

International Power

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Abstract

An interconnected world increases economic efficiency, while providing some nations with leverage over others. We investigate international power stemming from trade. We first write an illustrative model of trade with possibilities of international disputes, highlighting key features of how nations can exert coercive power toward one another through trade. The model yields a measure of international power, which we operationalize across nation-pairs over the past 20 years. Using this measure, we examine the consequences and causes of international power. We compile comprehensive data on bilateral engagement events, and we develop a high-frequency measure of bilateral geopolitical relationships. We show two main empirical results. First, increases in international power between countries — which raise the credibility of threats of trade disruptions — induce more bilateral engagement and negotiations. Second, worsened geopolitical relationships — in anticipation of future disputes — prompt nations to build up greater international power through changes in trade activities.

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