The US Power Cycle, Expected Utility, and the Probable Future of the FTAA

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Abstract: Power cycle theory, which associates future foreign policy role expectations with the level and trend of relative power, will be used to derive propositions about the likely US role in future trade negotiations involving the Free Trade Area for the Americas (FTAA). In power cycle theory, foreign policy role is the "bargaining substance" of statecraft, requiring actor initiative and systemic (other actors') acceptance. Leadership is not hegemony. The concept of "systemism" provides a persuasive justification for the research on micro-micro and micro-macro linkages in power cycle theory. Forecasting negotiation outcomes, the Decision Insights expected utility bargaining model finds support for the hypotheses derived from the known US position on its power cycle, and for the theory's claim that the inertia of role change is greater than that of power.

Keywords: FTAA · Power cycle · Trade policy · US foreign policy

One of the great challenges for students of international politics is to explain, and if possible to "anticipate," the politics of trade policy in the current era of rapid change (Starr and Hristoulas, 2000). Forecasting, in particular, becomes difficult under such conditions. What, for example, is the likely role of the US in providing leadership for hemispheric trade arrangements? The Free Trade Area of the Americas (FTAA) is a major development in the international politics of trade within the western hemisphere and, as a great power and the leading state in the region, the US is guaranteed to be at the center of whatever unfolds. The more exact character of the FTAA, and the degree of leadership commitment to be expected from the US, remain challenging questions.

The purpose of this study is to use power cycle theory to explain, and to try to anticipate within the limits of the possible, the likely US role in the embryonic FTAA. Power cycle theory associates a government's future foreign policy expectations...
with its level and trend of relative power change, but the theory also warns: (1) that the inertia of role change is much greater than that of power (leading to power–role lags); and (2) that “everything does not remain the same” in terms of power growth or actor preferences. Inasmuch as foreign policy role does not change in any deterministic way as a function of change on the power cycle, and inasmuch as decision inertia is likely to affect role assumptions greatly, the task of deriving appropriate hypotheses about US trade policy is the more multifarious. Within these constraints, power cycle theory will be used to derive propositions about the role of the US in the FTAAs as it emerges over the next few years. An expected utility bargaining model will then be used to attempt to forecast negotiation outcomes based upon the propositions derived from power cycle theory regarding where the FTAAs may be headed and what role the US might play in establishing the content and course of the FTAAs.

This article unfolds as follows. First, the concept of systemism demonstrates the potential of power cycle theory to provide a comprehensive framework for the study of cooperation and conflict in international politics, on matters ranging from war to trade. Propositions are then derived from power cycle theory about the possible US role in negotiating the FTAAs. Following a review of recent developments in US trade policy, with special emphasis on the FTAAs, we examine some key issues to be negotiated, domestically and internationally. We then compare the predictions of the expected utility model with the propositions derived from power cycle theory.

**Systemism and Power Cycle Theory**

Systemism is advocated by the philosopher of science Mario Bunge as a way of thinking about the world; in principle, it can be applied to any aspect of social life:

> The alternative to both individualism and holism is systemism, since it accounts for both individual and system and, in particular, for individual agency and social structure. Indeed, systemism postulates that everything is a system or a component of one. And it models every system as a triple (composition, environment, structure), or CES for short, so it encompasses the valid features of its rivals (Bunge, 1996: 149).

From the standpoint of systemism, the choice between unit and system is, as Brecher (1999) termed it, a “flawed dichotomy.” A useful theory must deal with both systems and units in some way. The question is how best to proceed. Power cycle theory examines changing systems structure as a “single dynamic” of state and system. It explains how the differential absolute growth of the units (states) creates the single structural dynamic of the whole (system), and, consequently, the single dynamic (relating structure and agency) of a state’s relative power trajectory and its associated foreign policy (systemic) role expectations (Doran, 1991, 2000). Systemism provides a persuasive justification for the research enterprise associated with power cycle theory.

Figure 1A presents Bunge’s vision, based on systemism, of functional relations in a social system. It traces the full range of effects that might be encountered in any such system, which includes both micro- and macro-variables (lower- and upper-case letters, respectively). The logically possible connections are micro–micro, micro–macro, macro–macro, and macro–micro. The essence of systemism is to get away from holism, individualism, and other mindsets that convey only part of a
A. Functional Relations in a Social System

\[ \begin{array}{c}
X \xrightarrow{g} x \xrightarrow{f} y \xrightarrow{h} Y \\
\end{array} \]

\[ \text{Macro-variables} \]

\[ \text{Micro-variables} \]


B. The Power Cycle and Great Power Warfare

\[ \begin{array}{c}
C \xrightarrow{I} W \xrightarrow{I} I \\
\end{array} \]

C. The Power Cycle and US Trade Policy

\[ \begin{array}{c}
l \xrightarrow{m} a \xrightarrow{u} F \\
\end{array} \]

\[ \text{I} \]

**Figure 1. Systemism and Power Cycle Theory**

Working system. Macro-variables may have an impact upon each other, as in the case of X affecting Y, with the functional form (perhaps linear in some instances, more complex in others) represented by F. The same is true at the micro-level, as in the case of x having an impact upon y through function f. These linkages represent the limits of theorizing for holism and individualism, in that order. Systemism, by contrast, allows for both micro-micro and macro-macro connections, and it recognizes that effects also can move across levels, as represented by the macro-micro linkage of X to x through function g and by the micro-macro connection from y to Y through function h.

Consider the incomplete pictures offered by individualism and holism in comparison to systemism. Individualism focuses on \( y = f(x) \), or micro-level processes. This specification is incomplete because it is possible for a causal chain to be traced further back and at a different level altogether. What about the prior
effect of X on \( \hat{x} \), expressed as function g, and the direct impact of X on Y through function F. Each of these connections is left out of individualism, which cannot incorporate macro-level processes explicitly into its unit-centered vision of the system. Holism, by contrast, begins and stays at the macro-level. It focuses explicitly on system properties alone and treats all else as a "black box." Other processes that transmit effects from X to Y indirectly are not incorporated into theorizing. Thus Y = F(X), a relationship based only on macro-variables, becomes the whole story. This is the story of systems analysis as traditionally defined.

Figure 1B, analogous to Figure 1A in its inclusion of micro- and macro-variables, shows the connection of power cycle theory with great power war. Highly destructive conflict among great powers constituted the agenda for what we label "Phase I" of power cycle research (beginning with Doran's The Politics of Assimilation, and carried forward over three decades). In the figure, C designates the idea of the critical point at the macro-level; it refers to the degree of proximity, at any given time, of the full set of great power critical points, such as occurred in the period before World War I. The collective experience of warfare among great powers, another macro-variable, appears as W in the figure. At the micro-level, c refers to the nearness of the critical point for a given great power; w denotes its involvement in war. Each linkage in the figure is denoted with "I" because Phase I research on power cycles had a common functional form: a general hypothesis that proximity to critical points would produce a monotonically increasing likelihood of war.

All of the connections in Figure 1B are supported by authoritative research. Phase I establishes that collective proximity to critical points is connected to the outbreak of general wars such as World Wars I and II (a macro–macro linkage). Individual great powers at or around their critical points also are more war-prone (a macro–micro connection). A micro–macro linkage occurs between bilateral great power war and expansion into general war. Major wars feed back into the power cycle itself by affecting the positions and momentum of individual great powers, and by adding/removing members of that subset (a macro–micro linkage).

Phase II research has produced further support for power cycle theory. This stage of research moves beyond a focus on great power war in two ways. A wider range of conflict, such as foreign policy crises and militarized interstate disputes, can be explained by the power cycle (Hebron and James, 1997). Patterns of cooperation, specifically trade policy, also can be explained by concepts derived from the power cycle, such as the critical point and shifting foreign policy role (Hebron, 1995). Although the jury is still out on some matters, hypotheses derived from the power cycle have stood up to tests from multiple data sets and for both conflict- and cooperation-related events. Moreover, the full range of linkages specified by systemism find support in that research.

The present study continues with work in Phase II on the politics of trade policy. Figure 1C conveys the intended contribution of this initial research project on the FIAA. Two connections are probed, with the understanding that a complete power cycle model of trade policy would have to cover all of the potential linkages (i.e., macro–macro, macro–micro, micro–macro, and micro–micro as identified by systemism). The first linkage is micro–micro, exploring the impact of the US legislature (l) on the granting of fast-track authority to the president for purposes of negotiation with other states on the FIAA (a). The other linkage is micro–macro and focuses on the anticipated role of the US (u) in whatever version of FIAA (F).
ultimately emerges. In each instance the functional form is anticipated to be monotonic, represented by “m” in the figure.

Propositions Derived from Power Cycle Theory

In power cycle theory, foreign policy role is the “bargaining substance” of statecraft, involving actor initiative and systemic (other actors’) acceptance. The interests and capabilities of each actor in the relevant system are represented in the “push and shove” of interaction that leads to role ascription. How does the power cycle dynamic help us understand what posture the US is likely to adopt regarding a possible Free Trade Area of the Americas? We know that even though the US is past its peak in relative power terms, it is still by a wide margin the most powerful state in the system (Doran, 1991: 79, 220–236) and, because of that size, is “bound to lead” (Nye, 1990).

On the other hand, a democracy in nascent decline regarding its level of relative power is also likely to be cautious about its assumption of new obligations. It is fully aware that its power, according to power cycle theory, is likely to decline faster than its obligations reflected as foreign policy role. It fears falling into the trap of overextension and, thus, is likely to be more demanding than in the past regarding any international agreements that it signs. Some of its constituents may be skeptical that new trade agreements will yield the same absolute gains as in the past, and they may prefer to think in terms of relative gains, making the task of negotiating agreements with foreign partners more difficult for a country like the US. This task will be especially challenging if these foreign negotiating partners see only the much larger relative size of the US, not the possible increasing gap between its size and its very huge foreign commitments.

Moreover, given the tendency toward “increased variance around the trend line” (Doran, 1991: 79) as relative growth bounces against constraints at the top of the power cycle, there is some ambiguity regarding the actual trajectory of the growth curve. Will the apex be a long, flat plateau in temporal terms, or rather sharp, for example? The share of relative power varies quite discernibly from year to year until the momentum of relative decline is more pronounced. The line of future foreign policy expectations (tangent to the power curve) is less confidently pointed in any given direction (Doran, 1991: 105). Such ambiguity also suggests that most democracies located at such a place on their power cycles would tend to act more cautiously in their foreign interactions.

All of this seems to be borne out in the case of the US. Beginning with the Canada–US Free Trade Agreement (1988), the US has given up offering one-sided inducements to smaller trading partners. NAFTA confirmed this tendency in that a Third World country, Mexico, for the first time in a major trade agreement was expected to and did negotiate on equal terms with its much larger and richer partners. Insistence by the US that China and India become participants in any treaty on global warming illustrates the same tendency to expect more of negotiating partners as the felt capacity of the US to hand out disproportionate benefits is lessened.

In each of these cases, the “less powerful” states gain in role, status and prestige in being treated as comparable negotiating partners with the “most powerful” state, demonstrating an important aspect of the process of power–role adjustment in power cycle theory. A trade agreement such as NAFTA belies hegemonic behavior on the part of the US, whether as the provider of unilateral concessions or as the
extractor of imperial advantage, inasmuch as each negotiating partner yielded *equivalent* concessions and each enjoyed *mutual* benefit from the resulting increase in trade.

Of course, the inertia of change on the power cycle can be mitigated. The downward trajectory of the power cycle trend line in the 1970s and 1980s was offset by the positive impact of increased technological productivity and thus of economic growth in the 1990s. The Information Revolution lessened the rate of US relative decline as did the collapse of the Soviet Union and the apparent peaking of Japan on its power cycle. Changes occurring in both the numerator and the denominator of the relative power ratios benefitted the US power cycle. For a state near the top of its growth curve, relative share shows considerable variance from year to year and even from decade to decade.

Also supported by recent experience is the power cycle argument that a state like the US, no matter how powerful but past its apex, is likely to feel the assertiveness of domestic groups such as labor unions, environmental constituencies, and some firms for larger stakes. They demand greater foreign “concessions” for fear that relative gains are replacing absolute gains in terms of importance to themselves and to the polity as a whole. The US is slowly and carefully cutting back on some of the more disproportionate commitments in a number of security and political areas to prevent a future gap between lessened power and overextended responsibilities. Trade negotiations will be affected by the psychology expressed in terms of future foreign policy expectations associated with the position and dynamic on the power cycle.

Power cycle analysis thus yields a pair of hypotheses regarding the US role in negotiating an FTAA. One concerns largely the internal influences on FTAA bargaining inside the US. The other concerns the external propensity to negotiate such an agreement and the nature of the terms.

- **H1**: The president will receive fast-track authority but will be obligated to contend with significant restrictions imposed by Congress.
- **H2**: The US will adopt the leading role among negotiating states but will also display some caution regarding the concessions it makes and regarding the extent of its commitments.

These propositions are derived directly from the position and trend of the US on its power cycle, and the associated foreign policy role that elites and constituencies would believe it ought to pursue and that other governments would find credible.

H1 reflects a continuing commitment to leadership, but combined with the understanding that the US must protect its eroding position relative to other states in any bargaining game. Interest groups might be expected to succeed in pressuring the legislature to restrict the executive’s negotiating power over the FTAA, even while supporting the basic idea that the Agreement is needed to counteract other trading blocs. Thus the president can be expected to obtain “fast-track” authority (no unrelated riders to the trade bill), but with a mandate limited by the micro-input of anxious constituencies at home.

H2 also reflects the questioning of identity by the US as the leading power in the western hemisphere. What kind of FTAA might it want under conditions of relative, albeit shallow, decline? The above discussion suggests that the US would seek a deal that recognizes its continuing preeminence but also reflects the reality of rising power elsewhere in the western hemisphere. Thus some degree of ambiguity and ambivalence ought to be expected here. In forecasting the profile of FTAA, a mixed
role for the US, reflecting tendencies toward both the need for burden-sharing and the desire for recognition of its leading status, should be anticipated.

US Trade Policy: Recent and Contemporary Developments

Ambivalence by the US towards global leadership is most manifest in the realm of trade policy, in contrast with the period of so-called American “hegemony” in the construction of the international trading regime (Keohane, 1980), the General Agreement on Tariffs and Trade (GATT). With respect to both the World Trade Organization (WTO, successor to the GATT) and the proposed Free Trade Agreement of the Americas, the Clinton Administration during the 1990s played at best a half-hearted leadership role (Lusztig, 1998; Mayer, 2000; Uslaner, 2000). Mindful of anti-free trade lobbies (mainly organized labor) and newer “post-material” constituencies (environmentalists), the Administration abandoned long-standing US foreign policy initiatives (Pastor, 1996; Wiarda, 1995). Even though the US had an unprecedented opportunity to institutionalize a long-standing foreign policy objective ensuring commitment to liberal democracy and free market economics in Latin America, it declined to act upon it. This unusual policy position is the focus of analysis here.

In December 1994, the leaders of the 34 democratic governments in the western hemisphere announced their commitment to negotiate a hemispheric free trade agreement by 2005 (Pastor, 1996). Still reeling from the disastrous results of the November midterm elections, the Clinton Administration failed to articulate a coherent set of objectives for the 1994 Miami summit. Instead, focusing on issues that were less politically divisive than trade (most notably narcotics, the environment and the role of women in development), the Administration abdicated its leadership role to smaller countries, such as Canada, Chile and Mexico. These countries served as the driving force behind the unanimous agreement to construct a hemispheric free trade zone.

Not until late 1997 did the Administration request from Congress fast-track authority to negotiate trade agreements with other countries in the hemisphere. But for only the second time since a like procedure was introduced in 1934, a US president failed to receive authority to negotiate reciprocal trade agreements free from congressional oversight. President Clinton continued to find himself without sufficient political capital to invest in hemispheric trade.

The other major economies in the hemisphere did not sit patiently on the sidelines waiting for the US to adopt a leadership role. Hemispheric policies had changed since 1994. Mexico suffered, and recovered from, a major bout of recessionary inflation. Brazil has flirted with the same affliction and has been forced to devalue the real. This in turn has created tensions within the Southern Cone Common Market (MERCOSUR). Chile, still awaiting an invitation to join the North American Free Trade Agreement (NAFTA), has opted to develop closer ties to the large economies of South America. The South American economies, led by Brazil, appear to favor an FTAA that serves as a counterweight to US economic dominance of the region.

Thus, there are competing visions of the optimal structure for the proposed FTAA. Which is likely to prevail? How much influence is the US likely to have on the final outcome given its demonstrated ambivalence to date? These issues are fundamental to our understanding of the future of foreign economic policy in the western hemisphere, and of the US role as regional leader.
Taken together, this abandonment of policy provides impressionistic evidence for the ideas derived from power cycle theory expressed in our hypotheses. The incoherence in US policy is coupled with a higher level of initiative among other states in the western hemisphere, which also would be expected during an era when the leading state is in nascent descent along its power cycle. With these apparent trends in mind, systematic testing of these propositions seems appropriate. We use expected utility forecasting to generate predictions about the FTAA, in relation to the role of the US, which will be compared with the propositions deduced from power cycle theory.

Issues to Be Negotiated

Two key issues are especially salient for our understanding of the future of the FTAA and the US role. Collectively, these issues conform to the two-level game-negotiating framework articulated by Putnam (1988). The first, which determines the size of the domestic win-set (or the range of international agreements that could survive domestic ratification), concerns whether or not the President will secure fast-track authorization, and what conditions Congress attaches to fast-track authority. The second concerns the terms of the international agreement reached. It recognizes that while an agreement-in-principle exists to create an FTAA, there are divergent views on the optimal format of the new regime. We consider these issues in turn.

Fast-Track Authority

Under strong pressure to scupper NAFTA from core constituencies of the Democratic Party, Clinton insisted that parallel agreements, dedicated to the protection of labor and environmental standards, be appended to the original trilateral accord. Despite the grumblings of Congressional Republicans, and against the opposition of many Congressional Democrats, NAFTA received congressional approval and was signed into law in December 1993.

In August 1997, Clinton announced that he would request fast-track authority to negotiate freer trade, with particular emphasis on Asia and Latin America. But NAFTA had alienated many within his party. Thus, rather than enthusiastically seeking a leadership role in negotiating the proposed FTAA, Clinton concentrated on rebuilding support within the Democratic Party. By the time the request came to Congress, Congressional Republicans, sensing desperation on the part of the President, insisted upon limiting the maneuverability of the Administration’s negotiators. The declining commitment of both the President and Congressional Republicans to their foreign policy objectives is noteworthy. Domestic politics had created a foreign economic policy ambivalence that largely had been absent during an earlier era of greater US relative capability. Vociferous opposition from labor and environmental groups accelerated. By early to mid-November, it was clear that the proposed fast-track legislation would not pass the House (Pine and Hook, 1997).

This sense of ambivalence about trade policy corresponds to the explanation derived from the US position on its power cycle and the implications for future foreign policy role. Labor, and other risk-averse constituencies with protectionist leanings, seek to limit the losses that might occur with rapid and decisive liberalization. To avoid losing ground, the US must get involved in trade deals, but
it does so in a somewhat halting way under conditions of nascent relative decline and aversion to risk.

**Format of the FTAA**

The FTAA appears to represent the culmination of a sea-change in Latin American philosophies towards free enterprise, free markets, and economic integration with industrialized economies to the north. Stimulated by any number of factors—pressure exerted by international lending agencies such as the International Monetary Fund and World Bank, the economic success of Chile, the prevailing dominance of free market economics (Reaganism and Thatcherism) over government interventionism and welfare state excesses in the developed world—the major Latin American economies began to embrace trade liberalization and other economic orthodoxy (Mace and Belanger, 1999). Brazil and Argentina formed MERCOSUR, Mexico joined NAFTA; smaller regional trading blocs were re-invigorated in Central America, the Caribbean and the Andean nations; bilateral and trilateral accords among larger economies were concluded.

Four potential models present themselves as routes for the construction of the FTAA (Bernal, 1996), and each would have implications for the balance of power within the hemisphere. The route originally envisioned by the US was the extension of NAFTA, an idea that dates back to the 1990 Enterprise for the Americas Initiative articulated by President Bush, wherein countries would commit to ensuring that their trading rules were compliant with those of NAFTA by 2005.

A second route, preferred by Brazil, is the extension of MERCOSUR into a broader South American Free Trade Area (SAFTA). In this scenario, SAFTA would be dominated by the largest economy in South America, Brazil, while US dominance would be limited largely to the NAFTA countries (and presumably Central American and Caribbean states). The recent economic crisis in Brazil has weakened its commitment to trade liberalization, undercutting SAFTA’s momentum.

A third route would be amalgamation of the five largest existing free trade agreements in the hemisphere. It would reduce the number of issues to be negotiated, without necessarily creating tension between proponents of routes one or two. But incompatibility among the rules of the various trade agreements would obviate some of the apparent logistical advantages; e.g., some, such as MERCOSUR, constitute customs unions, whereas NAFTA, although only a trade agreement, is more homogeneous and trade-creating.

Fourth, the FTAA can be constructed de novo. The primary problem with this approach is that the logistical demands would be enormous. The two largest economies are distracted by domestic considerations. Yet such distractions could keep the US and Brazil from butting heads during the crucial stages of the negotiation process (Mace and Belanger, 1999).

In sum, the most likely outcome of the FTAA negotiation process hinges largely on the first issue, the prospect of a US president winning fast-track negotiating authority in 2001.

**Empirical Test**

Embedded within the rational choice tradition, the expected utility forecasting model developed by Decisions Insights Inc. simulates bargaining, along a particular issue dimension, of all actors relevant to a set of negotiations (Bueno de
Mesquita, 1994; we thank Yi Feng for his assistance running the model). Actors at the bargaining table have differential power capabilities and differential intensities of preference regarding the issue at hand, in contrast to the median voter hypothesis (Black, 1958). Hence even a strong country will have limited influence in negotiations in which it has only passing interest. Bargaining takes place over a number of iterations until a stable equilibrium is created—a point at which no alternative proposal more closely reflects the aggregate weighted preferences of all relevant actors. The equilibrium point minimizes the Euclidean distance from the ideal points of all actors, controlling for their bargaining power and interest in the issue at hand.

Data include the list of relevant actors and their optimal outcomes, relative capabilities, and relative issue salience. The data were generated (summer 1999) by an expert in the area of hemispheric trade, including Latin American and US trade politics. To counteract bias, the expert was not informed about the operation of the model, so that while the expert generated the raw data, the predictions have been derived from the model. Indeed, the expert was not asked for substantive predictions, and the model may produce a predicted outcome with which the expert disagrees.

Fast-track authority for the US President is the first issue. Table 1A shows the possible outcomes, which range from the US President being denied fast-track authority to obtaining fast-track authority in roughly the same form as originally requested in the fall of 1997. Two intermediate points along the scale show the US President receiving fast-track authority, but under more or less restrictive conditions. Table 1B shows the positions, issue salience, and capabilities of all the

**Table 1A. A Scale of Outcomes for the Issue of Fast-Track Authority**

<table>
<thead>
<tr>
<th>Score</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>The US President is denied fast-track authority</td>
</tr>
<tr>
<td>40</td>
<td>The US President receives fast-track authority, but with extremely restrictive conditions pertaining to labor and environmental side deals</td>
</tr>
<tr>
<td>60</td>
<td>The US President receives fast-track authority, albeit with stronger restrictions pertaining to labor and environmental side deals than originally requested in the fall of 1997</td>
</tr>
<tr>
<td>100</td>
<td>The US President receives fast-track authority in roughly the same form as originally requested in the fall of 1997</td>
</tr>
</tbody>
</table>

**Table 1B. Actor Profiles for the Issue of Fast-Track Authority**

<table>
<thead>
<tr>
<th>Actor</th>
<th>Position</th>
<th>Salience</th>
<th>Capability</th>
</tr>
</thead>
<tbody>
<tr>
<td>US President</td>
<td>100</td>
<td>.80</td>
<td>.90</td>
</tr>
<tr>
<td>US Congress</td>
<td>60</td>
<td>.60</td>
<td>.90</td>
</tr>
<tr>
<td>US Democratic Party</td>
<td>40</td>
<td>.70</td>
<td>.90</td>
</tr>
<tr>
<td>US Republican Party</td>
<td>100</td>
<td>.60</td>
<td>.50</td>
</tr>
<tr>
<td>Labor Unions</td>
<td>40</td>
<td>.70</td>
<td>.50</td>
</tr>
<tr>
<td>Business Associations</td>
<td>100</td>
<td>.50</td>
<td>.50</td>
</tr>
<tr>
<td>Environmental Groups</td>
<td>40</td>
<td>.90</td>
<td>.30</td>
</tr>
<tr>
<td>Government of Canada</td>
<td>100</td>
<td>.60</td>
<td>.20</td>
</tr>
<tr>
<td>Government of Mexico</td>
<td>0</td>
<td>.10</td>
<td>.10</td>
</tr>
<tr>
<td>OAS</td>
<td>100</td>
<td>.40</td>
<td>.10</td>
</tr>
</tbody>
</table>
relevant actors who might be involved in bargaining over the issue of fast-track authority. The expert-generated data possess at least face validity. Several actors varying in capability and salience, including the US President, the Republican Party, business associations, the Government of Canada, and the Organization of American States, want the 1997 request for fast-track authority to be honored. At the other extreme is the Government of Mexico, which prefers that the US President be denied fast-track authority. The data for capabilities and salience also seems within a credible range of values, with, for example, the US President as much more powerful than the Government of Mexico (0.90 versus 0.10) and salience for environmental groups being more than twice that of the OAS, a multifaceted regional organization (0.90 versus 0.40).

Table 2A reveals a number of forms that the FTAA could take. Outcomes range from the FTAA as an extension of Mercosur, i.e., the FTAA dominated by the Southern Cone with the US playing a very small role (0), to the FTAA as an extension of NAFTA dominated by the US (100). The scale and polar points were derived in consultation with the area expert. Table 2B lists the positions (from 0 to 100), issue salience (from 0 to 1) and capabilities (from 0 to 1) of all relevant actors in FTAA-related bargaining. The table shows several powerful actors with strong interest in the issue but variation in preferences. The most powerful actor, the US Government, takes the extreme position identified with a dominant role for the US. Brazil, with a power rating near that of the US, prefers an outcome at the center of the continuum, that is, a bipolar trading bloc, with Brazil and the US sharing regional leadership. Each position in the table, along with scores for position and salience, possesses such face validity.

### Table 2A. A Scale of Outcomes for the Form of the FTAA

<table>
<thead>
<tr>
<th>Score</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>FTAA is an extension of Mercosur (i.e., FTAA dominated by Southern Cone with the US playing a very small role)</td>
</tr>
<tr>
<td>25</td>
<td>FTAA is a decentralized series of linked trade agreements/regimes with a number of regional powers dominating their respective regimes (i.e., US plays a small role outside of NAFTA)</td>
</tr>
<tr>
<td>50</td>
<td>FTAA is a bipolar trading bloc with Brazil and the US in regional co-stewardship</td>
</tr>
<tr>
<td>75</td>
<td>FTAA is constructed de novo with the US playing a large role</td>
</tr>
<tr>
<td>100</td>
<td>FTAA is an extension of NAFTA with the US playing a dominating role</td>
</tr>
</tbody>
</table>

### Table 2B. Actor Profiles for the Issue of the Form of the FTAA

<table>
<thead>
<tr>
<th>Actor</th>
<th>Position</th>
<th>Salience</th>
<th>Capability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government of the US</td>
<td>100</td>
<td>.60</td>
<td>.90</td>
</tr>
<tr>
<td>Government of Brazil</td>
<td>50</td>
<td>.70</td>
<td>.80</td>
</tr>
<tr>
<td>Government of Canada</td>
<td>75</td>
<td>.80</td>
<td>.40</td>
</tr>
<tr>
<td>Government of Mexico</td>
<td>25</td>
<td>.20</td>
<td>.80</td>
</tr>
<tr>
<td>Government of Argentina</td>
<td>75</td>
<td>.60</td>
<td>.80</td>
</tr>
<tr>
<td>Government of Chile</td>
<td>75</td>
<td>.70</td>
<td>.80</td>
</tr>
<tr>
<td>OAS</td>
<td>75</td>
<td>.40</td>
<td>.10</td>
</tr>
<tr>
<td>CARICOM</td>
<td>75</td>
<td>.40</td>
<td>.50</td>
</tr>
<tr>
<td>US Democrats</td>
<td>75</td>
<td>.50</td>
<td>.60</td>
</tr>
<tr>
<td>US Republicans</td>
<td>100</td>
<td>.30</td>
<td>.60</td>
</tr>
</tbody>
</table>
H2. The second hypothesis derived from power cycle theory, (H2), thus is supported strongly by the preceding results. The need for both a leadership role and yet a limit to commitment comes out in the model’s forecast. The overall prediction is for a new agreement under US leadership. However, the US itself might have preferred something more widely distributed in terms of leadership costs. The US’s final preferred location looks more like co-stewardship with Brazil as opposed to any kind of unilateral role in managing hemispheric trade.

The outcome calling for a new agreement under US leadership, notwithstanding its nascent relative decline, validates the contention of power cycle theory that the inertia of role change is much greater than that of power. The system of western hemisphere states still accepts its leadership role on trade matters. Moreover, as discussed above, they gain in role, status and prestige in being treated as comparable negotiating partners in the trade agreements with the much more powerful US.

Regarding the US’s final preferred location, from the power cycle perspective, the explanation for co-stewardship is clear. Despite the continuing great disparity between the levels of US and of Brazilian power, nascent US decline has made the US less willing to devote its full resources to a preferential regional trade initiative as its primary sphere of interest. Brazil, initially opposed, sees the regional trade initiative as its primary sphere of interest, not another WTO round at the global level. All of Brazil’s diplomatic resources and commitment, combined with a partial commitment of resources and support from the United States, leads to co-stewardship of the FTAA by the two governments as their final preferred outcome.

Power cycle theory is supported by the evaluation of micro–micro and micro–macro linkages with respect to the role of the United States in the FTAA. This constitutes a valuable step forward for Phase II research on power cycle theory. The study also shows that negotiation hypotheses deduced from power cycle theory can find a useful test in combination with other approaches such as the expected utility model employed here. The results reported in this article suggest the value of further research that uses power cycle theory to explain trade and other issues related to both cooperation and conflict.

References


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Biographical Note

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