

US commerce in a country will increase VEO activity from that country against the USA.

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General Description of the Literature:

Trade is thought to decrease prospects of war by many liberals. This linkage is part of the 'Kantian triad'. Russett and Oneal (2001) provide solid evidence (though there are some vocal detractors to this finding) that states that trade are less likely to fight. However, does trade impact terrorism? Nitsch and Schumacher (2004) present evidence that terrorism hurts bilateral trade. They suggest (p. 432) this is a result of risks associated with additional security (e.g., x-rays of containers) and 'direct destruction' combining to raise transaction costs. On the surface trade should reduce VEO activity because trade is a cooperative venture the states want to maintain. Trade should lead to cooperation on security measures. A country trading with the U.S. is likely to be diligent in counter-terrorism because terror can hurt trade as Nitsch and Schumacher have shown. Costoiu (2006) also notes that trade enhances development, and several studies have shown that development decreases terrorism. The work of Asal and Rethemeyer (2011) on the nexus between commerce and terror provides contrasting findings. Visible commerce can lead to becoming a target, but increases in a country's commerce with the West can reduce terrorism.

Detailed Analyses

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Summary of Relevant Empirical Evidence: Costoiu (2006) tests a simultaneous model of trade and terrorism. This type of model assumes that the relationship is likely to go both ways. He finds that terror reduces bilateral trade but that trade also reduces terror. Costoiu suggests that since trade increases development, it will in turn decrease VEO viability. Asal and Rethemeyer (2011) report that a highly visible U.S. commercial presence can lead to attacks against U.S. interests. They suggest this is because of ease of access. On the other hand, they also report that economic interaction with the West decreases terror. The findings from these studies on the relationship between commerce and terror should be viewed with caution because it is only supported by unpublished papers. These studies raise vexing endogeneity/selection issues.

Empirical Support Score: 3 = Multiple qualitative and/or quantitative studies with mixed results (i.e. some in favor, some against the hypothesis), but more positive than negative findings.

Applicability to Influencing VEOs: The findings above indicate that the hypothesis is applicable to influencing VEOs. Increased trade is likely to reduce interstate war and terrorism.

Applicability Score: Direct: At least some of the empirical results directly concern the context of influencing VEOs.

Bibliography:

Asal, Victor, and R. Karl Rethemeyer. 2011. "Targeting and Attacking America: Ideology and Capability." *Journal of Politics R&R* 0(0):0-0.

Costoiu, Andrada. 2006. "International Terrorism and Trade: A Simultaneous Equation Model" Paper presented at the annual meeting of the Midwest Political Science Association, Chicago, Illinois, April 20.

Russett, Bruce, and John Oneal. 2001. *Triangulating Peace*. New York, NY: Norton.

Nitsch, Volker, and Dieter Schumacher. 2004. "Terrorism and International Trade: An Empirical Investigation." *European Journal of Political Economy* 20: 423-433.