

POWER AND INFLUENCE

THE EMBEDDEDNESS OF NATIONS

Deborah E. de Lange



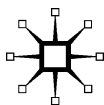
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FOREWORD

THE “INTERNATIONAL SYSTEM” that international relations (IR) scholars have traditionally studied is arguably more important than ever before. The unprecedented number and strength of the linkages that tie individuals, organizations, and nation-states in the contemporary world make it more essential than at any past time to understand the forces that shape these relations and how these relations are shaping the world. Consider the natural environment. Human activity, even at the local level, is increasingly causing irreversible changes in the Earth’s biosphere that have no historical precedent in a world where, until very recently, humans lived in small and largely closed subsistence communities. It is no exaggeration to claim that the future, not only of the human species but of a vast number of other living species as well, depends on how we will interact with each other to address environmental impacts.

International organizations like the United Nations lie at the core of our contemporary international system. These organizations are the “social technologies” we have devised to shape our interactions and create rules of engagement; they are the modern equivalent of the Sovereign that keeps our world from reverting to a “state of nature” that, given our knowledge of atomic energy and our extensive interdependence, would have devastating impacts for the world. In recent decades, the social sciences have experienced a resurgence of interest in institutions, rightly grasping that even competitive markets rely on property rights and other complex institutions in order to function. International organizations are the closest entities we have, at the international level, to the states that, at the national level, supply the institutions underpinning market exchange and, more generally, social activity. The experience of two horrific world wars and, more recently, of failed and imploding states such as Yugoslavia, Zaire (Congo), or Lebanon should convince any remaining skeptics that international governance is not any less necessary now than the nation-state was in Hobbes’ time.

But international organizations and, more generally, the interaction of countries in the international stage, are of broader, if less dramatic, interest. For countries exist in mutual cooperation and competition. While

acknowledging interdependence, countries also vie for limited stocks of natural resources, financial capital, highly educated workers, or tourist spending, to name just a few of the more obvious sources of international competition. As Nalebuff and Brandenburger's "co-opetition" paradigm—now fully "institutionalized" in strategic management courses around the world—shows, business firms operate in a setting that is not radically different. They not only compete with each other, but also cooperate to set up strategic alliances, lobby governments, agree on technological standards, and share risks in complex projects, among other possibilities. Hence, the study of international organizations can yield rich insights for students of strategic management, too.

In the present book, de Lange sheds much light on these important issues, advancing both scholarship and practical understanding. On the scholarly side, she operationalizes power and influence among nation-states in a novel way not previously done in IR. United Nations voting records provide an unambiguous and rich set of data on the decisions of individual countries across a wide range of issues. These data can therefore be subjected to the statistical analyses that can tease out power and influence from other explanatory factors. By contrast, IR scholars have had to grapple, for instance, with the ambiguities of the definition of armed conflict and the relatively small numbers of instances from which inferences can be made.

Another advance made by de Lange on both methodological and empirical grounds is the application of the concepts and tools of network analysis. Although IR as a field has long grappled with the complexities of alliances involving more than two countries, surprisingly little IR research has made use of network analysis, in contrast with work by sociologists, which has led to the development of new tools and their successful application to relations among individuals, firms, and other types of organizations. Network analysis, as it turns out in de Lange's capable hands, is a potent tool for the study of interactions among nation-states. In particular, it offers a conceptually and empirically clearer measure of power and influence through the analysis of the observed ties among countries.

By themselves, these two contributions to IR—providing much-needed clarity in the definition and measurement of both dependent and explanatory variables—would be enough to justify the importance of de Lange's work. It is our good fortune that there is much more of value in this book. The author's in-depth exploration of the concept of embeddedness and her empirical insight into the impacts of cultural and ideological affinity deserve particular mention. De Lange makes a persuasive case that embeddedness constitutes a separate, self-contained theoretical perspective that can stand on its own and ought to be regarded as such by social scientists. Just as theories of organizational behavior and international relations have accepted that

individuals, organizations, and countries depend on their access to external resources and that this dependence powerfully shapes their behavior and relations with other actors, or that the specific set of resources controlled or sought by these actors influences their behavior and the outcomes of their interaction with other actors, it is hard to argue against the equally plausible idea that the commonalities in origin or evolution of these actors, and the structure of their relationships with other actors, also exert a fundamental force on their behavior and on interaction outcomes. In fact, not only is this a plausible theory, but one that can be empirically tested without ambiguity through the application of network analysis, as in fact it has been tested with regard to phenomena as diverse as job searching or the international diffusion of ideas and institutional innovations.

Separate from—but strongly complementary to—the concept of embeddedness is the concept of affinity, particularly cultural and ideological affinity. Much of the more recent theorizing in IR deals with new concepts of power based on the ability to influence others' ideas and perceptions—most famously, Joseph Nye's concept of "soft power." One way to understand soft power is to regard it as the ability to create cultural or ideological affinities. Thus U.S. influence on former Soviet states such as Georgia, with which it had little in common prior to the breakup of the Soviet Union, may stem in part from the attraction of the ideas emanating from the United States for the post-Soviet leaders of these countries, for example as a result of these ideas being regarded as recipes for economic development and political liberation from Russian influence. In fact, the empirical literature on the diffusion of ideas and institutional innovations has shown the concept of affinity to be important, for example by looking at something as simple as the influence of adoption by a neighboring country on the likelihood of a country's taking up new ideas or institutional innovations. What is new in de Lange's work about our understanding of affinity is not so much the confirmation of these results, but the fact that her empirical results show affinity to be a more complex and nuanced factor than we understood. As de Lange shows, the relationship between affinity and commonality of behavior turns out to be a quadratic one, where a very high degree of affinity can actually produce divergent behavior. Whether this puzzle is confirmed by other studies, and how we explain it, remain for further research, but de Lange's research is valuable for identifying it.

Beyond these contributions, de Lange's work also deserves consideration for its successful crossing of disciplinary boundaries. Here we have an international business scholar stepping into what would be considered a traditional IR topic—voting at the United Nations—and yet applying not only concepts from IR but also from sociology to derive important empirical results that turn out to have important implications for strategic

management. While the interface between IR and international business scholarship has been a fertile one, yielding important results about political risk, it is refreshing to see an entirely novel exploration of the complementarity between these two fields. The task ahead is to further develop the implications of de Lange's research for international business, perhaps along the lines of the incipient research on international networks of firms, non-governmental organizations, and governments. In fact, the cross-disciplinary possibilities of de Lange's research may go beyond the implications for firms. Reading her narrative and analysis of the role of country visits, one is reminded of the anthropological descriptions of the *potlatches* among the nations of the Pacific Northwest, which appeared to play a similar role of cementing relationships and building ties that could be leveraged on future occasions.

Finally, the implications of the book also deserve to be underscored. De Lange's book is rich with suggestions for taking her research further or applying it in other contexts traditionally studied by management and IR scholars. Perhaps most obvious is the need for research in management and international business to make the co-opetition paradigm much more central than it has been so far in research in these fields. Although it is well accepted in teaching curricula, it is still relatively marginal in research, and its important implications are not emphasized enough in business school teaching. The work of Professor de Lange shows that collaboration is as important a phenomenon as competition, and it should be placed in such a position in both research agendas and classroom practice. More specifically, just as countries collaborate to develop and sustain international governance structures at the same time as they compete with each other on a variety of dimensions, firms also engage in extensive collaboration. One such type of collaboration that has received a great deal of attention in recent years is the establishment of strategic alliances. But this is by no means the only type of collaboration. For example, political scientists have long been interested in the aggregation of business interests through chambers of commerce and other business associations in order to exert a stronger influence on public policy, but this type of collaboration has received relatively little attention in the literature of management or international business.

In this regard, Professor de Lange's book offers many suggestions for potential sources of affinity and embeddedness among business firms that can foster inter-firm collaboration. Strategic management literature has traditionally emphasized industry as the primary category for the study of strategic interaction among firms; international business literature has supplemented this category with that of the national origin of firms. But these are not the only possibilities. Professor de Lange's work suggests that managers'

social ties may play a key role as well, just as “social” ties among countries (country visits) play an important role in international governance.

On the empirical side, this book also provides valuable lessons and examples for future scholarship to exploit. The most obvious one is the use of the voting records of international organizations as sources of empirical data. The United Nations may not be the only organization for which voting data is available. Similar data may be obtained for the World Trade Organization; for voting by the boards of directors of the World Bank, the International Monetary Fund, and similar entities; or for a variety of other voluntary and public institutions of an international nature, from the International Postal Union to the International Labor Organization. Analysis of such records may allow not only replication of de Lange’s tests, but also testing of other hypotheses. And of course, there may be other publically available data in the archives of these entities, such as the minutes of meetings of their governing bodies, that yield further valuable data for the empirical researcher.

The last implication of the book that should be highlighted is the potential for additional cross-fertilization between the fields of IR and international business. The book offers an extended and valuable discussion of the concepts of power and influence, particularly in IR. Yet the application of these concepts to inter-firm relationships still has much to offer. For example, the concept of influence could help scholars reach a more nuanced understanding of the ways in which firms are imitated by their competitors or even by non-competing firms. It is well known, at least anecdotally, that companies such as General Electric or McKinsey exert a great of influence by dint of the prestige accorded to their professional ranks, which makes them attractive managerial candidates for many firms even if they have no direct relationship with GE or McKinsey.

In the opposite direction, IR could benefit from the incorporation of firms, particularly multinational enterprises (MNEs) as independent actors in the contemporary international system. The growing reach and impact of these firms in an increasingly globalized world has turned many of them into important actors in their own right when it comes to international governance and other issues of interest to IR scholars. Take the example of the World Economic Forum at Davos. The Forum is not only supported financially by MNEs, but also offers them a setting in which they can directly interact with heads of state and powerful politicians in order to affect public policies around the world on matters of importance to MNEs, such as exchange rate regimes, regulation of international capital flows, and the like. Or consider the well-documented leading role of Pfizer in the development of Trade-Related Intellectual Property Standards (TRIPS) and their inclusion in the international trade regime under the World Trade Organization’s purview.

To conclude, Professor de Lange's book has important messages not just for those interested in the ability of international organizations to address the urgent governance challenges of our contemporary world, but also for anyone seeking to better understand how organizations, whether political or otherwise, interact with other organizations in a variety of settings. Even more broadly, social scientists will find here a valuable instance of cross-disciplinary research and original empirical work. We can only hope that they will be inspired to follow the path blazed by this book.

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PREFACE

IN A BROAD SENSE, this book examines globalization by studying the effects of external worldwide networks on international policy development in the United Nations. From an academic perspective, these are the effects of the embeddedness of nations in trade, military alliance, diplomatic and intergovernmental organization (IGO) networks on how our world is run. Although the United Nations has no legal authority, it has moral authority, and it has the membership and potential access to resources of almost all countries in the world while sustaining an international policy agenda that is practically boundless in scope. In effect, on many matters such as world security, the United Nations has become the counterbalance to the only superpower left, however friendly, the United States. Instead, from cultural and economic perspectives, we may agree that the world is multipolar over the post-cold war period studied in this book, 1990–2000, such that the European Union and Japan together with the “Asian Tigers” compete with the United States; other “poles,” China, Brazil, Russia, and India are still newly industrializing countries and, while they are carving out their place on the world stage, they are not quite yet counterbalancing powers. However, these countries can combine their efforts within the United Nations. Every vote in the United Nations General Assembly (UNGA) has equal value because of the one vote—one country rule.

This embeddedness of nations is a useful context for testing a strategy and organizations theory termed the “embeddedness view.” The main principle of this view is that social structure affects actions. The research underpinning this view uses network analysis to enact this social structure at the organizational level through international networks.

Furthermore, rather than examining how networks affect actions, this study uses decisions as outcomes, a closer link in the causal chain to the original effects. This avoids the confusion arising from many potential alternative explanations for the effects on actions, more distant in the chain of causality. Research in strategic management tends to test more remote outcomes, creating greater uncertainty in the research; this happens because