent actors within an interdependent relationship.\textsuperscript{102}

To determine the nature and effectiveness of power it is necessary to examine all types of actors and how they influence the outcome of the conflict. Within this conflict the greatest influence is exerted by actors within the categories of nation-states, interstate governmental actors, and interstate non-governmental actors, in that the primary actors were the respective governments of both countries, the bureaucracies and agencies within the respective countries, and the transnational oil corporations involved. Here I wish to show what the interests of each of the actors within these groups are and how they exert influence to control the outcome of the conflict.

Within the category of nation-state there are the State Department of the United States controlled by the executive branch, the Department of External Affairs of the Canadian Government controlled by Parliament, the congress and other agencies which have their own independent goals. Within the

\textsuperscript{102} Keohane & Nye, 1977, p.34-35
category of interstate non-governmental actors, the most influential are the transnational oil companies which had a definite interest in the outcome of this conflict. First the oil companies, Atlantic Richfield, British Petroleum, and Humble Oil all had a vested interest in attaining a route to transport newly discovered Alaskan oil to the United States east coast. Alternatively, the oil companies of Mackenzie Delta and Panarctic Oils Limited (which were 40% owned by the Canadian government), controlled Canadian oil and therefore had a vested interest in preventing the oil self sufficiency of the United States, opposed the use of the Northwest Passage for the transport of oil. The main international governmental actors were the United Nations, with its vested interest in controlling the Law of the Seas Convention, and the Intergovernmental Marine Consultive Organization, with its interest in combating marine pollution.  

Within this interdependent relationship power ceases to be a derivative of military force. The bargaining process becomes critical to achieving goals, with each actor influencing the respective policy making actors within each country. Each government is influenced by all actors which have an interest within the issue area to some degree. Once

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103 Dosman, 1976a, p.34-56
each respective central government has defined its goals, through the influence of all actors participating within the issue area, bargaining between the respective governments takes place. Issue linkage is the primary means by which a government achieves the desired outcome to the conflict. In the case of the jurisdiction over the Northwest Passage it can be seen that issue linkage was highly evident within the bargaining of both governments. The United States government linked the jurisdiction of the arctic waters to U.S. and Canadian national security. That free sea lanes for U.S. military ships were crucial for the United States to ensure Canadian security. Also, oil import quotas were directly linked when President Nixon announced a new limit of 395,000 barrels a day from Canada on March tenth before the Arctic Waters Pollution Prevention Legislation was passed.\(^\text{104}\) Furthermore, the United States government linked other energy issues such as postponing pending negotiations regarding freer exchange of natural gas, coal, and other energy resources.\(^\text{105}\) On the Canadian side, since their action was basically unilateral, their measures were designed to simply satiate the United States to prevent retaliation. Most of these attempts were composed of

\(^{104}\) Dosman, 1976a, p.53

\(^{105}\) Dosman, 1976a, p.53
assurances to the United States that this would in no way impede the free movement of U.S. warships and non-petroleum commerce. Also, assurances were made that the unilateral extension of the pollution zone would be presented at the United Nations Law of the Seas Conference. Furthermore, the argument was presented that this action did not violate any international law and merely proposed new ground where all states could ensure the protection from pollution of all territorial waters.\textsuperscript{106} Fortunately for the Canadians and Americans two fortuitous events prevented increasing tension between the United States and Canada. First, the oil companies decision to construct the Alaskan pipeline, which decreased United States interest in a sea lane to the east coast, and secondly the oil shortages of the early seventies, which ended the U.S. government's use of import quotas as a means to exert influence. The United States by then wanted all the oil it could get.

Conditions of interdependence involve both costs and benefits of interaction. Interdependence cannot be limited to situations where there is always mutual benefit for the actors involved. Also, the costly effects, or advantageous effects, of association are not limited to the nation-states involved in the overall relationship, but are incurred by

\textsuperscript{106} Dosman, 1976a, p.54-55
the non-state actors which participate in the interaction. Clearly the motivation for interaction by all parties involved derives from the desire to attain benefits from cooperation or to avoid costly effects from not cooperating. Interdependent relationships will always involve both costs and benefits for all actors participating.

What must be understood about the costs within an interdependent relationship is that these costs are not necessarily caused by one actor imposing them on another. Costly effects can be the simple result of interaction. As Keohane and Nye state:

some costly effects do not come directly or intentionally from other actors. 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. 107

While these costs are not necessarily the result of an actor's malevolent intention, clearly the imposition of costs, or threat of imposition, is the means through which much interaction takes place. True there are cases where actors interact to attain the mutual benefit from interaction but the degree to which each actor benefits, or bears the costs of cooperation, is fraught with

107 Keohane and Nye, 1977, p.9

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confrontation. As Keohane and Nye cleverly state, "As every parent of small children knows, baking a larger pie does not stop disputes over the size of the slices."\textsuperscript{108}

As discussed earlier, it is in the asymmetries within a relationship where power is derived. An actors' ability at issue linkage is derived from his ability to impose costly effects, or withhold benefits, against another actor. Again, this type of interaction is not limited to nation-states. All actors who participate in interaction within the relationship generally have some ability to impose costly effects on other actors.

As can be seen by the investigation of the above conflict, the examination of a single bilateral relationship proves to be exceedingly intricate, in that it requires in depth analysis of all conflictual situations over the entire time period of the relationship. This is not to say that by examining specific conflicts separately, without looking at all conflictual interaction over time, knowledge cannot be gained. Yet, by examining all conflictual interaction over the entire time period of the relationship a better understanding of which actors are more influential in certain areas, the nature and effectiveness of power in certain areas, and the linkage ability of actors within

\textsuperscript{108} Keohane and Nye, 1977, p.10
specific types of conflicts can be better understood. The
greater amount of this type of information attained
increases the predictability of the conflicts within this
relationship. What must be understood is that each
individual relationship in the world environment is unique.
Therefore, only through an intricate examination of the
politics within this specific relationship can knowledge and
understanding be gained. Because of the intricacies of
policy making within an interdependent relationship, the
simplistic framework of both the realist approach and the
holistic approach seems to be ineffective for truly
understanding the politics of interdependence.

The intent of the above analysis was not to present a
comprehensive analysis of a conflict within an
interdependent relationship, but to show, through
situational analysis, that the state-based approach does
provide greater understanding and insight into the politics
of interdependence. Also, this endeavor was intended to
show the complexity of the politics within conditions of
interdependence so as to demonstrate the inability of
general and simplistic theories to contribute to
understanding to the politics of interdependence.
4.52 Pattern of Outcomes within the Conflictual Relationship Between the United States and Canada

Within this section the major conflictual interaction from the early fifties through the early seventies between the United States and Canada will be outlined. The purpose of this is to show that there is a symmetrical pattern of outcomes which is indicative of a more complex process of interaction than both realists and holists accept. It is also designed to support the claim that the study of the politics of interdependence needs to proceed by intricately dissecting specific conflicts in order to explain the processes and determinants which underlie the interaction. The issues involved in this relationship will also show the character of the relationship between these two countries, in that all conflicts involved issues which highly affected the domestic well being of both countries. The following table contains a brief description of each of these conflicts and a judgement of who benefited from the outcome.
<table>
<thead>
<tr>
<th>Conflict</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The construction of the St. Lawrence Seaway, 1945-58.</td>
<td>Both parties benefited from the outcome.</td>
</tr>
<tr>
<td>Canada threatened to build alone if the United States failed to speed decision.</td>
<td></td>
</tr>
<tr>
<td>Canada repeatedly protested United States protectionism. United States made minor concessions but did not meet basic request.</td>
<td></td>
</tr>
<tr>
<td>3. Interview with Soviet spy Igor Gouzenko, 1953. United States requested that Canada arrange interview for subcommittee. Canada initially declined but agreed to a second request under certain conditions.</td>
<td>Outcome favored the United States.</td>
</tr>
<tr>
<td>5. United States quotas on lead and zinc, 1954-. Canada unsuccessfully protested United States restrictions.</td>
<td>Outcome favored the United States.</td>
</tr>
</tbody>
</table>
6. Columbia River development, 1944-64. United States requested development of Columbia as a system. Canada delayed until compensated for downstream benefits, and until it reconciled internal dispute with British Columbia. Both parties benefited from the outcome.


8. Magazine Tax, 1956-65. United States repeatedly protested discriminatory tax treatment of Canadian editions of United States magazines. A 1956 law was repealed; and in 1965, Time and Reader’s Digest were exempted. Outcome favored the United States.


10. Exemption from oil import quotas, 1955-70. Canada successfully protested the illogic of import restrictions against it based on national security grounds, and threatened to pipe western Canadian oil to Quebec and thus exclude Venezuelan oil. Outcome favored Canada.
11. Extraterritorial control of corporations 1956-. Canada requested United States to forego extraterritorial restrictions on freedom of subsidiaries in Canada. United States refused to give up principle, but agreed to consultation procedure for exemptions in specific cases. Outcome favored the United States.

12. BOMARC procurement, 1959-60. Diefenbaker asked Eisenhower to continue development of the BOMARC missile threatened by department of Defense and congressional cutbacks. The funds were restored. Outcome favored Canada.


15. Seafarers' International Union, 1962-64. Canada requested that the United States government restrain AFL-CIO support of the Seafarers' International Union and disruptive boycotts of Canadian shipping. Presidential efforts to influence the AFL-
CIO were insufficient and the disruption ended only when the Canadian government trustees came to terms with the SIU. United States government objectives were to be helpful but without antagonizing the AFL-CIO.

16. Renegotiation of civil air routes, 1962-65. Canada requested renegotiation to permit deeper penetration of United States by Canadian airlines. Agreement was reached on the basis of Galbraith plan treating continent as a unit. Both parties benefited from the outcome.

17. Extended fishing zones, 1963-. Canada unilaterally declared extended fishing zones and strait baselines. United States protested. Canada made provision for historic fishing rights but was not deterred from extension. Outcome favored Canada.

18. Interstate Equalization Tax, 1963. Canada requested exemption from tax on grounds that an integrated capital market existed. United States granted exemption for new issues on condition that Canada not increase its reserves through borrowing in the United States. United States objectives were to improve its balance-of-payments. Both parties benefited from the outcome.

voluntary in 1965 and mandatory in 1968, encouraging American corporations to restrict outflows and increase reparation of capital. Exemptions were granted in return for restrictions on the pass-through of United States funds and on the level and form of Canadian reserves.

20. Auto pact 1962-. United States threatened retaliation over Canadian export subsidy designed to achieve Canadian objective of increased production in Canada. Pact integrating automobile trade led to joint gain but Canada achieved more of the gain.


It is clear that the pattern of outcomes above is fairly symmetrical, favoring both the United States and Canada equally. As also can be seen by the conflicts above, the type of interaction engaged in between these two countries is very extensive. The issues which the United

States and Canada interacted upon include highly important domestic concerns of both countries: oil, water regulation, mineral resources, foreign control of domestic corporations, security issues, trade union disputes, civil air regulation, automobile production, monetary exchange guidelines, and pollution. All of these issues affect the domestic well being of each country greatly. Because the types of interaction are so important it is clear that these countries' actions mutually affect each other greatly. As Keohane and Nye state:

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, there is simply interconnectedness. The distinction is vital if we are to understand the politics of interdependence. ¹¹⁰

The United States-Canadian relationship seems to be an extreme example, relative to other international relationships, of interdependence.

The reason for the great interdependence between the two countries is not highly apparent. Clearly physical proximity has played a great role. Also, mutual security arrangements between the two has laid the foundation for greater interconnectedness. Joint natural resources, such

¹¹⁰ Keohane and Nye, 1977, p.9
as common waters, has played a role. The fact that Canada's
western provinces are in a better position geographically to
interact with the western United States than with Canada's
eastern provinces, and visa versa with the eastern provinces
and the eastern United States, has also been a factor. What
ever the origin of the interdependence, it is clear that it
does exist. Military power within the relationship has been
greatly, almost completely, devalued. The last defense plan
Canada had, which was intended to deal with the threat of
invasion from the United States, was completed in April
1921, mainly due to the efforts of one man Col. J.
("Buster") Sutherland-Brown, director of military operations
and intelligence. Even at its creation it was seen as
basically archaic. The plan was completely withdrawn ten
years later in May, 1931.111

It is true that the above description of conflicts can
only superficially characterize the entire United States-
Canadian relationship, yet the essence of the interdependent
class of the relationship can be seen by this
description. It is also apparent from this description that
the political processes involved go beyond the rudimentary
deterministic mechanisms which are indicated by both realism
and holism. There is no cause and effect formula that can

111 Preston, p.215
describe or predict the outcomes of conflicts between the United States and Canada. Because the pattern of outcomes demonstrates that there are more subtle causal elements which control interaction, it is ostensible that to truly understand the politics of interdependent relationships a much more rigorous approach than realism or holism needs be applied.

4.6 Conclusion

What I have tried to demonstrate within this chapter is that, within concrete situations, the approaches of holism and realism do not provide a framework which is useful for attaining explanations of the politics within interdependent relationships. That the outcomes of conflicts are poorly predicted when these types of analyses are employed. In contrast to these two approaches, the state-based approach to the study of interdependence seems to provide a useful and productive method for explaining specific interdependent relationships at least to the point where it encounters the sheer complexity of interdependent relationships and directs study toward an extreme disaggregation of specific conflicts. By dissecting a bilateral relationship into very specific areas, where the number and type of actor, the
nature and usefulness of power, and the forum under which the interaction takes place, a small number of very important insights are gained. Consequently, the predictive ability of this approach seems to be at least better than that of realism and holism, inasmuch as realism and holism languish in the belief in rudimentary deterministic mechanisms which control interaction.

While it is true that complete predictive ability is impossible in the social sciences, just as it is impossible to prove or disprove any theory within the social sciences, with a highly accurate explanation of how interaction takes place and how outcomes of conflicts are determined, a greater understanding of the politics of interdependence can be gained. Within my analysis I have shown that the state-based approach to the study of the politics of interdependence better accomplishes this task than does realism and holism. Because of this, effort in the study of interdependence should be directed in this area.
Conclusion

The purpose of the preceding chapters was to determine which approach to the study of interdependence best explains and provides the clearest understanding into the manifestations of interdependence. The definitional clarity of each approach was the first and most fundamental attribute to be evaluated to determine the soundness of these theories. As previously argued, I feel that it is critical for an approach to have definitional clarity before that approach can be applied. The analysis of the holistic approach demonstrated that the definitions of interdependence and related concepts are inadequately developed and, therefore, not useful in investigating the politics of interdependent relationships. The primary area in which this failure can be observed is in dependency theory's equation of the concepts 'dependency' and 'underdevelopment', which are clearly distinct and dissimilar abstractions. Only when dependency theory, first, has the ability to identify unique characteristics of peripheral countries which are definitively different from the characteristics of other countries in the global environment and, second, when this theory is able to show
how these characteristics adversely affect these peripheral countries, can the definition of dependence gain enough definitional precision to achieved progress in the study of interdependence. Unfortunately, this task has yet to be accomplished by holism theorists.

Similarly, the definitional clarity of realism is inadequate for use in the study of interdependence. The concept of interdependence within realist theory has been defined in such a way that it is excessively narrow. The concept reaches the point where its meaning can refer to nothing less than the integration of two states. As a result, the definition of interdependence must be relaxed in order to explain certain phenomena which lie outside its explanatory ability.

Due to the highly exacting nature of the state-based approach, in that it employs an extreme method of disaggregation to study the politics of interdependent relationships, the definitions of interdependence and related concepts are not only highly developed in the classification of relationships but are also genuinely employable in the study of the politics of interdependence. Of the three approaches examined, this method has by far the greatest development of conceptual clarity.

The specific ability of each approach to contribute
understanding to the politics of specific interdependent relationships has to be examined before the soundness of each approach is established. Within the analysis of realism, it was clearly shown that traditional realist theory is unwilling and, therefore, incapable of addressing the politics of interdependence. Because realist theory envisions only one type of significant actor within the global environment and denotes significant interaction as only taking place through power relationship, examination of the multiplicity of actors and forms of power within conditions of interdependence is not even attempted.

Similarly, the holistic approach to interdependence also limits its focus, making it incapable of contributing to our understanding of the manifestations of interdependence. Because the holistic focus is exclusively directed at systemic determinants, where all actors are intricately interconnected, there is no concrete analysis. Also, because of a great deal of definitional ambiguity, especially in the area of the classification of dependent areas and states, concrete analysis seems precluded.

Alternatively, the state-based approach to the study of interdependence, while not a complete framework for analysis, does provide direction for productive inquiry into the politics of interdependent relationships. Through the
analysis of issues, issue areas, the multiplicity of actors which participate within interdependent relationships, forums of interaction, and the distinct forms of power used to resolve conflicts a sound understanding of the politics of interdependent relationships can be achieved. Also, the emphasis on issue linkage as a means of achieving the goals of actors is understood by state-based theorists. Through issue linkage actors are able to impose costs, or withhold benefits from, other actors to achieve desired outcomes. It is in the recognition that interdependence is a condition where relative and distributional costs and gains are emphasized. It is in these asymmetries where power lies. All actors within a relationship who act have to have some ability to impose costly effects so as to either attain gains or to distribute gains in their favor. Also what must be understood is that these conflicts within the relationship can occur at a much lower level than the nation-state. Individual actors, such as auto makers, interact in this cost/benefit environment. Relative gains are strived for. While I do realize that the state-based approach to interdependence has not yet been fully developed, although the basic tenets of the approach have been sufficiently developed, its overall soundness reveals that this approach has a distinct advantage over the

Conclusion
approaches of realism and holism.

Because of the limits inherent to a thesis, the full development of the state-based approach to understand completely conditions of interdependence cannot be accomplished here. Nor is it possible to apply the approach to a specific relationship so as to encapsulate all of the intricacies within the relationship. Future research will have to address both of these areas so as to truly render validity to the conclusions of this analysis. To this point, what has been shown is the direction that this effort should take to understand the conditions of interdependence and the politics of interdependent relationships.
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Bibliography


VITA

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