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**Hierarchy in International
Relations. The Modern US
Empire and Japan, Ecuador, and
Bahrain**

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1. Introduction: The US Leading Role in World Politics

The attempts of states to acquire and retain powerful and dominant positions in world politics have contributed to shape and influence our understanding of international relations. The refusal of states to accept the dominant position of another country results in active attempts to undermine powerful states' dominant positions and potential creation of international conflicts. The Cold War era offers an ideal example for the refusal and resistance to accept that another state is dominant in world politics. Nevertheless, after the end of the Cold War—where the United States (US) emerged as the sole winner and hence most powerful state—this concept of undermining the power of a global-dominant state has been on the decline. The international legitimacy of the US as a global player is hardly undermined and has been relatively widely accepted by the international community.¹ From the United States' presence in the Middle East to the numerous amounts of US military bases in Germany, the United States' influence in the international and global community is significantly dominant. Since the end of the Cold War in 1991, the US has emerged as a global superpower with enormous global influence.² The phenomenon of the dollarization is growing with more than seven independent countries using the dollar as legal tender. Ivo H. Daalder and James M. Lindsay observed in 2003 that the phrase “American empire” has appeared more than 1.000 times in the news in the span of just six months. How can one explain this clear dominance in an anarchic international system, where every state tries to balance the power of the other? Why does the international community give the US the capacity and—most importantly—the legitimacy and authority to be as influential and dominant as it is nowadays?

After the launch of the Iraq war—where the US went to war without a legal basis—the US' long-held obligation to comply with international law has been undermined and with it its international legitimacy and authority. The US, as internationally powerful and dominant as ever, has lost a degree of its international legitimacy. This brings the sources and reasons for international legitimacy and authority into questions. If legitimacy and authority do not derive from power and capabilities, where else do they come from? David A. Lake argues in his book *Hierarchy in International Relations* that we have actually been looking at world politics all wrong. He disagrees with the classical international relations theories that assume that the international community is anarchic in its nature by arguing that relations between

¹ It is clear to me that not all states accept the legitimacy of the US, for instance North Korea, Iran, and Russia. However, for the most part the US represents a dominant global power.

² Defense Manpower Data Center (DMDC) 2014.

states vary on a continuum between complete anarchy and complete hierarchy. At the level of pure hierarchy a subordinate state gives up all of its sovereignty to a dominant state and receives political order—inter alia international security—from it in exchange. While it makes sense that a dominant state will want to have authority over others and with it authority in the international system, it is not logical for a state to subordinate and submit itself to the authority of another state. So what incentives do states have to engage in such a hierarchal relationship and what do they get in return? This theory, developed in 2009, is extremely relevant and unique in its nature because it can explain international phenomena that the classical international relations theories fail to explain due to the anarchy assumption. The theory is extremely helpful in trying to understand the international influence and dominance of the United States. Looking at the United Nations (UN), how can one explain the permanent presence of only five countries in the Security Council? If the international system was in fact anarchic and all states were equal in rights—or lack of rights, why is the power of veto wielded solely by the five permanent members of the United Nations Security Council (US, Russia, France, UK and China) and deprived from others?

Although Lake analyzes the effect such a hierarchy has on the involved states, all of his research was focused on correlations and causal mechanisms on the macro-level and lacked explanatory depth when it comes to the affected states themselves. Lake, as the first advocator of voluntary hierarchal relationships in the international community, only focused on quantitative studies, proving that hierarchy in the international system does in fact matter. Therefore, I believe that my thesis is relevant and additive to an important debate concerning the fundamentals of international relations, as I analyze the effect of hierarchy on a small number of states not only to understand if hierarchy affects the behavior of states but most importantly how it does so. I focus on the motivation and incentives of the subordinate state, as it is logical—and proven by international relations scholars—that states strive to have a dominant position and to exert power and authority over other states. However, it is not so clear why a state would willingly subordinate itself to the authority of another state.

Hence, my research question is:

How does hierarchy in international relations influence the behavior of the subordinate state?

In the next section, I will provide a literature synopsis explaining how international relations theorists think of anarchy and hierarchy in the international system and the relevant scientific

work contributing to the debate. Afterwards, I will explain Lake's theory of *Hierarchy in International Relations* in full details and offer conceptualizations of the terms that will be used later in this thesis. After doing so, I will develop theoretical expectations on how hierarchy in the international system influences the subordinate state. After specifying my theoretical expectations, I will test them on three case studies: Japan, Ecuador, and Bahrain, which are selected based on the kind of hierarchy with the US they are embedded in. Japan is in a security hierarchy, Ecuador in an economic hierarchy, while Bahrain is in both hierarchies with the US. By choosing the case studies based on the type of hierarchy, I will be able to account for the effects of the different kinds of hierarchy. Does economic hierarchy have a significant influence on the behavior of the subordinate state? Does security hierarchy have a higher impact? Is the presence of both economic and security hierarchies a prerequisite for a significant impact on the behavior of the subordinate state?

2. Anarchy to Hierarchy

The international system consists of co-existing sovereign states that possess autonomy over their policies and decisions. This concept gained relevance after the treaty of Westphalia in 1648, which placed sovereignty at the core of modern international law. This implies that each state has sovereignty and complete autonomy over its domestic and foreign affairs. In theory, this doctrine prevents all external powers from intervening in another state's affairs. Consequently, every state—regardless of its power or size—is deemed an equal member of the international community.³ As the international system is theoretically composed of sovereign and independent states, it is, ergo, not regulated by a higher power. Therefore, every state is free to act independently without limitations and restrictions. Realist theorists assume that the international system is anarchic. This characteristic heavily influences the states' decision-making process and foreign policies. This doctrine is derived from the Hobbesian state of nature—where men are equal, interact in anarchy, and are driven by competition, diffidence and glory.⁴ This state leads to socio-political conditions whereby a war of “every man against every man” prevails, highlighting the necessity of self-help.⁵ When equal actors interact in anarchy or in the “state of nature” with the absence of a regulator, violence and more anarchy would be the outcome. Thus, Thomas Hobbes explained

³ Kissinger 2014.

⁴ Hobbes 1996: 86.

⁵ Ibid 62.

the emergence of the state or the “Leviathan” as an attempt to escape the anarchic state of nature. The individuals subordinate themselves to a sovereign by giving up a degree of their freedom in exchange for political order. Hobbes sees this as the only way to escape the nature of the systematic anarchy. Political theorists succeeding Hobbes, like Jean-Jacques Rousseau and John Locke, took his assumptions as given and did not differ in the conception of the state of nature as anarchic. Thus, nearly all realism theorists assumed that the international environment is anarchic in nature and lacks centralized authority. Kenneth N. Waltz further develops this doctrine by arguing that structural anarchic orders do not have functional differentiation. In other words, the only differences between states “are of capability, not function”.⁶ This implies that there are no super- and subordinate states, only equal states that differ in their capabilities. This leads to the so called “security dilemma” that pervades relations between all states.⁷ As John Herz stated:

“Groups or individuals living in such a constellation must be, and usually are, concerned about their security from being attacked, subjected, dominated, or annihilated by other groups and individuals. Striving to attain security from such attack, they are driven to acquire more and more power in order to escape the impact of the power of others. This, in turn, renders the others more insecure and compels them to prepare for the worst. Since none can ever feel entirely secure in such a world of competing units, power competition ensues, and the vicious circle of security and power accumulation is on.”⁸

The central argument in structural realism is that states in anarchy, which assumingly prevails in the international community, balance powers rather than bandwagon.⁹ That would be contrary to a hierarchal international political order, where states bandwagon powerful states because it is relatively safer than balancing the power. Anarchy is also important to neoliberal institutionalism, which is premised on structural and systematic anarchy being the foundation of the international system. However, neo-liberal institutional theorists, like Robert Keohane and Joseph Nye, argue that international institutions can constrain the anarchic behavior of states and encourage cooperation even if the international system lacks a central political authority or government. While anarchy is central to positivism, constructivism is developed on the premise that the dominant features of international relations are socially and historically constructed—including the concept of anarchy. In *Anarchy is what states make of*

⁶ Waltz 1979: 96.

⁷ Herz 1950: 157.

⁸ Herz 1950: 60.

⁹ Waltz 1979: 126.

it,¹⁰ Alexander Wendt advances the concept that anarchy is socially constructed by the actors in the international system and that it is a result of the social interactions between states, rather than a structural and systematic characteristic of the international system that is inescapable.

Although most scholars assume that anarchy exists in international relations, there have always been hierarchal relationships in the international system, including empires, colonies, and dependencies. Classical international relations theories can only explain such relationships, if the political actors subordinated were conquered (by the dominant) or were forced by coercion to undergo such a relationship, which in turn would be a violation of state sovereignty. However, they cannot explain cases where states agree to give up a certain degree of their sovereignty to another state or to an international institution, nor can they explain cases for instance, where a state has a higher power or authority over other states—for example the members of the UN Security Council. There have always been states that subordinate themselves—to a certain extent and in certain fields—to the authority of another state or more commonly to an international institution. The Cold War era provides several appropriate examples for international hierarchal relationships. During the Cold War, both the Soviet Union and the US had states depending and relying on them for economic and security purposes. Also in modern international politics, the US has maintained international hierarchies in Western Europe and more recently in the Persian Gulf.

Most international relations theorists—following Kenneth Waltz—assume that hierarchy and anarchy are dichotomous political orders. Jack Donnelly argues that this is a conceptual error and obscures our understanding of the international system. He claims that one should think of “hierarchy in anarchy”¹¹ rather than the dichotomous distinction of either hierarchy or anarchy. Donnelly argues that the concepts of hierarchy in anarchy and sovereign inequality are essential for comprehending the contemporary world order. Daniel H. Deudney, Max Weber, and David A. Lake all agree that the absence of a formal global government does not preclude the informal formation of hierarchal structures.¹² John M. Hobson and J.C. Sharman argue that hierarchal sub-systems have existed since 1648 after the emergence of the Westphalian sovereignty and that the international system continues to include hierarchal as

¹⁰ Wendt 2007.

¹¹ Donnelly 2006: 139.

¹² Deudney 2007; Lake 2009; Weber 1997.

well as anarchic relations.¹³ Nico Kirsch contributes to the international hierarchy debate by analyzing the ways in which dominant states interact with the international law.¹⁴ Jack Donnelly takes American international power as given and addresses the question whether the US is in fact an empire or an empire in the making.¹⁵ Daniel H. Nexon and Thomas Wright observe the American empire debate, concluding that the imperial powers of the US have decreased since the end of the Cold War.¹⁶

3. Theoretical Framework

3.1 Hierarchy in International Relations—Basic Assumptions

Lake views the international community and how it behaves in a different way than the classical international relation theorists do. First, he challenges the prevailing formal-legal view—which says that power and authority stem from a lawful position—and argues from a relational view of authority. This relational concept implies that “the right to rule rests on a social contract in which the ruler provides a political order of value to the ruled, who in turn grant legitimacy to the ruler and comply with the restraints on their behavior necessary for the production of that order”.¹⁷ This is equivalent to Hobbes’ domestic concept of the emergence of the Leviathan—as a social construct—and the escape from the state of nature.

Second, he assumes that sovereignty consists of a “bundle of rights or authorities that can be divided among different levels of governance and different rulers”.¹⁸ Therefore, certain policy fields can be restricted to the authority of the state, but other policy fields can be transferred to a foreign state or an international institution. In short, Lake argues that sovereignty is divisible. Treating sovereignty as a divisible variable allows us to understand and analyze phenomena that otherwise are hard to understand.

¹³ Hobson and Sharman 2005.

¹⁴ Kirsch 2005.

¹⁵ Donnelly 2006.

¹⁶ Nexon and Wright 2007.

¹⁷ Lake 2009: 3.

¹⁸ Ibid.

3.2 Conceptualizations

Political Authority

The difference between authority and other forms of power is the mechanism by which the ruler makes the ruled comply with his commands. Power in this theory is not exercised through coercion, force, or threat but with legitimacy and conviction that the ruler's commands are legitimate and should be complied with. The distinction between authority and coercion is clear in theory, however the empirical distinction can be very ambivalent. State A can comply with state B's command out of coercion and out of authority. While the outcome is the same, the motivation behind the action differs. One cannot directly rationalize the reason behind state B's action, but by analyzing the relationship between both states, one can make a legitimate assumption about the nature of the action and the motivation behind it. Authority simply means rightful rule, suggesting that an authoritative ruler has the right to rule and command subordinates, who in turn have a duty to comply with the ruler's commands because they view the commands as lawful and legitimate.¹⁹ Thus, authority is a legitimate power over others. This implies that the authority of the ruler has to be accepted and legitimized by the subordinates, suggesting that authority is a right granted by the ruled—not a claim made by the ruler.

Legitimacy—the right to rule—can be derived from many sources, most commonly formal-legal rules. According to Max Weber's legal authority, the formal-legal authority is the dominant approach in international relations. In this approach the ruler's ability to rule and the willingness of the ruled to comply derives from the office or lawful position that the ruler holds. This approach precludes any possibility of authority between states due to the lack of lawful positions in the international system. However, according to David Lake, there is another conception of authority, where legitimacy does not necessarily derive from the office of the ruler, but from a bargain or contract between the ruler and the ruled. Relational authority relies on the contract between the ruler and the ruled. The ruler provides a political order to the ruled as compensation for the loss of freedom resulting from its subordination to the ruler. The ruled acknowledges the ruler's right to restrain its behavior in order to provide the political order. The relational authority between the dominant and the subordinate is in form of a self-enforcing contract. This implies that the outcome of the contract is what incentivizes the parties to engage (or keep engaging) in the social contract. This suggests that

¹⁹ Lake 2010.

when the costs of the contract are higher than the benefits, the contract will not be renewed. Thus, both the ruler and the ruled have to be better off with the contract.

Political order

According to Hedley Bull, a political order is “a pattern of human activities that sustain elementary, primary, or universal goals of social life”.²⁰ In short, one can conceptualize political order as “the protection of persons, property, and promises.”²¹ For the purpose of this research, I consider political order to mean all the benefits that a subordinate state gets from being in a hierarchal relationship.

Social Contract

As hierarchy is a voluntary act that the subordinate and the dominant state choose to partake, the benefits of such a contract must at least cover the costs of it.

Figure 1 illustrates the costs benefit analysis of undergoing such a contract for the subordinate state.

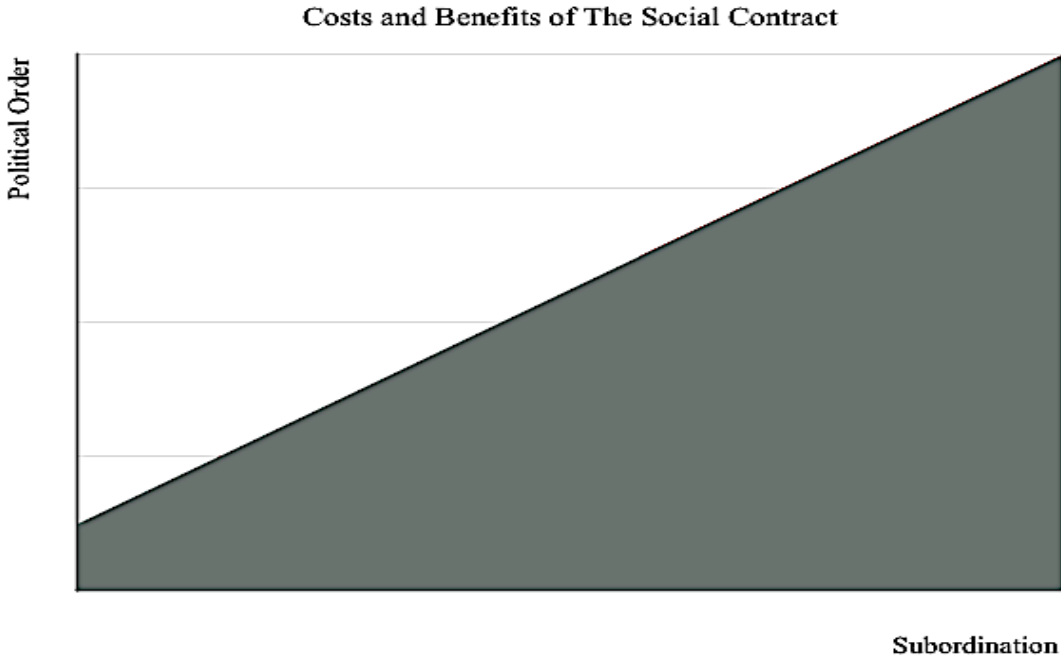


Figure 1: The Subordintate State’s Costs and Benefits of the Social Contract.²²

²⁰ Bull 1977: 5.
²¹ Lake 2009: 8.
²² Source: Own Illustration.

The x-axis depicts the degree of subordination to a dominant state, while the y-axis illustrates the benefits of subordination: political order. The y-intercept is higher than zero because every country has a minimum degree of political order and political structure that exists in the original state. Thus, it would be naïve to assume that the line originates from zero. The degree of political order increases with an increase in the degree of subordination. Subordination can be equivalent to zero, suggesting that there is no hierarchal relationship between the state-dyad. Thus, subordination—or hierarchy—is a continuous variable ranging from complete sovereignty to complete subordination.

This figure depicts the subordinate's costs and benefits of engaging in an international hierarchy. The linear function splits the area in two parts: the white area above the function and the grey area underneath it. The white area depicts the benefits of subordinating and submitting to a dominant state that guarantees political order. The grey area represents the costs of subordination: the loss of sovereignty. A state will engage in a hierarchal contract, where it gives up a degree of its autonomy in exchange for political order, only if the gains of subordination (political order) are higher than the costs (loss of sovereignty). Consequently, the social contract will be constructed in a way that benefits both the dominant and the subordinate state. Both states have to be better off. It might be profit-maximizing for one state to give up all its sovereignty in exchange for political order, but another state might only need a small degree of “assistance” and ergo will only transfer a small amount of autonomy to the dominant state. Thus, every state dyad generates a different cost-benefit function, resulting in a different degree of hierarchal relationship. As Lake stated:

“Hierarchy exists when one actor, the ruler, or A [...], possesses authority over a second actor, the ruled, or B, defined as a collective of individuals. Authority is never total, of course, but varies in extent. It may be that A possesses authority over B and issues commands regulating possible actions 1-5 but not on actions 6-n, which remain private to B or beyond A's ability to expect compliance.”²³

²³ Lake 2009: 51.

3.3 Independent Variable: International Hierarchy

Following the idea that sovereignty is divisible, Lake disaggregates hierarchy in two broad policy areas: economic and security hierarchy.

Security Hierarchy

According to Lake, security policy consists of all diplomatic, military, and economic actions disposable to a country to lower the risk and effectiveness of coercion from external actors.²⁴ Security hierarchy relationships range from diplomacy to protectorates.²⁵ In the case of the Westphalian sovereignty, states interact in a diplomatic manner while having complete authority and autonomy over their actions. In the case of a protectorate, state A (dominant) has authority over many or all of state B's security policy (subordinate). As hierarchy is a continuous variable, there exists an intermediate form (a weak protectorate), suggesting that state A exercises limited or controlled authority over the foreign and defense policies of state B.

Economic Hierarchy

Economic policy, according to Lake, includes all actions that influence the allocation and accumulation of resources. This includes creating and enforcing property rights, monetary system, macroeconomic management, regulation etc. Economic relationships between states range from market exchange—the Westphalian ideal—to economic dependency. In the Westphalian ideal states trade, invest, and interact in economic relationships while preserving full authority over their policies. At the other end of the continuum—economic dependency—a state transfers authority over all of its economic policies and decisions to another. The intermediate form of economic hierarchy is a weak economic dependency, where the subordinate state transfers some authority over its external economic relations and domestic economic policies to the dominant state. An example for a weak dependency would include fixing the rate of the subordinate's currency to the dominant's currency, transferring some authority over monetary policy to the dominant state.

²⁴ Lake 2009: 52.

²⁵ Ibid.

After having the theoretical construct of hierarchal relationship between states, I will illustrate how one can identify such a hierarchal relationship in the international system. To do so, I will first operationalize and measure economic and security hierarchy by using Lake's indicators and adding my own indicators.

Indicators of Security Hierarchy

Lake measures security hierarchy using two indicators: presence of military forces of the dominant state on the territory of the subordinate state and the number of independent—from the dominant—alliances possessed by the subordinate.

The presence of military forces of a foreign state on the territory of a sovereign state suggests a hierarchal relationship, ergo a state's authority over another state. Foreign military troops on the territory of a sovereign state allow foreign influence on the security policies of said state. If state A has military forces deployed on the territory of state B, then it would be possible that state A launches attacks from the territory of state B, consequently involving state B in an international conflict. The larger the military deployment in state B, the more control A has over B, thus the more hierarchal the security relationship is likely to be.

Having only allies that are also associated with the dominant state can suggest a hierarchal relationship. Lake defines independent alliance as the number of alliances that the other party—in the hierarchal relationship—is not a part of. This implies that state B has other allies that could help reduce the influence of state A, if state B decides to break the hierarchal relationship. Hence, state B is not completely dependent on state A but has other options for security assistance. The lower the number of independent alliances, the more hierarchal the security relationship is likely to be. This is a less direct indicator for security hierarchy than foreign military deployment. However, if a state is aware that it does not have independent alliances and chooses not to change the status quo, this could be interpreted as an acceptance of the hierarchal relationship.

Indicators of Economic Hierarchy

Lake captures economic hierarchy using two indicators: monetary policy autonomy and trade dependency. I will add to these indicators a third one: foreign aid.

Monetary policy, particularly the exchange rate regime, can be an indicator of economic dependency.²⁶ How the national currency is set relative to the value of foreign currencies is significant when it comes to measuring economic dependency. A flexible exchange rate means that the monetary policy of a country is completely independent from any foreign currency. This means that the exchange rate is determined by the supply and demand of the currency (relative to another currency) in the financial market. Such an exchange rate implies no economic hierarchy. An exchange rate can also be fixed to another currency—nowadays most commonly the US dollar. By doing so, the fixed currency indirectly adopts the monetary policy of the country whose currency it is pegged to. If state B fixes its currency (currency B) to the currency of state A (currency A), this would imply that if the exchange rate of currency A falls, the exchange rate of currency B will consequently fall. Thus, domestic monetary policies in the dominant state influence state B's monetary policies and exchange rate, even if this influence is unwanted or unintended by state A. At an extreme form, a country can adopt the currency of a foreign state as its own, suggesting that the foreign currency is the legal tender. This process is known as dollarization. In this case, the country directly imports the monetary policy of a foreign country, suggesting that the money supply does not depend on the country's monetary policy decisions but on the foreign country's monetary policy. Thus, the more dependent the monetary policy of one state is on another state, the more hierarchal the relationship between both states is likely to be.

According to Lake, the second indicator of economic hierarchy is trade dependency. If a country has many trade partners, it is more likely to have greater political autonomy, suggesting that any attempt to manipulate trade for other purposes or goals will not be effective. It is clear that trade partners are not directly chosen by the government, but by firms and micro-level economic actors. Nevertheless, if a government fails to diversify its trade partners, then it indirectly accepts the hierarchal order. Lake measures relative trade dependency as each country's total trade with the dominant state divided by its own GDP, minus similar ratios for the other permanent members of the United Nations Security Council (China, Great Britain, France, and Russia, and US). Countries that trade with the US more than with all the other P5 states combined are relatively trade dependent, and countries that trade more with the other P5 states than with the US are relatively independent.

I argue that Lake's operationalization of trade dependency is too complex to measure economic hierarchy. It's irrelevant if state B trades more with the US than it does with Russia.

²⁶ Monetary policy is the process by which the central bank of a country controls the money supply, often pursuing a certain inflation rate, interest rate, or exchange rate.

I argue that the relevant and significant question is: how much of the total trade is with just one country? How dependent is a state's economy on one trading partner? Thus, I measure trade dependency by looking at the trade with the dominant state as a percentage of the total trade. This simple measurement allows us to analyze whether a country's trade depends on one state more than all other trading partners. If 50% of a country's trade were with just one country, then this country would obviously be dependent on this trade partner—and vice versa.

I suggest that adding a third indicator of economic dependency, which is foreign aid, will result in a better measurement of economic hierarchy.²⁷ Foreign aid is the international transfer of capital, services, or goods from a national country or international organization to support the economy or political order of the receiving country. Foreign aid can be provided in the form of economic, military, development, or emergency humanitarian aid. For the purpose of this research, I only look at foreign aid where the donor is a national government—as opposed to foreign aid from international organizations like the UN—and I will treat development and foreign aid as equal phenomena. Simply put, I completely disregard the incentives and motives behind the act of assistance—whether it is for development purposes or financial assistance. When a state “aids” another state, it instinctively puts itself in a dominant position. Thus, one can assume that the dominant state gives foreign aid to its subordinates. For this reason, one can consider foreign aid as an indicator of international hierarchy, where the dominant state is the donor and the subordinate state the recipient.

The Development Assistance Committee (DAC) of the Organization of Economic Cooperation and Development classifies aid in three categories: Official development assistance (ODA), official aid (OD), or other official flows (OOF). ODA is given to a developing country either as a grant—where no repayment is required—or as concessional loans, where the interest rate is lower than the rate in the market. OD is defined as development aid provided to industrialized countries. OOF is considered as a different form of aid that does not fall into the former categories, either because its goal is not development or it is considered a normal international loan. The latter could be because the interest rate is not significantly lower than that in the market.

Having specified my independent variables and their indicators, I will now analyze the dependent variables and their operationalization.

²⁷ Foreign aid may also be known as development assistance, international aid, overseas aid, or official development assistance (ODA).

3.4 Dependent Variable: Behavior of The Subordinate State

Hierarchy affects the behavior and policies of subordinate states in many ways. Behavioral change is a natural consequence of subordination to external authority. But how exactly does being in an international hierarchal relationship affect the subordinate state? Lake detects three behavioral changes in the subordinate state. I will explain those changes and develop my own theoretical expectations that complement and add to Lake's findings.

Subordination and Perception of Security

The subordinate state gives up a degree of its sovereignty to the dominant state in exchange for political order, which is comprised of valued services provided by the dominant state. This political order that the dominant state provides includes a degree of security that is greater than the security the dominant state would achieve without the international contract. This is because the dominant state offers protection and effective technologies that the subordinate state would not acquire without the external help or would acquire but less efficiently. This means that the subordinate can achieve a higher degree of security more efficiently and with fewer costs. These spared resources can be implemented and used in other valued policies, like economic growth and education. Thus, security hierarchy reduces the defense efforts in the subordinate state, as it—to a certain extent depending on the degree of the hierarchal relationship—depends on the dominant for protection and security. Having received protection from the dominant state, the subordinate can divert the remaining resources to other valued uses.

H1: The greater the hierarchal relationship, the less effort the subordinate state will invest in defense.

Operationalization: I use Lake's operationalization of defense efforts as military expenditures as a share of GDP.

While Lake's operationalization captures the defense efforts of the subordinate state, it does not measure the actual consequence of the international hierarchal order—which is actual security. Does the security of the subordinate state actually increase? While it might be true that the defense efforts decrease, this only implies that the perception of security of the state increases, not the actual security. One would have to actually investigate if the dominant state does protect and help the subordinate state in the event of an international conflict. Therefore,

I develop another hypothesis—that compliments, not substitutes, Lake’s hypothesis—by arguing that the dominant state aids the subordinate state in the event of international conflict.

H2: The greater the hierarchal relationship, the more likely the dominant state will aid the subordinate state in an international conflict.

Operationalization: Here I look at the international conflicts that the subordinate state was involved in and investigate whether the dominant state formally aided the subordinate.

Subordination and Compliance

In exchange for the benefits of the social contract, subordinates empower the dominant state by accepting and legitimizing its authority and this usually entails compliance. Therefore, complying with an external actor and respecting its authority suggest that the subordinate state will alter its behavior compared to its behavior under complete sovereignty. However, the outcome of compliance under authority is the same as compliance under coercion. Measuring the reasons behind compliance, involves private information that is very difficult to acquire.²⁸ For the sake of this research, I will ignore the private information regarding the true incentives behind the subordinate’s compliance. I will assume that compliance between a subordinate and a dominant state is always a result of authority and legitimacy, not coercion.

H3: The greater the hierarchal relationship, the more likely the subordinate state will comply with the dominant state.

Operationalization: In this thesis, I only consider compliance in international organizations and institutions. I look at the voting behavior in international bodies and how the subordinate state behaves given the behavior of the dominant state. Does the subordinate state follow the lead of the dominant state by voting in the same manner?

Nevertheless, compliance is not the only way by which a subordinate declares the acceptance and legitimacy of the dominant’s authority. Subordinates can also express respect for authority by what Lake calls “symbolic obeisance”.²⁹ Symbolic obeisance is an act that does not entail direct compliance with commands but are public collective shows of submission. These acts acknowledge and reinforce the authority of the ruler. By displaying acts of obeisance, the ruler’s authority gets reaffirmed and reinforced because it is a sign that the

²⁸ Assessing private information, like incentives or secret negotiations, is difficult but not impossible.

²⁹ Lake 2009: 165.

subordinate state respects the authority of the subordinate and this signals authority and legitimacy of the dominant state to the other subordinates and to the international community. Thus, the role and position of the dominant state gets strengthened even though the act was entirely symbolic and not tangibly beneficial. Symbolic obeisance in international relations can be in form of visiting a newly elected head of state right after they assume their position, or having the headquarters of an international institution in the dominant state as an expression of their legitimacy.³⁰

Symbolic obeisance is demonstrated clearly in the probability that a subordinate state follows its dominant in an international conflict or war. This is equivalent to people joining the military as an act of patriotism, for instance after 9/11 in the US many young American voluntarily enlisted themselves. In international relations, following a state into wars and international conflicts is a costly act. However, a subordinate state can declare its support for the dominant state in an international conflict. Subordinate states may not contribute any resources or efforts, but their obeisance with the dominant state is a clear act of subordination and acknowledgement of legitimacy and authority. Thus, Lake argues that:

H4: The higher the hierarchal relationship, the more likely the subordinate state will join international conflicts that the dominant state is involved in.

Operationalization: Here I will look at the international conflicts the dominant state was involved in and whether the subordinate state joined the conflict or not.

Subordination and Economic Openness

International factor movements are movements of labor, capital, factors of production, and goods. The flow occurs in many ways: migration, capital transfers through borrowing and lending, foreign direct investments, and trade. National governments usually regulate immigration, capital flows, trade, and foreign direct investments. The regulation of international movement is due to the fact that not all countries share the same political orders and, thus, rules. Countries and private investors do not want to bear the risk of unsecured or risky commerce and investments. Therefore, investment, trade, and human capital flow are only significant in countries that can guarantee a certain degree of order, insurance, and property rights. Developed states may also regulate and restrict capital and human capital flow in certain risky countries, avoiding potential sovereignty theft that might lead to official

³⁰ The United Nations, International Monetary Fund, and the World Bank for instance are headquartered in the US. This may be interpreted as an acceptance that the US leads the international organization.

protection and diplomatic or military intervention. Without a minimum degree of political order actors will simply not take the risk of investing or trading internationally. Property rights have to be defined and properly enforced so the risk of the investment does not outweigh its return.³¹

Subordinate states enjoy a degree of political order where the dominant state protects their goods and their contracts. This signals international investors, trading partners, and international organization that the property rights will be defined and enforced and that the political order is secure. This in turn incentivizes more trade and investments that would otherwise not occur due to uncertainty and risk aversion of the trading partners and investors. Being a subordinate to a well-established, successful, and liberal dominant state indicates that the dominant state will protect the rights, contracts, investments, goods, and human capital in the subordinate country.

H5: The greater the hierarchal relationship, the more likely trade will constitute a high share of the GDP of the subordinate state.

Operationalization: Lake defines trade openness as a country's total trade (imports and exports) with all partners as a share of its GDP.

H6: The greater the hierarchal relationship, the more likely foreign investments will be made in the subordinate state.

Operationalization: Here I measure foreign investments using foreign direct investments (FDI), which include all capital contributions where an investor obtains a lasting interest in an enterprise in a foreign country.

Lake's conclusion that subordination leads to trade openness relies on different assumptions than the ones I explained. He argues that the political order that the dominant state ensures incentivizes the subordinate state to open its economy. This implies that trade openness is a result of the subordinate state's decision, not a result of market allocation and the profit maximization of the investors. In this research, however, I argue that trade openness is a result of the market allocation and the rationality of the economic actors in the international system that choose to cooperate, trade, and invest in the subordinate state.

³¹ In economics, property rights are a socially enforced construct for determining how a resource or good is used and owned.

Subordination and Risk Aversion

A state that undergoes an international social contract with a powerful dominant state enjoys a high degree of protection and security. This is due to the nature of the social contract, where the subordinate state gives up a degree of its sovereignty in exchange for political order—inter alia protection. This protection can be in form of military assistance or financial aid, depending on the form of hierarchy—security or economic. The subordinate state knows that the dominant state will come to the rescue in the event of any situation requiring assistance. Hence, the subordinate state does not fully bear or carry the consequence of its decisions on its own; the dominant state carries a part of the costs and consequences. This means that the subordinate state lacks the incentives to avoid risky actions, as it is partially protected from the consequences of a bad or unwanted outcome. This behavior is known as moral hazard. Given the protection the subordinate state receives from the dominant state, it has an incentive to alter its behavior leaning towards risky decisions. This is applicable to economic, diplomatic, and security matters. The subordinate state can engage in risky trade deals, under the belief that that the dominant state will carry a large share of the costs if the deal shatters. It can also afford to be less diplomatic and more impulsive when it comes to security measures and international diplomacy.

H7: The greater the hierarchal relationship, the more likely the subordinate state will have a low degree of risk-aversion.

Operationalization: Here I look for provocative gestures or speeches from the heads subordinate state.

Subordination and Relations with Other Subordinates

It is a logical expectation to assume that subordinates of the same dominant have good relations with each other. This is particularly relevant when it comes to trade openness. A country would rather have a reliable and trustworthy trading partner. Reliability and trustworthiness can be measured as a result of previous interactions and the stemming reputation. It can also be a function of characteristics that ensures reliability. Here, hierarchy would play a role, suggesting that subordinates to the same dominant share the same characteristics and share the same degree of protection or insurance from the dominant. As I have already illustrated in H5 and H6, being a subordinate of a liberal dominant state that respects property rights and has a good reputation will incentivize investments and trade in the subordinate state. Following this train of thought, one could assume that subordinates of

the same dominant state view each other as low-risk trade partners and investment havens. This is due to the fact that subordinating to the same dominant leads to similar, if not equivalent, political orders that include protection of property rights, low risks of sovereign theft etc. Subordinates to the same dominant state will not only have better economic relations, but also better diplomatic relations. This occurs because they view each other as allies and partners that follow the same leader and, thus, the same rules.

H8: Subordinate states of the same dominant are more likely to have good economic and diplomatic relations with one another.

Operationalization: This can be measured using trade and political cooperation. However, measuring trade with all subordinates to the same dominant is beyond the scope of this thesis. For this reason, I will measure good relations with the absence of conflicts and tensions between the subordinates, suggesting I will investigate whether the countries have formal diplomatic relations with one another or not. This indicator may not capture 100% of the phenomenon, however testing the validity of this hypothesis can be done in a future research.

Subordination and Public Opinion

People differ in their policy preferences—and so do societies and nations. Those that share the same values, norms, and political ideologies are more likely to share the same preferences regarding international order and, ergo, the nature of the relationship between nations. A democratic country that has almost the same preference as the dominant state will submit to the dominant state, if the benefits of subordinating exceed the loss of sovereignty. That is due to the fact that in a democratic country the state's preferences are representative of the public's preferences. Ergo, a hierarchal international relationship that is utility maximizing for the subordinate state is also utility maximizing for its population. A democratic subordinate nation that has the same or similar preferences as the dominant state is more likely to view the dominant state in a positive manner.

H9: The greater the hierarchal relationship, the more likely a democratic subordinate state will view the dominant state positively.

Operationalization: I will measure this hypothesis using public opinion polls assessing the sentiment in the subordinate state towards its dominant.

Nevertheless, a subordinate state that has an authoritarian political system implies that the preferences of the government are not necessarily coherent with that of the population. Thus, if a government decides that a hierarchal relationship with a dominant state will be beneficial, the public may not necessarily have the same opinion. This means that the preferences of the political elite are not equivalent with the preferences of the population. This can be problematic on two levels: the domestic level and the international level. From a domestic perspective, having an authoritarian government will lead to instability as the population does not feel represented. From an international perspective, having an authoritarian government may seem irrelevant. However, a government that engages in an international social hierarchal contract without the mandate of the population is challenging in many ways. First of all, from a democratic perspective, an authoritarian government does not have legitimacy or authority to represent a nation in the international community. Second of all, subordinating to a foreign state without a mandate from the people may lead to sentiments hostile to the dominant state. That is because the people lost a degree of their sovereignty as a nation without prior approval or consent.

H10: The greater the hierarchal relationship, the more likely the population of an authoritarian subordinate state will develop sentiments hostile to its dominant.

Operationalization: I measure this hypothesis using public opinion polls assessing the sentiment in the subordinate state towards its dominant.

4. Empirical Analysis

4.1 The Dominant State: The United States of America

Scholars agree that we live in a unipolar international order where the US is the hegemon.³² The US is well advanced in terms of military and economic capabilities. The US dollar is the de facto world currency.³³ Since the collapse of the Smithsonian Agreement in 1971, most currencies around the world are no longer pegged to the US dollar. Nevertheless, the US has the largest economy in the world and therefore most international transactions are conducted with the US dollar. According to Robert Gilpin between 40 and 60 percent of all international financial transactions are conducted with the US dollar.³⁴ The United States ranks as number one in the Global Fire Power Index, measuring nations' military capabilities and available firepower worldwide.³⁵ The US spends relatively a lot of resources and money for military purposes. The US defense expenditures were 3.27% of its GDP in 2015 that is clearly higher than the worldwide average of 2.28%.³⁶

Nevertheless, the US does not only have material resources to be a dominant state, the US also enjoys international prestige and acknowledgement from the international community. For instance, it is one of the five permanent members of the UN Security Council that have the power of veto. Hence, the presence and influence of the US dominates world politics and cannot be ignored or disregarded. For this reason, I will use the US as the dominant state in my thesis.

4.2 The Subordinate States: Japan, Ecuador, and Bahrain

Lake's findings suggest that states subordinate to the US spend less on defense as a share of the GDP, are more economically open, and are more likely to follow the US into international conflicts. Lake's findings imply that security hierarchy is negative and statistically significant in respect to the defense efforts of the subordinate state. Thus, countries that are subordinate to the US on the security level spend proportionally less of the GDP on defense. Based on

³² Donnelly 2006; Nexon and Wright 2007.

³³ A world currency refers to a currency that is used in international transactions.

³⁴ Gilpin 2001.

³⁵ Global Fire Power 2016.

³⁶ International Institute for Strategic Studies (IISS) 2016: 32; World Bank 2016.

Lake's regression analysis, an average country spends ca. 2.57% of its GDP on defense each year. A marginal increase in security hierarchy reduces defense efforts by 1.1% of the GDP.³⁷ Security hierarchy is, however, positively and significantly related to trade openness in the subordinate state. The average amount of trade as a percentage of the GDP is 64.07%. A marginal increase ceteris paribus in security hierarchy leads to 3.8% increase in a country's trade as a percentage of the GDP.³⁸ Nevertheless, Lake discovered that economic hierarchy is never statistically significant to influence the defense efforts or trade openness of the subordinate state. Lake discovers that countries that are in both economic and security hierarchy do show positive and statistically significant effects on trade.³⁹ Also, being in a US security and economic hierarchy is closely related to the likelihood of joining a US-led military coalition.⁴⁰

The astonishing finding is that, according to Lake's model, economic hierarchy is not related to trade openness. I argue that this might be due to the indicators that Lake measures economic hierarchy with. I argue that by using the indicators Lake developed and adding foreign aid as a third indicator, one could detect more efficiently whether a country is an economic hierarchy and consequently successfully account for its influence.

Lake restricted his analysis to the three effects on the subordinate state: trade openness, defense efforts, and joining US-led wars. His conclusion that economic hierarchy alone is insignificant may be due to the fact that he analyzed behavioral change only in regards to defense efforts, trade openness, and joining US-led wars. I argue that by using various levels of the effect on the subordinate state, one could reach useful findings. Therefore, I developed ten theoretical expectations, which makes it more likely to capture empirical effects and evidence. I use Japan, Ecuador and Bahrain to empirically test the theoretical expectations. Analyzing hierarchy in a qualitative manner can offer more in-depth explanatory factors. To find out the effects the different types of hierarchy have on the subordinate state, I chose a state that is in a security hierarchy with the US (Japan), another one that is in an economic hierarchy (Ecuador), and a third one that is in both (Bahrain). It is interesting to see if, in fact, Lake's findings are applicable on a qualitative analysis or a case study. I chose my case studies based on the fulfillment of the different indicators of international hierarchy (the independent variable). I tried as much as possible to select a state that fulfilled all the

³⁷ Lake 2007: 73-74.

³⁸ Lake 2009: 155-156.

³⁹ Ibid 157.

⁴⁰ Ibid 169.

indicators in both hierarchies. The period investigated is from 1990 until 2010. The end of the Cold War represents a new unipolar world order, where the US is considered the winner of the war and, therefore, a world leader with a successful political system. I will end the investigation period at 2014 due to data and statistics restrictions.

4.2.1 Subordinate State in a Security Hierarchy: Japan

Independent Variable: Why is Japan in a security hierarchy with the US?

US Military Deployments in Japan

First of all, the Treaty of Mutual Cooperation and Security between Japan and the US grants the US the right to have military bases on Japanese territory in exchange for a US pledge to defend Japan in the event of an attack. The Defense Manpower Data Center (DMDC) serves under the Office of the Secretary of Defense and collects data for the Department of Defense (DoD). The DMDC releases a quarterly report on “Active Duty Military Personnel by Region”⁴¹. In this report the number and location of overseas military personnel is given.⁴² In 1990, there were a total of 46.593 military personnel in Japan.⁴³ In 2014, the US military deployment reached a total of 54.179.⁴⁴ This implies a growing hierarchal relationship.

Independent Allies

The US has formal diplomatic relations with all states except 5: Bhutan, North Korea, Iran, Syria, and Taiwan.⁴⁵ Nevertheless, the diplomatic relations between Japan and the former countries exist. Japan has embassies in all of these countries, which implies a formal diplomatic relation and, thus, either a degree of alliance or a potential for alliance. I am aware that the relations may only be formal and not real alliances. However, the fact that Japan has diplomatic relations with countries that are not US allies weakens the hierarchal relationship. I argue that Japan, nevertheless, is a good choice for my case study because US military deployment on Japanese territory outweighs the independent allies.

⁴¹ DMDC 1990; DMDC 2014.

⁴² I do not differentiate between Army, Navy, Marine, or Air Force personnel. I only look at the total number of military personnel.

⁴³ The then-US military presence in Japan made up almost 40% of all US military deployments in East and Pacific Asia.

⁴⁴ This makes up approximately 95% off all US military deployments in East and Pacific Asia.

⁴⁵ I consider formal diplomatic relations as the presence of an embassy.

Dependent Variable: How does the security hierarchy with the US influence Japan?

Subordination and Perception of Security

H1: The greater the hierarchal relationship, the less effort the subordinate state will invest in defense.

According to the Stockholm International Peace Research Institute (SIPRI), the military defense efforts of Japan make up 1% of its GDP.⁴⁶ As the world average expenditure is 2.28% of the GDP, Japan spends clearly less than 50% of what the average state does. This implies that Japan relies on the US for protection, rather than relying on self-help.

H2: The greater the hierarchal relationship, the more likely the dominant state will aid the subordinate state in an international conflict.

Here, I define international conflict as any event of international disagreement between nations that involves threatening or harming resources, autonomy, or citizens of a foreign country. I use the Militarized Interstate Dispute (MID) dataset collected by the Correlates of War Project that records all instances when one state threatened, displayed, or used force against another state. Since 1993, Japan was involved in 28 international disputes or conflicts, most of them with Russia, China, or North Korea—who are not subordinates of the US and may even be considered as US-rivals. China is a permanent Security Council member (which I argue precludes the potential of it being a subordinate to any state) and North Korea does not have any diplomatic relations with the US. The majority of the conflicts were minor and ended after a few days. The US was only involved in the conflict with North Korea; it was, however, involved from the start of the conflict. Therefore, one cannot conclude that it joined the conflict to protect its subordinate. I cannot dismiss the hypothesis that the US will aid its subordinates in case of international conflict just on the premise that the US did not aid Japan in any international conflict. A possible explanation can be the lack or absence of serious and major conflicts involving Japan. Japan was not involved in any international conflict that required external assistance, and therefore one cannot empirically prove the validity of H2.

⁴⁶ Stockholm International Peace Research Institute (SIPRI) 2015.

Subordination and Compliance

H3: The greater the hierarchal relationship, the more likely the subordinate state will comply with the dominant state.

I look at UN Security Council resolution drafts to determine whether Japan's voting behavior was influenced by the vote of the US. I aim to investigate whether being a subordinate to the US incentivizes the subordinate state to comply with the US, inter alia, follow the same voting pattern in international organizations. Japan was a non-permanent member in the Security Council in the years of 1992-1993, 1997-1998, 2005-2006, and 2009-2010. Due to the scope of this thesis, I will only be able to analyze resolution drafts vetoed by the US in order to account for the voting behavior of the subordinate state given the vote of the US. During the years that Japan served in the UN Security Council, the US has only vetoed four resolutions. Japan voted in favor of three of these resolutions and abstained to vote in one.⁴⁷⁴⁸ So according to my measurement, subordinates in a security hierarchy do not necessarily comply with the dominant state in international organization voting.

H4: The greater the hierarchal relationship, the more likely the subordinate state will join international conflicts that the dominant state is involved in.

The US was involved in more than 42 MIDs between 1993 and 2010.⁴⁹ Japan did not join any of these conflicts, except two. First is the invasion of Iraq aka Operation Iraqi Freedom in 2003 that was led by the US. Japan joined the coalition forces in 2004, but did not aid in combat. All the Japanese soldiers stationed in Iraq were under the Japanese Reconstruction and Support Group, which only had humanitarian purposes.

In the years 1993 until 1996, disputes between North Korea, US, and South Korea led to tension in the region. Japan was the subject of North Korean threats in 1995, which led it to join a joint naval exercise with the USA, South Korea, Australia, and Canada forces.⁵⁰ The empirical phenomena are not sufficient to determine whether the hypothesis can be fully rejected or not. The two cases where Japan joined an international conflict that the US was involved in make up ca. 0.05% of all international conflicts that the US was involved in. Nevertheless, this may be due to the insignificance or triviality of the conflicts that the US

⁴⁷ All of the 4 draft-resolutions were about the occupied Arab territories.

⁴⁸ United Nations Security Council 1997; United Nations Security Council 2006.

⁴⁹ Palmer et al. 2015.

⁵⁰ Ibid.

was involved in, suggesting that the conflict was not significant enough to require external assistance.

Subordination and Economic Openness

H5: The greater the hierarchal relationship, the more likely trade will constitute a high share of the GDP of the subordinate state.

According to World Bank National Accounts data files, trade constitutes ca. 39% of the Japanese GDP. The share of trade/GDP has been growing since 1990.⁵¹ This cannot be interpreted as a result of international hierarchy due to external factors like globalization. Nevertheless, the average trade/GDP worldwide is almost 59%.⁵² This contradicts Lake's findings that security hierarchy positively influences the trade in the subordinate state. Japan's trade constitutes a low share of the GDP in comparison to the median country worldwide.

H6: The greater the hierarchal relationship, the more likely foreign investments will be made in the subordinate state.

I use the net foreign direct investment in current US dollars to measure the magnitude of foreign investments in Japan. The net FDI in Japan has been growing since 1990, reaching an all time high in 2013 (\$139.79 billion). In 2014, Japan has received more than \$110 billion in FDI.⁵³ Japan is the second largest recipient of FDI after the US, suggesting that being in a hierarchal relationship with the US does, in fact, increase the FDI in the subordinate state.

Subordination and Risk Aversion

H7: The greater the hierarchal relationship, the more likely the subordinate state will have a low degree of risk-aversion.

According to BBC's Rupert Wingfield-Hays, Japan and China made an unwritten agreement in 1970 that Japanese leaders would not visit the Yasukuni shrine because China and South Korea view it as a symbol of Japanese aggression during World War II. In 2013, Shinzo Abe, the Japanese prime minister, visited the shrine. He argues it was an anti-war gesture, however, China and South Korea interpreted the move as a provocative act.⁵⁴ There are tensions and disputes between Japan, the People's Republic of China (China), and the Republic of China

⁵¹ World Bank 2016.

⁵² Ibid.

⁵³ Ibid.

⁵⁴ BBC News 2013.

(Taiwan) over territory in the East China Sea. Japan has control over the islands; however, China claims discovery and ownership of the islands. In 2014, Japan's national broadcaster reported that the Japanese education ministry made plans to incorporate Japan's claim of the islands into the teaching material for the nation's high schools.

Subordination and Relations with Other Subordinates

H8: Subordinate states of the same dominant are more likely to have good diplomatic relations with one another.

I will test this hypothesis by looking at the countries that are in conflict with Japan and determining whether said countries are subordinates to the US or not. Japan is only in conflict or dispute with a few countries: North Korea, China, Russia, and Taiwan. Japan and Russia are in conflict over Russia's control of the Southern Kuril Islands. Japan, South Korea, North Korea, and China are in dispute over Japan's military occupations in the 20th century, despite formal statements of regret from Japanese prime ministers. There are strong anti-Japanese sentiments in China, North Korea, and South Korea. Japan also has strained relations with China and Taiwan over the Senkaku Islands.

So the question is: Are the countries, which Japan is in conflict with, subordinates to the US? I argue that China is not subordinate to the US. China's economy has successfully overtaken that of the US (in terms of GDP) and is the largest foreign creditor to the US holding about 10% of the national debt.⁵⁵ North Korea is a clear enemy of the US. This hostility has developed during the Korean War, but is also defined by North Korea's nuclear weapons test and its ongoing threats towards the US. Furthermore, the two states have no formal relationship with one another. The US and Taiwan do not have formal diplomatic relations, suggesting Taiwan cannot be a subordinate to the US. The US has military deployments in South Korea and there is military co-operation between Seoul and Washington. I cannot determine without further investigation that South Korea is in fact a subordinate state to the US, but it definitely is an ally. In short, most of the countries in conflict with Japan are also in conflict with the US.

⁵⁵ Kruger 2013.

Subordination and Public Opinion

Here, I test either hypothesis 9 or 10 based on the political regime of Japan. I use the Economist's Democracy index and the Freedom House index to determine whether Japan is a free democracy or an authoritarian regime and, based on my conclusion, I will test either hypothesis 9 or 10.

The Democracy index measures the degree of democracy in a country using five indicators: electoral process and pluralism, civil liberties, the functioning of government, political participation, and political culture. The Freedom House index measures freedom, using indicators like democracy, political freedom, and human rights. Japan was ranked, in 2014 in the democracy index, as the 20th democratic country in the world with a score of 8.08/10, making it a full democracy. Furthermore, according to the Freedom House index, Japan is a free country. Thus, I will test hypothesis 9, which investigates the effects of hierarchy on a democratic state, using public opinion polls.

H9: The greater the hierarchal relationship, the more likely a democratic subordinate state will view the dominant state positively

In the US-Global Leadership Project—conducted in 2013 by the Meridian International Center and Gallup—people all over the world were asked if they approve or disapprove of the job performance of the global leadership of the US. Fifty-two percent of Japanese people approve of the US job performance, 22% disapprove. The approval of US leadership approval has been growing in Japan from 24% in 2007 to 52% in 2013, with Japan ranking as the 8th country with the highest approval rating of the US.⁵⁶ Another public opinion poll conducted by the Pew Research Center shows that Japanese US favorability has been declining from 77% in 2007 to 50% in 2008 and increasing again from 2007 to 72% in 2012. Although the US favorability rate has been declining, it has never reached less than 50%, suggesting that at least half of the Japanese people have always viewed the US in a positive manner.

⁵⁶ Gallup 2013: 10.

4.2.2 Subordinate State in an Economic Hierarchy: Ecuador

Independent Variable: Why is Ecuador in an economic hierarchy with the US?

Monetary Policy

After the Ecuadorian banking crisis of 1999, the US dollar became legal tender in the Republic of Ecuador. Ecuador does not issue any banknotes; it only issues its own Ecuadorian cent coins “centavo coins”. It completely relies on US banknotes issues for money supply, implying that the Ecuadorian monetary policy is directly linked to the US monetary policy. Thus, if the Federal Reserve (Fed) issues more or less money, this will directly influence the Ecuadorian monetary market. In short, the Central Bank of Ecuador only issues the centavo coins relying completely on the US for money supply.

Trade Dependency

In 2014, Ecuador exported \$27.4 billion and also imported the same amount. Forty percent (\$11.1 billion) of the amount exported was destined to the US and ca. 26% (\$7.56 billion) of the amount imported came from the US. Ecuador does not trade with any trading partner in this magnitude, suggesting that the US is Ecuador’s largest trading partner.⁵⁷

US Foreign Aid

According to the World Bank, Ecuador has received more than \$160 million in official development assistance and official aid.⁵⁸ The amount of ODA has marginally risen since 1990 from almost \$159 million to \$160 million. The US has given more than \$26 million to Ecuador in foreign aid in 2014.⁵⁹ This makes up almost 16% of all the foreign assistance given to Ecuador.

⁵⁷ Observatory of Economic Complexity (OEC) 2014.

⁵⁸ World Bank 2016.

⁵⁹ USAID 2016.

Dependent Variable: How does the economic hierarchy with the US influence Ecuador?

Subordination and Perception of Security

H1: The greater the hierarchal relationship, the less effort the subordinate state will invest in defense.

The military expenditure in Ecuador has been rising from 1.9% in 1990 to 2.9% in 2014. Ecuadorian military expenditure is higher than the worldwide average military expenditure relative to GDP (2.2%). This result shows that economic hierarchy does not lead the subordinate state to invest less in defense.⁶⁰

H2: The greater the hierarchal relationship, the more likely the dominant state will aid the subordinate state in international conflict.

Since 1990, Ecuador was involved in 9 MIDs mostly with Peru, Colombia, and the Revolutionary Armed Forces of Colombia (FARC). The US did not intervene in any conflict, implying no hierarchal relationship.⁶¹

Subordination and Compliance

H3: The greater the hierarchal relationship, the more likely the subordinate state will comply with the dominant state.

In 2009, Raphael Correa—then Ecuadorian president—chose not to renew an agreement with the US regarding US military forces in the city of Ecuadorian city of Manta. Ecuador-US relations reached an all-time low in 2012 after Ecuador offered Julian Assange—Wikileaks founder and NSA whistleblower—asylum in its embassy in London, even though he has been wanted by the US. This was a clear act of rebellion toward the US. During the time Ecuador was a non-permanent member state in the UN Security Council, the US has not vetoed any resolutions in the Security Council, therefore, I was unable to analyze the compliance of Ecuador. However, from the data collected, it is obvious that Ecuador does not even attempt to comply with the US.

⁶⁰ SIPRI 2015.

⁶¹ Palmer et al. 2015.

H4: The higher the hierarchal relationship, the more likely the subordinate state will join international conflicts that the dominant state is involved in.

Ecuador has not joined any US-led coalition in any international conflict between 1990 and 2014.

Subordination and Economic Openness

H5: The greater the hierarchal relationship, the more likely trade will constitute a high share of the GDP of the subordinate state.

Trade makes up 59% of the Ecuadorian GDP.⁶² This is identical to the average trade/GDP worldwide. Thus, the economic hierarchy with the US does not significantly influence trade in the subordinate state.

H6: The greater the hierarchal relationship, the more likely foreign investments will be made in the subordinate state.

The net FDI in Ecuador is negative (ca. -774 million), suggesting that divestment is greater than investment in the country. This is an indicator that foreign investors and companies view Ecuador as a high-risk country to invest in, despite it being in an economic hierarchy with the US.

Subordination and Risk Aversion

H7: The greater the hierarchal relationship, the more likely the subordinate state will have a low degree of risk-aversion.

Peru and Ecuador fought several armed conflicts over territorial disputes. The last one was in 1995 and is known by the Cenepa War. The US, Argentina, Chile, and Brazil paved the way for diplomatic conversation between Peru and Ecuador that led to the Brasilia Presidential Act in October 1998. Furthermore, Ecuador has not initiated any provocative act, gesture, or move, indicating a high degree of risk aversion.⁶³

⁶² World Bank 2016.

⁶³ Palmer et al. 2015.

Subordination and Relations with Other Subordinates

H8: Subordinate states of the same dominant are more likely to have good diplomatic relations with one another.

The relations between Ecuador and Colombia were under pressure after the Ecuadorian President Rafael Correa withdrew the Ecuadorian ambassador in Bogota, Colombia—close US ally and potential future NATO member—after a Colombian raid against leftist rebels in Ecuador took place.⁶⁴ Furthermore, a territorial dispute between Peru and Ecuador led to the Cenepa War in 1995. Since then the border dispute with Peru has been a focus of Ecuadorian foreign policy. Colombia is a close ally of the US, which negates the expectation that subordinates (or allies) have better relations with one another.

Subordination and Public Opinion

Ecuador is ranked in the Democracy index as a hybrid regime—the second worst category of democracy; and it was ranked in the Freedom House index as partly free. As the dichotomous distinction between democracy and non-democracy is ambivalent, I will look at the five categories, by which the Democracy index is classified and try to determine whether the democratic characteristics exceed the non-democratic ones or not. As the most important indicator “electoral process and pluralism” has a score of 8.25/10, one can assume that the electoral process and representation is conducted in a free and democratic way. Although, this is a minimalistic definition of democracy, it is a fundamental characteristic. Therefore, I assume that Ecuador enjoys a minimalistic degree of democracy and will test H9.

H9: The greater the hierarchal relationship, the more likely a democratic subordinate state will view the dominant state positively.

The results of the US-Global Leadership Project, conducted by the Meridian international Center and Gallup in 2013, show that 39% of Ecuadorians approve of the job performance of the leadership of the US, while only 21% disapprove. This number grew from 27% in 2007 to ca. 39% in 2012.

⁶⁴ CNN 2008.

4.2.3 Subordinate State in an Economic and Security Hierarchy: Bahrain

Why is Bahrain in a security and economic hierarchy with the US?

US Military Deployments in Bahrain

As of December 2014 there are 3,413 US military personnel—mostly Navy—in Bahrain. There was an increase in US military personnel since 1990, rising from 682 personnel to more than three thousand in 2014.⁶⁵ The US also assists Bahrain to obtain military equipment and training.⁶⁶ Consequently, one can assume a growing security hierarchical relationship with the US.

Independent Allies

The US has formal diplomatic relations with all states except five states: Bhutan, North Korea, Iran, Syria, and Taiwan. Bahraini-Iranian diplomatic relations do exist but tensions prevail and in the last 3 years the ambassadors of the countries have been recalled and reinstated a few times. Bahrain and North Korea do not have any diplomatic mission with one another. In 2012, Bahrain has withdrawn the Bahraini ambassador from Syria.⁶⁷ The Kingdom of Bahrain has diplomatic relations with Bhutan and Taiwan. However, as previously mentioned, using diplomatic relations as an indicator for independent alliances is not completely representative of this phenomenon. One should rather look at trade and military co-operations. Therefore, in spite of Bahrain having diplomatic relations with Bhutan and Taiwan, I do not view them as allies, simply, because there are not special and bilateral cooperation between both states. Ergo, I assume that Bahrain does not have allies that are not associated with the US, implying a security hierarchical relationship.

Monetary Policy

The Bahraini Dinar (BD) is pegged to the US dollar (USD) at rate of 0.376 BD/USD since 2001.⁶⁸

⁶⁵ DMDC 1990; DMDC 2014.

⁶⁶ U.S. Department of State 2015.

⁶⁷ Trade Arabia 2012.

⁶⁸ Central Bank of Bahrain 2012.

Trade Dependency

The US and Bahrain have a Free Trade Agreement that took effect in 2006, generating growing US commercial interest in Bahrain and vice versa. In 2014, Bahrain has exported goods and services with more than \$13 billion—almost 9% of which were purchased by the US. Bahrain also imported \$19.7 billion—almost 5% of which from the US.⁶⁹ The US-trade dependency of Bahrain is not as high as that of Ecuador and Japan. However, that is mostly due to the great distance between the two countries not due to a low degree of hierarchal relationship.

US Foreign Aid

Bahrain has received more than \$11 Million dollar in foreign aid from the US. Most of it (\$10.5 million) was in form of Military Assistance, which reinforces the security hierarchy between the states.⁷⁰

Dependent Variable: How does the security and economic hierarchy with the U.S influence Bahrain?

Subordination and Perception of Security

H1: The greater the hierarchal relationship, the less effort the subordinate state will invest in defense.

According to SIPRI estimates, the military expenditure in Bahrain has been decreasing since 1990 from 5.3% of the GDP to 4.4% in 2014.⁷¹ The decrease may seem marginal, however the defense efforts have reached in 2007 an all time low at 3.0% of the GDP. This implies that the economic and security hierarchal relationship does in fact decrease the defense efforts of the subordinate state. The reason for its increase since 2007 (from 3.0% to 4.4% in 2014) must be due to external factors because the GDP in Bahrain had a growth rate of 8.3%, suggesting the GDP in 2007 was higher than the previous year.⁷² So the reason for the high military expenditure must be result of factors external to the theoretical model, for instance perceived threat or an instable region. This, however, requires further research and investigation.

⁶⁹ OEC 2014.

⁷⁰ Inside Gov 2012.

⁷¹ SIPRI 2015.

⁷² World Bank 2016.

H2: The greater the hierarchal relationship, the more likely the dominant state will aid the subordinate state in international conflict.

According to MID data, Bahrain was not involved in any international conflicts between 1990 and 2014. However, in 2011 a series of demonstrations broke out in Bahrain resulting in instability in the country. The Bahraini protests were aimed at achieving political freedom and equality for the Bahraini Shia population, but expanded to a call to oust Hamad Bin Isa Al Khalifa—King of Bahrain.⁷³ Given US support and advocacy for democracy movements and regime change in Egypt, Tunisia, and Libya (Arab spring), the handling of the situation in Bahrain was a clear act of protection. The US did not call for regime change—as wanted by the population—nor did it threaten with sanctions. The model analyzed in this thesis does not account for domestic policies, suggesting it does not expect the dominant state to aid the subordinate state in domestic affairs or conflicts. Nevertheless, this phenomenon could be interesting and insightful to analyze in future research in order to determine whether the dominant state aids its subordinates in domestic challenges.

Subordination and Compliance

H3: The greater the hierarchal relationship, the more likely the subordinate state will comply with the dominant state.

The US did not veto any resolution draft during the time Bahrain was a non-permanent member in the U.N. Security Council. However, during that time the US and other states proposed a resolution concerning the conflict in Former Yugoslavia. Bahrain has voted in favor of the resolution, implying compliance.⁷⁴

H4: The higher the hierarchal relationship, the more likely the subordinate state will join international conflicts that the dominant state is involved in.

As stated in H2, Bahrain was not directly involved in any international conflict.⁷⁵

⁷³ Guardian 2011.

⁷⁴ United Nations Security Council 1999.

⁷⁵ Bahrain joined the Anti-ISIS coalition in 2015. This is outside of the scope of my thesis as the investigation period is from 1990-2014. However, this can be interpreted as aiding the US or joining a regional conflict that caused regional instability.

Subordination and Economic Openness

H5: The greater the hierarchal relationship, the more likely trade will constitute a high share of the GDP of the subordinate state.

Trade relative to GDP in Bahrain has been declining since 1990, reaching 115% in 2014.⁷⁶ This decline, however, is not a result of declining trade but of a rising GDP. According to the World Integrated Trade Solution, trade in goods has been on the rise since 1990.⁷⁷ Consequently, one can observe a significant positive effect on trade in Bahrain.

H6: The greater the hierarchal relationship, the more likely foreign investments will be made in the subordinate state.

Net FDI was negative since 1990 in Bahrain. It has been decreasing since 1990 from -\$207 million to almost -\$1 billion.⁷⁸ This indicates that people living in Bahrain invest abroad more than people abroad invest in Bahrain. Subordinating to the US did not increase the FDI; on the contrary, it has a significant negative effect on it.

Subordination and Risk Aversion

H7: The greater the hierarchal relationship, the more likely the subordinate state will have a low degree of risk-aversion.

Bahrain did not initiate any provocative gesture or speech against another state or an international institution. Bahrain has remained relatively risk-averse and did not initiate, encourage, or provoke any international dispute.⁷⁹

Subordination and Relations with Other Subordinates

H8: Subordinate states of the same dominant are more likely to have good diplomatic relations with one another.

Bahrain and Qatar have been, since the beginning of the 20th century, in conflict over territorial disputes. Qatar can be considered a subordinate of the US (or US ally) because the exchange rate is fixed to US dollar. Bahrain and Israel do not have any diplomatic or economic relationship, and Bahrain does not recognize the state of Israel and vice versa.⁸⁰

⁷⁶ The Bahraini GDP increased from \$4.2 billion in 1990 to \$33.8 billion in 2014.

⁷⁷ World Integrated Trade Solution 2016.

⁷⁸ World Bank 2016.

⁷⁹ Other than the domestic instability or the use of force and violence with protesters, Bahrain did not engage in any controversial or disputed international affairs.

⁸⁰ Ahran 2013.

Israel and the US are close allies and the relationship between both countries is built on partnership and alliance. This is an implication that being in an international hierarchy with the US does not directly lead to good relationships between the subordinate states.

Subordination and Public Opinion

Bahrain is, according to the Democracy index, an authoritarian regime with an overall score of 2.87/10 and has a freedom status of “not free” in the Freedom House index. Therefore, only hypothesis 10 will be tested.

H10: The greater the hierarchal relationship, the more likely the population of an authoritarian subordinate state will develop sentiments hostile to its dominant.

The US-Global Leadership Project, conducted by the Meridian International Center and Gallup, shows that only 38% of Bahraini people approve of the US leadership position in the world. Furthermore, the Bahraini uprising in 2011 was partially fueled by anti-American sentiments.⁸¹

⁸¹ Dorsey 2011.

5. Conclusion: The Significance of Economic and Security Hierarchy

According to my case studies and the analysis presented in this thesis, I have reached the following conclusions regarding how international hierarchy influences the behavior of the subordinate state.

Subordination and Perception of Threat

1. Being in a security hierarchy reduces the defense efforts of the subordinate state, whereas the economic hierarchy does not reduce the defense efforts; in fact, in the case of Ecuador it has increased. Being in a security and economic hierarchy reduces the defense efforts in the subordinate state.
2. Subordinating in a security hierarchy does not mean that the dominant state will aid the subordinate state in *any* international conflict. I theoretically expect, however, that the dominant state will aid the subordinate in the event of a major international conflict. Japan was only involved in minor international conflicts, thus I was not able to empirically prove this theoretical expectation. Being in an economic hierarchy does not have any correlation with the assistance of the dominant state in case of an international conflict. I was also unable to measure the likelihood that the US will assist its economic and security subordinate due to the lack of any international conflict that Bahrain was involved in.

Subordination and Compliance

3. My empirical findings suggest that the subordinate states in a security hierarchy do not necessarily comply with the dominant state. Nevertheless, this could be due to the indicator I measured compliance with. Future research should come up with a different way to measure international compliance to account for the true effect. Being in an economic hierarchy does not have any correlation with compliance. Being in an economic and security hierarchy does however correlate with compliance
4. Being in a security hierarchy does not necessarily mean that the subordinate state will join international conflicts that its dominant is involved in. In the case study I used, Japan only joined 0.05% of the conflicts the US was involved in. Being in an economic hierarchy does not have any correlation with joining US-led coalitions.

Being in an economic and security hierarchy also does not correlate with joining US-led coalition.

Subordination and Economic Openness

5. Being in a security hierarchy does not mean that the trade of the subordinate state will constitute a high share of its GDP. Being in an economic hierarchy does not have any influence on the trade of the subordinate state. Being in both economic and security hierarchy does increase trade.
6. Being in a security hierarchy correlates with receiving more FDI. Being in an economic hierarchy does not influence the FDI in the subordinate state. Being in an economic and security hierarchy does not increase the FDI.

Subordination and Risk Aversion

7. Subordination in a security hierarchy may correlate with less risk aversion. Being in a security hierarchy does not significantly influence the subordinate state's risk aversion. Being in a security and economic hierarchy does not influence the subordinate state's risk aversion.

Subordination and Relations with Other Subordinates

8. Being in a security hierarchy with the US makes it more likely that the international conflicts, that the subordinate state is involved in, are with non-subordinates. Being in an economic hierarchy or in an economic and security hierarchy does not correlate with having good relations with other subordinates to the same dominant.

Subordination and Public Opinion

9. A democratic security subordinate to the US is more likely to view the US in a positive way. An economic subordinate does view the dominant state in a positive way, however, not to the same extent as a security subordinate. An authoritarian subordinate does view its dominant in a negative manner and develops hostile sentiments towards it.

My results show that economic hierarchy is insignificant to influence the behavior of the subordinate state. There can be two reasons for the insignificance of economic hierarchy: either the indicators of economic hierarchy do not fully empirically measure the phenomenon,

or economic hierarchy does not matter enough to influence the behavior of the subordinate state. In theory, the later would be revolutionary as it negates the theoretical expectations. Therefore, indicators of economic hierarchy should be further developed, investigated, and analyzed.

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