

THE POLITICAL ECONOMY OF INTERNATIONAL ECONOMIC INTEGRATION AND CONFLICT

Pieter Scribante – University of Pretoria

Hypothesis: Increased trade and economic integration decreases conflicts around the world



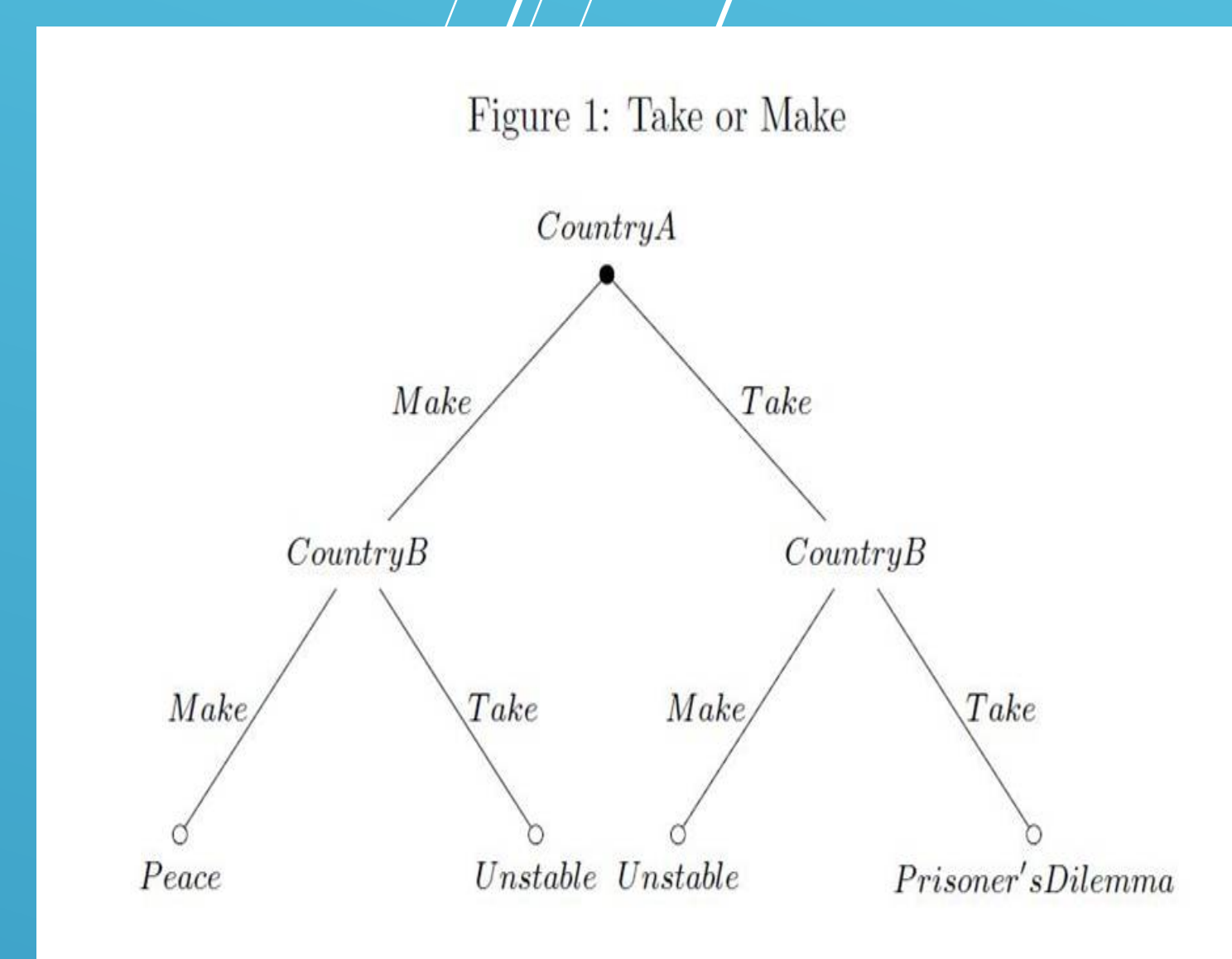
- ▶ No answer a first glance
- ▶ Upward trend in EIAs and Trade
- ▶ Conflict goes up and dramatically decreases
- ▶ What is there relationship?
- ▶ Recent event shows us that there might be a negative relationship between conflict and these economic variables.



Hostility Level	$HOSTILITY_{ijt}$	$HIACT_{it}$	Highest Action
No militarized action	1	0	No militarized action
Threat to use force	2	1 2 3 4 5 6	Threat to use forces Threat to blockade Threat to occupy territory Threat to declare war Threat to use CBR weapons Threat to join war
Display of force	3	7 8 9 10 11 12	Show of force Alert Nuclear alert Mobilization Fortify border Border violation
Use of force	4	13 14 15 16 17 18 19	Blockade Occupation of territory Seizure Attack Clash Declaration of war Use of CBR weapons
War	5	20 21	Begin interstate war Join interstate war

Formal Economic Integration Agreements (EIA):
 1-Way Preferential Trade Agreement (1-way PTA)
 2-Way Preferential Trade Agreement (2-way PTA)
 Free Trade Agreement (FTA)
 Customs Union
 Common Market
 Economic Union

Informal Economic Integration Actions:
 Bilateral Trade
 Multilateral trade
 Monetary Integration - Exchange rate correlation
 Economic Integration - IRBC Correlation
 Political Integration – UN Voting similarity



RESULTS

Table 2: Standard Gravity Model: The impact of Integration and Conflict on Trade

	1	2	3	4	5	6	7	8
	Imports _j	Imports _j	Imports _j	Imports _j	Imports _h	Imports _h	Imports _h	Imports _h
EIA	0.001*** (0.000)	0.219*** (0.004)	0.217*** (0.004)	0.576*** (0.025)	0.003*** (0.000)	0.088*** (0.001)	0.087*** (0.001)	0.037*** (0.007)
Exchange Rate Corr		0.006** (0.003)	0.006** (0.003)			-0.004*** (0.001)	-0.004*** (0.001)	
Business Cycle Corr		0.012* (0.006)	0.012* (0.006)			0.045*** (0.002)	0.045*** (0.002)	
UN Voting Sim		0.386*** (0.041)	0.384*** (0.041)			-0.119*** (0.010)	-0.119*** (0.010)	
IGDP _o	0.953*** (0.002)	0.989*** (0.004)	0.990*** (0.004)	0.956*** (0.002)	-0.024*** (0.000)	-0.020*** (0.001)	-0.020*** (0.001)	-0.027*** (0.000)
IGDP _d	0.741*** (0.002)	0.769*** (0.003)	0.770*** (0.003)	0.722*** (0.002)	0.870*** (0.000)	0.891*** (0.001)	0.891*** (0.001)	0.857*** (0.000)
Mistance	-1.318*** (0.004)	-1.195*** (0.007)	-1.198*** (0.007)	-1.112*** (0.005)	-0.026*** (0.001)	-0.004*** (0.002)	-0.006*** (0.002)	-0.020*** (0.001)
Contiguity	0.826*** (0.021)	0.632*** (0.028)	0.687*** (0.028)	1.008*** (0.033)	-0.205*** (0.006)	-0.236*** (0.008)	-0.212*** (0.008)	-0.201*** (0.010)
Colony	0.865*** (0.016)	0.818*** (0.022)	0.828*** (0.022)	1.046*** (0.019)	0.042*** (0.005)	0.056*** (0.008)	0.060*** (0.008)	0.003 (0.007)
Religion	-0.015 (0.012)	-0.076*** (0.017)	-0.079*** (0.017)	0.009 (0.014)	-0.056*** (0.003)	-0.031*** (0.004)	-0.032*** (0.004)	-0.082*** (0.004)
Language	0.733*** (0.009)	0.741*** (0.014)	0.746*** (0.014)	0.488*** (0.010)	0.073*** (0.003)	0.003 (0.004)	0.003 (0.004)	0.121*** (0.003)
Legal	0.350*** (0.007)	0.334*** (0.011)	0.333*** (0.011)	0.342*** (0.007)	-0.048*** (0.002)	-0.027*** (0.003)	-0.027*** (0.003)	-0.043*** (0.002)
HIACT				-0.054*** (0.006)			-0.023*** (0.002)	
EIA _{dist}				-0.042*** (0.003)			0.008*** (0.001)	
EIA _{cont}				-0.205*** (0.012)			0.003 (0.004)	
EIA _{colony}				-0.206*** (0.013)			0.041*** (0.004)	
EIA _{relig}				-0.117*** (0.008)			0.022*** (0.002)	
EIA _{lang}				0.342*** (0.006)			-0.098*** (0.002)	
ITrade with ROW _o	0.422*** (0.003)	0.354*** (0.006)	0.352*** (0.006)	0.415*** (0.003)				
Constant	-25.409*** (0.065)	-26.846*** (0.118)	-26.839*** (0.118)	-26.745*** (0.069)	2.649*** (0.018)	1.827*** (0.027)	1.828*** (0.027)	2.577*** (0.020)
Pair FE	No	No	No	No	No	No	No	No
Year FE	No	No	No	No	No	No	No	No
Adjusted R2	0.646	0.662	0.662	0.652	0.917	0.929	0.929	0.919
Obs	554193.000	231252.000	231252.000	553857.000	554194.000	231252.000	231252.000	553858.000

Table 3: Conflict Gravity Framework - Levels Analysis

	1	2	3	4	5	6
	HIACT	HIACT	HIACT	HIACT	HIACT	HIACT
EIA	-0.029*** (0.002)	-0.037*** (0.003)	-0.037*** (0.003)	-0.040*** (0.003)	-0.044*** (0.003)	-0.118*** (0.013)
Exchange Rate Corr		-0.002** (0.001)	-0.002** (0.001)	-0.002** (0.001)	-0.001* (0.001)	
Business Cycle Corr			-0.009*** (0.003)	-0.009*** (0.003)	-0.008*** (0.003)	
UN Voting Similarity				-0.047** (0.020)	-0.034* (0.020)	
ITrade ROW	-0.012*** (0.003)	-0.008** (0.004)	-0.008** (0.004)	-0.008** (0.004)	-0.015*** (0.004)	-0.019*** (0.002)
IDistance	-0.053*** (0.003)	-0.061*** (0.005)	-0.062*** (0.005)	-0.066*** (0.005)	-0.072*** (0.005)	-0.056*** (0.003)
MCL _o	0.021*** (0.002)	0.016*** (0.002)	0.016*** (0.002)	0.016*** (0.002)		
MCL _d	0.009*** (0.001)	0.016*** (0.002)	0.016*** (0.002)	0.015*** (0.002)		
ITrade	-0.007*** (0.001)	-0.008*** (0.001)	-0.008*** (0.001)	-0.008*** (0.001)	-0.008*** (0.001)	-0.008*** (0.001)
ICapital	-0.006*** (0.003)	-0.014*** (0.004)	-0.015*** (0.004)	-0.018*** (0.004)	-0.020*** (0.006)	-0.009*** (0.003)
TFP	-0.006 (0.005)	-0.025*** (0.006)	-0.026*** (0.007)	-0.033*** (0.007)	-0.044*** (0.007)	-0.027*** (0.005)
IGDP _o	0.013*** (0.002)	0.017*** (0.003)	0.017*** (0.003)	0.020*** (0.003)	0.035*** (0.003)	0.016*** (0.003)
IGDP _d	0.018*** (0.002)	0.015*** (0.003)	0.015*** (0.003)	0.020*** (0.003)	0.033*** (0.002)	0.027*** (0.001)
Contiguity	0.877*** (0.040)	0.891*** (0.051)	0.905*** (0.051)	0.936*** (0.054)	0.944*** (0.055)	1.348*** (0.015)
Colony	0.169*** (0.024)	0.174*** (0.030)	0.175*** (0.031)	0.169*** (0.032)	0.165*** (0.032)	0.123*** (0.012)
Religion	-0.028*** (0.007)	-0.026*** (0.009)	-0.026*** (0.009)	-0.030*** (0.009)	-0.036*** (0.009)	-0.016*** (0.006)
Language	0.022*** (0.006)	0.010 (0.008)	0.010 (0.008)	0.016* (0.008)	0.018** (0.008)	0.017*** (0.004)
Difference in MCI					0.008*** (0.002)	0.007*** (0.001)
EIA x Distance						0.014*** (0.002)
EIA x Contiguity						-0.202*** (0.006)
EIA x Colony						0.044*** (0.007)
EIA x Religion						-0.024*** (0.004)
EIA x Language						0.015*** (0.003)
Constant	0.419*** (0.077)	0.538*** (0.106)	0.545*** (0.107)	0.492*** (0.121)	-0.118 (0.090)	-0.235*** (0.050)
Pair FE	No	No	No	No	No	No
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Adjusted R2	0.035	0.041	0.042	0.044	0.043	0.040
Obs	365115.000	203472.000	199906.000	185921.000	185921.000	365115.000

Table 4: Conflict Gravity Framework - Probability Analysis

	1	2	3	4	5	6	7	8
	Prob MID	Prob MID	Prob MID	Prob MID	Prob MID	Prob MID	Prob MID	Prob MID
EIA	-0.331*** (0.029)		-0.411*** (0.043)	-2.210*** (0.214)	0.718*** (0.029)		0.663*** (0.043)	0.109*** (0.214)
Exchange Rate Corr		-0.015*** (0.004)	-0.015*** (0.004)			0.985*** (0.004)	0.965*** (0.004)	
Business Cycle Corr		-0.259*** (0.071)	-0.186*** (0.071)			0.779*** (0.071)	0.831*** (0.071)	
UN Voting Similarity		-1.610*** (0.364)	-0.422 (0.422)			0.2*** (0.364)	1.13 (0.422)	
ITrade ROW	-0.796*** (0.057)	-0.904*** (0.104)	-0.803*** (0.102)	-0.773*** (0.058)	0.451*** (0.057)	0.405*** (0.104)	0.448*** (0.102)	0.461*** (0.058)
IDistance	-1.004*** (0.049)	-0.921*** (0.079)	-1.130*** (0.078)	-1.196*** (0.055)	0.366*** (0.049)	0.388*** (0.079)	0.323*** (0.078)	0.302*** (0.055)
Difference in MCI	0.259*** (0.047)	0.358*** (0.075)	0.253*** (0.066)	0.238*** (0.048)	1.295*** (0.047)	1.43*** (0.075)	1.288*** (0.066)	1.268*** (0.048)
ITrade	-0.077*** (0.019)	-0.123*** (0.026)	-0.109*** (0.027)	-0.084*** (0.019)	0.928*** (0.019)	0.855*** (0.026)	0.905*** (0.027)	0.919*** (0.019)
ICapital	0.045 (0.090)	-0.048 (0.145)	-0.102 (0.127)	0.051 (0.090)	1.046 (0.090)	0.953 (0.145)	0.868 (0.127)	1.053 (0.090)
TFP	-1.015*** (0.158)	-1.606*** (0.296)	-1.787*** (0.284)	-0.938*** (0.157)	0.363*** (0.158)	0.201*** (0.296)	0.167*** (0.284)	0.392*** (0.157)
IGDP _o	0.649*** (0.046)	0.722*** (0.069)	0.824*** (0.071)	0.655*** (0.046)	1.913*** (0.046)	2.058*** (0.069)	2.28*** (0.071)	1.926*** (0.046)
IGDP _d	0.519*** (0.038)	0.506*** (0.063)	0.603*** (0.064)	0.509*** (0.038)	1.68*** (0.038)	1.659*** (0.063)	1.828*** (0.064)	1.664*** (0.038)
Contiguity	2.210*** (0.114)	2.541*** (0.196)	2.563*** (0.181)	1.963*** (0.132)	9.112*** (0.114)	12.601*** (0.196)	12.972*** (0.181)	7.12*** (0.132)
Colony	1.003*** (0.105)	1.040*** (0.155)	1.064*** (0.153)	0.927*** (0.145)	2.727*** (0.105)	2.83*** (0.155)	2.897*** (0.153)	2.528*** (0.145)
Religion	-0.085 (0.134)	0.138 (0.196)	0.020 (0.192)	0.131 (0.151)	0.919 (0.134)	1.148 (0.196)	1.021 (0.192)	1.140 (0.151)
Language	0.548*** (0.079)	0.510*** (0.118)	0.662*** (0.121)	0.552*** (0.098)	1.729*** (0.079)	1.666*** (0.118)	1.938*** (0.121)	1.737*** (0.098)
EIA _{dist}				0.266*** (0.027)			1.304*** (0.027)	
EIA _{cont}				0.250*** (0.067)			1.281*** (0.067)	
EIA _{colony}				-0.010 (0.061)			0.99 (0.061)	
EIA _{relig}				-0.316*** (0.097)			0.729*** (0.097)	
EIA _{lang}				-0.034 (0.047)			0.967 (0.047)	
Constant	-4.834*** (1.232)	-0.771 (2.014)	-7.083*** (2.107)	-3.936*** (1.274)	0.008*** (1.232)	0.463 (2.014)	0.001*** (2.107)	0.02*** (1.274)
Odds Ratio	No	No	No	No	Yes	Yes	Yes	Yes
Pseudo R2	0.2684	0.3216	0.3417	0.2753	0.2684	0.3216	0.3417	0.2753
Obs	365115.000	189756.000	185921.000	365115.000	365115.000	189756.000	185921.000	365115.000

CONCLUSION

Both Trade and International Economic Integration decreases bilateral conflict
 Formal EIAs are aided using Informal Integration Actions measurements
 Both Bilateral and Multilateral Trade decreases bilateral conflict
 Research Hypothesis holds