

## The Trade-Off of Benefits in International Cooperation: Which Takes Priority, Absolute Benefits or Relative Benefits?

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### Abstract

The driving force of international cooperation lies in the fact that participating countries can obtain the expected benefits. The final decision of a country to participate is the result of a comprehensive weighing of absolute and relative benefits. This article aims to explore under what circumstances international cooperation between countries will prioritize absolute benefits? And under what circumstances will concerns about relative benefits outweigh the willingness to cooperate? This "priority" issue is not static and absolute; it is a weighing process that depends on the nature of the cooperation field and the nature of the relationship between countries. This article attempts to use variables such as the nature of the issue area (such as economy, security) and the nature of the relationship between countries (such as ally, partner, or competitive relationship) as variables, and through case analysis, to demonstrate that in cooperation in the economic and security fields with partnerships, countries are more likely to prioritize absolute benefits; in cooperation in the security and economic fields with competitive relationships, considerations of relative benefits will take precedence.

### Keywords

National cooperation; Absolute return; Relative return.

### 1. The Presentation of the Problem

One of the puzzles in international relations is why, in a state of anarchy, countries that pursue their own interests can sometimes achieve effective cooperation, while at other times they still fall into suspicion and competition even when cooperation can bring about common benefits? The main purpose of a country is to pursue national security and economic welfare. Different choices in favor of security interests and economic interests will lead to different outcomes, namely relative gains and absolute gains. The issue of absolute returns versus relative returns distinguishes neofunctional institutionalism from structural realism. The former assumes that the state primarily focuses on absolute returns, while the latter assumes that the state primarily focuses on relative returns. The neo-realist Kenneth Waltz pointed out that the international political structure mainly restricts the generation of cooperation in two ways: Firstly, countries are concerned that the distribution of benefits resulting from cooperation might be more favorable to other countries; Secondly, countries are afraid of becoming dependent on other countries through the exchange of goods and services in cooperation. The first approach expounded by Waltz points out the concerns of countries regarding relative gains in cooperation. In an anarchic international society, countries that feel insecure when faced with cooperation opportunities are not concerned about "whether both can benefit together", but rather "who will benefit more". Even if cooperation can bring considerable absolute gains, if one party is worried that the other party will convert the unequal gains into destructive forces, cooperation will be difficult to advance. The obstacle to cooperation is not the current intentions or national characteristics, but rather the uncertainty and mutual distrust regarding future behaviors between the two parties. Therefore, due to the absence of an absolute authority above sovereign states to safeguard national security, each country is extremely

sensitive to any changes that might weaken its relative strength necessary for survival. This structural concern determines that the goal of the state is to prevent other countries from obtaining more relative benefits than itself in cooperation, because the state is worried that the enhanced capabilities gained by other countries in cooperation might in the future turn into a substantive threat to its own survival.

However, although the country is in an international anarchic state, it does not always focus on relative gains, which leads to mutual distrust and non-cooperation. Ripsom acknowledges that cooperation in the world economy is indeed fragile, but at the same time points out that the arrangements of rule-guidance and normative governance are far more widespread than the usually insisted-upon international "natural state". Moreover, in the international community, countries are engaged in a long-term and repetitive interaction process. Keohan, through the calculation and logical deduction of the "repeated prisoner's dilemma" model, discovered that in multiple repeated game scenarios, countries can establish mutual trust through strategies such as "an eye for an eye". This brings us to the question that this article aims to explore: Under what circumstances will the state prioritize absolute gains in cooperation? And under what conditions will its concerns about relative gains outweigh the desire for cooperation and become the primary consideration in decision-making?

## 2. "Analysis Framework - Topic Area - Nature of Relationship"

Whether a country pursues absolute or relative gains in international cooperation is influenced by various factors, among which the fields of cooperation and the partners involved have a significant impact. Generally speaking, when the scope of cooperation between countries is in the economic field, the participating countries tend to seek absolute gains and the cooperation is more likely to advance. In the field of security, cooperation issues are mostly of a zero-sum nature. When a country faces competitors or strategic rivals in its economic or military domains, it tends to focus more on obtaining relative benefits. Countries are more sensitive to their respective relative benefits, and cooperation becomes more difficult.

The nature of the relationship between countries also affects the preference for benefits. If two countries are in a competitive or potentially confrontational relationship, it means that each side considers the other to be harmful, they lack basic mutual trust, and both are wary of the other gaining more benefits than themselves, thereby posing a greater threat to themselves. Therefore, cooperation between rivals is more concerned with relative benefits. Conversely, if two countries are in an ally or long-term strategic cooperation relationship, or there is a common external threat (such as a military alliance addressing common security challenges), they have a high level of mutual trust and strong strategic consistency, and thus are more concerned about absolute benefits.

In conclusion, absolute returns and relative returns are important interests in international cooperation among countries. The balance between the two is influenced by the nature of the relations between countries and the attributes of the cooperation topics. In cooperation in the economic and security fields with partnerships, countries are more likely to prioritize absolute returns; in cooperation in the security and economic fields with competitive relations, the consideration of relative returns will take precedence.

## 3. Case Analysis

### 3.1. Economic Issues Domain and Partnership: Cooperation of China - ASEAN Free Trade Area

Since its full establishment in 2010, the China-ASEAN Free Trade Area has grown into the largest free trade area among developing countries in the world. Their cooperation fully

demonstrates the pursuit of absolute returns by countries in the economic issue domain under the framework of partnership. From the perspective of the nature of the cooperation issues, the Free Trade Area focuses on the creation and sharing of economic benefits. Through measures such as reducing tariff barriers and simplifying trade procedures, it aims to achieve liberalization of goods trade, openness of service trade, and facilitation of investment. After comprehensive and accurate calculation, it has been proven that the China-ASEAN Free Trade Area has expanded external import and export trade for both China and ASEAN. The trade volume between the two sides has increased, and there are both import trade creation effects and export trade creation effects.]The absolute gains in achieving economic growth and increasing employment.

In terms of the nature of relations between countries, China has maintained a strategic partnership with the ASEAN countries for a long time. Although there are disputes such as the South China Sea issue between the two sides, the common interests in the economic field outweigh the differences, and the mutual trust foundation is relatively solid. China has always been committed to promoting the construction of free trade zones based on the "mutually beneficial and win-win" concept. For example, after the entry into force of the Regional Comprehensive Economic Partnership Agreement in 2022, the proportion of zero-tariff goods and goods between China and ASEAN will further increase to over 90%. Since 2013, the annual growth rate of trade between China and ASEAN has been 7.5%. In 2023, the bilateral trade volume reached 911.7 billion US dollars. China has remained ASEAN's largest trading partner for 15 consecutive years, while ASEAN has been China's largest trading partner for four consecutive years.

In the cooperation between China and ASEAN, although there are some local differences such as a trade deficit in digital products and an imbalance in investment and cooperation between the two sides, they have not hindered the cooperation process due to concerns about "who benefits more" regarding relative gains. This cooperation logic centered on absolute gains has enabled the China-ASEAN Free Trade Area to continuously deepen cooperation over the past decade and a half since its establishment.

### **3.2. Economic Issues Domain and Competitive Relationship: Sino-US Trade Friction**

As the two largest economies in the world, China and the United States have extensive and complex relations in the economic field, including both cooperation and competition. In recent years, the trade frictions between China and the United States have continuously escalated, reflecting the high importance that countries attach to relative gains under the competitive relationship in economic issues.

From the perspective of the nature of the cooperation issues, economic cooperation should have focused on mutual benefit and win-win outcomes, achieving an absolute increase in the benefits of both parties through complementary advantages. However, in the context of a competitive relationship, considerations of relative gains have dominated. The United States implemented trade protectionist policies towards China, frequently imposing high tariffs on Chinese products. The aim is not only to protect domestic industries, but also to curb China's rapid economic development. The United States believes that the technological progress, industrial upgrading and strategic advantages that China has gained during the cooperation process may far exceed the benefits it has received. Therefore, considering the relative gains, even if its short-term interests are harmed, it still needs to restrict China's technological development and implement technological decoupling from China. In the overall strategic competition between the United States and China, the technology sector has become the core focus of its actions. Since the first term of the Trump administration, the United States has successively launched trade wars and technology wars. By the time of the Biden administration,

this trend has become more systematic, manifested as the establishment of the "Democratic Technology Alliance" and the implementation of "closed borders", aiming to suppress China's progress and development in high-tech fields through alliances and technological barriers, in order to maintain its dominant position in key areas.

### **3.3. Security Issues Domain and Alliance Relations: Collective Defense Cooperation Within NATO**

As a military alliance with collective security attributes, NATO is a typical case in the field of security issues where the priority is given to absolute benefits in terms of alliance relations. The peace in Europe is supported by NATO's powerful military forces, and NATO has continued to exist and expand in the post-Cold War era. The driving force behind its continuous existence and expansion stems from the matching between the security threats faced by member states and the alliance's security supply capacity. From the perspective of the nature of cooperation topics, the collective defense and security cooperation of NATO involves highly sensitive areas such as military deployment, intelligence sharing, and joint exercises. Member states form a close alliance based on a shared understanding of security threats (whether traditional or non-traditional), and in security cooperation, they prioritize the pursuit of the absolute benefit of "enhancing collective security capabilities". Although military cooperation typically has a zero-sum nature, within the framework of NATO, member states achieve an absolute increase in security guarantees by jointly responding to external threats.

From the perspective of the nature of relations between countries, there is a high degree of strategic mutual trust and institutionalized collaboration among NATO member states. The mature command structure, multi-national joint planning capabilities, and crisis management mechanisms of NATO, among other institutional assets, enable it to adapt to new security environments (such as ethnic conflicts and counter-terrorism), thereby continuously providing security services to member states. The alliance relationship reduces the sensitivity of member states to relative gains. For instance, although the US military presence in Europe incurs higher defense costs for it, through NATO, it has strengthened the security framework and enhanced the overall deterrence of the Western camp, thereby obtaining the absolute gain of strategic stability. Similarly, when allies can effectively enhance their ability to respond and defeat their main actual or potential enemy countries, they are willing to sacrifice a certain degree of autonomy in exchange for security protection. Therefore, the NATO member states are willing to sacrifice a certain degree of autonomy in exchange for the collective security guarantee provided by NATO. This indicates that even in highly sensitive security domains, if the relationship between countries is that of allies and there is a common threat, the logic of absolute gains can dominate the cooperative behavior.

### **3.4. The Domain of Security Issues and Competitive Relations: China-US Military Security Cooperation**

From the perspective of the nature of cooperation issues, military security pertains to core interests such as national sovereignty and strategic deterrence capabilities, and falls into a domain with a significant "zero-sum game" tendency. Any advantage that one party gains in military technology, equipment level, or strategic deployment may be regarded by the other party as a potential threat to its own security. Therefore, the core concern of cooperation is not "joint security benefits", but rather "preventing the other party from gaining a relative advantage".

In terms of the nature of relations between countries, the United States regards China as a "revisionist power". The "U.S. National Security Strategy Report" states that China poses a challenge to the United States in terms of its power, influence and interests, and aims to undermine the security and prosperity of the United States. The differences between China and

the United States have been continuously escalating in areas such as military, technology, and geopolitics, and the foundation of mutual trust is weak. Although there is potential for cooperation in non-traditional security fields such as maritime security, anti-piracy, and humanitarian rescue, military cooperation has always been constrained by the issue of relative benefits. For instance, China and the United States have established a maritime military security consultation mechanism, and the "Agreement on Establishing and Strengthening the Mechanism for Consultation on Maritime Military Security" is the first trust-building measure agreement in the military field between the two countries. The Military Consultation Mechanism for Maritime Security (MMCA) between China and the United States was established in 1998. Although it holds regular meetings, there are still many problems in its operation, such as the fact that the mechanism itself does not contain any substantive content at the military action level, it has not formed a fixed system and is thus vulnerable to political interference, and the military exchanges and cooperation between China and the United States remain at a relatively low level. Moreover, some provisions in the Agreement on Establishing and Strengthening the Mechanism for Maritime Military Security consultation are obviously only beneficial to the US military. Therefore, due to the disputes over the freedom of military activities in the exclusive economic zone and the inconsistent maritime strength and strategic demands between the two sides, the MMCA has failed to make substantive progress.

#### 4. Conclusion and Insights

In conclusion, the country's prioritization of absolute gains versus relative gains in cooperation is not fixed but is influenced by the nature of the cooperation topic and the nature of the relationship between the countries. Through the analytical framework of "issue domain - relationship nature", and by combining four cases such as the China-ASEAN Free Trade Area, the Sino-US trade friction, NATO collective defense, and Sino-US military security cooperation, this paper explores the conditions under which countries balance absolute gains and relative gains in international cooperation. In the economic field, if the cooperation partner is a partnership country (such as China and ASEAN), both sides are more inclined to pursue mutually beneficial and win-win absolute gains, and the cooperation can be continuously deepened; while in the face of competitors (such as the Sino-US trade relationship), even if there is economic complementarity, concerns about relative gains may still hinder the cooperation process and even trigger conflicts. In the security field, under an alliance relationship (such as NATO member states), cooperation can be achieved through institutional arrangements and common threat recognition, and be oriented towards absolute gains; while in a competitive context (such as the Sino-US military security dialogue), it is difficult to transcend the game logic of relative gains and cooperation often remains at a low level and with a low degree of institutionalization.

As a rising major power, China can formulate flexible cooperation strategies based on the topic areas and nature of its relations when engaging in international cooperation. It can achieve a balance between its own interests and international responsibilities through a cost-benefit analysis. In the economic field, it should strengthen partnerships and expand the sharing of absolute returns. For instance, in economic cooperation with ASEAN, it should continuously improve the mutually beneficial and win-win rule system and resolve regional disputes through "absolute return increments" to consolidate the regional economic cooperation network. At the same time, in the face of economic games under competitive relations between China and the United States, it needs to avoid all-out confrontation while upholding its core interests. In the security field, it should manage competitive risks and actively promote the construction of crisis management mechanisms in response to security dilemmas under competitive relations between China and the United States. For example, it should improve the maritime military

security consultation mechanism between China and the United States, gradually accumulate mutual trust through cooperation in non-sensitive areas, and reduce the conflict risks caused by relative return anxiety.

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