



## Weak Powers and Globalism: The Impact of Plurality on Weak-Strong Negotiations in the International Economy

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**Abstract.** Can developing countries effect outcomes in their favor in negotiations with developed countries? This article shows that as global politics move toward a multi-issue ‘diffusion of power’ in which states and other actors interact in a considerably less hierarchical fashion than one characterized by a state-centric security-dominated distribution of power, developing countries are afforded negotiation processes they lacked earlier. First, the negotiation environment is changing. Developing countries are negotiating in scenarios increasingly marked by pragmatic ‘rules of the game’ rather than authoritative or confrontational scenarios of earlier periods. Developing country alternatives have also improved in the diffusion of power. Second, developing countries can now use a host of negotiation tactics effectively. These include inclusion/agenda setting, trade-offs/issue-linkages, coalition building, technocratic and legalistic strategies and direct lobbying in other countries. The article emphasizes the links between issue-specific power structures and negotiation processes and draws attention to the underlying historical context in which these structures and processes arise. Several examples from bilateral and multilateral negotiations are introduced in the article although these examples do not constitute empirical proof of this article’s conceptual arguments. In conclusion, given diffusion of power and the resulting pluralism, developing countries are not completely resigned to global liberalism without effecting anything in their favor. Global liberalism is thus not just a top-down process – it can be amended from below. Negotiations matter.

**Keywords:** globalization, negotiation process, negotiation strategies, North-South negotiations, power structures

How the strong have often dealt with the weak in ways far more oblique, or less successful than the simple notion of high correlation between might and achievements would suggest; how and under what conditions the weak have been able to offset their inferiority – these are issues which,

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until OPEC came along, had not been at the center of research and for which, again, far more historical work ought to be undertaken.

– Stanley Hoffmann (1977)

Whatever structures and institutions prevail in future world affairs, negotiation will be central in determining what these structures and institutions mean in practice for states, firms, and people.

– John Odell (1997)

### **Introduction**

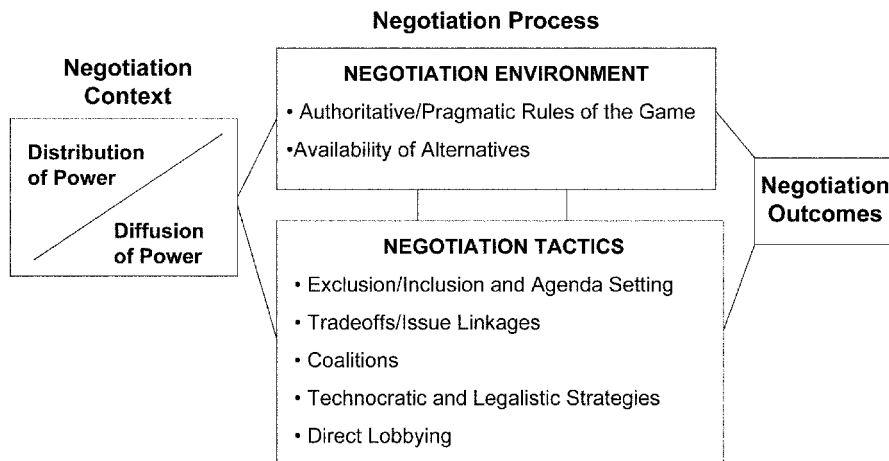
There is no heroic conclusion offered here.<sup>1</sup> This article neither claims that weak powers can “win” all negotiations in a globalized economy, nor that the strong will do what they can to make the weak suffer.<sup>2</sup> Instead the article builds on a long line of sophisticated analyses that show that we cannot predict outcomes of negotiations from global power distributions, and that negotiations matter (Odell 1990). These studies show that weak powers or developing countries can effect outcomes more favorable to themselves by following strategies such as taking advantage of negotiation sequences and procedures (Zartman 1987, 1971), playing off one great power against another (Wriggins 1971), following well-informed and skillful technocratic strategies (Odell 1985), finding loopholes in great power protectionism towards them (Yoffie 1983), or taking advantage of competitors for their resources or markets (Grieco 1982). While illustrating that developing countries do indeed possess some leverage, these studies nonetheless show that the odds are against them and that developing countries can “win” only through clever combinations of knowledge, flexibility and daring.

The contribution of this article lies in clarifying the historical global power context that gives rise to particular negotiation processes, including negotiation environments and tactics. Negotiation environments, in particular, can be directly derived from particular power configurations of the global economy and determine the negotiating ‘rules of the game’ and the availability of alternatives to the developing world. Negotiating tactics also vary from one power configuration to another in terms of their availability and effectiveness. Negotiation outcomes thus differ from one historical context to another.

Most of the analyses to date on North-South negotiations belong to one particular global context captured by the term “distribution of power” which, as Zartman (1971: IX) noted almost a generation ago, affixes the weak in a

“definitional inferiority”. Distribution of power implies a hierarchical distribution of resources and abilities simultaneously across many issue areas that almost always result in outcomes favorable to those at the top of the hierarchy. In the current scenario, power configurations (even when they mostly privilege the North) may vary from one issue to another positing different actors and different hierarchies depending on the issue in question. In this context, termed “diffusion of power,” outcomes benefiting developing countries, once exceptional occurrences, are being reached with increasing regularity. Diffusion of power scenarios center around dynamic environments in which power resources and abilities, rather than being hierarchically affixed across all issue areas, change from one issue area to another given complex mixes of coalitional partners, issue-linkages and bargaining alternatives, among other things. In such dynamic environments, developing countries, for example, can use power asymmetries among great powers to their advantage by bettering their alternatives and also use negotiation tactics effectively. They may even be invited to enter powerful coalitions with great powers. The terms “weak” and “strong” are not meaningless. On the contrary, in diffusion of power contexts, negotiation processes matter a great deal and the weak may not suffer every time they negotiate. Both distribution of power and diffusion of power configurations have notions of structural power embedded in them. However, in the former case, structural power extends across all issue areas in question while in the latter case, issue-specific power becomes important.

This article asks two questions: How has the power configuration context changed in North-South negotiations and how does this context redefine negotiation processes? Two preliminary observations serve as a point of departure. First, developing countries are increasingly effecting bargains in their favor in trade, investment, monetary and foreign aid issues. This does not mean that they are now on equal footing with strong powers but that we need to pay serious attention to the context of these negotiations to evaluate if outcomes are exceptions or regularized patterns. Second, distribution of power theories which constrain the win sets for developing countries are based on a historical conception of international political economy in which security issues and state actors played a key role. The present world economy is characterized by two types of pluralities: multi-actor plurality and multi-issue plurality. Both are captured by the term diffusion of power, in that the exercise of power at the global level is not constrained to one set of actors (states) around the salient issue of security. This increases the set of options and strategies available to developing countries. In such a diffused context, coercive strategies on the part of the strong, or confrontational strategies on the part of the weak (which characterized many of the North-South negotiations of the past), become increasingly irrelevant. While not denying that we



*Figure 1.*

can come up with generalizable propositions, this article nonetheless defers to providing a historical context for these propositions. Thus, for example, Krasner was not wrong in noting that the third world used distributive tactics to try to modify the forces of global liberalism, but he was right only to the extent to which we can trace these tactics to a distribution of power context (Krasner 1985).

Diffusion of power across several actors and issue-areas gives rise to negotiations termed “globalism” in this article in which the weak (and the strong) negotiate (a) pragmatically, (b) often knowing that they would not be completely worse off with no agreement because of the many alternatives available to them in a pluralistic world economy, and (c) with negotiation tactics like coalitions, trade-offs/issue linkages, technocratic tactics and direct lobbying, which were the exceptions rather than the rule in eras characterized by hierarchical distributions of power. A and B are derived from the diffusion of power context and help to specify the overall environment for the negotiation process, while the specific strategies deployed during the process is captured by C. In other words, the article moves from context to process. Figure 1 illustrates the argument.

### **The Uruguay Round and After: An Illustration**

An illustration taken from the Uruguay Round helps to illuminate both the changed context and the process of North-South negotiations before we turn to abstract conceptualization. Traditionally, the GATT rounds was the domain of industrialized nations. The “pyramidal” pattern of negotiations ensured

that those countries with the strongest economies dictated the initial proposals which were then “multilateralized” by inclusion of other parties (Winham 1986). Developing countries stayed at the bottom of the pyramid even though since GATT formation in 1947 they had benefited from those GATT rules which allowed them preferential treatment.

Hoekman and Kostecki (1995: Chapter 10) distinguish between three stages of LDC membership in the GATT. In the first stage (1947–1964), developing countries were bit players who were granted a few concessions. Article XVIII of the GATT, for example, allowed infant industry protection for developing economies. During the second stage (1964–1986), developing countries broadened their membership in the GATT, to which can be added the fact (which Hoekman and Kostecki gloss over) that they made substantial demands on the system even if they had little to show for their efforts. In 1965, Part IV of GATT allowed for non-reciprocity in special circumstances. The imperial preferences system granted by European powers to their colonial territories was incorporated into the GATT system under the Generalized System of Preferences in 1968. It is not clear that these territories actually gained from the special treatment accorded to them. The cost of free riding in the GATT system was that LDCs did not get to participate in its rule-making and issues of importance to them (for example, protections on industrial exports by the developed world) were left out of the agenda. During the Tokyo Round (1973–1979), apart from strengthening the provisions regarding differential treatment and abstaining from signing the “codes” developed for new issues, developing countries’ participation in the multilateral trade negotiations (MTN) was minimal. During this second stage, developing countries, many of which became independent in the 1960s, often made demands (rooted in the perceived immorality of their colonial conditions) that were ill-suited to the GATT process. Winham (1986: 377) aptly characterizes the developing country position during the Tokyo Round: “The developing countries tend to make revolutionary demands on the developed countries, and negotiation is not an appropriate method to achieve revolutionary demands.”

Hoekman and Kostecki (1995) characterize the period from 1986 onwards as one marked by the integration of developing countries into the GATT and reciprocation (as opposed to confrontation or demanding special treatment).<sup>3</sup> The integration of developing countries into the global economic processes can be seen in the pre-negotiation phase of the Uruguay Round (Sjostedt 1994). By the end of the Tokyo Round, it was apparent that neither could the concerns of developing countries be ignored nor could all these countries be lumped under one label (concern about Newly Industrializing Countries’ or NICs’ graduation was salient in this regard). Furthermore, due to a host of economic and ideational influences, developing countries were then acceding

to the liberalizing push of the global economy. In the meantime, due to the increase in economic capabilities of Western Europe and Japan, the United States was no longer able to call the shots. This made the pyramidal configuration of power distribution in the world flat at the top with a number of important players and their domestic and international lobbies mitigating against extreme concentration of power in the hands of a select few players or a preponderant one. The latter feature had actually made agreement on many issues difficult among developed countries in the Tokyo Round. On the other hand, such a diffusion of power benefited developing countries by allowing them to participate in the multilateral process by, if nothing else, aligning themselves with a great power or holding crucial votes for the passage of a sub-agreement.

During the pre-negotiation phase of the Uruguay Round, developing countries made their weight felt. They adopted strategies which may have been reminiscent of the prior periods but in this case they were less “revolutionary” in that their purpose was to influence the agenda. They introduced their demands for bringing textiles and clothing in to the GATT agenda while stalling moves on the part of developed countries to bring in services, investment and intellectual property. A group of developing countries known as Coalition of 20, led by India and Brazil, played a key role in bringing recognition to these subjects and in drawing these countries effectively in to the Round. It is significant that the Round itself, after several false starts, began in Punta del Este, where the agenda was not dictated by the developed or the “dissident” countries but the “Swiss-Colombian” text of the middle of the road group (de la Paix group) which included several developing along with developed countries and was in fact a compromise position.

The Uruguay Round illustrates several other sophisticated tactics employed by the developing countries. Their pragmatism was apparent from the fact that even with occasional outbursts of militancy, most of them chose to work through the negotiation process to get their demands met. For the first time in the GATT process, developing countries were able to influence the agenda and gain recognition. They followed increasingly well-informed and technocratic strategies, ultimately leading many of the negotiating sub-groups of the Round. Apart from the “dissident” and de la Paix coalitions mentioned above, they joined or formed coalitions in specific issue areas (such as the Cairns Group on agriculture). These coalitions were as much a result of common interests among developing countries as they were of divergent interests among developed ones. Therefore, a coalition at times included both developed and developing countries. In the end the trade-offs made by developing countries on the new issues came from getting concessions on issues like textiles and clothing which were important to them. Even the

fact that GATT's "Group on the Negotiation of Services" (GNS) was technically separate from the GATT framework was a concession to developing countries. International organizations such as the GATT/WTO itself offered avenues for developing countries to negotiate with the strong that they did not possess earlier (Conybeare 1985). Many of them also possessed important critical resources or for other reasons were influential in particular issue areas. Tiny Uruguay, for example, was an important trader and thus was involved in agricultural talks from an early stage. Countries like India and Brazil were relatively important in intellectual property rights negotiations.

The post-Uruguay Round environment may be well-suited for developing country purposes. First, the newly created dispute settlement mechanism in the WTO may give them recourse against strong power unilateralism. It is too early to tell if the advanced countries will comply with the dispute settlement and the WTO itself seems to be taking a "soft" position on its decisions (*The Wall Street Journal*, December 3, 1996). However, several significant decisions can be noted which provide clues to the future. The U.S. lost the first ever case brought to the WTO in which Hong Kong showed that the import restrictions against its woolen shirts were unjustifiable (*The Wall Street Journal*, October 13, 1995). In a case brought forth by Venezuela and Brazil against restrictive environmental standards in the United States, the United States lost and agreed to a change in its regulations (Winham 1996: 646). In a case involving Polish tariffs on Indian cars, India's request for a panel was supported by countries such as Japan and the United States. A recent study in fact concludes that countries with high shares of international trade (the developed countries) might actually be more constrained by the WTO rules than smaller ones (Sevilla 1996). Finally, the recently signed WTO accord on telecommunications shows that the developing countries need not acquiesce on the new issues completely. Aronson (1998) notes that the United States worked closely with Asian countries to bring them to the table (itself a change from the time when they could be ignored). Furthermore, the market access and foreign investment offers made by developing countries reveal that in specific cases either they are consistent with their earlier liberalization schedules or they have been allowed significant time to make the transitions.

While the illustration above provides a bare-bones example of the arguments made in this article, it is important to caution against drawing too many conclusions about international economic negotiations based on a few cases of multi-lateral negotiations. Scrutiny of the conceptual argument itself is necessary. It is toward this end that the rest of the article addresses itself by first noting important dimensions of change to the global power context which redefines the negotiation processes itself. Examples are provided along

the way, but they in no way constitute a rigorous empirical proof of the conceptual arguments made in this article.

### **Negotiation Context**

Most analyses of negotiations correctly note that a given distribution of power does not help us predict the outcome of a negotiation. Keohane and Nye stipulated this in their seminal work *Power and Interdependence* by noting the difference between structure and process. “The structure of a system refers to the distribution of capabilities among similar units. . . . Structure is therefore distinguished from process, which refers to allocative or bargaining behavior within a power structure” (1977: 20–21). However, unlike Keohane and Nye, most negotiation analyses tend to focus on the “process” to the relative neglect of how the power “structure” itself may have changed. To take an example, while it may be right to note that both the North and South are now following pragmatic bargaining strategies, it is nonetheless imperative that we locate these strategies in changed power structures and resources which are helping to bring them about.<sup>4</sup> This would then help build a more tightly knit analysis of the links between given power structures and negotiation processes. It is also particularly important that for current power structures (characterized as “diffusion of power” earlier), we posit issue-specific rather than all-encompassing power structures across all issue-areas.

It is the contention of this article that we cannot explain current negotiation processes by referring solely to distribution of power propositions rooted in the historical practices of privileged states. Certainly, history helps to frame our negotiation contexts; this point is readily acknowledged. However, our analyses continue to posit authoritative outcomes that are rooted in historical practice when strong states organized the world economy according to their prerogatives. We must retrace the context in which authoritative allocations mattered, to differentiate current scenarios in which they matter less and less. In other words, our histories should inform theory rather than the other way round. As Michael Doyle (1997: 500) puts it: “Sometimes a strategy is clear in theory, but ambiguous in practice. Realists face this concern when they assess the balance of power.” The important questions include those regarding sources, goals and varieties of power and those exercising it.

### *Single Actor-Salient Issue Context*

International relations theory has its genesis in a world where states and their prerogatives for maximizing power defined the context for the practice of diplomacy and bargaining. The description of international economic rela-



tions in the past was guided by these parameters. The intellectual legacy of these parameters now lies in many of the analyses that tend to abstract in terms of single actors and single issues in predicting or specifying outcomes.

The story of the rise of free trade in the nineteenth century is apt for illustrating the argument. Trade in the nineteenth century was tied intimately with state calculations to increase their capabilities with the goal of dominating and prevailing in the international system. If the European states gave in to the arguments of free trade groups, it was because the latter's interests were consistent with the European states' quest for power internationally. Both mercantilism and free trade in early modern Europe can be understood in the context of state power. Development of manufacturing and trading followed not just state privilege but also the state's need for power and wealth which in turn were tied to its territorial sovereignty (Viner: 1948). In the case of one of the first global businesses, the East India Company, its interests were scarcely different from that of the British Empire.

At a macro level, industrial revolution at home was also clearly supposed to protect the interests of the state. The liberties accorded business in England were also ultimately tied in with assurances from political economists that this practice would lead to prosperity. A free trade strategy, its counterpart abroad, termed "free-trade imperialism" by Gallagher and Robinson (1953), also suited the interests of the British state. Even *laissez-faire* can then be seen as more of a market organizing principle than as a triumphant expression of market freedoms (Polanyi 1944). Everywhere in Europe the freedoms or the privileges granted business somewhere along the way revealed calculations made by the state to increase national prosperity and thus power.

The case for European power play is most forcefully articulated by Rosecrance (1986). The nineteenth century European state was the Westphalian territorial state for which military-political calculations were paramount. Trade was never open and free in Europe. Medieval Italian city-states sought to monopolize it, as did Colbert's France. Trade became freer in the nineteenth century, but a sizable portion of it remained intra-empire trade for European colonial powers. The calculations were always about the international balance of power. "The trading system's ability to endure depended in part on the operations of the balance of power – a means of restraining the great powers from seeking too large territorial gains" (Rosecrance 1986: 18). Britain's rise to a leadership or hegemonic position in Europe was based on its industrialization, and later free trade would help it extend its hegemony further. And such calculations extended beyond Britain. The Anglo-French Treaty of Commerce in 1860 allowed Napoleon III to obtain British acquiescence for his territorial ambitions in Austria and Italy. Similarly, the

Zollverein with Prussia as its hegemon was perceived by Britain as a political and economic threat. Free trade would counter that influence.

Questions of power led to the dissolution of the practice of free trade as quickly as they had contributed to its ascendancy. Bismarck's iron-rye coalition epitomized economic interests serving state interests. Britain continued to practice free trade over the turn of the century but eventually power politics prevailed. "The royal crown was slipping, and the doctrines of economic theorists on comparative advantage and international division of labor were cold comfort" (Landes 1969: 269). The sentiment is echoed by Rosecrance: "On the Continent, free and open international trading was a kind of icing on the domestic cake – it had a tactical, not a strategic character and could be quickly abandoned with the first whiff of domestic depression" (Rosecrance 1986: 68).

The practice of trade being subservient to security interest would continue well into the second half of the twentieth century. As long as Europe was involved in rivalries of power and had its colonies, commerce followed flag. Old habits die hard. There is very little indication that the European powers changed their paternalistic policy toward their former colonies in the immediate post-colonial era. The premier power of the post-war era, the United States, mimicked the historical practice of the Europeans. The world economic system, especially in the broad macro-drivers, to a great extent reflected the security prerogatives of the United States and its allies vis-à-vis the Soviet Bloc. The creation of the Bretton Woods system, economic recoveries of Western Europe and Japan, strengthening of the liberal trading system, preferences given to developing countries in economic arrangements and the dispersal of foreign aid were, at least in the two decades following the Second World War, largely driven by state-centered security type calculations. Soon, however, economic calculations began to replace security ones. For Rosecrance (1986), "trading states" like Japan led the way in breaking the security cycle in the post-war era.

The state-centric security dominated world was equally reflected in international relations theory. In a now famous appraisal of the field of "International Relations", Stanley Hoffmann (1977: 50) tells us that the state-centric security dominant model was also reflected in practice in what he calls "the relays between the kitchens of power and the academic salon." He notes that "what the scholars offered, the policy-makers wanted. . . . Realism, however critical of specific policies, however (and thus self-contradictorily) diverse in its recommendations, precisely provided what was necessary" (Hoffmann 1977: 47–48). The world reflected in twentieth century international relations theory until the late-1970s was the world of European state rivalries.

We may expect the following things to be important to theorists in positing North-South negotiation scenarios based on theoretical arguments presented above:

1. International economic negotiations would feature state actors. Other actors, if allowed, would be subservient to state interests.
2. State interest would be guided by maximization of power politically even when negotiating on economic matters.
3. Power in a political-military context would be mostly authoritative power or a form of control in which a dominant authority (say a strong state) commands or demands obedience from its subjects, allies or adversaries.<sup>5</sup> The weak would do what the strong tell them to do.
4. Given its superior capabilities (potential power), the predominance of authority, and the salience of political-military relations in the world, a powerful state can easily convert its capabilities into action (actual power/fungibility of power) because there is great deal of fungibility of power where political-military relations are concerned.<sup>6</sup> Structural power, therefore, extends across many issue-areas.
5. Strong states would discipline or coopt weaker states into following their dictates.

To a reasonable degree these propositions reflect practice. The colonial practices of the strong states rooted in authority as control over outcomes continued to inform the North-South negotiations in the immediate post-colonial era. The strong did mostly what they used to do during the colonial days. Either they asked the weak to follow (as in imperial preference schemes) or they used their authority to exclude them (as in GATT rounds), discipline them (Reagan in Cancun in 1983 telling the South to take in the MNCs or nothing), or to make them conform (unilaterally imposed quantitative restrictions to exports from the developing world). The weak on their part protested or used confrontational strategies but to little avail. At best they played off great powers against each other to squeeze concessions for themselves or tried to find loopholes in the odds against them to make themselves better off.<sup>7</sup> Given the continuation of past practice, it was also no wonder that in the predominant structural conflict of the post-colonial era, the third world turned against global liberalism. Neither did the North change its posture in distinguishing the colonial weak from their post-colonial counterparts nor did the South recognize liberalism as different from imperialism.<sup>8</sup> When power is exercised with authoritative strategies like exclusion, discipline and conformity, the weak often protest or call attention to their subservience. Political philosophers from Aristotle to Foucault have argued this point.<sup>9</sup> Thus, North-South relations to some extent were defined by, reflected in,

and studied from, the singular fixed point of authoritative control during the colonial and immediate post-colonial eras.<sup>10</sup>

### *Many Actors-Multiple Issues*

Agencies of power are usually not replaced but overlapped by other agencies wielding the same or other forms of power.<sup>11</sup> Negotiations no longer take place in a context defined solely by states and their (authoritative) power maximization prerogatives, but in a “diffusion of power” world overlapped by many actors in pursuit of many goals and issues and exercising different forms of power. In the post-colonial era, the authoritative power of dominant state actors has given way to the multiple influences of international organizations, market-oriented actors, and domestic interest groups. These groups may not work out their preferences through the state or they may operate in situations where the state’s authority to enforce its prerogatives is increasingly limited. Here, instead of power across many issue-areas exercised by an omnipotent actor (state), power configurations in particular issue areas become important.

Let us examine the reconstitution of power in terms of multiple actors. First, Strange (1991) notes that state-state negotiations of the past are now replaced by three dimensional negotiations in the international economy. The two other dimensions are: state-firm and firm-firm negotiations. To this may be added a fourth actor: international organizations. Strange is right in asking us to consider markets along with politics, but does not quite go as far as Lindblom in showing the other types of power that these multiple actors make available. One of these is exchange power, which lies in “a relation between two (or sometimes more) persons each of whom offers a benefit in order to induce a response” (Lindblom 1977: 33). Of course, as Lindblom notes, often exchange and authority are not mutually exclusive but the presence of both alters the logic of one or the other. Thus, the influence of multiple actors in analyzing negotiations lies in bringing to fore the importance of authority and exchange. Exchange allows developing countries options they lacked under an authoritative framework in which they were passive recipients.

Secondly, we may go beyond authority and exchange to speak of other forms of power. Lindblom mentions the pervasiveness of communication or persuasive power in bringing about adjustment among actors (Lindblom 1977: Chapter 4). It is different from authority in that it is not direct control, and it is different from exchange in that it may not necessarily lead to mutual benefit. While Lindblom’s purpose is to show how all types of “monolithic authoritarian systems” are spreading around the world with instruments of persuasion, I am using his concept here in a different (and perhaps more restrictive) sense. With easy access to information and knowledge (which

I take to be equivalent to the media instruments that Lindblom mentions), actors can not only better their strategies but also use their informational access and advantages to persuade others. Well-informed and able negotiators from the developing world can then often prevail over less informed and/or less able ones from the developed world (Yoffie 1983; Odell and Dibble 1988). Similarly, international organizations are usually storehouses of data/information during any negotiation, and in specific cases they may use it to persuade other actors. During the Uruguay Round, the GATT acted as not only a storehouse of information, but was able to use its informational advantage to persuade states to follow particular courses of action. UNEP played a key role in persuading actors to sign an accord banning chlorofluorocarbons based on the information it collected from the scientific community (Haas 1992). Persuasive power deserves attention in noting negotiating processes.

We may now briefly examine how power is also reconstituted due to the influence of multiple issues in negotiations. Three important points can be made. First, when security concerns informed negotiations, strategies designed to increase authoritative control/power were the norm. As we saw, the "low politics" of economic negotiations served the interest of "high-politics." Other forms of power outlined above (i.e., exchange, persuasion) become important as economic issues take on a salience of their own. Developing countries effected less for themselves during the New World Information and Communication Order (NWICO) negotiations during the 1970s when their demands got over-shadowed by the Cold War (Singh 1999). Soviet "help" for their cause hurt rather than enhanced their chances. During WTO communication negotiations in the 1990s, on the other hand, developing countries got significant concessions. Second, as Keohane and Nye (1977: Chapter 3) point out, power becomes less and less fungible across issue-areas as we move away from a security dimension. Thus, we see that actual power is often different from potential power. Keohane and Nye call for positing and examining issue-specific structures of power in this case. The many examples mentioned earlier about developing country gains during the Uruguay Round attest to this. Third, following from the last point, structural power then may arise in a particular issue-area because of an actor's ability to command a particular strategic resource, be it a market or a commodity. Knudsen (1973), for example shows how Norway, a small country, yielded an enormous amount of influence in international shipping diplomacy because of its sizable share of global shipping tonnage.<sup>12</sup> Similarly, many developing countries' influence at the recently concluded WTO negotiations in telecommunications was disproportionate to their geographical or GNP size because

their information infrastructures can be included in top 10 to 15 in the world (www.wto.org accessed February 12, 1998).

Finally, the many possibilities raised by multiple actors, multiple issues and the exercise of various forms of power itself may snowball into other possibilities arising as the negotiations proceed. Braman (1995) identifies virtual power, or power from possibilities that may arise due to change in resources or processes: "Virtual power, those forms of power that might exist, is the domain of possibilities of power, including power currently held by others; power that may become available because resources, processes, or both have become available; power that becomes available because of significant shifts in internal or external conditions; and power that is generated through growth of knowledge." In the dynamic context of negotiations and its many possibilities, virtual power helps to show how existing power configurations may be challenged or modified as negotiations proceed. When we move beyond state centricity and singular issues, negotiation exercises become complex and actors have the ability to change the parameters of the game (and their negotiation resources and processes) by often bringing in other actors and issues apart from using a host of other negotiation tactics. In fact, virtual power belongs to the realm of negotiations, just as potential power belongs to a given power configuration specified before the negotiation. At best, virtual power might negate the influence of potential power while, in the least, it may help to show how to explain the difference between potential and actual power in negotiation situations.

In summary, given the changing contexts of multiple actors and issues and the many forms of power that this context makes available, it makes less sense to posit encompassing "power structures" across all issue-areas than to realize that the "structure" itself may change from context to context and during the negotiation itself. It may then make more sense to posit and examine "diffusions of powers" or micro power structures across specific issue-areas. While it would be dangerous to assume that the structures are now coterminous with global equality, and that the developing world has nothing to lose but its chains, it does raise possibilities for negotiation processes which were earlier unavailable, or makes unavailable those strategies which were available earlier. The following propositions may be noted for a diffusion of power context:

1. The developing world may feel assured that military force may be seldom applied against them. Even when threats are made, the developing world may safely disregard them. Kissinger's threats against Saudi Arabia during the oil price hikes were among the first of such instances.<sup>13</sup>
2. Authoritative techniques used by the North against the South may increasingly decline. This would mean that the North stops acting unilat-

erally in trying to force its will upon the South and the South stops acting in a hostile and confrontational fashion. Given the diffusion of power, we may now move from authoritative to pragmatic negotiations.

3. Power structures may need to be examined in specific issue-areas rather than posited ex-ante through calculations about actor (state) power or their position in the global economy.
4. Given multiple actors and issues, the alternatives available to developing countries may increase. Take it or leave it scenarios for actors from the developing world may be replaced by good alternatives to no agreement which weaken the hand of the North.
5. The developing world may now employ an arsenal of negotiation tactics which were unavailable to it earlier.

### **Negotiation Process: The Environment**

The context of power as outlined in the propositions above redefines the negotiation process that includes the negotiation environment and use of specific tactics. Two scenarios about the environment may be extracted from the shift toward diffusion of power. These include pragmatic bargaining and increasing alternatives that affect both negotiation tactics and final outcomes.

#### *Pragmatic Bargaining*

The last section noted that under a diffusion of power context, pragmatic strategies would follow. We now examine in detail this context for pragmatic bargaining and what we may expect from this type of bargaining. Broadly speaking, it may be noted that pragmatic bargaining here refers to acknowledgment of mutual interests and mutual problem-solving. Authoritative bargaining, which I argue is on the decline, is centered on control over outcomes by those in authority. Quite obviously, when exchange and persuasion are allowed in as elements of power, authoritative bargaining loses its *raison d'être*. This section explains how pragmatic bargaining follows.

The two scenarios of authoritative and pragmatic bargaining here encompass, but are not limited to, specific bargaining strategies. Authoritative strategies are likely to be dominated by "value-claiming strategies" focused on extracting concessions, while pragmatic bargaining is likely to be characterized by "value-creating strategies," designed for mutual benefit (Lax and Sebenius 1986).<sup>14</sup> The case is summarized well by Stopford and Strange (1991: 5): "It is hard to remember that only a decade ago politicians in third world countries were unanimous in their castigations and condemnation of foreign companies, and that the heads of these companies, especially

the American and European ones, held inflexible views on how they would operate in a developing country. In place of the old bitterness, bigotry and mutual incomprehension, we now find a new pragmatism in their mutual attitude.”

One way to understand the shift from authoritative to pragmatic bargaining strategies is to note that the rules of the game have changed. An example drawn from another work may be useful here. In their seminal work on negotiations, Walton, et. al. (1994) note that negotiation contexts are always dynamic and that negotiators try to change both the broad terms of their relationship (what they term a “social contract”) and the process (substance) of negotiations. In the context of labor-management negotiations, they note that the social contract has changed over time from arms-length transactions to mutual cooperation among the two actors. The reasons they present for this change in the relationship are similar to the ones noted above about the diffusion of power characterizing North-South relations. Among other things, they note the interdependence between labor and management and the presence of many parties and many issues that concern both of them. In such a scenario, they note that strategies designed to extract concessions from the other party without offering much in return (a forcing – or a value-claiming – strategy) are less and less likely to be employed. A proposition posited by Odell (1977: 28) in a recent article also confirms this possibility: “When a negotiator believes that the other party largely shares her objectives and will respond positively to a value-creating strategy, she is likely to choose that strategy, and when she expects it to fail to achieve gains for her side, she is likely to choose value-claiming.” Negotiators will share each other’s objectives more in the context of pragmatic, rather than authoritative, bargaining.

What I have argued here is that given the multiplicity of actors and issues in an interdependent global economy, a scenario characterized by a diffusion of power, the North and the South are now bargaining more pragmatically because the rules of the game have changed.<sup>15</sup> Thus, on the whole we may argue that North-South bargaining is now more pragmatic than it used to be even though many individual examples of authoritative bargaining can be found. The context of interdependence and actor/issue multiplicity is important here in establishing mutual trust and recognition. Even though the situations characterizing North-South negotiations are likely to be what we call “asymmetric interdependence” in which one actor is more dependent than the other, this is still different from a situation of “dependence” which dictated the authoritative behavior on the part of the North and confrontational strategies on part of the South. Mutual trust, once established, can then lead to social learning, where it is deepened. We may then imagine that



these rules of the game are likely to get reinforced as long as the underlying conditions producing them remain the same.

As noted above, we can, however, expect individual authoritative bargaining strategies to persist, particularly under two circumstances. First, they are most likely to be present in negotiation situations of highly asymmetric interdependence, two (or few) actors and a single issue-area. Thus, for example, a rebel leader in an African country with little international support, desperate for money, may have no choice but to sell, for example, rights to a lucrative mining concern he/she controls to the first multinational which comes along. However, one may wonder if the agreement will hold if the rebel comes to power and gets international recognition and support, and is thus able to change the rules of the post-negotiation game. Second, authoritative bargaining might also come about in particular issue-areas where one actor holds an inordinate amount of structural power. China's market size for a particular product might be such a case, allowing it to act as near-monopsonist vis-à-vis multinationals.

But when the underlying rules of the game point toward pragmatism one would expect that even though specific authoritative bargaining situation continue to exist, the overall context is still being defined by pragmatism and we may reasonably expect actors to move toward mutual adjustment. Yoffie (1983) notes that the NICs obtained bargaining advantages for themselves vis-à-vis the developed countries by considering the long run. They achieved these advantages by following flexible long-run strategies aimed at increasing market shares. A close reading of the text shows that these strategies were themselves a result of an atmosphere of mutual trust and the stability of the relationships among these countries and the North. Walton et al. (1994) also note in the changed social contract of the present, forcing and fostering strategies (equivalent to the value-claiming and value-creating strategies noted above) are likely to be deployed together or in sequence, and particularly note the dominance of forcing followed by fostering.

An example drawn from the present might be illustrative. In 1995, the state government of Maharashtra refused to honor a contract that the Indian central (federal) government had signed with the Enron Corporation of the United States. The \$2.9 billion project was one of the biggest foreign investment projects in India since it liberalized its economy substantially in 1991, and was symbolic of India's new economic program. The Maharashtra government initially refused to negotiate with Enron, but it was significant that Enron did not use highly overt threats to make Maharashtra negotiate (which it could have legally, making them pay for reneging, or by discrediting the central Indian or Maharashtra government). Instead, it applied softer pressures from a variety of channels eventually leading to a renegotiated

agreement. It is even more significant that other power companies interested in India's estimated \$140 billion energy market over the next 15 years took the Enron snafu and renegotiations as a signal of India's continued openness to foreign investment and ability to iron out differences. As a result, the MNCs remain interested in India's energy market (*The Wall Street Journal* 1996: A17). The \$140 billion figure is key to understanding the economics of interdependence. The Enron-Maharashtra government negotiations themselves also operated in the shadow or at the behest of many other actors, including the U.S. Commerce department, multi-lateral institutions that carefully monitor countries, international banks, and pressure groups and political parties in India. Whereas the Maharashtra government had made its decision to renege on the basis of what it called an unfair bidding process on the part of the central Indian government and an unfair price charged by Enron, many other issues soon entered the negotiations, not to mention the very stability of India's liberalization program itself.

The shift toward pragmatic bargaining is now readily acknowledged by negotiation scholars as well as the news media. The scope of this article allows only anecdotal evidence, but a systematic inquiry should not be too difficult to carry out. To summarize, we can expect pragmatic bargaining strategies to be characterized by mutual trust and mutually accommodative behavior in place of suspicion or confrontational stances. The latter, when they come about, are likely to be replaced by the former. This also means that even when actors end a negotiation either without reaching an agreement, or a mutually accommodative agreement, they may still return in the future in a climate of mutual trust. The context of pragmatism applies over the long run.

#### *Increasing Alternatives and BATNA*

We now turn to another aspect of the environment in which negotiations take place. What one actor offers in a negotiation and what guides its expectations in terms of the outcome are very much contingent upon this actor's alternatives. Often the concept of the Best Alternative to a Negotiated Agreement (BATNA) is employed to illustrate this principle.<sup>16</sup> I argue here that the alternatives that developing countries have in a globalizing economy have increased. We then need to explain from where these alternatives have come, and secondly, how they affect the negotiation process. The latter aspect has received more emphasis than the former in North-South negotiation literature.

Often the case is made that developing countries are being socialized into the global liberal economy with very few choices (alternatives) and/or positive effects.<sup>17</sup> While provocative, this is hard to substantiate and ignores the history of negotiations where the developed world essentially told developing countries what to do. Just as one might not say that going to a

restaurant means that you have only one choice in terms of what you order, to say that liberalization itself is only one choice does not explain much in terms of the nature of liberalization, or alternatives that developing countries have within liberalization. Going back to concepts developed in the last section, "socialization" emphasizes authoritative and persuasive types of power without much deference given to "exchange." In actuality, now that the hierarchical world (authoritative power centered around security issues) is giving way to an interlinked world (many actors and issues define many different types of power relations in and across issue areas), developing countries need not necessarily find themselves with no choices. To use an analogy from economics, if we think of the North as representing firms and the South as the markets for these firms,<sup>18</sup> then firms have "authority" when they approximate a monopoly situation, but this authority begins to give way to "exchange" as we move toward a perfectly competitive scenario, with oligopolies being somewhere in between and possessing extraordinary authoritative power in case of collusion or leadership (provided by a single firm). The take-it-or-leave-it scenario that the strong could dictate in a very authoritative scenario is now giving way to let-me-try-to-show-you-why-you-need-to-buy-from-me in an increasing number of cases from the North and I-better-explore-all-my-options-vis-à-vis-the-future coming from the South.

Developing countries are becoming increasingly less vulnerable in a world economy characterized by a diffusion of power. Keohane and Nye (1977) develop the concept of vulnerability to indicate the possibility of alternatives for any actor in the long run which may decrease the cost of a particular international effect in the short run (sensitivity). The concept itself shows that structural power needs to be examined in particular issue-areas and posited similarly across many of them. Thus, for example in the developed country context, many oil importing countries were very sensitive to oil price shocks in the 1970s, yet their vulnerability in the long-run was mitigated by the inability of the OPEC to continue cartel practices, the oil conservation in importing countries, exploration of non-OPEC oil sources and alternative energy sources. Similarly, one can show that developing countries are continually exploring and developing alternatives to limit their long run vulnerability in the world economy.

In a world in which only state actors negotiated, and negotiators held security issues to be dominant, the weak had few choices. In a world in which states, firms and international organizations negotiate across many issue-areas, various alternatives can arise. Developing countries might be able to play-off one firm against another. Strengthening international organizations to provide a more neutral (less hierarchical) means of negotiations allows many developing countries to benefit from or draw upon these options.

Actors can use many negotiation tactics. These scenarios are described in the next section, which shows how alternatives (many of which approximate the concept of virtual power described earlier) come about during negotiations themselves.

The other environmental factor, namely pragmatic bargaining, is important for us to understand the alternatives. Not only does the diffusion of power lead to an increasing number of alternatives but it also leads to situations where pragmatic strategies rather than authoritative ones inform the actors' stances in general. This is important to remember because alternatives by themselves do not define the context of negotiations.

The way alternatives affect bargaining tactics will be dependent upon whether the actors perceive the negotiations to be carried out in an authoritative or a pragmatic context. In the context of authoritative bargaining, the South will use any alternatives it has to try to extract concessions from the North. In the oft-cited example of Malta's negotiations (Wriggins 1976) with NATO [1969–1971], Malta played off one great power against the other to increase its annual foreign assistance from five million pounds to 21 million pounds. In a situation of pragmatic bargaining, even though they have the option of employing value-creating strategies, developing countries may choose value-fostering strategies albeit in a context which favors them immensely (due to the presence of alternatives themselves). The bargains being effected by developing countries in terms of MNCs are a good illustration. In a strategic market like China, the competition is intense due to its resources and large number of consumers. China, which barely produced 160,000 cars in 1979, was producing 1 million by 1992 and 2.5 million by 1996 and the market was growing exponentially. General Motors, a late-comer in the China market, was seen to be handicapped by the yearly battles surrounding U.S. approval of China's MFN status. At one point in 1995, it lost a lucrative contract to Daimler-Benz, perhaps not coincidentally following a public statement by Helmut Kohl that Germany was not interested in changing China's domestic policies. However, the significant point is that neither did GM leave China, nor did the Chinese stop negotiating with them. GM was already manufacturing light trucks in China in 1993 and in May 1997, it signed a memorandum of understanding with the Chinese government for the second-biggest automobile manufacturing facility to be located in China (in Guangzhou), one of the most contested car deals in China. The other contestants were Bayerische Motoren Werke, Daimler-Benz, Honda and Hyundai (*The Wall Street Journal*, May 20, 1997). Of course, the alternatives go beyond cars. For example, Boeing put pressures on U.S. Congress in 1997 for renewing China's MFN status in the fear that if Washington messes up, a

\$4 billion order for planes might go to Airbus Industrie consortium (*The Wall Street Journal*, April 20, 1997).

The alternatives are not just available to large markets like China. An example is Myanmar (Burma) which, in spite of the pressures its military government has faced since 1988 for its suppression of human rights, has been courted fervently by firms, especially those from the Far East. At one point Mitsubishi and Mitsui lobbied the Japanese government to follow a soft approach toward Myanmar, fearing that they would lose contracts to rivals in the process (Steinberg 1990). It may be argued that given the international pressures it faces, the military regime in Myanmar has no choice but to follow value-fostering strategies. But the fact the military regime has not merely acquiesced to the first foreign investor who came along can only be attributed to the availability of alternatives to even small politically pressured countries like Myanmar. Alternatives are, therefore, affected by the possession of a critical resource or rivalries among potential bidders for even a non-critical resource. China fits the former case and Myanmar the latter. A monopsonist, in particular, possesses good alternatives vis-à-vis its demanders.

The availability of alternatives, then, defines the range within which negotiations may be settled as the alternatives affect the lowest or the highest values for a negotiation that an actor may expect, depending on whether the negotiator is a seller in which case the minimum is important, while the maximum is important for a buyer. It is no accident that the concept of "bargaining power" is related to actors' alternatives and in essence illustrates the value of the negotiation to each actor, which in turn, depends on the actors' alternatives (Odell 1993a). Related to the concept of alternatives is also that of "reservation price" or the lowest or maximum value that an actor will expect. Availability of good alternatives would then raise the reservation price (White and Neale 1991). Therefore, what is termed the zone of agreement or the difference among the negotiating parties' reservation prices is contingent upon each party's alternatives. Fagre and Wells (1982) note that the greater the competition among MNCs for a developing country, the lower the MNC bargaining power. Grieco (1982) notes that the "emerging assertive upper tier" of developing countries have gained much from the increasing competition among developed world firms for their markets. He shows how the Indian computer industry went from a position of dependency to improving its terms as the international market structure of the computer industry enlarged to include many firms.

Alternatives not only affect the pre-negotiation process but also define the actual process itself. Lax and Sebenius (1985) note that alternatives may help dictate the type of tactics that actors choose to employ. This need not necessarily mean that a higher reservation price might make the

developing countries choose value-creating or -claiming strategies. Given the diffusion of power and pragmatic context posited above, while alternatives raise the reservation price, they may also help the developing countries indulge in value-creating strategies. In fact, when the developing countries lack alternatives, their only strategy might be to acquiesce or confront, but with alternatives they may think that they can now reasonably improve the outcome for themselves, and may actually pay more attention to the negotiation process (Zartman 1987). The fact that a negotiation is taking place also means that the actors place some value on reaching an agreement (White and Neale 1991: 381). Developing countries were very confrontational before the Uruguay Round started, given the past history of their exclusion and the bias of the agendas toward developed country issues, but as the Round actually progressed, they followed increasingly pragmatic strategies.

Alternatives may change during a negotiation, and accordingly change the negotiation process (Lax and Sebenius 1985). When the Soviet Union intervened militarily in Afghanistan in December 1979, Pakistan sought to use the Soviet threat to get increased U.S. aid, which in preceding years had dwindled. Carter offered \$400 million. President Zia Ul Haq called it "peanuts." Initially, Pakistan applied pressures on the U.S. through its Islamic world allies and through the media. The United States worked through multi-lateral aid agencies to help Pakistan but did not change its initial offer. Pakistan's alternatives improved as Reagan gained an upper hand in the Presidential campaign. Reagan perceived the Soviet threat more ominously than Carter and historically the Republicans had favored Pakistan (the U.S.–China–Pakistan axis is important here). Pakistan delayed accepting any U.S. offer until after Reagan came to power. Initially, the administration offered \$2.5 billion in 1981. After further negotiations, \$3.2 billion was promised.

Alternatives also help define the shadow of the future by determining the extent to which compliance will come about for an agreement or how an actor will fare without an agreement. Brazil's President admitted in early 1997 that Brazil cannot implement many of the environmental agreements they have signed. Brazil is unlikely to be punished for going public with this announcement. China may refuse to change its industrial practices if it can get away without doing so. On the other hand, the cost of a no-agreement on the Enron case might have been high for India in that the negotiations were widely perceived as indicative of India's commitment to a liberalization program.

Alternatives may come about before, during and after the negotiations. Many of the strategies outlined in the next section are contingent on part of the creation of alternatives by developing countries. Their alternatives can also improve as international markets become more competitive and as many

firms now compete for global market shares. Often firms will try to get into a market only because another did and they do not want to be excluded (Bennet and Sharpe 1979). How else can we explain the following reaction from a Coca Cola executive in civil war torn Albania: "I'm used to this kind of environment. We do a lot of business in Sicily" (*The Wall Street Journal*, May 22, 1997: A6).

### **Negotiation Process: The Tactics**

It was noted earlier that the availability and effectiveness of negotiation tactics has increased in the pluralistic world economy with the diffusion of power. A few frequently employed tactics by the developing world are explored below. In general, the ability to manipulate outcomes in one's favor through use of negotiation tactics represents not just actual power (as opposed to potential power discussed earlier) but also persuasive and virtual power, in as much as the latter two explain the difference between potential and actual power. Virtual power in this case refers to the possibilities of obtaining power which cannot be traced back to actual power (because, after all, potential power is related to actual power and in most empirical examples is shown to deviate from the latter). Virtual power may then arise from the dynamics of the negotiation process itself or represent a very real possibility, a shadow power, that might be called upon if needed.

It is perhaps in the effectiveness and advantages of negotiation tactics that the value of the diffusion of power best stands out. Raiffa's summation of the Law of the Sea negotiations in the 1970s could very well be used to describe this effectiveness for all types of diffusion of power negotiations involving many parties and many issues. Raiffa (1982: 286) notes that "the potential of finding joint win-win situations depends on the exploitation of differences between beliefs, between probabilistic projections, between trade-offs, between discount rates (a special case of intertemporal tradeoffs), between risk preferences." While Law of the Sea negotiations were ideologically confrontational, they "resulted in more extreme differences, which in turn made it easier to find joint gains – such as those made possible by the graduated-royalty scheme that eventually won consensus."

#### *A) Inclusion and agenda-setting*

There is growing recognition, especially in global multi-lateral fora, that developing countries cannot be excluded from the negotiations or added on later as an addendum. The inclusion results from global interdependence that accords developing countries strategies for inclusion across many issue-areas. In general, the more specific the issue, the easier it might be for the

developing countries to be included if it affects them. The most obvious case is bilateral negotiations where developing countries cannot possibly be excluded, but now, more and more, it applies to multi-lateral contexts, too. As noted earlier, in specific issue-areas developing countries may actually possess a lot of structural power and cannot possibly be excluded. It may even be in the interest of a great power to include developing countries. (This is the reverse of Malta's strategy with NATO when it played off one great power against another.) The recent implicit inclusion of developing countries in EU's banana dispute with the United States in 1998–1999 may offer an example, albeit an ironic one in which it is not clear if African, Caribbean and Central American countries are in agreement with their coalitional partners (*The Wall Street Journal*, March 1, 1999: A1). Either way, there are developing countries in both coalitions featured in this dispute. Another example comes from the early GATT rounds where developed countries could more or less exclude the developing countries because of the hierarchical distribution of power. With the growing diffusion of power, which increased developing countries' bargaining power as well as making the negotiations pragmatic, developing countries' campaign for their inclusion in the Uruguay Round in a substantive way was successful.

A step closely connected with inclusion is agenda-setting, which allows actors to translate their potential power into results (Bennet and Sharpe 1979). As agendas influence the later stages of negotiations, they are an important phase of the negotiations. Here, again, in as much as developing countries are able to focus on specific issues, they can employ strategies such as coalitions (explained below) to influence the agenda. The New International Economic Order posturing by the developing countries in the 1970s was able to achieve less in substantive terms because the agenda (seeking broad redistribution of wealth and rules to favor the South instead of North) was broad and shifted much between specific issues and interests (correcting perceived North-South injustice etc.).<sup>19</sup> NIEO did not address specific issues because it stayed at the level of ideological/rhetorical interests. When interests are ideologically derived, it is better to stay focused on issues, which the North and the South in the case of NIEO were unable to do. In the Uruguay Round, the developing countries stayed focused on the issues, and thus many of these issues were put on the MTN agenda. Developing country structural power in many of the issue-areas discussed included textiles and agriculture where they extracted significant concessions but they were also able to get concessions in non-traditional areas such as telecommunications because of their growing market size and potential rates of growth (Singh 2001, forthcoming).

One caveat is necessary here. Agenda-setting in diffusion of power negotiations does allow developing countries a say in negotiations at this stage as



opposed to distribution of power scenarios where they are excluded. However, agenda-setting is different from inclusion in negotiations and just because negotiations focus on a specific issue (as opposed to ideologies), it also does not mean that the actual agenda itself is readily forthcoming. Diffusion of power can in fact make agenda setting hard at times. Raiffa (1982: 253) notes that many party, many issue negotiations allow for a “dance of packages. . . . Packages change continually: some fuse; others fractionate and come together with shifting coalitions. Likewise, building up a contract issue by issue gets harder and harder to do when parties are added.” Nonetheless, it may be added that in a pragmatic bargaining scenario (as noted earlier), developing countries would be more predisposed toward mutually acceptable agenda-setting. This may explain why a single negotiation text was hard to arrive at in NIEO but not during the Uruguay Round (where in spite of many contentions, it did come about). In the least, Uruguay Round allowed for a negotiating text to come about in many issue-areas whereas this was not the case during NIEO.

*B) Trade-offs/issue-linkage*

Several actors and many issues make negotiations complex because of the risk of no agreement and that of the risk of complexity. However, several actors and many issues can also allow for many trade-offs and issue-linkages. Agreement can then come about through either compromising on one issue for gains in another or vice versa (trade-offs), or bringing in potentially related issues to increase one’s bargaining power (issue-linkage). Agreement may also come about in a few issues and not in a few others. Many times if the underlying interests behind issues differ for negotiators, several trade-offs or issue-linkages can be effected by negotiators, although they were not apparent on the surface.

Yoffie (1983: 29) argues that in the nineteenth century, British hegemony “was a real and usable threat in bargaining over trade” and issue-linkages were all but impossible for weak states. Conybeare (1985) also notes the ability of stronger powers to foster linkages in the nineteenth century while the weak were unable to do so. But, in the current context, linkages leading to trade-offs are becoming increasingly common. Sebenius (1983) shows that linkages, although a risky strategy (because of no agreement), can increase alternatives. These alternatives then can lead to, among other things, an increase of bargaining power, the possibility of mutual gains, solidifying coalitions, strengthening commitments etc. Again, the Uruguay Round is a good example. The strength of developing countries’ coalitions was through recognition of their common interests or compromise on them across several issue areas. Sell (1998: 132) argues that U.S. industries seeking intellectual

property rights protection “realized that linking trade and intellectual property protection could be effective.” In fact, developing countries made specific concessions, such as those on intellectual property rights, to get concessions on others such as textiles and clothing during the Uruguay Round (Sell 1999).

### *C) Coalitions*

Issue specific and multilateral negotiations in particular provide developing countries with the ability to form coalitions and increase their bargaining power. For Raiffa (1982: 255) “the interplay among shifting coalitions” is “the fundamental difference between two-party and many-party” negotiations. He notes that the many parties and many issues during the Law of the Sea negotiations led to complex coalitions but which also eventually resulted in search for joint gains through compromises among these coalitions.

In the 1960s and 1970s, the developing countries deployed coalitional tactics in a confrontational fashion (including the Pre-Uruguay Round MTNs, Law of the Sea, NIEO and NWICO negotiations mentioned above), but since the 1980s, they have used coalitions for very specific purposes. The purpose for which coalitions are deployed and the context in which they take place are the key to understanding them. NIEO was marked with developing country militancy and Northern indifference, thereby making coalitional effectiveness minimal. The Uruguay Round was structured such that coalitions could not be ignored (many included developed countries) and inasmuch as they stayed focused on issues, they were able to shape the negotiation process. In fact, multilateral fora are now favored by developing countries precisely because the virtual reality of forming coalitions increases their bargaining power by presenting them with better alternatives.

The types of coalitions in a diffusion of power scenario are different from those in the distribution of power ones, which mostly featured a homogenous North negotiating with a homogenous South. Diffusion of power scenarios in particular posit flat power distributions at the top thus leading to considerable amount of jostling among great powers alone. This allows smaller or weaker powers to not only play off great powers against each other but also to choose their coalitional partners carefully and align themselves or be asked to align themselves with different great powers. Playing off great powers against each other through coalitional strategies was popular during the Cold War era but it did not always work unless weaker countries (for example, a Malta or a Pakistan) had a critical resource. Third world alliances with the Soviet Union, taking place under a distribution of power context, during the NIEO negotiations, for example, did not pay off. In a diffusion of power context, coalitional tactics might work better. Developing country alliances with the EU, Japan or the United States in the post-Cold War era

have fared better. This was the case with the developing countries-European Union alliance which did yield significant benefits to both parties during the WTO telecommunications negotiations.

As with agenda-setting, diffusion of power also means that it is hard to predict the character and shape of coalitions ex-ante and makes analysis of them complicated. Raiffa's (1982: Part IV) study is instructive here, too. He notes that with many parties in a negotiation, preferences are less well-known and it may be hard for one party to predict who their opposing party is. It may also be possible for certain parties to reach agreement with a few parties and exclude others. Thus, sub-sets of agreement may arise. There is also danger of these negotiations becoming unstructured.

*D) Technocratic and legalistic strategies*

Negotiations are now becoming inherently biased toward persuasion. The type of persuasion most likely to effect an accommodating response from the other actor is usually one that is based on knowledge and effected by a technically competent negotiating team. In particular, developing countries are often able to prevail over developed countries because the former send their best negotiators to these countries while for the latter these countries are relatively less important in terms of staff commitments (Yoffie 1983). In general, developing country experts may explore their alternatives thoroughly and base their strategies on superior technical knowledge. They can often be seen on technical committees drawing up negotiating texts. Negotiators in developing countries are likely to have been educated in the finest schools in the West and apart from speaking a vocabulary which the North understands, they are able to forcefully articulate their strategies and persuade their partners across the table.<sup>20</sup> At the recent endangered species negotiations in Zimbabwe, one American negotiator could be heard acknowledging that the Americans had learned a lot from three counterparts in Africa (Zimbabwe, Botswana and Namibia), who among other things, negotiated hard to export ivory based on economic and ecological grounds (National Public Radio 1997). Finally, one may note that the spread of liberal ideas in the developing world is particularly important (Biersteker 1995). The contribution of U.S. universities and international organizations like the World Bank, IMF and WTO, of immense importance to the developing world, cannot be denied here. In the context of negotiations, it allows negotiators to speak a common economic language and establish mutual trust.

As international norms and rules deepen, and institutional enforcement sets in, many developing countries are employing legalistic strategies. The use of WTO dispute settlement procedures or the courts in the developed countries are examples. Developing countries have long sought to redress their

grievances against MNCs from developed countries in their home territories because of their judicial systems (and, in American cases, because of high payments usually awarded by juries). For example, the Indian government sued Union Carbide for the chemical leaks disaster in Bhopal in a court in the United States.

*E) Direct lobbying*

The fact that one country can influence the domestic configuration of support behind another country's strategy is now acknowledged (Putnam 1988; Evans et al. 1993). The effectiveness of this strategy depends on the commonality of interest, but its origin (in the diffusion of power which allows for such lobbying to take place) cannot be denied. Not only can one country's domestic actors find common cause with that of another's, but the presence of transnational alliances and movements in the world economy today attests to the institutionalization of this strategy at the global level. Farmers protesting intellectual property safeguards during the Uruguay Round often found common cause across their national frontiers. At an anti-GATT rally in Bangalore, India, protesting safeguards on seeds, half a million Indian farmers were addressed by both farm and non-farm organizations from Brazil, Ethiopia, Indonesia, Korea, Malaysia, Nicaragua, the Philippines, Sri Lanka, Thailand and Zimbabwe (Brecher and Costello 1994: 7).

Transnational alliances may also weaken the ability of powerful actors while enhancing the ability of those from developing countries. Odell (1993b) shows how the Brazilians were able to ignore threats made by the Reagan Administration under Super 301 because IBM and other U.S. firms assured the Brazilians that they were not backing the threat. Lynch (1996) shows how the Mexicans were able to get important concessions from the United States in NAFTA auto talks because of the commonality of interest between Mexico and the Big Three in Detroit. In the example cited previously on Pakistan-U.S. foreign aid negotiations, the Pakistanis lobbied directly in the U.S. Congress and tied the issue to their common interest in containing the Soviet threat via Afghanistan. More recently, in 1997-1998, the Mexican phone operator Telmex with its U.S. partner Sprint worked to defeat moves within the United States from AT&T and MCI to restrict its market access. It lobbied directly at the United States Trade Representative's Office and the Federal Communication Commission.

The many negotiation tactics mentioned above, of course, cannot be examined in isolation from the environmental context in which they take place. The context of the interdependent world economy which allows for many alternatives and pragmatic negotiations to take place is important for us to understand the degree of employment and effectiveness of any of

the strategies mentioned above. Therefore, while the analysis of diffusion of power negotiations is difficult because of the challenges in specifying preferences, positions, goals, and coalitions, these negotiations, nonetheless, may be better suited for developing countries in terms of effecting gains. What all of these tactics allow for in a diffusion of power context is the use of exchange, persuasive and virtual power which are unavailable in an authoritative power context.

### **Conclusion**

This article is a preliminary attempt to explore the context and process of negotiations. It shows that the changed historical context of North-South negotiations makes it impossible for the North to dictate outcomes and the South to do nothing else than either acquiesce or follow confrontational strategies. In a scenario labeled diffusion of power here, several different forms of power count. Thus, while negotiations in which authoritative power is dominant are not extinct, they are increasingly overlapped by negotiation contexts that include exchange, persuasion and virtual power. All this has happened because the state-state and single-issue (security) negotiations of the past are now being replaced multiple-actor and multiple-issue negotiations.

Most negotiations may now be characterized as plurilateral, in that they almost involve more than two actors and one issue, and that even in a scenario in which we see two actors and one issue, the shadows of other actors and other issues loom large. Thus, while the \$13.5 billion loan that the U.S. gave to Mexico following the peso devaluation in 1994 featured the U.S. and Mexico prominently, the shadow of the interdependent world economy, which would suffer with no agreement dictated much of what happened. The IMF promised another \$13.5 billion, and it is significant that given the interdependence of the world economy and the possibility of system-wide shocks, the IMF is now putting together nearly \$25 billion that can be loaned to countries on the verge of economic collapse (*The Wall Street Journal*, January 16, 1997).

The availability of different types of power (especially exchange) in an interdependent world economy defines a negotiation environment which is marked by pragmatism in terms of a recognition of mutual benefits and salience of overall negotiation strategies (value-fostering) that would effect this mutual accommodation. The negotiation context underlying the shift toward pragmatism is also allowing developing countries the luxury of good alternatives to no agreements which raise their reservation prices and allow them more bargaining power. Within the environment of pragmatism, the devel-

oping countries can use their newfound bargaining power to work toward mutual gains even in cases of very asymmetric interdependence.

The negotiation context and environments also help us locate the rationale and impact of a host of negotiation tactics that may be deployed. Developing countries are now focusing increasingly on specific issues of interest to them and working through negotiation processes to effect gains in their favor. This is different from the 1960s and 1970s when developing countries raised a host of issues stemming from their sense of injustice in response to colonialism, yet either could not or did not participate effectively in negotiations that ultimately affected them. But, this article also warns that the use of negotiation tactics is complicated in complex dynamic environments created by diffusion of power. As outlined in the introduction, with clever combinations of knowledge, flexibility and daring, developing countries can gain a lot from negotiations. The key is to locate these tactics in the overall context and environment of negotiations to see their effectiveness and impact. As a whole, this article characterizes the context and process of negotiations as "globalism" which allows developing countries options and outcomes that may be mutually beneficial to both the North and the South.

The main contribution of this article lies in showing the interconnections between negotiation context, environment and tactics. Except for a few rare examples, most analyses tend to be dominated by one of the three. The intent in this article is to contribute to discussion regarding the links between structure and negotiation. However, this article has only taken a first cut at this issue and constitutes the beginning of a new research project (Singh 2002, forthcoming). Much needs to be done in terms of refining the argument and propositions advanced in this article before testing them carefully with empirical evidence. Many of the issues summarized above are themselves complex enough to fill volumes. Hopefully, the thoughts offered here will serve as a good beginning point for these inquiries.

In practical terms, perhaps the best strategy for developing countries is to stay focused on specific issues and then explore their alternatives thoroughly while using combinations of negotiation tactics outlined above to deal with the North. Diffusion of power, in particular, allows for a more effective use of negotiation tactics like issue-linkages, trade-offs and coalition building. As for the North, it is already acknowledging that control as authority will not work. While its bargaining power may have declined historically, its alternatives and mutually beneficial outcomes with the South have not. For both the North and the South, pragmatism and value-creation may not be just choices but imperatives dictated by the global diffusion of power.

There are a number of issues that merit further exploration and empirical investigation. The first aspect concerns the dimensions of structural power

in particular issue-areas. Throughout this article, reference is made to how a “diffusion of power” context in particular allows developing countries to effect gains in their favor in specific issue-areas. A number of factors are at work here at all points of analysis mentioned in this article. Power is not so fungible beyond military and security issues in a diffusion of power context. What happens within a particular issue-area is thus more important than any overall power distribution. But we still need a thorough investigation of how structural power within issue-areas comes about. For example, this article mentions work done in the area of critical resources (markets, commodities, share of international trade) that actors possess but it does not give a definitive answer to the link between these resources and negotiation outcomes. Developing countries may also have influence in issue-areas because of other reasons such as coalitions, shadow of the past (colonial preference schemes honored in Europe), rivalries among potential bidders even for non-critical resources, or through trade-offs and linkages themselves. Structural power in issue-areas in turn influences the negotiation environment (rules of the game, availability of alternatives) and negotiation tactics. Once structural power is better specified, the connection between micro-structural power in issue-areas and macro-structural power of actors can be specified and its dimensions for actors other than the state can be explored.

The second aspect concerns the issue of bilateral and multilateral negotiations. Although the Uruguay Round is introduced as a reference case in the beginning, one may argue, for example, that most of the discussion in this article implicitly addresses itself to bilateral negotiation scenarios by assuming most of the time a homogenous North negotiating against a homogenous South. Even where conceptual and anecdotal exceptions are mentioned, I have not been able to spell out the theoretical implications precisely. For example, I note that divisions among the ranks of great powers allows developing countries to enter into powerful coalitions or they are themselves courted by great powers, as was the case during the WTO telecommunication negotiations. But I do not explore this issue in depth. Under what circumstances are these coalitions more effective than otherwise? How, for example, do developing country bargaining alternatives increase or decrease given specific types of diffusion of power scenarios? What does all this, in turn, say about structural power in issue-areas.

In general, the article follows the lead of international relations scholarship which, instead of positing bleak or optimistic scenarios based on certain grand discourses of history, instead try to posit mid-level contextual scenarios of what is and is not possible. Thus, global trends for liberalization may be interpreted not one way or the other, but in several different ways depending on the context. And North-South negotiations are not just doomed to deviate slightly

from given structures, but are also part of redefining and changing the structure and outcomes themselves. Such analyses, while giving non-provocative answers are nonetheless important for deepening our understanding of global processes.

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### Notes

1. I owe the 'humility' of accepting this approach to John Odell, a careful scholar who has prevailed upon me to accept the joy of doing "micro-theory."
2. Few make the former argument but many make the latter. A good example of a variation of the latter argument is given by Krasner (1985).
3. Zartman (1987) notes the presence of this more pragmatic issue-focused scenario for all North-South negotiations by the 1980s.
4. Susan Strange (1996: 19) notes that international political economy recently has only given a "rather summary and superficial treatment" of issues of power and that we must return to these in order to understand the difference between capabilities and outcomes.
5. Definition of authoritative power is from Lindblom (1977: chapter 2). The concept can be traced to Weber (1968: 946), who notes that legitimacy or domination is a "situation in which the manifested will (command) of the ruler or rulers is meant to influence the conduct of one or more others (the ruled) and actually does influence it in such a way that their conduct to a socially relevant degree occurs as if the rules had made the content of the command the maxim of the conduct for their sake."
6. The concept of actual versus potential power is explained by Keohane and Nye (1977: 18).
7. For an example of the former strategy, see Wriggins (1976). For the latter see, Yoffie (1983).
8. A similar point about the North-South strategies is made by I. William Zartman, "Introduction: Explaining North-South Negotiations" in Zartman (1987).
9. "There are some who stir up sedition because their minds are filled by a passion for equality. . . . There are others who do it because their minds are filled with a passion for inequality." Aristotle, *The Politics*, translated by Ernest Baker (1946). "Historians of ideas usually attribute the dream of a perfect society to the philosophers and jurists of the eighteenth century; but there was also a military dream of society; its fundamental reference was not to the state of nature, but to the meticulously subordinated cogs of a machine, not to a primal social contract, but to permanent coercions, not to fundamental



- rights, but to indefinitely progressive forms of training, not to the general will but to automatic docility." Michel Foucault (1984: 186).
10. Even a theorist like Susan Strange (1996) asking us to go beyond states in our analyses has a hard time trying to define power in ways other than authority. Examine the following statement (1996: 32): "Why should we imagine that states are the only institutions which exercise authority over others in setting not only rules but norms and customary procedures?"
  11. This point is made in different contexts and language by Ruggie (1993).
  12. Knudsen (1973: 155) notes: "It was found that the larger a country's merchant fleet and (or) seaborne trade, the more likely its government will be to participate in shipping interaction; and also that the higher the frequency of participation, the more likely that a general shipping policy is formulated." In other words, shipping diplomacy was not a function of country's overall power.
  13. The use of force against Saddam Hussein's Iraq may be understood as a special case in that the military strategy was first adopted by Hussein.
  14. Value-creating and value claiming are also often called integrative and distributive strategies following the fashion in the negotiation classic by Walton and McKersie (1965)
  15. One could argue that over time both the North and the South have learned to get along with each other and negotiate pragmatically. However, this position sounds too idealistic, hard to substantiate and leaves open to question of why they have learned and the difficulty of cases where they still may not act pragmatically. Locating this learning in diffusion of power helps to alleviate many of these problems.
  16. I draw upon discussion of this topic in Lax and Sebenius (1985); Odell (1993a, 1997); Raiffa (1982); White and Neale (1991).
  17. See, for example, similar points by a few authors in Mittelman (1996) and in *International Journal* (1996).
  18. Calling North "firms" and the South "markets" helps to capture the spirit of "asymmetric interdependence" in as much as we may posit that the power of firms increases as we deviate from perfect competition.
  19. This does not mean that NIEO accomplished nothing (for example, by way of consciousness raising etc.) But that on specific issues not much progress was made because they could not at times be distinguished from, or presented as, different from the underlying interests. See Lax and Sebenius (1986: 68) for distinction between interests and issues.
  20. Raiffa (1982: 282) notes that during the Law of the Sea negotiations, Singapore's Ambassador Tommy Koh to the United Nations (who was educated at Harvard and Cambridge) played a leading role in bringing the 160 negotiating countries to a compromise on several contentious issues.

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