Southeast Asian peace revisited: a capitalist trajectory

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Abstract

The scholarship has argued that the Association of Southeast Asian Nations (ASEAN) security management, outweighing democracy and economic interdependence, is the main force constituting Southeast Asian peace. However, although neither democracy nor economic interdependence significantly contributes to peacefulness in Southeast Asia, this study posits and finds that prior literature overlooks the possible conflict-constraining effect of a ruling group's desire and resolve to pursue economic development with liberal capitalist economic policy, which causes that the pacifying effect of ASEAN security management to be exaggerated. This study distinguishes the conflict-constraining effect of liberal capitalist economic development policy from the outcome effects of economic interdependence and the ASEAN security management and argues that the common interests and preferences of adopting economic liberalization policy for economic development exert a more significant effect in preventing conflicts in Southeast Asia. Empirical analyses of the onset of militarized interstate disputes between Southeast Asian states from 1950 to 2000 support this argument.

1 Introduction

Southeast Asia has experienced relatively peaceful international relations in the past decades. The literature provides two competing perspectives to explain this stability. First, the constructivist theory of peace emphasizes the security management of the Association of Southeast Asian Nations (ASEAN), which provides a process of social construction for consensus among common interests, values, and norms that promote regional peace (e.g. Acharya, 1998; Acharya, 2001; Kivimäki, 2001; Ba, 2009). Second, the liberal peace theory underlines the pacifying effects of democracy and economic interdependence in the modern international system (e.g. Russett, 1998; Russett and Oneal, 2001). Given these two theories, the ASEAN's security management is a more plausible explanation for the formation of Southeast Asian peace because non-democratic regimes and low levels of economic interdependence are hallmarks of Southeast Asia. However, considering the empirical evidence on militarized interstate disputes (MIDs) in Southeast Asia – most notably that the ASEAN states continue to fight among themselves since 1967 – I posit that the pacifying effect of ASEAN security management may be exaggerated in the current literature. In addition, I argue that a state's motivations and preferences to promote national economic development on the liberal capitalist trajectory may be a substantive influence on the formation of Southeast Asian peace. For those leaders and their domestic coalitions of these Southeast Asian developing states, stable and continuous national economic development and growth has been or is becoming the most dominant task of their tenures. The failure of promoting national wealth may jeopardize their ruling foundation. When a domestic ruling coalition prefers the liberal capitalist approach of economic development, whether as the most effective way for national development in modern-world economic system or as the most effective way to promote their private interests, they will work toward peaceful and cooperative international relations given that the success of the liberal capitalist development approach hinges on a stable, open, and adaptable economic environment and market. Thus, states that adopt economic liberalization policy are less likely to act belligerently in foreign policies; in other words, the likelihood of MID declines between those states.

To assess this alternative argument, I employ a series of statistical analyses, along with some descriptive illustrations, by focusing on the

likelihood of MID between 10 Southeast Asian states, including Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam, for the period between 1950 and 2000. This study not only adds a capitalist argument into the current debate about the formation of Southeast Asian peace to advance our understanding concerning the development of regional stability, but also provides a robust empirical appraisal that consists of temporal and spatial dimensions for various competing explanatory variables in the debate to establish a more concrete judging foundation for policy-makers.

This article is structured as follows. In the next section I appraise the implications of democracy, economic interdependence, and the ASEAN security management on the formation of Southeast Asian peace. In addition, I sketch out the regional situation and argue that the pursuit of economic development is a fundamental factor for understanding the development of regional peace. The following section discusses how a state's adoption of economic liberalization policy for national economic development drives Southeast Asia toward peacefulness. Next, I employ statistical analyses to compare and assess this alternative argument with those competing theories. Finally, I close with a summary and concluding remark.

2 What makes for Southeast Asian peace?

2.1 Democracy, economic interdependence, or the ASEAN security management

Prior literature, especially the constructivist literature, commonly points to and compares democracy, economic interdependence, and the ASEAN security management as factors in the formation of Southeast Asian peace (e.g. Acharya, 1998, 2001; Kivimäki, 2001, 2011; Haacke, 2005). Previous liberal peace research (e.g. Maoz and Russett, 1993; Oneal and Russett, 1997, 1999; Gartzke *et al.*, 2001; Russett and Oneal, 2001; Quackenbush and Rudy, 2009; Hegre *et al.*, 2010) shows democracy and economic interdependence as notable pacifying factors in international relations at the global level. These studies argue that democratic cultures advocate for peaceful approaches to conflict resolution, and democratic political institution and the cost of war may deter a government from entering a militarized conflict and enable a government to send a credible signal of resolve in a diplomatic crisis. However, in Southeast Asia, the explanatory power of the two pacifying factors is less
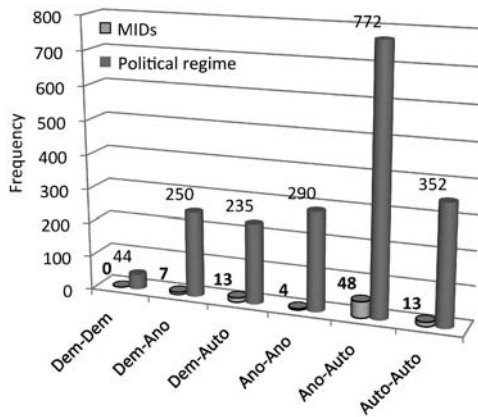
Figure 1 Political regime combination and MID onsets in Southeast Asia (1946–2008, non-directed dyad).

clear, given that the region has experienced a relatively peaceful history without salient democracy and economic interdependence for decades. Russett (1998), a key advocate for the liberal peace theory, admits that the pacifying effects of democracy and economic interdependence may vary in time and space. Figure 1 shows the Polity IV data set (Marshall *et al.*, 2007) results for the number of regime combinations and MID onsets (Ghosn *et al.*, 2004). The figure shows that democracy is not an ordinary feature in Southeast Asia.[1] The frequency of democratic dyads in the region in the period of 1946–2008 is only about 2.3% of the total observed dyads, whereas non-democratic dyads (i.e. autocracy–anocracy and autocracy–autocracy) constitute 73% of the total number of dyads. Although the figure shows no MID in the Southeast Asian democratic dyads from 1946 to 2008, such low frequency of democratic dyads gives rise to a suspect about the implication of democratic peace in Southeast Asia.

Figure 2 shows that the level of economic interdependence between Southeast Asian dyads, measured as the ratio of the sum of State

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1   The threshold for recognizing a democracy is diverse in the democratic peace literature (for a nice review, see Moon, 2009, 123). Here, I adopt the recent Polity codebook's recommendation to use a Polity score of +6 or more as the criterion for recognizing a democracy. In addition, I did not include East Timor in Figure 1 and the following empirical analysis because East Timor became an independent sovereign state only in 2002, which is beyond the MID data set's temporal coverage. Starting years for each country are as follows: Myanmar (1948), Thailand (1887), Cambodia (1953), Laos (1954), North Vietnam (1954), South Vietnam (1955–75), Malaysia (1957), Singapore(1965), Brunei (1984), Philippines (1946), and Indonesia (1949). Missing data are Cambodia (1979–87) and Brunei (1984–2008).
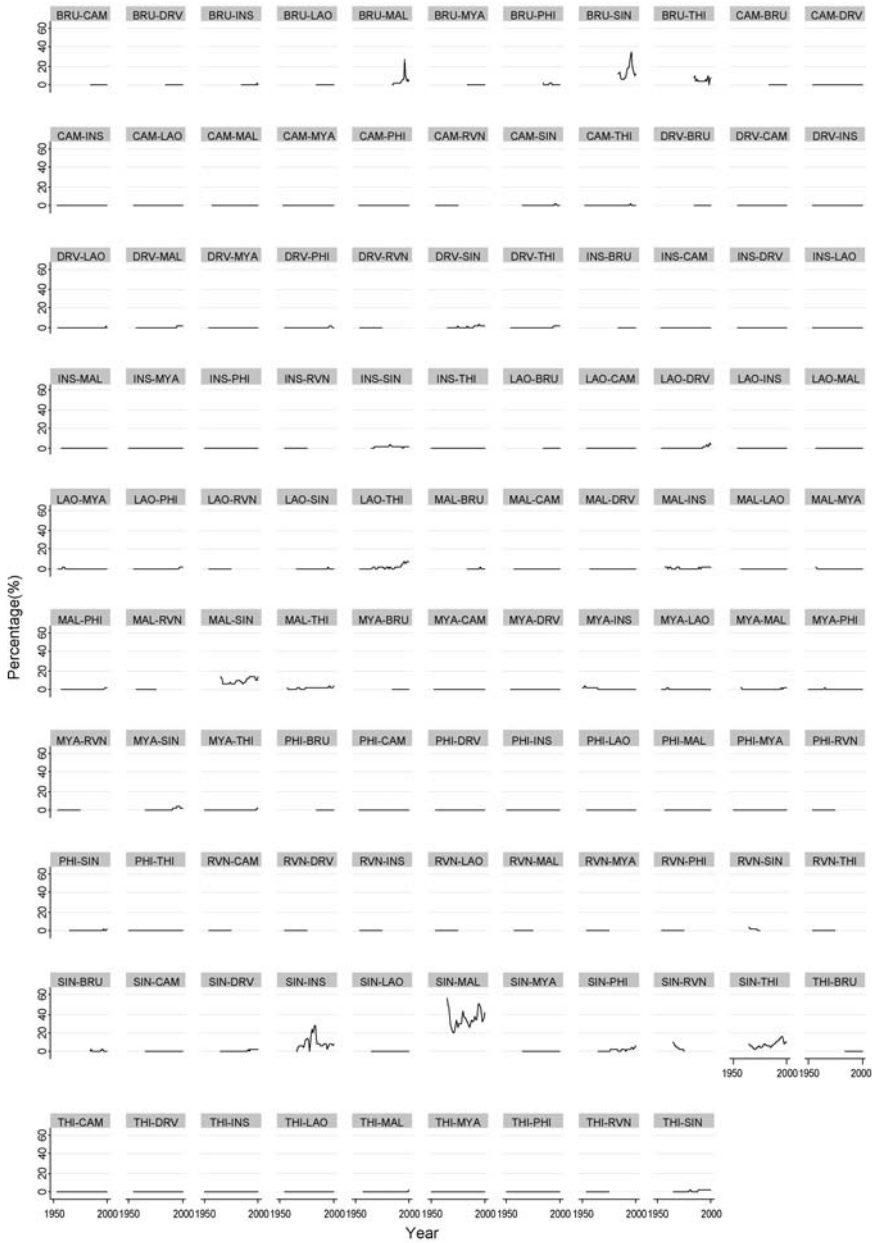
Figure 2 Economic interdependence in Southeast Asia (1950–2000).

A's imports from and exports to the State B over State A's gross domestic product (GDP). The figure shows that interdependence from 1950 to 2000 is generally low, with a mean (median) ratio of 0.0032 (0.0001). Approximately 93% of total dyads fall in the ratio below 0.01 and 27% are at the zero value. Only Singapore and Malaysia have an exceptionally high economic interdependence ratio, ranging from 0.08 to 0.14 (the highest value in the region).

Such weak empirical foundation for explaining the formation of Southeast Asian peace through the lenses of democracy and economic interdependence gives rise to the popular constructivist contention that the ASEAN security management is a more crucial factor in creating and sustaining peaceful international relations between this group of il-liberal, non-democratic ASEAN states. That is, the ASEAN – through the Treaty of Amity and Cooperation in the Southeast Asia,[2] as well as its institutional culture that stresses a preference for informality that reflects the historical and cultural milieu of the actors, minimal institu-tionalization of cooperation, and consensus building on the basis of equality and tolerance with mutual consultations – helps to generate par-ticular diplomatic and security cultures that pacify the region. Constructivists could be right to contend the pacifying effect of ASEAN security management by highlighting that Indonesia, Malaysia, Singapore, Thailand, and the Philippines have not waged war against each other since founding the ASEAN together (e.g. Acharya, 2001, 5) or arguing that no armed conflict occurred between ASEAN states, using the UCDP/PRIO Armed Conflict data set with all levels of armed conflicts (e.g. Kivimäki, 2008, 2011).[3] However, based on the MID data

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2   The Treaty of Amity and Cooperation in the Southeast Asia lists the following as constitu-tive principles: (i) mutual respect for the independence, sovereignty, and territorial integrity of all nations; (ii) the right of every state to lead its national existence free from external interference, subversion, and coercion; (iii) non-interference in the internal affairs of other states; (iv) settlement of differences and disputes by peaceful means; and (v) renunciation of the use of force.

3   The UCDP/PRIO Armed Conflict data set by Harbom and Wallensteen (2009) sets the conflict threshold to 25 casualties, different from the MID data set's definition. In addition, it may be controversial to use all levels of armed conflicts defined in the UCDP/PRIO Armed Conflict Dataset (i.e. extra-systematic, inter-state, intra-state, and internationalized) together to assess the ASEAN peace given that the ASEAN is in general designed to deal with interstate relations and the each level of armed conflict is different in definition. Furthermore, a justification is needed for using conflict onset and ongoing together when accounting the numbers of armed conflicts.
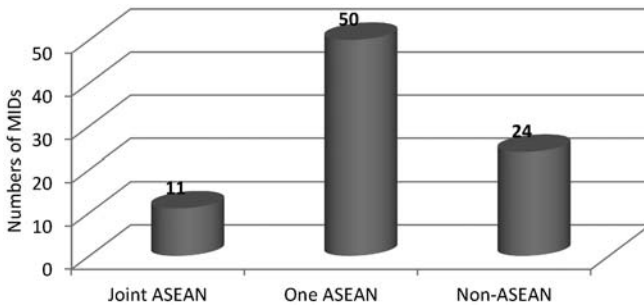
Figure 3 MID onsets by the ASEAN membership (1946–2001).

set, which includes threats and displays of force as well as the actual use of military force causing no battle death or more than one battle death in its definition of the state of interstate conflict, MIDs did occur between ASEAN states within the sample period. Provided that only new MIDs initiated by Southeast Asian states are counted and the unit of observation is non-directed dyad year, Figure 3 shows that the ASEAN states experienced 11 MIDs between 1967 and 2001.[4] According to the MID data set's category of fatalities, one dispute caused between 26 and 100 battle deaths (Myanmar–Thailand, 2001), two caused between 1 and 25 battle deaths (Myanmar–Thailand, 1999; Vietnam–Thailand, 1995), seven caused no deaths (Vietnam–Philippines, 1998 and 1999; Malaysia–Philippines, 1979, 1980, 1985, and 1988), and one was identified as missing data (Malaysia–Philippines, 1968). For example, Malaysia and the Philippines have clashed over territorial issues about North Borneo (Sabah) and the Spratly Islands several times, although these disputes did not result in fatalities. Although the frequency of interstate conflicts between ASEAN states is lower than that for those dyads that include only one ASEAN state or no ASEAN state, the constructivist claim that the ASEAN security management pacifies intra-ASEAN states' relations is an open question.

Therefore, based on this discussion, I argue that democracy, economic interdependence, and the ASEAN security management are not persuasive explanatory variables to explain Southeast Asian peace. Instead, I argue that a distinct and influential motivation for creating and

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4   Figure 3 counts new MIDs only initiated by Southeast Asian states, and the unit of observation is non-directed dyad year.

promoting the ASEAN has not received enough assessment, namely the pursuit of economic development. The literature has pointed out that the desire for pursuing economic development for state-building in a peaceful environment was the main reason for Southeast Asian states founding and joining the ASEAN to manage regional security. After decolonization, these newly independent Southeast Asian states shifted their national policy focuses from searching for self-determination, autonomy, and anti-colonialism/imperialism to advancing state-building and national prosperity; Southeast Asian leaders realized that the cost of regional instability on the pursuit of economic development and consequently on their ruling foundation. For instance, regional instability and stunted national growth caused by Indonesia's 'Confrontation' policy against Malaysia and Singapore in the early 1960s was a costly lesson (Stubbs, 2001; Narine, 2004, 2008). The establishment of ASEAN thus manifested this understanding and signaled a resolve to promote regional stability to attract badly needed foreign direct investment to stimulate economic development (Haftel, 2010). For those developing ASEAN economies, maintaining stable trade and investment links with the outside world was a more important agenda than promoting regional economic integration that enhanced economic interdependence among ASEAN states (Acharya, 1998, 2001, 128–164; Kivimäki, 2008). In other words, the ASEAN is principally expected to be a platform for managing regional security for economic development, rather than an economic institution itself for regional development. In this regard, the intent to pursue economic development should be distinguished as a distinct independent variable rather than compounded in one variable referred to the ASEAN in the discussion of the development trajectory of Southeast Asian peace.

2.2 Pursuit of economic development as a conflict-constraining factor

The question of how a state's economic development can either increase or decrease its conflict propensity has been a major theme in international studies. A classic line of the literature contends that the level of economic development is positively associated with interstate conflict because rapid growth of economic development in the processes of state-making brings about the growth of expansionist foreign policies. These

expansionist foreign policies are predicated on the necessity to acquire additional natural resources to satisfy the increasing capacity of production and consumption (Choucri and North, 1975; Tilly, 1985) or in some cases because economic growth leads to power transitions that in turn lead to war (Organski and Kugler, 1980; Lemke, 2002). Another strand of the literature argues that economic development reinforces the use of international trade for future economic development, increasing the cost of war preparations and the importance of capital and intellectual resources in the modern economy. As a result, economic development diminishes the incentive to use costly military measures to accumulate wealth (Rosecrance, 1986), and increasing international economic interdependence through trade makes violent interaction prohibitively expensive due to the high cost of the interruption of trade links (Hegre, 2000; Russett and Oneal, 2001). Furthermore, drawing on bargaining models, economic interdependence as mutually valuable linkages provides a mechanism, substituted for violent contests, for states in a crisis to communicate credibly in signaling resolve by damaging those valuable economic connections so that the use of violent methods decreases in bargaining (Gartzke *et al.*, 2001). Recent studies argue that the relation between economic development and international conflict is curvilinear; that is, mid-developed states are more prone to engage in belligerent foreign policies than either poor states or highly developed states (Boehmer and Sobek, 2005), and developed contiguous dyads are more peaceful than either developing or non-contiguous dyads, and states are more likely to become involved in conflicts far from home (Gartzke, 2007). These analyses mainly stress the resulting structural effect of economic development and consequential economic interdependence on a state's choice of belligerent or peaceful foreign policies due to the lateral pressure for prospective growth of economic development, deterrent effect by opportunity cost, effectiveness of trade for economic development, or credible signaling. However, prior literature does not adequately take into account that a state's choice of certain national economic development policy may also produce a distinct effect on a state's making of foreign policies and behaviors.

Leaders of both democratic or authoritarian regimes must provide benefits/welfares to their domestic politically relevant supporters to retain a winning coalition and thus to keep office (Bueno de Mesquita *et al.*, 1999, 2003). Lack of or failing economic development deprives a

leader of his or her capacity to produce enough benefits to satisfy supporters who are expecting economic gains and dislike losing their hold on prior economic gains. Failure to produce economic development can, consequently, endanger leaders' ruling legitimacy and stability. Hence, formulating productive economic policies that can satisfy the interests of the winning coalition in the modern economy has become a dominant mission of leaders' tenure. A national economic policy is not merely a projection of a leader's personal political calculations and interests, but rather it is a combination of political/economic interests and preferences (philosophy and prospects) shared by a leader, political officials, and a group of individuals within society about how to achieve national prosperity and growth. The shared interests and preferences lead the ruling and its fellows within society to act in concert to advance some beneficial economic regulations to preserve and enhance their political/economic interests. Some prior studies point out that a domestic ruling coalition that consists of politicians and social parties who prefer liberal capitalist approach of economic development (i.e. free-market reform, export-oriented economic policy, or free trade and financial policy) is more likely to advance regional cooperation and promote peaceful international relations, whereas a domestic protectionist coalition that is occupied by statist, nationalist, and import-substituting economic interests and preferences is less likely to prevent international conflicts and more likely to dismiss international cooperation (e.g. Solingen, 1997; McDonald, 2004). The liberal capitalist route to economic development needs stable and free markets for exports and plentiful and constant inputs of capital, investment, and technology. International conflicts can disrupt existing economic exchanges and discourage prospective economic activities by closing off exchanging channels and damaging domestic capacities of production and consumption. In addition, conflicts can discourage planned or possible inputs of capital and investment from overseas because of high risk of the loss and low-prospective return in unstable environment in the future (Pollins, 1989a,b; Morrow, 1999; Li and Sacko, 2002; Long, 2008). In other words, violent interstate conflicts are obstacles to economic growth and negatively affect a state's pursuit of economic development on the liberal capitalist trajectory. Such prospective costs of engaging in violent interstate conflicts, therefore, motivate states that adopt liberal capitalist economic policy to create a peaceful and cooperative economic environment to extend markets and

economic exchanges and acquire capitals and investments. In addition, liberal capitalist economics necessitates a removal of protectionist economic institutions that privileges inward-looking politicians and other protected individuals and subsequently results in transformations in the distribution of wealth and political power in society. In other words, the liberal capitalist coalition's social supports and domestic influences are extended and protectionists' economic/political powers are shrunk, consequently enhancing the prospect for peace between states (McDonald, 2004). Furthermore, the growth of regional cooperation may in return enable the domestic liberal capitalist coalition's capacity to further disadvantage the domestic political and economic status of protectionist coalition by multilaterally cooperating with foreign liberal political/commercial parties to accelerate and consolidate free economic reforms and thus decrease the likelihood of engaging in costly conflicts (Solingen, 1997). Put simply, common liberal capitalist economic interests and preferences drive politicians and individuals within society to forge a domestic coalition to collectively enhance free economic reforms and extend capitalist roots through cooperation that mitigates the conflict-inducing effect of lateral pressures. Furthermore, adopting a liberal capitalist economic policy also sends a cooperative message to those states moving in a similar economic direction. Mutually benign signaling between liberal capitalist economies may reduce natural enmities and imbue confidence that can foster consensus for making mutually beneficial and benevolent foreign policies. Thus, jointly adopting liberal capitalist economic policy can reduce the prospects of violent interactions between states from the very beginning. I, therefore, distinguish this potential pacifying effect of adopting liberal capitalist economic development policy from the resulting structural effect of economic development mentioned previously.

In Southeast Asia, several states have somewhat lengthy histories of implementing economic liberalization policy for economic development. Beginning in the 1970s and early 1980s, some Southeast Asian economies started replacing a model of import substituting development with that of export-oriented development that typically works along with economic liberalization policies necessitating a more open economic environment for trade and investment (Felker, 2004; Rodan *et al.*, 2006). Solingen (2008) suggested that Singapore was a pioneer in adopting export-oriented strategy in 1965, followed by Malaysia and Thailand in the 1970s, the Philippines and Indonesia in the 1980s, and Vietnam in the

1990s. According to Wacziarg and Welch's (2008) trade regime data set,[5]
Thailand (1950–), Singapore (1965–), Malaysia (1963–), Indonesia
(1971–), and the Philippines (1989–) are in the category of open trade
regime. Since 1976, the ASEAN states have shown efforts to work to-
gether to enhance their economic development and trade by initiating a
series of economic cooperation schemes and proposals.[6] After the 1997
Asian financial crisis, the ASEAN states actively advanced financial co-
operation by implementing expended currency swap arrangements (i.e.
the Chiang Mai Initiative), monitoring for exchange rates and macroeco-
nomic and social policies (i.e. the ASEAN Surveillance Process), and lib-
eralizing financial services (i.e. the ASEAN Finance Work Program).
Most notably, the Second Declaration of ASEAN Concord (a.k.a. the
Bali Concord II) in 2003 brought a new long-term ambition to an
ASEAN-wide economic, security, and socio-cultural community; the
Declaration on the ASEAN Economic Community Blueprint was signed
by all 10 ASEAN states in 2007 (Weatherbee *et al.*, 2005, 187–202;
Severino, 2006, 213–255). All of these developments showed that
Southeast Asian economies were shifting from protectionist toward liberal
economic institutions and highlighted their efforts to advance liberal cap-
italist economic reforms. Correspondingly, Wacziarg and Welch's (2008)
trade regime data set reports only one MID with no fatality (Singapore–
Malaysia, 1992) between those Southeast Asian states jointly adopting
economic liberalization policy in the period of 1950–1999, which is much
less frequent than that between Southeast Asian states sharing the
ASEAN membership. Hence, I posit that the pursuit of economic devel-
opment in a liberal capitalist route is a key factor to bring about
Southeast Asian peace.

To examine whether the adoption of economic liberalization policy is
an important contributor to the formation of Southeast Asian peace,
I propose a hypothesis for empirical analysis:

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5 Wacziarg and Welch updated Sachs and Warne's (1995) data set with their criteria of trade
   regime; see the section of Research design for a detailed discussion.

6 Cooperative efforts include the Declaration of ASEAN Concord in 1976, the Agreement of
   PTAs in 1977, the ASEAN Industrial Projects in 1980, the ASEAN Industrial
   Complementation scheme in 1981, the ASEAN Industrial Joint Ventures in 1982, the
   ASEAN Free Trade Area in 1992, the ASEAN Framework Agreement on Services in
   1995, and the Framework Agreement on the ASEAN Investment Area in 1998.

If two Southeast Asian states commonly pursue economic development through economic liberalization, then they will be less likely to experience interstate conflict.

3 Research design

This section operationalizes and tests the derived hypothesis. The data set is pooled time-series cross-sectional data consisting of the all Southeast Asian states between 1950 and 2000, including Brunei (1984–), Cambodia (1954–), Indonesia (1945–), Laos (1954–), Malaysia (1957–), Myanmar (1948–), the Philippines (1946–), Singapore (1965–), Thailand (1816–), the Democratic Republic of Vietnam (1954–), and the Republic of Vietnam (1954–1975).[7] The unit of analysis is the undirected dyad-year, and the analytical level for hypothesis testing is the onset of militarized dispute. In addition, the literature commonly characterizes tensions as high in Asia during the Cold War, which culminated in the Vietnam War and then gradually lessened afterward. The end of the Vietnam War in 1975, the emergence of regional communist bloc (Vietnam, Cambodia, and Laos), and the uncertainty about the US commitments to the region, all together motivated the heads of the ASEAN states to meet at the Bali in 1976 to discuss this new phase of international relations in the region (Alagappa, 2003; Narine, 2008). If different dynamics of international relations in the region exist related to specific periods, those dynamics are better to be examined separately to avoid heterogeneity in modeling (cf. Goldsmith, 2007). Hence, I also divide the entire sample period of 1950–2000 into two separate periods, 1950–75 and 1976–2000. I estimate coefficients using the logistic regression with Huber/White robust standard error and adjust for clustering in dyads. I adopt Beck *et al.*'s (1998) method of temporal spline variables to control for the temporal dependence of observations in the analysis of cross-sectional time-series with a binary-dependent variable to produce accurate standard errors and consistent coefficients.[8]

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7   The data set is created with the software, EUGene, V.3.2 (Bennett and Stam, 2000). Economic data used in analysis are from Gleditsch's (2002) Expanded Trade and GDP Data Version 4.1.

8   I also estimate the model using the generalized estimation equations (Liang and Zeger, 1986), with the first-order autoregressive process as a robustness check for testing the hypothesis (cf. Oneal and Russett, 1999; Boehmer and Sobek, 2005; Gartzke, 2007). Results

3.1 Dependent variable

The dependent variable is the onset of a new MID between two Southeast Asian states. MIDs are defined as historical cases in which a state threats, displays, or actually uses military force against another states (Ghosn *et al.*, 2004). This variable is dichotomous variable that is coded as 1 for the first year of a new MID in a dyad, and 0 otherwise. In other words, the subsequent years of the same MID is dropped from the analysis (i.e. dropping all the ongoing MIDs from analysis). Using only a new MID onset also addresses the problem of the dependence of the subsequent disputes year in the statistical analysis because statistical models assume cases are independent (Gartzke and Li, 2003; Boehmer *et al.*, 2004).

3.2 Independent variables

The variable economic liberalization identifies whether a state has a propensity for free-market export-oriented economic development and it is often measured by the status of a state's trade policy. Prior literature commonly uses various indicators to reflect a state's trade policy, including average statutory tariff rate, the ratio of tariff revenues to imports, and the ratio of total trade to GDP (cf. McDonald, 2004; Milner and Kubota, 2005). However, the lack of available data on statutory tariff rate and customs revenues as a percentage of imports for Southeast Asian cases over the period of 1950–2000 prevents meaningful results. In addition, tariff rate cannot capture the extent to which a state uses non-tariff barriers to protect non-competitive domestic sectors, and custom revenue cannot reflect prohibitive tariff (McDonald, 2004, 557–558). Also, the ratio of total trade to GDP is a relatively poor indicator for capturing the change of political propensity in certain economic policies, which is of primary interest here because the value of this outcome indicator may be highly sensitive to other factor endowments such as resource supplies, international prices, natural barriers to trade, technology, and tastes (Leamer, 1988).

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of using the generalized estimation equations are generally equivalent or more favorable to the hypothesis. However, the use of the generalized estimation equations with the first-order autoregressive process for control temporal dependence is called into question (Beck, 2003).

Therefore, following Milner and Kubota (2005), I use the indicator developed by Sachs and Warne (1995) and recently updated by Wacziarg and Welch (2008) to identify a state's trade regime. This indicator is coded as a closed trade regime if any one of the following criteria is true: non-tariff barriers cover 40% or more of trade, average tariff rates are 40% or more, the black market exchange rate depreciated by 20% or more relative to the official exchange rate during the 1970s or 1980s, a socialist economy is in place, or a state monopoly on exports exists. This indicator is useful and proper here because it provides more comprehensive information by considering various aspects of protectionism over time and across space (sampled data span from 1950 to 1999). *JntELP* is thus a dichotomous variable coded as 1 when both states in a dyad-year *t* are jointly open trade regime; and 0 otherwise. However, data are not available for Brunei, Cambodia, Laos, and Vietnam in the Sachs and Warne's original data set. To avoid missing information of the four states in the analysis, I assess the status of their trade regime with Fukase and Martin's (2001) report. Although the four states started at different levels of trade liberalization in the 1980s, they qualify as closed trade regimes over time using Sachs and Warne's criteria. Thus, I code *JntELP* as zero for these states in any given dyad-year rather than treating them as missing data.

The variable ASEAN membership captures the effect of the ASEAN style of conflict management on the foreign policy behaviors of ASEAN member states. Indeed, the ASEAN is designed to enhance regional socio-economic development. However, the first decade of ASEAN did not generate substantial economic cooperation, and the primary concern at the time was security (Narine, 2008). Although the ASEAN emerged from 1976 onward as a platform for enhancing regional economic development, the effectiveness of economic cooperation initiatives was limited. The ASEAN was somewhat successful in providing the political prerequisites for the rapid growth of regional economies in defusing or pre-empting conflicts, but it was and still is not entirely successful in enhancing the ASEAN-wide economic cooperation due to weak institutionalization as well as imprecise obligations and a lack of binding and substantial commitments. The ASEAN states preferred to liberalize their own national trade links with extra-regional partners instead (Ravenhill, 1995, 2008). Limited effectiveness in regional economic cooperation reflects the fact that the ASEAN members emphasized the security

function of the organization and focused on trade and investment links outward. Hence, ASEAN membership is a better proxy for the effectiveness of the association in security management than for regional economic cooperation. I define *JntASEAN* as a dichotomous variable, coded as 1 when the both states in a dyad-year *t* are the jointly ASEAN members, and 0 otherwise.

The variables democracy and economic interdependence test the implication of the liberal peace theory in Southeast Asia. Following the 'weak link' logic (Dixon, 1994; Oneal and Russett, 1997), *Democracy(L)* reports the lower democracy values in a non-directed dyad-year. I measure regimes along the democracy–autocracy continuum using the updated and corrected data from the Polity IV data set (Marshall *et al.*, 2007). The standard index combines autocracy and democracy scores to create a scale from –10 (most autocracy) to 10 (most democracy). *Interdependence(L)* is the ratio of the sum of State A's imports from and exports to State B over State A's GDP. I use the lower score of this variable in the model of conflict involvement. The calculation of economic interdependence is based on current US dollars.

3.3 Control variables

Intergovernmental organization is commonly regarded as a positive factor promoting international peace. They not only facilitate a member's self-interest across a variety of issues but also reduce the possibility of conflict between members by mediating conflicting parties, reducing uncertainty by conveying information, socializing member identities, and shaping common norms (e.g. Young, 1986; Keohane and Nye, 1989; Russett and Oneal, 2001). To gauge the mediating effect of intergovernmental organizations, I use the variable *IGOs*, which is defined as the natural logarithm of total shared memberships of intergovernmental organizations summed for each dyad-year using the data set by Pevehouse *et al.* (2004).[9] Furthermore, similar foreign policy alignments

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9   Because the data contain only observations at five-year intervals before 1965, values are filled in until 1965 by projecting the summed memberships forward for four years (i.e. values for each dyad's shared IGO memberships in 1950 are also used for the years 1951–54, and so on. I replace 0 with [1/exp(21)] to avoid missing value before natural logarithm transformation. However, recent empirical analyses on the pacifying effect of IGOs is mixed (see review by Dorussen and Ward, 2008), and some scholars warned the aggregate count variable of IGOs may mislead our understanding of the role of IGOs in

among states may coincide with better diplomatic relations and indicate a future with less hostility between those states, and thus produce a positive effect on bilateral trade (Dixon and Moon, 1993; Gowa and Mansfield, 1993; Gowa, 1994; Mansfield and Bronson, 1997; Morrow et al., 1998). In other words, besides producing direct pacifying effect, similar portfolio of foreign policy can indirectly affect the likelihood of MID onset through *JntELP*, which is enhanced by increasing bilateral trade. Such indirect effect of similarity, therefore, should be controlled to obtain the accurate net effect of *JntELP* on MID onsets. The variable *Similarity* is the weighted *S*-score measuring the level of similarity of alliance portfolios for the dyad (Signorino and Ritter, 1999). Furthermore, *Similarity* also can account for the concern that the open trade policy of a Southeast Asian state may be closely related to alliance with the United States (i.e. US–Thailand alliance, 1954–1977; US–Philippines alliance, 1951–2000).

As previously mentioned, the outcome of economic development may affect the likelihood of interstate conflict. *GDP/pc(L)* is the natural logarithm of the lower GDP per capita in the two monadic population-weighted GDP statistics for a dyad in a given year. I also add the interaction variable, *Contiguity × GDP/pc(L)*, because economic development decreases incentives for territorial expansion (Gartzke, 2007). Geographical proximity is associated with the likelihood of interstate conflict (see the review by Diehl, 1991; Bremer, 1992). *Contiguity*, which is predicted to increase the likelihood of interstate conflict, is a dichotomous variable that is coded 1 if states share a land border or are separated by up to 150 miles of water, and 0 otherwise. *Distance* is measured in the natural logarithm of the great circle distance between two national capitals, predicted to be negatively associated with the likelihood of interstate conflict. Capability is a realist variable concerning the effect of relative national power on war or peace. States that are vastly different in national capability power will be much less likely to fight each other; that is, preponderance brings peace (Organski, 1958; Kugler and Lemke, 1996; Lemke, 2002). However, the balance of power tradition argues that power parity brings peace (Waltz, 1979). I use the composite indicator of national capability from the Correlates of War project (Singer et al., 1972) to

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promoting international peace (Boehmer et al., 2004). However, the exclusion of this variable in the modeling does not change the significant effect of *JntELP*.

represent a nation's capability in international affairs. *Power parity* is the quotient of the smaller composite indicator of national capability score over the larger composite indicator of national capability score. Thus, a dyad with perfect power parity will score 1, and a dyad with complete asymmetry in power will score 0. The Cold War was a prominent contributor to tense rivalry between communist states and non-communist states in Southeast Asia during much of the sample period. Therefore, I control for this structural effect by adding *CW Dummy*, a dichotomous variable that is coded as 1 when a dyad falls in the period 1950–89, and 0 otherwise. This variable is not included in the models for the subsamples 1950–75 and 1976–2000, because the separation of time periods controls for the effect of the Cold War in the region.

The statistical model to be estimated is specified as

$$
\begin{aligned}
MID\ onset = \alpha + \beta(&JntELP, JntASEAN, Democracy(L), \\
&Interdependence(L), IGOs,\ Similarity, GDP/pc,\ Contiguity, \\
&Contiguity \times GDP/pc, Distance, Power\ parity, CW\ Dummy, \\
&Peace\ year) + e.
\end{aligned}
$$

Table 1 provides the descriptive statistics of the variables.

4 Empirical results

4.1 Basic analysis

Table 2 shows the empirical results for the three periods (1950–2000, 1950–75, and 1976–2000). In Models 1 and 3, *JntELP* shows statistically significant and negative effect on a new MID onset, but it is dropped due to perfect prediction in Model 2, which means that no new MID occurred between the *JntELP* dyads in the period of 1950–75. The results of *JntELP* confirm the proposed argument that a pair of Southeast Asian states commonly adopting economic liberalization policy may mitigate their conflicting behaviors toward each other. As for the two classic liberal peace factors, *Democracy(L)* is negatively but insignificantly associated with MID onset in the period of 1976–2000, while *Interdependence(L)* significantly increase the likelihood of MID onset, thus supporting the argument that an increasing frequency of contact may indeed generate chances of conflict (Waltz, 1979). The outcomes of *Democracy(L)* and *Interdependence(L)* affirm the weak implication of the

Table 1 Descriptive statistics of variables

	N	Mean	Std. Dev.	Min	Max
MID Onset	1,953	0.043	0.203	0	1
JntELP	1,905	0.125	0.331	0	1
JntASEAN	1,905	0.259	0.438	0	1
Democracy(L)	1,677	−5.540	3.550	−9	8
Interdependence(L)	1,894	0.003	0.013	0	0.142
IGOs	1,844	2.524	3.317	−21	4.205
GDP/pc(L)	1,896	7.211	0.663	5.735	9.884
Similarity	1,953	−0.164	0.226	−1.118	−0.001
Contiguity	1,905	0.304	0.460	0	1
Contiguity × GDP/pc(L)	1,896	2.230	3.390	0	9.158
Distance	1,905	6.738	0.577	4.898	7.540
Power parity	1,905	0.370	0.261	0.007	0.999
CW Dummy	1,905	0.740	0.439	0	1
Peace years	1,905	14.539	12.839	0	51
_spline1	1,905	−2,966.91	4,169.331	−18,816.6	0
_spline2	1,905	−5,898.03	9,241.733	−43,297.8	0
_spline3	1,905	−5,938.29	10,436.68	−52,899.6	0

classic liberal peace theory in Southeast Asia. Meanwhile, *JntASEAN* demonstrates no significant pacifying effect, suggesting that the constructivist's claim regarding the conflict-reducing effect of the ASEAN security management may be exaggerated. In addition, the result of *JntASEAN* also shows that those states favoring economic liberalization as a developmental blueprint trade and investment links with the outside world appear to be more important than those within Southeast Asia.

As for the control variables included in the equation, the results support the conflict-reducing effect of *Distance*; that is, when two Southeast Asian states are more geographically separated from each other, they are less like to experience a MID onset. *Contiguity* does not show a significantly positive association with the likelihood of MID onset; the insignificance of *Contiguity* is likely caused by high correlation with *Contiguity × GDP/pc(L)*. After removing *Contiguity × GDP/pc(L)* in modeling, *Contiguity* becomes significant in all models. *GDP/pc(L)* is positive and statistically significant in the model of 1950–2000 as

Table 2 Models of the MID onset in Southeast Asia (1950–2000)

	(1) 1950–2000	(2) 1950–75	(3) 1976–2000
JntELP	−7.521*** (2.128)	Dropped	−8.328*** (1.923)
Democracy(L)	−0.058 (0.040)	−0.119 (0.095)	−0.005 (0.043)
Interdependence(L)	37.180*** (13.194)	14.604 (70.678)	44.215*** (10.834)
JntASEAN	0.278 (0.549)	−0.288 (1.466)	−0.927 (0.571)
IGOs	−0.003 (0.027)	−0.034 (0.033)	0.841 (0.697)
GDP/pc(L)	1.007* (0.558)	0.399 (0.699)	0.478 (0.697)
Similarity	−2.093** (1.187)	−3.832** (1.605)	−4.267*** (1.078)
Contiguity	6.347 (4.880)	5.517 (7.131)	4.323 (6.531)
Contiguity × GDP/pc(L)	−0.627 (0.682)	−0.447 (1.074)	−0.295 (0.883)
Distance	−1.189*** (0.391)	−1.345** (0.665)	−0.912* (0.516)
Power parity	1.133 (0.749)	−1.542* (0.932)	3.418*** (0.851)
CW Dummy	0.072 (0.381)	–	–
Peace years	−0.179 (0.122)	−0.097 (0.166)	0.108 (0.152)
_spline1	0.002 (0.004)	0.003 (0.006)	0.011* (0.006)
_spline2	−0.003 (0.003)	−0.014 (0.012)	−0.010* (0.005)
_spline3	0.002* (0.001)	0.015 (0.013)	0.005** (0.002)
Constant	−3.984 (4.587)	0.637 (5.821)	−5.199 (6.009)
N	1,625	753	828
χ^2	762.8	156.8	756.7
Pseudo-R^2	0.337	0.372	0.415

Note: Robust standard errors (clustering by dyad) in parentheses.
Significance tests are two-tailed: ***$P < 0.01$, **$P < 0.05$, *$P < 0.1$.

predicted, supporting the argument that an increase in the level of economic development may heighten the risk of a non-contiguous Southeast Asian state involved in a militarized dispute. However, *Contiguity × GDP/pc(L)* is statistically insignificant, at odds with the prediction. This result may be because Southeast Asian states are still developing states that are more inclined toward belligerent foreign policy. The effect of *Power parity* is positive and statistically significant in Model 3 but insignificant in Model 1, whereas it is negative and significant in Model 2 in which *JntELP* is dropped. These results show the uncertainty of realist argument about the effect of power. In addition, the international structure of the Cold War does not show a significant conflict-increasing effect in Southeast Asia.

Table 3 Predicted probability of the MID onset (1950–2000)

	Min Value → Max Value
JntELP	−0.0059
Democracy(L)	−0.0035
Interdependence(L)	0.2942
JntASEAN	0.0031

Taken together with an emphasis on the independent variables of interest, the empirical findings show that the fluctuation of the liberal peace theory's explanatory power and the weakness of ASEAN as a platform for preventing and addressing interstate conflict lend substantial support to the argument that Southeast Asian states that commonly adopt economic liberalization policy for economic development refrain from making belligerent foreign policy to create a better environment for the success of such economic policy.

4.2 Substantive effect

Although statistical significance is crucially important in quantitative research, it does not necessarily indicate a statistically meaningful finding with a large number of observations. If a sample size is very large, small P-values can occur even though the difference between the true value of the parameter and the null hypothesis value is small (Gujarati, 2003). Given this concern, the substantive effects of the variables of interest (*Democracy*(L), *Interdependence*(L), *JntELP*, and *JntASEAN*) require further examination. Table 3 reports the difference value (maximum minus minimum) of predicted probability of a new MID onset for the four variables.[10]

JntELP's predicted probability of a new MID onset declines by about 0.6 percentage points when its value changes from minimum to maximum; *Democracy*(L) decreases predicted probability of a new MID onset by about 0.35 percentage points; *Interdependence*(L) increases predicted probability of a new MID onset by about 30 percentage points; and *JntASEAN* increases the predicted probability of a new MID onset

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10 Predicted probabilities are calculated by the Clarify program (King *et al.*, 2003) while holding all other variables at their means (or median for dummy variables).

by about 0.3 percentage points. However, the substantive effects of *Democracy*(*L*) and *JntASEAN* should be interpreted cautiously due to statistical insignificance. Hence, these results suggest that commonly adopting economic liberalization policy plays a more important role than democracy, economic development, and the ASEAN security management in reducing the likelihood of MID onset in Southeast Asia.

4.3 Robustness tests

One possible concern with the empirical tests demonstrated so far is high correlation between *JntELP* and *JntASEAN* because most Southeast Asian states that adopt economic liberalization policy are also the ASEAN member states for the most of the sample period. Table 4 shows that the correlation coefficient between *JntELP* and *JntASEAN* is 0.6097, which, by rule of thumb, suggests the possible presence of a serious collinearity problem at the stage of estimation. Furthermore, although the correlation coefficient between *JntELP* and *Interdependence* (*L*) is 0.4472, which does not raise serious collinearity concerns, the two variables to some extent may share the same information because increasing economic interdependence can also reinforce the adoption of economic liberalization policy. To address the problem of multicollinearity, I conduct a robustness check based on a reduced form of Model 1 in Table 2 in which *JntASEAN* or *Interdependence*(*L*) is dropped from the original empirical equation on the suspension of their correlations with *JntELP*. In this way, the independent effect of *JntELP* is estimated. For brevity, Table 5 reports only the results of the variables of interest here, which confirms that *JntELP* is statistically meaningful in terms of a conflict-reducing effect.

Table 4 Matrix of pairwise Pearson's correlations of Key IVs

	Democracy(L)	*Interdependence*(L)	*JntASEAN*	*JntELP*
Democracy(L)	1			
Interdependence(L)	0.1889	1		
JntASEAN	0.2089	0.2844	1	
JntELP	0.2914	0.4472	0.6097	1

Note: All values are significant below 1%.

Table 5 Robustness test for the model of 1950–2000

JntELP	−3.612*** (0.884)	−3.820*** (1.041)	−7.544*** (2.327)
Democracy(L)	−0.056 (0.037)	−0.054 (0.039)	−0.060 (0.039)
Interdependence(L)			38.680** (15.624)
JntASEAN		0.305 (0.562)	
N	1,625	1,625	1,625
χ^2	349.9	369.1	758.6
Pseudo-R^2	0.334	0.335	0.337

Note: Robust standard errors (clustering by dyad) in parentheses.
Significance tests are two-tailed: ***$P < 0.01$, **$P < 0.05$, *$P < 0.1$.

Furthermore, the inclusion of statistically insignificant *Contiguity* × *GDP/pc(L)* may result in a less efficient estimation (i.e. greater uncertainty) for the effect of *JntELP* in the model. Therefore, I re-estimate the model of 1950–2000 without *Contiguity* × *GDP/pc(L)* and find that *JntELP* still holds statistically significant with a slightly bigger coefficient (i.e. increases about 2.6 percentage points). Other concerns result from the operationalization of *JntELP*. First, recoding Brunei, Cambodia, Laos, and Vietnam, which are missing observations originally, may affect the evaluation of *JntELP*'s statistical significance. I therefore let the four states as missing data and re-estimate the full sample period model. The result for *JntELP* still holds significant. Second, as previously mentioned, the prior literature proposes different indicators to capture a state's economic policy in term of trade. Although I contend that Sachs and Warne's indicator of trade regime may provide more information for empirical analysis here, I re-estimate the full sample period model based on weak link logic (cf. Dixon, 1994; McDonald, 2004) with those alternative trade policy indicators previously mentioned including tariff, using Milner and Kubota's (2005) complied data; the ratio of customs revenues to imports in their higher values, using McDonald's (2004) compiled data; and the ratio of total trade to GDP in the lower value of a dyad, using Gleditsch's (2002) economic data. The tariff variable is insignificant with a positive sign, the ratio of customs revenues to imports significant with a negative sign, and the ratio of total trade to GDP insignificant with a positive sign. The inconsistent outcomes of these indicators may imply that these indicators may measure different things about trade policy and suggest a need of a more comprehensive trade policy indicator. All of these results,

however, do not refute the current empirical findings with the Sachs and Warne's indicator. Hence, my argument that the adoption of economic liberalization policy plays a more important role than democracy, economic development, and the ASEAN security management in determining the likelihood of MID onset in Southeast Asia remains credible.

5 Conclusion

The current debates about the formation of Southeast Asian peace focus on the effects of democracy, economic interdependence, and the ASEAN security management. However, alternatively, I argue the motivation of pursuing economic development through economic liberalization may be a more compelling reason for Southeast Asians to live with each other peacefully and cooperatively. The results of my empirical analysis show that democracy and economic interdependence, at odds with the liberal peace theory's prediction, did not operated favorably to create a peaceful coexistence between Southeast Asian states in the past decades. In addition, although no serious war, defined as causing more than 1,000 battle deaths, has occurred between ASEAN states since 1967, the operation of the ASEAN security management did not effectively make the ASEAN states resolve disputes without the use of force. This result conforms to the usual criticism that the ASEAN may be no more than a 'talking shop' in the past decades due to its low institutionalization and weak coercive power. Thus, the popular constructivist contention about the effectiveness of the ASEAN security management may need to be reassessed. Conversely, I show that the adoption of economic liberalization policy is clearly linked to Southeast Asian peace in the past decades; that is, common liberal capitalist interests and preferences in national economic development exerted a significant influence on Southeast Asian states' decision-making in regard to foreign policy. In sum, Southeast Asia has experienced a long capitalist peace.

Acknowledgements

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