

ASYMMETRIC EFFECTS OF ENERGY DEPENDENCE ON INTERSTATE RELATIONS

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Overview

Empirical studies looking at energy interdependence and conflict treat the marginal effect of a unit increase in interdependence on the probability of conflict onset the same as a unit decrease on the probability of conflict onset. However, anecdotal evidence suggests that the effect of changes in the level of interdependence may be asymmetric. Diversification of resources, the influx of alternative renewable energy and/or exploration of an own resources may allow an importing state to sustain cordial relations with its supplier even when the level energy trade subsides between them. The secondary institutional ties formed during increased levels of trade between the two countries further underpins sustained peaceful relations within the dyad during periods of declined trade. Accordingly, we expect that a country's increasing dependence on an exporter will decrease the likelihood of militarized interstate dispute (MID) initiation between the two countries, but a decrease in such dependence will not necessarily have an increasing effect on the likelihood of MID initiation. Our nonlinear autoregressive distributed lag (NARDL) model developed by Shin et al. (2014) confirm our expectations.

Methods

We test our hypotheses in the context of how United States interacts with its energy suppliers in the realm of foreign policy. Towards this end, we employ the nonlinear autoregressive distributed lag (NARDL) model developed by Shin et al. (2014) to investigate the cointegrating relationships and asymmetric interactions between the variables. This model is an extension of the linear ARDL model (Pesaran et al., 2001; Pesaran and Shin, 1998). The performance of the ARDL models is very strong for small sample size works (Pesaran and Shin, 1998; Pesaran et al., 2001; Shin et al., 2014). The NARDL model does not require that the variables have the same integration order. Unlike other counterpart models (e.g. vector error correction model (VECM)), the integration orders of the variables could be a mixture of I (0) and I (1). The use of this novel method enables us to distinguish between short- and long-term effects of various measures of energy dependence on the likelihood of a militarized interstate dispute onset and on the level of foreign policy preference similarity between the U.S. and its energy suppliers.

Results

Our results indeed indicate that energy trade's effect on interstate relations is not symmetric. More specifically, increasing levels of energy trade with the U.S. makes suppliers more cordial with the U.S. However, decreasing levels of energy trade between the U.S. and its suppliers does not lead to more conflictual relations. Robustness checks with alternative measures of foreign policy preference similarity confirms our results. .

Conclusions

A more solid understanding of the causes of this asymmetry will improve our understanding on how energy trade shapes interstate relations beyond immediate economic means. One possibility could be that energy trade constitutes a springboard for further institutional cooperation between the U.S. and its suppliers. That such trade leads to further business ties, hence political interests to keep relations cordial in the longer term is another possibility. Our findings also have implications for international relations literature more generally. More specifically, these findings call for revisiting the conceptual links on how interdependence shapes states see each other. Policy-wise, we should also note that even short-term improvements in energy trade may lay the foundation for longer-term peaceful relations.

References

Shin, Y., Yu, B., Greenwood-Nimmo, M., 2014. Modelling asymmetric cointegration and dynamic multipliers in a nonlinear ARDL framework. *Festschrift in honor of Peter Schmidt*. Springer, New York, NY, pp. 281–314.