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ORIGINAL PAPER

The paradox of weakness in the politics of trade integration

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Abstract In his 1960 seminal contribution to game theory and its applications, *The Strategy of Conflict*, Thomas Schelling suggested that in international negotiations, strong international opposition may be an asset rather than a liability. Rather than constraining it, the opposition would enlarge the opportunity set thus making it easier to successfully conclude international negotiations. This property, which is also known as the Schelling-conjecture, shares some aspects with constitutional economics, namely the two-level approach suggesting that it might be beneficial for all parties to give up some power by tying one's hands. In this paper we examine by means of a simulation study how far we can take this notion in the politics of trade integration. In explicitly marrying Schelling's 1960 idea with the 1988 two-level approach by Putnam and embedding the result into the political economy of trade we find that the threat of a domestic opposition or national institution having a veto power frequently but not always delivers a more favorable outcome for the respective trade representative at the international table. Whether the Schelling-conjecture applies or not actually depends on the subtle interplay of a "bully effect" and a "serenity effect".

Keywords International political economy · Conflict and cooperation · Trade policy · Two-level games

The views expressed in this paper are those of the authors and are not meant to represent in any way the views of the particular institutions.

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