

# **CSGR 3<sup>rd</sup> Annual Conference**

## ***AFTER THE GLOBAL CRISES: WHAT NEXT FOR REGIONALISM?***

**Scarman House, University of Warwick  
16–18 September 1999**

## **Understanding Regional Arrangements: From Occam To Gillette**

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(Discussion Draft)

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**Prepared for delivery at the the Third Annual Conference of the Centre for the Study of  
Globalisation and Regionalisation, University of Warwick, “After the Global Crises: What  
Next for Regionalism”, Coventry, U.K., Sept. 16-18, 1999**

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## **UNDERSTANDING REGIONAL ARRANGEMENTS: FROM OCCAM TO GILLETTE**

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### **Introduction**

When we try to understand the future of international affairs, we, like Occam, are often particularly attracted to conceptual positions that decisively trim off complexity. Yet the consequences of an excessively sharp razor may range from a few nicks to serious damage as it encounters varied, uneven and unstable surfaces. A constructive alternative, we might call it Gillette's razor, lies in an instrument with the flexibility to adjust to varied surfaces and conditions, and more reliable built-in limits on potential damage (greater safety).

Efforts to understand the evolution and consequences and thus further evolution of international regionalism as governance have had an Occam-like tendency. That has taken a variety of forms -- restriction to economic 'whiskers', assuming an evolutionary invisible hand (e.g., globalization and internationalization) creating a largely common surface, or just anointing one surface as superior and preaching and pushing at others to do what it takes to 'shape up'. While the results of such attempts have often been informative, they usually have also been unsatisfactory with respect to one or more of their capacity to explain variety, forecast specific futures, or monopolize policy analysis markets.

It seems at least worth trying to pursue more of a Gillette approach, with full recognition that it

will be open to subsequent improvements. That approach involves two basic claims. Regional arrangements are and will be a major and diverse feature of the international landscape. The fundamental approach taken to regional agreements by national governments has and will center on a strategy of hedging. The following pages develop and try to justify those claims by relating state decisions to the goals informing decision making about regional governance and the environment in which those decisions are made. We also relate our approach to some of the recent and prominent positions in the regionalism literature. We conclude with brief comments on the likely future of regionalism as governance.

### **Regional Arrangements in the International Landscape**

Several aspects of the recent past, present, and foreseeable future of regionalism as an aspect of governance are clear.<sup>1</sup> The first is growth in the number of regional arrangements (RAs), a growth more marked since for us RAs do not have to be limited to economic matters or characterized by geographic contiguity.<sup>2</sup> The second is a corollary growth in formal and informal understandings between regional arrangements and the attention RAs pay to each other. Familiar examples are the interactions with regard to the Uruguay Round of the EU, APEC, and NAFTA, the recent bridges erected between the EU and Asia and the EU and Mercosur, and the multiple discussions about coordinating integration schemes in the Americas.

Increases in the sheer number of RAs and their interactions are nearly certain in a context of very substantial 'connectedness' in terms of opportunities, vulnerabilities, and sensitivities which intentionally or not reach across borders into domestic economics, politics, society, and security. At the same time that very connectedness gives rise to fears of submergence and subordination.

Unilateralism as more than rhetoric mostly seems doomed to unrewarding benefit to cost ratios. While some small states will continue to engage in unreciprocated liberalizations, many others will have good reason to doubt the payoffs from being 'out front' on openness and sovereignty delegation. Even fewer are likely to 'stand back' in autarkic ways. The 'aggressive' variant of unilateralism attacks protectionist trading partners through real or threatened retaliation, presents reluctant security partners with *faits accomplis* (facts on the ground), or neglects them through real or threatened abstention from collective action. It has never been a viable option for most states. Even the United States, the most determined and experienced practitioner of aggressive unilateralism, will find that option constrained in the economic domain by WTO rules buttressed by strong domestic lobbies for undisrupted multilateral international involvement.

Globalism, in the sense of arrangements including the entire world, seems too difficult to achieve in one giant leap -- or sufficiently dubious and demanding in its consequences to merit sole reliance as the only supplement to unilateralism.

Bilateralism has well-known limitations in terms of the sheer amount of effort involved, relevant trade-offs and side-payments, and excessive bargaining asymmetries or symmetries. For smaller nations with less expertise, a heavily bilateral approach seems likely to exhaust their international affairs capacities unless they restrict it to a few of the rich and powerful. Yet that restriction implies substantial risks of their finding themselves in a chronically weak bargaining position. RAs can offer advantages of pooling expertise and of 'coalitions of the small' for bargaining with the mighty. RAs can appeal to the relatively mighty for bargaining with each other with the help of the small. RAs in general offer more possibilities for quid pro quo trade-offs and side payments than do

dyadic arrangements. Those possibilities more readily multiply when the parties to an RA differ in the domestic interests they must satisfy.

We recognize that activity at the non-RA levels of governance will continue to be pursued, but regional arrangements will also abound. In part, that will be because they seem likely to strengthen the hand of their participants for shaping global regimes and bilateral relations, and constraining unilateral actions of others, including elements within the nation state.

As the two sorts of incidence previously mentioned increase, they feed further increases. The actual and perceived costs of being 'alone' or relatively alone mount. The very normality of being involved in RAs becomes a source of demand for participation and for effort to shape and exploit participation current and prospective. Non-membership by governments comes to call for substantial explanation. Non-state actors come to see activity focused on RAs as part of their standard repertoire. National government bureaus claim mission roles in regard to RAs and, as those claims are successful, try to magnify their importance. Those with direct stakes in an RA, ranging from national personalities to employees of regional institutions, work to make it seem substantial and useful. Termination or massive defection were unlikely before the recent global crises and remain so. Membership in one or more RAs seems an increasingly foregone conclusion.<sup>3</sup>

In sum, unavoidable challenges and consequences manifest connectedness and warrant fears of submergence and subordination. The managerial response of the 'halfway house' of regionalism comes forward to cope with that situation.

Far more puzzling is what the continuing life of RAs will be internally and in relation to the other regional, unilateral, bilateral, and global elements of governance. Exploring those puzzles

involves attention to the strategies available to members of RAs toward each other, toward other RAs, and toward potential members. Whatever the range of intellectually conceivable strategies, those actually available are limited or, in effect, driven by intra-member, domestic situations. Availability also hinges on the attractiveness of current or potential alternatives to RA membership. And strategy availability further depends on previously established delegations to an RA and the costs of renegeing on them.

Understanding strategic options and choices in general draws on conceptions of the factors that shape RAs as a class and prevailing or anticipated circumstances affecting those factors. Understanding strategic options in a more operational and concrete way also needs to involve grasping the particularities of specific RAs and members on specific issues (e.g., Bobrow and Kudrle in press). General motives and conducive or necessary conditions are well worth knowing. They do not, however, suffice to tell us what postures we will find in any given RA, on specific issues, at particular points in time.

The intellectual appeals of parsimony and linear paths from past to future can obscure what we already know about the variety of considerations that induce RAs and affect their evolution. Getting on such tidy academic bandwagons slights the variety of RAs and their known histories. It artificially and unrealistically limits how they can, are, and will be used by the affected and interested parties. It denies the actual and perceived uncertainties leaders and responsible functionaries confront. Forced feeding of regionalism into a narrow mold masks the extent to which regionalism's appeal lies in enlarging rather than narrowing the range of available and relatively attractive future courses of action compared with those expected to be available otherwise, now or in the policy relevant future.

### **Regionalism as Hedging**

Most analyses of regionalism as governance focus on the extent to which it provides opportunities for and consequences that accelerate, brake, or ratchet liberalization or integration through delegations of autonomy (Bobrow and Kudrle 1998). Acceleration means increasing transfers of autonomy to an RA and more commonality of policies. It may take various forms of deepening and broadening with respect to issue areas, increased "bindingness" about implementation specifics and enforcement/dispute resolution mechanisms, and a quickening in the pace of making and realizing joint commitments. Braking refers to slowing down previous momentum of one or more of those sorts. Ratcheting means the locking-in of existing commitments including ones to actions at determined times in the future in order to limit braking or acceleration. International commitments and their domestic consequences make it more costly and less attractive to depart from those commitments.

It is probably correct to assert that any one state's position at a given time on any particular RA relevant issue falls more into one of these three categories than the other two. Yet, when viewed more broadly across states and issues and more extensively across time, the most appealing opportunities regionalism provides and some of its major consequences are more usefully thought of as hedging.

By hedging, we mean a combination of ambiguous intent and ambiguous commitment, wherever a state's current center of gravity appears to be on the spectrum between stasis (or in some cases even retrenchment) and full speed liberalization and integration. Regionalism's appeal rests on RAs holding out simultaneously to one or more national members or their constituencies' options of accelerating, braking or ratcheting. Hedging supports multiple faces and it enables different ones to be emphasized in an opportunistic fashion.

### **A General Perspective: Politics and Policy**

A comprehensive understanding of evolving state postures towards the delegations of regional governance cannot gloss over the inherent complexities of the motivations, constraints, and uncertainties of the key actors. The ubiquity of hedging makes most sense when those characteristics are kept most fully in mind.

First, state behavior bearing any relation to “the national interest” serves goals beyond increases in national product, and the nominal economic focus of regional schemes does not obliterate other goals. Second, the state is not a unitary actor, and regionalism unavoidably presents the problem of two (or more) level games by official negotiators. Third, regional games are not agreements but processes taking place over protracted periods of time. Fourth, the configuration of internal political power is subject to considerable short run flux in most polities. Fifth, the international environment can change dramatically over short periods of time and over longer periods. Our forecasting of such changes has proved highly unreliable.

We have argued elsewhere (originally in Kudrle and Bobrow 1982) that a comprehensive understanding of foreign economic policy involves the simultaneous consideration of interpreted national goals, the clarity with which the implications of policy change or stability can be understood by various parties, the estimated benefits and costs to affected parties, and political capabilities for influencing policy.

The interpreted goals are the collective goods sought through foreign policy in general and foreign economic policy in particular. We see them as prosperity, security, autonomy, and standing. Policies are preferred to the extent that they are seen as, on balance, conducive to the

prevailing interpretation of those goals -- as being ideologically consonant with them. Previously established policies toward contestability and other dimensions of regional integration are sustained as they seem to have been conducive, and policy changes gain backing as previous policies are discredited, in terms of their consequences for the four goals. Any regionalism of substance forces a consideration of the trade-offs among national goals.

If national prosperity were really the overriding goal, unilateral liberalization would nearly always produce a greater increase in (present discounted) income gains than protracted regional bargaining. The very importance of regionalism usually grows from two facts: general prosperity is not the most important national goal, and foreign economic policy cannot be sensibly interpreted as a "national interest" tradeoff among goals in any event.<sup>4</sup> In fact, regional liberalization involves commitments that limit state autonomy, and the internal politics of such agreements focus partly on those limitations. Opponents of European Common Market and its successor structures have stressed such limitations, as have those opposed to the CUSTA (Canadian U.S. Free Trade Agreement) and its expansion to NAFTA. Among many other restrictions, barriers to contestability are typically "ratcheted" (in the language of the multilateral GATT, "bound") so they cannot rise again. The European Court (should a unresolved dispute go that far) provides a final decision on inter-state disagreements within the Community, and the CUSTA and NAFTA, provide binding dispute resolution on a broad range of issues. So too does the post-GATT WTO, but the shift away from a system in which each state could effectively veto decisions it did not like generated strong negative reactions, in the U.S. case ranging from Patrick Buchanan to Ralph Nader and could yet be rejected by the U.S.<sup>5</sup>

If regionalism deepens beyond trade and investment, as most schemes envision, then ever-greater autonomy threats will be confronted. For example, it is now a commonplace to note that the increasing interconnectedness of the global economy has rendered states less capable of controlled their own levels of overall economic activity with conventional macroeconomic policy. By the same logic, intense trade and investment relations among regional partners magnifies such vulnerabilities. Partners find themselves under heavy pressure to pursue internal policies compatible with those of their partners, and where they do not, the regional arrangement as a whole is put in jeopardy. Macroeconomic policy frictions between Brazil and Argentina since the very beginning of Mercosur are a case in point. Argentina's quest for price stability through the peso-dollar link has been repeatedly threatened by exchange rate gyrations with the giant next door. Those gyrations are in turn mainly generated by periodic reversals of Brazilian macroeconomic – and particularly monetary—policy. Argentina's preferred solution, of course, would be for Brazil to limit its monetary autonomy in the direction that Argentina itself has. For most decisionmakers in the large and traditionally quasi-autarkic Brazilian economy, of course, such abandonment of autonomy is difficult to consider seriously.

On the other hand, a motivation behind some regionalism schemes is to retain or increase autonomy (“sovereignty enhancement” Higgott 1997) through quite limited internal pooling; we call this autonomy for the group “external” autonomy. One clear example of an attempt to increase external autonomy can be seen in the Andean Common Market's now defunct “fade-out” provisions for foreign direct investment (Hirschman 1971). At a time when direct investment was regarded by many largely as a necessary evil, the pact was meant to cartelize the offer terms for

outside investment and to keep member states from bidding against each other with more attractive offers to outsiders. Tellingly, when faced with following the rules or attracting investment, most states chose the latter. The massive collective hedge in the agreement lay in the absence of any enforcement provisions of the group on its members.

Taking a longer view, the very essence of the deeper integration envisioned in many regional schemes poses a continual and growing threat to autonomy, not just to autonomy of action, but ultimately to autonomy of thought as well, i.e. to the very sense of uniqueness that defines a national group. Very significantly, both CUSTA and NAFTA, exempt protection of “cultural” – largely popular communications and entertainment – industries from the strictures of free trade, right of establishment, and national treatment. Consistent with what appears to be increasing integration but only in certain spheres, neither agreement allows for free migration of persons, and such open migration is not declared as a goal. Thus, the North American agreements are consistent with the notion of free trade among distinct states rather than the vision of regionalism as means of softening the distinctions among them.<sup>6</sup> So far only the EU has allowed open migration, although it is envisioned for Mercosur as well. We doubt that it will take place for the foreseeable future. The number of poor people in the Northeast of Brazil, with income less than a tenth of the Argentine average greatly exceeds the entire Argentine population. Leaving aside the truly catastrophic effect that any substantial immigration would have on the earnings of the unskilled in Argentina, the cultural impact (even ignoring race) would be equally dramatic. It is hard to imagine circumstances in which Argentina would allow for even the possibility of such an outcome. All nominal assent to the concept will be sufficiently hedged to

render it effectively meaningless.

Regionalism also involves the security goal. Mattli (1999) admits that his parsimonious historical model of state behavior towards integrating Europe based on growth rates cannot explain the decisions of Europe's neutrals before the end of the Cold War: service to state security precluded closer cooperation within Europe even when other conditions were favorable. But security propels regionalism as well. The original EU was largely conceived as a way to prevent war between France and Germany, and its current discussions with Southeastern European have an important security dimension. ASEAN was seen as an anchor for non-Communist development in an unstable Asia, and APEC's transpacific character is seen in part as a means to sustain a strong U.S. interest in Asian security and foster Chinese normalization.

Standing was clearly a central motivation for the continuing progress of European integration. Servan-Schreiber argued in the mid-sixties that only a united Europe could contest the United States, not just economically but politically as well (1969:31,239; Kudrle, 1991). Regional groupings that cut across traditional historical roles and aspirations cannot feature this motivation as strongly: CUSTA, NAFTA, and APEC. On the other hand, the rhetoric surrounding the East Asian Economic Grouping proposal contained some elements of this motivation, as does Mercosur.

A consideration of all of the national goals together suggests why regionalism nearly always represents a radical departure for the nation state – the radicalism is only muted by the extent to which the regional project is thought to be only rhetorical or likely to fail. The possible positive synergies between prosperity and security, prosperity and standing, and possibly even

prosperity and “external” autonomy are likely to pale before the apparent trade-offs between prosperity and “internal” autonomy, and there will be a reflexive tendency to hedge, i.e. to make one’s own concessions as non-binding as possible, while seeking maximum specificity for the concessions of others.

We use the term concessions, not commitments. Not all commitments will be hedged. Some will be willingly embraced by the dominant forces behind a state’s negotiators and by the negotiators themselves. For example, Hollywood and New York would fully support the tightest possible mutual agreements on foreign popular entertainment access within NAFTA (or within the WTO for that matter). Mexico took pains that its principal unilateral and NAFTA- enforced market access provisions were relatively specific and unambiguous. A concession, however, definitionally goes beyond what would be offered to others after all domestic political forces have been vectored. Although all commitments involve delegation, that which is ceded may be nothing more than the mirror image of the binding commitment sought from others (Honduras agrees not to discriminate against EU bananas) not the net political price that must be paid for what is sought from others (Honduras agrees to allow lethal competition to its fledgling washing machine industry).<sup>7</sup> Concessions will be minimized and hedged even when non-concessionary commitments are embraced.

These dynamics are all conditioned by the clarity with which actors can, or think that they can, foresee the impact of particular liberalization and integration policies on the four goals. Confidence on that score varies among actors and by situations. When impacts are thought to be too complex to be treated fully by common sense, both the general public and special interests

tend to defer to credible sources of analysis and leadership for impact assessments. Yet, on many issues that arise in regional bargaining, leaders and authoritative technical specialists may themselves be uncertain or in conflict about impacts. In such circumstances of low impact transparency, hedging becomes especially attractive.

When impacts are sufficiently clear to be assessed, the estimates of apparent costs and benefits (in terms of magnitude and concentration) so emphasized in conventional public choice analysis can account for much of what actors do to shape policy, especially if that clarity features large and concentrated net costs or benefits. A high degree of murkiness means that the motivation to act may not outweigh the costs of trying to shape policy.

Actors differ across and within the public and private sectors in terms of what they can do to affect policy and what additional burdens attempting to do so involves. These differences can be placed under the umbrella of existing institutional factors that include degree of organization, possession of political currencies, and capacity to shape impact assessments.

Capacity to affect foreign economic policy by shaping images of ideological fit with core goals varies among nations and different actors within nations. So too do capacities to discern, publicize, and mask the impacts of policy options. These capacities to assess and 'spin' policies relate to perceptions of their benefits and costs, but institutional capacity also implies that the stance of different actors toward a particular policy option matters more or less as they have the institutional capacity to reward or punish political actors who adopt or reject their policy preferences. The reflexively hedging policymakers are tethered by some groups far more than by others.

Recent years have seen a major change in the factors associated with policy influence capacity. The new information and communication technology, especially e-mail and the Internet, significantly offsets the policy leverage advantages associated with unified formal organizations, substantial budgets, and large technical staffs. That is, large governments, ministries, firms, and labor organizations are no longer as advantaged in shaping foreign policy as they once were. In public choice language, groups that were once latent -- because they were unable to support the high costs of organizing, becoming informed, and building coalitions of the like-minded on a particular issue -- are no longer as likely to stay latent because those costs have been slashed. In addition, the proliferation of global and regional arrangements has provided those groups with mobilization experience and thus made them readier to contest new multilateral policy initiatives.

In sum, policy developments with respect to RAs are the compound product of ideological interpretations, information, cost-benefit calculations, and institutional political action capacities.<sup>8</sup> Macro-factors, such as a national economy's structural position in the world political economy, do of course matter, but only as they are perceived or misperceived by the relevant actors. Those perceptions will vary with circumstances, as will their implications for ideological consonance, impact assessment, and credible political leadership. It is far from certain that there will be perceptual consensus about the position of a particular state internally or that between foreigners and its nationals. The tendency of states to hedge in public discussions, private bargaining, the fashioning of agreements, and agreement enforcement add to the interpretive difficulty. All of these factors propel hedging to the fore.

### **The Ubiquity of Hedging**

Uncertainty and contingency retard binding regional commitments, while hedging keeps open the possibility of changing emphases and mixes of acceleration, braking, and ratcheting. Hedging strategies are analogous to retaining a diverse portfolio rather than putting all one's eggs in a single basket. The strategies can take many forms, but have in common rejection of reliance on any single one of the three stances as a comprehensive, committed and non-contingent policy posture.

We suggest that treating hedging as a critical omnipresent element of policy strategy provides stronger understanding and foresight about liberalization and integration than does emphasizing choices among acceleration, braking, and ratcheting. Hedging strategies are not abandoned as RAs evolve and their circumstances change. What does change is their issue focus and content.

From this perspective, simultaneously retaining or growing unilateral, bilateral, global and RA courses of action amounts to macro-hedging about liberalization and integration. So too may pursuit of membership in overlapping but non-identical or subset RAs (e.g., APEC and NAFTA, ASEAN and ASEM, Mercosur and an FTAA) or coordination among them.

Within a particular RA, hedging can involve maintaining and even proliferating distinct issue areas and resisting comprehensive grand bargains so that various options remain open for diverse issue areas. It can involve an emphasis on loose consultative mechanisms, a preference for vagueness about timetables and operational details. But it is wrong to view such practices inherently as attempts to achieve braking. In some circumstances they can yield acceleration potential greater than would otherwise be possible and make ratcheting more palatable and probable.

Hedging tries to keep the RA 'ball in play' and to avoid ripping apart the RAs to which a nation

currently belongs. Yet considerable pains are taken to insure that the pace and content of liberalization and integration remain open in many respects.. Hedgers may go for lock-ins (ratcheting) for selected issues at particular points in time, but they typically do so based on the belief that such steps will increase the chances that acceleration and braking options will be available in the future.

The most analytically convenient world would be one in which all the parties to all RAs across all issue areas took a uniform accelerator, brake or ratchet posture. In fact we do and will inhabit a world of marked analytic inconvenience. Variation abounds among and within issues, parties, and RAs. Its messy and fuzzy composition in terms of option preferences shifts with time. Knowledge of those realities and uncertainty about their specific content in the near, medium, and long-term future argues for maintaining a hedging option. That is especially true for time periods, such as the one we are now in, without a firm and well-known security order, with dramatic evidence of vulnerability to economic shocks, and abundantly populated by several levels of governance all of which are in considerable flux. These uncertainties make for a special edginess now given the as yet to clarify consequences of major recent changes in RAs (e.g., the Euro), and the WTO.

In such a world, maintaining a hedging option at least aids in bargaining with foreign and domestic parties about the agenda and evolution of RAs. It provides a facade of useful ambiguity about what is being promised to foreign and domestic audiences. It provides a sense, and possibly a reality, of minimizing the risks that might be posed by unanticipated or downright hostile and narrowly selfish behaviors by others. Hedging recognizes that any single course with respect to liberalization and integration, on any specific actionable issue, will have both losers and winners within national members, among nations in a particular RA, and between its members and outsiders. Even if one believes that

there will only be winners in a theoretically conceivable time span, e.g., global economic welfare effects, hedging recognizes that not all will experience the eventual benefit stream at the same political time or to the same extent.

The simplest story told about regionalism typically stresses the possibility that it allows a subgroup of states to accelerate liberalization or integration to an extent that, for a host of reasons, may be less possible in a group with larger and more diverse membership, such as the World Trade Organization. However, few key players in regional agreements fully and unconditionally embrace liberalization and integration. For most, on one or more particular issues, regional fora are also useful as they may help halt, slow down, or contain the march of increasing market contestability and delegation of national autonomy. For most, on one or more particular issues, regional commitments also appeal as a means to create and sustain a bulwark against domestic pressures and foreign opportunism to oppose and retreat from a set of *de jure* or *de facto* liberalization and integration practices and commitments.

The large and still increasing literature on delegation to an RA of elements of national autonomy through commitments to common policies provides suggestions about the factors that make for accelerating and braking. It recognizes the usefulness of RAs for ratcheting member policies in ways beyond what they can achieve on their own. To the extent that hedging is addressed, it is seen as a residual accommodation to domestic differences of interest and opinion which deter or prevent governments from doing what they want to do --- wholeheartedly commit to one or another of acceleration, braking, or ratcheting liberalization and integration. Hedging occurs then as a fallback position taken when each of those primary options seems to be too unacceptable. We have a very

different view. For most nations, and thus most RAs on most issues at this point in history, hedging is an instinctive dimension of every bargaining choice. It is abandoned with the greatest reluctance, under relatively exceptional circumstances, and only after hard and prolonged explicit or implicit bargaining. That has been true even for the issue area of greatest delegation (trade and at the border barriers), and the RAs with the most substantial record of delegation (the EU and NAFTA. It is even more evident with respect to behind the border issues tied to economic matters (foreign direct investment, competition, standards, government procurement, intellectual property rights, labor and environmental matters), and other RAs (most obviously ASEAN, APEC, ASEM, and Mercosur.

Characterizations that slight the predominance of hedging strategies, or indeed of RAs as performing an important hedging function, slight the unevenness of RA development compared to each other, and of any single RA over different issues with respect to liberalization and integration. We know that even the most advanced regionalism as governance cases are marked by episodic rather than continuous evolution with long 'pauses for digestion,' and pronounced gaps between integrative declaratory policies and coherent programs. Such patterns surely are compatible with hedging. In their presence, it is hardly surprising that interpretations focused on one or of the other strategies (acceleration, braking, ratcheting) can readily find abundant illustrations that support and also that run counter to their views.

Even a cursory examination of the variety of stances found for any particular RA or national member across issues, let alone for RAs as a class, finds little in the way of a fully coherent accelerator, brake, or ratchet posture. The yield is more like a Cohen, March and Olsen (1972) 'garbage can.'

In that metaphor, there are sub-elements of coherence -- the dump from particular rooms in a

home with different functions. There also, we would argue, is a good reason for the apparent broader incoherence beyond lack of a centralized, controlling unitary actor. The home has rooms with different functions because of the ends it is supposed to serve or have the capacity to serve almost simultaneously. The specifics of the different types of rooms, and their shares in the total home, do change with shifts in tastes and preferences, relevant costs, external constraints (e.g., building codes), and technological feasibility. Yet in the aggregate, the garbage can will still reflect the persistent embrace of multiple purposes. Apparent incoherence follows not so much from the inability to achieve coherence as from a more complicated and multi-faceted utility schedule based on a variety of clearly imagined needs.

By analogy, hedging provides a similar integrative, general rationale for the variety of behavior which runs counter to simple choices among accelerating, braking, and racheting as exclusive alternatives within and among RAs. First, the hedging perspective not only grants but emphasizes that a scan of RAs will find elements of the other three strategies. Second, beyond that mosaic, it does not presume that hedging will have the same specific policy content for any particular actor across time and issues, or from one actor to another. Third, national actors are assumed to all have desires for prosperity, security, autonomy, and standing (status). Fourth, they are also assumed to differ from each other in terms of what they regard as threats to, opportunities for, and currently or prospectively available means toward those ends. Fifth, since those matters are not fully fixed but modified with changes in current circumstances and expectations, the specifics of hedging are also changeable.

A hedging perspective does not start by restricting the availability of strategic choice and complexity to the large and relatively mighty. That restriction is avoided in two senses -- no

presumption that a particular non-hedging strategy is inherently and uniformly best in ways correlated with national scale, and no presumption that the small in economic or security terms have no choice but to accommodate to the strategic direction of the large. It accepts that as practical matter no single country or RA in the contemporary world can be confident that it can cheaply impose its will on most others in a sustained fashion.

The hedging perspective substantially amends Thucydides' dictum that "large nations do what they wish, while small nations accept what they must" (as quoted in Kotschwar 1999: 157). Large nations often find themselves compromising on their wishes, and small ones often shaping the terms of what they feel compelled to accept (for example, Bobrow 1999).

While we emphasize the continuing use of a hedging strategy by most RAs and their members, we no more claim that it explains everything than do the proponents of the 'garbage can' model of organizational behavior. The particular characteristics and outputs of any given regional 'house', like those of our metaphorical home, are affected by hard to reverse commitments including delegated authority, secular trends, changing preferences, and technology.

Downplaying hedging can have unhelpful practical consequences. Policy influentials disposed to see acceleration and ratcheting as predominantly at work are prone to liberalization and integration 'over-reach'. They may well push proposals that are likely to stall because they underestimate the prospects for mobilization of losers hurt by earlier steps that enhanced contestability or reduced sovereignty. Even their immediate victories (a battle) can frustrate their subsequent efforts (a war), e.g., the NAFTA passage in the U.S. and subsequent denial of fast-track authority. Believers in braking are vulnerable to 'containment exaggeration'. They tend to underestimate the impacts of economic

developments and incentives or security threats that can over-ride the constraints placed on RAs. They may inadequately consider how those constraints generate countervailing responses by others within and outside of their own, and by other RAs, that erode the benefits and raise the costs of attempts to limit contestability and retain sovereignty.

Each of the major contending perspectives unwarrantedly tends to presume that recent developments are clear harbingers of the future of regionalism as governance for one or another RA. Those who claim to know what the state of the newer RAs with respect to liberalization and integration will be at any particular point in the future would do well to bear in mind the several decades which elapsed between the formation of the European Coal and Steel Community, the signing of the Treaty of Rome, and the declaration of a Single Market and common currency. A more extended time perspective would carry with it recognition of the massive and at best largely unexpected changes within and outside of Europe during those intervening decades.

Hedging is not inherently linked to any particular degree of formal institutionalization by an RA. Even the most elaborated RA institutions (e.g., the EU) offer mixes of opportunities for acceleration, braking, and ratcheting and thus do not eliminate hedging but only modify its specific contents. Consider the formal checks and balances provided by the prerogatives of the European Commission, Parliament, and Court, or the *de facto* ones of national representation practices within the Commission. The edge in inter-RA relations provided by unevenness in institutional elaboration may even motivate the more elaborated to work to hold back similar developments in other RAs. An example is the energetic opposition of the EC to the formation of a separate secretariat in ASEM. Specific forms and process rules built into institutions by precedents and formalized practices can

buttress and insure the availability of hedging strategies. Consider the building in of norms of consensus (single member veto power), of 'variable geometry' permitting acceleration by subsets of members (as in the EU) or APEC's 'voluntaristic 'concerted unilateral action'.

Of course, the transfer of national powers to some RA changes the ratification -- and we would add implementation -- dynamics of two level (more accurately n-level) games nations play. Such developments, for the policy issue area involved, lessen the hedging latitude of governments. When we focus narrowly on a particular issue having substantial agreed to delegation, we will see a narrowing in the scope for hedging. When we recognize that RAs are not 'single issue' governance institutions for their national members, we typically come to more complex conclusions about the historical record and the prospects for the future.

A record of substantial previous delegation can make such steps on other issues even more contentious, less likely, and slower to ripen. As hedging options are curtailed, the burden of proof required to abandon those remaining may seem greater as may the demand for new and innovative hedging tactics. Within broad policy domains, such as foreign economic policy, the narrowing on any particular issue is usually accompanied or followed by the heightened salience of other issues. Those emerging issues may stem from the activity of other RAs, recognition that the issues previously dealt with simply make others more important, or the stimulus of dramatic events and attempts to exploit them at other levels of governance. As one issue's space for hedging shrinks, that of others grows.

Economic policy provides a useful illustration. Liberalization of trade and investment among an RA's members has been the most predominant recent feature of regionalism as governance. In those policy spaces, the removal of barriers to trade and investment initially agreed upon typically leads to

self-ratcheting in the shorter term and sooner or later to accelerating economic integration. That happens because the typical citizen in a typical RA will see an increase in material welfare over time no matter how much the bargaining governments have hedged around the edges.<sup>9</sup> Protectionism, since it serves special rather than general interests, must be sold in large part on false, or at least highly selective and incomplete, claims about its material welfare consequences. Those claims try to argue persuasively that the welfare of the average citizen will fall in some critical dimension. This is seldom the actual result over an extended time period, so the false or exaggerated character of protectionist claims becomes clear with the passage of time.

Increases in market contestability erode or destroy the special interests that opposed the RA in the first place, while entrenching ones benefiting from it. To the extent that the claims of RA opponents that certain industries will shrink in size and employment turn out to be true, there will be weaker and fewer opponents to fight for a return to the *status quo ante* or even a standstill freeze. Those who were initially motivated to seek hedging wiggle-room by uncertainty about consequences and who then subsequently benefit will have good reason to reconsider their initial caution. The early advocates of liberalization and integration, most obviously large multinational corporations, are moved by results to have even greater confidence and conviction about the merits of acceleration (Lawrence, 1999).

Yet what we also know from the trade and investment story is that the substantial convergence on quite open trade and investment regimes has brought to the fore other issues (including standards, competition, government procurement, intellectual property rights, labor treatment, and environmental protection). As those issues have come to get more attention, RA member governments have not simply treated them as having been narrowed in a hedging-limiting way similar to trade and investment.

Few if any RAs or their member governments have taken a clear position of acceleration, braking, or racheting on these matters. Instead hedging has flourished and seems likely to continue to do so for many years (see pertinent chapters on several of these issues in Mendoza, Low, and Kotschwar 1999).

We then see compelling reasons to treat RAs substantially as hedging instruments for member governments, their firms, and other interest groups at least as much as devices to commit firmly to acceleration, braking or racheting. Hedging promises relative future policy latitude as it shields the participants against having to make firm bets on hard-to-predict political and economic developments, such as firm competitiveness within and across sectors, national macroeconomic health, and shifts in domestic and international political assets. The expanded policy portfolio that RAs can provide for hedging on liberalization and integration surely has significant attractions in an economic and security milieu in which members of any particular RA are sensitive to the actions of non-members, individually or as an other RA. What any 'we' will find it appealing to do depends on what others seem likely to do, matters that are far from being written in stone.

Overall, anticipating the future of regionalism as governance involves understanding a) on what issues, b) with what expectations, and c) in what ways parties will seek to pursue hedging through an RA. Of course what their success turns out to be in manipulating an RA has its own determinants. These include what goes on in and between other RAs, at other levels of governance, previous delegation or lack of delegation manifested in the 'rules of the game' of the particular RA, and the occurrence of inadequately anticipated shocks.

Success as we use it does not refer to achieving, in or through Ras, the collective welfare

results implied by theory, ideology, or experience, e.g., economic growth, distributional fairness, peace. Nor do we suggest that success is an ever-more rapid upward spiral in the deepening of integration, growth in delegation, broadening of RA issue coverage, extension of RA membership, or elaboration of authoritative RA institutions. Within the compass of this paper, such notions of success and implied failure intrude only as they enter into calculations by the parties of what they will try to get an RA to do, what they will try to block it from doing, and the chances of getting their way. As part of a policy-making context, these ideas affect judgments about what it is most important to hedge for and against, and the 'moves' most promising for doing so.

### **Hedging in Relation to Other Perspectives**

Writing on regionalism by economists and political scientists offers many general interpretations about one or another aspect of the development of RAs.<sup>10</sup> They have all encountered anomalous cases, are limited to particular issue areas, or fall short of being able to tightly derive the timing and content of specific policy stances before the fact. It would be unduly repetitive and lengthy to consider all the conceptual candidates, so we limit ourselves to several of special relevance to our argument and relatively recent vintage.

Nearly forty years ago Ernest Haas (1961) recognized that RAs are shaped by both economic and political considerations, a recognition now widely acknowledged among economists (De Melo, Panagariya and Rodrik 1993). Economic considerations *per se* can lead actors toward several possible stances with respect to acceleration, braking or ratcheting liberalization and integration. Choices depend on the opportunity cost estimates of each of these options. Since those estimates will differ among economic actors within a country, the resulting national policies will depend on the predominance of

various types of economic actors in the national economy (e.g., of export oriented high returns to scale industries) as that translates into political influence (Milner 1997).

Suppose political influence is decisively held by economic actors who have a confident consensus about the consequences for them of one or another course in an RA. Governments then will not hedge except as a bargaining tactic with other governments whose economic actors have in politically significant terms different views of the opportunity costs of particular steps in liberalization and integration. Those conditions, however, are often not met. Political influence may be dispersed among economic actors with different interests. There may be a significant lack of confidence in estimates by economic actors of the consequences of any particular step in further delegation. The interests of any particular economic actor may not consistently favor acceleration, braking, or ratcheting. For example, consider the case of an export oriented multinational corporation that has made a foreign direct investment in order to capture the benefits of a significantly protected foreign market. Any one or combination of those possibilities leads governments to turn to a hedging strategy. Further, commitments to an RA inherently involve bets not just on what one's own economic national interests will be but also on what other governments will see as theirs based on the interests and influence of their own economic actors. As those seem to be inimical or uncertain, hedging has a lot to be said for it.

As Solingen (1998) has persuasively argued, it may well be the case that we are seeing a broad adoption by nations of the view that their future well being is best served by steps toward liberalization and integration. Whether as chicken or egg, that turn leads to more governments being dominated by an "internationalist" as contrasted with a "statist-nationalist" and "confessional" coalition.

In relation to our argument, the most straightforward implication of such a set of developments would be opting for long-run acceleration of regionalism as governance, facilitated and buttressed by ratcheting. On more reflection, that is by no means a necessary implication. A government dominated by an internationalist coalition still faces choices and the need for judgments about the conduciveness of unilateralism, globalism, bilateralism, or regionalism as instruments for desired liberalization and integration. There are, after all, no guarantees that RAs in general, or any particular RA, are always instrumentally superior for that purpose. Nor is there any guarantee that the general supportive stance of any given internationalist coalition extends to all of the changing set of issues currently central to progressive liberalization and integration.

When appropriate uncertainty and complexity are considered, Solingen's perspective is fully compatible with increasing attention to the use of RAs as part of an internationalist strategy, but one that is hedged among multiple RAs, avoids sole reliance on regionalism, and manifests retained reservations about delegation once the most basic elements of opening to trade and investment are addressed (and even those may have important excepted elements). That amounts to a hedging strategy and is, of course, what we have seen recently in Latin America, in Asia, and in the RAs that link Asia to other parts of the world.

Intergovernmentalism (Moravcsik 1991) relates to our hedging argument in several ways. This perspective emphasizes that RAs initially reflect the interests of large states as shaped by economic interdependence, interests pursued in ways that only reluctantly surrender autonomy and even then only as little as possible. Small states, albeit possibly with the grease of side-payments, are in the role of rule-takers and not rule-makers. In the second stage of RAs, "the outcomes of interstate bargains are

determined by the relative bargaining power of governments and the functional incentives for institutionalization ... [read as delegation] ... created by the high transaction costs and the desire to control domestic agendas" (Moravcsik 1993: 517).

From this point of view, even big and powerful governments have incentives to draw on the ambiguity hedging provides rather than make a strong and transparent bet on acceleration or braking or ratcheting. They have little incentive to make completely clear, especially to others of similar rank in the RA, what their minimum acceptable position is on liberalization and integration, and to foster the perception that they view some matters as deal breakers.

Many RAs involve more than one large and powerful state (France and Germany in the EU; Brazil and Argentina in Mercosur; the US, China and Japan in APEC). Governments of such states also have incentives to create the prospect of significant integration and liberalization steps as on the way -- the train is leaving the station -- so that smaller states have no choice but to go along. Hedging may also seem attractive given uncertainties about when and if the second stage will be entered. Clarity rather than hedging about such entry, which is expected to help national governments control domestic agendas, may be counter-productive because it may mobilize domestic opponents

What about smaller states? In a conventional trade model, economic rationality would dictate that they opt for acceleration in liberalization and integration. They would only question the relative merits of an RA dominated by big states compared to other levels of governance for the pursuit of those objectives. More realistically, the essence of being small is being vulnerable and dependent (Kotschwar 1999: 135-38).

Intergovernmentalist RAs pose threats as well as carrots to small members, and those threats

may be substantial at least in a politically relevant time period. The "transition costs of trade liberalization will be higher for smaller economies than for larger ones" (Kotschwar 1999: 137). Their firms may well be disadvantaged in their export learning rate. They may have few of the human resources to manage liberalization and integration. With only modest economic incentives to offer to the big states in a current or potential RA, the small may well be subject to unwanted demands to accommodate to the large on other sorts of issues.

All of these vulnerabilities and dependencies can matter significantly for small country governing coalitions and their would-be replacements. Accordingly, even an internationalist small country governing coalition, *à la* Solingen, can well find it advantageous to use a hedging strategy. That way it appears at one and the same time to be gaining the benefits an RA can provide through liberalization and integration while shielding itself against the vulnerabilities and dependencies. Sometimes elites in big countries understand that mix of pressures, and value small country internationalist coalitions on other grounds. They may even collude with small country governing coalitions to provide the latter with at least a domestically useful facade of hedging.

Parenthetically, some of the considerations just mentioned could be rendered moot if the RA only contained small states, e.g., ASEAN or CARICOM. Yet membership in such RAs offers little directly by way of major economic carrots. These RAs might of course provide increased leverage through a unified voice in bargaining with RAs whose members include the more powerful. The ASEAN experience in trying to garner that benefit shows how contingent it is on those others being willing to treat an 'RA of the small' as an entity, and it is not obvious that those others will have sufficient reason to do so. For example, in ASEM the EU has taken considerable pains to avoid

granting ASEAN such a role and the US has taken a similar course in APEC. Deniers in effect are trying to bolster their own position in hedging terms, while constraining that of the smaller member states in an RA.

Many of the expectations of the intergovernmentalist perspective follow from a prevailing or prospective power disparity (Grieco 1997). If it is seen as stable and benign or unavoidable, delays in liberalization and integration commitments based on prospects for change seem unhelpful and acceleration may carry the day within an RA.

Especially when the disparity takes the form of a single hegemonic power within an RA, it might be argued that the other members have reason to make a clear choice among acceleration, braking, or ratcheting. They might opt for acceleration to integrate themselves with a hegemon's economy so that some measures of useful protection are sacrificed to buy exemption from really disruptive discretionary protection by a dominant trading partner (e.g., Canada's largely unsuccessful attempt to avoid U.S. administered protection in CUSTA). They might opt for a braking posture by coalescing with others member governments and their firms to check the liberalization and integration preferences (and preferred sanctions) of a preponderant state and its firms (as by the other members of APEC vis-a-vis the US). They might opt for ratcheting to entangle a predominant power in a set of commitments and proclaimed accomplishments that reduce the hegemon's subsequent freedom of action to make others' economies more contestable or to lessen their ability to contest that of the hegemon.

In recent years power disparities have not been stable, and widely held expectations about them have turned out to be (at least for a while) off the mark. Leaving the former Soviet Union aside,

consider changes in Japan's economic trajectory, the reversal of US decline, and both the trumpeted Asian miracle and its equally trumpeted interment. There is then good reason for responsible officials to view prevalent interpretations of future power disparities with some caution. That is compounded if they also consider the varying constraints on usable power and the weight which should be given to one or another component of national power. Uncertainty on all these counts warrants hedging, not a clear commitment to acceleration or braking. There are too many doubts about whether or not this is the best time to cut a hard –to-revoke deal.

Another pertinent view in effect says that joint high overlapping membership in an economic and a political-military RA is particularly conducive to accelerating liberalization and integration among the members (Mansfield and Bronson 1997). That judgment rests on comparison with an economic RA that includes states whose current or expected security relations are strained. Empirically, the EU, NAFTA (and even more CUSTA), and ANZCERTA seem the best contemporary examples of acceleration-conducive compound RAs. Nevertheless, the EU and NAFTA are hardly devoid of hedging or domestic demand to blunt and delay comprehensive liberalization and integration internally. In other words, one can accept the essence of this view while recognizing the continuing importance of hedging strategies.

The EU is often cited as foremost among contemporary RAs as an example of advanced regionalism as governance. It seems appropriate to conclude this section of our paper by considering some general arguments Walter Mattli (1999) has developed with reference to the EU's evolution. He rejects three explanations for the EU's advance in favor of a fourth. The rejects are peace-seeking in its geographic space, political leadership, and the pressure of common identity demands. Instead, he

argues for the driver of "external events that threatened economic prosperity ... [including] ...'counter-unions' outside of Europe" (Mattli 1999: 16). The critical conditions for the advance of an RA toward internal liberalization and integration are cast in supply and demand terms.

The demand side features estimates of substantial economic gains from liberalization and integration among economic actors in a position to reward and punish politicians. Demand rises as firms see substantial gains from trade and investment delegations to an RA, in part as a function of those delegations reducing the risks and transaction costs such cross-border activities involve. Demand tends to surge when firms and national economies seem to be under-performing their historical norm, or are thought to now or imminently under-perform particular external competitors in particular because of those others' activity in other RAs.

Demand may generate a supply response; political leadership plays a pivotal role. That in turn depends on the conviction among politicians that vigorous pursuit of integration and liberalization in an RA will make a positive difference for their holding high office. Since holding office is a function of national and powerful firm and sector economic performance, politicians move forward on delegations to an RA when they experience or risk unsatisfactory performance from the governance status quo.

Pro-liberalization and integration policy lines are especially likely to flourish when one RA member has the capacity and will to step into the role of disproportionately great bearer of the costs of an RA, and plays that role in a generally benevolent, non-threatening manner. A state will not do so absent the prospect of eventual, overall economic gains -- although it may also have additional motives. In that situation, political leaders in the other relevant states are especially likely to see the opportunities to satisfy economic demands from their constituents without having to foot an unappealing bill for

doing so (and possibly even garnering substantial side-payments). Supply also benefits when the RA has evolved to the point of having "commitment institutions." Meeting the political leading country and the commitment institution conditions improves the chances of acceleration and provides ratchets. In effect, the collective action problems inherent in Prisoner's Dilemma and coordination games are made manageable. A number of RAs are examined in these terms and the degrees of governance achieved found to be greatest when both "undisputed leadership and strong market pressure for integration" (Mattli 1999: 63) have been present.<sup>11</sup>

While persuasive in many respects, the arguments just summarized do not eliminate the appeals of hedging strategies but only suggest differences in their content and focus. The supply of leadership and burden bearing from a single state is not always fixed, so precautions need to be taken should it wane (as it seems to have in some respects for the US and more recently for Germany). Precautionary hedging also may be appropriate if there are doubts about the leading nation's benevolence. Additionally, the market gains envisioned may be less within an RA of small economic scale than from using that RA to influence gains in outside markets (ASEAN). Hedging in such a situation may be appropriate given uncertainties about what will happen with reference to those outside markets. Differences in levels of economic development and industrial structure may make it less likely that all RA members will have the same political incentives at sufficiently proximate times for joint action. After an RA is launched and even has developed 'commitment institutions, politically potent segments of member states may believe that the promised relative and absolute economic gains have not materialized, especially in distributional equity terms. Negative economic developments that follow acceleration of delegations to an RA, even if not caused by the new commitments, can have serious

political consequences (Padoan, 1997).

For these and other reasons, politicians have incentives to associate themselves with a strategy useful both for 'credit claiming' and 'blame shedding' with respect to regional governance arrangements. That is no less true for the politicians of leading states. Hedging fills that bill.

### **Conclusion**

For decades journalists have regularly reported that one regional grouping or another was about to make a major breakthrough or about to fall apart. Their batting average about the actual outcomes has not been high. And academics have not done much better. As a general example, consider the forecasts of the late 1980s and early 1990s of a world of three major regional economic blocs (Europe, the Americas, and Asia). As a more specific instance, note the disproven assertions that the collapse of the European monetary mechanism in the early nineties demonstrated that radical EU policy innovations were “the only politically and economically feasible way” of launching a common currency (Eichengreen, Tobin, and Wyplosz, 1995: 163).

Political scientists and economists do not need to be reminded that modern international affairs social science often predicts poorly while explaining everything elegantly after the fact. We have argued why we think we know why regional governance has proved to be a particularly tough nut. Regional politics combines domestic and foreign policy concerns in demanding ways, yet the political setting in which agreements are struck seldom grows out of narrowly drawn publicly stated directives from individual nation states to their negotiating teams. The lengthy time periods from the initiation of issue discussions in an RA until agreements emerge on any integration of liberalization steps almost

guarantee changes in the international context and domestic political circumstances of the member states. The possibility for reappraisals of the costs and benefits from any particular step toward regional governance may well change during the negotiating interval. Directives from national governments to those bargaining on their behalf will change accordingly. Further, at any particular point in time, the bargainers have three major areas of latitude. There is bargaining space from the home polity, including that provided by different preferences on the part of several elements of their home government. The national interest dictates secrecy about maximum and minimum offers within those bounds. The specifics of any concessions can be made narrow, ambiguous, or temporally deferred. Even following an agreement, enforcement issues provide another area of ambiguity and often set the stage for future bargaining.

Because most states most of the time can be expected to concede no more sovereignty than is necessary to achieve their objectives of the moment, we see no end to this story. Hedging will loom as large in the new century as it has in this one.

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## ENDNOTES

<sup>1</sup> The governance aspect is of course not the only set of matters discussed under the label of regionalism. Others include regionalization in the sense of predominance of exchanges (e.g., regional concentration of trade) and evolving identities in terms of self-identification (Bach and Hveem, 1998). The former may stand in contrast to globalization; the latter to nationalism. Neither the primacy of exchanges within a particular RA nor a surging common identity are necessary conditions or consequences for the evolution of regionalism as governance. That is evidenced for the former by ASEAN and the latter by the EU (Bobrow and Boyer 1999).

<sup>2</sup> We define an RA as a presumably continuing, though possibly hibernating, named, and voluntary relationship of two or more two national governments (but not most national governments) with the declared intent of dealing cooperatively with concerns affecting each other and their respective constituencies.

<sup>3</sup> That conclusion of course leaves open how demanding existing RAs will make the conditions for newcomers to join, what various possible new members will be willing to pay to get into a particular RA, and what payments they can extract from current members.

<sup>4</sup> It is certainly true that a wealth maximizing unitary state with economic leverage would attempt to wrest access concessions from its trading partners despite its willingness to engage in free trade absent such bargaining opportunities, but even very few small states trade freely.

<sup>5</sup> It may be remembered that when the WTO was presented to the U.S. Senate, Robert Dole proposed that the performance of WTO adjudication be evaluated by American experts after a “trial period” with the implicit threat that sufficiently unsatisfactory behavior could result in U.S. withdrawal.

<sup>6</sup> One could argue that a qualitative threshold in the decline of a traditional nation state has been crossed once inter-state mobility with essentially “full vesting” of all of the rights traditionally granted only to citizens extends to residents of a set of states.

<sup>7</sup> This is a political not an economic price because the country as a whole would almost certainly be better off with cheaper washers.

<sup>8</sup> In the long run, ideology (the fit of policy directions with both goals and interests) and institutions are endogenous (North 1981, Chapters 3 and 5).

<sup>9</sup> This statement does not amount to contending that all or even most citizens will realize the same relative or absolute prosperity gains, or that increases in material welfare will take place through time in a linear or prompt fashion.

<sup>10</sup> For many of the major approaches, see Mattli 1999: 19-40; Frankel, Stein and Wei 1997: 207-25; and Mansfield and Milner 1997.

<sup>11</sup> Mattli himself does acknowledge at various points in his argument that RAs can come to exist for substantially non-economic reasons and have the potential to surge in the face of external substantially non-economic threats. One example of the latter is the bold recent proposals for the EU to move quickly and comprehensively to enfold Southeastern Europe (CEPS 1999).