Economic Interdependence and Peace in Transitional Democracies

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Economic Interdependence and Peace in Transitional Democracies

Abstract
The primary aim of this paper is to explore the extent to which economic interdependence influences the likelihood that a transitional democracy will enter into an armed conflict. The paper demonstrates that economic interdependence is a primary means of avoiding conflict during democratic transition. The concerns of the transitional democratic peace theorists are incorporated into an economic interdependence framework to provide a coherent policy prescription that advocates both democracy and interdependence.

The best circumstances for democratization are those in which countries are interdependent with their neighbors. As an exploration of this hypothesis two cases are explored; one with a complete absence of interdependence and another with a high degree thereof. The conflict between Armenia and Azerbaijan in the early 1990s provides an example of a war between democratizing countries with no interdependence, while the relationship between Brazil and Argentina displayed increased interdependence without precipitating war.

The paper is divided into two sections, with the first defining the terms of the argument, and exploring the existing theories of interdependence, conflict and democracy. The second section of the paper highlights two cases which underscore the importance of economic interdependence during transitions to democracy. A conclusion comparing the cases and highlighting the need for interdependence follows.

Keywords
Economic Interdependence, Democratic Peace Theory, Social Sciences, Political Science, Edward Mansfield, Mansfield, Edward

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Introduction: The Pursuit of International Stability

The primary aim of this paper is to explore the extent to which economic interdependence influences the likelihood that a transitional democracy will enter into an armed conflict. The paper will endeavor to demonstrate that economic interdependence is a primary means of avoiding conflict during democratic transition. The concerns of the transitional democratic peace theorists will be incorporated into an economic interdependence framework to provide a coherent policy prescription that advocates both democracy and interdependence. The best circumstances for democratization are those in which countries are interdependent with their neighbors.

The striking economic globalization and the number of armed conflicts that have characterized the preliminary years of the new century underscore an international need for peace and stability. As a world power, the United States’ interests in promoting world peace are manifold. The promotion of the proliferation of peaceful regimes throughout the world is clearly one of the primary aims of United States foreign policy in the 21st century, as well as the goal of countless non governmental organizations. Transnational corporations have vested interests in promoting peace for economic gain, while the establishment of peace forms a cornerstone of national security policies. Questions concerning the future of potentially democratic countries such as Iraq and Afghanistan are immediately relevant to United States foreign policy. The effects of promoting peace in countries all around the world cannot be understated. “There is a need to establish the principle of permanent interdependence between rich and poor regions of the planet”. ¹ Although peace is acknowledged as a desirable end goal, the

¹ Shutt, 98
policy prescriptions vary wildly. These differences result from divergent views of how stable peace is best promoted.

The Kantian origins of the theory that democratic citizens “will have great hesitation in embarking on so dangerous an enterprise [as war]”\(^2\) have been substantiated by contemporary statistical analysis. Several scholars have argued that democracies never go to war with other democracies. This claim, now known as the Democratic Peace Theory (DPT), has also been heavily contested by numerous academics and theoreticians. Many studies have been conducted with the aim of proving or disproving this hypothesis. Though no universal consensus has been reached, sufficient scholarly support exists for the theory to justify its consideration as a valid hypothesis. The disagreements about the validity of the Democratic Peace underscore a fundamental theoretical dispute between the liberal and realist positions. Realists advance arguments that claim that states act as rational agents in the international arena, while liberals claim that groups within society actually steer policy. The democratic peace theory itself has also gained particular credence from scholars who qualify it by restricting its application to specific contexts, such as stable, industrialized, and western countries.

Not all democratic peace theorists support the universal acceptance of the theory and as a result several interpretations have emerged. One of the most intriguing concerns is about the applicability of the DPT to transitional democratic governments, the primary inquiry of this paper. In this context, democratizing or transitional countries are defined as those in which a shift away from autocracy toward democracy has been made.\(^3\) These scholars have reservations about the applicability of the peace theory to such unstable

\(^2\) Russet & O’Neal, 273
\(^3\) Mansfield & Snyder, Democratization and War, 81
polities. While they acknowledge that the promotion of mature democracies remains a desirable endeavor, their conclusions about peaceful behavior of states are less sanguine with respect to more turbulent situations where a state is transitioning from one form of governance to another. Upon inspection of several cases, they demonstrate that nations are far more war-prone as they progress to democracy than either before or after the transition.\(^4\) In order to maximize the possibility of a successful transition to democracy and peace, these theorists support a particularly cautious approach to democratization that does not encourage nationalism to be used as a political tool. Instead, certain instituted pre-conditions, such as providing elites with incentives for the future, favor the peaceful establishment of democracy.

Of the factions opposing the DPT, some claim democracy plays little or no role in the maintenance and establishment of peace, but that economic interdependence accounts for nations not going to war with one another. The fact that democratic countries happen to have strong economic ties explains why they do not go to war with one another. The proponents of the economic interdependence argument have faced even more criticism than the advocates of the DPT, and the arguments they are confronted are cogent. Clearly one of the main problems faced by all peace theorists is causal ambiguity: it is difficult to determine which factors influence the maintenance of a peaceful state, and to what extent each factor contributes to the outcome. In fact, studies have demonstrated that the stability of political regimes has a definite affect on economic development and that democracies in impoverished countries are “extremely fragile … while in wealthy countries they are impregnable”.\(^5\) Conversely, many supporters of the democratic peace

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\(^4\) Mansfield & Snyder, Democratization and War, 81
\(^5\) Przeworski, Mansfield & Sisson, 322
theory consider economic interdependence a necessary and inevitable consequence of established democracy.

Reflecting the academic debate, the numerous countries and international organizations that seek to promote global peace often disagree on how to best achieve and maintain peace. Most trust that the proliferation of democracy prevents the outbreak of war. But the intellectual battle for political control is heavily contested and has immediate relevance for foreign policy. As protracted conflicts such as the United States’ invasion of Iraq demonstrate, exporting democracy is far more difficult in practice than in theory. Questions regarding how well prepared a society is to democratize become immediately relevant. There are numerous repercussions of accepting either the democratic peace theory or the economic interdependence theory exclusively as valid premises. Deciding to construct policy based exclusively on a single theory can cause radically divergent results. The purpose of this paper is to demonstrate that a policy derived from both theories might hold the best potential.

Accepting the Democratic Peace Theory exclusively would immediately lead one to recommend the pursuit of democratizing policies. This type of DPT based policy would see promoting the expansion of democracy across the globe as its primary aim. In its more aggressive forms, this type of policy might lead to outright invasions, such as the recent Iraqi and Afghan wars. More subtle forms of democratizing policies might be those which impose sanctions or less preferential diplomatic arrangements on countries that are not democratic in an effort to encourage the leadership and population of these countries to change their regime. Studies have been conducted on the use of economic sanctions to promote democratic peace, indicating that a wide variety of policy
approaches can be adopted to promote the spread of democracy. Without exploring all of the myriad policy options, one can certainly see that many are available. An aggressive policy fueled exclusively by the democratic peace theory would consider economic interdependence as a secondary concern that will follow naturally once democracy has been installed.

Advocating exclusively for more economic interdependence would lead to another set of policy prescriptions. Proponents of foreign policy based solely on the promotion of economic interdependence assert that the best policies are those that promote globalism and interconnectedness. This sort of argument does not rely on the need for democracy at all. Some might argue, for example, that the United States trading relationships with China have directly contributed to the peace between the nations, in spite of the fact that China is a semi-authoritarian regime. Other examples of this type of policy certainly exist, and theorists who firmly believe that economic interdependence, and not democracy, prevents war will hasten to adopt policies that promote trade agreements and market liberalization.

Another alternative combines aspects of both the DPT and the economic interdependence arguments. When applied to transitional governments, the model encourages a regime change that accompanies increased economic interdependence. In this vision, promoting economic interdependence is valuable only insofar as it empowers large majorities of the population, thus serving as a democratizing force. Though many of the same basic initiatives for establishing democratic practices, such as steadily decreasing the previous governmental elites’ influence, might be supported, theorists advocating a combination of the DPT and economic interdependence en route to peace
would urge to proceed with a greater degree of caution. One of their primary points is that precautions must be taken to avert the traditional sources of wars between democratic states or within states. Promoting genuine pluralism becomes a main objective of the process in order to ensure that no groups are disenfranchised or have an incentive to pursue hostile action.

As such, increasing economic interdependence between democratizing nations may become a valuable technique to encourage peaceful democratization. In essence, economic interdependence serves as a check on the many possible sources of increased conflict during the transitional period. While context specific mechanisms exist which promote interdependence during transition, they vary by case. The interactive effect between democratization and interdependence has not been exhaustively studied to date, and might serve as an important way in which to reconcile some of the various factions within the democratic peace theory. In other words, this approach seeks to determine how well economic interdependence checks the belligerent tendencies of transitional democracies. Adopting a hybrid of the two peace theories is also appealing for it may be adapted to the specific historical and geo-political context of an emerging democracy. In this sense economic interdependence serves as a precondition for peaceful democratization.

The choice of a context appropriate theory has the potential for a great impact on the successful promotion of worldwide peace. Though it is difficult to ascertain whether economic interdependence is a factor that “overrides the relative bellicosity of democratizing states” universally, one can certainly consider their applicability on a case by case basis. This paper seeks to explore the theoretical basis for both economic

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6 Mansfield & Snyder, 95
interdependence and the democratic peace, and then apply them to some real world examples in order to determine their relevance in those instances. As discussed in the paper, careful attention is dedicated to selecting recent and relevant cases. The conflicting or interdependent pairs used in this study are Armenia and Azerbaijan, and Brazil and Argentina. In one case, interdependence helped to prevent the outbreak of war, while in the other an insufficient relationship did nothing to prevent a protracted conflict.

The structure of the paper will be split into two primary sections; a review of the theories and an exploration of the cases. First, the paper will provide a summary of the democratic peace theory. The paper will endeavor to demonstrate the existence and validity of the theory while simultaneously showing that it remains contested by some scholars. The next section will briefly define the economic interdependence argument, which finds its roots in Kant’s contention that the “spirit of commerce … cannot exist side by side with war”\(^7\). The aspects of the theory which seem to be a directly related to the democratic peace theory will also be highlighted, emphasizing the similarities between the two theories and providing a tentative guide as to how the two might be combined. The indisputable connection between both theories and Immanuel Kant will also be outlined. A further succinct literature review will focus on the transitional democracies and the theory of the state. These sections will provide a succinct history and explanation of the origins of the theory.

Following the definition of the terms, a description of the primary areas of interest, and a review of the literature on both topics, the paper will advance a theoretical section exploring the complications of various qualitative differences in the conception of

\(^7\) Russet & O’Neal, 128
both interdependence and conflict. A brief overview of the methodologies and existing attempts to study interdependence follows, with the conclusion that case study method is an appropriate and yet underutilized means of studying interdependence. The essential claim of the paper is that economic interdependence can decrease the likelihood for conflict in transitional democracies, will be presented, leaving policy recommendations for the last section of the paper.

A section with case studies will follow, attempting to apply the new theoretical framework to real cases. Of the country pairs selected, each one will be classified and defended as a transitional democracy. Thereafter the economic conditions in the dyad will be considered, with potential results explored. The exact reasons for conflict will be emphasized, with particular attention to the restraining effects interdependence may appear to have had. Finally, the necessary stabilizing policy prescriptions that will theoretically promote peaceful transitions to democracy encouraged by interdependence will be stated. Broadly, the first section of the paper focuses on a theoretical foundation and background for both democratic peace and interdependence, while the second part applies these theories to cases.

The paper’s conclusion will state the extent to which economic interdependence is relevant in transitional democracies. The findings of the case studies will be revisited as evidence. The last section of the paper will also focus on the policies that encourage economic interdependence and which should be instituted before the transition is made. Though not written explicitly from the United States perspective, the paper will also remark at this stage what institutions have the best capacity for promoting the prescribed changes.
A Brief History of the Primary Theories:

Both the democratic peace theory and the argument that interdependence decreases conflict were originally pioneered by Immanuel Kant. A philosopher and great thinker of his time, Kant sought to provide a theory that might limit armed conflict. Though the arguments he advanced have been modified significantly throughout time, the basic underlying concepts have not been altered. While the primary purpose of this paper is to explore the relationship between economic interdependence in democratizing nations and the maintenance of a peaceful state, one can not adequately characterize the situation without a brief reference to Kant and the current primary theoretical camps on these issues.

Most theorists trace the origins of the economic interdependence argument to the writings of Kant. His influential writings on economics posited an indisputable link between the “commercial spirit” and “debasing self interest, cowardice and effeminacy”. While phrased in a negative manner in such a context, the underlying logic of his argument was that increased commercial interactions between countries could drive them away from war. In fact, in Perpetual Peace, Kant claimed that the very same commercial spirit was utterly “incompatible with war”. A necessary condition for such interdependence to prevent war was to allow for society to influence the political process in some capacity. Thus, the second criteria for peace could be attained by developing republican constitutions.

The argument advanced by Kant was more complex than merely encouraging commercial interaction to prevent wars. In fact, he believed that a combination of

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8 Mueller, 60
9 Mueller, 63
democratization, “cosmopolitan law” designed to allow free trade, and international organizations would bring about the aforesaid perpetual peace. These revolutionary and far-sighted claims have been heavily contested, particularly in recent years, serving as a testament to their continuing utility and potential validity. While many different aspects of Kant’s argument have been criticized, the Democratic Peace Theory has emerged as a well supported theory asserting that democracies are less likely to go to war with one another. Furthermore, research has indicated that “the pacific benefits of both democracy and economic interdependence are evident and substantial” and “neither variable eliminates the importance of the other”.

The underlying structure of Kant’s argument has become the foundation of the liberal view regarding these issues. The fundamental principles of the liberal beliefs held that increased transnational ties would be lawful, moral and supported by material incentives. At the crux of the liberal theory lies the belief that groups within the state influence the state’s actions leading to a reduction in interstate conflict. This ‘liberal’ view stems from the Kantian theory of peace which holds that increasingly democratic societies will be less likely to go to war because the empowered groups in society are the ones that are immediately adversely affected by such a conflict. Specifically, interest groups within society are characterized as having significant power to alter the political process, particularly in a democracy. In a society governed by accountable elected officials, the interests of all significant groups can not be discounted, according to the

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10 Russet & O’Neal, 271
11 Russet & O’Neal, 154
12 Russet & O’Neal, 129
13 Mansfield & Pollins, 6
14 Russet & O’Neal, 273
literals. The union of democracy and economic interdependence is encouraged by liberals as a promising route to reliably establishing peace.

Realists, on the other hand, hold that states act rationally and in their own interests. Their conception of international relations is radically different from the views held by liberals. They view states as the fundamental units of an anarchic international system of politics. As such, each state is engaged in a constant struggle to advance, and military might serves as the most important indicator of power. Economic strategies are only of secondary importance to realists.\textsuperscript{15} For realists, matters of vulnerability and relative gain are the most relevant aspects of interdependence, as they underscore the inherent tension between states as primary actors.\textsuperscript{16} Despite acknowledging a possible relationship between interdependence and peace, the realists dismiss it as minimally important. A third camp has emerged that denies any theoretical correlation between conflict and economic interdependence.

The link between economic interdependence and peace is produced by the convergence of several group and national interests. Generally, the vested interests of private sector groups which see potential profitability in tighter relations with another country fosters political pressure, which leads to a strengthening of the bond between countries rather than antagonistic behavior. The incentives companies see in interdependence include larger markets for their product, cheaper transportation costs and less redundancy for larger multinational companies. Foreign controlled international business interests may also indirectly contribute to this consensus by investing increasingly more as regional markets liberalize. Government interests also play a role in

\textsuperscript{15} Steele in Mueller, 215
\textsuperscript{16} Mansfield & Pollins, 16
strengthening the connection between interdependence and peace. In some instances, governments will wish to promote peace with interdependent nations to guarantee regional stability. A desire for international legitimacy may also motivate countries to remain at peace with their closest trading partners to try and attract increased relations with the world’s most developed countries.

As demonstrated, a multitude of contradictory theories exist regarding the affect both economic interdependence and democratization have on promoting peace. The purpose of this paper is to delve into case studies in one well defined subcategory of examples to illustrate the viability of each of the theories. The following case studies do not represent an attempt to prove or disprove either the liberal or realist viewpoints completely, but serve as an extension of their logic into the arena of economically interdependent transitional democracies. Both the macro political arrangements between countries as well as any available information on sub- or supra- national actors will be carefully scrutinized as they may offer insights into the actual mechanisms which promote peace. While some trends may be highlighted, they will apply primarily to the enumerated context, and most specifically only to the cases studied.

Most of the existing literature focuses broadly on the themes of interdependence or democracy, with little attention to specific cases. In the following pages a brief explanation of the terms transitional democracy, interdependence, and conflict will be made. Thereafter a brief exploration of the existing literature and methodologies will be presented. An explanation of the case selection criteria will follow. The subsequent sections of the paper will focus on each case in detail, with any emerging relationships
advanced in the conclusion. The exploration of a larger statistical trend using data sets will be left to further research.

**How to measure interdependence?**

There are many ways in which economic interdependence may be defined and quantified. Although many scholars have written about interdependence, the definition continues to evolve and has multiple parts. Most of the existing literature focuses on the ratio between trade and gross domestic product (GDP). While this provides crisp and precise numbers for use in large data sets, it does not accurately convey the nuanced forms which interdependence may assume. As this paper seeks to explore the potential existence of a correlation between interdependent democratizing nations and peaceful conduct at the case study level, the trade to GDP ratio will be only one of many considerations examined.

In fact, Baldwin argues that the ratio of trade to GNP is only one aspect of interdependence which is more appropriately named “openness” as it corresponds to a state’s relationship to the outer world. The general conception of interdependence can be divided into two categories; sensitivity interdependence and vulnerability interdependence. The first of these deals with cases in which economic conditions in countries are largely sensitive to changes in other countries. For example if a destabilizing monetary policy shift in one country adversely impacts another country, the two would be said to be sensitivity interdependent.

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17 Baldwin, p 480
18 Baldwin, p 475
The second type of interdependence is the more common conception amongst international relations theorists. In this view, countries are irreparably harmed by dissolving their relationships with one another. Thus, vulnerability interdependence highlights the gains of cooperation and the potential losses of destabilizing relationships. Although some might argue that the two definitions are correlated, they are clearly distinct. Countries could have a high degree of sensitivity interdependence with intertwined economic factors, yet still be able to claim vulnerability independence. This would imply that, despite being currently heavily reliant on one country, a cessation of trade relations could be offset by finding other trading partners abroad or adjusting domestic economic priorities.

While the definition of sensitivity interdependence implies that interdependence itself weakens the stance of a country by making it subject to external disturbances, the vulnerability definition clearly demonstrates how interdependence strengthens countries. While the following cases have been examined in an effort to uncover all forms of interdependence that are present, the most likely type that will prevent transitional democracies from going to war is vulnerability interdependence, where nations can only lose by abrogating relations with another country. Sensitivity interdependence, on the other hand, might be heavily criticized by nationalists in a young democracy as ceding too much power to policy generators abroad, whereas vulnerability interdependence could be seen as a necessary bond serving to strengthen two countries.

As stated above, efforts to quantify interdependence have relied predominately on the ratio of trade balance, or the sum of imports and exports, to gross national product.

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19 Baldwin, p 486
This is again considered a measure of “openness”.\textsuperscript{20} Some critics of this type of measurement have asserted that asymmetric trade arrangements may lead a smaller and weaker country to be more heavily reliant on the more economically powerful country, restraining only one of the two from pursuing armed conflict.\textsuperscript{21} Furthermore, the absence of considerations beyond trade, such as financial markets, stocks, and flows of capital are rarely examined. Additionally, the actual design of the state directly influences the extent to which interdependence exists, with governments that are institutionally restrained from influencing the markets becoming more aware of the direct consequences of international intervention.\textsuperscript{22} These sorts of restrictions on market interference are commonly found in advanced and stable democracies, but may not be present in democratizing nations. Several factors beyond the trade balance influence the extent to which countries are interdependent.

Unfortunately, most studies are too heavily reliant on trade data as it remains one of the most readily available sources of information. Throughout the course of this paper, efforts will be made to incorporate any available information regarding interdependence. This naturally includes macro trade data and trends between the two countries and governmental policies. Furthermore, the primary civilian or business interests will also be explored to discern how their motives contributed or detracted from heightened interdependence. Again, the decision to study the potential impact of interdependence on transitional democracies through case studies instead of large samples was deliberate, and allows for a slightly more expansive exploration of interdependence than much of the traditional literature.

\textsuperscript{20} Mansfield & Pollins, p 12
\textsuperscript{21} Mansfield & Pollins, p 14
\textsuperscript{22} Gartzke, in Mansfield & Pollins, p 106
How to measure Conflict?

The conceptualization and definition of conflict is essential for a thorough examination of the topic of peace in international relations. The definition of conflict must extend to transitional democracies, and should not be conflated with internal struggles in such cases. While some countries may be at odds with each other, their behavior may not qualify as conflict. Economic and diplomatic competitions are better characterized as contests than conflicts, though they can often escalate into conflicts.

Many definitions of conflict exist in the literature.

One method employed by Rasler and Thompson is to measure the preponderance of militarized interstate disputes (MIDs) and wars. While wars clearly fit the description of conflict, the various definitions of MIDs are somewhat ambiguous. They may be considered activities which involve the “threat, display or use of military force short of war” by one state “explicitly directed towards the government, official representatives, official forces, property, or territory of another state”.23 These activities may range from “alerts” to “clashes” or simply “blockades”.24 However, there are some limitations to relying only on data sets that focus on MIDs as the causes of conflict are distilled into discrete events without exploring the series of events leading to conflict.25

Others have conceived of militarized disputes as necessarily “explicit, overt, non-accidental and government approved”.26 Interestingly, however, some theories indicate that democracies may use low level amounts of violence to signal their intentions to an opponent. Near universal consensus exists, however, that democracies are very unlikely

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23Jones, Bremer and Singer, p 163  
24Rasler and Thompson, 237  
25Mansfield & Pollins, 17  
26Russet & O’Neal, 95
to step beyond the bounds of limited military threats and diplomatic action against each
other.\textsuperscript{27} Again, the key addition of a requirement that conflicts be explicitly intentional
qualifies militarized disputes. With conflict defined in this manner, it also enhances the
likelihood that democracies will avoid this type of behavior.

Naturally the intensity of conflict forms a continuum of potential definitions. Lower-intensity conflicts include trade disagreements, sanctions and threats whereas higher intensity conflict includes the use of force and outright war.\textsuperscript{28} While large statistical studies have a clear requirement for a very precise definition of conflict in order to run regressions, case studies need only highlight the numerous definitions of conflict and note the presence of any conflict whatsoever in the cases. Regressions require conflicts to be defined as existing or not, sometimes oversimplifying the extent to which conflict may be present. One of the purposes of this paper is to better conceptualize the relevant definition of conflict for interdependent transitional democracies.

Conflicts are not, however, synonymous with contests. Interdependence has an impact on both contests and conflicts, but only conflicts and contests with a likelihood of escalating into armed conflict are of immediate relevance to preventative peace theorists. Conflicts are existing wars, whose settlements may be influenced according to the degree of interdependence between any two countries. While this relationship is significant, it remains beyond the scope of the claim that interdependence reduces states probability of going to war when a conflict is already in progress. This is better indicated through

\textsuperscript{27} Russet & O’Neal, p 96
\textsuperscript{28} Mansfield & Pollins, p 17
contests which, if not properly managed, could lead to a conflict. As such, the primary interest of this paper is to examine the impact of interdependence on contests, observing under which conditions they escalate to conflicts, as described above.

**Transitional Democracy & Theory of the State**

A coherent theory of the state as well as a clear definition of transitional democracy is necessary for any discussion of the effects of interdependence on peace in transitional democracies. Many authors have commented on the manner in which the traditional paradigm of territorial balance of power politics has been influenced by the rise of globalization. Flows in means of production such as “capital, labor and information” better approximate an international equilibrium of power than political alliances. Consequently, the “instruments to combat or dissuade … conflicts are far more numerous and powerful than in the past”. As the “return on information” has come to exceed the return on land, countries find themselves in an increasingly restrictive international system, wherein might is exercised by attracting economic development, rather than through wars of conquest. Contemporary state behavior has fundamentally changed and now relies on factors other than the traditional ones (military, state diplomacy) to carry out policy.

Liberals and realists characterize politicians, who both parties consider standard vehicles for economic and foreign policy generation in democracies, using distinct and different theories of state. Some examples of theories of state include the median voter,
pluralist and autonomous state. The first two can be deemed liberal theories as they allow for groups within society to direct policy through either the median voters opinion, or through and amalgamation of groups interests, respectively.\(^{33}\) The autonomous state, on the other hand, is one in which the countries goals are “distinct from the immediate demands of the society over which it rules”.\(^{34}\) Generally speaking, transitional democracies should be either a median voter or a pluralist state as they afford opportunities for the citizens to be increasingly politically empowered.

Gelpi and Grieco argue that democracy provides a much better environment for economic interdependence and thereby fosters a peaceful state. Their conclusions rely on several assumptions concerning the composition of the state, for example, that politicians respond to, and reflect the interests of various groups within the society. Furthermore, the model assumes that elected officials have a vested interest in maintaining power, and are consequently “more concerned … about the prospective effects of the breakdown of foreign trade as a result of a militarized dispute.”\(^{35}\) Their statistical results corroborate these findings; strongly linking the affect interdependence has on reducing the potential for war, particularly between two democracies.

Their models do not, however, describe the impact interdependence has on nations during the democratization process. In fact, as discussed above, emerging democracies tend to be more war prone than democracies. This tendency might counteract the pacifying attributes of interdependence. Furthermore, this generally turbulent transition period could alter the underlying realist/liberal schism. Transitional democracies may be more reliant on liberal principles as they are inherently less stable,

\(^{33}\) Simmons, in Mansfield & Pollins, p 37  
\(^{34}\) Simmons, in Mansfield & Pollins, p 33  
\(^{35}\) Gelpi and Crisco, in Mansfield & Pollins, p 49
impeding the transmission of the people’s will to elected officials. While democratizing states are certainly sensitive to the mechanisms of popular demand, transitional democracies are often characterized by a political stalemate engendered by the enfranchisement of new groups, a lack of authority, and heavy competition for popular support during a short period of time. Accordingly, democratizing states may be considered super responsive to the mechanisms of popular demand although not necessarily through the emerging democratic institutions. In fact, the theory of state most applicable to democratizing countries is a pluralist one in which several groups are contending for control of the government and all have some influence on foreign policy.

A transitional democracy is one in which the complete shift from autocracy to democracy is not complete. Generally, autocracy is a form of state government in which the source of authority is perpetually vested in one person. Autocrats depend on various groups to secure their power, often using the military. Democracy, in contrast, is a state in which “authorities are accountable to the bulk of the population… through fair, regular and competitive elections”. In the case where democratization has not been completely achieved, institutions are undermined and power becomes limited. In these instances of “institutional deformation”, the risk of international conflict is increased. Nationalism dominates the domestic agenda, and preparation for war may become the central purpose of the state. Often elites invoke nationalist ideals as a final effort to consolidate their waning power. The ultimate result of the turbulence caused by democratization is an increased propensity to wage war abroad.

36 Mansfield & Snyder, p 89-92
37 Mansfield, Electing to Fight, 41
38 Mansfield, Electing to Fight, 60
Several institutional changes help to ease the transition to democracy. Internally, institutions that democracy requires must be present before mass political participation becomes viable. These have been characterized as preconditions of democracy and include: empowering the old elites, creating a “marketplace of ideas”, and fostering incentives in the international environment. The more of these preconditions that are present the better prepared a nation is to become democratic, and the quicker and more permanently it will do so. This simple concept seems to have escaped some democratization enthusiasts who continue to focus on the advanced products of democratic systems, such as complete freedom of speech, rather than the foundations of democracy. Bearing in mind that countries attain democracy in spite of varying historical and domestic situations, other external stabilizing forces could contribute to peaceful transition to democracy as well.

A thorough consideration of the impact economic interdependence bears on a transitional democracy’s likelihood to go to war must therefore evaluate the extent to which democratization has been attained in each of the countries being examined in the case studies. The aforementioned political elites have little incentive to encourage liberal trade, and often rely on providing economic favors to their allies. As such, the prospects of increased international trade are substantially reduced in transitional democracies. Thus, economic interdependence, even if only for the benefit of the elite, must be present prior to a democratizing step in order for it to serve as a disincentive for international conflict. In theory the economic relationship between two democratizing

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39 Mansfield, Electing to Fight, 17
40 Mansfield, Democratization and War, p 96
41 Mansfield, Electing to Fight, p 17
42 Mansfield, Electing to Fight, p 276
states prior to a conflict should reveal little economic interdependence, as it would be counterintuitive for elite or empowered individuals to use nationalism against their own economic interests. In fact, economic interdependence might be one of many requisite steps external powers should encourage to assure a peaceful transition to democracy.

**Overview of the Existing Literature and Case Study Approach**

Although much research has been conducted both on economic interdependence and on conflict very few attempts have been made to better characterize the relationship between the two within specific contexts. While most endeavors have demonstrated a correlation between peace and interdependence, they have not sought to explore the mechanisms through which interdependence fosters peace. In fact, some projects have actually demonstrated how interdependence can lead to an increased probability of conflict. There is near universal consensus, however, that interdependence and peace are correlated in some manner.\(^43\)

A host of methodological differences have led to divergent theories as to how and why these factors are related. Most of these studies focus on large sets of quantitative data, running regressions to capture and demonstrate the relationship between interdependence and conflict. Although these studies have been significant and yielded many interesting results, they have failed to adequately account for the actual nature of the interaction between interdependence and conflict.\(^44\) While large scale studies prove the existence of a relationship beyond statistical doubt, they do not specify how or why

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\(^{43}\) See Barberei in Mansfield & Pollins, Russet & O’Neal  
\(^{44}\) Mansfield & Pollins, p 5
the relationship operates. A different approach might include a qualitative deconstruction of cases which might reveal such causal mechanisms.

A temporal and spatial bias is also evident in the current literature on interdependence that does not rely as heavily on statistical analysis.\textsuperscript{45} In other words, these studies of interdependence have shortcomings in their sample selection. Mansfield and Pollins assert that the focus on World War I and II powers in much of the literature prevents a serious examination of smaller and more economically vulnerable countries. The primary players in the world wars were developed, industrialized and potentially self-sufficient, therefore economic interdependence may have a lesser impact on their diplomatic interactions than is the case in emerging democracies. Furthermore, the tendency to conduct research based primarily on twentieth century cases may belie any temporal trends in the relationship between interdependence and peace. While Mansfield and Pollins acknowledge that more data is available for recent cases, they still argue that fundamental differences in other author’s arguments may emerge if their theses are applied across time.

The purpose of this paper is to examine a very specific and well defined area within the broader context of economic interdependence, and outside of the realm of twentieth century industrial powers. The causal mechanisms will be explored through two case studies that may elucidate some of the universal properties of the interdependence-peace relationship. As the focus of the paper is transitional democracies, the problem of a sampling bias due to examining only global powers is restricted. Transitional democracies are more often less developed and economically independent than other countries. Though the temporal selection of cases may still favor

\textsuperscript{45} Mansfield & Pollins, p 8-9
relatively recent cases, the exploration of earlier cases is left to further study.

Complicating factors such as mercantilism and colonialism during the advent of
democracy would overly obscure the analysis.

The decision to explore the transitional democracy case via idiothetic rather than
nomothetic means was a conscious one. The discussion will utilize both quantitative and
qualitative methods, as described above, to demonstrate the relationship between peace
and interdependence. The case study approach has methodological benefits, although
any conclusions may have limited applicability. While a preliminary regression on
numerous specially coded transitional cases could be conducted to determine whether a
relationship between interdependence and peace exists, it would not explain the
functionality of such a relationship. The case study approach uses the specific instances
to explain the actual mechanisms of the interaction. Although the conclusions therefore
apply predominantly to the cases selected, the emergence of a trend would certainly
warrant further study amongst different cases.

Ripsman and Blanchard presented the primary difficulties associated with
qualitative research on interdependence in a joint paper. The recommendations they
established are significant, and helped guide the selection of cases within this paper.
Ripsman and Blanchard demonstrate the variety of methods used in qualitative analysis.
For example, while some studies concentrate on interdependence as a dependent variable,
others use it as an independent variable. ⁴⁶  Lastly, they consider the actors that should be
the primary focus of any study. While they concede that all groups in society have the
potential to influence the state, they conclude that policymakers are the most relevant.
They deem key governmental actors to serve as “gatekeepers of society”, reflecting the

⁴⁶ Ripsman & Blanchard, in Mansfield & Pollins, p 312
general will of the population.\textsuperscript{47} Business interests are marginalized as they are often contradictory. An encompassing and compelling case study would explore all relevant groups where possible.

Lastly, the decision to examine interdependence among transitional democracies at the dyadic level was made as it reflects the true double-sided nature of any political or economic arrangement. These pairs of states, or dyads, have often been used in existing studies on the Democratic Peace. Specifically, case studies based on one nation are difficult because they allow for a general study of the relationship with all other potential allies and not with any other specific type of government.\textsuperscript{48} Furthermore, the costs of war are best measured with respect to one specific partner rather than all allies.\textsuperscript{49} The study of interdependence at the level of the dyad as opposed to the state or international levels has been accepted as one of the most effective methods. Using the established functional definitions of the relevant terms and effective methodologies, two dyads will be explored.

**Criteria for Case Study Selection:**

The aforementioned definitions and summaries of existing literature and methodologies inform the selection of cases for this study. In an effort to accurately and appropriately bound the study, cases must meet a certain set of criteria to be considered for study. As mentioned above, the deliberate choice to focus on dyads narrows the potential set of case studies. Furthermore, it is desirable that both of the countries

\textsuperscript{47} Ripsman & Blanchard, in Mansfield & Pollins, p 319
\textsuperscript{48} Russet & O’Neal, p 49
\textsuperscript{49} Ripsman & Blanchard, in Mansfield & Pollins, p 314
involved in the relationship are transitional democracies. This seriously restricts the number of eligible dyads. Several other prescriptions for case study selection have been incorporated into the final selection.

Again, the ideal cases will feature two transitional democracies that have some existing relationship with each other. Rather than consider countries which have had democracy externally imposed, cases were selected which featured organic transitions to democracy following the retreat of a superpower or due to other internal domestic developments absent large-scale intervention by other states. While this limits the utility of the study for decisions by international peace promoting actors about when to intervene in a given situation, it serves to establish a first connection between interdependence and peace in the transitional case. In review, the transitional democracies need not be entirely free societies, but merely ones in which there has been a shift from autocracy towards democracy.

An ideal sample would include a case from both situations where either a conflict ensued or where no conflict ensued. This allows for useful comparisons and contrast to be drawn, isolating the effects of economic interdependence. The analysis will seek to determine if a correlation exists between the likelihood of maintaining a peaceful democratization and interdependence. The selection involves choosing some cases with and some without the presence of conflict. Although choosing certain cases based on the eventual outbreak of a conflict does bias the sample to some degree, it is a necessary process for choosing a very limited number of case studies. As such, a dyad with a conflict and a case without a war were selected.
In terms of temporal and special homogeneity, much of the literature has focused on cases predating the cold war, with an emphasis on the world wars. Consequently, the studies have been inherently biased towards large and powerful countries, with little regard for smaller powers. Particularly in the present era, where most conflicts involve localized conflict between smaller nations, the applicability of interdependence and democracy in fully developed and powerful nations has lost its prescriptive potency. In an effort to determine the effects of interdependence on more contemporary transitional democracies, cases were selected from within the last thirty years. This also averts the potential problem of distortion presented by the cold war.

The paper addresses vulnerability and sensitivity interdependence in two democratizing countries as equally significant, though these two may be difficult to isolate in practice. In order to ensure the potential for a higher degree of interdependence, geographically contiguous or proximate countries were selected. While not guaranteed, geographic proximity should provide for some relationship and potential for gaining or losing from established economic relationships. Russet and O’Neal note that “neighbors are likely to have the most reasons to fight--over territorial boundaries, natural resources, the grievances of cross-border ethnic groups”\(^{50}\). Thus, instances wherein conflict between neighbors is limited gain even more significant. Also, the cases were selected with attention to finding two countries of similar economic developmental stages, avoiding any substantial discussion of the superpowers. In fact, conflict between asymmetric economic powers may be more likely for reasons beyond interdependence.\(^{51}\)

\(^{50}\) Russet & O’Neal, The Kantian Peace, p 13
\(^{51}\) Russet & O’Neal, p 131
The criteria were thus narrowed to physically close, developmentally similar, and democratically transitional dyads.

The best set of potential candidate cases were enumerated in William Thompson’s set of “enduring rivals”, which is composed of countries that have had consistent relations with one another. The tension between the countries has often resulted in the outbreak of war or other forms of conflict, and makes this set particularly interesting. Applying the enumerated criteria to these cases, two were selected based on their temporal homogeneity and special heterogeneity. Thompson defines strategic rivals as dyads in which the countries are competitors, mutual military threats, or enemies. He notes that weaker states are capable of competing primarily with proximate states, reinforcing the decision to focus on geographically adjacent countries.

While the numerous criteria he establishes for defining rivals are thorough, the main point of interest is the usefulness of rivals to examine interdependence in weaker democratizing nations. Using Thompson’s set of dyads as a source for cases guarantees tension between countries, without guaranteeing conflict. Thus, various rivalries may be examined to isolate the effects of interdependence on the peace or conflict between countries. Cases were selected based on the given criteria from the list of rivals Thompson identifies. Two cases were selected; Armenia and Azerbaijan, and Argentina and Brazil, both from the 1980s and 90s.

The first case was that of the relatively recent conflict and relationship between Azerbaijan and Armenia. A short war was waged between the two countries in the early 1990s. Both of the countries were democratizing at the time, as will be discussed later.

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52 Thompson, p 560
53 Thompson, p 570-573
An effort will be made to discover any significant economic interdependence between the two, though the foregoing analysis predicts that there will be little to none. The second of the cases is the rivalry between Argentina and Brazil. Both of these countries underwent waves of democratization in the later half of the twentieth century. While the tension here occurred during the cold war, these effects can be ignored as both countries were in the same camp. This case is particularly interesting because of its lack of conflict which predicts a higher degree of interdependence. The cases provide a geographically diverse sample to explore initial considerations regarding democratization, interdependence and peace.

The two cases were selected as some of the best examples from Thompson’s extensive list of rival countries. First, the sample of potential cases was restricted to strategic rivals, a subcategory which Thompson defines as “two states engaged in competition with the expectation of future conflict”. Of these, many could be eliminated due to their antiquity, as primarily contemporary cases were considered. For example, a rivalry between Britain and Burma during the early nineteenth century bore little resemblance to more recent events. In fact, the candidate cases were restricted to rivalries that extended beyond 1980. Of the remaining cases, many were subject to distortion from great power intervention, such as the relationship between Pakistan and Afghanistan, which had undeniable undercurrents of Soviet-American tension.

Furthermore, cases which concerned two countries that were not democratizing were also eliminated. Thus, while the rivalry between Kenya and Sudan between 1989 and 1994 had an acceptable context and lack of significant external influence, it was waged between authoritarian regimes which were far from democratic. The most

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54 Thompson, p 568
promising candidates were those which demonstrated a high degree of democratization and limited direct external intervention on behalf of either country. Aside from the two cases selected, both the Croatia-Serbia rivalry of the 1990s and the tensions between South Africa and Zimbabwe during the 1980s were promising. The Serb-Croat case was not explored as it mirrored the Armenian-Azeri conflict too closely, but could be the subject of further research. South Africa and Zimbabwe posed another interesting case where tension was evident and both experienced movement towards democratization. The developmental disparity between the countries, however, set this case apart from the others. Ultimately, The Argentina/Brazil and Armenia/Azerbaijan cases were selected for their contemporary status, lack of direct external interference, presence of democratization in both countries, and relative parity between the countries.

As aforementioned, the expanded definition of conflict should allow a broad reading within these cases. “States that interact often will engage in both cooperative and conflictual ways”.\(^{55}\) This underscores the logic of selecting nations which are considered to be rivals. A thorough examination of countries that are constantly interacting will be much more fruitful than considering countries that have only sporadically interacted. Furthermore, in cases where conflict is present, one can attempt to isolate the changes that spurred the conflict as well as considering \textit{ex post} changes that might have contributed to a peaceful resolution of the conflict. In this instance, the presence or lack of economic interdependence will be of particular interest.

\(^{55}\) Mansfield & Pollins, p 18
**Case Studies:**

The basic format of the case studies will be as follows. A brief introduction will characterize the relationship between the two countries, including any notable historical conflicts. Thereafter, both countries democratizations will be explained. Furthermore, the time period in which both countries democratized will be examined. An exploration of the extent of interdependence will follow, highlighting all available information regarding the economic relationship between the two democratizing countries. Lastly, the presence or lack of a significant conflict will be accounted for with reference to the available information on interdependence.

**Armenia and Azerbaijan- Imminent Conflict in the Absence of Interdependence**

Armenia and Azerbaijan have an intertwined history, qualifying them as a clear example of a dyad characterized by rivalry. In the 1920s, both countries were absorbed into the Soviet Union, and underwent much of their modern development under the direction of the central Soviet government. Earlier, precedents for border conflict between the two nations had been set, and to some extent allowed the Soviets to enter the region in the name of stability. A substantial amount of research has been dedicated to exploring the exact events of the ongoing conflict between Armenia and Azerbaijan, where the border still remains a dangerous region. The precise details of this conflict are not as relevant as its origins. The current military stalemate is due to a combination of historical precedent, rapid democratization, and antagonism fueled by competing claims.
to the Nagorno-Karabakh region. Another factor that contributed to the escalation of the conflict is the lack of economic interdependence.

**Historical Overview**

Ethnic Armenian’s are descendents of ancient tribes that have inhabited the geographic region for hundreds of years. The Armenians were Christianized during the reign of the Roman Empire. Azeri history, though similar to that of Armenia, has some notable differences. Invading Arab armies brought Islam to the region, widening a developing gap between the two areas. The contemporary Armenians have an acute sense of self-identity based largely on their linguistic history. Standing on a land bridge between two continents, the trans-Caucasian nations were routinely involved in power struggles between the major powers in the vicinity, most often Turkey, Russia and Iran. It is important to note that the Azeris had not developed a true national identity until “the late nineteenth century … as a result of growing communal tensions with the Armenians”.

This tension was created by a particular dispute over a region within Azerbaijan that had an ethnic Armenian majority. Both countries gained their independence amid chaotic conditions. The Armenians were forced to accept a harsh settlement from the Turks in the Treaty of Batum, concluded on June 4, 1918. The Azeris were equally hard pressed by their neighbors. There was some limited history of collaboration during the time, including the short-lived Transcaucasian Federal Republic, which incorporated

56 Croissant, p 2
57 Croissant, p 4
58 Croissant, p 8
Armenia, Georgia and Azerbaijan. Armenia, however, subsequently seceded from this republic, and both countries were eventually captured by the Soviets in 1920 in the wake of islamic aggression in the Nagarno Kharabakh region.\textsuperscript{59}

The brief invasion by the “Army of Islam” in the Nagarno-Kharabakh region exposed the Armenians to countless horrors and sparked the initial conflict. Upon the withdrawal of the army, the Armenians and Azeris began fighting in an attempt to secure more land for their fledgling states.\textsuperscript{60} Although some negotiations were concluded, the emergence of the Soviet Russians in the area forced both nations into becoming amongst the first Soviet Socialist Republics in April and May of 1920. In fact, the Soviet armies entered Nagarno Kharabakh in May of 1920.\textsuperscript{61} The Russian’s entered Transcaucasia again, and incorporated both Armenia and Azerbaijan into the Soviet Union as separate Socialist Republics. The question of Naarno-Karabakh was left unsettled, as Stalin considered it part of Azerbaijan. The ethnic tension generated by this decision was not addressed until the very last days of the Soviet Union.

\textbf{Democratization}

As the Soviet Union began to weaken in the 1980s, independence movements evolved from all corners of the former superpower. With institutional constraints gradually becoming more permissive, Armenians and Azeris were free to voice their opinions and make claims to Nagarno Kharabakh. The liberalization of the Soviet Union demonstrates the first steps of democratization for the two transcaucasian republics.

\textsuperscript{59} Twining, p 126
\textsuperscript{60} Croissant, p 15
\textsuperscript{61} Croissant, p 18
In Armenia, the Soviet abstained from voting on Gorbechev’s referendum on preserving the Soviet Union, electing to hold a separate vote and establish independence. Armenia made this declaration of its intention to become independent on August 23, 1990, and achieved this goal on September 1991. Of the various groups competing for influence in the state, those representing a faction dedicated to independence and restoration of Kharabakh to the Armenian territory were dominant. The countries first president, Ter-Petrosyan had been a member of the “Kharabakh Committee” which had had two aims; democratization and the independence of Kharabakh.

Ter Petrosyan had observed the Moscow Coup, which hardened his resolve to remove Armenia from the struggling Soviet Union as soon as possible. In September 1991, an overwhelming 99% of the people of Armenia voted for independence. Despite some initial resistance from Russia, which sent paratroopers into the country to prevent independence, Armenia did eventually succeed in attaining full independence. The domestic political agenda in Armenia was dominated by concerns over Nagarno-Kharabakh as Levon Ter-Petrosyan was inaugurated as Armenia’s president on November 11. Ter Petrosyan’s was able to pursue his “vision of Armenian independence and self-sufficiency”, a decision he would live to regret. The Armenians had achieved their independence and democratically elected their first president on an aggressive platform with the aim of stabilizing their territorial and economic conditions.

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62 Twining, p 126
63 Human Rights Watch, p 2
65 Twining, p 126
Azeri independence followed a similar path, though it actually began earlier and only truly culminated with the election of the first non-communist president. Azerbaijan declared sovereignty on September 23, 1989. More than 99 percent of voters ratified a referendum on independence in 1991. Unlike Armenia, Azerbaijan achieved independence through legal methods within the Soviet Union, which helped to petition for its immediate international recognition as a state. Their first election was won easily by an Azeri communist, Mutilobov, who ran unopposed on September 8, 1991. A struggle between various ruling elites ensued, particularly between the Azerbaijani Communist Party and the Popular Front.

The Azeris elected Abulfaz Elichibey, an anti communist, on June 7, 1992. This represented the first multi-candidate election in the country. He emphasized the need for the development of a currency and a market economy, with a strong preference for bilateral trading arrangements. The Popular Front in Azerbaijan gained credibility for its tough and aggressive stance on the Nagarno Kharabakh issue. Some claim that military shortcomings cost two of the subsequent presidents, including Elchibey, their office. The Azeris independence was achieved on a similar basis as Armenia’s, though they maintained a better relationship with the Russians.

In the wake of these two independence movements, both countries opted to escalate the level of hostility in Kharabakh under intense domestic and nationalist pressure. This warlike tendency justifies the belief that transitional democracies are war prone and that leaders in such countries often use foreign conflict to achieve consensus at

68 Twining, p 133
69 Twining, p 131
70 Twining, p 132
71 Human Rights Watch, p 2
home. Both countries were considered democratic to some extent when the conflict began, and continued to make more steps toward democratization though time.  

Although the foundation for a conflict had been established in the nineteenth century, the true ethnic and cultural differences between Azeris and Armenians are not as significant as some assume. Armenia, the economically weaker of the two parties, stood to lose more through the breaking of ties between the two countries, but both countries were already in dire economic condition. Greater interdependence would have helped avoid protracted conflict and the resulting stalemate.

Due to the complete lack of substantial interdependence, no domestic groups in either country had incentives to cooperate. Azerbaijan was optimistic that the blossoming oil industry would satisfy its economic needs based on western demand. The legacy of a 1988 earthquake coupled with unreliable power supply distorted the Armenian business and private interests, who saw the conflict with Azerbaijan as a top priority, rather than economic integration. Considering the counterfactual case wherein Armenia and Azerbaijan could have been interdependent entering into their democratization processes, one can see that war would have been far less likely.

Rather than having substantial and well supported independence movements actively engaged in war promoting rhetoric, the political bases of support would have been far different. In fact, while the actual scenario that unfolded represented a near consensus of political will in both countries, this would not have been the case if private interests existed and had been significantly adverse to war. The problems arising from the economic arrangement of the USSR are manifold. Armenia and Azerbaijan would certainly have had closer regional ties if they had not acted as peripheral economies to the

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72 Mansfield, Electing to Fight, p 232
Russian hub. In that event, the two countries would have been better connected, with more infrastructure and free passage between them. This would probably have promoted a more accurate awareness of each others populations and cultures, in turn blunting the aggressive rage which erupted after independence.

Beyond the establishment of a social and cultural tolerance, the vested business interests of regional bi- or multinational countries would have been adamantly opposed to the escalation of conflict. This assumes, of course, that these groups would be politically potent. A cursory examination of other countries, however, underscores the conclusion that private interests are becoming increasingly more powerful and influential, particularly in democratic processes. Thus, an interdependent Armenia and Azerbaijan would have checked the nationalist tendencies that came to dominate both countries domestic concerns by restoring an awareness of economic imperatives.

The Nagorno-Kharabakh Conflict: Overdetermined

The conflict that ensued was overdetermined in several ways. First, a historical precedent for conflict in the area remained present in the minds of the citizens of both countries. Despite the long Soviet imposed cessation of hostilities, both populations were prepared to reinitiate their quests for the territory. Second, the transition to democracy heightened the enthusiasm for war. The leadership of dominant political coalitions in both countries sought to engage in the conflict as a basis for consolidating power. The independence fervor and new democratic apparatus served to allow the population to convey their will to the government, conferring authority to the leadership. Lastly, the stunning lack of interdependence between Armenia and Azerbaijan minimized the
foreseeable effects of conflict, encouraging both sides to proceed aggressively. The chaos amidst the collapse of the Soviet Union did little to quell the enthusiasm for territorial gain. Furthermore, existing tension between the countries caused by the Azerbaijani blockade of Armenia, exacerbated tensions to the point where rapprochement was unthinkable.

The Karabakh conflict found its roots in ethnic fighting which preceded either of the countries true independence. The reemergence of the historical conflict began on February 28, 1988 during ethnic rioting in the region. An Azeri blockade of Armenia began in response in the same month. Interestingly, this conflict began before the full democratization of both countries. Despite the heavy toll in terms of casualties inflicted upon the Azeris, the real cost of the conflict in economic terms has been much more severe for the landlocked Armenians.

Again, the primary focus here is on the lack of interdependence, which could have acted as a restraint on bellicose tendencies. The primary reason for the absence of developed economic ties between the two countries was the legacy of the Soviet centrally planned economy. The Soviet economy was heavily regulated by the state planning commission (Gosplan), which oversaw the roles of regional economies. Despite some attempts to modify or regionalize this system, the central economy remained the basis for economic activity within the Soviet Union. Furthermore, the failures of the central command economy were obscured by the standards of success the Soviet Union used. Rather than measuring performance based on goods sold, economic stability was

73 Twining, p 132
74 Twining, p 126
75 Zwass, p 14
measured through production. Using a ratio between inputs and outputs, Gorbachev could claim that the Soviets were twice as productive as the Western industrial nations.\textsuperscript{76}

The deceptive standards of economic success and weak state apparatus could survive only so long as the empire that sustained them. With the steady crumbling and ultimate dissolution of the Soviet Union underway, nations such as Armenia and Azerbaijan were not able to continue producing, as the realities of the market economy became apparent. The state driven and sponsored demand for goods was no longer present. Additionally, none of the newly freed republics created by the dissolution of the Soviet Union had any “experience with foreign trade of credit transactions”\textsuperscript{77} as everything had previously been governed by the strong Soviet system. Countries enjoyed full or nearly full monopolies for the production of specific products.\textsuperscript{78} The Soviet prototype has endeavored to create massive gains from economies of scale, which would allow countries to focus on certain industries. This fostered much “republican specialization”, which worked tolerably well during the Soviet era, but left countries with dangerously lopsided economies thereafter\textsuperscript{79}. Mikhail Gorbachev recognized that the republics of the Soviet Union were very inter-dependent and that “dire consequences would follow from geo-economic fragmentation”.\textsuperscript{80}

Trade flows remained primarily within the Soviet Union. The USSR had established a good system of transport and distribution. Moscow had a commitment to redistributing resources from more affluent regions to other regions.\textsuperscript{81} Interestingly,

\textsuperscript{76} Zwass, p 5
\textsuperscript{77} Zwass, p 116
\textsuperscript{78} Smith, p 159
\textsuperscript{79} Webber, p 286
\textsuperscript{80} Smith, p 159
\textsuperscript{81} Smith, p 159
some of the Soviet republics were benefited from the system, as some goods were overvalued and others undervalued. One of the top four budgetary donors was Azerbaijan. This underscores the importance of the economic disparity between Armenia and Azerbaijan. The so-called “contract of the century” between Azerbaijan and the International Oil consortium promised some stability for the floundering Azeri economy. Though both countries were somewhat overzealous about independence from the Soviet Union, not fully grasping the aftermath of breaking their relationships, Azerbaijan actually stood a conceivable chance of gaining from leaving the union.

Both economies were devastated by the downfall of the Soviet Union, distorting the extent to which they could harm one another in the Karabakh conflict. With both economies reeling in the wake of a Soviet withdrawal, the countries were left economically independent from one another allowing political and security prerogatives to take precedence over other economic initiatives. The leadership that came to power was consequently strongly nationalistic and war prone. The direct effect of independence was to empower a “militant nationalism”. Groups within both Armenia and Azerbaijan were able to increase support for the war effort by employing nationalistic messages. The emergence of intelligentsia and media independent from the Soviet Union allowed these countries to articulate their individual histories, strengthening unity and encouraging conflict. In the wake of the Soviet collapse, the Armenian and Azeri elites were prepared to wage a war that was fueled by immature nationalism. The complete collapse of the Soviet system had removed all structural impediments to war,

82 Webber, p 287
83 Jaffarov, p 5
84 Smith, p. 226
85 Smith, p 226
and a lack of true interdependence did not provide alternatives to conflict. Furthermore, factors which could inhibit war, such as political pressure from private groups, were also absent.

A complete characterization of both economies at the time of democratization is difficult due to the lack of good documentation during the chaotic transition to democracy and immediate conflict, though general production trends existed in both countries.\textsuperscript{86} The Azeri economy of the time was heavily reliant on oil, gas, cotton and other agricultural products, while Armenia’s post soviet economy was known for its production of machinery and fruit.\textsuperscript{87} Azerbaijan seems to have weathered the transition to independence somewhat better due to its wealth in oil, a resource coveted by the West. Armenia, on the other hand, suffered tremendously, beyond any anticipated side effect of independence. The average incomes in both nations were nearly halved relative to their levels during the Soviet era.\textsuperscript{88} Armenia’s other industries, such as machine tools and chemicals, were severely impaired by the lack of a reliable power supply throughout the conflict with Azerbaijan.\textsuperscript{89} Armenia’s industrial responsibilities in the late days of the Soviet Union were primarily canned foods, electric engines and textiles. Azerbaijan, on the other hand, was known largely for its production of energy and various types of fuels.\textsuperscript{90} There is little evidence that the countries directly provided each other with these products.

The legacy of the Soviet system prevented the evolution of true interdependence between Armenia and Azerbaijan. Only limited interdependence developed before the

\textsuperscript{86} The World Bank Data in Appendix 1 provides useful data concerning the composition of both economies.  
\textsuperscript{87} Twining, p 125  
\textsuperscript{88} Zwass, p 10  
\textsuperscript{89} Zwass, p 126  
\textsuperscript{90} See Appendix 1, Tables 1 and 3
outbreak of a war over territory, whose causes predated not only independence but also
the Soviet Union. A perusal of World Bank data on trade shows that neither country
considered the other a top trading partner in 1990.\textsuperscript{91} The simultaneous evolution of the
independence movements and the conflict prevented the evolution of any trading
relationship between the two countries into the 1990s, encouraging further conflict. Both
sides fell victim to the characteristic trends of transitional democracies that promote war
such as nationalistic “prestige strategies” aimed at increasing political capital
domestically by engaging in an international conflict.\textsuperscript{92} Regrettably, neither country was
inhibited by any great prospective losses due to interdependence.

Despite immediate gains, the longer term consequences of the Kharabakh conflict
proved to be more damaging to the Armenians than to the Azeris. The Armenians
boasted a better army and military strategy, and were fueled by their initial victories. In
fact, the Armenians attacked immediately following the election of Ter-Petrosyan.\textsuperscript{93}
Similarly, shortly after the election of Elchibey in Azerbaijan an attack was launched
against Armenia.\textsuperscript{94} Apparently, the people of both nations fully supported the conflict.
Again, this was largely due to the deteriorating circumstances in and between the
countries and a lack of true interdependence with each other.

The rapid disappearance of the established Soviet system truly crippled the
Armenian economy, forcing nearly everyone to become buyers and sellers of goods. In
fact, the entire Soviet system had been “built on interdependence” with other Socialist

\textsuperscript{91} See Appendix 1, Tables 2 and 4
\textsuperscript{92} Mansfield and Snyder, p 93
\textsuperscript{93} Yunusov, p 77
\textsuperscript{94} Yunusov, p 79
As the central Soviet economy collapsed, the marketing structure also disintegrated. Thus, the demand for Armenian goods disappeared. One example of this is a large sock factory that the Soviets had established in Armenia. The raw materials necessary for producing the socks were provided from other republics. Once the economy broke down, however, the entire factory became useless, lacking both material and demand. Most notably, all of the former Soviet Republics have seen a tremendous decline in the value of trade and domestic gross domestic product overall. Armenia’s overall trade sank dramatically, from nearly 4,000 million US dollars in 1991 to approximately 200 million US dollars in 1994. Azerbaijan’s trade also sank from 9,500 million US dollars to 650 million dollars over the same time period.

In Armenia, the economic repercussions of the war prone independence movements were immediate. On the fourth of November, 1991, the gas pipeline from Russia which entered Armenia through Azerbaijan was closed. Another Azeri rail blockade restricted food and supplies. Armenia was ultimately forced to ask for UN help. On March 25, 1992 President Ter-Petrosyan declared an economic state of emergency in Armenia. The benefits of hindsight, however, may not entirely characterize the situation leaders were confronted with at the time. The tragic earthquake of 1988 forced the shutdown of the countries lone nuclear power facility, plunging the country back into medieval conditions.

Miller, p 108
Miller, p 108
Smith, p 161
Smith, p 162, also see table in appendix
Twining, p 127
Twining, p 127
Miller, p 116)
was compounded by the blockade, which foiled plans to get power from adjacent neighbors through gas powered plants.

Retrospective analysis by citizens frequently casts the Soviet control of the nation as a better time. Criticism of President Ter-Petroysan is often harsh. People claim he made too many promises without providing for the people’s basic needs. Following the pattern of using a foreign conflict to consolidate control over the country, the president had effectively prevented many advances from being achieved. It is, however, hard to fault the leadership, who only later recognized the numerous challenges that would face Armenia during its transition to independence. One ideal situation seemed to be a strengthening of relations with a larger power such as Russia. The awareness that Armenia, the smallest of the new republics born from the Soviet breakup, needed a relationship with a larger power has steadily grown. During the actual conflict, however, the eagerness for conflict was a “bottom up” phenomenon, originating in the will of the newly empowered electorate. The lack of understanding about the repercussions of war and necessity for interdependence fueled the public fervor for war.

The widely held Armenian claim that the country “declared only political independence” and not economic independence demonstrates the extent to which citizens were unaware of the potentially crippling effects breaking with the Soviet Union would have. Assuming a constant demand for their products, the country confidently pursued the conflict with Azerbaijan. In fact, the first steps toward peace or at least a lasting cease fire were established after the complete collapse of the Soviet economy, as both

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102 Miller, p 142
103 Miller, p 143
104 Mansfield, Electing to Fight, p 233
105 Miller, p 110
countries recognized their inability to continue waging such a costly war. Ultimately, this resulted in mass demonstrations outside of the Armenian presidential palace on Feb 6, 1993. These frustrations with a failed economy and the inability of those in power to deal with it demonstrates the principle that interdependence or the recognition of the need for interdependence can lead to changes in public priorities. Interdependence would have acted as a conflict deterrent in this situation.

Arménia and Azerbaijian: Hindsight and Future

The Soviet Union’s legacy provided no interdependence between Armenia and Azerbaijan, and the transitional tendencies of these nationalistic countries fueled the war. A genuine lack of interdependence continues as the border between the countries remains closed. Although it may be difficult to achieve interdependence now, peace remains an even more distant illusion until some relationship can evolve. This complex case demonstrates how a lack of interdependence can lead to a mutually disadvantageous conflict. Another case which demonstrates a higher degree of interdependence will help elucidate the effect the presence of interdependence has on conflict in transitional democracies.

Argentina and Brazil: Tensions Suppressed by Interdependence

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106 Zwass, p 126
Both Argentina and Brazil were originally mercantilist colonies of European powers. As a result, both specialized in the production of certain goods and commodities to support their colonial rulers. Throughout time, however, both gained independence and control over their abundant natural resources. Brazil eventually had ambitions to become a South American super power. Both countries struggled with each other, particularly in the twentieth century as competition intensified. Despite being geographically contiguous and democratizing at the same time, these two countries did not go to war with each other, but strengthened their ties. One of the primary reasons conflict was avoided in this situation was the existing trading arrangements and advanced interdependence the two countries enjoy to this day.

**History of Argentine-Brazilian Relations and Democratization**

Both Argentine and Brazilian economies were heavily specialized in the colonial era, producing whatever was commanded by their respective European powers, Spain and Portugal. The legacy of and potential for conflict was present from the early nineteenth century, but Argentina and Brazil never fought a full scale war after the 1840’s. Over time both economies diversified and steadily emerged as two of the most powerful South American countries. With this transition, a rivalry was born with each country trying to demonstrate their relative strength in the Southern Cone. Both countries experienced weak forms of democracy earlier in the twentieth century, but they had failed and been supplanted by military dictatorships. Strategic decisions were made by the autocratic
regimes in both countries that set the foundation for an internationally peaceful and interdependent transition to democracy by both countries.

During the late 1820s, there was a full scale war between Argentina and Brazil resulting from border disagreements concerning Uruguay. The Brazilians were very anxious as Argentina was espousing expansionism and the distance from the capital made the southern border particularly vulnerable.\(^{107}\) Eventually several powers aligned to defend the sovereignty of Uruguay, and the conflict was ended by the 1840s.\(^{108}\) To prevent further conflict, the British created Uruguay as a buffer state between Brazil and Argentina.\(^{109}\) Although the existence of Uruguay isolated Argentina and Brazil to some extent, they still shared a smaller common border and continued to interact frequently. In fact, just a few decades later, in the 1860s, Argentina and Brazil allied to fight the Paraguayans.\(^{110}\)

Brazil was one of the most important colonies for Portugal, providing sugar, coffee, gold and rubber.\(^{111}\) In 1889 the colonial ties were broken and Brazil became a republic. A long series of rulers presided over the country, often establishing hierarchical structures of governance. The Argentine export economy itself was still based largely on traditional commodities; meat, wool and cereals.\(^{112}\) Argentines developed a strong sense of identity that was distinct from other South Americans, and would provide a basis for regional rivalry with the other local power in Brazil.\(^{113}\) Similar to Brazil, the Argentine

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\(^{107}\) Lewis, Brief History, p 27  
\(^{108}\) Lewis, Brief History, p 28  
\(^{109}\) Machlachlan, p11  
\(^{110}\) Machlachlan, p34  
\(^{111}\) Rocha, p 12  
\(^{112}\) Lewis, Brief History, p 60  
\(^{113}\) Mullins, p 53
government was dominated by “strong men” and military dictatorships, particularly in the twentieth century.

The presence of the Germans in Argentina and the escalation of the First World War set off a small arms race between the two countries. During the Second World War, similar events took place. The Brazilian leadership feared that Argentina was trying to dominate the Southern Cone’s resources and establish Buenos Aires as the primary port in the region. Extensive plans were made in order to determine how to best conduct a war with Argentina, and relations with the United States expanded. Interestingly, Argentina was able to thwart the sale of six obsolete destroyers by the United States to Brazil merely by raising strong objections. This boosted the tension between the two countries, encouraging Brazil to industrialize as quickly as possible. Though the two did not fight during the Second World War, external events increased the rivalry and revealed underlying tensions.

The Brazilians helped fight alongside the United States in the Second World War, emerging as the dominant military power in Latin America. In fact, one of the reasons that Brazil declared war on the axis was to win recognition from the United States that it was the most powerful nation in South America. This served to cool the tense relationship with Argentina, which was considered far less of a threat by Brazilians who had proved their military might in combat. Furthermore, the superior size of the population and the territory of Brazil convinced many that it was the strongest power in the Southern Cone. Brazil went on to be dominated by a military dictatorship which

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114 Machlachlan, p84
115 Machlachlan, p107
116 Machlachlan, p108
117 Machlachlan, p120
118 Levine, p 171
came to power in 1964 and steadily expanded its control. The Congress of Brazil was closed in 1968, and the military ruled almost absolutely until the return of civilian government in 1985.\textsuperscript{119}

The “Brazilian miracle” occurred in the 1960s and 1970s as the economy grew at a roaring rate of approximately 10 percent annually.\textsuperscript{120} This boom was led by chemicals, machinery and metallurgy, electrical and communication equipment and transportation equipment, and attracted much foreign investment.\textsuperscript{121} Following the economic miracle, the Brazilian economy was beset by a recession in the early 1980s. A rise in international interest rates compounded the woes of the country and pressures began to mount for a change of government.\textsuperscript{122}

The military dictatorship that had ruled the country was steadily crumbling, and democracy was restored in 1985 with the Electoral College declaring Tancredo Neves the President. He collapsed and died soon after the election, however, and was succeeded by Jose Sarney, who would remain president for five years.\textsuperscript{123} Interestingly, Neves had been staunchly opposed to the military regime, while Sarney was a military “yes man” who did not reflect the same values.\textsuperscript{124} Regardless, the people had freely elected their first president in nearly two decades without military intervention.

Democratization continued throughout the late 1980s and Brazil adopted a new federal constitution in 1988.\textsuperscript{125} This document empowered the regions while still leaving the national government in control of social programs. Furthermore, the 1989 election

\textsuperscript{119} Levine, See “Timeline of Historical Events”
\textsuperscript{120} Weaver, p 140
\textsuperscript{121} Weaver, p 140
\textsuperscript{122} Levine, p 137
\textsuperscript{123} http://lcweb2.loc.gov/frd/cs/brtoc.html
\textsuperscript{124} Levine, p 137
\textsuperscript{125} Levine, p 138
marked the first time the Brazilians had directly elected their leader without an electoral college since 1960. The transition to democracy was peaceful but drawn out in Brazil. Many claim that democratization was only complete with the direct election of Fernando Collor in 1989. Previous elections had been carried out through an indirect system that empowered the military generals. Although the new government was riddled with corruption, the trend towards democracy and away from authoritarian rule clearly began and succeeded in the 1980s.

The Brazilian economy has diversified since the colonial era, though it still relies on a steady export of raw materials. For example, redwood and mahogany remain key exports to date. Coffee, sugar, and gold still continue to be important, but relatively less so than in previous decades. Industrialization brought consumer goods and a successful armaments industry to Brazil in the mid twentieth century, and the country thrived despite immense disparities in wealth. Brazil’s promising economy led to heavy foreign investment that ultimately became problematic for the country. Approaching the International Monetary Fund (IMF) repeatedly during the early 1980s to request relief for their debts, Brazil was only able to begin paying off its debt at the cost of domestic stability. Domestic economic policy was subjected to IMF requirements, which destabilized the economy as a whole. Inflation and wages rose dramatically as the military leadership turned over control of the government to civilians.

In Argentina, The Peronists had come to power after the Second World War and installed a military dictatorship that directly influenced Argentine policy until the 1980s.

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126 Levine, p 139
127 Rocha, p 39
128 Rocha, p 45
129 Rocha, p 49
and with a legacy that continues to be an influential factor in Argentine political culture. By the 1970s, however, the public discontent with the regime was becoming steadily stronger. In the 1980s, this led to the eventual return of power to civilians. The dictatorship of Leopoldi Galtieri was fundamentally weakened by his loss of the conflict in the Falkland Islands. The loss of this war in 1982 precipitated numerous public protests against the regime, essentially forcing the military to permit a return to civilian rule. Unlike previous attempts at democratization that had only been nominally successful, this transition allowed Raul Alfonsin and the Radical party to come to power while many expected the Peronists and military sympathizers to continue their rule. This time the transition from autocracy to democracy was genuine.

**Argentine and Brazilian Interdependence: Preempting Conflict**

By the 1960s, Brazil was Argentina’s second most important supplier of imports. The Latin American Free Trade Agreement encouraged and promoted a considerable rise in inter-regional trade, particularly between Argentina and Brazil. After the 1960s, the Brazilians also began to absorb more of the exports from Argentina, which had previously dealt largely with the British. In 1980, a further association for Latin American integration was founded (ALADI), which served to tighten relations between Argentina and Brazil. In particular, the group focused on working out tariff

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130 Lewis, History, p 149  
131 Lewis, History, p 151  
132 Lewis, Brief History, p 65  
133 Lewis, Brief History, p 62  
134 Lewis, Brief History, p 44
agreements to ease trade.\textsuperscript{135} While some contend that the treaties of the 1980s represented nothing more than diplomatic intentions, the existence of such treaties demonstrates the extent to which the idea of interdependence can be an effective deterrent from war.\textsuperscript{136} Mullins notes that “[t]he rapprochement with Argentina had begun before the military’s departure from power”.\textsuperscript{137} As such, the existence of interdependence or at the very least the awareness of its value contributed to the elimination of any potential hostilities between the two countries.

Both countries’ extensive Atlantic shorelines enabled them to trade freely with other countries, rather than being solely dependent on each other.\textsuperscript{138} Yet they still maintained friendly relations during their transitions to democracy. While Brazil conducts considerable business with the United States, the fear of a complete dependence on the US has led it to value interaction with Argentina. For example, though auto part exports to Argentina only amount to 6.1 percent of all Brazilian exports, Argentina ranks behind only the US and Germany in terms of importers of such parts.\textsuperscript{139} The Brazilian economy around the time of democratization produced primarily machinery, metals and chemicals, many of which were exported to Argentina.\textsuperscript{140} Approximately ten percent of Argentine exports were consumed by Brazil in both 1978 and 1986. Furthermore, a similar proportion of Argentina’s imports arrived from Brazil, depicting how interdependent both countries were prior to democratization.\textsuperscript{141}

\textsuperscript{135} Machlachlan, p187
\textsuperscript{136} Willumsen, p 40
\textsuperscript{137} Mullins, p 93
\textsuperscript{138} See Appendix 2, Table 3 and note that the relative significance of borders Brazil shared with Argentina are greater than those shared with mountainous and relatively inaccessible Peru.
\textsuperscript{139} Willumsen, p 58
\textsuperscript{140} Willumsen, p 120, See Also Appendix 2
\textsuperscript{141} See Appendix 2, Table 2
The reconciliation of the two newly democratic countries was aided by their ability to look beyond their individual aims. Both acknowledged that hostility in the Southern Cone would discourage foreign investment. Following democratization and the return to civilian rule, both countries signed a bilateral treaty which emphasized the importance of trade policy and the betterment of the lives of citizens. The virtually immediate signing of the Iguacu Declaration, which proposed a study of the relations between the countries, following Brazilian democratization in 1985 signaled a desire for even closer contact between the countries.

Argentine-Brazilian relations throughout the twentieth century demonstrate considerable competition as the two vied for regional dominance. The Brazilians, in an attempt to use their significant territory and population, often pursued relations with the United States in an effort to become a world power. However, the goal of attaining such status requires regional involvement, and has encouraged Brazil to pursue increased relations with Argentina. Brazil and Argentina are the primary economic powers in the southern cone, yet both have primarily traded with the northern hemisphere. Brazil’s regional trade amounts to approximately five percent of their total trade; while Argentina’s intraregional trade is about fifteen percent of the total. These factors are far less than other area countries, which depend heavily on Argentina and Brazil. As larger countries, however, Brazil and Argentina recognize their mutual need for local trading partners.

142 Machlachlan, p164
143 Machlachlan, p187
144 Mullins, p 86
145 Mullins, p 59
146 Willumsen, p 41
Some might claim that the transitions to democracy in Argentina and Brazil were accompanied by amicable relations between the two countries due to their common legacy of overcoming military rule. While this argument is appealing, it does not account for the continued strengthening of the relationship when the Peronists did return to power in 1989. This time as democratically elected officials, they still sought to expand their relationship with Brazil, rather than pursue their goals through aggression. Furthermore, the vestiges of military rule still dominated the domestic Brazilian agenda for nearly half a decade following democratization.

The process of democratization in Brazil was very different than in Argentina. In Brazil the government remained under “military tutelage” for several years before becoming completely run by civilians. Furthermore, as no military crises had precipitated the transition, the country steadily democratized without completely ousting the military. The transition to democracy in Brazil was far gentler than that in Argentina, as it entailed a steady weaning of military influence. The first cabinet included six general officers on duty, and only subsequent governments became fully regulated by civilians.\textsuperscript{147} The rise of free market ideals, ambitions of regional leadership and economic development all contributed to Brazil’s democratization process.\textsuperscript{148} These factors serve as a number of the preconditions that can encourage a peaceful transition to democracy by slowly weaning elites, in this case the military, of their power. Even without a complete purge of military officials from the government, the Brazilians were prepared and enthusiastic about expanding their economic relationship with Argentina.

\textsuperscript{147} Mullins, p 81
\textsuperscript{148} Mullins, p 93
The democratic government in Argentina inherited an economy in complete disequilibrium when it assumed power in 1983. The grounds for this colossal instability were two fold; not only had the nation's confidence been shaken by the loss of the Falklands campaign, but the staggering foreign debt was putting the economy on the brink of hyperinflation. As the government sought to pay back both national and private debts, the system struggled forward, and the Radical Party came to power. Consequently, the political democratization movement in Argentina was heavily supported by the business community. Largely because of the Peronist legacy of intervention, the Radical Party was considered an entrepreneurial leadership, and was supported for their first years of power in the newly established democracy. Consequently, overall support for trade liberalization increased.

The Argentine democratization predated the Brazilian transition and encouraged continued peaceful relations between the two countries by establishing a diplomatic rather than militaristic tone. Following the ouster of the military from government, the Argentine's dissociated themselves as much as possible from the military. The loss in the South Atlantic War over the Falklands cost the military their prestige and almost all of their lingering institutional power. Military spending was cut by nearly half between 1983 and 1984. The strengthening of relations with Brazil was both a strategic and essential decision. By making the ministries dedicated to diplomacy, commerce and trade more important, the Argentine government removed the emphasis from military

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149 Morales & McMahon, p 59
150 Morales & McMahon, p 21
151 Mullins, p 57
might. Furthermore, the Argentine identity had been irreparably damaged by the legacy of the generals, and leaders sought refuge in a reinsertion into the international system.\textsuperscript{152}

In Brazil, the transition to democracy also coincided with major macro economic imbalances.\textsuperscript{153} The change was fueled by many groups who had been suppressed throughout the years by the military dictatorship, but agitated for redistribution of resources once democracy was instituted.\textsuperscript{154} An acute awareness of the need for regional interdependence has pervaded recent Brazilian policy. Tourism between countries has soared, and in 1998 Brazil declared that it would make Spanish a mandatory language in schools. The decision was reciprocated when several thousand Argentinean teachers enrolled in courses to learn how to teach Portuguese.\textsuperscript{155} Both countries recognized that operating within an international system would reinforce the democratic model, particularly within the Southern Cone.\textsuperscript{156}

Many politically potent groups within both Argentine and Brazilian societies successfully campaigned for increased interdependence. One profound reason for cooperation at the governmental level arose from the geographic de facto interdependence that arose from shared borders and the necessity for using hydroelectric power on the waterways between Brazil, Argentina and Paraguay. The desire to strengthen their international position by forming a reliable trade union was echoed in both countries policies. Beyond the governments, which had political and economic gains in sight for macroeconomic policy, smaller private groups acted on their own interests to support the bilateral agreements between the two countries.

\textsuperscript{152} Mullins, p 59
\textsuperscript{153} Morales & McMahon, p 113
\textsuperscript{154} Morales & McMahon, p 115
\textsuperscript{155} Levine, p 178
\textsuperscript{156} Mullins, p 57
Although some of the private sector firms were weary of the neo-liberal policies the two countries were adopting, they eventually began to support the initiatives for increased interdependence.\(^{157}\) The wariness eventually gave way in both countries to a consensus that economic recovery and regional stability would best be accomplished by emphasizing interdependence rather than rivalry. These conclusions manifested themselves with the increased support for bilateral agreements from groups within society.

In Brazil, one of the most influential groups at the time of democratization was the computer industry. During the years of the inception of a computer program, the dollar sales of the industry grew from 2 percent of the total to nineteen percent of the total. By 1983 over eighteen thousand individuals worked for more than one hundred computer companies.\(^{158}\) The industry was regulated by a national panel called the “Secretaria Especial de Informatica” or SEI, which was heavily influenced by government actors as well as the computer industry itself.\(^{159}\) The close ties with IBM enabled the country to become less dependent on foreign computers and technology. Coupled with an aborted Argentine computer development project, the interests of the Brazilian companies in the Argentine market were increased. This culminated in a 1986 agreement that identified “informatics” as a key area of cooperation between the two countries.

Another arena in which Brazilians had a particular interest in gaining from the Argentineans is with respect to nuclear energy. While the Argentinean’s had developed a sustainable nuclear system by the 1980s, the Brazilian’s were struggling to “catch up”

\(^{157}\) Dávila-Villers, p 272  
\(^{158}\) Adler, p 64  
\(^{159}\) Adler, p 67
under intense pressure from the citizenry, and particularly the military interests. Instead of provoking a conflict, this precipitated efforts towards collaboration, both for security reasons and to encourage the interchange of information and consequently business.\(^{160}\) A 1980 treaty began the process by acknowledging a need to share information, and by 1986 the countries agreed to join nuclear development projects and exports.\(^{161}\) The motivations for interdependence were fostered largely by scientists and technocrats, who used their authority and expertise to entrench themselves within the government and promote their ideal policies.\(^{162}\) Ultimately, these pressures led to increased cooperation between Argentina and Brazil.

By 1986, the largest Argentine companies and groups firmly supported the trade relations. One generic group that considered economic cooperation as vital to its interests was the Argentine wheat farmers. This faction, that comprised nearly 30 percent of the total exports to Brazil by the late 1980s, eagerly awaited closer ties between the nations, securing a market for their product.\(^{163}\) Several of the large individual private sector companies and corporations also desired an improved relationship with Brazil. Three notable companies that encouraged the tightening of relations with Brazil were Perez Companc, Bunge and Born, and Techint.

Perez Companc was an Argentinean oil and energy company. The significant interest in expanding into Brazil’s markets and oil reserves caused the company to support the bilateral agreements. Interestingly, the company was ultimately sold to a Brazilian corporation, Petrobas, in 2002 making the Gregorio Companc the sole

\(^{160}\) Adler, p 82

\(^{161}\) Adler, p 82

\(^{162}\) Adler, p 83

\(^{163}\) Manzetti, p 122
Argentine Billionaire. Bunge and Born was a grain and oilseed trader with an annual turnover of nearly thirteen billion dollars. The two owner families had diversified their investments to include industry in both Argentina and Brazil. There interests in the promotion of increased cooperation were for easing of their business management and assurance of continued expansion.

Techint, the largest manufacturer of seamless steel pipes in Latin America, was also deeply interested in cooperation between the two countries, which held the promise of increased bilateral energy development. In fact, their policy by the 1980s was decidedly expansionist: “In the mid-1980s the Techint Group undertook a major, export-oriented expansion of the Campana seamless tube mill, and acquired Argentine welded pipe maker Siat”. There interest in opening the relationship between Brazil and Argentina was lucrative as the company has continued to grow to date.

A further group that stood to benefit from a preferential relationship between Brazil and Argentina was the car manufacturers. In Brazil, the auto industry was fairly well developed, and had significant ties with the national government. The establishment of the government as a primary player in the auto industry enabled more pressure to be put on the political process to promote increased trade with local neighbors. Brazil had established some protectionist measures against the foreign companies which threatened to dominate their auto import market, but these measures did not apply to Argentina, which was viewed as a profitable partner. International Companies, such as Dana Corporation, increased their holdings in both countries.

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167 Thomas (review), p 170
following the initiation of tighter trade relations. Although most of the industry remained in Brazil, Argentinean companies contributed parts. This decision to pursue integrationist policies benefited Brazil, who exported 67% of their automobiles to Argentina by 1993. Furthermore, the industrial capacity of the countries was largely based on their auto manufacturing, which attracted international investment due to the large potential new markets for car sales. The development of MERCASOR enabled the countries to cooperate to exploit economies of scale and reduce duplicate manufacturing plants.

The newly elected governments of both countries, sensitive to the demands of the people, instituted increasingly more agreements between each other. In fact, their early advocacy of regional trade liberalization had laid the foundation for the rapid development of sophisticated interdependence between the countries. As private sector interests became congruent with governmental aims, all parties were pleased, and the liberalization policies were widely accepted. Furthermore, the confluence of some international corporations interests with those of groups within the state and the governments themselves provided the final impetus for increased interdependence.

Selcher, writing amidst the democratic transitions of both countries, thought that their rivalry was finally turning into a form of collaboration, albeit somewhat competitive. He identified several areas that were predicted to be necessary for the relationship between the two countries to be considered “economic interdependence”. They included an increase in joint research and investment, trade, and flows of

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168 O’Huallachain & Wasserman, p 32
171 O’Huallachain & Wasserman, p 27
information.\textsuperscript{172} Despite some downward trends in trade caused by economic hardship and the Falklands conflict, the general trajectory of overall trade between Argentina and Brazil has been upward,\textsuperscript{173} further corroborating the belief that the countries are steadily becoming more interdependent.

The need for interdependence was recognized by both nations prior to democratization. The beginnings of a true rapprochement between the countries began in 1980 with presidential visits to Buenos Aires.\textsuperscript{174} These visits were the first since 1935. A weakening in the relationship between Brazil and the United States also fueled genuine considerations of cooperation, as Argentina was less suspicious that Brazil was operating as a surrogate of the United States, or practicing an expansionist agenda.\textsuperscript{175} The Common Market of the South, or MERCASOL, is a vestige of the earliest efforts at integration between Argentina and Brazil. Although Brazil dominates the group, producing nearly 65 percent of its total product and often acting unilaterally, the symbolic value of the group discourages any member from acting in a hostile manner.\textsuperscript{176}

**Argentine-Brazilian Horizons**

The future of the relationship between Brazil and Argentina looks promising. While some Argentineans fear that MERCASOL might lead to an incorporation of Argentina into a larger Brazilian dominated economic state, most believe the possibilities for effective trade are substantial. As trade relationships evolve, the possibility of

\textsuperscript{172} Selcher, p 50  
\textsuperscript{173} See Appendix 2, UN Data  
\textsuperscript{174} Mullins, p 86  
\textsuperscript{175} Mullins, p 86  
\textsuperscript{176} Machlachlan, p 188
conflict between the two countries becomes increasingly less likely. The ability of the
two nations to democratize without an active conflict with each other can largely be
attributed to concerns about domestic issues at the time of regime change. Both countries
were in dire economic and social situations as civilians came back to power. Another key
component of the peaceful relationship between Argentina and Brazil remains the
interdependence that was begun under the military rule of the mid twentieth century.
This acted as an effective deterrent to war, and was brought about by domestic concerns
about the viability of the democratic state and economic crises. Consequently, the goals
of the Argentine and Brazilian leadership in the 1980s effectively established a system
which would eventually begin to correct the economic problems in both countries without
promoting a detrimental and potentially hostile rivalry.

Conclusions: Interdependence as a Pacifist Promoter

Both the Argentine-Brazilian and Armenian-Azeri cases are informative about the
nature of the relationship between interdependence and peace in transitional democracies.
Serving as a preliminary case sample, they corroborate the hypothesis that
interdependence inhibits the likelihood of conflict during a historically belligerent
transitional democratization phase. As aforementioned, their instructive value is boosted
by the reality of their small and vulnerable status. Unlike the superpowers, or the
primary western nations on the eve of either world war, these countries represent a more
contemporary sample that belies potential realities about fostering democracy around the
globe. The legacies of the countries interactions survive today.
Without exploring counterfactuals in detail, one could claim that the presence substantial of interdependence between Armenia and Azerbaijan could have prevented, or at least dampened the war there. In Armenia, there remains to this day a lack of any significant relationship with Azerbaijan. Some authors assert that ethnic and cultural dissimilarities between the two nations have ruled out peace and interaction in the area permanently. In fact, the United States State Department still advises Americans to “exercise caution” near the border between Armenia and Azerbaijan, as sporadic violent conflicts continue to occur.\footnote{US Department of State (http://travel.state.gov/travel/cis_pa_tw/cis/cis_1141.html) Visited March 5, 2007} These lingering effects of earlier conflict demonstrate the importance of establishing interdependence as early as possible to prevent or minimize conflict. Instead, a protracted and stubbornly defiant relationship has emerged between the countries, indicating little chance of future cooperation.

Conversely, where an economic relationship had existed prior to the transition to democracy, the prospects for peace were significantly higher, as in Argentina and Brazil. Though still most reliant on trading partners outside of South America, both countries cultivated a significant relationship with each other that has continuously grown following their democratization. In fact, the trade data demonstrates consistent growth since the 1980s.\footnote{See UN Trade data, Appendix 2, Table 5} As both countries recuperated from the economic turbulence of the 80s, they emerged as strong partners. While the context of both dyads democratization varied, the outcomes were also substantially different, indicating that interdependence could act universally as a war inhibitor.

Before advancing support of any specific policies, the differences between the cases must be illuminated. The distinctions between the conflicts inform and enrich their
relevance. The environment in which Armenia and Azerbaijan democratized was more chaotic than the circumstances in South America, yet precedents for conflict existed in both cases. Furthermore, the instability of Armenia and Azerbaijan could have led to more cooperation if the incentive had existed for both the population and the leadership. In Argentina and Brazil, the transition came at a time of extraordinary economic turbulence. The grounds for the democratization in both dyads was different, as Argentina and Brazil experienced internal changes that led to democratization, while Armenia and Azerbaijan were born from the collapse of the Soviet Union. Their democratization occurred as an outside power crumbled, and some optimism existed about domestic economic policy. The true nature of interdependence was not as well understood in the Transcaucasas as in South America, where countries had already been independent, but not totally democratic.

The push for democracy in South America resulted from discontent with the current regime, largely over economic policy, whereas the Transcaucasian case originated in attempts to better delineate ethnic regions and maintain identity. The consequences of democratization and the loss of the Soviet Union as an economic transfer hub decimated the small economies of Armenia and Azerbaijan, who later admitted they only wanted political and not economic independence. The elites in Armenia and Azerbaijan supported conflict while those in Argentina and Brazil were preoccupied with economic concerns which actually encouraged them to endorse interdependence. The presence of interdependence encourages further strengthening of relations. As such, the counter-war effects of interdependence in transitional democracies seem to compound over time, stabilizing the relationship between the two countries just as their own domestic agenda’s
become less turbulent. This is shown by the steady integration of the Brazilian and Argentine economies.

Groups within society pressured the governments of all involved countries to pursue the policies they ultimately chose. All of these conclusions underscore the value of the liberal or neo-liberal position. The enthusiasm of the people and businesses within these countries drove the political process, which in turn affected the economic and foreign policy arenas. This does not necessarily disprove the realist position; it merely indicates the economic interdependence has a profound impact on peace. Realists might contend that the peace process was in the long term interest of the states, which acted without regard to internal demands. This claim, however, insufficiently addresses the case in Argentina and Brazil, where militaristic regimes were steadily cast aside and neutralized as private interests became increasingly vocal and encouraged peace and integration. However, as mentioned in the section on the theory of the state, transitional democracies seem to be more responsive to the needs of individual groups within society. As such, the liberal viewpoint holds more clout when applied to transitional democracies.

Although this paper demonstrates the finding of a trend in only two cases so far, some preliminary policy suggestions may nonetheless be articulated. Based on the evidence from the two cases examined in this paper, however, all policy prescriptions underscore the need for interdependence in democratizing countries. While some have expressed concern that liberal policies will lead to the subjugation of public interests to private interests in the 21st century, a benefit from increased interdependence in South America between Argentina and Brazil has helped transform a regional rivalry into a partnership. The active participation of private interests and other groups in the political

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179 Shutt, p 152
process encouraged the tightening of this relationship. By contrast, Armenia and Azerbaijan were plagued by war as a lack of interdependence failed to mobilize significant interest groups against the war.

Again, Baldwin’s theory of interdependence characterizes the relationships between the countries in both cases as that of vulnerability. For Armenia and Azerbaijan, however, the extent of vulnerability interdependence was unknown and significantly less at the time of democratization than in Argentina and Brazil, where trade relationships predated the democratic transition. In these cases, sensitivity interdependence played less of a role, as both dyads were more reliant on foreign powers than each others monetary policies. In Argentina and Brazil, however, any destabilization in the Southern Cone could deter foreign investment, thus leading to some sensitivity interdependence. As aforementioned, the promotion of vulnerability interdependence is likely the best route to peace.

Applying the logic of the cases to policy prescriptions, one can not understate the importance of encouraging economic interdependence. These prescriptions even apply to other areas of the world that may not have previously been prone to conflict. Attention should be paid to encouraging geographically contiguous states to have a vested interest in the welfare of their neighbors. Promoting vulnerability interdependence entails encouraging countries to see the benefits of their continued cooperation. This is best accomplished by establishing international trade agreements that minimize costs and regulations between democratizing countries. Specifically, international peace organizations should endeavor to allow regional preferential trade arrangements to exist, particularly in democratizing areas. Although this might contradict the short term

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180 Recall that these terms were defined in the first section of the paper
interests of developed and powerful countries, they will benefit in the long term by having relations with stable and peaceful democracies. Internally, this will allow businesses to perceive the opportunities cooperation affords them. Ideally these types of policies would be implemented prior to countries democratization, serving as one of many preconditions for averting conflict.

As mentioned, Thompson’s list of rivals is extensive, and many other potential cases for further study exist, as well as the beginnings of a dataset for larger samples. The Croatian-Serbian conflict could be contrasted to the Armenian-Azeri case to determine whether similarities between former socialist republics emerge. Furthermore, Thompson’s list of rivals could be used as the basis of a larger, more encompassing study of general trends amongst democratizing countries. Numerous contemporary cases could also be explored through case studies. This paper reflects only a preliminary study of two cases which underscore the conclusion that interdependence bears importance for democratizing dyads. Further research will be needed to conclude if this trend is truly universal, and to what extent.
Appendix 1- Armenia and Azerbaijan


(Tables 1-4 from [http://lcweb2.loc.gov/frd/cs/cshome.html](http://lcweb2.loc.gov/frd/cs/cshome.html)) Visited March 9, 2007

Table 1. Armenia: Output of Major Industrial Products, 1989, 1990, and 1991

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Automobile tires (in thousands)</td>
<td>1,338</td>
<td>1,009</td>
<td>914</td>
</tr>
<tr>
<td>Cable (in kilometers)</td>
<td>13,772</td>
<td>8,459</td>
<td>7,746</td>
</tr>
<tr>
<td>Canned food (in thousands of cans)</td>
<td>413,119</td>
<td>267,425</td>
<td>181,860</td>
</tr>
<tr>
<td>Carpets (in thousands of square meters)</td>
<td>1,585</td>
<td>1,300</td>
<td>947</td>
</tr>
<tr>
<td>----------------------------------</td>
<td>------</td>
<td>------</td>
<td>------</td>
</tr>
<tr>
<td>Cement (in thousands of tons)</td>
<td>1,639</td>
<td>1,466</td>
<td>1,507</td>
</tr>
<tr>
<td>Electric energy (in millions of kilowatt-hours)</td>
<td>12,137</td>
<td>10,377</td>
<td>9,532</td>
</tr>
<tr>
<td>Electric engines</td>
<td>736,490</td>
<td>823,295</td>
<td>700,157</td>
</tr>
<tr>
<td>Leather shoes (in thousands of pairs)</td>
<td>17,952</td>
<td>18,740</td>
<td>11,340</td>
</tr>
<tr>
<td>Natural textile items</td>
<td>90,723</td>
<td>85,473</td>
<td>53,203</td>
</tr>
<tr>
<td>Synthetic fibers (in tons)</td>
<td>10,479</td>
<td>9,351</td>
<td>4,050</td>
</tr>
<tr>
<td>Synthetic rubber (in tons)</td>
<td>39,150</td>
<td>1,141</td>
<td>10,613</td>
</tr>
<tr>
<td>Wine and cognac (in thousands of decaliters)</td>
<td>7,104</td>
<td>4,805</td>
<td>4,852</td>
</tr>
</tbody>
</table>

Source: Based on information from International Monetary Fund, Armenia, Washington, 1993, 40.

**Table 2. Armenia: Major Trading Partners, 1990**

<table>
<thead>
<tr>
<th>Country</th>
<th>Value*</th>
<th>Percentage of Total</th>
<th>Imports</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Exports</td>
<td>Imports</td>
<td></td>
</tr>
<tr>
<td>Europe</td>
<td>69</td>
<td>585</td>
<td>66.9</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>12</td>
<td>67</td>
<td>11.7</td>
</tr>
<tr>
<td>Britain</td>
<td>3</td>
<td>10</td>
<td>2.9</td>
</tr>
<tr>
<td>Hungary</td>
<td>6</td>
<td>49</td>
<td>5.8</td>
</tr>
<tr>
<td>Italy</td>
<td>4</td>
<td>20</td>
<td>3.9</td>
</tr>
<tr>
<td>Poland</td>
<td>7</td>
<td>84</td>
<td>6.8</td>
</tr>
<tr>
<td>Romania</td>
<td>4</td>
<td>20</td>
<td>3.9</td>
</tr>
<tr>
<td>Germany</td>
<td>11</td>
<td>139</td>
<td>10.7</td>
</tr>
<tr>
<td>Finland</td>
<td>3</td>
<td>22</td>
<td>2.9</td>
</tr>
<tr>
<td>France</td>
<td>3</td>
<td>27</td>
<td>2.9</td>
</tr>
<tr>
<td>Czechoslovakia</td>
<td>9</td>
<td>80</td>
<td>8.7</td>
</tr>
<tr>
<td>Yugoslavia</td>
<td>2</td>
<td>28</td>
<td>1.9</td>
</tr>
<tr>
<td>Asia</td>
<td>11</td>
<td>148</td>
<td>10.3</td>
</tr>
<tr>
<td>India</td>
<td>2</td>
<td>25</td>
<td>1.9</td>
</tr>
<tr>
<td>China</td>
<td>2</td>
<td>24</td>
<td>1.9</td>
</tr>
<tr>
<td>Japan</td>
<td>1</td>
<td>33</td>
<td>1.0</td>
</tr>
<tr>
<td>North America</td>
<td>8</td>
<td>98</td>
<td>7.7</td>
</tr>
<tr>
<td>Cuba</td>
<td>6</td>
<td>51</td>
<td>5.8</td>
</tr>
<tr>
<td>United States</td>
<td>1</td>
<td>32</td>
<td>1.0</td>
</tr>
</tbody>
</table>

* In millions of rubles.

<table>
<thead>
<tr>
<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Aviation fuel</td>
<td>114</td>
<td>89</td>
<td>58</td>
</tr>
<tr>
<td>Bitumen</td>
<td>167</td>
<td>146</td>
<td>113</td>
</tr>
<tr>
<td>Caustic soda</td>
<td>219</td>
<td>160</td>
<td>171</td>
</tr>
<tr>
<td>Diesel oil</td>
<td>4,236</td>
<td>3,899</td>
<td>3,635</td>
</tr>
<tr>
<td>Electric energy (in millions of kilowatt-hours)</td>
<td>23,300</td>
<td>23,200</td>
<td>23,300</td>
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<tr>
<td>Fuel oil</td>
<td>7,555</td>
<td>6,686</td>
<td>7,207</td>
</tr>
<tr>
<td>Jet kerosene</td>
<td>1,519</td>
<td>1,290</td>
<td>1,205</td>
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<tr>
<td>Lubricants</td>
<td>934</td>
<td>818</td>
<td>763</td>
</tr>
<tr>
<td>Motor fuel</td>
<td>1,522</td>
<td>1,479</td>
<td>1,174</td>
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<tr>
<td>Naphtha</td>
<td>550</td>
<td>341</td>
<td>427</td>
</tr>
<tr>
<td>Petroleum coke</td>
<td>230</td>
<td>179</td>
<td>161</td>
</tr>
<tr>
<td>Steel</td>
<td>696</td>
<td>501</td>
<td>462</td>
</tr>
<tr>
<td>Sulfuric acid</td>
<td>768</td>
<td>603</td>
<td>552</td>
</tr>
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</table>

Table 4. Azerbaijan: Major Trading Partners, 1990

<table>
<thead>
<tr>
<th>Country</th>
<th>Value*</th>
<th>Percentage of Total</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Exports</td>
<td>Imports</td>
</tr>
<tr>
<td>Europe</td>
<td>286</td>
<td>836</td>
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<tr>
<td>Bulgaria</td>
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<td>92</td>
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<tr>
<td>Britain</td>
<td>14</td>
<td>12</td>
</tr>
<tr>
<td>Hungary</td>
<td>27</td>
<td>60</td>
</tr>
<tr>
<td>Italy</td>
<td>11</td>
<td>54</td>
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<tr>
<td>Poland</td>
<td>26</td>
<td>140</td>
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<tr>
<td>Romania</td>
<td>16</td>
<td>30</td>
</tr>
<tr>
<td>-----------------</td>
<td>------</td>
<td>------</td>
</tr>
<tr>
<td>Germany</td>
<td>49</td>
<td>172</td>
</tr>
<tr>
<td>Finland</td>
<td>10</td>
<td>39</td>
</tr>
<tr>
<td>France</td>
<td>12</td>
<td>22</td>
</tr>
<tr>
<td>Czechoslovakia</td>
<td>33</td>
<td>109</td>
</tr>
<tr>
<td>Yugoslavia</td>
<td>11</td>
<td>53</td>
</tr>
<tr>
<td>Asia</td>
<td>72</td>
<td>262</td>
</tr>
<tr>
<td>India</td>
<td>9</td>
<td>57</td>
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<tr>
<td>China</td>
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<td>28</td>
</tr>
<tr>
<td>Japan</td>
<td>11</td>
<td>53</td>
</tr>
<tr>
<td>North America</td>
<td>31</td>
<td>131</td>
</tr>
<tr>
<td>Cuba</td>
<td>26</td>
<td>67</td>
</tr>
<tr>
<td>United States</td>
<td>4</td>
<td>39</td>
</tr>
</tbody>
</table>

* In millions of rubles.


**Table 5**

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Soviet Union</td>
<td>Rest of the world</td>
<td>Soviet Union</td>
<td>Rest of the world</td>
<td>CIS</td>
<td>Rest of the world</td>
<td>CIS</td>
</tr>
<tr>
<td>Russia</td>
<td>126,627</td>
<td>108,571</td>
<td>13,861</td>
<td>53,001</td>
<td>13,861</td>
<td>53,001</td>
</tr>
<tr>
<td>South-western borderlands</td>
<td>13,390</td>
<td>49,598</td>
<td>8,500</td>
<td>5,619</td>
<td>4,653</td>
<td>6,960</td>
</tr>
<tr>
<td>Belarus</td>
<td>29,193</td>
<td>23,151</td>
<td>1,661</td>
<td>1,479</td>
<td>1,012</td>
<td>2,930</td>
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<tr>
<td>Moldova</td>
<td>9,920</td>
<td>405</td>
<td>6,190</td>
<td>180</td>
<td>406</td>
<td>160</td>
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<tr>
<td>Transcaucasia</td>
<td>5,810</td>
<td>3,322</td>
<td>70</td>
<td>158</td>
<td>38</td>
<td>167</td>
</tr>
<tr>
<td>Armenia</td>
<td>10,347</td>
<td>9,091</td>
<td>487</td>
<td>275</td>
<td>378</td>
<td>285</td>
</tr>
<tr>
<td>Georgia</td>
<td>9,702</td>
<td>515</td>
<td>5,594</td>
<td>30</td>
<td>117</td>
<td>39</td>
</tr>
</tbody>
</table>


*Note: The CIS (Commonwealth of Independent States) was formed by post-soviet states to encourage trade and economic prosperity.

Unfortunately, UN Trade data was available for Armenia and Azerbaijan only after 1996. See Appendix 2 for the UN trade data for Argentina and Brazil.
Appendix 2 – Brazil and Argentina

Table 1: Brazilian Exports

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Food, Beverage and Tobacco</td>
<td>90</td>
<td>402</td>
<td>1,122</td>
<td>2,152</td>
</tr>
<tr>
<td>Textile</td>
<td>15</td>
<td>308</td>
<td>608</td>
<td>656</td>
</tr>
<tr>
<td>Apparel</td>
<td>7</td>
<td>297</td>
<td>684</td>
<td>1,389</td>
</tr>
<tr>
<td>Wood and Paper Pulp</td>
<td>86</td>
<td>285</td>
<td>623</td>
<td>904</td>
</tr>
<tr>
<td>Rubber</td>
<td>2</td>
<td>8</td>
<td>70</td>
<td>223</td>
</tr>
<tr>
<td>Chemical</td>
<td>79</td>
<td>468</td>
<td>1,043</td>
<td>2,556</td>
</tr>
<tr>
<td>Oil</td>
<td>1</td>
<td>44</td>
<td>215</td>
<td>1,617</td>
</tr>
<tr>
<td>Non-metallic Minerals</td>
<td>7</td>
<td>34</td>
<td>100</td>
<td>151</td>
</tr>
<tr>
<td>Metallurgy</td>
<td>32</td>
<td>182</td>
<td>858</td>
<td>2,693</td>
</tr>
<tr>
<td>Transport Material</td>
<td>4</td>
<td>176</td>
<td>981</td>
<td>1,616</td>
</tr>
<tr>
<td>Machinery and Other Manufactures</td>
<td>43</td>
<td>555</td>
<td>1,770</td>
<td>2,810</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>366</strong></td>
<td><strong>2,759</strong></td>
<td><strong>8,074</strong></td>
<td><strong>16,851</strong></td>
</tr>
</tbody>
</table>


From Willumsen

Table 2: Argentine Foreign Trade Distribution
### Table 3: Extent of Brazil's Borderline Shared by Neighboring Countries and the Atlantic Ocean

<table>
<thead>
<tr>
<th>Neighboring Countries and Atlantic Ocean</th>
<th>Extent of Border</th>
<th>Extent of Border</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>In Kilometers</td>
<td>As Percentage of Total</td>
</tr>
<tr>
<td>Neighboring countries</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Argentina</td>
<td>1,263</td>
<td>5.5</td>
</tr>
<tr>
<td>Bolivia</td>
<td>3,126</td>
<td>13.5</td>
</tr>
<tr>
<td>Colombia</td>
<td>1,644</td>
<td>7.1</td>
</tr>
<tr>
<td>French Guiana</td>
<td>655</td>
<td>2.8</td>
</tr>
<tr>
<td>Guyana</td>
<td>1,606</td>
<td>7.0</td>
</tr>
<tr>
<td>Paraguay</td>
<td>1,339</td>
<td>5.8</td>
</tr>
<tr>
<td>Peru</td>
<td>2,995</td>
<td>13.0</td>
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<tr>
<td>Suriname</td>
<td>593</td>
<td>2.6</td>
</tr>
<tr>
<td>Uruguay</td>
<td>1,003</td>
<td>4.3</td>
</tr>
<tr>
<td>Venezuela</td>
<td>1,495</td>
<td>6.5</td>
</tr>
<tr>
<td>Total neighboring countries</td>
<td>15,719</td>
<td>68.0</td>
</tr>
<tr>
<td>Atlantic Ocean</td>
<td>7,367</td>
<td>31.9</td>
</tr>
</tbody>
</table>

*Sources: INDEC and SICE.*
Table 4: Brazilian Foreign Trade by Major Product, Selected Years, 1978-96 (in millions of United States dollars)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Exports</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Primary products</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Coffee</td>
<td>1,947</td>
<td>1,858</td>
<td>2,006</td>
<td>1,102</td>
<td>1,719</td>
</tr>
<tr>
<td>Iron ore</td>
<td>1,028</td>
<td>1,847</td>
<td>1,615</td>
<td>2,409</td>
<td>2,693</td>
</tr>
<tr>
<td>Soybeans</td>
<td>1,050</td>
<td>1,619</td>
<td>1,253</td>
<td>1,609</td>
<td>3,743</td>
</tr>
<tr>
<td>Sugar</td>
<td>196</td>
<td>259</td>
<td>141</td>
<td>289</td>
<td>936</td>
</tr>
<tr>
<td>Other</td>
<td>1,757</td>
<td>2,655</td>
<td>2,265</td>
<td>3,342</td>
<td>3,094</td>
</tr>
<tr>
<td>Total primary products</td>
<td>5,978</td>
<td>8,238</td>
<td>7,280</td>
<td>8,751</td>
<td>12,185</td>
</tr>
<tr>
<td>Manufactured products</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Iron and steel</td>
<td>172</td>
<td>795</td>
<td>1,179</td>
<td>1,644</td>
<td>2,574</td>
</tr>
<tr>
<td>Machinery</td>
<td>566</td>
<td>1,191</td>
<td>1,471</td>
<td>2,474</td>
<td>2,211</td>
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<tr>
<td>Orange juice</td>
<td>333</td>
<td>575</td>
<td>678</td>
<td>1,468</td>
<td>1,389</td>
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<tr>
<td>Transportation equipment</td>
<td>828</td>
<td>1,718</td>
<td>1,568</td>
<td>2,181</td>
<td>2,464</td>
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<td>Other</td>
<td>4,605</td>
<td>7,407</td>
<td>9,999</td>
<td>14,318</td>
<td>26,103</td>
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<tr>
<td>Total manufactured products</td>
<td>6,504</td>
<td>11,686</td>
<td>14,895</td>
<td>22,085</td>
<td>34,741</td>
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<tr>
<td>Other</td>
<td>177</td>
<td>251</td>
<td>173</td>
<td>578</td>
<td>821</td>
</tr>
<tr>
<td>Total exports</td>
<td>12,659</td>
<td>20,175</td>
<td>22,348</td>
<td>31,414</td>
<td>47,747</td>
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<tr>
<td>Imports</td>
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<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Chemicals</td>
<td>893</td>
<td>1,003</td>
<td>1,352</td>
<td>1,691</td>
<td>6,677</td>
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<tr>
<td>Fertilizers</td>
<td>309</td>
<td>239</td>
<td>325</td>
<td>319</td>
<td>426</td>
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<td>Fuels and lubricants</td>
<td>4,483</td>
<td>10,457</td>
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<td>6,906</td>
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<td>Grain</td>
<td>702</td>
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<td>823</td>
<td>251</td>
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**Table 5: Import Export Data for Brazil and Argentina, 1980-1995**

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Source: UN Trade Data
Bibliography

*Theory on Democracy and Interdependence*


*Armenia and Azerbaijan*


US Department of State “Armenia”


Argentina and Brazil


