

Ludwig Jung

**The Political Economy
of International
Prohibition Regimes**

A Transaction Cost Perspective on
Relational Contracting between States



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Abstract

This thesis presents a transaction cost theory of international prohibition regimes. The trade in certain goods results in negative externalities for states. Such goods are tightly regulated, and their illicit trade is prohibited in most parts of the world. States have negotiated various multilateral agreements to harmonize their restriction policies in order to minimize negative externalities. Yet on an international level, these regimes exhibit varying levels of scope and impact. The thesis examines how and why prohibition regimes are formed in the areas of narcotic drugs and small arms/light weapons (SALW).

The analysis focuses on the contractual relationship between states, rather than on normative assessments of policy outcomes. A model is presented to classify transaction costs (independent variable) and the expected extent of institutionalization (dependent variable) of international regimes. Transaction costs are operationalized via asset specificity, behavioral uncertainty, technical/environmental uncertainty, and information impactedness. Institutionalization is assessed via credible commitments, precision of legal propositions, and delegation of authority. Governance costs are introduced to determine the optimal extent of cooperation.

Previous research is confirmed in some areas and challenged in others: Underlying transaction costs can be an adequate predictor for the institutional outcome of the international drug control regime, in accordance with existing analyses. With regard to SALW, transaction costs adequately predict institutional outcomes, especially considering recent developments. This challenges previous research which found transaction costs inadequate to analyze institutional outcomes in the area of SALW. Furthermore, both regimes fall within a corridor of optimal extent between transaction and governance costs. This leads to the conclusion that sudden and significant institutional changes are unlikely. While acknowledging the limitations of the model (neglect of power and coercion, changing preference structures of individual states), the thesis finds that transaction costs are a much stronger explanatory variable of institutional outcomes and the stability of trade restriction/prohibition regimes than previously assumed.

Debts

Over the course of writing a PhD dissertation, one accrues a significant amount of professional and personal debt. This work is no exception. I would like to thank the Mercator Foundation and the German National Academic Foundation for their financial support during the Mercator Fellowship on International Affairs, which initially sparked my interest in pursuing further research into international drug and small arms control. The University of Bayreuth, and in particular the RW-Fakultät have provided the academic infrastructure to pursue this particular interest, for which I am grateful.

I would like to thank my supervisors Prof. Dr. Martin Leschke and Prof. Dr. Rudolf Schüßler for their guidance and critical comments. Prof. Dr. Leschke's support over the last years forms the basis for the successful completion of this project – allowing heterodox approaches to mainstream topics is rare, but I believe more firmly than ever that combining methods from various disciplines enables new and important insights for areas where common knowledge supposedly already has all the answers.

I would like to thank my parents, Henry and Anne Jung, who have supported me throughout my studies and enabled me to attend university in the first place.

The greatest personal debt is owed to my wife, Haley Spencer Rice. She has supported me over the entirety of this project, offered the necessary encouragement when frustration set in, and made the last years living far away from friends and family bearable: *A flower of light, in a field of darkness*. This work is dedicated to her.

Table of Contents

List of Figures	13
List of Tables	15
Acronyms/Abbreviations	19
1. Introduction: The case for an economic theory of international regimes	21
1.1. International politics from a political economy perspective: beyond the neo-realist/neo-institutionalist debate	26
1.2. Why cooperate in a system of anarchy?	33
1.3. What constitutes an international regime?	37
1.3.1. Regimes as solutions to dilemmas of common interests and common aversions	41
1.3.2. Supply and demand of international regimes	45
1.3.3. Regimes as institutions, not just equilibria	48
1.4. Prohibitive Regimes: A viable case study for institutional analysis?	52
1.5. Positive economic theory, constitutional economics and the assessment of international institutions	58
2. Transaction cost theory and the analysis of international institutions	66
2.1. Research questions and hypotheses	72
2.2. A Transaction Cost Model of International Prohibition Regimes: Methodology	79
2.2.1. Relational Contracting in International Politics: Transaction costs as the independent variable	81
2.2.1.1. Asset specificity	85
2.2.1.2. Behavioral uncertainty	91
2.2.1.3. Technical and Environmental uncertainty	96
2.2.1.4. Information Impactedness and Measurement	101

Table of Contents

2.2.2. Hierarchy in international relations: institutionalization as the dependent variable	104
2.2.2.1. Institutional choice & design	110
2.2.2.2. Levels of institutionalization in international prohibition	114
2.2.2.2.1. Commitment and obligation	117
2.2.2.2.2. Precision	121
2.2.2.2.3. Delegation & agent-relationships	124
2.2.2.3. Governance Costs and the optimal extent of cooperation	127
2.2.3. Problem constellation and interaction of variables	138
2.2.4. Institutions over time: an evolutionary perspective	143
2.2.5. Limitations and Qualifications	146
3. International Drug Control	151
3.1. Historical overview and current debates	152
3.1.1. The 1961 Single Convention as an international institution	153
3.1.2. Today's global drug control regime	160
3.2. Production and consumption states	165
3.3. Research hypotheses with regard to international drug control	173
3.4. Transaction costs in international drug prohibition	176
3.4.1. Asset specificity	176
3.4.2. Behavioral uncertainty	185
3.4.3. Technical and Environmental uncertainty	195
3.4.4. Information Impactedness and Measurement	204
3.4.5. Overview	209
3.5. Institutional Design in international drug prohibition	213
3.5.1. Commitment and obligation	213
3.5.2. Precision	223
3.5.3. Delegation & agent-relationships	230
3.6. Results and Analysis	242
3.6.1. Functionalism and research hypotheses	244
3.6.2. Governance Costs	248
3.6.2.1. Production states	253
3.6.2.2. Consumption states	260
3.6.3. Optimal relations and outlook	265

4. Control of Small Arms and Light Weapons (SALW)	269
4.1. Historical overview and current debates	271
4.1.1. SALW-Control before the Arms Treaty: The UN Programme of Action (PoA) and the Firearms Protocol	272
4.1.2. The Arms Trade Treaty (ATT)	278
4.2. Production and consumption states	281
4.3. Research hypotheses	288
4.4. Transaction costs in the international control of SALW	291
4.4.1. Asset specificity	292
4.4.2. Behavioral uncertainty	299
4.4.3. Technical and Environmental uncertainty	308
4.4.4. Information Impactedness and Measurement	314
4.4.5. Overview	320
4.5. Institutional design in international SALW Control	324
4.5.1. Commitment and obligation	325
4.5.2. Precision	333
4.5.3. Delegation & agent-relationships	339
4.6. Results and analysis	348
4.6.1. Functionalism and research hypotheses	350
4.6.2. Governance Costs	356
4.6.2.1. Production states	361
4.6.2.2. Consumption states	366
4.6.3. Optimal relations and outlook	371
5. Summary	375
5.1. Overview of results	377
5.2. Limitations and future research agenda	385
6. References	391

List of Figures

Figure 1.1. Differentiation between Harmony, Cooperation, and Conflict	35
Figure 1.2. Prisoner's dilemma, a dilemma of common interests	36
Figure 1.3. A dilemma of common aversions and divergent interests	43
Figure 1.4. Fully elastic supply & fully inelastic demand	47
Figure 2.1. A decision tree for institutional choice	111
Figure 2.2. Trade-off between institutionalization and risk of opportunism	117
Figure 2.3. Comparative Governance Costs for International Prohibition	129
Figure 2.4. Optimal Levels of Institutionalization in International Prohibition	136
Figure 2.5. Social Analysis of inter-state relations over time	144
Figure 3.1. Production countries, output of opium and coca leaves, 1988	168
Figure 3.2. Production countries, output of opium and coca leaves, 2018 or most recent	169
Figure 3.3. Consumption countries, DALYs* attributable to drug use, 2016	170
Figure 3.4. Cost-Benefit trade-off for production and consumption states in International Drug Control	172

List of Figures

Figure 3.5. Governance indicators* for major production countries, 1996	189
Figure 3.6. Governance indicators* for major production countries, 2018	190
Figure 3.7. Optimal Relations for International Drug Control, pre-1961 Single Convention time period	265
Figure 3.8. Optimal Relations for International Drug Control, post-1961 Single Convention time period	266
Figure 4.1. Arms exports of some major production states, 2001-2013	284
Figure 4.2. Number of firearm-related deaths of selected major consumption states, 1990-2016	286
Figure 4.3. Cost-Benefit trade-off for production and consumption states in International SALW Control	287
Figure 4.4. Governance indicators* for major production countries, 2000	303
Figure 4.5. Governance indicators* for major production countries, 2013	303
Figure 4.6. Optimal Relations for International SALW Control, pre-2001 PoA/Firearms Protocol time period	371
Figure 4.7. Optimal Relations for International SALW Control, post-2001 PoA/Firearms Protocol time period	372
Figure 5.1. Overview of Optimal Relations for SALW and Drug Control	383

List of Tables

Table 2.1. Proxy for Independent Variable 1: Asset Specificity	90
Table 2.2. Proxy for Independent Variable 2: Behavioral Uncertainty	95
Table 2.3. Proxy for Independent Variable 3: Technical and Environmental Uncertainty	100
Table 2.4. Proxy for Independent Variable 4: Information Impactedness and Measurement	104
Table 2.5. Proxy for Dependent Variable 1: Commitment and obligation	120
Table 2.6. Proxy for Dependent Variable 2: Precision	123
Table 2.7. Proxy for Dependent Variable 3: Delegation and agent-relationships	126
Table 2.8. Governance Costs	133
Table 2.9. Hypothesized variable interactions and problem constellation	141
Table 3.1. Proxy for Independent Variable 1: Asset Specificity	177
Table 3.2. Overview Drug Control Asset Specificity Approximations	185
Table 3.3. Proxy for Independent Variable 2: Behavioral Uncertainty	186
Table 3.4. Proxy for Independent Variable 2: Behavioral Uncertainty	195

List of Tables

Table 3.5. Proxy for Independent Variable 3: Technical and Environmental Uncertainty	196
Table 3.6. Overview Technical and Environmental Uncertainty Approximations	203
Table 3.7. Proxy for Independent Variable 4: Information Impactedness and Measurement	204
Table 3.8. Overview Information Impactedness and Measurement Approximations	208
Table 3.9. Overview Drug Control Transaction Cost Approximations	209
Table 3.10. Hypothesized variable interactions and problem constellation for drug control	212
Table 3.11. Proxy for Dependent Variable 1: Commitment and obligation	214
Table 3.12. Overview Drug Control Comittment and Obligation	222
Table 3.13. Proxy for Dependent Variable 2: Precision	224
Table 3.14. Overview Drug Control Precision	230
Table 3.15. Proxy for Dependent Variable 3: Delegation and agent-relationships	231
Table 3.16. Overview Drug Control Delegation and Agent-relationships	242
Table 3.17. Actual Levels of Institutionalization in Drug Control.	243
Table 3.18. Overview Transaction Cost Approximations and Institutional Outcomes	243
Table 3.19. Governance Costs	250

Table 3.20. Governance Costs for Production States in Drug Control	259
Table 3.21. Governance Costs for Consumption States in Drug Control	264
Table 4.1. Proxy for Independent Variable 1: Asset Specificity	292
Table 4.2. Overview SALW Control Asset Specificity Approximations	299
Table 4.3. Proxy for Independent Variable 2: Behavioral Uncertainty	300
Table 4.4. Overview SALW Control Behavioral Uncertainty	308
Table 4.5. Proxy for Independent Variable 3: Technical and Environmental Uncertainty	309
Table 4.6. Overview SALW Control Technical and Environmental Uncertainty	314
Table 4.7. Proxy for Independent Variable 4: Information Impactedness and Measurement	315
Table 4.8. Overview Information Impactedness and Measurement Approximations	319
Table 4.9. Overview SALW Control Transaction Cost Approximations	320
Table 4.10. Hypothesized variable interactions and problem constellation for SALW control	323
Table 4.11. Proxy for Dependent Variable 1: Commitment and obligation	325
Table 4.12. Overview SALW Control Commitment and Obligation	333
Table 4.13. Proxy for Dependent Variable 2: Precision	334

List of Tables

Table 4.14. Overview SALW Control Precision	339
Table 4.15. Proxy for Dependent Variable 3: Delegation and agent-relationships	340
Table 4.16. Overview SALW Control Delegation and Agent-relationships	348
Table 4.17. Actual Levels of Institutionalization in SALW Control	348
Table 4.18. Overview Transaction Cost Approximations and Institutional Outcomes	349
Table 4.19. Governance Costs	357
Table 4.20. Governance Costs for Production States in SALW Control	365
Table 4.21. Governance Costs for Consumption States in SALW Control	370
Table 5.1. Overview of Results	378

Acronyms/Abbreviations

ATT	Arms Trade Treaty
BICC	Bonn International Center for Conversion
BMS	Biennial Meetings of States
CFE	Treaty on Conventional Armed Forces in Europe
CICAD	Inter-American Drug Abuse Control Commission
CIFTA	Inter-American Convention against the Illicit Manufacturing of and Trafficking of Firearms, Ammunition, Explosives and other Related Materials
CND	Commission on Narcotic Drugs
DALYs	Disability adjusted life years
DDA	Department of Disarmament Affairs (Predecessor of UNODA)
DSB	Drug Supervisory Board
ECOSOC	United Nations Economic and Social Council
ECOWAS	Economic Community of West African States
EMCDDA	European Monitoring Centre for Drugs and Drug Addiction
EU	European Union
GATT	General Agreement on Tariffs and Trade
GGE	Group of Governmental Experts
ICJ	International Court of Justice
INCB	International Narcotics Control Board
IR	International Relations
ISS	Institute for Security Studies
ITI	International Instrument to Enable States to Identify and Trace, in a Timely and Reliable Manner, Illicit Small Arms and Light Weapons
LoN	League of Nations
NATO	North Atlantic Treaty Organization
NGO	Non-governmental Organization
NIE	New Institutional Economics
NRA	National Rifle Association

Acronyms/Abbreviations

OAS	Organization of American States
OEWG	Open-Ended Working Group
OSCE	Organization for Security and Cooperation in Europe
PCOB	Permanent Central Opium Board
PoA	UN Programme of Action to Prevent, Combat and Eradicate the Illicit Trade in Small Arms and Light Weapons in All its Aspects
RevCon	Review Conference on the Programme of Action (PoA)
SADC	Southern African Development Community
SALT	Strategic Arms Limitation Talks
SALW	Small Arms and Light Weapons
UN	United Nations
UNDC	UN Disarmament Commission
UNEP	UN Environmental Programme
UNFCCC	UN Framework Convention on Climate Change
UNGA	UN General Assembly
UNGASS	Special Session of the UN General Assembly
UNODA	UN Office of Disarmament Affairs
UNODC	UN Office on Drugs and Crime
UNSC	UN Security Council
UNSCAR	UN Trust Facility Supporting Cooperation on Arms Regulation
UNSG	UN Secretary-General
UNTC	UN Treaty Collection
WDR	World Drug Report
WHO	World Health Organization
WTO	World Trade Organization