State Power And The Structure Of International Trade

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Introduction

International trade is often explained through comparative advantage, prices, transportation costs, and consumer demand, but Stephen D. Krasner's influential 1976 article "State Power and the Structure of International Trade" shows why economic explanations alone are insufficient. Governments also evaluate trade through the lenses of national income, growth, social stability, security, and relative power. A policy that raises total income may still be resisted if it threatens a strategically important industry, creates concentrated unemployment, or increases dependence on a geopolitical rival. Krasner therefore treats trade openness as a political outcome shaped by the distribution of state capabilities and interests rather than as an automatic result of market efficiency (Krasner, 1976). This state-power approach remains useful in 2026 because trade policy increasingly includes industrial subsidies, export controls, investment screening, sanctions, and supply-chain security measures. At the same time, contemporary production networks and institutions make a purely state-centered explanation incomplete. A stronger analysis combines international power with domestic coalitions, firms, institutions, technological change, and the costs that different groups experience from both openness and restriction.

National Interests and the Politics of Openness

Krasner organizes national interests around several goals that can support or conflict with trade openness. Greater trade can raise aggregate income by expanding markets and lowering costs, while technology diffusion and competition can contribute to economic growth. Yet gains are distributed unevenly, and visible losses can threaten social stability when workers, industries, or regions face concentrated adjustment. Political power creates an additional concern because dependence on foreign suppliers may become a strategic vulnerability in sectors such as semiconductors, medicines, energy, food, telecommunications, or critical minerals. Governments may therefore accept higher economic costs in exchange for resilience or security. These trade-offs explain why policy cannot be inferred from a national welfare calculation alone. Domestic institutions decide which losses receive compensation, which sectors obtain protection, and how security claims are evaluated. The same country can promote openness in industries where it is competitive while restricting trade in sectors it considers strategically sensitive. State interests are therefore plural rather than reducible to one

permanent preference for free trade or protection.

Hegemony, Institutions, and Historical Evidence

Krasner's best-known proposition is that a hegemonic distribution of potential economic power can support an open trading structure because a dominant state has both the capacity and incentive to reduce barriers, provide security, and organize rules. Britain in the nineteenth century and the United States after the Second World War are central historical examples, although empire, coercion, discriminatory arrangements, and domestic protection complicate any simple account of liberal leadership. Postwar institutions such as the General Agreement on Tariffs and Trade helped lower tariffs and provided a multilateral framework that later developed into the World Trade Organization. Institutions matter because they create procedures for negotiation, notification, and dispute settlement, but they do not eliminate differences in market size, legal capacity, or bargaining leverage. Hegemony is therefore neither necessary nor sufficient for openness in every case. Domestic coalitions, historical circumstances, and ideas about legitimate policy affect whether concentrated power produces cooperation, discrimination, or restriction. The state-power argument is strongest when treated as a theory of bargaining conditions rather than a mechanical prediction of trade outcomes.

Keohane's Critique and the Domestic Level

Robert Keohane's 1997 essay "Problematic Lucidity" praises Krasner for framing a clear research program while explaining why that clarity can become reductionist. Treating the state as a unitary actor can conceal conflict among legislatures, bureaucracies, firms, workers, consumers, regions, and security institutions. Trade policy is often a two-level bargaining problem in which governments negotiate internationally while managing domestic approval and distributional consequences. Institutions also influence outcomes because states anticipate retaliation, combine issues, exchange information, and use established rules to make commitments more credible. Multinational firms further complicate the national boundary by organizing production across several jurisdictions and lobbying multiple governments. A tariff intended to protect domestic manufacturing may raise costs for local companies that import components, while an export restriction can reshape global supply chains in ways the initiating government did not fully predict. Keohane's critique therefore does not make power irrelevant. It shows that power identifies important constraints and capabilities, while domestic politics and institutions help explain how those capabilities are translated into particular policies (Keohane, 1997).

Geoeconomic Fragmentation in 2026

Geoeconomic fragmentation in 2026 illustrates both the continuing relevance and the limits of

Krasner's framework. The World Trade Organization's 2026 World Trade Report describes a multilateral trading system under pressure from shifts in economic power, greater government intervention, changing global value chains, digitalization, artificial intelligence, and geopolitical tensions. Governments increasingly use export controls, subsidies, investment screening, local-content rules, and supply-chain policies to reduce dependence or strengthen strategic industries. At the same time, global commerce has not simply divided into sealed blocs. Production networks reroute, firms adapt sourcing, and middle economies can act as connectors across political divisions. Earlier WTO and IMF research likewise documented greater sensitivity of trade to geopolitical distance and the strategic rerouting of cross-border flows under fragmentation (World Trade Organization, 2024; International Monetary Fund, 2025). These patterns support the argument that security and relative power shape openness, but they also show that interdependence constrains even large states because abrupt separation can impose costs on domestic producers, consumers, and allies (World Trade Organization, 2026).

A More Complete Framework for Modern Trade

Modern trade analysis therefore benefits from combining several levels of explanation. International power shapes the bargaining environment and determines which states can impose sanctions, set standards, subsidize industries at scale, or absorb retaliation. Domestic politics shapes which sectors receive protection, how adjustment costs are distributed, and whether voters support openness. International institutions provide rules and forums that can make cooperation more predictable, while firms reorganize production networks in response to prices, regulation, technology, and geopolitical risk. Economic analysis remains essential because it estimates the costs of tariffs, subsidies, restrictions, and diversification, but political analysis explains why governments may knowingly accept some of those costs. Power is also multidimensional. The United States, China, the European Union, and other economies possess different combinations of market size, technological capability, financial influence, natural resources, and regulatory reach. A single-hegemon model therefore becomes less precise in an economy where leadership varies by sector. The most useful question is not whether politics or economics controls trade, but how they interact in a particular issue area.

Conclusion

Krasner's "State Power and the Structure of International Trade" remains foundational because it demonstrates that openness is a political structure rather than a natural equilibrium produced automatically by economic efficiency. States pursue income, growth, stability, security, and relative power, and powerful states can shape the rules and incentives within which trade occurs. Keohane's later critique explains why this insight should not be turned into a complete theory: domestic coalitions, institutions, multinational firms, strategic interaction, and technological change all affect how state capabilities become policy. Current geoeconomic fragmentation reinforces both conclusions. Security concerns now influence semiconductors, clean energy, critical minerals, data,

medicines, and other supply chains, yet extensive interdependence makes abrupt separation costly and produces adaptation rather than simple deglobalization. The strongest contemporary framework is therefore layered. International power defines important opportunities and constraints, domestic politics determines priorities, institutions organize cooperation, firms restructure production, and economic analysis reveals the costs of alternative choices. State power remains central, but it is most explanatory when embedded within this broader political economy rather than treated as the sole determinant of trade structure.

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