

The Development and Prospect of Neoliberalism International Relations Theory

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Abstract. Neoliberalism international relations theory occupies a great position in current international relations research and is one of the three existing international relations paradigms. Through a retrospective study on the mainstream branches of neoliberalism international relations theory, this paper summarizes the research starting points, main arguments, and shortcomings of the major schools of neoliberalism international relations theory, and sorts out the development and inheritance relationship between the major theories, comparing the similarities and differences between international theory under the neoliberalism school and other schools such as realist international relations theory. Through the method of literature review, the journals and monographs that are of great significance to various schools of neoliberalism are reviewed. The establishment of neoliberalism international relations theory has gone through a complex process, it is inherited from the traditional liberalism paradigm and has undergone considerable development in the second half of the 20th century. The formulation of neoliberalism international relations theory is a process of compromise between traditional liberal international relations theory and realism. It accepts many theoretical starting points and assumptions from realism and is also influenced by other disciplines such as economics. On this basis, several important branches have been developed. They are related to each other and share many ideological origins and basic assumptions. There is an obvious relationship of inheritance, development and iteration among different branch of theories. Although neoliberalism international relations theory has not completely replaced realist international relations theory, its proposal is still of epoch-making significance as it provides a new perspective to examine international politics and make up for the deficiencies of realist international relations theory.

Keywords: Neoliberalism, International Relations, Theory Iterate.

1. Introduction

In the 1970s, the world political and economic structure presented a new situation and pattern. Events such as the establishing of European Community promoted the integration of regional and global economies. However, unlike neorealism, which fully, clearly, and forcefully depicts the prospects of human political economy, liberals find that appealing to international morality cannot adequately explain current international politics. Therefore, on the basis of traditional liberal political thought, combined with the research of modern economics, the original radical liberal ideas was reformed and neoliberalism was proposed. So far, as neoliberalism became one of the theoretical paradigms of international relations that keep pace with neorealism and constructivism, it provided a new perspective for international relations research.

In order to systematically understand the ideological origins, research starting points, and main arguments of neoliberalism international relations theory, its role in international relations in recent decades, and the important role it may play in international relations in the future, this paper discusses the neoliberalism theory of international relations. The birth and development are retrospectively summarized. The second part of the article through the review of the literature, especially the monograph, focuses on generalizing the logical starting point and basic assumptions of the theoretical research of neoliberalism international relations theory. Then the third part mainly uses scholars' research articles in journals as the main materials, and based on tracing their ideological origins, this part reviews the propositions and main arguments of several major schools. Finally, the fourth part on the premise of observing the reality of world international relations, emphasizes the guiding

significance of neoliberalism international relations theory to actual international relations practice and looks forward to the possible development direction of neoliberalism international relations theory in the future. Besides, This part also summarizes the important role it has played and may play in the current and future international relations arena.

2. Core Assumptions of Neoliberalism International Relations Theory

Compared with idealism (traditional liberalism), neoliberalism compromises realism in terms of basic assumptions. Rather than insisting that the interests of different actors are inherently harmonious, it emphasizes that under the guidance of rationality, Human beings can achieve cooperation and peace between sovereign states and entities [1]. Although different schools of neoliberalism international relations theory have taken various paths in demonstrating the role of mechanisms in international relations, their belief that humans can cooperate and coexist through mechanisms is unchanged. Most of the studies use the following assumptions as the starting points.

2.1 Anarchy assumption

Similar to realism, neoliberalism also agrees that anarchy exists in the international society, but they stress that anarchy does not mean disorder. Realism believes that under the anarchy and autonomy in international politics, all countries will perceive security threat, which makes it difficult for the countries to cooperate due to the anxiety

of relative interests. Comparatively, neoliberalism advocates that countries pursue absolute gains, and the main obstacle to international cooperation is not the consideration of relative benefits, but the fear of deception [1]. Even if neoliberalism accepts the anarchy assumption from realism, different attitudes create different points of view, which is also the most significant difference between realism and liberalism.

2.2 Individuals are profit-seeking subjects - the state is a combination of social interests

As neoliberalism believes that individuals and interest groups are always selfish and profit-seeking, it understands the state as a single rational actor, a collection of domestic interests [2]. As the general representative of profit-seeking individuals and interest groups in a country, the state's behavior is an accumulation of the preferences of domestic individuals.

2.3 The international community is not a harmonious world

Traditional liberalism believes that the interests of different groups and regimes are harmonious with each other. Adam Smith said: Our supper springs not from the benevolence of the butcher, the winemaker, or the baker, but their self-interest. The pursuits of self-interest drive the progress and increase of welfare of society [3]. However, neoliberalism rejects this view and supports realism instead, arguing that conflicts of interests always exist in the international community [4]. Nonetheless, neoliberalism argues that the mechanism for resolving conflicts of interest is flexible, the existence of conflict makes the meaning of cooperation becomes more valuable and important [4].

3. The main schools and viewpoints of neoliberalism

Neoliberal international relations theory developed significantly in the second half of the 20th century, during which time several different schools emerged. These different schools of thought collectively follow the basic assumptions of neoliberal international relations theory discussed above and are greatly interrelated. The most prominent and important of these schools are mainly the following three which are Commercial liberalism, Democratic liberalism, and Institutionalism.

3.1 Commercial liberalism

Commercial liberalism is one of the important branches of liberalism international relations theory, its main point is that trade between countries contributes to peace. Liberalism scholars often refer to Immanuel Kant as the pioneer. In *Perpetual Peace*, Kant puts forward the concept of universal rights, which includes that parties have the right to accept or reject the trade based on their interests. Kant believed that when such trade based on the free will of both parties is secured, countries and individuals have no motivation to use violence to seize their desired benefits [5].

The argument that business promotes permanent peace was pushed to its peak in the scientific explosion and economic prosperity before World War I, until the outbreak of World War I brought nationalism and national identity back to the mainstream perspective [5]. However, in the second half of the 20th century, economic exchanges between countries became more frequent and closer. The collaborations typically represented by the integration of Western European economies and the "Four Asian Tigers" brought about by the "flying geese model" led by Japan, brought trade liberalism back into attention. As economic interdependence is the most important factor in peace-promoting, where commercial liberalism is also called "interdependence liberalism".

3.1.1 Main argument

The mechanism of how economic interdependence promotes peace mainly comes from the theory of the opportunity cost of war. Comparative advantage makes trade can bring huge economic benefits and social value to participants [3]. For both nations involve in the war, they will lose the benefits of trade, which are the opportunity cost of war. The increasing trade between countries creates a higher level of mutual dependence and increases the opportunity cost of war. Thus, war will increasingly become a not cost-effective choice.

The behavior of domestic interest groups ensures the country's peaceful tendencies. Since the trade group has gained more benefits, its domestic discourse power, that is, its domestic political influence is also rising with their growing wealth. As the outbreak of war will affect their profit from trade, they will use their domestic political influence to avoid the war [6]. In addition, it should be pointed out that these "foreign trade" activists not only refer to those businessmen but also a huge group involving many complex industrial chains.

Meanwhile, cooperation also makes the information transfer between countries more transparent, which helps to solve another important obstacle to cooperation between countries: deception [7]. More frequent economic exchanges help countries to obtain more accurate information about each other, thereby reducing the information asymmetry between the two sides. Thus, the suspicion and fear of betrayal between countries and conflicts caused by misjudgment will be reduced.

3.1.2 Drawbacks and Limitations

Commercial liberalism does not solve the problem of the distribution of interests and power. Asymmetry always exists in interdependence, that is, a country's dependence on another country is greater or less than the dependence of another country on itself. According to Keohane, this asymmetry is particularly the fundamental source of one state's power over another [4]. In response to such logic, out of consideration for their security, all countries will strive to increase their independence, thereby weakening their dependence on other countries. A cautious attitude will be carried out when the countries decide whether to cooperate in more sensitive areas [8]. What's more, the quest for power makes it possible for countries to deliberately make other countries dependent on their own through trade [8]. An excellent example is the Soviet Union's influence on the members of the "Mutual Economic Association" through economic aid, which is actually a kind of economic control. In some extreme cases, this pursuit of power among countries may even turn into conflict. When one country's dependence on another rises to a structural dependency, which affects survival and security, To ensure the independence of the country, one side will even take military action to eliminate such influence [9]. For instance, Japan launched the Pacific War because of its heavy dependence on raw materials such as oil and steel from the US.

The results of the quantitative analysis confirmed the above conclusions. According to Barbier's analysis, there is not enough data to support the decisive role of interdependence theory in promoting peace, and equal interdependence seems to be the precondition of trade promoting peace. Perhaps it is not the interdependence itself that determines the peace between the states, but certain characteristics of interdependence that exist in the relationship [9].

3.2 Democratic liberalism

Democratic liberalism is another important theory of the neoliberalism paradigm, and its core idea is that wars rarely occur between democracies. Therefore, republican liberalism is also known as democratic peace theory.

The theory of democratic peace originated from the discussion of natural human rights such as equality, freedom, and the right to pursue happiness by Enlightenment thinkers, Locke and Rousseau. In *Perpetual Peace*, Kant extended the individual rights of citizens to the level of the state. Rights and obligations that the state should enjoy and carries out in the international community construct a road leading to permanent peace [10].

3.2.1 Main Argument

Democratic liberalism deems democratic norms and institutional constraints as the main reason why wars rarely occur between democracies [11]. Democratic norms refer to the default resolution of conflicts of interest by peaceful negotiation, fair competition, and reasonable compromise within a democratic country while resorting to violence is considered illegal. Democracies have extended such norms to the international community [12].

Democracies know each other will consciously follow "non-violent" norms to prevent conflicts, which is impossible among non-democratic countries. Institutional constraints refer to legal constraints, which means that launching a war not only requires the unanimous consent of all classes, interest groups, and bureaucracies in the country but also conforms to the law [12]. In this way, democracies have full confidence that the other side will not use violence, and both sides dare to solve problems through a non-violent approach.

However, leaders of non-democratic countries can start wars more easily, and democracies will therefore suffer greater threats and more losses, such as the appeasement of Britain and France against Germany before World War II. Therefore, in the face of the possible threat of war by non-democratic countries, democratic countries choose to fight to avoid being forced to make concessions, or even take the initiative to fight.

3.2.2 Drawbacks and Limitations

Democracy may become the tyranny of the majority. The premise of democratic peace theory is that the public is peace-loving and war-rejecting, which is an important flaw of democratic peace theory. To make matters worse, if combined with utilitarianism, the theory will face more serious problems. In the view of utilitarians, the reason why democracy can bring peace is not the reflection of the moral character of human beings in the political system argued by Rousseau and Kant but only because of the pursuit of utility. Democracy allows the people living in the international community to obtain maximum benefits through cooperation, which is why democracies give up war [13]. This indicates that once there is the benefit of war is overwhelm the peace, countries choose war.

Another important flaw of democratic libertarianism is the existence of alternative theories. In addition, recent research on democratic peace theory has also downplayed the influence of other factors, such as international institutions, military alliances, and the face of common threats. In the case of the Cold War, while they did share democratic institutions, Western European countries also shared military and the ideological threat from the Soviet Union. How to analyze and estimate the influence of these factors is another major difficulty in the study of democratic peace theory.

3.3 Institutionalism

As one of the three paradigms of neoliberalism theory, neoliberal institutionalism emerged later than commercial liberalism and democratic peace theory. Since the 1970s, international cooperation across the world has increased significantly, and regional economic exchanges have increased substantially (already mentioned in 3.1.1). Obviously, in these regional cooperations, international organizations and mechanisms were playing an important role in major regional conflicts of interest such as the conflicts between France and Germany and between Japan and South Korea.

An international institution is a set of persistent, interrelated formal and informal international rules that define behavioral roles, constrain activities, and shape expectations. It has three specific forms: Firstly, formal intergovernmental organizations, an entity with its purpose, as a bureaucracy with clear rules and arrangements, such as the WHO and the United Nations. Second, the international mechanisms formulated by the governments of various countries. They have clear rules for certain issues in the international community, such as international law. Thirdly, international practices. Although they do not have clear rules, they still help to shape the expectations of actors, so that the countries can understand and coordinate with each other without clear rules [14]. Simultaneously, neoliberal institutionalism also accepts the assumption of realism to a greater extent. It not only accepts the assumptions mentioned in 2., but also takes the state as the most important actor in world politics, which is an assumption in realism [4]. It deployed the research on how to achieve mutual benefit through cooperation when the interests of the countries are not in harmony with each other.

3.3.1 Main argument

Neoliberal institutionalism believes that the biggest obstacle to cooperation between states in anarchy is deception. Therefore, neoliberal institutionalism emphasizes the role of formal and informal institutions and believes that it can reduce the fear of betrayal by partners by solving information problems [4].

In terms of information, the institutions can solve the problem of information sufficiency and reliability. On the one hand, the international system itself, including official and unofficial intergovernmental relations, requires its members to disclose more information and provide more channels for obtaining reliable information. Greater transparency provides good soil for cooperation. From the perspective of transaction costs, the system facilitates cooperation by providing a reliable path and a potential conflict resolution mechanism which greatly reduces the transaction and negotiation cost of all the parties [1].

In addition, due to the authoritative, restrictive, and connected nature of the international institutions, it promotes cooperation between countries through reward and punishment mechanisms and even breaks the prisoner's dilemma under anarchy by allowing countries to learn to redefine their interests [15]. Since neoliberalism generally agrees with neorealism's assumptions about the state and rationality, cooperation is based on realism, and policy is the act of state actors for their benefit. Since countries in anarchy desperately need cooperation to solve security and economic problems, all parties have the will to maintain the system as it provides solutions.

3.3.2 Drawbacks and Limitations

The problem faced by institutionalism is the distribution of interest, and in particular, it is a relative interest and absolute interest (In fact, the interdependence and peace discipline mentioned in 3.1 are also facing this problem. But of course, to some extent, neo-institutionalism is the extension and development of interdependence liberalism), which leads institutionalism to be more applicable to economy and trade, but is rarely mentioned in the security fields [14]. More seriously, even if institutionalism is applied to economic sectors, relatively benefit issues still hinder the cooperation between states. The essence of their arguments is that the military strength of a country is greatly dependent on its economic strength. As a consequence of the economic benefits arising from cooperation could become military interests, the countries are anxious that these interests will flow to the potential opponents [16].

Secondly, institutionalism downplays the influence of state power in international relations, it hardly considers the role of power in its game model, but regards the entire game as relatively fair. However, once power is taken into account, the situation of the game may change, as power can make rules [15].

4. Conclusion

In general, neoliberal IR theory is based on the proto-liberal paradigm and the ideological origins of the Enlightenment, combined with economics, especially game theory, and is a relatively compromised product of realism. Since the 1970s, it has experienced considerable development and put forward several mainstream schools such as the theory of interdependence and peace, the theory of democratic peace, and institutionalism. There is a great degree of overlap, inheritance, and iteration between these genres. The neoliberal theory of international relations is put forward in line with the needs of the times, and it expounds on the phenomena of the international society in a timely and systematic manner under this background. Although compared with realism, neoliberalism international relations theory makes great compromises in basic assumptions and theoretical starting points, it is still a good complement to explaining the logic behind state behavior and providing new solutions.

Various schools of neoliberal international relations theory have made contributions that cannot be ignored in the establishment and improvement of international relations. Commercial liberalism provides a good theoretical basis for regional and global economic cooperation, which partly explains the increasingly close regional economic exchanges and the trend of economic globalization since the second half of the 20th century. Although its mechanism for promoting peace remains to be verified, the theory of democratic peace is still a theory worth studying. Countries built on democratic institutions are indeed conducive to cooperation, and these democratic regimes have been in a relatively peaceful and well-developed period for a long time in history. Neoliberal institutionalism offers a constructive solution to international relations, it proposes a systemic solution to the construction of world order. International organizations and mechanisms provide a viable basis for worldwide cooperation.

The neoliberalism trend of thought negates, to a certain extent, the pessimistic view of realism about the future of mankind, and replaces it with a possible long-term peace. However, neoliberalism does not deny the validity of all realist arguments, nor does it aim to create an entirely new "liberal" to replace realism. Compared with realism, neoliberalism still regards power as a core concept in international relations and believes that peaceful conflict resolution mechanisms, including international institutions, are only one link in the chain of power.

However, although neoliberalism's challenge to realism is not fundamental, it still makes up for the issue of international cooperation that realism ignores, and such cooperation is invaluable in such a post-pandemic era where the tide of anti-globalization is surging of. It provides countries with a channel for mutual understanding and the possibility of win-win cooperation. Finally, perhaps the greatest contribution of neoliberalism international relations theory lies in putting forward the beautiful vision of building a "community with a shared future for mankind", describing an optimistic future for mankind.

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