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Abstracts

Declining hegemony and assertive industrialization: U.S.–Brazil conflicts in the computer industry

by Peter B. Evans

Alternative explanations for the formation of U.S. foreign economic policy are explored using the acrimonious but inconclusive conflict between the United States and its largest South American ally over Brazil's restrictive policies toward the computer industry. After comparing a post-dependency/bargaining perspective, the theory of hegemonic stability, and Stephen Krasner's structural conflict model, the article argues that systemic perspectives on foreign economic policy must be complemented by an account of the interaction between the effects of international position and the dynamics of domestic politics. The resulting politicized state-centric approach, which integrates interest-based politics and ideologically defined state aims, is proposed as a means of more fully understanding the dilemmas of a declining hegemon.

Between free trade and protectionism: strategic trade policy and a theory of corporate trade demands

by Helen V. Milner and David B. Yoffie

Conventional theories of the political economy of trade argue that industries in import-competing businesses favor protectionism, while multinational firms and export-dependent corporations advocate unconditional free trade. However, many multinational industries have recently advocated "strategic" trade policies: that is, they are willing to support free trade at home only if foreign markets are opened or foreign governments reduce subsidies to their firms. If demands for strategic trade policy were adopted by the United States, they could represent a threat to the General Agreement on Tariffs and Trade (GATT) and the multilateral trading system. This article seeks to explain the emergence of these new corporate trade demands and thereby broaden theories of the political economy of trade. The article begins with the widely supported position that multinational and export-oriented firms prefer unconditional free trade. Building on concepts from theories of industrial organization and international trade, the article then hypothesizes that rising economies of scale and steep learning curves will necessitate that these firms have access to global markets via exports. If growing dependence on world markets is combined with foreign government subsidies or protection, the trade preferences of firms will shift from unconditional free trade to demands that openness at home be contingent on openness overseas. The manner in which firm demands then get translated into industry demands will vary with the industry's structure. If the industry consists of firms with symmetric strategies, it will seek strategic trade policy; but if the industry is highly segmented, it will turn toward protectionism. The article concludes with a preliminary test of these hypotheses in four brief studies of the politics of trade in the semiconductor, commercial aircraft, telecommunications equipment, and machine tool industries.

Reciprocity in trade: the utility of a bargaining strategy
by Carolyn Rhodes

Recent works in international relations theory have focused on the value of reciprocity as a means of achieving cooperation in international politics. They argue that even in an anarchic setting in which self-help typifies the behavior of sovereign nation states, the strategy of matching comparable responses to the actions of other nations may educate them over time to cooperate. This article empirically confirms that this assumption is correct. It examines the use of flexible reciprocal bargaining strategies between the United States and its major trading partners in key sectors in which surplus capacity and domestic adjustment difficulties have made commercial conflicts apparent. The outcomes of most of the disputes demonstrate that reciprocity is an effective means of eliciting cooperation from trading partners. Results also illustrate that this cooperation is usually consistent with the General Agreement on Tariffs and Trade (GATT) norms of liberal trade and dispute settlement, even when it is inconsistent with the GATT principle of nondiscrimination.

International sanctions as international punishment
by Kim Richard Nossal

Much of the contemporary literature on the utility of international sanctions approaches the apparent riddle of why sanctions are embraced so eagerly when they are supposedly such an "ineffective" tool of statecraft by focusing on the instrumental and rational purposes of sanctions. As a result, one purpose that does not always lend itself to a rational means-end calculus—the purpose of punishment—tends to be overlooked or, more commonly, dismissed outright. This article explores punishment as both a useful and an effective purpose of international sanctions. It argues not only that sanctions should be distinguished from other forms of hurtful statecraft but also that they are a form of "international punishment" for wrongdoing, despite the difficulties of applying the term "punishment" in the context of international relations. The article then examines the purposes of punishment and reveals that only some are understandable when a model of means-end rationality is used, suggesting that the element of the nonrational also plays an important role in international sanctions. The argument is then applied to the case of U.S. sanctions imposed after the Soviet Union's invasion of Afghanistan to demonstrate the different purposes of punishment at work in this case. The article concludes that just as we cannot understand punishment as a purposive human activity solely by reference to a rational model of a means to a clearly delineated end, so too we cannot entirely understand sanctions as a form of international punishment by an attachment to a rational model of policy behavior. However, some forms of punishment are exceedingly effective, and this may explain why sanctions continue to be a popular instrument of statecraft.

Resolving the regulator's dilemma: international coordination of banking regulations

by Ethan B. Kapstein

Since the early 1970s, bankers have developed a host of new financial instruments and practices. These innovations have altered the nature of banking, and this in turn has complicated the task of banking regulation. National regulations have become largely ineffective in monitoring the safety and soundness of global banks. The resulting market changes and the growth of knowledge about the risks facing the international financial system have prompted governments to hold multilateral discussions regarding banking regulation. However, the task of international regulation has been compromised by the desire of states to attract foreign and domestic investment to the financial sector. Since states wish to create or maintain competitive banking institutions, they have often deregulated in order to provide banks with a cost advantage in the international marketplace. This "competitive deregulation" undermines collaborative efforts.

Under the leadership of the United States and Great Britain, a multilateral agreement on bank capital standards was reached in December 1987. This agreement suggests that the interplay of market factors, consensual knowledge, and leadership by powerful states can lead to international policy coordination. The article describes the multilateral negotiations that led to this banking accord.