The Political Economy of Preferential Market Integration

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July 2019

A thesis submitted to McGill University in partial fulfillment of the requirements of the degree of

Doctor of Philosophy

Acknowledgments

I would like to acknowledge the wonderful group of people who have supported me.

I would first like to thank my adviser, Krzysztof Pelc. At every stage of this project, Krzysztof provided the ideal mix of enthusiasm, strategic vision and probing questions. I could not imagine a better mentor. Thank you.

Thank you also to my other dissertation committee members. Leonardo Baccini generously shared advice, methods help, and encouragement (even when he disagreed with me). Thanks for never pulling any punches. Mark Brawley was a source of sound suggestions and professional wisdom, particularly during the conception of this project.

My work has benefited from discussions with and comments from many other people. I would particularly like to acknowledge Vincent Arel-Bundock, Guillaume Beaumier, JF Bélanger, Allison Carnegie, Alice Chessé, Arc Zhen Han, Soo Yeon Kim, Lisa Lechner, Edward Mansfield, Abe Newman, TV Paul, and Lou Pingeot. Thanks also to the many participants at workshops and talks at McGill University, IPES (2017), and Shanghai ESSCA (2017), and to a number of interviewees who spoke with me during the course of research.

I am very grateful to those who have funded my work. My project was supported by a Bourse de doctorat en recherche pour étudiants étrangers (file no. 193907) from the Fonds de recherche du Québec–société et culture (FRQSC). McGill's Political Science Department supported me with numerous grants or fellowships. I have also been supported by an Arts travel award at McGill; and by Krzysztof Pelc, TV Paul, and Juan Wang for research and teaching assistance.

Thank you to my external examiner Wolfgang Alschner and to my internal examiner TV Paul, who both provided thoughtful and constructive criticism. I am also grateful to the other members of my dissertation defence committee for an enjoyable conversation: Vincent Arel-Bundock, Vincent Pouliot, Yves Winter, and Krzysztof Pelc.

McGill's Political Science Department is stacked with talented, friendly people. In addition to those mentioned above I am grateful to Juliet Johnson, Erik Kuhonta, Catherine Lu and Hudson Meadwell for enriching conversations, seminars, and hallway encounters. Thanks also to Tara Alward and Andrew Stoten.

I am lucky to have met an amazing group of young scholars at McGill, including Sean Anderson, JF Bélanger, Simon Bertrand, Tom Burgess, Alice Chessé, Sebastien Chessex, Michael Faubert, Arc Zhen Han, Lauren Konken, Lou Pingeot, Zarlasht Muhammad Razeq, Nhu Truong, and Erik Underwood. Thanks for your friendship, support and many insights.

For warm hospitality, friendship, meals and companionship, many thanks to Lou and Ian; Victorine and Pierre-Olivier; Alice; and Fiona and Ashley.

To my parents Bridget and Ben, and to my sister Jessica, thank you for your love, patience, and unfailing support. I'm glad to no longer be on the other side of the world from you. I would also like to thank my parents-in-law Jo and Tony for their encouragement.

My wife Lucy King has been my constant partner, best friend, and tireless supporter-in-chief. I dedicate this thesis to her, with my greatest thanks.

Abstract

Since the collapse of multilateral trade talks in the 2000s, Preferential Trade Agreements (PTAs) have become the dominant institution through which countries negotiate and commit to new trade rules. As opposed to the multilateral World Trade Organization (WTO), PTAs create rules between a small number of members. While formally permitted under multilateral rules, such agreements thereby represent a transformation in the governance of the global trade regime to one in which new market access is negotiated on a discriminatory basis. Yet for the most part, PTAs also reflect enduring post-war liberal economic principles. This thesis explores this combination of continuity and change in the context of the political economy of trade. What effect has the proliferation of new trade deals had on the politics of trade? Why have the prevailing norms of trade cooperation remained relatively stable, despite the proliferation of new governing institutions?

The thesis shows that legal agreements like PTAs establish precedent. Negotiators vie to set this precedent, and subsequently to leverage it in future negotiations. The argument is based on the domestic politics of trade negotiations. Gaining domestic approval of new treaty text is challenging. Once set however, new trade rules become a reference point for future deals, establishing path-dependencies that disproportionately benefit first-movers. These distributional implications have increased the opportunities for the politics of precedent-setting to play out domestically and internationally.

The thesis presents three empirical studies that develop and test this argument. The first study explores how trade rules emerge and evolve. I argue that by institutionalizing hard-won negotiating positions with less-important partners, negotiators improve the odds of replicating preferred terms in later, more significant deals. Statistical analysis on the timing and sequencing of trade agreements supports the argument. The second study looks beyond the establishment of new agreements, asking when and why they are renegotiated. New data on trade treaty renegotiations show that revisions to past deals are surprisingly common, with most amendments resulting in deeper commitments. In contrast to the standard view, renegotiations are not a breakdown in cooperation. They are a renewal of vows. The third study turns to the international politics created by preferentialism in the trade regime. Exclusion from preferential deals creates incentives for countries to join new agreements or to establish their own competing deal. Analysis of countries' voting behavior in the United Nations shows these dynamics create political fallout, with the potential to either sweeten or sour political ties. Worryingly, ostensibly cooperative agreements may sometimes lead to less global cooperation by reinforcing existing divisions.

The importance of precedent in international negotiations offers a new perspective on the rules of the global economy. International economic institutions are a forum where negotiators vie to set favored standards by establishing and exploiting influential legal language.

Résumé

Depuis l'échec des négociations commerciales multilatérales dans les années 2000, les accords commerciaux préférentiels (ACP) sont devenus l'institution dominante par laquelle les pays négocient de nouvelles règles commerciales. Contrairement à l'Organisation mondiale de commerce (OMC), les ACP créent des règles entre un plus petit nombre de membres. Alors formellement autorisés dans le cadre de l'OMC, de tels accords représentent donc une transformation de la gouvernance du régime commercial mondial en un système dans lequel le nouvel accès aux marchés est négocié de manière discriminatoire. Cependant, les ACP reflètent également les durables principes économiques libéraux de l'après-guerre. Cette thèse explore cette juxtaposition de continuité et de changement dans le contexte de l'économie politique du commerce. Quel effet l'augmentation d'ACPs a-t-elle eu sur la politique des échanges commerciaux? Pourquoi les normes en matière de coopération commerciale sont-elles restées relativement stables malgré l'augmentation de nouvelles institutions gouvernementales?

Cette thèse montre que les accords juridiques tels que les PTA créent un précédent. Les négociateurs rivalisent pour créer ce précédent et ensuite pour en tirer parti dans les négociations suivantes. L'argument se base sur la politique domestique des négociations commerciales. Obtenir l'approbation nationale du nouveau texte de traité est difficile. Une fois définies, toutefois, les nouvelles règles commerciales deviennent un point de référence pour les futures transactions, en établissant des dépendances du chemin qui profitent de manière disproportionnée aux pionniers. Cette répartition inégales des revenus motive les conflits politiques sur la création de précédents, au niveau national et international.

La thèse présente trois études empiriques qui développent et testent cet argument. La première explore l'émergence et l'évolution des règles d'échanges commerciaux. En institutionnalisant les positions de négociation durement gagnées avec des partenaires moins importants, les négociateurs peuvent plus facilement reproduire des clauses préférées lors de négociations ultérieures plus importantes. L'argument est validé par l'analyse statistique sur l'enchaînement des accords commerciaux. La deuxième étude va au-delà de l'établissement de nouveaux accords pour demander quand et pourquoi sont-ils renégociés. De nouvelles données sur les renégociations des accords commerciaux montrent que les pays-membres révisent leurs accords étonnamment fréquemment. En outre, la plupart des changements résultent en des engagements plus profonds. Contrairement à la perspective habituelle, les renégociations n'aboutissent pas à une rupture de la coopération, mais à un réengagement. La troisième étude s'intéresse à la politique internationale créée par la caractère préférentielle du régime commercial. L'exclusion des accords préférentiels incite les pays à adhérer à de nouveaux accords ou à établir leur propre accord concurrent. Mais l'analyse du comportement électoral des pays au sein des Nations Unies montre que l'exclusion des accords a également un effet politique. En effet, des accords de coopération peuvent parfois renforcer les divisions existantes.

L'importance des précédents dans les négociations internationales offre une nouvelle perspective sur les règles de l'économie mondiale. Les institutions économiques internationales constituent un forum où les négociateurs se disputent pour définir des normes en établissant et en exploitant le langage juridique.

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Preface

This doctoral thesis is manuscript-based. It presents three original manuscripts, which have been or will be submitted to peer-reviewed journals for individual publication. Accordingly, while the manuscripts have a common focus, each is written to stand alone.

The first manuscript, titled 'How do Global Trade Rules Evolve? Strategic Sequencing in International Economic Law', presents an original argument about how new legal norms in the global trade regime have emerged. It combines previously-collected data on trade agreements with novel data on countries' participation in World Trade Organization (WTO) disputes. The latter data was collected collaboratively.

The second manuscript, titled 'Why Revise? Presenting a New Dataset on Renegotiations in the International Trade Regime', presents new data on renegotiations and revisions of international trade agreements. These data were collected solely by me. While renegotiations of trade commitments have become a politically salient topic in recent years, the dataset is (to the best of my knowledge) the first of its kind. The manuscript also presents an original explanation for when international agreements are renegotiated, and tests the argument empirically using the new data.

The third manuscript is titled 'The Political Externalities of Institutional Exclusion: Preferential Trade Agreements and Political Relations with Third Party States'. The manuscript combines qualitative and quantitative research to test an original argument about the effects of institutional exclusion on the political relationships between members and non-members of new institutions. The manuscript combines existing data on trade agreements and existing data on countries' voting behavior in the United Nations General Assembly (UNGA), the latter as a proxy for countries' foreign policy orientations.

All three manuscripts are single-authored (by me).

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March 2019
Wellington, New Zealand

Chapter 1

Introduction

The governance of the global trade regime is in flux. The mid-1990s saw the birth of the World Trade Organization (WTO), a multilateral trade agreement whose membership now numbers 164 countries.[1] The WTO's dispute settlement body remains the primary international institution for settling trade disagreements, but countries have failed to sustain trade liberalization at the multilateral level. Disagreement between members (most starkly between developed and developing countries) brought the 'Doha round' of WTO liberalization to a halt in 2008, and members then failed to agree in December 2015 on the future agenda for the talks.[2] The same period has witnessed a remarkable growth in Preferential Trade Agreements (PTAs) signed between a smaller subset of states.[3] From 1948 to 1994, members of the General Agreement on Tariffs and Trade (GATT, the WTO's predecessor in-

[1] `https://www.wto.org/english/thewto_e/whatis_e/tif_e/org6_e.htm`.

[2] `https://www.wto.org/english/news_e/news15_e/mc10_19dec15_e.htm`

[3] Mansfield and Milner 1999. Following Dür, Baccini, and Elsig (2014) I prefer to use 'PTA' as a general term to refer to a non-multilateral agreement, as the term PTA communicates the importance of preferentialism for the argument of the thesis. The WTO distinguishes between Regional Trade Agreements (RTAs) and PTAs. In WTO parlance, RTAs refer to reciprocal trade agreements between two or more partners, while PTAs refer to unilateral trade privileges.

stitution) notified 124 PTAs relating to goods-trade to their fellow GATT signatories. Since the WTO's creation in 1995, more than 400 other agreements have been notified to the WTO membership, with 291 such agreements notified as in force as of early-2019.[4] These agreements increasingly create rules in new issue-areas, or in issue-areas that were previously regulated through other means. Some new areas are commercial, such as trade in services, intellectual property rights, foreign investment or government procurement. Others are 'non-trade issues' such as human rights.[5]

The stalling of multilateral integration and the rise of PTAs represent both continuity and change in the international trade regime. Continuity, because although agreements increasingly include novel provisions, the normative content has echoed past trends. New trade agreements remain fundamentally liberal: they seek to reduce barriers to trade. Change, because the preferential nature of PTAs means that these agreements create rules that privilege members over non-members, in a departure from the principle of non-discrimination that is at the core of the multilateral regime.[6] Thus, the rise of PTAs as the major venue for trade negotiations is at once a transformation in the governance of the trade regime, and a continuation of post-war liberal economic principles. This thesis addresses this juxtaposition of change and continuity. How have negotiators sought to sustain cooperation in trade despite the breakdown of multilateral negotiations? Why have the liberal rules embodied in trade agreements remained (relatively) stable, even as the form of negotiations has changed? How has the growing complexity of the trade regime affected the politics of trade and trade

[4] `https://www.wto.org/english/tratop_e/region_e/region_e.htm` (accessed 12 February, 2019).

[5] Lechner 2016; Milewicz et al. 2016.

[6] PTAs are permitted as an exception to this principle under three rules: GATT Article XXIV on the formation of customs unions and free-trade areas for trade in goods; the arrangements in the GATT's enabling clause for trade in goods between developing countries; and Article V of the General Agreement on Trade in Services (GATS). See `https://www.wto.org/english/tratop_e/region_e/scope_rta_e.htm`.

deals?

The common theme that runs through this thesis project is the role played by precedent in the design of trade agreements. In the following chapters, I argue that legal texts set precedent, which states leverage in future negotiations–and renegotiations. This argument is based primarily on the domestic politics of trade. Achieving domestic agreement on negotiating positions is a challenge. Even as negotiators seek to conclude a deal that balances the benefits of agreements between member countries, they must also be mindful of the domestic battles sitting behind negotiations. As the record of the Trans-Pacific Partnership (TPP) demonstrates, it is not enough for negotiators to agree on a text. This text must then be ratified domestically.[7] Because of the challenge of achieving domestic agreement on the content of trade rules, established legal text provides a natural reference point for future negotiations, as such text has already been accepted domestically. Because legal text sets precedent for future cooperation, establishing new rules can create an enduring commercial benefit. This first-mover advantage has distributional implications that set the stage for domestic and international contestation over trade rules.

The remainder of this introductory chapter proceeds as follows. The next section places this thesis project in the context of existing research on the political economy of trade and trade agreements. In doing so it previews some of the key contributions of the project, to which I return in the concluding chapter. I then outline the plan of the thesis, describing

[7]President Trump pulled the United States from the agreement on taking office, prior to US ratification.

the three empirical studies that constitute the project.

1.1 Studying the political economy of PTAs

The proliferation of PTAs has coincided with a large body of literature on the causes and effects of trade agreements, including the GATT and WTO.[8] The primary explanation for trade agreements views these institutions as the means by which governments voluntarily tie their hands in order to secure benefits from increased commercial ties with fellow signatories. Agreeing to rules in an international institution constitutes a 'credible commitment' to policy that may otherwise prove politically difficult.[9] Such credible commitments may be vis-à-vis voters,[10] such as when PTAs help governments to commit to liberal trade policy and to resisting the temptation to shelter import-competing groups through protectionist policies that carry an economic cost for consumers.[11] PTAs may also enable governments to commit to (usually liberalizing) policy reforms by enshrining desired policy in an international agreement.[12] Other political economy explanations for PTAs view them as a response to lobbying efforts from exporters and other beneficiaries of free trade, who want to reduce the economic costs created by barriers to trade, such as tariffs.[13]

The above literature largely explains PTA membership based on the expected gains for members. Yet, the rising number of PTAs and their spread into new issue-areas has resulted in an increasingly complex trade regime, in which multilateral, bilateral and regional

[8] Goldstein, Rivers, and Tomz 2007; Tomz, Goldstein, and Rivers 2007; Mansfield and Milner 2012; Mansfield, Milner, and Rosendorff 2002; Rose 2004.

[9] Goldstein et al. 2000*a*, 393.

[10] Mansfield, Milner, and Rosendorff 2002, 2000; Mansfield and Milner 2012.

[11] Grossman and Helpman 1994.

[12] Baccini and Urpelainen 2014*b*; Whalley 1998.

[13] Baldwin 1997; Mattli 1999; Moravcsik 1998; Mayer and Ottaviano 2007; Osgood et al. 2017; Osgood 2016.

commitments overlap.[14] This thesis contributes to an emerging literature that examines how this complexity shapes the development of trade policy.[15] The attention paid to non-members of recent major trade agreements illustrates the importance of this focus. Negotiations between the European Union (EU) and Canada on their Comprehensive Economic and Trade Agreement (CETA) were nearly derailed in part because of concern in Europe for the precedent that the deal would set for as-yet-incomplete negotiations with the United States (US).[16] In the Pacific, the Trans-Pacific Partnership (TPP) agreement was as notable for its non-members (i.e., China), as for its members, and was touted domestically in the US as the means by which Washington would prevent Beijing from "writ[ing] the rules of the global economy."[17] This emphasis on how PTAs may shape cooperation in future, formally unrelated deals illustrates the need to interrogate the broader (non-)cooperative externalities of preferential institutions.

A focus on the political externalities of international legal text provides a bridge between different research areas in the social sciences. I argue that PTAs matter because they have the potential to set precedent due to the path-dependencies established by legal language. This argument draws on insights from a literature at the frontier of international relations and international law, which demonstrates that 'precedential' reasoning is important even outside of formal legal contexts.[18] The argument that PTAs set precedent also leans on concepts of path-dependency, where positive feedback mechanisms have been

[14] Alter and Meunier 2009; Davis 2009; Morin, Pauwelyn, and Hollway 2017; Pauwelyn 2014; Pauwelyn and Alschner 2015.

[15] Davis 2009; Meunier and Morin 2015.

[16] McGregor 2016.

[17] Obama 2015.

[18] Bhala 1998-1999; Busch and Pelc 2010; Hawkins 2004; Lauterpacht 1982; Lupu and Voeten 2012; Pelc 2014, 2016.

used to explain how institutions remain resilient over extended periods of time.[19] This is a recurrent theme in the study of institutions in Comparative Politics, and more recently, in International Relations.[20] Finally, acknowledging the political externalities of commercial agreements offers a normative warrant for questioning how global regimes evolve. This points to the need for greater dialogue between scholars in IPE and political theorists, particularly those concerned with global justice.[21]

In sum, this thesis tackles one of the most contentious issues of contemporary global governance. Understanding the causes and consequences of the evolution of the trade regime has implications not only for how we understand the possibilities for international cooperation in the 21st century, but also for domestic debates about how we can balance the costs and benefits of economic globalization. The shift to a complex trade regime has coincided with a sharpened resistance in some countries to trade and trade deals. Electoral upsets in the United Kingdom (the Brexit referendum) and the United States (the election of an avowedly protectionist President Trump) illustrate the salience of trade in recent years, not only for international politics, but also domestically. The next section outlines the structure of the thesis.

1.2 Plan of the thesis

Chapter 2 addresses the issue of precedent directly by asking how and why trade rules evolve. It starts with the anecdotal observation that signatories of PTAs sometimes concern them-

[19] North 1990; Pierson 2004.
[20] Fioretos 2017, 2011; Newman and Posner 2016; Newman 2008.
[21] Christensen 2017; James 2012.

selves with how a deal will bear on future agreements with other partners. In the European Union and Canada, it was widely understood that amendments to the recent Comprehensive Economic and Trade Agreement (CETA) between the two partners were motivated by European concern over the design of another agreement: the yet-to-be-completed Transatlantic Trade and Investment Partnership (TTIP) with the United States. This is despite the fact that there is no formal link between those two agreements. As I signal above, the literature generally sees preferential trade agreements (PTAs) as products of signatories' bilateral relations. In this project's first empirical chapter I challenge this view. I argue that past agreements create precedent that shapes subsequent agreements, and that policymakers act accordingly. Specifically, I argue that the sticky nature of legal commitments creates incentives for states to *sequence* agreements, establishing favorable treaty language even where the economic justification is less compelling (as with less-important trade partners), to create model agreements for use with more important partners.

I first develop a theory of sequencing and precedent in trade agreements. I build on ideas drawn from economic history and historical institutionalism in comparative politics and international relations,[22] as well as the study of precedent in international law and institutions.[23] I then test the argument using a two-stage regression analysis on the sequencing and design of bilateral PTAs from 1965 to 2016, using comprehensive data drawn from the Design of Trade Agreements database (DESTA).[24] I find that agreements that are underpredicted by an economic and political gravity model tend to be more ambitious and signed

[22]Hall and Taylor 1996; North 1990; Pierson 2004. In International Relations, see Fioretos 2017, 2011; Newman and Posner 2016; Newman 2008.

[23]Bhala 1998-1999; Busch and Pelc 2010; Daku and Pelc 2017; Lauterpacht 1982; Lupu and Voeten 2012; Pelc 2014, 2016. More generally, Finnemore 1996; Hawkins 2004; Meyer et al. 1997.

[24]Dür, Baccini, and Elsig 2014.

sooner for states that have a strong proclaimed systemic interest in the functioning of global trade rules, as indicated by novel data on third-party submissions in trade disputes at the WTO. These same states are more likely to 'ratchet' agreements, progressively increasing the depth of their agreements over time. I also test the argument qualitatively, drawing on evidence from recent agreements negotiated by the EU and New Zealand. Here, I show that agreements with less-important partners have been seized on as opportunities to innovate. Legal language has a way of sticking around, and negotiators know it. Thus, states sign agreements with an eye to the future.

This first substantive chapter makes an original contribution to the study of global trade institutions and the politics of trade. It enriches our understanding of the politics of trade negotiations by explaining the otherwise puzzling observation of non-members' concern about the design of other states' agreements. Such concern reflects negotiators' awareness of the precedent states will be able to set in their agreements, and the impact this will have on their future negotiations. In making this argument, the chapter builds on a growing literature on legal precedent that lies at the intersection of international relations and international law. The chapter also helps to advance an emerging research program on historical institutionalism in international relations.[25] Global institutions, as in the domestic context, provide political actors with both resources and constraints. As global politics have become increasingly legalized and institutionalized, understanding how global institutions shape the behavior of state and non-state actors has never been more important.[26]

In Chapter 3 I extend these insights by addressing a neglected area of research on

[25] Fioretos 2011.

[26] Johns 2015; Goldstein and Martin 2000; Goldstein et al. 2001, 2000*b*; Koremenos, Lipson, and Snidal 2001; Abbott et al. 2000; Abbott and Snidal 2000.

trade: what happens to agreements after they are negotiated. Membership in international institutions is often understood to help states make credible commitments to future policy because it limits the ability to renege on past promises.[27] Renegotiations of trade agreements like the North American Free Trade Agreement (NAFTA) are consequently viewed as a threat to the stability of the trade regime, since renegotiations call past commitments into question. But we actually know very little about the renegotiation of international treaty commitments. Just how common are renegotiations? What explains them, and what are their effects? I present what is to my knowledge the first dataset of international treaty renegotiations, focusing on trade agreements signed since 2000. I show that trade agreement revisions are surprisingly common, and that most amendments result not in scaled back agreements, but in deeper commitments.

What leads countries to renegotiate their commitments? I argue that renegotiations are not breakdowns in cooperation, as they are usually portrayed. More commonly they are opportunities for likeminded countries to renew their commitments to one another. In line with the argument, I show that shared democratic values and cultural similarities both increase the likelihood of revisions. Large, similarly-sized economies with high bilateral export volumes are more likely to revise an agreement, but joint membership in multilateral trade institutions (the WTO and GATT) appear to reduce the likelihood of a revision. Do revisions have an effect on trade? Following the conventional view of agreements as credible commitments, we might expect revisions to be harmful to international trade flows due to the uncertainty they create. In contrast, the results from an error-correction model (ECM) suggest that most revisions increase exports. Unsurprisingly, this is most clearly the case

[27] Baccini and Urpelainen 2014*a*; Elster 2000; Fearon 1997; Mansfield, Milner, and Rosendorff 2002.

for revisions that do not aim at limiting market access. Revisions that *do* aim at limiting market access appear to result in their desired objective, namely an immediate and long-run reduction in exports.

Chapter 3's primary contribution to the study of international trade institutions is empirical. New data on trade agreement revisions enable researchers to place current high-profile renegotiations (the NAFTA renegotiations, as well as Brexit) in wider context. Yet the findings in Chapter 3 also provide an opportunity to re-evaluate the concept of credible commitments, the dominant explanation for how countries cooperate internationally. Specifically, the findings suggest that the conventional contractarian view of credible commitments is incomplete. The credibility of government commitments in international agreements also stems from the removal of cooperation from the domestic political realm. As cooperation with treaty partners generally has lower political salience, renegotiations tend to be a technocratic rather than a political affair. Policymakers accordingly have a freer hand to further liberalize with like-minded partners, in line with cooperative precedent. Trade officials and negotiators are generally insulated from the demands of protectionist interests during treaty amendments, while being empowered to seek concessions from their negotiating partners in line with the latter's commitments to other partners.

Finally, Chapter 4 broadens the scope of the project. The precedent-setting power of trade rules also helps to explain why some international economic institutions appear to have become a source of international political tension in recent years. Global institutions are understood as one of the best means of achieving inter-state cooperation.[28] Yet this perspective omits the effects of institutional creation on non-members. How does the exclu-

[28]Keohane 1984; Koremenos, Lipson, and Snidal 2001; Ruggie 1982.

sion of states from international institutions affect political relations between members and non-members? Looking at the trade regime, I argue that excluded states that have sound relations with institutional members have incentives for closer cooperation with the latter so as to benefit from future membership or association. Excluded states with poor relations with members have incentives to create competing institutions, leading to the further degradation of political ties.

I leverage qualitative and quantitative evidence to test the argument. I first examine the case studies of the TPP negotiations and Chinese institution-building in the Asia-Pacific region. The TPP was widely sold in the US and other member countries as a 'gold-standard' agreement that would serve as a template for future deals. Prior to the US withdrawal from the TPP at the beginning of Trump's presidency, the agreement was viewed as the economic component to the US' strategic 'pivot' to the Asia-Pacific. The negotiations coincided with a greater Chinese push for its own signature institutions in the wider region and in turn with pushback from China's longstanding rivals Japan and India. Although many reports of the TPP as an 'anti-China' agreement were an exaggeration, this qualitative evidence supports the key argument of the chapter: institutional non-membership can be highly political, particularly where institutions are likely to set precedent. I then turn to statistical analysis on a dataset comprising the near-universe of PTAs and states' voting records from the United Nations General Assembly (UNGA).[29] In line with other recent studies, I use the latter data to build a proxy for countries' political ties.[30] Exclusion from agreements often results in reducing political divisions between members and non-members. Yet when countries have a

[29]Bailey, Strezhnev, and Voeten 2015.
[30]Davis, Fuchs, and Johnson 2019.

history of poor relations, institutional exclusion can sharpen existing divides. Worryingly, this evidence suggests that ostensibly cooperative agreements may sometimes lead to less global cooperation.

This argument contributes to a long literature on economic ties and inter-state relations. Global institutions tend to be viewed as pacifying.[31] With few exceptions,[32] there has been little work on the consequences of institutional exclusion for states' political relations. This is a notable lacuna in International Relations scholarship given the longstanding observation in the political economy and economics literature of the inefficient effects of trade diversion,[33] and the recent appeals to such exclusionary logic in the domestic political justification for trade agreements.[34] While political economists note how the fear of diversion can encourage new integration initiatives,[35] there has been far less research that evaluates whether such dynamics are associated with changes in states' political ties. As such, the chapter combines insights from literature on the politics of trade, work on economic interdependence, and literature on the security externalities of trade agreements.[36]

In Chapter 5 I conclude by evaluating the insights of the thesis in broader perspective. I first outline the findings of the three empirical studies, and underscore how these findings build on our understanding of the international political economy of trade and PTAs. I then widen the lens to consider some of the additional implications of the project. The divide between winners and losers created by large policies like preferential trade agreements im-

[31] Mansfield 2003; Mansfield and Pevehouse 2000; Russett and Oneal 2001

[32] Keohane 1984 79, Hamanaka 2009; Hafner-Burton and Montgomery 2012.

[33] Viner 1950.

[34] As above, this narrative was prominent in the domestic discussion of the TPP in the US, with the deal framed as an anti-China agreement.

[35] Mattli 1999; Baldwin 1997.

[36] Gowa and Mansfield 1993; Gowa 1994 Also see Pape 2005; Paul 2005; Crawford 2011.

plicitly animates the study's theory, but does not take centre-stage. The conclusion allows me to consider some of these distributional implications. The main point to make is that PTAs likely reinforce the dominance of powerful social actors (and indeed, of powerful countries) that are able to be first-movers in setting new trade rules. The discussion of winners and losers also affords me the chance for normative considerations. Specifically, I discuss ways in which the study of precedent in the trade regime bears on debates in political theory on achieving global justice. Finally, I offer some general conclusions and point to ways that further research can build on this thesis.

Chapter 2

How do Global Trade Rules Evolve? Strategic Sequencing in International Economic Law

In this first empirical chapter of the thesis I explore the strategies that trade negotiators adopt in order to achieve their negotiating objectives. How do global trade rules evolve? When the EU revised the investment chapter of its recent trade deal with Canada it was understood that the amendments were largely motivated by domestic concern over the design of a different agreement, yet-to-be-completed, with the United States. But there is no formal link between those two negotiations. Indeed, the literature generally understands preferential trade agreements (PTAs) as products of signatories' bilateral relations. This chapter challenges that view. I argue that past agreements create precedent that shapes subsequent

This chapter has received a revise and resubmit. See Castle 2018*b*.

negotiations, and that policymakers exploit this precedent. Specifically, the sticky nature of legal commitments creates incentives for states to sequence PTAs, establishing model agreements with less important partners to better secure desired text in later negotiations. By institutionalizing hard-won negotiating positions, negotiators improve the odds of replicating preferred terms in later deals. A two-stage regression analysis on the sequencing and design of bilateral PTAs from 1965 to 2016 supports the argument. For states that care most about enforcing global trade rules, agreements that are under-predicted by an economic and political gravity model tend to be more ambitious, and signed sooner. The record of negotiations by the EU and by New Zealand further illustrates the argument: agreements with less-important partners have been seized on as opportunities to innovate. The precedent of past legal commitments both enables and constrains. Negotiators act accordingly by crafting rules with the future in mind.

2.1 Introduction

Trade and trade deals have become among the most politically charged issues in international politics. Populist and anti-globalist political movements drew on discontent over trade to deliver twin political shocks in 2016: the election of a self-proclaimed protectionist to the White House and the success of the Brexit referendum to pull the United Kingdom from the European Union (EU). Unprecedented leaks of negotiating texts have fueled opposition by a broad coalition of activists to 'mega-regional' trade deals in the Asia-Pacific (the Trans-Pacific Partnership) and across the Atlantic (EU-United States and EU-Canada agreements).

A common thread runs through this recent political contestation over trade: disagreement between negotiating parties about how to regulate novel issue-areas in the trade

regime. With liberalization at the World Trade Organization (WTO) at a standstill since 2008, negotiators have inked innovative clauses in a growing number of preferential trade agreements (PTAs) on topics including intellectual property, foreign investment, trade in services, and state-owned enterprises.[1] Unlike for tariff reductions, countries have yet to settle on common approaches for these new issues, which are often areas of traditional domestic authority. Accordingly, and also unlike for tariff reductions, negotiations do not involve the relatively simple reciprocal lowering of barriers at the border, but more often entail reconciling different views about how to regulate these 'behind-the-border' areas. This chapter explores how negotiators attempt to gain acceptance for new rules in the trade regime. How do global trade rules evolve?

I show how trade negotiators take other (past and future) deals into account when they negotiate agreements. International agreements are not negotiated from a blank slate, but use past deals as a starting point. Negotiators therefore have incentives to *sequence* agreements: to take advantage of negotiations with less-important or less-threatening partners to establish favorable precedent to use in later deals. By institutionalizing hard-won negotiating positions, negotiators improve the odds of replicating preferred terms in later deals, including with more economically or strategically important partners. In international negotiations, precedent can provide negotiators with a credible argument that past agreements represent what is politically necessary for domestic ratification. Domestically, precedent can shield politicians against the charge that concessions are an unjustified incursion into domestic policy space.

[1] As of January 2019 some 681 agreements had been notified at the multilateral level, including those no longer in force: `https://www.wto.org/english/tratop_e/region_e/region_e.htm`.

The record of recent European Union (EU) deals illustrates the point. In late 2015, EU trade officials approached their Canadian counterparts to request the renegotiation of the investor-state clause in their Comprehensive Economic and Trade Agreement (CETA). The reason cited for the re-negotiation was not just concern over CETA, but over the Transatlantic Trade and Investment Partnership (TTIP) with the United States (US), yet to be completed. A member of Ontario's legal team during the CETA talks commented that should Canada agree to reform the investor-state dispute clause in CETA, "the Americans will be pretty pissed off at us". Quoting the Canadian trade official, the news report notes that "[i]f Canada agrees to a compromise the U.S. doesn't want, 'it's like throwing a finger into their eye.'"[2] But there is no formal link between CETA and TTIP. While the public mood in Europe had soured against trade agreements in general, the conventional view in the literature is that trade agreements are a function of signatories' economic and political ties.[3] The potential for CETA's terms to set a precedent for subsequent European and Canadian negotiations with the US helps to explain the otherwise puzzling Canadian concern about the view from Washington. Tellingly, Canadian negotiators would go on to propose the international investment court found in the revised CETA during renegotiations for the North American Free Trade Agreement (NAFTA).[4] Once new regulatory models pass the hurdle of domestic approval, they can become sticky.

Does this anecdote reveal a wider pattern of sequencing? How would we know? If negotiations with less important partners are partly motivated by establishing favorable precedent, then agreements that are less well-predicted by economic and political factors

[2] *Canadian Broadcasting Company*, 21 January 2016. `http://www.cbc.ca/m/touch/politics/story/1.3412943`.

[3] Mansfield and Milner 2012; Baier and Bergstrand 2004.

[4] *The Globe and Mail*, September 14 2017, A1.

should, counter-intuitively, be *more*, not less, ambitious in their scope. We should also expect that when countries innovate they should do so with less-important trade partners. But are all countries equally likely to negotiate with an eye to future deals? It is more likely that countries will sequence if they have a strong concern for global trade norms–and the legal capacity to advance their preferences.

I test the argument using two-stage regression analysis of data on countries' trade agreement negotiations from 1965 to 2015. Using a political and economic gravity model, I predict a country-pair entering into a PTA. I use predicted probabilities of PTA entry to identify under-predicted agreements as cases of Excessive Bilateralism.[5] In second-stage regressions, I find that excessive PTAs are *more ambitious* and *signed earlier*. This finding holds most strongly for states that care more about the legal content of the trade regime, as proxied by their justification for participating in WTO disputes on the basis of their interest in the systemic implications of cases. I then compare the factors predicting PTA signature and those predicting 'innovative' agreements where states sign a more comprehensive agreement for the first time. Relative to other agreements, innovative PTAs are associated with lower export values and greater differences in the gross domestic product (GDP) of signatories, suggesting that they are signed with less important economic partners.

I further test the argument against the record of agreements signed by New Zealand and by the EU. Despite marked differences in bargaining power, New Zealand and the EU have both attempted to use negotiations to set a precedent for future deals. In sum, governments are aware of the precedent that agreements set for future negotiations and they use it to their advantage.

[5]Baier and Bergstrand 2004.

The next section of the chapter develops a theory of precedent and sequencing in the trade regime: what are the incentives to sequence, and how does sequencing help negotiators to achieve their goals? I then use regression analysis to test the relationship between the likelihood of PTA entry and the ambition of negotiated text. I show that underpredicted agreements are more likely to be ambitious, and signed earlier. I then examine entry into innovative agreements, and show that innovative agreements are more likely with less-important export markets. Finally, I turn to the historical record of deals negotiated by New Zealand and the EU. This qualitative evidence further illustrates countries' keen attention to precedent during negotiations. I conclude by discussing the implications of precedent and sequencing for political contestation over trade policy and for how we think about winners and losers in the global trade regime. While precedent may help negotiators in later agreements, domestic actors are not dupes. The public backlash against new trade issues suggests that even as precedent arms policymakers and officials for future negotiations, the potential for precedent-setting creates new cause for political mobilization.

2.2 Sequencing and precedent in international law

What explains PTAs?

The conventional view in political science and economics is that agreements like PTAs are explained by countries' domestic political economies and by the relationship between signatories. One dominant explanation holds that such agreements enable governments to make credible commitments.[6] Governments know that for political reasons they will be tempted to

[6]Goldstein et al. 2000, 393.

give in to pressure from protectionist groups harmed by freer trade flows.[7] They enter trade agreements like PTAs in order to commit to liberal trade policy: trade agreements act as a 'promise' by the government to abide by trade rules that benefit the majority of society, and an 'alarm' that alerts domestic groups if the government breaks its treaty commitments by (e.g.) giving in to demands for protectionism.[8] Similarly, governments' attempts to cement policy reform involve removing the option of subsequently giving in to domestic groups who would seek a return to the status quo ante.[9]

In other political economy explanations for PTAs, trade policy reflects lobbying by actors (like firms) seeking to internalize the economic externalities created by barriers to trade.[10] Here, the explanatory power rests more with political pressure from the beneficiaries of free trade.

The makeup of commercial relations between specific partners–say, the United States, Mexico and Canada–determines which groups benefit or suffer from trade liberalization. A common approach is therefore to view agreements as a function of the economic and political relationship between countries. The best example of this is the economic and political 'gravity model' approach.[11] As well as predicting PTA partners, this approach helps to predict the scope of agreements. As agreements go deeper into the domestic policy realm, they limit increasing amounts of policy autonomy. This is politically costly for governments. To offset this cost, greater commitment should be balanced by greater economic gain–or

[7] Grossman and Helpman 1994.

[8] Mansfield, Milner, and Rosendorff 2002, 2000; Mansfield and Milner 2012.

[9] Baccini and Urpelainen 2014.

[10] Baldwin 1997; Mattli 1999; Moravcsik 1998; Mayer and Ottaviano 2007; Osgood et al. 2017; Osgood 2016.

[11] Mansfield and Milner 2012; Baier and Bergstrand 2004; Baier, Bergstrand, and Mariutto 2014.

greater flexibility.[12] Viewing PTAs as credible commitments to secure market access suggests that all else equal, cost and benefit should be positively correlated. Those agreements that have the greatest scope should be signed with the most important economic partners.

Trade agreements may of course not respond to a strict economic logic.[13] They may also be signed for strategic reasons. Since trade agreements are economically beneficial, allies have incentives to sign agreements among themselves.[14] Powerful states may also use agreements to secure foreign policy concessions from allies and adversaries.[15] Here as well, it is the relationship between signatories that remains analytically important.

Relations between signatories are understood to determine PTA entry and scope. What about innovation, like the regulation of novel issues in agreements? Explanations for the rise of new issue-areas in the trade regime also emphasize the direct gains from liberalization between signatories in light of the changing nature of international economic exchange. Thus, Manger explains PTAs between the developed North and developing South, and the expansion of PTAs to cover investment (a relatively recent development) as a result of the lobbying efforts of firms from developed economies that wish to invest in developing economies and export goods back to the developed home country.[16] Similarly, Baccini and co-authors point to the rising importance of the services sector in the US economy to explain why PTAs have become deeper, regulating issues behind national borders.[17] Here, the opportunity for market access between PTA partners drives the expansion of international agreements into new issue-areas.

[12]Baldwin 2012.
[13]Aggarwal 2013.
[14]Gowa 1994; Gowa and Mansfield 1993.
[15]Feinberg 2003.
[16]Manger 2009.
[17]Baccini, Osgood, and Weymouth 2017.

Trade policy in time and space

According to the explanations above, the entry into, and the design of a trade agreement is primarily a function of the economic and political relationship between agreement partners. But like the development of other policy, trade negotiations do not happen in a vacuum. Agreement clauses and regulatory models 'diffuse' across time and space, and legal formulations become path-dependent. International Relations research in the tradition of historical institutionalism provides a useful framework for understanding the political dynamics of this process.

Since at least the late 1970s we know that policy enacted in one location may be influenced by policy adopted elsewhere, or previously.[18] Diffusion processes have been described in investment regulation,[19] as well as in trade and investment agreements.[20] The adoption of policy is explained in part by previous policy, whether it be through competition effects, consensus on best practice, emulation, coercion, or as is likely, a combination of these mechanisms.[21] Legal formulations established in agreements tend to be reproduced,[22] and signatories take existing agreements into account. For example, Morin, Pauwelyn and Hollway use the imagery of a 'complex adaptive system' to describe how the trade and investment regime has remained relatively stable over time, despite its growth. Even as negotiators begin to explore new areas of legal innovation, they also draw on past legal norms.[23] Outside of specific legal contexts, 'precedent' in general exerts a strong pull on

[18] Ross and Homer 1976.
[19] Elkins, Guzman, and Simmons 2006; Jandhyala, Henisz, and Mansfield 2011; Simmons and Elkins 2004.
[20] Baccini, Dür, and Haftel 2014; Baccini and Dür 2012, 2015; Leslie 2015*b*.
[21] Morin and Gold 2014.
[22] Allee and Lugg 2016; Alschner 2013; Alschner and Skougarevskiy 2015; Pauwelyn and Alschner 2015.
[23] Morin, Pauwelyn, and Hollway 2017. See also Alter and Meunier 2009; Davis 2009; Meunier and Morin 2017; Pauwelyn 2014.

actors' behavior, including in international relations. In domestic and international organizations, imitation and established operating procedures mean that the past structures the present. Precedent affords actors legitimacy, while also enabling decisions to be made under conditions of complexity.[24] The normative pull of precedent means that political actors in international relations are likely to continue to behave as they have done in the past, even absent a functional rationale for such behavior.[25]

These insights help to explain the motivations for political actors to be strategic in setting precedent. This is particularly well-illustrated by studies of international legal environments.[26] International courts and arbitral institutions are not formally bound by precedent. Nevertheless, international judges and arbitrators often do rely on 'de facto' precedent, or precedential reasoning, in reaching decisions–including at the WTO.[27] As in the domestic context, international legal actors are often forward-looking in their engagement with precedent. WTO panels employ *judicial economy*–the decision not to rule on certain legal arguments pertaining to a dispute–in response to the wider WTO membership's ambivalence about the potential scope of a ruling and the resulting precedent.[28] Similarly, potential complainants in trade disputes are guided in their choice of dispute-resolution venue by considerations about the future utility of an established precedent.[29] Even more strikingly, the EU has been shown to establish, and subsequently exploit, de facto legal precedent in WTO jurisprudence by winning small claims in policy areas where a favorable precedent would

[24]Meyer et al. 1997; Hawkins 2004, 786.
[25]Finnemore 1996.
[26]Pelc 2016.
[27]Bhala 1998-1999; Busch and Pelc 2010; Lauterpacht 1982; Lupu and Voeten 2012; Pelc 2014, 2016.
[28]Busch and Pelc 2010.
[29]Busch 2007.

subsequently enable commercially important claims.[30] In sum, political actors manipulate precedent strategically; they set and exploit legal norms to their advantage.

The insights from historical institutionalist work helps to explain the politics behind precedent. Work in the traditions of rational choice and sociological institutionalism has been central to the 'turn to institutions' that has taken place in International Relations research during the past two decades.[31] More recently, International Relations scholars have begun to leverage the insights of the third main body of institutionalist research in political science.[32] Like sociological institutionalism, historical institutionalism takes seriously the need to endogenize context to understand institutional creation and evolution.[33] Yet where sociological institutionalists conceive of institutions as broad and place relatively little analytical emphasis on individual agency, historical institutionalists view the relationship between institutional context and political action as analytically central.[34]

Importantly, historical institutionalist arguments offer a compelling account of how institutional choices may alter subsequent possibilities.[35] Where institutional designs lock in a balance of power between relevant actors, where institutions create positive feedback mechanisms that benefit new stakeholders, where they result in increasing returns to beneficiaries, or where they generate self-reinforcing dynamics, political behavior (including negotiating international agreements) is more likely to become path-dependent. Thus Newman explains how relatively less powerful European states were able to have a disproportionate influence over standard-setting in data-privacy (vis-à-vis the United States), because of the earlier de-

[30]Pelc 2014.
[31]Koremenos, Lipson, and Snidal 2001; Milner 1998 and Finnemore 1996, respectively.
[32]Fioretos 2011, 2017; Newman 2008; Newman and Posner 2016; Leslie 2016.
[33]Hall and Taylor 1996; Immergut 1998.
[34]Mahoney and Rueschemeyer 2003; Steinmo and Thelen 1992; Newman and Posner 2016.
[35]Pierson 2004; Streeck and Thelen 2005.

velopment of powerful regulatory capacity at the national and European level.[36] Similarly, Newman and Posner explain the surprising convergence in financial regulations between the European Union and the United States by demonstrating that the prior establishment of 'transnational soft law' created policy templates that acted as 'disruptors' in domestic political contests by providing reform-minded actors with political resources.[37] These studies provide mechanisms that help to explain the 'stickiness' of legal language. Legal formulations or approaches are likely to become path-dependent where they alter the domestic political landscape by conferring political power to actors who thereby have incentives to advocate for continuing along the established path, or where they create resources for political actors seeking particular policy outcomes.

Evidently then, precedent has a structuring effect. Even as reformists may be able to take advantage of well-timed institutional choices to lock in place advantageous regulatory norms, past decisions may also act as constraints. The agency of political actors will accordingly be limited by the inflexibility of existing institutions, which may have unintended consequences and may contribute to inefficiencies.[38]

What might these dynamics look like in the trade regime? Precedent matters for trade policy because previous deals reveal to negotiating parties the contours of the politically possible. Governments have 'offensive' and 'defensive' interests in trade agreements–areas where they seek better access to foreign markets, and areas where for political reasons they find it more difficult to grant access. Because agreements involve reciprocally agreeing to lower barriers to trade and other forms of international commerce, PTAs create winners (where

[36]Newman 2008. Also Fioretos 2011, 381-382; Abdelal 2007.
[37]Newman and Posner 2016.
[38]Fioretos 2011, 371.

offensive goals are met, as for exporting firms) and losers (where defensive interests are compromised, as for import-competing producers). Accordingly, reaching domestic agreement on trade policy is a difficult political process; any agreement negotiated internationally must also be ratified domestically.[39] Once in place however, these distributional effects (in line with historical institutionalist thinking) generate a powerful political economy dynamic whereby trade agreements benefit new stakeholders (e.g. firms that begin trading) and further strengthen the position of actors that lobbied for liberalization in the first place.[40]

The difficulty of changing course is well understood by officials: "once a country has found its way to kind of accommodate that kind of ambition... why go backwards? You've gone through a certain amount of political pain to get there."[41] Thus, past commitments provide political actors at home and abroad with rhetorical and material resources that can be invoked in political contests such as trade negotiations.[42] Consider Australia's recent experience. Chapter 11 of the Australia-US FTA (AUSFTA) included investment commitments whereby US firms could invest up to A$1.062 billion in non-sensitive areas without needing the approval of Australia's Foreign Investment Review Board (FIRB). South Korea, China, and Japan all later sought the same limit that had been extended to the US, with South Korea reportedly "setting [the limit] as a non-negotiable condition of completing a free trade agreement".[43] Australia's previous agreement with the United States established a baseline sought by subsequent partners. New Zealand's Consul General to Shanghai agrees

[39]Putnam 1988.

[40]Baldwin and Robert-Nicoud 2015; Baccini, Pinto, and Weymouth 2017.

[41]Interview with New Zealand Consul General to Shanghai, Guergana Guermanoff, Shanghai, 19th June 2017.

[42]Newman and Posner 2016.

[43]Toh, Han Shih. 2013. 'China to Push Australia on "Fairer" FTA Terms Amid Perceptions of Bias, Beijing Will Press Canberra for Equal Treatment with US Firms to Clear the Way for Free-Trade Deal, Analysts Say.' South China Morning Post, Dec 06, 2. https://search.proquest.com/docview/1465089340?accountid=12339.

with this dynamic: "if another party negotiates an agreement, then you want to match it in your own, so that's your precedent."[44]

Conversely, precedent may shield negotiators from having to make concessions. The same hard-fought negotiating positions institutionalized in previous agreements suggest not only what is politically achievable, but also the limits of what is possible. Japan's defense of a non-zero tariff on beef in its agreement with Australia sends a credible signal to later negotiating partners (like New Zealand and the US in TPP negotiations) that reducing beef tariffs to zero is politically impossible.[45] One can easily imagine frustration in Wellington and Washington on learning about the tariff schedule in the Japan-Australia deal.

The structuring effect of past legal norms creates clear incentives to behave strategically both to benefit from advantageous precedent, and to avoid the constraints of undesired precedent. Negotiators who are aware of the complex legal environment in which they operate may seek to craft rules with a view to setting a precedent for future negotiations.[46] In the case of a country's defensive interests–sensitive areas–negotiators may deny partners access to prevent the same concession being sought by others. Conversely, governments may exploit negotiations with relatively unthreatening (or likeminded) partners, in order to establish a model agreement they hope to use again in later negotiations.

The relevance of precedent has sharpened in an era of innovative PTAs that regulate issues such as intellectual property and foreign investment, as well as non-trade issues such as human rights and environmental standards.[47] These 'new' issue-areas have proven particularly political, as the backlash against non-trade issues in the TTIP, CETA, and the TPP

[44]Interview with Guergana Guermanoff, Shanghai, 19th June 2017.
[45]This was a sticking point in negotiations for the Japan-Australia FTA and for the TPP.
[46]Meunier and Morin 2015.
[47]Lechner 2016; Milewicz et al. 2016.

suggest. To provide one illustration, agreements that touch on 'new' issues are more likely to be the subject of leaked negotiation documents.[48] The novelty of regulating these issue-areas creates an increased payoff to actors whose preferred rules become widely accepted–similar to the first-mover advantage in standard-setting.[49] And precisely because precedent is constraining as well as enabling, negotiators have the most freedom to innovate when it comes to new issue-areas, around which social actors' expectations have not yet converged.

Some caveats are in order. First, I do not claim that precedent is deterministic. Even if negotiators and social groups are aware of the precedent set by institutions like trade agreements, they are unlikely to have an equal ability to make use of precedent, or to escape its constraints. Looking to the international level, countries with high legal capacity and developed trade bureaucracies have greater resources with which to set precedent, as Pelc (2014) has shown in the context of WTO disputes. And power matters in negotiations, even in legalized contexts that proclaim formal equality between members.[50] Simply put, powerful states are better able to replicate preferred agreement terms.[51] Similarly at the domestic level, social groups may sometimes be limited in their ability to wield or to escape precedent when faced with powerful political opposition.

Second, innovation may also take place where agreements are well predicted by trade ties. NAFTA is frequently regarded as the source of considerable innovation in the design of trade agreements (for instance in the inclusion of side agreements on labor and the environment), as are the agreements underpinning European integration. In these contexts, intra-regional trade is high and agreements are likely. The argument here is not that states

[48] Castle and Pelc 2019.
[49] Mattli and Büthe 2003; Drezner 2007.
[50] Steinberg 2002; Finnemore 2009.
[51] Allee and Lugg 2016.

only use under-predicted PTAs to set favorable precedents. It is rather that the precedential benefits of sequencing provide an additional motivation for signing agreements, even where economic and political benefits are less compelling.

Testable implications

I expect that states should seek to sign ambitious agreements earlier with countries with which they are able to experiment with design features of international agreements. While liberalization with these states may be inherently beneficial, the economic gains that motivate these agreements also stem from liberalization envisaged with other states.

H1: Agreements that are not well predicted by the economic and political relationship between their members are on average more ambitious in scope, and are signed earlier, than better-predicted agreements.

Deeper commitments entail greater political costs for governments in terms of the loss of policy space; this cost should be offset by greater gain. If agreements are signed to liberalize economic exchange between their partners, then we should expect agreements that are poorly predicted by the economic relationship between members to be less ambitious (since less economically beneficial). If H1 is confirmed, it would suggest that poorly predicted agreements deliver an alternative benefit.

Of course, if PTAs are not economically well-predicted, incentives for both use and enforcement may be lower and therefore the cost of deep agreement may be lower (although not absent) for less well-predicted PTAs. Yet, signing up to an ambitious PTA where there is no expectation of honoring its commitments remains puzzling behavior. Moreover, if there is

no intention to honor PTA commitments, we may equally expect the resulting agreement to be shallow. Finding that less well-predicted PTAs are systematically deeper would therefore suggest that they provide a benefit in line with the theory presented here.

It would be unlikely for this to be a fully generalizable argument. Even if precedent is valuable, trade negotiations are costly and political and bureaucratic resources are scarce. Accordingly I expect countries that demonstrate the strongest concern for the legal norms of the global trade regime to be more likely to sequence.

I also have expectations concerning the mechanism at play in sequencing. If signing excessive PTAs presents an opportunity for negotiators to introduce innovations, excessive PTAs should be associated with an increase in depth relative to previous agreements. Furthermore, since the logic of sequencing relies on establishing precedent, I expect countries that demonstrate strong concerns for global trade norms to be more consistent in the depth of agreements they sign. By hewing to established practice, precedent will more effectively communicate the domestic constraints on trade negotiators and to establish the legitimacy of templates.

2.3 Data and method

I use a gravity dataset built at the dyad-year level. I use a directed dataset in which each observation corresponds to a country-pair (dyad) for a single year. Because my theory is based on individual state calculations, each country-pair appears twice, once as 'sender', once as 'receiver'.

Data

The gravity dataset is constructed using annual import and export figures from the IMF's Direction of Trade Statistics (DOTS), which range from 1950 to 2015.[52] For data on GDP, GDP per-capita and other country-level economic variables I use the World Development Indicators (WDI) from the World Bank.[53] Distance and other geographic measures are from the CEPII database;[54] regime type is measured using Polity 4;[55] and data on PTAs uses the Design of Trade Agreements (DESTA) dataset.[56] Following Mansfield and Milner,[57] I use a gravity model that includes political as well as economic variables. Data on countries' alliances is from version 4.1 of the Correlates of War alliance data;[58] and data on disputes is from version 4.1 of the Militarized Interstate Disputes (MID) data, also from the Correlates of War project.[59] I also include a measure of global economic business cycles,[60] measured by the year-to-year change in global economic output. Data on countries' participation in the WTO's dispute settlement system is retrieved from the country pages of the WTO website.[61] I supplement this with additional data on country submissions to WTO dispute panels so as to identify the stated objective of participation as a third party in disputes.[62]

[52] http://data.imf.org/dot
[53] http://data.worldbank.org/data-catalog/world-development-indicators
[54] Mayer and Zignago 2011.
[55] Marshall, Gurr, and Jaggers 2016.
[56] Dür, Baccini, and Elsig 2014.
[57] Mansfield and Milner 2012.
[58] Gibler 2009.
[59] Palmer et al. 2015.
[60] Mansfield and Milner 2012, 75.
[61] `https://www.wto.org`.
[62] Countries can justify their participation as third parties with reference to a substantial trade interest or to their concern for the systemic implications of a case. This coding was completed in cooperation with Lauren Konken; I am grateful to her and to Krzysztof Pelc for sharing data.

Analytical approach

I estimate a logit model using economic and political variables and calculate predictive probabilities for PTA entry. From this I derive a binary variable, coded 1 if countries are predicted to enter into a PTA, and 0 if not. Comparing this to actual PTA entry, I identify non-predicted PTAs as instances of 'excessive bilateralism'.[63] I use the distribution of PTAs as a guide to the predicted probability. I establish a time-varying threshold for PTA entry by taking the number of PTA formations in a given year as a proportion of the number of dyads in that year (e.g., $p = 0.011$ on average). Using the baseline model for all states, this approach correctly predicts 4,539 of 6,898 (65.8%) entries into a PTA, and identifies 2,359 of 6,898 (34.2%) PTAs as 'excessive'. In second-stage regressions I use Excessive Bilateralism to explain Agreement Depth and Agreement Order. I exclude non-reciprocal agreements aimed at development assistance, such as the Lomé and Yaoundé agreements.

As above, I expect that countries with a demonstrated interest in the systemic implications of global trade rules will be more likely to sequence agreements, and I identify such countries through their justifications for participation in WTO disputes as a third party. I take advantage of the two justifications for third-party participation in WTO disputes provided for under WTO rules: having a substantial trade interest in a dispute, or asserting an interest in the systemic implications of the case. Disputes attracting the latter justification often focus on relatively new or unsettled aspects of international trade law. As an illustration, disputes over anti-dumping measures (and US practice in particular) have frequently attracted third parties with a strong systemic interest in the interpretation of the WTO's

[63] Baier and Bergstrand 2004.

Antidumping Agreement,[64] even if such states do not have a material interest in the dispute at hand. Contrast this with disputes over EU regulations that limit trade in seal products (WTO dispute DS400), where a third country such as Iceland justified its participation based on material interest given its long tradition of sealing.

I count the number of times a country proclaims systemic interest in a dispute. The mean number of times a country cites systemic interest is 9.16; I code countries as STRONG SYSTEMIC if this value is above 9, and as LOW SYSTEMIC otherwise. I also identify all EU states as STRONG SYSTEMIC, since the EU acts as a unified actor in trade and the EU has as a whole cited systemic interest 75 times. I assume that behavior in WTO disputes is indicative of long-standing country preferences, and therefore is relatively time-invariant. Because it is possible that factors predicting PTA existence might differ systematically for these two groups of states, I identify excessive PTAs for each group separately, using the approach outlined above.

One concern with the approach taken here is that DESTA's measures of depth may be too coarse to examine a sequencing process. The 'depth' variables in DESTA speak to the agreement as a whole, but sequencing may be particularly relevant for specific issue-areas such as foreign investment or intellectual property. To address this concern I have peppered the theoretical argument in the previous section with empirical examples of precedent-setting behavior, or of an awareness of the importance of precedent. In section 2.5, I also delve more deeply into the dynamics of sequencing by looking at the negotiating experience of the EU and New Zealand.

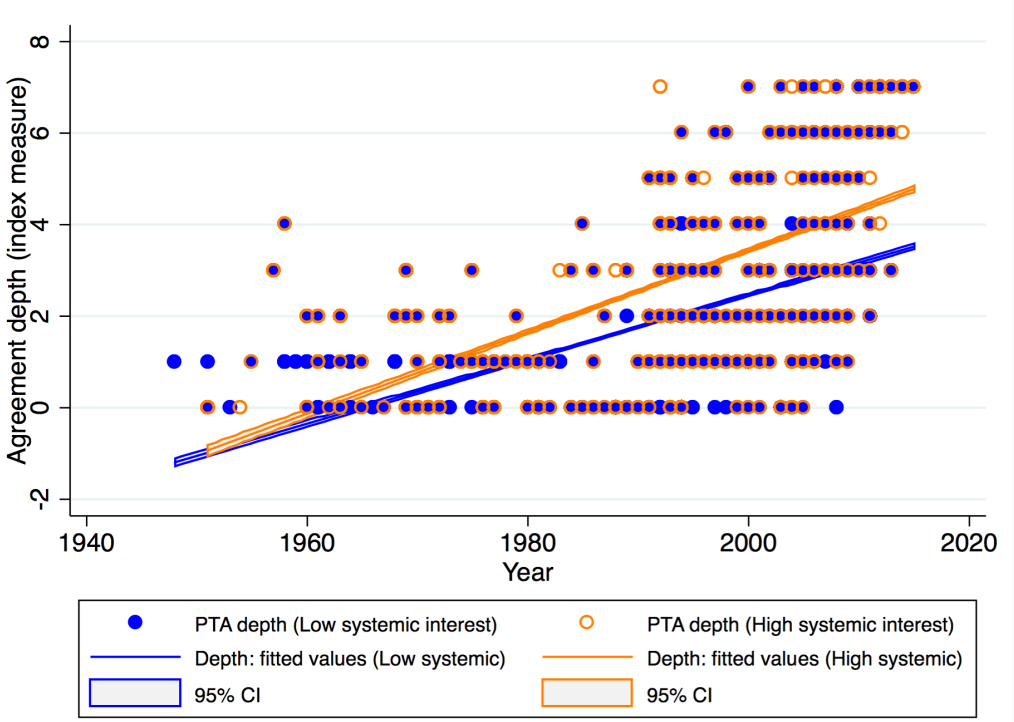
[64] The Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade 1994.

2.4 Sequencing: quantitative evidence

It is useful to begin with a visual illustration of sequencing. Figure 2.1 displays the evolution of agreement depth over time, for all states. Agreements have become more comprehensive for all countries, but agreement depth has increased fastest for those countries that more frequently participate in WTO disputes on the basis of their concern for global trade norms.

Because it is difficult to display sequencing in the aggregate, Figure 2.2 contrasts the pattern of agreements signed by Chile with those signed by Venezuela. Chile is a relatively small, open economy and is vocal as a third party in WTO disputes, where it frequently cites systemic interest as the reason for participating. Chile has signed increasingly ambitious trade agreements. For much of the past few decades, Venezuela has had a comparable GDP and GDP per capita to Chile (although this is largely due to petroleum production). Unlike Chile, although Venezuela participates in WTO disputes as a third party, it has done so on fewer occasions, and is less likely to do so on the basis of its concern for the systemic implications of an eventual panel decision. Like Chile, Venezuela has signed many PTAs. Unlike Chile, Venezuela has shown little appetite for signing deep agreements. While Chile has progressively signed more ambitious PTAs, Venezuela is not a party to any PTA with a depth index above 2, meaning that its PTAs are limited to regulating two issues.

Figure 2.1: The evolution of agreements over time

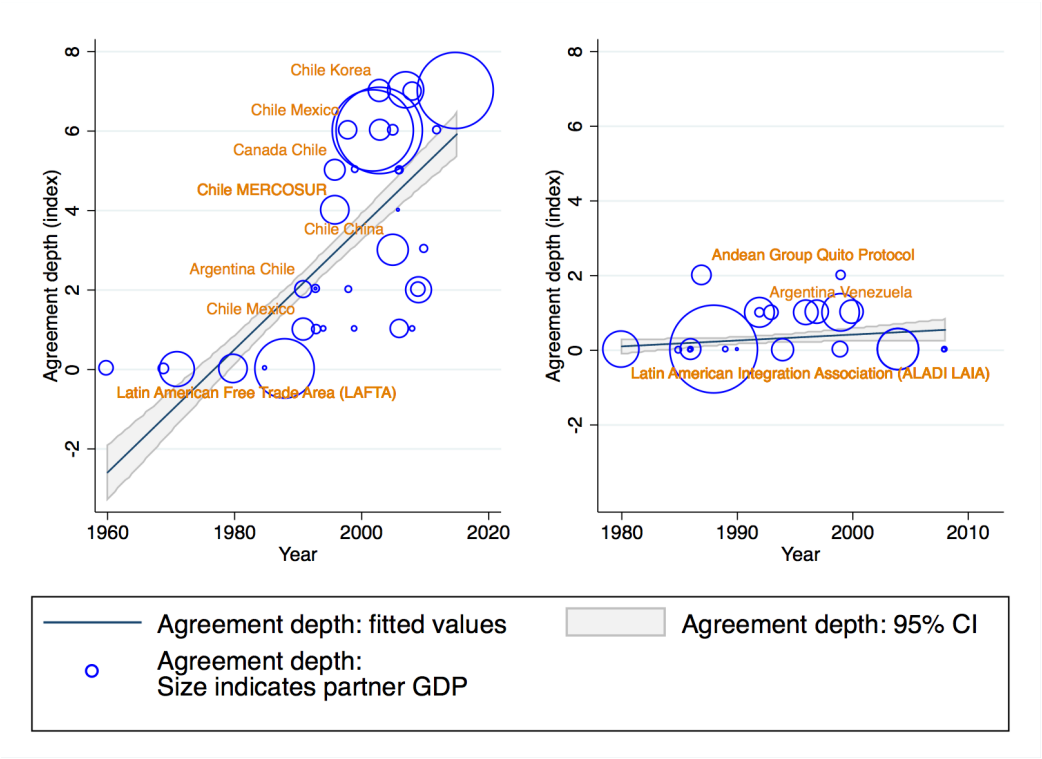


Note: Figure displays the evolution of depth over time for all states. Agreements involving states most prone to citing systemic interest in WTO disputes have a hollow orange circle. Agreements with states less prone to citing systemic interest in WTO disputes have a solid blue circle. Overlapping circles either indicate joint membership of these different states, or multiple PTAs at a given level of depth in a single year.

PTA partners' GDP relative to that of Chile/Venezuela (at the time of agreement) is indicated by the size of the point on the graph. For Chile (left panel), deep agreements with large states have been preceded by similarly deep agreements with smaller states. At a depth level of 6 (out of a possible 7), the Chile-Mexico agreement preceded both Chile-US and Chile-EC, [65] while at depth level of 7, the Chile-Korea agreement preceded Chile-Australia and Chile-Japan, as well as the Trans-Pacific Partnership.

[65]Canada-Chile also preceded these important agreements, although it is a slightly less comprehensive agreement at depth level 5.

Figure 2.2: Comparing sequencing: Chile and Venezuela



Note: Figure 2 represents the relationship between GDP and level of agreement depth through time for Chile and Venezuela. Chile is on the left; Venezuela is on the right. Named agreements are the first signed at a given depth.

In contrast, Venezuela's PTAs tend to be shallow and there is little evidence that Venezuela is sequencing by signing agreements with smaller countries first. Unlike for Chile, we do not observe relatively larger partners coming later and in more ambitious PTAs.

Excessive bilateralism and agreement depth

To test the argument in more general terms I turn to regression analysis. I first estimate a relatively simple gravity model for PTA entry, and then introduce additional controls. The models presented in Table 2.1 predict PTA entry. Model 1 predicts entry across all country pairs, while Model 2 excludes EU countries to address the potential concern that the results

are strongly influenced by the EU. The results are in line with expectations: PTA entry is more likely between neighboring countries with large and similarly-sized economies. Stronger democratic credentials as well as a history of cooperation in multilateral economic institutions also boosts the chances of signing PTAs. The only anomaly might seem the negative result for joint WTO membership, but this is due to the years in the sample and the construction of the WTO membership variable: many PTAs were signed prior to creation of the WTO, at which point countries were necessarily non-members.[66] Results are very similar between the base and non-EU models.

Using the results from these first-stage regressions and following the method described above, I identify as 'excessive' those PTAs that are least well-predicted. Excessive Bilateralism is the main explanatory variable in second-stage regressions presented in Table 2.2. The positive coefficient on this variable in Column 1 shows that PTAs that are less well-predicted tend to have a higher depth score using DESTA's 'Rasch' measure, which measures cooperation over a range of variables.[67] These results hold up (Column 2) using the more intuitive 'Index' measure, where depth reflects the number of issue-areas covered in an agreement. And Column 3 shows that these results are not driven by the EU. When removing the EU from the sample at first- and second-stage, excessive PTAs are in fact even more strongly associated with increased depth.

The results in Table 2.2 provide good initial support for the argument: counterintuitively, less well-predicted PTAs tend to be more ambitious. Yet my theory holds additional testable implications about which countries are most likely to sequence PTAs strategically:

[66] In a first-stage model with year fixed-effects (not presented), joint WTO membership positively predicts PTA entry.

[67] Dür, Baccini, and Elsig 2014.

Table 2.1: Predicting entry into a Preferential Trade Agreement (basic model)

	DV: PTA entry	
	(1)	(2)
	All states	No EU
Distance (logged)	-0.60***	-0.71***
	(0.02)	(0.03)
GDP sum (logged, t-5)	0.06***	0.06***
	(0.01)	(0.01)
GDP difference (logged, t-5)	-0.12***	-0.14***
	(0.01)	(0.01)
Remoteness	0.44***	0.94***
	(0.10)	(0.13)
Same continent	-2.29***	-6.54***
	(0.87)	(1.14)
Polity scores (own)	0.01***	0.01***
	(0.00)	(0.00)
Polity scores (partner)	0.01***	0.00
	(0.00)	(0.00)
Both in GATT	0.35***	0.51***
	(0.05)	(0.06)
Both in WTO	-0.17***	-0.53***
	(0.05)	(0.07)
Year	0.00	0.01***
	(0.00)	(0.00)
Constant	-3.12	-12.36***
	(3.52)	(3.87)
N	628732	519657
Pseudo R-squared	0.14	0.15
Clusters	10944	10484
Repetitions	1000	1000

Cells contain logit regression estimates with bootstrapped standard errors clustered at the undirected dyad. Binary DV is PTA entry.

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

those countries with strong preferences over global trade norms. Table 2.3 presents results from second-stage regressions in which I add further control variables and test this expectation about which countries are most likely to sequence agreements.[68] As above, I use countries' stated justifications for participation in WTO disputes as a guide to the strength of their concern for the legal content of the global trade regime, and subset the sample of countries for the first- and second-stage regressions accordingly. Columns 1-3 present results

[68]First-stage regressions are presented in the appendix.

Table 2.2: Excessive PTAs and Agreement Depth (Base model)

	DV: Agreement Depth		
	(1) Rasch measure	(2) Index measure	(3) Rasch measure No EU
Excessive Bilateralism	**0.07****	**0.16****	**0.11****
	(0.03)	**(0.07)**	**(0.04)**
Distance (logged)	0.01	0.08***	0.00
	(0.01)	(0.03)	(0.01)
GDP sum (logged, t-5)	0.04***	0.07***	0.04***
	(0.00)	(0.01)	(0.01)
GDP difference (logged, t-5)	0.02***	0.09***	0.02**
	(0.01)	(0.01)	(0.01)
Remoteness	-0.77***	-1.40***	-0.46***
	(0.09)	(0.19)	(0.11)
Same continent	6.31***	11.44***	3.78***
	(0.72)	(1.59)	(0.87)
Polity scores (own)	0.01*	0.00	0.01**
	(0.00)	(0.01)	(0.00)
Polity scores (partner)	0.02***	0.04***	0.02***
	(0.00)	(0.00)	(0.00)
Both in GATT	-0.00	0.11**	0.02
	(0.02)	(0.05)	(0.02)
Both in WTO	0.35***	0.56***	0.29***
	(0.06)	(0.11)	(0.07)
Constant	-3.18***	-3.87***	-3.26***
	(0.53)	(0.76)	(0.78)
Country dummies	Yes	Yes	Yes
Year dummies	Yes	Yes	Yes
N	6127	6658	4288
R-squared	0.87	0.81	0.82
Clusters	2129	2189	1826

Cells contain OLS regression estimates with standard errors clustered at the undirected dyad in parentheses. DV is agreement depth (Rasch measure or Index measure). * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

for states with the strongest revealed concern for global trade norms; Columns 4-6 present results for states with weaker revealed concern for global trade norms, and Columns 7 and 8 use the binary and raw data on countries' justifications in WTO disputes for interaction models in which all countries are included.

The results are robust to a number of different model specifications. In Columns 1 and 4, I include 10-year lagged exports to account for deviations from natural trading partner patters. In Columns 2 and 5 I omit year and country fixed effects, and use an alternative dependent variable (DESTA's 'Index' measure of depth). In Column 3 and 6 I omit 10-year lagged exports. Across these three specifications, I find that countries that demonstrate stronger concern for the systemic implications of trade rules sign ambitious agreements with under-predicted partners, while the opposite tends to hold true for other countries. This finding is further supported when using interaction models and the full sample of countries. In Column 7, the model includes a dummy interaction term coded 1 for countries with strong systemic concerns, and 0 otherwise. In order to alleviate concern that the threshold for identifying these countries is driving results, in Column 8 the model interacts excessive PTAs with the raw count of countries' appeal to the systemic implications of a given WTO dispute as the justification for their participation. As these results are OLS regression estimates, we can interpret the coefficient directly. In Models 3 and 6, 'excessive' agreements are, all else equal, 0.063 deeper for countries with strong systemic concerns, and 0.14 shallower for countries with weak systemic concerns, using DESTA's 'Rasch' measure of depth. The Rasch measure of PTA depth ranges from -1.73 to 1.89, with a standard deviation of 0.982. While the substantive impact of this result is by no means huge, the difference between states that are more- and less-active as third parties is striking.

In sum, the argument is supported. Countries that care most strongly about the legal content of the trade regime strategically sequence PTAs. They sign ambitious agreements with partners where the usual economic and political motivations for PTA signature are less compelling.

Signature order

The results in the previous section indicate that 'excessive' agreements tend to be deeper. In this section I demonstrate that they are also signed sooner. Table 2.4 presents the results from models that test whether Excessive Bilateralism predicts earlier Agreement Order. The dependent variable is the order in which states sign agreements (thus, the first PTA signed by a given country is coded 1, the second coded 2, and so forth). So that the results are not biased by PTAs that were signed earlier (and which therefore have more potential observations with their order established), I limit observations to dyad-years in which a PTA was entered into. I expect Excessive Bilateralism to be associated with earlier PTA signature date, indicated by a *negative* effect on agreement order. In these models, I exclude some variables that are clearly endogenous to signature order: the number of own- and partner-country PTAs, the number of PTAs signed by the ROW, and the cubic spline function. For all models, I use subsetted samples as in the previous analysis. Models 1 and 2 are a base specification, and Models 3-6 use country fixed effects.

The results here provide further support for the argument. In Columns 1 and 2, results show that Excessive Bilateralism is strongly associated with earlier signature date for states with strong systemic concerns, and later signature date for other states. When

Table 2.3: Excessive bilateralism and agreement depth: full specification

Country subset:	**Strong systemic concerns**			**Weak systemic concerns**			**All states**	
Dependent Variable:	Depth (Rasch)	Depth (Index)	Depth (Rasch)	Depth (Rasch)	Depth (Index)	Depth (Rasch)	Depth (Rasch)	Depth (Rasch)
	Trade	Trade	No trade	Trade	Trade	No trade	Trade	No trade
	Fixed effects		Fixed effects	Fixed effects		Fixed effects		Fixed effects
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Excessive PTA	**0.074****	**0.159***	**0.063****	**-0.086*****	**-0.047**	**-0.140*****	-0.228***	-0.004
	(0.031)	**(0.083)**	**(0.029)**	**(0.026)**	**(0.067)**	**(0.025)**	(0.031)	(0.043)
Systemic concerns (raw)								-0.012
								(0.009)
Strong systemic interest							0.075**	
							(0.032)	
Excessive PTA × Strong systemic interest							**0.146*****	
							(0.037)	
Excessive PTA × Systemic concerns (raw)								**0.002*****
								(0.001)
Distance (logged)	-0.003	0.081*	0.033***	0.028*	0.030	0.022*	0.038**	0.022*
	(0.015)	(0.048)	(0.013)	(0.015)	(0.046)	(0.012)	(0.019)	(0.013)
Remoteness	0.184	0.862**	-0.431***	0.416***	0.169	-0.494***	-0.005	-0.046
	(0.207)	(0.401)	(0.131)	(0.159)	(0.248)	(0.128)	(0.108)	(0.162)
Same continent	-2.009	-8.575**	3.484***	-3.497***	-1.612	3.881***	-0.194	0.228
	(1.749)	(3.363)	(1.088)	(1.305)	(2.039)	(1.063)	(0.903)	(1.343)
GDP sum (logged, t-5)	0.026***	0.089***	0.008	0.021***	-0.007	0.019***	0.019***	0.230***
	(0.009)	(0.022)	(0.007)	(0.007)	(0.013)	(0.006)	(0.006)	(0.036)
GDP difference (logged, t-5)	0.012*	0.101***	0.015**	0.016***	0.042**	0.019**	0.027***	0.016**
	(0.007)	(0.020)	(0.007)	(0.006)	(0.021)	(0.008)	(0.008)	(0.007)
Previous PTAs (own, t-5)	-0.002	-0.002*	-0.001	0.004	0.015***	0.002	-0.001***	-0.003*
	(0.002)	(0.001)	(0.002)	(0.008)	(0.004)	(0.007)	(0.000)	(0.002)
Previous PTAs (partner, t-5)	-0.001***	-0.005***	0.001	-0.001	0.006***	0.002**	-0.001*	-0.004**
	(0.000)	(0.001)	(0.000)	(0.001)	(0.002)	(0.001)	(0.000)	(0.002)
Previous PTAs (ROW, t-5)	0.026***	0.018***	0.021**	-0.013	-0.004	-0.017	0.013***	-0.001
	(0.010)	(0.007)	(0.010)	(0.019)	(0.004)	(0.021)	(0.002)	(0.009)
Previous PTAs (ROW, t-5, squared)	-0.000**	-0.000***	-0.000*	-0.000	-0.000***	0.000	-0.000***	-0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Alliance	-0.039*	-0.176***	-0.012	-0.265***	-0.329***	-0.342***	-0.193***	-0.070***
	(0.022)	(0.065)	(0.020)	(0.027)	(0.069)	(0.035)	(0.026)	(0.024)
Previous conflict	0.056	0.172	-0.035	0.207***	0.344	0.193**	0.149	0.038
	(0.114)	(0.329)	(0.090)	(0.076)	(0.273)	(0.082)	(0.130)	(0.068)
GWP change	0.599	-0.184***	-0.249	5.107***	-0.157***	5.843***	-0.090***	0.023
	(1.648)	(0.032)	(1.224)	(1.855)	(0.027)	(1.239)	(0.010)	(1.481)
Hegemony	1.116***	-0.282***	0.640***	1.771***	0.063	1.310***	-0.063***	0.521**
	(0.213)	(0.060)	(0.173)	(0.377)	(0.070)	(0.317)	(0.024)	(0.257)
Polity scores (own)	-0.007	0.022***	-0.002	0.005	0.016***	0.006	0.015***	-0.005
	(0.006)	(0.009)	(0.007)	(0.004)	(0.004)	(0.004)	(0.002)	(0.004)
Polity scores (partner)	0.013***	0.027***	0.033***	0.009***	0.006	0.015***	0.014***	0.001
	(0.004)	(0.009)	(0.003)	(0.002)	(0.004)	(0.002)	(0.002)	(0.003)
Both in GATT	0.052**	0.185***	0.025	0.041*	0.127***	0.017	0.069***	0.032
	(0.026)	(0.067)	(0.028)	(0.021)	(0.047)	(0.021)	(0.022)	(0.058)
Both in WTO	0.213***	0.242	0.224***	0.281***	1.171***	0.321***	0.351***	0.266***
	(0.073)	(0.179)	(0.069)	(0.074)	(0.121)	(0.060)	(0.056)	(0.087)
Post-Cold War	4.123	-0.855**	0.911	34.002***	-1.397***	31.673***	-0.487**	7.537*
	(4.094)	(0.412)	(3.474)	(7.712)	(0.419)	(5.222)	(0.205)	(3.995)
Colonial relationship post-1945	-0.130	-0.254	-0.115	0.054	0.141	0.085	-0.134	-0.065
	(0.099)	(0.250)	(0.099)	(0.090)	(0.312)	(0.109)	(0.120)	(0.072)
Exports (logged, t-10)	-0.004*	-0.013*		-0.001	-0.001		-0.004**	
	(0.002)	(0.007)		(0.001)	(0.004)		(0.002)	
Constant	-24.700**	427.474***	-12.073*	-57.142***	627.119***	-53.056***	278.325***	-19.617*
	(9.890)	(146.687)	(6.706)	(15.296)	(158.801)	(11.646)	(70.337)	(10.964)
Country dummies	Yes	No	Yes	Yes	No	Yes	No	Yes
Partner dummies	No	No	No	No	No	No	No	Yes
Year dummies	Yes	No	Yes	Yes	No	Yes	No	Yes
Continent dummies	Yes	Yes	No	Yes	Yes	No	Yes	No
Cubic spline function	No	Yes	No	No	Yes	No	Yes	No
Bootstrapped errors	Yes	Yes	Yes	Yes	Yes	Yes	No	No
Observations	2380	2698	2450	3429	3635	3677	5809	4571
Adjusted R^2	0.880	0.767	0.858	0.841	0.716	0.831	0.802	0.901

Cells contain OLS regression estimates with standard errors clustered at the undirected dyad in parentheses. DV is agreement depth (Rasch measure or Index measure). * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table 2.4: Excessive bilateralism and agreement signature order

	DV: Agreement order					
Model	(1) Strong SC	(2) Weak SC	(3) Strong SC Fixed Effects	(4) Weak SC Fixed Effects	(5) Strong SC Fixed Effects Post-2000	(6) Weak SC Fixed Effects Post-2000
Excessive bilateralism	**-3.91*****	**1.59*****	**0.69**	**-0.85*****	**-0.50****	**-0.29**
	(1.18)	**(0.42)**	**(0.46)**	**(0.17)**	**(0.22)**	**(0.30)**
Distance (logged)	-4.18***	0.40*	-0.38	0.51***	0.18*	-0.09
	(0.85)	(0.23)	(0.32)	(0.09)	(0.10)	(0.15)
Remoteness	-30.53***	-13.68***	13.55***	-1.75*	4.10***	0.02
	(3.19)	(1.38)	(2.16)	(0.94)	(0.73)	(0.84)
Same continent	243.65***	113.41***	-113.10***	14.16*	-35.67***	-0.80
	(26.59)	(11.76)	(18.04)	(7.89)	(6.08)	(7.06)
GDP sum (logged, t-5)	2.13***	0.31***	1.31***	0.43***	0.48***	0.19***
	(0.23)	(0.06)	(0.10)	(0.04)	(0.04)	(0.06)
GDP difference (logged, t-5)	3.85***	-0.35***	0.99***	-0.16***	0.02	-0.22***
	(0.35)	(0.11)	(0.13)	(0.05)	(0.05)	(0.06)
Alliance	1.59	1.24***	-0.78*	0.31*	0.09	-0.08
	(1.31)	(0.33)	(0.48)	(0.17)	(0.19)	(0.30)
Previous conflict	-8.09	-0.66	-3.54	-0.32	0.23	-0.18
	(5.04)	(1.16)	(2.97)	(0.58)	(0.97)	(0.43)
GWP change	-1.13***	0.61***	-0.83***	-0.20***	-0.74***	-0.56***
	(0.29)	(0.15)	(0.16)	(0.07)	(0.08)	(0.06)
Hegemony	-0.55**	-1.57***	-2.50***	-0.87***	-2.33***	-1.36***
	(0.23)	(0.16)	(0.12)	(0.07)	(0.06)	(0.10)
Polity scores (own)	0.55***	0.21***	0.23**	0.33***	0.47	0.00
	(0.10)	(0.03)	(0.11)	(0.02)	(0.37)	(0.06)
Polity scores (partner)	-0.19*	0.10***	0.19***	0.02	0.04	-0.04*
	(0.10)	(0.02)	(0.06)	(0.01)	(0.03)	(0.02)
Both in GATT	2.50**	1.24***	-7.03***	-0.20	-2.63***	0.03
	(1.18)	(0.30)	(0.58)	(0.22)	(0.22)	(0.25)
Both in WTO	14.85***	4.45***	23.49***	5.55***	1.43***	1.00**
	(1.06)	(0.41)	(0.68)	(0.29)	(0.52)	(0.46)
Colonial relationship post-1945	7.44*	-3.08*	-3.10	-2.89***	-0.71	-0.05
	(4.30)	(1.57)	(3.07)	(0.60)	(0.47)	(0.28)
Constant	-47.97***	13.43***	-18.52***	-11.09***	38.09***	20.67***
	(14.72)	(3.51)	(6.08)	(2.10)	(3.78)	(3.11)
Country dummies	No	No	Yes	Yes	Yes	Yes
Observations	2845	4053	2845	4053	1812	1247
R^2	0.349	0.365	0.914	0.908	0.992	0.980

Cells contain OLS regression estimates with bootstrapped standard errors clustered at the dyad. DV is the order in which states sign agreements. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

introducing country fixed effects (Model 3 and 4) however, the relationship between Excessive Bilateralism and Agreement Order switches signs (but is no longer significant) for states with strong systemic concerns, and is negative for other countries (Model 4). It is perhaps unsurprising that these results would be a little unstable–it is implausible that states have a sufficiently long time-horizon that agreements signed in 1980, say, have anything to do with states' intentions in 2015. Moreover, as the motivating example of CETA suggests, the benefits that states derive from setting favorable precedents in agreement design is likely to be ongoing, given that states' regulatory goals evolve over time.

It is more plausible that negotiators have signed agreements within a more recent period with an eye to current developments. New Zealand's Ministry of Foreign Affairs and Trade (MFAT), for instance, notes that the Trans-Pacific Strategic Economic Partnership (TPSEP, also called the P4 agreement) signed between Brunei, Chile, New Zealand and Singapore in 2005, "set the scene for a much more ambitious Pacific Rim agreement" (i.e., the TPP).[69] Accordingly, in columns 5 and 6 I restrict the sample to the period 2000 to 2015. During this period, less well-predicted agreements are associated with earlier signature by states with strong systemic concerns, but the relationship is not statistically significant for other states.[70]

With whom do states innovate?

Because the measure of Excessive Bilateralism is derived from predictive models of PTA entry, there may be some concern about model dependence. To address this concern,

[69]New Zealand MFAT. 'Trans-Pacific Strategic Economic Partnership (P4)'. `https://www.mfat.govt.nz/en/trade/free-trade-agreements/free-trade-agreements-in-force/p4/` (accessed January 2017).

[70]I run alternative models restricting the years to post-2005 (not presented). The results are substantively very similar.

I take an alternative empirical approach that follows simply from the graphical comparison of Chile and Venezuela's experience with negotiating PTAs.

If states sequence agreements, signing first with less important partners in order to shape subsequent negotiations, then I expect that the factors accounting for PTA signature in general will be reversed when looking at innovative agreements. Most importantly, I expect country exports to correlate positively with PTA signature, but negatively with innovative agreements. Table 2.5 tests these expectations. Column 1 presents the results from a gravity model with political and economic variables, where the dependent variable is entry into a reciprocal PTA. As expected, lagged exports positively predict PTA entry. While joint GDP size is not statistically significant, GDP difference negatively correlates with PTA entry, indicating that states that are more similar in size are more likely to enter into a PTA.

Contrast these results from those in Column 3. Here, the sample is restricted to observations of PTA-entry. The binary dependent variable is the signature of an innovative PTA: an agreement that is the first to be signed by Country A at a given level of depth, using DESTA's Index measure of depth. In Column 3, the signs on the coefficients relating to country size and economic importance switch. Innovative PTAs–those that cover a novel issue-area–are signed with partners where trade is relatively *less* important, where the difference in GDP is *larger*, and where joint GDP is *smaller*. Note that the baseline here is other PTAs: the comparison is between PTAs that break new ground, and those that follow at the same level of depth.

Since PTAs have been increasing gradually in depth, innovative PTAs are not only signed in earlier years. However, there is a slight negative correlation between innovative PTAs and time, while trade correlates positively with time. While Models 1 and 3 already

Table 2.5: PTA entry and innovative PTA entry

Model	DV: PTA entry (Models 1-2)		DV: Innovative PTA entry (Models 3-6)			
		Detrended		Detrended	Detrended; Excess. Bilat.	Interaction Econ variables
	(1)	(2)	(3)	(4)	(5)	(6)
Exports (logged, t-10))	**0.03*****	**0.03*****	**-0.02*****	**-0.02*****	-0.01**	0.01
	(0.00)	**(0.00)**	**(0.01)**	**(0.01)**	(0.01)	(0.01)
Excessive bilateralism					**0.25****	
					(0.11)	
Systemic concerns						1.50**
						(0.69)
Systemic concerns*Exports (logged, t-10)						**-0.05*****
						(0.01)
GDP sum (logged, t-5)	-0.01	-0.02	-0.13***	-0.12***	-0.12***	-0.05**
	(0.01)	(0.01)	(0.02)	(0.02)	(0.02)	(0.02)
GDP difference (logged, t-5)	-0.14***	-0.14***	0.23***	0.23***	0.22***	0.18***
	(0.01)	(0.01)	(0.02)	(0.02)	(0.02)	(0.02)
Distance (logged)	-0.40***	-0.40***	0.20***	0.22***	0.18***	0.48***
	(0.03)	(0.03)	(0.06)	(0.06)	(0.06)	(0.06)
Remoteness	1.44***	1.38***	-0.78**	-0.73**	-0.57	-0.16
	(0.18)	(0.18)	(0.38)	(0.37)	(0.37)	(0.49)
Same continent	-10.67***	-10.19***	5.60*	5.39*	4.16	-0.37
	(1.51)	(1.50)	(3.18)	(3.07)	(3.10)	(4.10)
Previous PTAs (own, t-5)	0.01***	0.01***	-0.02***	-0.03***	-0.03***	0.02***
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)
Previous PTAs (partner, t-5)	0.01***	0.01***	0.01***	0.01***	0.01***	0.01***
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Previous PTAs (ROW, t-5)	0.00**	0.01***	-0.03***	0.00	0.00	-0.03***
	(0.00)	(0.00)	(0.01)	(0.00)	(0.00)	(0.01)
Previous PTAs (ROW, t-5, squared)	-0.00***	-0.00***	0.00	-0.00***	-0.00***	-0.00
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Alliance	0.28***	0.27***	-0.43***	-0.49***	-0.46***	
	(0.06)	(0.06)	(0.09)	(0.09)	(0.09)	
Post-Cold War	0.81***		-1.73**			-3.81***
	(0.12)		(0.68)			(0.80)
Previous conflict	-0.14	-0.11	0.05	0.09	0.04	
	(0.17)	(0.16)	(0.39)	(0.34)	(0.36)	
GWP change	-0.07***	-0.07***	-0.20***	-0.11***	-0.11***	-0.20***
	(0.01)	(0.01)	(0.04)	(0.04)	(0.04)	(0.05)
Hegemony	-0.51***	-0.46***	-0.55***	-0.41***	-0.41***	-1.15***
	(0.02)	(0.02)	(0.09)	(0.06)	(0.06)	(0.11)
Polity scores (own)	-0.01***	-0.00*	0.04***	0.05***	0.05***	
	(0.00)	(0.00)	(0.01)	(0.01)	(0.01)	
Polity scores (partner)	-0.01**	-0.00	0.00	0.01	0.01	
	(0.00)	(0.00)	(0.01)	(0.01)	(0.01)	
Both in GATT	-0.06	-0.03	0.05	0.14*	0.14*	
	(0.05)	(0.05)	(0.08)	(0.08)	(0.08)	
Both in WTO	0.36***	0.27***	0.32*	0.09	0.09	
	(0.06)	(0.06)	(0.18)	(0.17)	(0.17)	
Colonial relationship post-1945	-0.27	-0.29	-0.38	-0.48	-0.51	
	(0.24)	(0.25)	(0.46)	(0.49)	(0.47)	
Year		0.06***		0.02***	0.02***	
		(0.00)		(0.01)	(0.01)	
Constant	383.17***	-122.64***	1302.24***	-46.09***	-46.49***	2290.98***
	(37.45)	(7.57)	(248.93)	(14.76)	(14.75)	(315.66)
Bootstrapped errors	No	No	Yes	Yes	Yes	No
Country dummies	No	No	No	No	No	Yes
Continent dummies (own and partner)	Yes	Yes	Yes	Yes	Yes	Yes
Cubic spline (year)	Yes	No	Yes	No	No	Yes
Observations	561878	561878	6559	6559	6559	7645
Pseudo R^2	0.187	0.181	0.184	0.167	0.168	0.352

Cells contain logit regression estimates with robust standard errors clustered at the undirected dyad. Binary DV is PTA entry (columns (1) and (2)) and Innovative PTA entry (columns (3) to (6)).

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

include a cubic spline to account for time trends, in Models 2 and 4 I de-trend the main time-varying explanatory variables (lagged exports, lagged joint GDP, and lagged GDP difference). I regress these variables, respectively, on time, and use the residuals obtained in the place of each variable. I also include a YEAR variable, and omit the POST-COLD WAR variable and the spline function, which correlate with time. The results remain substantively unchanged. States appear to sign innovative agreements–those covering new issue-areas for the first time–with partners with whom they trade *less*, with whom joint GDP is *smaller*, and with whom the difference in GDP is *greater*, as compared with other agreements.

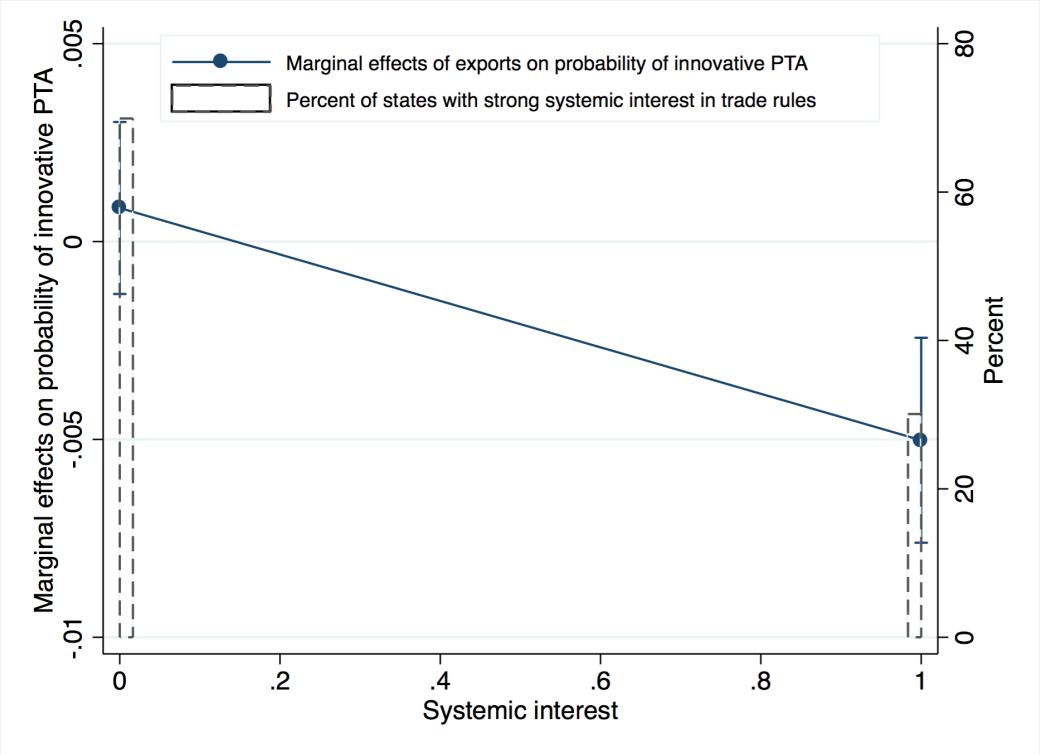
In order to ensure that the results here are consistent with those above, in Model 5 I use EXCESSIVE BILATERALISM as the explanatory variable. The result is wholly in line with expectations: the positive coefficient indicates that under-predicted PTAs are more likely to be innovative. The coefficient of 0.25 indicates that in substantive terms, the effect is large: an excessive PTA is around 28% more likely to be innovative than a better-predicted PTA.

Model 6 also tests expectations from above. Here I interact the binary measure of countries' concern for global trade norms with logged exports, and control for other economic predictors of PTAs. The negative sign on the interaction term shows that lower trade values are associated with innovative PTA signature for countries that have stronger concern for global trade norms; Figure 2.3 illustrates this relationship graphically.

So far, I have presented evidence that supports both aspects of the argument. Excessive PTAs are over-represented among ambitious agreements. Controlling for other factors that predict agreement depth, this relationship holds only for states that demonstrate the strongest concern for the systemic implications of global trade norms, as measured by their stated justification for participating as third parties in WTO disputes. Excessive PTAs also

correlate with earlier signature. These results are cross-validated when using the alternative empirical strategy of examining the factors that predict innovative PTAs. Innovative agreements–the first signed at a given level of depth–are predicted by *lower* export levels.

Figure 2.3: Marginal effects of Exports on Innovative PTA signature



Testing the sequencing mechanism

The theory also yields testable implications about the mechanism underpinning sequencing. Precedent communicates to future partners and to domestic actors the scope of agreement that is politically possible. If states sequence strategically, those states with strong systemic concerns about trade rules should successively build on past practice, 'ratcheting' the level of ambition in their PTAs. Second, less well-predicted PTAs should be associated with greater increases in depth relative to previous agreements, as compared with PTAs that are better

predicted.

A simple bivariate correlation between the depth of countries' PTAs and the depth of the PTA signed immediately prior indicates that the level of ambition in past agreements is a fair indication of the sort of agreement that states will sign subsequently (r=0.52). For states that routinely demonstrate a strong interest in the systemic implications of WTO cases, this correlation is much stronger (r=0.70) than for states that do not (r=0.33).

Tables 2.6 and 2.7 present the results of regression analyses that test these expectations. Table 2.6 shows that the depth of a state's PTAs is well predicted by preceding PTA for countries with strong systemic concerns (Columns 1-2). The positive coefficient on the depth of the previous agreement indicates consistency: an increase in the depth of the immediately preceding agreement is associated with an increase in the depth of the following agreement. This finding is reversed for other countries (Columns 3-4). There, the negative coefficient indicates inconsistency: an increase in the depth of a previous agreement is associated with a decrease in the depth of the following agreement.

We can see also from the results in Table 2.7 that economically unlikely PTAs will be characterized by a larger increase in depth relative to previous practice. The dependent variable, Depth Increase, is the difference in (Rasch) depth between the current PTA and the average depth of the three preceding PTAs signed by a state. I expect this variable to be positively signed. Columns 1 and 2 present results with the sample subsetted to those states most active as third parties, while columns 3 and 4 present results subsetted to other states. The difference between the two groups is striking. For the first group, those PTAs that are less well predicted economically and politically are associated with a 0.45 increase in PTA depth when controlling for lagged exports: equivalent to an increase of half a standard

Table 2.6: Establishing stable expectations: PTA depth and previous depth

	DV: Agreement depth (Rasch)			
	Strong systemic interest		Weak systemic interest	
	(1)	(2)	(3)	(4)
Depth of preceding agreement	**0.05****	**0.05***	**-0.11*****	**-0.10*****
	(0.03)	**(0.03)**	**(0.02)**	**(0.02)**
Distance (logged)	0.03**	0.02*	-0.02	-0.01
	(0.01)	(0.01)	(0.01)	(0.01)
Remoteness	0.47**	0.48**	-0.24	-0.14
	(0.22)	(0.23)	(0.24)	(0.27)
Same continent	-4.34**	-4.43**	1.89	1.06
	(1.88)	(1.89)	(1.98)	(2.20)
GDP sum (logged, t-5)	0.18***	0.17***	0.24***	0.27***
	(0.04)	(0.04)	(0.04)	(0.04)
GDP difference (logged, t-5)	0.02***	0.02***	0.03***	0.03***
	(0.01)	(0.01)	(0.01)	(0.01)
Previous PTAs (own, t-5)	-0.01***	-0.01***	0.02***	0.02***
	(0.00)	(0.00)	(0.01)	(0.01)
Previous PTAs (partner, t-5)	-0.01***	-0.01***	0.00	0.00
	(0.00)	(0.00)	(0.00)	(0.00)
Previous PTAs (ROW, t-5)	-0.00	-0.00	0.00***	0.00***
	(0.00)	(0.00)	(0.00)	(0.00)
Previous PTAs (ROW, t-5, squared)	0.00**	0.00**	0.00	0.00
	(0.00)	(0.00)	(0.00)	(0.00)
Alliance	0.03	0.02	-0.16***	-0.15***
	(0.03)	(0.03)	(0.03)	(0.03)
Previous conflict	-0.03	-0.02	0.24**	0.23**
	(0.07)	(0.07)	(0.09)	(0.10)
GWP change	-0.03**	-0.03**	-0.02	-0.02
	(0.01)	(0.01)	(0.01)	(0.01)
Hegemony	-0.04	-0.03	0.15***	0.17***
	(0.02)	(0.02)	(0.03)	(0.03)
Polity scores (own)	0.01*	0.01*	0.01**	0.01
	(0.01)	(0.01)	(0.00)	(0.00)
Polity scores (partner)	0.01	0.01	0.02***	0.01***
	(0.01)	(0.01)	(0.00)	(0.00)
Both in GATT	0.15***	0.21***	0.09*	0.11**
	(0.06)	(0.06)	(0.05)	(0.05)
Both in WTO	0.39***	0.39***	0.58***	0.61***
	(0.11)	(0.11)	(0.08)	(0.08)
Post-Cold War	1.04***	1.03***	-0.05	0.04
	(0.27)	(0.27)	(0.11)	(0.12)
Colonial relationship post-1945	-0.08*	-0.06	-0.01	0.02
	(0.04)	(0.04)	(0.09)	(0.09)
Year	-0.00	0.00	-0.07***	-0.08***
	(0.02)	(0.02)	(0.01)	(0.01)
Exports (logged, t-10)		-0.01**		-0.00
		(0.00)		(0.00)
Constant	-0.72	-9.94	132.91***	151.85***
	(43.54)	(43.82)	(25.77)	(26.93)
Country dummies	Yes	Yes	Yes	Yes
Partner dummies	Yes	Yes	Yes	Yes
Continent dummies	No	Yes	No	Yes
Observations	2438	2368	3592	3359
R^2	0.893	0.894	0.842	0.846

Cells contain OLS regression estimates with robust standard errors clustered at the undirected dyad. Continuous DV is PTA depth (Rasch measure).

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table 2.7: Increases in depth of agreement relative to previous agreements

Dependent Variable:	**DV: Depth Increase (Rasch)**			
	Strong systemic concerns		Weak systemic concerns	
	(1)	(2)	(3)	(4)
Excessive bilateralism	**0.45*****	**0.15***	**-0.09**	**-0.18**
	(0.10)	**(0.09)**	**(0.16)**	**(0.17)**
Distance (logged)	0.03	0.09**	0.05	0.04
	(0.05)	(0.04)	(0.07)	(0.07)
Remoteness	0.45	0.02	0.30	0.01
	(0.43)	(0.26)	(0.44)	(0.38)
Same continent	-3.76	-0.12	-2.59	-0.35
	(3.64)	(2.15)	(3.68)	(3.19)
GDP sum (logged, t-5)	0.06**	0.06**	0.01	0.04*
	(0.03)	(0.02)	(0.03)	(0.03)
GDP difference (logged, t-5)	-0.01	0.01	-0.04	-0.06
	(0.03)	(0.03)	(0.04)	(0.04)
Previous PTAs (own, t-5)	0.01	0.01	-0.01	-0.01
	(0.01)	(0.01)	(0.01)	(0.02)
Previous PTAs (partner, t-5)	-0.01***	-0.01***	-0.01	-0.00
	(0.00)	(0.00)	(0.01)	(0.00)
Previous PTAs (ROW, t-5)	0.02	0.02	-0.03	-0.03
	(0.02)	(0.02)	(0.02)	(0.02)
Previous PTAs (ROW, t-5, squared)	-0.00	-0.00	0.00	0.00
	(0.00)	(0.00)	(0.00)	(0.00)
Alliance	-0.12*	-0.07	-0.47***	-0.41***
	(0.07)	(0.07)	(0.14)	(0.14)
Previous conflict	0.09	-0.03	0.29	0.32
	(0.14)	(0.12)	(0.45)	(0.39)
GWP change	-0.81	2.03	5.12	5.13
	(1.61)	(1.72)	(3.43)	(3.76)
Hegemony	0.78***	0.43	1.61***	1.46***
	(0.30)	(0.26)	(0.52)	(0.51)
Polity scores (own)	-0.03	-0.02	-0.00	0.00
	(0.03)	(0.02)	(0.02)	(0.02)
Polity scores (partner)	0.02***	0.04***	0.02**	0.03***
	(0.01)	(0.01)	(0.01)	(0.01)
Both in GATT	0.24**	0.18**	0.32**	0.24*
	(0.09)	(0.09)	(0.13)	(0.13)
Both in WTO	0.28*	0.15	0.10	0.24
	(0.15)	(0.10)	(0.20)	(0.19)
Post-Cold War	-1.42	1.32	27.41***	25.17***
	(5.47)	(5.57)	(7.73)	(7.78)
Colonial relationship post-1945	-0.16	-0.13	1.13***	0.15
	(0.14)	(0.12)	(0.31)	(0.53)
Exports (logged, t-10)	0.01		0.01	
	(0.01)		(0.01)	
Constant	-13.77	-21.98**	-44.78**	-44.86**
	(10.19)	(9.82)	(20.53)	(21.05)
Country dummies	Yes	Yes	Yes	Yes
Year dummies	Yes	Yes	Yes	Yes
Continent dummies	Yes	No	Yes	No
Observations	752	798	530	554
R^2	0.445	0.389	0.487	0.429

Cells contain OLS regression estimates with robust standard errors clustered at the dyad. DV is the difference in Rasch Depth of the current PTA relative to the average depth of the three preceding PTAs. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

deviation. For other states, PTAs that are less well-predicted economically and politically are not associated with an increase in agreement depth relative to preceding agreements.

Taken together, the results from these tests provide support for the hypothesized mechanism of sequencing. Countries that demonstrate the strongest concern for the systemic implications of global trade rules are consistent in the depth of agreement they sign, and use under-predicted agreements to increase the depth of cooperation with PTA partners. Negotiating with less economically and politically salient partners affords states an opportunity to experiment in agreement design, departing from past practice by signing a more ambitious deal.

2.5 Qualitative evidence: the EU and New Zealand

We have seen that in the aggregate, negotiators innovate with partners with whom exports are comparatively less important. We have also seen that those states that demonstrate the strongest interest in the systemic impact of global trade law sign broad agreements with poorly-predicted partners. This evidence supports the hypothesis that governments sequence trade agreements, using negotiations with less important trade partners as opportunities to innovate or experiment in order to set a favorable precedent that can improve their chances of maximizing offensive and defensive trade interests in subsequent negotiations. Do we also observe sequencing when we look at individual countries? In this section I present evidence from the EU and New Zealand.

This evidence suggests that during times of domestic shifts in trade policy, both countries have viewed negotiations with less-important trade partners as opportunities to

sign innovative agreements that promote their offensive and defensive interests. Furthermore, negotiators explicitly acknowledge the value of setting a favorable precedent for future negotiations–although as I show, such a precedent is not guaranteed to be reproduced.

New Zealand and the EU member states are democracies with developed market economies, and are relatively wealthy–New Zealand ranked 19th in the OECD in 2016 for GDP per capita, between France (18) and Italy (20). New Zealand and the EU also have well-developed trade bureaucracies and experience negotiating ambitious trade agreements. They differ markedly in other respects. Most importantly, New Zealand is a relatively small and already open economy, while the EU as a bloc is the largest economy in the world. To state the obvious, Wellington has far less clout in trade negotiations than Brussels. A further point of difference is in the products they export. New Zealand relies heavily on agricultural exports–dairy in particular.[71] While agriculture is an important sector in the EU, European countries export a much more diversified basket of goods.[72] These differences mean that trade negotiators from Wellington and Brussels face different demands from domestic social actors, different constraints, and different opportunities. Despite these differences, New Zealand and the EU share a strong concern for the evolution of global trade norms. Both are active participants in the WTO's dispute settlement system, and both frequently cite concern for the systemic implications of WTO panel rulings as the justification for participating in WTO disputes as an interested third party. Both New Zealand and EU trade policymakers have

[71]Fonterra, the New Zealand dairy co-operative, is the single largest exporter of dairy products in the world.

[72]The Hirschman Herfindahl Index measures diversification as the sum of squared shares of individual products as a proportion of total exports. The resulting value ranges from 0 (most diversification) to 1 (least diversification). New Zealand's H-H index in 2015 was 0.167, while the EU's was 0.066. For comparison, that of UNCTAD's 'developed economies' category was 0.067 in 2015: `http://unctadstat.unctad.org/` (accessed August 2017).

approached negotiations strategically.

New Zealand: promoting liberalization from the bottom up

Policymakers within New Zealand's Ministry of Foreign Affairs and Trade (MFAT) and its predecessor organizations have long been guided by pragmatism. Recognizing that the gains from trade liberalization would be largest in multilateral contexts, New Zealand negotiators have been ardent supporters of liberalization through the GATT, and subsequently through the WTO and other multilateral institutions such as APEC (the Asia-Pacific Economic Cooperation forum). Yet, the failure to meaningfully lower barriers to trade in agricultural goods through the GATT during the Tokyo and Uruguay Rounds prompted New Zealand trade policymakers to seek liberalization in bilateral and regional negotiations as well. In doing so they have attempted to adhere to the spirit of multilateralism by emphasizing norms of 'open regionalism' in PTAs. This shift began with the negotiation of the Australia New Zealand Closer Economic Relations Trade Agreement (ANZCERTA or CER) in 1983 and its expansion through successive reviews.[73] This policy was formalized with MFAT's 1993 publication of a trade strategy outlining multilateralism, regionalism, bilateralism and unilateralism as complementary approaches to adopt liberal reforms domestically, and to promote liberalization internationally.[74] By the late 1990s and early 2000s, this strategy found its expression in a series of negotiations. An agreement with Singapore–New Zealand's second bilateral Free Trade Agreement, and Singapore's first–was negotiated between 1999

[73] Andre, Payton, and Mills 2003; Castle, Le Quesne, and Leslie 2016, 50; Leslie 2015*b*, 199.

[74] New Zealand MFAT 1993. See also Leslie 2015*a*, 18-20. MFAT updated its trade policy in 2017 and again in 2018 following the change in Government in October 2017, and has retained an emphasis on pursuing PTAs and cooperating with like-minded partners: New Zealand MFAT 2017; `https://www.mfat.govt.nz/en/trade/nz-trade-policy/trade-for-all-agenda/`.

and 2000. Wellington subsequently launched negotiations with other partners in the Asia-Pacific, including Hong Kong, Thailand, and Malaysia.[75]

In addition to agreements with Australia and Singapore, New Zealand has now concluded PTAs with Thailand (2005), Chile and Brunei under the P4 agreement (2006), China (2008), Malaysia (2010), ASEAN (negotiated jointly with Australia; 2012), and South Korea (2015), as well as an Economic Cooperation agreement with the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (2013). New Zealand was one of the 12 signatories of the TPP, and a strong proponent of the 11-member version: the Comprehensive and Progressive Agreement on Trans-Pacific Partnership (CPTPP). New Zealand launched negotiations with the EU in June 2018, and remains in a number of negotiations including the 16-member Regional Comprehensive Economic Partnership (RCEP) and with Pacific Alliance countries.

Has New Zealand sequenced agreements? Some officials are hesitant to put it in those terms. The New Zealand Consul General in Shanghai notes that New Zealand does not start with smaller countries and work its way up. Rather New Zealand seeks the most ambitious agreement it can with its important trade partners.[76] Yet the shadow of future negotiations has had an obvious influence on New Zealand officials' thinking.

The evolution of the New Zealand-Singapore FTA illustrates the importance of precedent and suggests that trade policymakers in both Wellington and Singapore viewed the benefits of a bilateral agreement as primarily lying in its ability to influence subsequent liberalization in the wider Asia-Pacific region. Notably, the deal had the potential to form the core of a mooted 'P5' agreement that would also include Australia, Chile and the United

[75]Negotiations with Hong Kong initially stalled as New Zealand negotiators realized that an agreement would first have to be achieved with Beijing. See Hoadley 2017, chapter 7.

[76]Interview with Guergana Guermanoff, Shanghai, 19th June 2017.

States. At the time negotiations were launched between New Zealand and Singapore, Singapore was only the 17th export market for New Zealand, and the 12th most important source of imports.[77] According to Ministerial testimony to the New Zealand Parliament, there were no illusions about the low economic benefits of a New Zealand-Singapore FTA, but an agreement was seen as a way to "get the ball rolling" on liberalization in the Asia-Pacific.[78] As Hoadley puts it, New Zealand and Singapore were ultimately "persuaded that a successful bilateral negotiation leading to a model FTA might stimulate interest among other potential partners and build up momentum to kick-start further FTAs, whether bilateral, minilateral or multilateral."[79] An internal New Zealand MFAT paper authored by Tim Groser (destined to become Trade Minister) noted that "there are likely to be few discernible trade benefits... the case for such a FTA is almost wholly strategic."[80]

This view fits with that of other senior MFAT officials. One former Chief Negotiator for MFAT (now Deputy Secretary, Trade and Economic) affirms that "New Zealand has operationalized a non-linear, evolving 'stepping stones' or 'building blocks' strategy that carefully cultivates and supports the evolving regional economic architecture... This is driven in no small measure by its determination to negotiate PTAs that conform to GATT Article XXIV principles and the APEC-inspired concept of 'open regionalism' ".[81] In official testimony on the CPTPP to New Zealand's Parliamentary Committee for Foreign Affairs, Defence and Trade, Vitalis traced the genesis of the CPTPP to a "paving stones" strategy begun by New Zealand in the 1990s. Following the 1983 CER with Australia, the "first important paving

[77]Hoadley 2017, ch. 6.
[78]Hon Lockwood Smith, cited in Hoadley 2017, ch. 6, fn. 3.
[79]Hoadley 2017, ch. 6.
[80]Cited in Hoadley 2017, ch. 6.
[81]Vitalis 2015.

stone" was the 2001 Closer Economic Partnership with Singapore. This CEP was followed by the P4 agreement, which, while "commercially not important", served as a "signal" and "set a paving stone" for the (CP)TPP agreement.[82] This oral testimony is supported by the National Interest Analysis for CPTPP, in which the MFAT authors note that "One of the objectives of the P4 was to create a model agreement that could potentially attract new Asia-Pacific members and be a building block for regional economic integration."[83]

Leslie explains that New Zealand policymakers have found 'like-minded' partners in successive Australian and Singaporean governments; New Zealand and Singaporean officials similarly found partners in the Chilean government for the negotiation of the P4 agreement.[84] These like-minded partners have attempted to reach ambitious agreements in the hope of attracting subsequent members.[85]

Inducing other countries to liberalize through the good example of the New Zealand-Singapore FTA may have been overstating the power of demonstration, but there were other motivations as well. These included providing New Zealand and Singaporean trade negotiations with the opportunity to learn how to regulate WTO-plus issues. As Desker suggests, since "both were relatively open economies, the negotiations provided a learning opportunity for their trade negotiators as they grappled with issues extending beyond the WTO framework", while also preparing the Singaporeans for subsequent talks with the US.[86]

Later, Australasian officials would view the Australia-NZ-ASEAN FTA (AANZFTA) in similar terms. The negotiations cemented Australian and New Zealand ties to ASEAN

[82] Vitalis 2018.
[83] New Zealand MFAT 2018, p.19.
[84] Leslie 2015*a*, 18-20.
[85] Downs, Rocke, and Barsoom (1998) explain why this approach can result in more ambitious agreements than if the membership is initially larger.
[86] Desker 2004.

in the context of changes in the 'architecture' of Asian-Pacific regionalism. Part of this approach involved putting in place a high-quality agreement that could be used as the basis for subsequent liberalization with other trade partners.[87] As Vitalis again explains in oral testimony, another set of paving stones led from the agreement with Singapore, to one with Thailand, to one with Malaysia and with ASEAN, which was New Zealand's "ticket into RCEP". Ultimately, both the (CP)TPP and the RCEP are pillars for an eventual Free Trade Agreement of the Asia-Pacific.[88]

Where these aspirations successful? The New Zealand-Singapore FTA did form the basis for Closer Economic Partnership negotiations with Chile, which was also joined by Brunei as it neared completion to form the P4 agreement. Subsequently, US President George W. Bush authorized the USTR (Trade Representative) to participate in 2008 talks on expanding the finance and investment element of the P4. Bush, then President Obama after him, encouraged Australia, Peru and Vietnam, and then Malaysia, Canada, Mexico and Japan to join the negotiations for what would become the TPP. Although a region-wide agreement may have evolved through other means, the New Zealand-Singapore FTA contributed to the eventual emergence of the (CP)TPP.

It is however difficult to quantify how much direct impact the New Zealand-Singapore FTA and the P4 Agreement have had on the terms of the (CP)TPP. American negotiators overrode New Zealand preferences for the P4 text to remain the basis of the expanded deal, and there is some evidence that TPP more closely reflects the previous deals signed by Washington than those signed by other TPP partners.[89] Precedent does not do away with

[87] Castle 2018*a*; Leslie 2015*b*. See Davis, McKibbin, and Stoeckel 2000.
[88] Vitalis 2018.
[89] Allee and Lugg 2016. Allee and Lugg do not compare the TPP with the P4 agreement.

power.

Moreover, countries may also have come up against 'defensive' precedents set by others during the TPP negotiations. Japan and Australia concluded negotiations on the Japan-Australia Economic Partnership Agreement (JAEPA) in April 2014, and the agreement entered into force in January 2015. In a compromise that reflects the importance of the Japanese agricultural sector, Australian negotiators improved their access to the Japanese agricultural market, but Japanese negotiators successfully retained a non-zero tariff on beef. Japanese negotiators reportedly pointed to the Australian agreement as an example of the sort of deal on agricultural access that might prove politically possible in TPP. While the Australian government celebrated improved market access, Washington lobbyists and American agricultural groups cautioned that the Japan's negotiating position in TPP may be strengthened by the JAEPA outcome,[90] and indeed that other countries might seize on the precedent of including non-zero tariffs.[91]

Ultimately, exploiting precedent appears limited by the realities of other countries' negotiating power. In this, it seems more likely that precedent set by the United States and by Japan in *their* deals with Singapore have ultimately been more influential. Writing in 2006, one observer suggested that "precedents were set by both bilateral FTA projects signed by Singapore, which will be used as a model for other bilateral FTAs that Washington and Tokyo negotiate with other individual ASEAN member states, thus strengthening the United States and Japan's respective positions still further."[92]

Despite the limits to exploiting precedent imposed by negotiating power, New Zealand

[90] "Japan-Australia trade deal is dismissed by the US". *Financial Times*, 8 April 2014. `https://www.ft.com/content/5e4023b6-be43-11e3-b44a-00144feabdc0`.

[91] Rogowsky and Horlick 2014; National Pork Producers Council May 28, 2014.

[92] Dent 2006.

negotiators keep an eye to future deals. We see this in discussion around the upgrade of the 2008 China-New Zealand FTA, negotiations for which were launched in 2017. Improving access to the Chinese market was the primary New Zealand motivation for the upgrade, but officials also point to the potential for the talks to establish a helpful precedent. New Zealand's Consul General to Shanghai explains: "If you can achieve something in our bilateral upgrade that can then resonate back into the RCEP, China is a major negotiator in the RCEP... you're in a way piloting something, demonstrating something that could have a regional applicability."[93] Of course, China is New Zealand's most important, and largest, FTA partner. New Zealand's ability to influence it into accepting agreement terms that it would otherwise not adopt is likely to be limited, and so it remains to be seen how an updated New Zealand-China FTA might influence RCEP.

In sum, it appears that *setting* precedent appears to have motivated the New Zealand-Singapore and P4 agreements. But it is less clear to what extent New Zealand has been able to *exploit* precedent. Despite this, trade negotiators clearly factor precedent into their negotiating approach.

The EU: Locking in trade policy shifts

One sees a concern for the future in the EU's agreements as well. Since at least late 2013, European officials promoted CETA as a template for TTIP. Speaking on investment, the Chairperson of the European Parliament's International Trade Committee (INTA) suggested in December 2013 that efforts in CETA to limit the scope of ISDS could provide a guide for TTIP. INTA chair Vital Moreira noted that "CETA is a precedent in favor of ISDS,

[93]Interview with author, Shanghai, 19th June 2017.

and maybe the conditionalities there, guarantees that surround the adoption of ISDS in the CETA, could be also imported into TTIP".[94]

Social actors and other opponents of ISDS recognized the likelihood that TTIP would replicate CETA. Public mobilization against the Investor-State Dispute Settlement (ISDS) clauses in TTIP drew attention to the same clauses in CETA, with a number of observers warning that including ISDS clauses in CETA would set a precedent for TTIP, and leaks of the CETA text sought also to rally opposition to clauses in TTIP.[95] As the European Consumer Organization BEUC noted in an August 2014 press release, the "announcement of a deal between Canada and the EU... puts the spotlight on its investor/state arbitration clause which is so heavily being criticised in its American European cousin, TTIP." BEUC went on to suggest that "[i]ncluding an ISDS scheme in the EU/Canada pact raises major questions over the Commission's willingness to take into account critical and massive public feedback on similar plans for TTIP."[96] Such public concern for the precedent-setting potential of CETA is telling: political contestation of the agreement focused not only on the consequences of liberalized economic ties between the EU and Canada, but also on the implications of the deal for future relations between the EU and the United States.

The link between CETA and TTIP appeared to become self-evident. During the public consultation process on ISDS for the TTIP agreement, official European documents referred directly to the CETA text.[97] When it was ultimately determined that including the existing approach to ISDS in TTIP would be politically fraught, the EU's newly proposed

[94] *Inside US Trade*, 6 December 2013, `https://insidetrade.com/daily-news/inta-chair-demands-same-access-ttip-documents-eu-member-states`.

[95] Castle and Pelc 2019.

[96] BEUC 2014.

[97] European Commission 2014, cited in Meunier and Morin 2015.

investment court system (ICS) was then written into the already-completed CETA. As one trade-dedicated journal reported, several EU member states lobbied hard for the ICS to be included in the CETA during its legal scrub, after the ICS had been proposed for TTIP.[98] A February 2016 European Commission press release on CETA explained that "Following the legal revision of the [CETA] text ... [a]ll the main elements of the EU's new approach on investment, as outlined in the EU's TTIP proposal of November 2015 and contained in the recently concluded EU-Vietnam free trade agreement, have been included in the finalised CETA text."[99]

Discussions of the CETA precedent extend beyond investment. According to some reports, some EU countries continued to be wary of ratifying the CETA agreement even following the investment revisions, for fear of the precedent in market access that CETA would set for TTIP. On the other side of the ledger, CETA liberalizes public procurement at the provincial and state level: a key offensive interest for the EU. Such terms are beneficial in the context of EU-Canada relations but will be especially so in an eventual TTIP, where European negotiators will aim to eliminate Buy America provisions in funding bills.[100] Similarly, the inclusion of a 'negative list' in services was first introduced in CETA negotiations. Establishing a negative list is a complex domestic process, but having already completed this in CETA will facilitate its inclusion in TTIP negotiations.[101] These terms were seen as gains for the EU, and were matched by greater access for Canadian firms into European markets, especially in services. Yet, member states were reportedly hesitant to extend to the US the

[98] "EU Member States Hesitant to Approve CETA over TTIP Precedent Fears", *Inside US Trade*, 3 June 2016. `https://insidetrade.com/daily-news/eu-member-states-hesitant-approve-ceta-over-ttip-precedent-fears`.

[99] European Commission 2016.

[100] Meunier and Morin 2015; Hornby 2014.

[101] Meunier and Morin 2015.

level of access granted to Canada given the much larger volume of trade with the US.[102] This led opponents of TTIP to oppose CETA for fear of precedent. An indicative publication in the official magazine of the UK Green Party warned that "[a]ny terms agreed between the EU and Canada will set a dangerous precedent. The US will not accept a 'lesser' deal than their North American neighbours."[103]

We also see a concern for the design of future trade pacts in other EU agreements. Prior to the revision of the EU's approach to foreign investment dispute settlement, it had been suggested that including ISDS in TTIP could set a useful precedent for future EU negotiations with China, as could text on state-owned enterprises, energy, and raw materials.[104] Elsewhere, the authors of a report commissioned by the European Parliament's Committee on International Trade into the possibility of upgrading the trade component of the EU-Chile Association Agreement note that from the EU perspective, there is little economic rationale for expending negotiating capital on the agreement. Chile is neither an important trade partner for the EU, nor is it an important strategic partner (the EU is obviously both of these things for Chile). Any upgraded agreement would instead be a favor to a friendly country. Yet, upgrading the agreement with Chile could help to cement the EU's approach to regulating certain issue-areas, such as investment, where the EU has begun to adopt new regulatory approaches in recent years (as noted in the introduction).[105]

In fact, the agreement with Chile has been seen as an opportunity to promote other new approaches as well. Chile and Canada adopted a Trade and Gender chapter in their

[102] "EU Member States Hesitant to Approve CETA over TTIP Precedent Fears". *Inside US Trade*, 3 June 2016. https://insidetrade.com/daily-news/eu-member-states-hesitant-approve-ceta-over-ttip-precedent-fears.

[103] Taylor 2016.

[104] Sapir, cited in Meunier and Morin 2015.

[105] Polanco and Torrent 2016.

upgraded agreement. EU officials have suggested that introducing a similar chapter in an updated agreement with Chile could serve as a template for future negotiations. In the words of the EU's Trade Commissioner Cecilia Malmström, the EU "can see if this could be a pilot project for us in the European Union that we could take to other trade agreements".[106] In sum, the EU and New Zealand both sign agreements with an eye to the future.

2.6 Conclusion

Trade has become one of the most politically salient issues in contemporary international politics. Public backlash against ambitious new trade agreements raises an empirical puzzle. How do negotiators regulate contested issue-areas? How do they introduce innovations in trade law? How does the trade regime evolve? I argue in this chapter that trade policymakers and negotiators take the future into account during their negotiations. I first present a theory of PTA sequencing. Building on insights from historical institutionalism, I argue that the power of precedent in agreement design and the 'stickiness' of legal language creates incentives for states to be strategic in their choice of partner, signing innovative agreements with less important economic partners first in order to increase the odds of achieving their ideal outcome with more important partners. This leads to the hypothesis that those PTAs that are *less* well predicted by economic factors should, paradoxically, be *more* ambitious, and should be signed *earlier*.

This hypothesis is borne out in the evidence that I present. As predicted by a theory of sequencing in which the main objective is to influence the legal content of the trade regime

[106] *Euractiv*, 21 June 2017. https://www.euractiv.com/section/economy-jobs/news/eu-wants-gender-chapter-included-in-chile-trade-deal-update/.

writ large, the results are strongest for precisely those states that have demonstrated the greatest interest in the systemic implications of global trade rules, as measured by their participation as third parties in WTO disputes. I also show that innovative agreements–those that cover a new set of issues for the first time–tend to be signed with trade partners with whom export values are less important. Again, Excessive PTAs are associated with innovation. Consistent with the mechanism I hypothesize lies behind sequencing, unlikely PTAs are associated with a jump in agreement depth relative to states' previous agreements, and those states most likely to sequence indeed appear to be more consistent in their effort to establish stable expectations about agreement depth.

Recent negotiations involving New Zealand and the EU provide further evidence of negotiators' attempts to set and exploit precedent during trade negotiations. Negotiations with smaller or less important trade partners have been viewed as an opportunity to innovate and to set in place model text that can be used in subsequent negotiations. Yet this historical record also suggests how political contestation over trade agreements may be evolving. Recent EU negotiations have run afoul of groups opposed to rules on new trade issues, notably the model for regulating disputes between investors and states. Tellingly, opponents of new clauses have drawn a direct link between different sets of ongoing negotiations, rightly concerned that once included, opposed clauses would likely be replicated in later deals. In response, the European Commission has developed a more politically acceptable model for investor-state relations, in line with domestic preferences. It has been negotiating a contentious agreement with the United States (now very much on the back-burner following the election of Donald Trump), at the same time as the regulation of foreign investment has be-

come among the most contested elements of modern trade agreements.[107] It is in this context that renegotiation of CETA to include references to the EU's new investment court system appear logical. By establishing its ideal outcome with other countries, the Commission may have increased the likelihood that an eventual PTA with the United States (or with other countries–such as China) would approach this ideal model. As negotiators' time horizons have shifted, so have those of domestic groups likely to mobilize around trade.

Finally, while the focus here has been on process rather than distributional outcomes, it is also important to comment on distributional consequences. The evidence presented above suggests that those states that are most likely to sequence agreements are states that not only have a concern for the content of global trade rules, but also the ability to translate that concern into action. The existence of the current multilateral system is generally seen to benefit less powerful states, as it reduces the role of power in cooperative outcomes.[108] Yet the resulting system has hardly put states on an equal footing. To echo Pelc's finding that the strategic exploitation of precedent in the WTO's case law appears to be the preserve of wealthy countries that have the legal expertise and resources to advance cases strategically,[109] it appears that states that have greater legal capacity are also more likely to sequence trade agreements. To the extent that sequencing enables states to promote the adoption of their preferred trade rules, this would suggest that powerful states continue to benefit most from institutions that ostensibly do away with power-based bargaining.

[107]Pelc 2017.
[108]Ikenberry 2001.
[109]Pelc 2014.

2.7 Appendix to Chapter 2

Table 2.8: Summary statistics of key variables for Chapter 2

Variable	Mean	N	Standard deviation	Minimum	Maximum	Skewness	Kurtosis
PTA entry	0.017	1468500	0.129	0	1	7.480	56.946
PTA depth (Index)	2.140	24440	1.854	0	7	1.109	3.822
PTA depth (Rasch)	-0.219	21204	0.981	-1.728	1.885	0.072	1.882
Times systemic interest cited	26.297	962371	31.613	0	75	0.756	1.752
Sum of GDP (lagged 5 years)	46.494	894170	3.495	33.043	60.902	0.165	2.899
Difference in GDP (lagged 5 years)	2.759	894170	2.051	0	13.676	0.895	3.447
Logged exports (lagged 10 years)	7.398	1071173	7.795	0	27.159	0.275	1.380
Previous FTAs (own, t-5)	8.074	1301027	12.645	-1	88	3.206	15.472
Previous FTAs (partner's, t-5)	7.677	1301027	12.254	-1	88	3.307	16.437
Previous PTAs (ROW, t-5)	337.288	1468500	276.484	0	789	0.339	1.547
Polity scores (own)	2.048	1189064	7.265	-10	10	-0.307	1.433
Polity scores (partner)	1.643	1138302	7.314	-10	10	-0.229	1.387
Distance (logged)	8.729	1379787	0.784	4.088	9.899	-1.284	5.159
Remoteness	1.683	1389381	3.371	0	9.422	1.506	3.275
Same continent	0.243	1468500	0.429	0	1	1.200	2.440
Year	1988.20	1481016	18.276	1946	2016	-0.382	2.004
GWP change	3.834	1468766	1.318	-0.100	6.269	-0.571	3.432
Hegemony	13.860	1480920	2.074	10.124	19.578	0.375	3.149
Alliance	0.090	1480563	0.286	0	1	2.868	9.228
Colonial relationship post-1945	0.009	1379787	0.097	0	1	10.123	103.474
Previous conflict	0.006	1481016	0.076	0	1	13.042	171.103

Table 2.9: States with strong concern for systemic implications of WTO rules

Argentina
Australia
Austria
Belgium
Belgium-Luxembourg
Brazil
Bulgaria
Canada
Chile
China
Chinese Taipei
Colombia
Croatia
Cyprus
Czech Republic
Denmark
Estonia
Finland
France
Germany
Greece
Hungary
India
Ireland
Italy
Japan
Korea, Republic of
Latvia
Lithuania
Malta
Mexico
Netherlands
New Zealand
Norway
Poland
Portugal
Romania
Saudi Arabia
Slovak Republic
Slovenia
Spain
Sweden
Thailand
Turkey
United Kingdom
United States

Table 2.10: PTAs with excessive bilateralism (strong systemic concerns)

Algeria EC	EC Morocco Association Agreement
Algeria EC Euro-Med Association Agreement	EC Nice
Argentina Mexico	EC Portugal
Association of Southeast Asian Nations (ASEAN) FTA	EC Single European Act
Association of Southeast Asian Nations Australia New Zealand FTA (AANZFTA)	EC South Africa
Association of Southeast Asian Nations China	EC Syria
Association of Southeast Asian Nations China Services	EC Tunisia
Association of Southeast Asian Nations India	EC Tunisia Euro-Med Association Agreement
Association of Southeast Asian Nations Japan	EFTA Egypt
Association of Southeast Asian Nations Korea	EFTA GCC
Association of Southeast Asian Nations Korea services	EFTA Israel
Australia Chile	EFTA Jordan
Australia China	EFTA Mexico
Australia Japan	EFTA Morocco
Australia Korea	EFTA Singapore
Australia Malaysia	EFTA Southern African Customs Union (SACU)
Australia Papua New Guinea	EFTA Tunisia
Australia US	Egypt MERCOSUR
Bahrain US	Egypt Saudi Arabia
Bangkok Agreement	El Salvador Mexico
Brazil Cuba	European Economic Area (EEA)
Brazil Guyana	Georgia Turkey
Bulgaria Israel	Greater Arab Free Trade Agreement
CARIFORUM EC EPA	Gulf Cooperation Council (GCC)
Canada Costa Rica	Gulf Cooperation Council (GCC) Singapore
Canada EC (CETA)	Hungary Israel
Canada EFTA	India MERCOSUR
Canada Jordan	Indonesia Japan
Canada Korea	Inter-Arab Trade Agreement
Canada New Zealand	Israel MERCOSUR
Central America EC	Israel Mexico
Chile EC	Israel Poland
Chile India	Japan Mongolia
Chile Japan	Japan Switzerland
Chile Turkey	Japan Thailand
China New Zealand	Jordan Turkey
China Peru	Jordan US
China Singapore	Korea Turkey
Colombia EFTA	Korea US
Colombia Peru EC	Korea US environmental side agreement
Cote d'Ivoire EC EPA	Latin American Integration Association (ALADI LAIA)
D8 PTA	MERCOSUR Southern African Customs Union (SACU)
EC Egypt	Malaysia New Zealand
EC Egypt Agreement	Malaysia Turkey
EC Egypt Euro-Med Association Agreement	Mexico Uruguay
EC Finland	Morocco Turkey
EC Georgia	Morocco US
EC Israel	New Zealand Singapore
EC Jordan	North American Free Trade Agreement (NAFTA)
EC Jordan Euro-Med Association Agreement	Oman US
EC Korea	Panama US
EC Lisbon	Saudi Arabia Syria
EC Mexico	South Asian Free Trade Area (SAFTA)
EC Moldova	Transpacific Partnership (TPP)
EC Morocco	Tunisia Turkey

Table 2.11: PTAs with excessive bilateralism (weak systemic concerns)

African Economic Community	EFTA GCC
Agadir Agreement	EFTA Jordan
Albania EC SAA	EFTA Korea
Algeria EC	EFTA Mexico
Algeria Jordan	EFTA Morocco
Andean Community Sucre Protocol	EFTA Peru
Armenia Estonia	EFTA Singapore
Association of Caribbean States	EFTA Southern African Customs Union (SACU)
Association of Southeast Asian Nations Australia New Zealand FTA (AANZFTA)	EFTA Tunisia
Association of Southeast Asian Nations China	Economic Community Of West African States (ECOWAS)
Association of Southeast Asian Nations Japan	Economic Cooperation Organization (ECO) Preferences
Association of Southeast Asian Nations Korea	Economic Cooperation Organization Trade Agreement (ECOTA)
Association of Southeast Asian Nations Korea services	Egypt MERCOSUR
Australia Malaysia	Egypt Syria
Australia Papua New Guinea	Greater Arab Free Trade Agreement
Australia Papua New Guinea	Guinea Morocco
Australia Singapore	Gulf Cooperation Council (GCC)
Azerbaijan Belarus	Gulf Cooperation Council (GCC) Singapore
Bahrain US	Guyana Panama
Bangkok Agreement	Hungary Israel
Bulgaria Israel	India MERCOSUR
CARIFORUM EC EPA	Indonesia Pakistan
Canada EC (CETA)	Inter-Arab Trade Agreement
Canada EFTA	Iran Pakistan
Canada Israel	Iran Sri Lanka
Canada Jordan	Israel MERCOSUR
Caribbean Community (CARICOM)	Israel Mexico
Caribbean Community (CARICOM) Costa Rica	Israel Panama
Caribbean Community (CARICOM) Protocol on Services	Israel Poland
Central America EC	Israel US
Central America EFTA	Japan Peru
Central American Free Trade Agreement (CAFTA)	Japan Philippines
Central American Free Trade Agreement (CAFTA) Dominican Republic	Japan Switzerland
Central European Free Trade Agreement (CEFTA)	Jordan Morocco
Chad Morocco	Jordan Singapore
Chile EFTA	Jordan Sudan
Chile Malaysia	Jordan US
China Costa Rica	Korea Peru
China Peru	MERCOSUR Southern African Customs Union (SACU)
Colombia EFTA	Malaysia New Zealand
Colombia Israel	Malaysia Turkey
Colombia Peru EC	Mauritius Pakistan
Common Economic Zone	Mauritius Turkey
Common Market for Eastern and Southern Africa (COMESA)	Melanesian Spearhead Group (MSG)
Commonwealth of Independent States (CIS)	Morocco Turkey
Costa Rica Dominican Republic	Morocco UAE
Costa Rica Singapore	Morocco US
Cote d'Ivoire EC EPA	New Zealand Singapore
Croatia Moldova	Oman US
D8 PTA	PTA for Eastern and Southern African States
EC Egypt	Panama Singapore
EC Egypt Agreement	Panama US environmental side agreement
EC Egypt Euro-Med Association Agreement	Peru Singapore
EC Georgia	Peru Thailand
EC Israel	Singapore US
EC Jordan	South Asian Association for Regional Cooperation PTA (SAPTA)
EC Jordan Euro-Med Association Agreement	South Asian Free Trade Area (SAFTA)
EC Morocco	Syria Turkey
EC Morocco Association Agreement	Trans Pacific Strategic EPA
EC Syria	Transpacific Partnership (TPP)
EC Tunisia	Tunisia Turkey
EFTA Egypt	Uruguay Venezuela

Additional regression tables

Table 2.12 presents results for the first-stage models predicting PTA entry, using additional control variables. I add a row at the top of each column that presents the bivariate correlation between excessive bilateralism and agreement depth for each set of estimations. This illustrates simply that excessive bilateralism and agreement depth are positively correlated. Beneath this are the results from t-tests, which show that there is a statistically significant difference between the depth of excessive PTAs and the depth of other PTAs.

The binary outcome variable PTA is coded 1 when countries A and B enter a PTA and 0 otherwise. Columns 1-3 present the results without ten-year lagged exports, while Columns 4-6 present the results with lagged exports. As indicated in the table, the sample is split into three groups: all countries (Columns 1 and 4), countries that have demonstrated a strong interest in the systemic impact of trade norms (Columns 2 and 5), and other countries (Columns 3 and 6).

The results from Table 2.12 are in line what we know about when countries enter into PTAs. Countries' economic relationship is a strong predictor of the decision to form a PTA. Entry into a PTA is more likely between countries that are geographically close and jointly remote from other countries, and which have large, similarly sized GDPs.[110] As expected, exports are a consistent predictor of PTA entry across samples: stronger exports means a larger domestic group with a motivation to push for reducing barriers to trade. Economic institutions also matter. Existing PTAs, whether those of a country, their partners, or those previous signed globally, tend to be positively associated with PTA entry. Equally, joint membership in international trade organizations like the WTO makes joint membership in

[110]Baier and Bergstrand 2004; Baier, Bergstrand, and Mariutto 2014.

a PTA more likely.[111]

Table 2.12: Predicting entry into a Preferential Trade Agreement (1st stage models)

	DV: PTA entry					
	(1)	(2)	(3)	(4)	(5)	(6)
Model	All states	High systemic	Low systemic	All states Trade	High systemic Trade	Low systemic Trade
Biv. Corr.: Excess & depth	**0.12**	**0.12**	**0.16**	**0.11**	**0.16**	**0.14**
Difference in means (t-test)	**[-.36, -.23]**	**[-.28, -.14]**	**[-.43, -.28]**	**[-.33, -.20]**	**[-.36, -.22]**	**[-.40, -.24]**
[95% conf. int.]						
Distance (logged)	-0.54***	-0.28***	-0.67***	-0.40***	-0.28***	-0.56***
	(0.02)	(0.04)	(0.03)	(0.03)	(0.04)	(0.03)
Remoteness	0.68***	0.55***	1.09***	1.44***	0.37	2.23***
	(0.12)	(0.18)	(0.16)	(0.18)	(0.36)	(0.23)
Same continent	-4.34***	-3.30**	-7.66***	-10.67***	-1.95	-16.95***
	(1.02)	(1.52)	(1.38)	(1.51)	(3.03)	(1.96)
GDP sum (logged, t-5)	0.03***	0.04***	0.02**	-0.01	-0.02	0.02*
	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)	(0.01)
GDP difference (logged, t-5)	-0.13***	-0.15***	-0.12***	-0.14***	-0.14***	-0.13***
	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)	(0.01)
Previous PTAs (own, t-5)	0.01***	0.01***	0.02***	0.01***	0.01***	0.02***
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Previous PTAs (partner, t-5)	0.01***	0.00***	0.03***	0.01***	0.01***	0.02***
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Previous PTAs (ROW, t-5)	0.00*	0.01***	0.00	0.00**	0.03***	0.00
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Previous PTAs (ROW, t-5, squared)	-0.00***	-0.00***	-0.00***	-0.00***	-0.00***	-0.00***
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Alliance	0.30***	0.19**	0.37***	0.28***	0.12	0.51***
	(0.05)	(0.07)	(0.07)	(0.06)	(0.08)	(0.08)
Previous conflict	-0.32*	-0.01	-0.49**	-0.14	0.14	-0.32*
	(0.18)	(0.38)	(0.20)	(0.17)	(0.38)	(0.19)
GWP change	-0.08***	0.11***	-0.24***	-0.07***	0.12***	-0.24***
	(0.01)	(0.02)	(0.01)	(0.01)	(0.02)	(0.02)
Hegemony	-0.40***	-0.30***	-0.42***	-0.51***	-0.46***	-0.55***
	(0.02)	(0.03)	(0.03)	(0.02)	(0.04)	(0.03)
Polity scores (own)	0.00**	0.02***	-0.00	-0.01***	0.00	-0.00
	(0.00)	(0.01)	(0.00)	(0.00)	(0.01)	(0.00)
Polity scores (partner)	0.00**	0.06***	-0.01***	-0.01**	0.04***	-0.02***
	(0.00)	(0.01)	(0.00)	(0.00)	(0.01)	(0.00)
Both in GATT	-0.00	-0.04	0.04	-0.06	0.13**	-0.10*
	(0.04)	(0.06)	(0.05)	(0.05)	(0.06)	(0.06)
Both in WTO	0.39***	0.53***	0.14*	0.36***	0.19**	0.19**
	(0.06)	(0.09)	(0.08)	(0.06)	(0.09)	(0.08)
Post-Cold War	1.44***	0.13	1.88***	0.81***	-0.36*	1.06***
	(0.08)	(0.10)	(0.09)	(0.12)	(0.21)	(0.14)
Colonial relationship post-1945	-0.13	-0.26	-0.01	-0.27	-0.21	-0.23
	(0.26)	(0.33)	(0.25)	(0.24)	(0.32)	(0.24)
Exports (logged, t-10)				0.03***	0.04***	0.02***
				(0.00)	(0.01)	(0.00)
Constant	3.45***	-1.68**	5.14***	383.17***	340.06***	539.74***
	(0.49)	(0.78)	(0.62)	(37.45)	(66.12)	(42.56)
Continent dummies	No	No	No	Yes	Yes	Yes
Cubic spline function	No	No	No	Yes	Yes	Yes
Bootstrapped errors	No	Yes	Yes	No	Yes	Yes
N	628732	205629	423103	561878	194290	367588
Pseudo R-squared	0.19	0.17	0.23	0.19	0.18	0.24

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Yet economic ties are not the whole picture–political ties also predict PTA entry.

[111] Mansfield and Milner 2012; Baier, Bergstrand, and Mariutto 2014.

The likelihood of PTA entry is boosted by shared membership in an alliance, and is reduced where a country-pair have previously been in a military conflict with one another (although the latter finding is not strong). Colonial relationships appear to have no bearing on PTA entry however, once other variables are accounted for. Overall, there is a small positive relationship between a country's democratic credentials and the likelihood of signing a PTA. When looking at the split samples however, we see that for countries with a stronger interest in the rules of the liberal trade order, there is a much stronger association between entry into a PTA and countries' score on the Polity index: democracies are more likely to sign a PTA with one another.[112] This finding is reversed for other states however (Columns 3 and 6). Here, a country's own regime-type has no significant bearing on the likelihood of PTA entry, but signature is more likely with less democratic partners. This may be due to the fact that countries that are more likely to support the rules of the current liberal trade order are also more likely to be democratic: the mean Polity score for countries with a strong interest in systemic trade rules is 6.5, while for other countries it is closer to -0.25.

Looking to global forces, I find that PTAs are more likely during periods in which the leading economic power accounts for a lower proportion of global GDP (indicated by the HEGEMONY variable), similar to Mansfield and Milner (2012). Unlike Mansfield and Milner (2012) however, I find some evidence that PTAs are more likely during periods of global economic downturn. This finding is not consistent across samples though. Countries with a strong systemic interest in trade norms tend to sign PTAs during periods of global economic expansion, while other countries sign during downturns. We can also see that across the sample as a whole, signing a PTA is more likely during the post-Cold War period, but again

[112]Mansfield, Milner, and Rosendorff 2002.

there is some indication that this does not hold equally for the two samples. Countries with strong systemic interests appear to have started earlier: in column 5 (controlling for exports), it seems that PTA-entry was more likely in earlier decades.

Based on the model in Column 1 (all countries), Table 2.13 illustrates the creation of the Excessive Bilateralism variable. Here, there are 2,359 dyad-year observations where a PTA that was not economically or politically predicted was signed. I use these observations as the basis for the Excessive Bilateralism variable.

Table 2.13: PTAs: actual and predicted (all states)

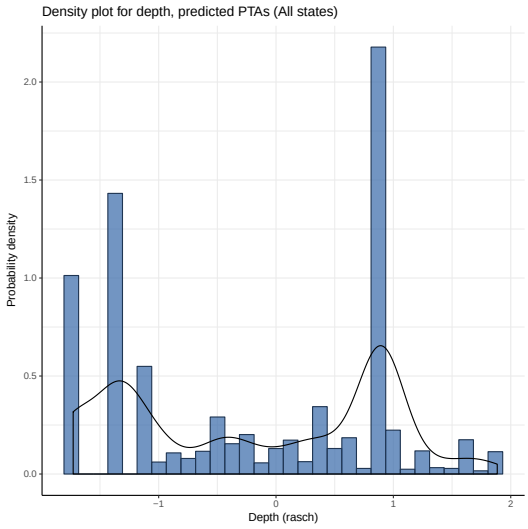
	Predicted PTA signature		
PTA signed	Not predicted	Predicted	Total
No PTA	381,925	239,909	621,834
PTA signed	**2,359**	4,539	6,898
Total	384,284	244,448	628,732
Pearson Chi-sq(1) = 2.1e+03		**Pr** = 0.000	**Cramer's V** = 0.0582

Table 2.12 also presents bivariate correlations between Excessive Bilateralism and Agreement Depth, and t-tests for the difference in means between Excessive and Predicted agreements. The relationship between excessive bilateralism agreement depth indicates that agreements that are under-predicted by an economic and political gravity model are positively correlated with depth. T-tests confirm that the mean depth of excessive PTAs and other PTAs differs significantly–the confidence intervals do not cross zero.

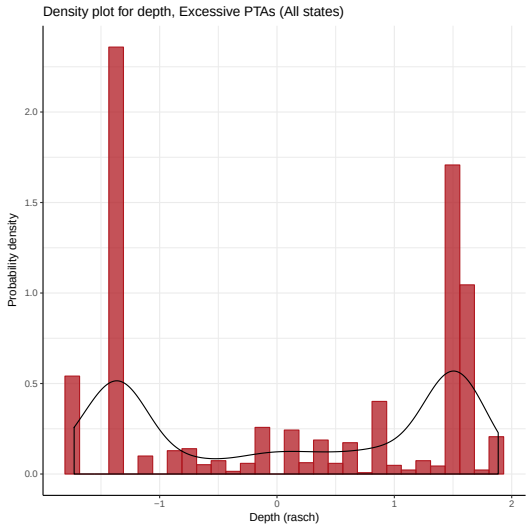
Figure 2.4 shows this graphically. The depth of excessive agreements clusters at the upper and lower extremes. While a relatively large number of predicted PTAs are low in depth, a disproportionately number of high-depth agreements are excessive. States have signed ambitious agreements with partners that are not well-predicted by an economic and

Figure 2.4: Probability density plot of depth: Excessive and other PTAs (Model 1)

(a) Predicted bilateralism



(b) Excessive bilateralism



political gravity model.

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Chapter 3

Why Revise? Presenting a New Dataset on Renegotiations in the International Trade Regime

In the previous chapter of the thesis, I asked how trade rules evolve. To explore this question, I examined the strategies adopted during the negotiation of new trade agreements. Yet in recent years, it is not only the negotiation of new deals that has been political, but also the *re*-negotiation of existing deals. I turn to this important issue in this chapter. International agreements are usually understood to help governments make credible commitments to future policy by limiting their ability to renege on their promises. Renegotiations of agreements, like the North American Free Trade Agreement (NAFTA), are therefore viewed as a threat to the stability of international regimes, since renegotiations call past commitments into question. But we know very little about the frequency or nature of treaty renegotiations. When are international agreements renegotiated, and what effect does renegotiation have on international cooperation? Do most renegotiations aim to backtrack on past commitments, or to deepen them? Using the topical context of the trade regime, I collect new data on international treaty revisions, covering preferential trade agreements signed since the year

2000. Around 40% of these agreements have been amended in some form, and most amendments result not in scaled back agreements, but in deeper commitments. Survival analysis shows that wealthy countries that are likely to be 'likeminded' (jointly democratic, cultural affinities, and membership in the OECD) are most likely to revise their commitments. An error-correction model shows revisions are generally associated with a long-run increase in export volumes, but that 'limiting' revisions aimed at backtracking on commitments act as a brake on exports. Renegotiations are not breakdowns in international relations, but opportunities for governments to renew their commitment to cooperation.

3.1 Introduction

These are uncertain times for global governance. British voters have rejected membership in the European Union (EU), the world's largest effort at regional economic governance. The election of President Trump has placed an avowed protectionist and skeptic of free trade in the White House, in a reversal of decades of Republican Party orthodoxy. Washington has pulled the United States (US) out of the previous Obama administration's flagship trade deal, the 12-member Trans-Pacific Partnership (TPP), and EU-US negotiations on another 'mega-regional' trade deal, the Transatlantic Trade and Investment Partnership (TTIP), have been shelved. The Trump Administration has also questioned US commitment to institutions that have been mainstays of American foreign policy, from the North Atlantic Treaty Organization (NATO), to the North American Free Trade Agreement (NAFTA), which has now been renegotiated.

Concern over these developments is based on the understanding, dominant in International Relations (IR) scholarship, that membership in international institutions helps

states to cooperate over the long-term.[1] Because institutional membership is enshrined in law through domestic ratification, states' creation of and membership in international institutions reflects a genuine effort at making credible commitments to certain future policies.[2] Governments' membership in treaties helps to assure one another and their constituents that they will not arbitrarily raise barriers to trade, violate agreed environmental standards, enrich nuclear material for non-civilian use, or engage in other activities from which they have vowed to refrain. The certainty that such commitments provide is particularly valuable to actors (including individuals, firms, organizations, and governments) whose international interactions are repeated or take place over extended periods of time, as it allows them to expend less resources mitigating against uncertainties.

If governments feel emboldened to renegotiate their commitments, goes the thinking, the risk (and therefore the cost) of interacting across borders is increased. One sees the damaging effects of such uncertainty in the renegotiation of the North American Free Trade Agreement. Uncertainty about the US commitment to free trade with NAFTA partners appeared (at least temporarily) to deter new investment plans by US auto manufacturers in Mexico, and may have placed downward pressure on the Mexican Peso. If governments are in thrall to critics of agreements and renegotiations become commonplace, government commitments lose their potency.

Anecdotal evidence from the trade regime indeed suggests that renegotiations happen rarely and that they are politically fraught. In addition to the NAFTA example, public protest against the way foreign investment was regulated in European Union (EU)

[1] Keohane 1984; Koremenos, Lipson, and Snidal 2001; Russett and Oneal 2001.
[2] Goldstein et al. 2000, 393.

trade agreements prompted substantial revision to the investment chapter of the completed Canada-EU deal (the Comprehensive Economic and Trade Agreement, or CETA).[3] The EU-Canada and NAFTA cases are particularly high-profile examples of trade agreement revisions, and give the impression that revisions are unusual. These examples (especially that of NAFTA) also suggest that revisions are likely be destabilizing to cooperation as they generate uncertainty over the future legal framework for cooperation. Just how commonly do governments revisit their international treaty commitments, and what are the effects of revisions on international cooperation?

The data presented in this chapter show that revisions of past commitments are in fact strikingly common occurrences. Many preferential trade agreements (PTAs) include provisions mandating regular assessments of the agreement. Others have been 'updated' as part of country reviews of trade policy in general. A number of agreements have been revised just in the period since 2014, without much political fanfare or opposition from economic or social actors.[4] Moreover, most revisions in the trade regime are aimed not at reducing market access but at increasing liberalization between treaty partners.

Findings from these novel data suggest that the credibility of government commitments through treaties relies not only on the rigid nature of legal commitments between contracting parties. International agreements also make government commitments credible because they elevate cooperation with fellow agreement partners above the level of domestic politics, while bolstering cooperative precedent. The lower salience of cooperation with

[3]The process of 'legal scrubbing' after negotiation and before ratification resulted in around 19% of differences between the negotiated and ratified CETA text: Alschner and Skougarevskiy 2016.

[4]Besides the CETA case mentioned above, these include the Australia-Singapore and Australia-Thailand agreements. Revisions to the China-New Zealand FTA began in 2017, and the EU is modernizing agreements with Chile and Mexico.

treaty partners typically makes renegotiations a technocratic process, rather than a political affair dominated by conflicts between the winners and losers from the agreement. This frees policymakers to further liberalize with like-minded partners, in line with the precedent of past deals. Politically, the precedent of past practice provides governments with a defense against any calls for protection from economic interests who would prefer backsliding on past commitments. Governments' commitments in agreements with other partners also robs them of the ability to claim that further liberalization is politically unfeasible, contributing to a gradual ratcheting of commitments.

This chapter makes two contributions to our understanding of trade politics. The first is to present what is to the best of my knowledge the first attempt at a comprehensive dataset on trade agreement revisions, spanning agreements originally negotiated in the year 2000 onwards. Previous pathbreaking work on renegotiations examined the inclusion of clauses to limit the duration of agreements, but this research did not focus in detail on the trade regime and moreover does not capture actual instances of renegotiation.[5] Other research has explored instances of renegotiation, but has focused on international investment treaties.[6] Moreover, that work does not distinguish between different possible outcomes from a renegotiation (e.g., more or less liberalizing), nor does it examine the effects of renegotiation on cooperation. The present data are collected using the Design of Trade Agreements (DESTA) dataset to identify trade agreements, as DESTA is the most comprehensive dataset on preferential trade agreements (PTAs) available.[7] The second contribution is to offer an explanation for why revisions to international trade agreements occur, and to explore what

[5]Koremenos 2001, 2005.
[6]Haftel and Thompson 2018.
[7]Dür, Baccini, and Elsig 2014.

effect such revisions have on countries' exports to their treaty partners. In line with the argument previewed above, I show that revisions typically take place during favorable economic conditions, and between countries with a baseline of (liberal) cultural affinities that facilitates governments' collusion to liberalize. Turning to the effects of revisions, I show that on balance, revisions do not impede trade. They are instead associated with a long-run *increase* in trade between signatories.

Based on the conventional explanation for international trade agreements, revisions are puzzling on two counts. The first puzzle is that opportunities to revise or renegotiate trade agreements exist at all without apparently undermining the trade regime. The two dominant explanations for trade agreements in the trade economics and International Political Economy literature is that they enable governments to communicate to domestic audiences their commitment to free trade and their inability to raise trade barriers, thereby resisting pressure for protectionism;[8] and that they enable governments to internalize terms-of-trade externalities.[9] A central part of both of these explanations for trade agreements is that domestic and/or international audiences understand that the government has agreed to certain clear commitments to particular policy, and that violating these commitments will have consequences. In other words, an important part of both of these dominant explanations for trade agreements is that the agreements constitute credible commitments to a particular (i.e., usually liberal) trade policy. How are governments able to revise their agreements without watering down their commitments entirely through the prospect of the abuse of revisions?

[8]Mansfield, Milner, and Rosendorff 2002; Mansfield and Milner 2012; Grossman and Helpman 1994; Maggi and Rodríguez-Clare 1998, 2007.

[9]On regional integration, see Mattli 1999; Moravcsik 1993. Generally, see Bagwell and Staiger 1999, 2011.

The second puzzle is that renegotiations generally seem to attract little public attention.[10] Signing trade agreements has recently become politically fraught, but many renegotiations seem not to attract much attention at all. This is strange considering that they would be prime occasions for political action on the part of protectionist interests to pressure governments to backpedal on commitments already made. Protectionist interests who are harmed by globalization are generally considered more able to surmount collective action problems to mobilization.[11] Yet most renegotiations increase rather than decrease the commitments made between governments. Why do revisions and renegotiations tend to further liberalize trade rather than raising protections for import-competing groups who have suffered under the original agreement? Viewing the politics of revisions as a function of agreement salience and governments' ongoing social and political ties with one another helps to resolve these puzzles.

The remainder of the chapter is as follows. Section 3.2 situates the chapter in the political economy literature on the rationale for trade agreements and on their design. I show that revisions and renegotiations, like flexibility measures, have the potential for creating considerable uncertainty about governments' intentions, and therefore about the credibility of the commitments that they make through international agreements. This discussion serves to highlight the central puzzle addressed by the chapter: if trade agreements are beneficial because they constitute credible policy commitments, why do routine revisions not undermine the trade regime? Following this, Section 3.3 develops the chapter's argument. International commitments are not credible only because they are legally binding. They

[10] The renegotiations of NAFTA and CETA are rather exceptional in this regard.
[11] Goldstein and Martin 2000. Generally, see Olson 1965.

are also credible because they remove issue-areas from the public realm. Most renegotiations have relatively low public salience. This limits the ability of opponents to call for the government to backtrack on commitments such that the domestic beneficiaries of past commitments are better placed to push for increased commitments during renegotiations. This ratchet effect is bolstered by appeals to past practice and shared understandings between negotiators. Section 3.5 then describes the data and method used to test my argument. Section 3.6 presents descriptive statistics on revision outcomes, and then shows that revisions are triggered in good economic times and between like-minded country-pairs. In line with theoretical expectations, I show in Section 3.7 that most revisions to trade agreement terms result not in a decrease in trade, but in a boost to exports. Revisions are not breakdowns in cooperation, but opportunities for treaty signatories to deepen their vows.

3.2 The political economy of trade agreements

To understand why revisions to international agreements might challenge the stability of the regimes the agreements constitute, it is important to first examine why international agreements are signed in the first place. In the case at hand, why do countries negotiate international economic agreements like PTAs? In the International Political Economy (IPE) literature, two answers to this question predominate. The first is that trade agreements allow governments to credibly signal to their domestic constituents that they are committed to liberal trade policy. The second is that trade agreements–both preferential agreements signed between smaller groups of countries, and multilateral agreements signed by the wider universe of states–enable governments to internalize terms-of-trade externalities. Here, I provide an

overview of both of these explanations for trade agreements. I show that the clarity of government commitments is central to both accounts, which therefore makes revisions an empirical and theoretical puzzle.

Clear and inviolable commitments are central to the domestic credible commitments account of trade agreements. According to this explanation for trade agreements, governments face a challenge of time-inconsistency. While they may wish to adopt more liberal trade policy, they know that they will subsequently be tempted to backpedal when pressured by domestic groups for protection. Protectionist groups provide the government with support in exchange for continued protection, creating an incentive for governments to raise or maintain barriers to trade. Yet, because higher trade barriers create economic inefficiencies (such as capital misallocation to uncompetitive sectors and higher prices for consumers), governments may actually want to have freer trade than they find politically possible. Trade agreements allow them to achieve their desired level of economic liberalization.

Thus, in one of the most influential explanations for international trade agreements in IPE, Mansfield, Milner and Rosendorff explain why democratic states are more likely to sign such agreements.[12] Democratic states know that they will be tempted to give in to protectionist pressure from economic interests whose positions within domestic markets are challenged by (more) competitive foreign producers.[13] Accordingly, they sign international agreements, which act as both a 'promise' and an 'alarm'. The 'promise' is a commitment to their citizens that the government is committed to their welfare, and will therefore not give in to protectionist demands that would be welfare-reducing for the majority of the population.

[12]Mansfield, Milner, and Rosendorff 2002.
[13]Grossman and Helpman 1994.

The 'alarm' is triggered when governments violate the commitments made in the agreement, and comes with the threat of sanction from voters who will know that their government is acting contrary to their welfare.[14] In such a way, governments *want* to 'tie their hands'.[15] Doing so allows them to credibly commit to reformist policy in light of (time-inconsistent) opposition to reform.[16] Such self-binding is a rational response to domestic political demands and to the commitment problem created by the anarchic system.[17]

The point can be made more generally. The anarchic nature of the international system means that there is no centralized source of authority that can ensure the faithful fulfillment of incomplete contracts between states or economic actors operating trans-nationally. Establishing economic relations between states therefore has a risk: it is not possible to be certain that, for example, the destination country for exported goods will not change its tariff levels. Because of this uncertainty, firms will be more hesitant to export internationally than they will to sell locally. International economic agreements are an attempt to overcome this problem. By signing international agreements, governments commit to agreed-upon terms of economic exchange in order to facilitate international trade (and other forms of economic exchange).

Note that this understanding of international economic agreements as credible commitments sits behind different explanations for their motivations. Those motivations may include committing to domestic microeconomic reforms;[18] gaining access to important im-

[14] In a similar logic, Kono 2006 shows that democratic states are more likely to enact complex forms of trade protection that are more difficult to denounce by an opposition, and which will therefore attract less political sanction.

[15] Goldstein et al. 2000.

[16] Baccini and Urpelainen 2014*a*, ch.2; Baccini and Urpelainen 2014*b*.

[17] Elster 2000.

[18] Baccini and Urpelainen 2014*a*.

ports needed for production processes as part of global value chains;[19] gaining privileged access to foreign markets for investment opportunities;[20] or enhancing national welfare by reducing the cost of goods for consumers.[21]

The terms-of-trade explanation for trade agreements is based on an economics literature that shows that there is an optimal (non-zero) tariff that allows governments to maximize their terms of trade (the balance between imports and exports). By setting a positive tariff, governments limit imports, meaning that the terms of trade will result in a net inflow of capital into the country. Yet, setting optimal tariffs imposes negative externalities on trading partners, whose own exports are damaged by positive tariffs in their partner countries. In order to be competitive in protected economies, exporters must set their prices below the global free-trade price for their goods, resulting in welfare losses. Ultimately, in a world economy with several large countries, retaliation means that these negative externalities are severe enough that they create an incentive for governments to commit to keeping tariffs low through trade agreements.[22] Evidently, trade-liberalizing agreements are likely to reflect the lobbying efforts of exporters, who have a strong incentive to see the mutual reduction of trade barriers in order to internalize the economic externalities created by barriers to trade. This logic animates powerful explanations for regional integration in Europe and elsewhere.[23]

Although the resulting reduction in trade barriers means that governments are no longer able to set a domestically optimal tariff, lower tariffs mean that exporting is more

[19]Baccini, Pinto, and Weymouth 2017.
[20]Manger 2009.
[21]Mansfield, Milner, and Rosendorff 2002.
[22]Bagwell and Staiger 1999, 2011.
[23]Mattli 1999; Moravcsik 1993.

profitable since the price of goods is not distorted by high tariffs. This leads to more trade overall, and therefore to positive welfare effects. Reciprocity is central to resolving the temptation to set an optimal tariff (and triggering others to do likewise in tit-for-tat manner). Only by jointly committing to lowering barriers can governments assure their trade partners that they will refrain from raising tariffs.

As in the domestic credible commitments explanation for trade agreements, the clarity and inviolability of countries' commitments is important for the terms-of-trade explanation: the benefits of trade agreements come from governments agreeing through reciprocal bargaining with one another to avoid imposing an optimal tariff that would benefit themselves but would negatively affect their trading partners. Were uncertainty about commitments introduced, governments might be tempted to raise trade barriers to improve their terms of trade, which could result in beggar-thy-neighbor policies through retaliation. The Trump administration's obsession with trade deficits suggests that these dynamics are, at the least, a political consideration in that administration's revisionism on trade.

In other words, the dominant political economy explanations for trade cooperation rely on agreements establishing relatively inviolable commitments, about which international trading partners and domestic interests can be convinced. Yet, no agreement can foresee all eventualities. International relations between states and other actors are 'incomplete' contracts because it is impossible to specify all the terms of their fulfillment *a priori*. As Pelc notes with regard to international trade law, "any incomplete contract should include some form of flexibility to help its signatories deal with uncertainty."[24] In international trade law, there accordingly exist 'flexibility measures' and 'escape clauses' that allow countries to tem-

[24]Pelc 2016, 39

porarily deviate from their commitments in the case of genuinely exceptional circumstances that could not have been foreseen at the time the agreement was entered into. Agreements like PTAs also sometimes have provisions that provide for countries to renegotiate their commitments if needed. Some agreements also have 'sunset clauses' that mean that commitments are limited in duration, with an opportunity to recommit after a given period of time. Some observers argue that such forms of flexibility may make countries' commitments more credible, as they allow for states to react to changed international conditions.[25]

Thus, revisions too are a potential source of flexibility, albeit a more permanent solution than a flexibility measure enabling temporary suspension of the rules. In his treatment of flexibility clauses in international trade law, Pelc notes this explicitly, suggesting that while a "minor and imperfect flexibility measure",[26] renegotiation of country commitments (in the context of the World Trade Organization, WTO) address the problem that it is not possible to foresee all circumstances at the time countries enter agreements. Like true flexibility measures, the indiscriminate use of a renegotiation clause would also weaken the credibility of an institution, and therefore the need for their existence is balanced against the fear of their abuse.[27] Like flexibility provisions, renegotiation clauses offer governments the means of backsliding on past commitments. Also like flexibility provisions, which require careful construction and continuous efforts by contracting parties to avoid granting too much leeway to would-be backsliders,[28] the scope of renegotiations is potentially unlimited.

It is important to distinguish however between *provisions* allowing for renegotiation,

[25]Koremenos 2001, 2005.
[26]Pelc 2016, 183.
[27]Pelc 2016, 182-184.
[28]Pelc 2009, 2016.

and the act of renegotiating itself.[29] Here, I focus on the actual act of renegotiating, and explore the causes, outcomes and effects of revisiting past commitments in the trade regime. In previous perspectives on treaty renegotiations in the trade regime, it is provisions for rather than the act of renegotiating that bears the most similarity to flexibility provisions in that they introduce an element of uncertainty into an agreement. One might infer from this line of thinking that given the presence of a clause allowing for a renegotiation, there would be no additional effect on trade of actually renegotiating. This is one of the reasons that Koremenos focuses on duration and renegotiation provisions, rather than acts of terminating agreements or renegotiating.[30]

Yet it is also important to focus on the act of renegotiating itself, both as outcome and as cause. Agreements may be renegotiated even where there is no clause allowing for renegotiation; a focus only on formal clauses evidently misses this. And even where PTAs have clauses allowing for parties to review the functioning of a deal, such clauses do not necessarily lead to an amendment of commitments, nor do they pre-suppose the form that an amendment will take (for instance, liberalizing or limiting market access). If we are to understand the nature of countries' commitments and how they evolve over time, it is important to examine these outcomes. There is also good reason for renegotiations to have an effect on cooperation that is independent of the formal provision allowing for a renegotiation. It is not possible to presume the outcome of (re-)egotiations ahead of time given their complexity. Countries may begin renegotiating only to experience unexpected mobilization from groups seeking protection, making it more difficult to commit to higher levels of liberalization. And

[29] Haftel and Thompson 2018.
[30] Koremenos 2001, 291.

between initiating and concluding a renegotiation, events may happen that affect parties' negotiating positions in ways that are difficult to predict ahead of time. Moreover, exporters may gradually discount the uncertainty-creating effect of a renegotiation clause if it is unused. In contrast, the act of renegotiating throws different possible negotiating outcomes into relief, raising uncertainty again. Accordingly, if credibility stems from hand-tying, then the act of renegotiating should limit trade, as it brings uncertainty to the shape of countries' future commitments.

In sum, the clarity of country commitments in international trade agreements, whether multilateral or preferential, is central to the two main accounts of trade agreement formation in international political economy. Revisions to agreements, like flexibility clauses, pose a potential challenge to agreements to the extent that they allow governments to revisit the commitments they make. Particularly where revisions arise on a regular basis, they introduce the possibility that domestic groups who have been harmed by the initial terms of the agreements will lobby the government to scale back their past commitments. How then do states prevent reviews of international economic agreements from watering down the commitments made in the agreements? The following section outlines an answer.

3.3 Explaining revisions

Why do countries sometimes revise their treaty commitments, and how do signatories prevent revisions from damaging the credibility of their commitments? The legal and enforceable nature of commitments made through international treaties is clearly an important part of what makes them believable and therefore able to be relied on by individuals, firms,

governments, and other actors. Yet this appears to be an insufficient explanation for the durability of the trade regime given the frequency of revisions to trade agreements. In this section I present an explanation for the durability of country commitments in the face of renegotiations. Revisions to past commitments usually have far lower salience than initial negotiations, making it more difficult for opponents to international agreements to effectively mobilize. The relative lack of opposition makes it easier for the beneficiaries of past agreements to shape future amendments, increasing the likelihood that revisions will build on past commitments rather than undermine them. This 'ratchet' dynamic is reinforced by the social context in which renegotiations take place. A lack of central authority in world politics encourages governments to repeat past behavior in order to bolster the credibility of their promises. Renegotiations offer like-minded governments opportunities for collusion in increasing commitments in line with treaty signatories' commitments to other partners.

Signing international agreements is domestically challenging. Particularly when doing so involves achieving domestic agreement on new forms of commitments (like trade rules in new issue-areas), negotiators and politicians must balance the interests of domestic constituencies,[31] and overcome domestic opposition to change. Moreover, because international treaties like trade agreements often constitute what amounts to a mechanism for enacting a package of domestic regulatory reforms, the public salience of new treaties is high. This increased salience lowers the barriers to mobilization for opponents and proponents of new policies. Because losses from trade liberalization in particular tend to be concentrated, mobilization from protectionists is typically understood to be strong.[32] Yet once agreements

[31] Putnam 1988.
[32] Goldstein and Martin 2000; Olson 1965.

have been negotiated, they become far less politically salient, making mobilization for such groups more difficult. Research into firm-level political activity also shows that lobbying from groups like exporting firms can have a dominant impact on trade policy,[33] and the gains from PTAs flow disproportionately to firms engaged in international trade.[34] The erosion of the political power of import-competing firms opposed to liberalization further reduces their ability to mobilize in subsequent periods. And as explored in Chapter 2, past legal commitments establish precedent that can make future changes challenging. This should act to further limit the ability of opponents of liberalization to effect change on established policy: backsliding may be hard in practice even when it is politically desirable. Thus, the low issue-salience of revisions as opposed to initial negotiations, and the political economy changes following liberalization, combine to improve the ability of pro-liberalization groups to influence renegotiations as compared to groups that would seek protection.

In addition to this political economy dynamic is a social one. The uncertain environment of international politics fosters strong norms that encourage governments to repeat their previous behavior in order to signal their intentions. Governments know that in an anarchic international system where no higher power can enforce contracts made between states, international treaties and international law would become meaningless if it were acceptable for revisions to enable governments to backslide on their commitments. This places a high cost on revisionism: governments generally seek to maintain the policy direction established by past agreements. The result is that governments show considerable restraint when faced with the option to derogate from their commitments, because they know that derogating

[33] Osgood et al. 2017.
[34] Baccini, Pinto, and Weymouth 2017; Baldwin and Robert-Nicoud 2015.

would damage their future credibility with their international partners. The relatively dim light on renegotiations thereby presents governments with opportunities to commit to higher levels of liberalization than would have been politically feasible under the full glare of public attention at the time of initial negotiation, in line with cooperative precedent.

Of course, it is important to acknowledge that renegotiations may also reflect protectionist impulses. One can imagine that in situations when renegotiations of treaty commitments become highly salient, the barriers to mobilization are reduced, facilitating lobbying by social actors that have been on the losing side of trade liberalization. What is more, not all governments share commitments to market-liberal values. One can further expect that in such cases, negotiators and policymakers will be less inclined to use renegotiations to further commit to liberal trade policy. The case of the Trump administration's renegotiation of NAFTA and KORUS suggest that higher salience of renegotiations, combined with a lesser commitment to liberal values, may result in downwards revisionism of past commitments. Given this possibility, I distinguish below between different possible renegotiation outcomes.

Reasoning through the empirical expectations from the above discussion yields the following hypotheses, which are formulated in terms of average effects–evidently, negotiations are complex interactions that depend on a range of domestic and international factors, only some of which are captured by the above theory. Firstly, *renegotiations should, on average, result in more liberalization, rather than less* (H1). In order to reduce the risk of a limiting revision (one that reduces liberalizing commitments), we can further expect that *governments will tend to initiate revisions during favorable economic conditions* (H2).

The theory outlined above presents renegotiations of trade agreements as an opportunity for governments to raise levels of liberalization beyond that possible during times

of heightened public attention in initial negotiations. This relative lack of public attention implies a greater degree of freedom for public officials, and suggests higher levels of collusion between like-minded (liberal) governments. Throughout the postwar era, international trade institutions have been developed based on the principle that free trade should be the goal of trade cooperation. This ideal is enshrined in the founding documents of the GATT, WTO, and is affirmed in the preambles of countries' PTAs. We might expect that collusion between governments to liberalize is more likely between countries that share values, as this provides negotiators with a basis of affinity: *revisions will be more likely between countries with cultural similarities* (H3).

The theory also has testable implications regarding the effects of renegotiations. Above, I distinguished between the presence of renegotiation or revision clauses and their use. I suggested that the act of renegotiating is likely to have an effect on trade independent of the presence of a clause, given that negotiations are inherently complex processes, the results of which cannot be assumed ahead of time. If country commitments are credible because of the predictability they provide, renegotiations should reduce trade, since they create uncertainty. The argument outlined above however suggests that negotiations are likely to have predictable distributional outcomes given the the political economy forces at play as well as the the context of shared understandings between negotiators about the purpose of agreements–and the purpose of revisions. Importantly, the discussion above suggests that renegotiations will tend to reflect the domestic power of pro-trade constituents and the dominance of pro-liberalization beliefs among policymakers. Thus the expectation that *amendments will on average increase trade* (H4a). Yet I also raised the possibility that renegotiations may be used to backslide on past commitments. I expect that such *limiting*

amendments will on average reduce trade (H4b).

3.4 An anatomy of renegotiation

It is important to be precise about identifying revisions. The focus here is on cases where the terms of an agreement that has already been signed by negotiating parties are subsequently *re*-negotiated between those same parties. During the negotiation phase of an agreement, new versions of agreements or agreement-chapters are sometimes released (or leaked),[35] and these are often referred to as 'revised versions' of an agreement or chapter. This is different from the sort of renegotiation I am referring to here. Agreements might also be 'renegotiated' if a new member joins an existing institution, for example in the case of member state accession to the European Union. This also falls outside the meaning of a renegotiation for the purpose of this chapter. Here, I focus on instances where the original contracting parties to an agreement decide to change the terms of that agreement. As a concrete illustration, I identify the US-Mexico-Canada Agreement (USMCA) as a revision of NAFTA, but do not identify NAFTA as a revision of the prior Canada-US FTA (CUSFTA).

Such renegotiation of an existing agreement can take a number of different forms. In this section I describe three different ways in which agreements can be amended once they are signed. The first is renegotiation in the pre-ratification stage, sometimes referred to as the 'legal scrubbing' phase.[36] The second way that an existing agreement can be modified is through scheduled or periodic review of an agreement. Many agreements–especially more

[35]See Castle and Pelc 2019 for a treatment of leaks of international trade negotiations.

[36]The legal scrubbing phase of negotiations refers to the period in which countries' legal teams will examine an agreement and clarify its legal language to ensure that it is sufficiently unambiguous. As I note below, substantive amendments to an agreement stretch the concept of legal scrubbing.

recent agreements–mandate a review of the implementation or functioning of the agreement after a specified time period. At such points, agreement members may decide to revise the agreement. Such revisions may be relatively minor, as in the case of updating tariff schedules to reflect new tariff classification nomenclature. They may also be more substantive, as in the case of an amendment to concessions or to the terms of the treaty itself. A final form of revision takes place without being foreseen. In this case, one or more (or all) of the agreement members decides to trigger a revision of the agreement if they are not satisfied with how it is operating. The Trump administration's renegotiation of NAFTA falls squarely into this category of revision, but so also do other revisions to 'modernize' past agreements, such as between Mexico and the European Union, or Singapore and Australia. While one might consider Britain's decision to revise the terms of its economic relationship with European Union members as this type of revision, the outcome of the Brexit referendum is that the UK will give up its membership in the EU, and subsequently negotiate a new type of relationship with the bloc.

Pre-ratification

The earliest way a completed agreement can be revised is if this happens after an agreement is signed, but before it is ratified. In this case, revisions are likely to be driven by domestic changes between signature and ratification. Examples of this sort of revision include CETA and the Korea-US FTA (KORUS). In the case of CETA, revisions appear to have been prompted by wide-scale demonstrations in the EU. Concern stemmed not only from perceived problems with the CETA agreement, but also with the Trans-Atlantic Trade and Investment

Partnership (TTIP) between the EU and the US. There was some suggestion that CETA would set a precedent for TTIP, and that therefore any concern about what to include in TTIP should also be reflected in CETA.[37] Revision of CETA appeared to have been helped by the fact that there had been a change in government in Canada. CETA was signed by the Conservative Harper government, and a review was accepted by the incoming Liberal Trudeau government. Review of CETA resulted in substantial changes to the investment chapter.

The KORUS review appears to have been driven by the change in the US Presidency. The agreement had been negotiated under George W. Bush (during the latter's second term), but had not been ratified by the time he left office. Revision of KORUS under the incoming President Obama was consistent with a stated wider re-evaluation of US trade policy. Revisions to KORUS took several years, during which time both the United States and Korea pushed for more favorable terms. Changes were made to the tariff phase-out periods, and the US gained better access for beef and autos.

Amendments to agreements in the pre-ratification stage appear politically sensitive. On the one hand, if there is impetus for an amendment it is important that substantial changes can be identified. Thus, members of the US Congress who had been opposed to the original KORUS wanted to satisfy themselves (and their constituents) that the administration had sufficiently amended the agreement in a way that would meet their concerns. Because President Obama did not have Trade Promotion Authority (TPA), which would have allowed him to put the amended KORUS FTA to Congress for a simple up- or down-

[37] See Chapter 2; *Inside US Trade*, 6 December 2013, `https://insidetrade.com/daily-news/inta-chair-demands-same-access-ttip-documents-eu-member-states`.

vote, changes were ultimately made in side-agreements so as not to re-litigate the entire deal.

With CETA, amendments took place during the 'legal scrubbing' phase, after signature but prior to ratification. Once again, a balance was sought between satisfying original critics of the agreement that it had been appropriately amended, and downplaying the extent of changes. Thus, the European Commission attempted simultaneously to promote the updated model for the regulation of foreign investment (which included the EU's new 'investment court' system, also found in the EU-Vietnam agreement), and to cast the amended agreement as little more than a tweaked version of the original, despite the fact that the text of the new version of CETA differed by around 19% from the original.[38] Note that changes to agreements made during the pre-ratification phase are also routinely used as a way of addressing legal inconsistencies, and not as responding to political demand for amendments.

Scheduled review

Many agreements now schedule a review after a set time period. Such agreements are sometimes referred to as 'living agreements', meaning that their evolution is anticipated.[39] Revisions in this case are often relatively minor, technical and de-politicized. For instance, tariff classification systems like the commonly-used Harmonized System (HS) occasionally change the classification of particular products. When this happens, a revision may merely incorporate such changes. In other cases, a scheduled review may produce more substantive

[38] Alschner and Skougarevskiy 2016.

[39] The New Zealand Ministry of Foreign Affairs and Trade (MFAT) refers to a number of its agreements in this way, for instance the ASEAN-Australia-New Zealand FTA (AANZFTA). As Allee and Lugg 2016 note, the Trans-Pacific Partnership (TPP) is also referred to as a 'living agreement', although this refers to the fact that future expansions of the agreement to new members will involve those members signing up to the existing treaty base.

changes. Revisions to the Australia-Singapore FTA, which were launched in June 2015 under the third ministerial review of the deal, ultimately brought the agreement into line with the original TPP, which was then under negotiation and anticipated to be implemented. For instance, Australian negotiators agreed to raise the screening threshold for private Singaporean investment in non-sensitive sectors to AU$1,094 million from AU$252, in line with TPP commitments.[40]

Similarly, China and New Zealand launched in November 2016 the renegotiation of their 2008 FTA. Like the Australia-Singapore case, these revisions take place under the auspice of a scheduled review of the agreement. The 'upgrade' aims to expand the scope of the agreement to new issue-areas (such as e-commerce). It also aims to deepen current commitments; New Zealand dairy exporters in particular had hoped to improve on existing access to the Chinese market.

Although scheduled reviews may generally result in greater cooperation, this cannot be taken as a given. In fact, because the 'losers' from trade may be more likely to surmount the collective action problems required to successfully lobby governments,[41] we might expect review processes to attract relatively more attention from economic actors seeking greater protection from foreign competition.

Unscheduled amendment

Unscheduled revisions are a final form of agreement amendment. These are cases where one or more agreement members seek to amend the existing agreement outside of the context of

[40] Australian Department of Foreign Affairs and Trade, 'Singapore Australia FTA', `https://dfat.gov.au/trade/agreements/in-force/safta/Pages/singapore-australia-fta.aspx`.

[41] Goldstein and Martin 2000; Olson 1965.

a mandated review. Such a revision may reflect domestic changes, for instance if changes in domestic production patterns are sufficient that an existing agreement no longer reflects economic realities, or if the benefits of an agreement come to be perceived as overly skewed in favor of some member(s) and not others.[42] Such a revision may also reflect broader changes in the global economy, for example if the perceived best practice for the regulation of a particular issue-area shifts.

The EU offers clear cases of the first motivation for an unscheduled amendment. In the European Commission's *Trade for All* document, the Commission indicates that the trade pillar of the EU-Mexico Global Agreement, which entered into force in 2000, 'has been mutually beneficial but ... is now outdated', and that a 'modernization' of the agreement would allow both parties to "reap all the untapped benefits for [their] economies."[43] A similar comment was made regarding the EU-Chile 'modernization', and indeed the Commission went on to note that the updated agreements "should be comparable to, and compatible with, our FTA with Canada and the future agreement with the United States".[44] In these cases, amended agreements seem likely to be of increased scope, expanding the commitments made by both sides.

The renegotiation of NAFTA proposed by Trump on the other hand has been cast as an opportunity to scale back commitments made. A NAFTA renegotiation responds to supposed imbalance in the benefits of the agreement, whereby Mexico would have benefited at the cost of the United States. While the new US Mexico Canada Agreement (USMCA) contains some measures that liberalize beyond the initial deal–for instance by partially opening

[42]Note that Koremenos 2005 also raises this possibility as an explanation for countries' inclusion of time limitations ('sunset clauses') to international agreements.

[43]Commission 2015, 33.

[44]Commission 2015, 33.

Canadian dairy markets–a major outcome on goods trade for the agreement is tighter rules of origin and labour provisions in trade in autos, which ultimately reduce market access.[45] Like the EU's renegotiated agreement with Mexico, however, the proposed NAFTA renegotiation is prompted by domestic economic changes. In sum, while unscheduled amendments may 'ratchet' existing agreements, they may also seek to limit their scope. Tellingly, while moves to expand existing agreements have attracted relatively little political attention and may thereby have escaped opposing mobilization, Trump's more 'defensive' efforts seem to rely on garnering as much public attention as possible.

Amendment outcomes

The above discussion introduces different forms of renegotiation, to make clear that not all renegotiations are alike. To recapitulate, revisions can be triggered at different times, and as a response to different political and economic forces. Evidently however, revisions can also produce different outcomes, and it is these different outcomes that ultimately have a bearing on treaty signatories' cooperation following a revision. As previewed in the theoretical discussion, revisions may be liberalizing, but may also be limiting in scope. But it is possible to further distinguish between different forms of revision.

In the analysis that follows, I distinguish between six possible outcomes. The first is an *administrative* revision. Administrative revisions amend how an agreement is governed. Common administrative revisions include changes to tariff schedules to reflect new tariff nomenclature. Other administrative revisions include institution-building, such as the

[45]The Economist, Oct 4th 2018 'The renegotiation of NAFTA is a relief. But it is not a success' https://www.economist.com/leaders/2018/10/04/the-renegotiation-of-nafta-is-a-relief-but-it-is-not-a-success .

creation of a secretariat to oversee the agreement. Administrative revisions are not directly liberalizing, although they may indirectly facilitate trade, such as when rules of origin procedures are made similar to those found in other agreements.

The second form of revision is a *protocol*, which is usually adopted to deal with a specific issue-area in isolation of the rest of the agreement. Protocols are analogous to side-deals, and may or may not be liberalizing in nature.

Revisions may also result in *increased access*, as when tariffs on already-liberalized goods are further reduced. This is clearly liberalizing in nature. Revisions resulting in *increased scope* are also liberalizing. Examples include revising an agreement to cooperate in new issue-areas (such as trade in services, or investment). A further type of liberalizing amendment is an *upgrade*, which involves both increased access and increased scope.

Finally, not all revisions aim at further cooperation; they may also be *limiting*. Such revisions seek to reduce previously-granted access. Examples include increasing the regional content required for a good to qualify for duty-free access under the agreement.

3.5 Data and method

In this section I describe the methodology used to gather and analyze data on trade agreement revisions.

Data

There are now a number of excellent datasets on trade agreements, which supplement official lists of agreements notified to the World Trade Organization.[46] These datasets notably include the Design of Trade Agreements (DESTA) data,[47] which to date represents the most comprehensive effort to move beyond a 'binary' approach to agreements whereby a dyad is, or is not connected by an agreement.[48] The DESTA data is valuable not only because it provides relatively fine-grained data on different characteristics of trade agreements (depth, flexibility, the presence of different types of provisions on intellectual property and so on) but also because it is the most complete attempt at gathering data on preferential trade agreements. For scholars attempting a systematic data-collection project on trade agreements, it is therefore a good place to start.

Using the agreements listed in DESTA as a guide, I collected data on revisions by searching through ProQuest for newspaper and trade journal articles signaling the revision of an agreement. For each agreement in DESTA signed after the year 2000 (a total of 369 agreements), I used a separate search string. For instance, for the 2004 Agadir Agreement, I searched:

("Agadir" AND "trade" AND (amend OR amendment OR revise OR revision OR review OR renegotiate OR renegotiation)) AND stype.exact("Newspapers" OR "Trade Journals").

These search terms were developed inductively by first searching for agreements that

[46] As of mid-2018 some 673 agreements had been notified at the multilateral level: `https://www.wto.org/english/tratop_e/region_e/region_e.htm`.

[47] Dür, Baccini, and Elsig 2014.

[48] For important examples, see Mansfield, Milner, and Rosendorff 2002. In trade economics, see Baier and Bergstrand 2004; Baier, Bergstrand, and Mariutto 2014.

I knew had been revised, in order to identify the language commonly used. The inclusion of the word 'review' was problematic because it is used in many other contexts besides treaty revisions, including in the name of some journals or newspapers. However, it was an essential search term because it was also commonly used to indicate that a given agreement had been subjected to a review (and therefore a possible revision). As such, its inclusion represented a relatively conservative approach in which I erred on the side of too many, rather than too few, search results.

Because I was only interested in revisions to existing agreements, I limited the possible date range to between the year of signature and the end of the year 2017. For most agreements, this approach returned between around 15 and 100 results of news and trade journal articles. I manually scanned these results in order to identify instances of a treaty revision. In most cases, a revision was sufficiently news-worthy that it was clear from the title of an article whether it referenced a revision. However the search was also facilitated by the fact that in the search results, ProQuest represented snippets of the article with highlighted search terms.

In order to be as systematic as possible, I supplemented this search with Google searches, in order to ensure that I was not consistently omitting positive results because of a language issue. I further supplemented this search procedure with a general search for all trade agreement revisions, using the search string:

("trade agreement" AND (amend OR amendment OR revise OR revision OR review)) AND stype.exact("Newspapers" OR "Trade Journals").

This returned around 55,000 search results for all years, which I scanned manually for a ten-year period from 2005 to 2017 (resulting in a sample of around 12,000 news entries).

I selected this date range primarily for reasons of salience: the revision of the EU-Canada Comprehensive Economic Partnership Agreement (CETA) took place during this time, the NAFTA renegotiation was proposed during 2016, and several other agreements were either revised (Australia-Thailand; Australia-Singapore; several of ASEAN's agreements), or their renegotiation was announced (China-New Zealand). Moreover, it is during this period that trade agreements have become particularly politicized due to the negotiation of 'mega-regional' agreements like CETA, the Trans-Pacific Partnership (TPP), and the EU-US Trans-Atlantic Trade and Investment Partnership (TTIP).

In coding agreements, I followed the above definition of a revision as an amendment to a negotiated agreement that has already been signed. This definition captures the three forms of revisions described above: pre-ratification amendment; amendment following a scheduled review; and amendment outside of a scheduled review. In total, I identified 99 out of 369 agreements that had been revised, and 155 out of 369 agreements that had been either revised or subject to a more limited change, such as solely updating the HS schedules to reflect changes to the Harmonized System's tariff nomenclature. Note then that for the purposes of initial descriptive work, the unit of analysis (a 'case') is a PTA as entered in the DESTA database. For subsequent analysis, I use a directed dyad-level gravity dataset.

As indicated above, I coded each revision into a different outcome category, in order to understand the results of renegotiations. This coding was based on available information in associated publications, press coverage, or through comparison with the previous agreement. *Administrative* revisions were typically basic changes aimed at amending the functioning of the agreement. Examples included amendments to HS schedules or simplifications to rules of origin (RoO) procedures to enable consistency over different agreements. *Increased access*

revisions aimed at improving on access already provided (whether for goods, services, or other commercial activities such as investment). *Increased scope* revisions aimed at expanding the coverage of an agreement, such as by including new issue-areas. *Upgrades* included general overhauls of agreements, or the provision of new issue-areas combined with increasing liberalization in already-included issue-areas. *Protocols* were usually appended to agreements and covered a stand-alone issue in separation from other issues. Finally, *limiting* revisions sought to reduce the level of access previously granted.

To test hypotheses about the causes and effects of revisions, I add the revision data to a gravity dataset built at the directed-dyad level. I use import and export figures from 2000 to 2015.[49] I include data on GDP, GDP per-capita and other country-level economic variables;[50] distance and other geographic measures;[51] and regime type.[52] I also include variables measuring countries' political relations.[53] This includes alliance data;[54] disputes data;[55] and a measure of global economic business cycles[56] measured by the year-to-year change in global economic output.

Analytical method

To understand when and why revisions are triggered, I use survival analysis. I fit a Weibull model, as this distribution best approximates the time-to-revision (as shown below). The

[49]IMF's Direction of Trade Statistics (DOTS): http://data.imf.org/dot

[50]World Bank's World Development Indicators (WDI): http://data.worldbank.org/data-catalog/world-development-indicators

[51]CEPII: Mayer and Zignago 2011.

[52]Polity 4: Marshall, Gurr, and Jaggers 2016.

[53]Mansfield and Milner 2012.

[54]Correlates of War: Gibler 2009.

[55]Version 4.1 of the Militarized Interstate Disputes (MID) data: Palmer et al. 2015.

[56]Mansfield and Milner 2012, 75.

Weibull model also performs better than other survival models. I distinguish between regime-type; cultural; economic and institutional factors and model these separately, as well as combining variables in a single model.

I then turn to the effects of revisions on signatories' cooperation. In order to understand whether revisions have an effect on bilateral trade, I use an error-correction model.[57] The ECM models the equilibrium relationship between dependent and independent variables. In this case, we can assume that trade flows and the nature of trade institutions between countries have a long-term equilibrium relationship. But we can also assume that changes in the nature of trade institutions disrupt that equilibrium in the short-term. The ECM estimator includes differenced variables which capture change in a state, e.g. from 'non-revised' to 'revised'. The estimator also includes lagged dependent and independent variables. This allows me to distinguish between short-run and long-run effects.

3.6 When do revisions happen?

In the first part of this section I use descriptive statistics to present a few important trends in treaty revisions. The analysis here is at the level of the agreement. This provides a first cut at understanding the nature of these previously undocumented political events. I first look at the frequency and timing of revisions, before turning to the scope of changes made to trade treaties when they are revised. I then use survival analysis (using a directed-dyad-year unit of analysis) to test expectations about why revisions come about. I fit a Weibull model and examine the regime, cultural, economic and institutional factors that hasten or delay

[57] De Boef and Keele 2008.

treaty revisions.

Descriptive statistics

Just how commonly do treaty partners revisit their commitments? In contrast to the general perception that such an activity is rare, Table 3.1 shows that revisions occur surprisingly often. Looking at PTAs signed post-2000, we can see that parties revise the deal in about 27% of cases. If we widen the lens a little to include other changes to agreements that fall short of a revision (such as administrative changes to HS classifications, or an appendix that clarifies the interpretation of a treaty clause), parties adopt some form of change to the original agreement in a striking 42% of cases.

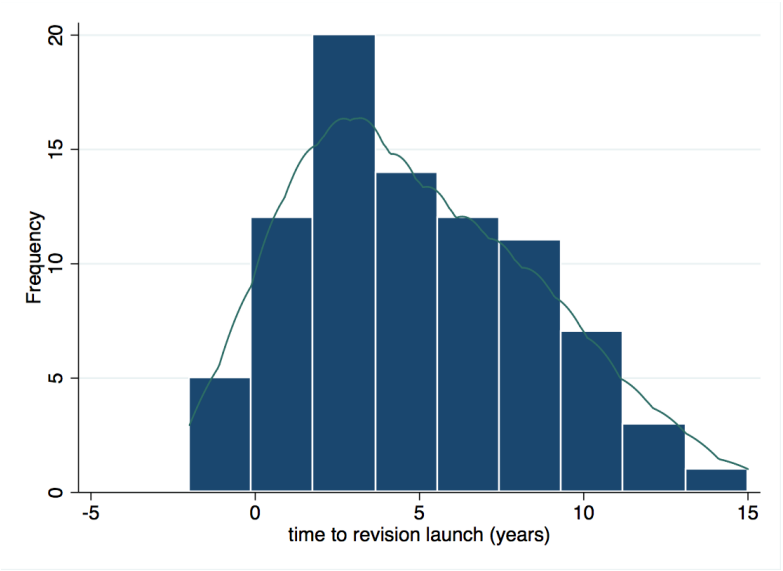
Table 3.1: How common are treaty changes?

Agreement revised?		
	Number	Per cent
No revision	270	73
Revision	99	27
Total	369	100

Agreement amended?		
	Number	Per cent
No amendment	214	58
Amendment	155	42
Total	369	100

How long does it take for a deal to be amended? As Figure 3.1 shows, the mean time to the initiation of the first revision for a PTA is just under five years (4.88 years). This includes all forms of revision, both major and minor. Limiting the sample to those revisions that are not administrative in nature, the mean time to launch of a revision is slightly longer at 5.2 years.

Figure 3.1: Time to revision in years

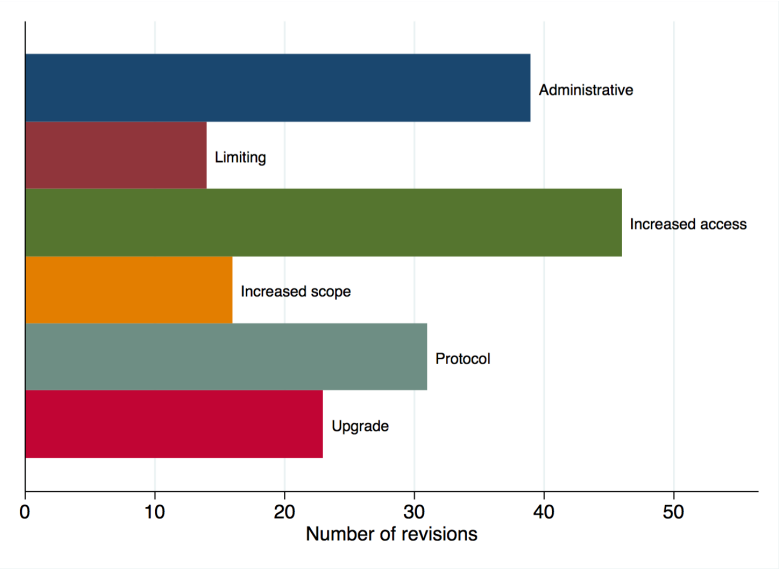


Note that time-to-revision is non-normally distributed. Relatively more revisions happen few years after a PTA is signed, with a long right-hand tail. In large part this is an artifact of the data collection process: this first phase of data collection took place in 2018, examining agreements that were signed since 2000. As is confirmed below with diagnostic tests, time-to-revision most closely approximates a Weibull distribution.

What sort of revisions are made? Figure 3.2 shows that the vast majority of revisions to agreements are intended to improve the access or scope of an agreement, with a minority aimed at reducing or limiting access. This figure includes multiple instances of revisions to agreements, as a single agreement may be revised several times. Administrative revisions account for close to a quarter of revisions (23%). Those revisions aimed at improving on access already provided were the most common, accounting for 27% of revisions. Revisions to increase the scope of a deal were less common (9%). Upgrades accounted for 14% of

revisions. Protocols represented 18% of revisions. Finally, limiting revisions–those seeking to claw back access granted–accounted for a mere 9% of revisions. This low number is all the more striking when contrasted with those revisions that were clearly aimed at further liberalization (increasing access or scope, or upgrading), which together represented slightly more than half of all revisions.[58]

Figure 3.2: Breakdown of revision type

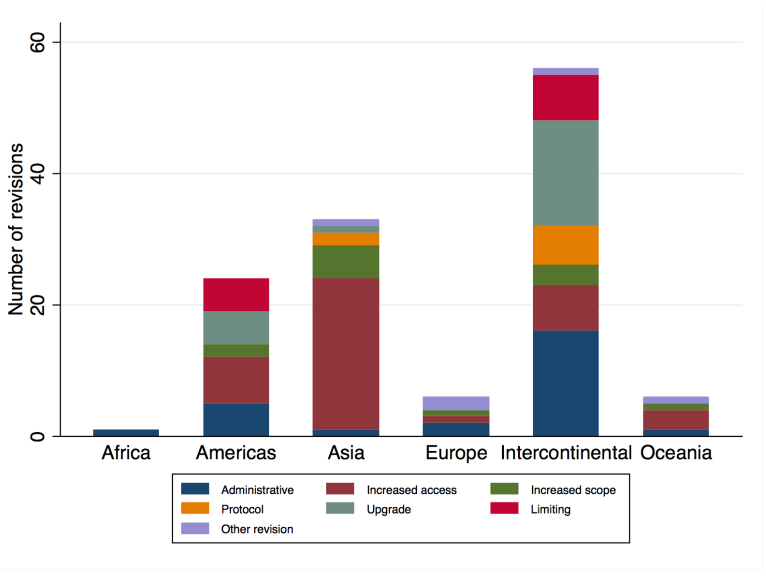


We can further examine the distribution of revision-types across treaties signed in different regions. Figure 3.3 shows that the few revisions to African agreements that have taken place have been administrative in nature. Once market access commitments are made to these agreements they appear unlikely to change. Agreements signed in the Americas also have administrative revisions, but these make up a relative minority. Revisions to increase market access are relatively common, as are broader agreement upgrades. Revisions

[58]When examining only the first instance of a revision, Limiting amendments account for a larger proportion of revisions (13%); upgrades account for a higher proportion (20%); and protocols account for a much lower proportion (8%).

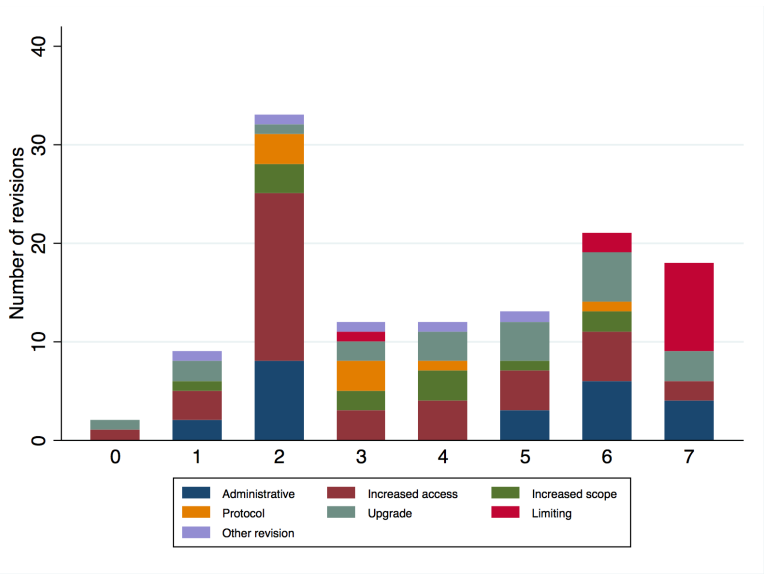
aimed at increasing scope are somewhat less common. The Americas is also the only region in which intra-regional agreements attract limiting revisions, aimed at reducing previously granted access. We can see that revisions to Asian agreements are overwhelmingly focused on improving on market access commitments. The next most-common type of revision to Asian PTAs aims to increase agreement scope. Relatively few revisions to Asian agreements are purely administrative in nature, and upgrades are also not particularly common. Relatively few European PTAs are revised. This reflects the importance of the European Union as a region-wide deal. Intercontinental PTAs are both the most common, and also the most commonly revised. Revisions to intercontinental PTAs run the range of revision-types, with a large number of administrative amendments, many upgrades and other market-access improving revisions, but also some limiting revisions. Finally, the most common form of revision to Oceanic PTAs (which are not numerous) is increased access.

Figure 3.3: Revision type by region



As one would expect, different types of agreements are also revised in different ways. Figure 3.4 illustrates this point by breaking down revision-type across PTAs of different depths, using DESTA's 'Index' measure of depth.[59] This measure of depth places PTAs on a scale of 0-7, with agreements at lower depth corresponding to fewer issue-areas covered. Administrative revisions are relatively common for deep and shallow agreements, although uncommon for agreements of middling depth. Building on existing market access appears to be the motivation for revisions across the spectrum of depth, although this is disproportionately the case for agreements dealing with just a couple of issue-areas. Upgrades are common across the board, and as one might expect, those agreements that deal with the most issue-areas do not appear to be revised with the sole aim of increasing the scope of the deal. Similarly, parties to such broad deals do not appear to negotiate protocols, which are often used to add to the range of issues dealt with.

Figure 3.4: Revision-type by agreement depth



[59] Dür, Baccini, and Elsig 2014.

Perhaps the most surprising finding is that agreements aimed at limiting cooperation are most commonly found in the most ambitious deals–those with a depth score of 7. It is possible that this reflects domestic backlash against very broad deals. Indeed, those deals that attempt to reach deep behind national borders to deal with new or 'unsettled' issues have often proven the most political.[60] Such politicization has been particularly obvious in the case of the negotiations for broad 'mega-regional' deals such as the US-led Trans-Pacific Partnership (TPP), the Transatlantic Trade and Investment Partnership (TTIP) between the EU and the US, and the Comprehensive Economic and Trade Agreement (CETA) between the EU and Canada.

In sum, trade treaty revisions tend to be initiated across the spectrum of agreements, from deep to shallow. Examining the distribution of different types of revisions, those revisions seeking to limit the scope of agreements appear concentrated in more ambitious agreements. Revisions seeking to improve access and/or scope take place for all agreements (although the deepest agreements do not have revisions that seek to increase scope), but these are concentrated in agreements with lower depth.

Predicting treaty revisions

I next use multiple-failure survival analysis to predict the revision of a trade agreement. In this analysis, 'failure' is given by an amendment or change to an agreement (i.e., the broader category of revision). Dyads enter into the analysis only in the year following the inking of a post-2000 trade deal (i.e., one which was subject to research). I run four models to assess the different factors contributing to a revision: regime-type; cultural affinity; economic

[60] Castle and Pelc 2019.

factors; and institutional membership. Using the regime-type model (1) I first fit a Cox proportional hazard model (not shown). I use Schoenfeld residuals to check the proportional hazards assumption; results strongly indicate that this assumption is violated as the test is statistically significant for a number of the variables, as well as globally (Prob>chi2 = 0.0000). I then also fit exponential, Weibull, Gompertz, log-normal and log-logistic models (not shown). The Akaike information criterion (AIC) and Bayesian information criterion (BIC) both confirm that a Weibull distribution is most appropriate, as shown in Table 3.2.

Table 3.2: Comparison of model fit for survival analysis

Model	Obs	ll(null)	ll(model)	df	AIC	BIC
Cox	42734	-4599.887	-4323.723	6	8659.446	8711.423
Exponential	42734	-1991.674	-1703.78	7	3421.56	3482.2
Weibull	42734	-1950.113	-1666.119	8	**3348.238**	**3417.54**
Gompertz	42734	-1969.821	-1679.243	8	3374.485	3443.787
Log-normal	42734	-1939.714	-1689.239	8	3394.478	3463.78
Log-logistic	42734	-1947.246	-1677.115	8	3370.231	3439.533

Consequently, I model the time-to-revision as a Weibull distribution. Table 3.3 presents the results. For all models, I include exports (logged), distance (logged), bilateral trade imbalances (logged), and the depth of the most recently-signed agreement between the two countries making up a dyad. The results for these variables are fairly consistent across the different models. Higher export levels are associated with treaty revisions. The coefficients are point-estimates for the log relative-hazard form; a one-unit increase in the reported variable is associated with a unit-change in the log-relative hazard scale as reported by the coefficient.

In Column (1), a one-unit increase in logged exports is associated with an increase in the logged-hazard rate of a revision of 0.202, holding all other variables constant. This

Table 3.3: Predicting treaty revisions: survival analysis

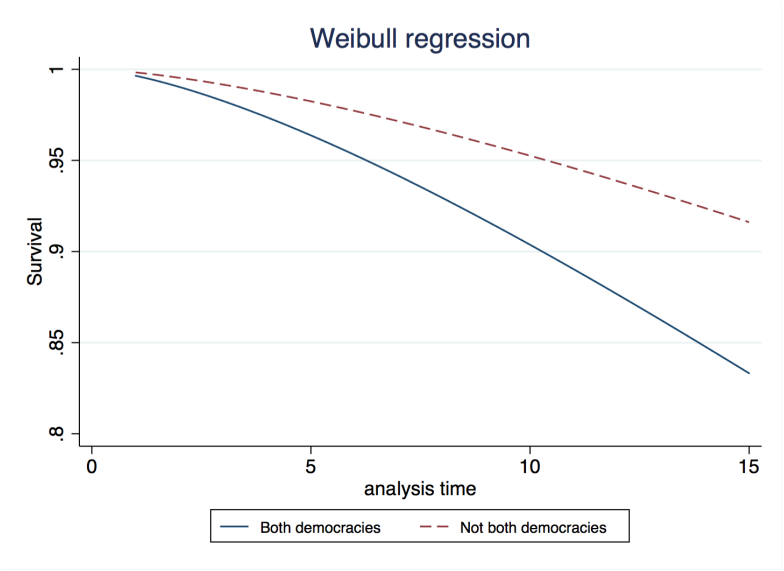
	Survival analysis failure: treaty revision			
	(1)	(2)	(3)	(4)
Model	*Regime-type*	*Cultural*	*Economic*	*Institutions*
Exports (logged)	0.202***	0.109***	0.0181	0.0998***
	(9.19)	(4.38)	(0.85)	(4.78)
Distance (logged)	0.445***	0.620***	0.135	0.558***
	(7.32)	(6.73)	(1.44)	(10.60)
Bilateral trade imbalance	-0.00610	-0.0117	-0.0333	-0.0290
	(-0.25)	(-0.45)	(-1.49)	(-1.21)
PTA depth (Rasch score)	-1.152***	-0.933***	-0.593***	-0.786***
	(-9.30)	(-9.52)	(-5.52)	(-6.32)
Difference in Polity scores	0.0380***			
	(2.75)			
Both democracies	0.734***			
	(4.06)			
Same continent		0.807***	-37.59***	
		(4.25)	(-12.76)	
Common official or primary language		0.473***		
		(3.48)		
Common colonizer post 1945		0.286*		
		(1.81)		
GDP sum (logged, t-5)			0.162***	
			(6.64)	
GDP difference (logged, t-5)			-0.260***	
			(-7.91)	
GDP per capita (own)			0.0250	
			(0.62)	
Remoteness			4.452***	
			(13.08)	
Exports as pct of GDP			0.00199	
			(1.17)	
GWP change			0.107***	
			(3.91)	
Hegemony			-0.0815*	
			(-1.76)	
Both in OECD				1.411***
				(6.04)
Both in GATT				-0.334**
				(-2.35)
Both in WTO				-0.366**
				(-2.37)
Previous PTAs (ROW, t-5)				0.00260**
				(1.99)
Previous PTAs (own, t-5)				-0.0307***
				(-8.33)
Previous PTAs (partner, t-5)				-0.0253***
				(-6.89)
Constant	-12.80***	-12.06***	-13.41***	-11.38***
	(-17.43)	(-12.07)	(-11.88)	(-10.71)
log(p)	0.374***	0.275***	0.283***	0.364***
z	(10.82)	(9.48)	(7.79)	(6.82)
Observations	42734	55930	53374	55830

Table presents results from survival analysis using a Weibull distribution. The dependent variable is revision of a PTA. Coefficients are logged hazard-rates, with robust standard errors clustered at the undirected dyad in parentheses.

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

corresponds to a hazard-rate of 1.22 (exp(0.202)), or an increase in the rate of a PTA revision of 22%. Distance is also associated with PTA revisions; a one-unit increase in logged distance between PTA partners is associated with a 56% increase in the rate of revision (exp(.445) = 1.56). Bilateral trade imbalances are not a significant predictor of revisions in any of the four models, once other variables are accounted for. As for PTA depth, it appears that the higher the level of ambition of a PTA linking the two members of a dyad, the less likely they are to revise their treaty commitments. Concretely, a one-unit increase in the rasch score for PTA depth is associated with a 68% reduction (1-(exp(-1.152)) in the rate of revision.

Figure 3.5: Survival analysis: effects of regime-type on treaty revision



In Column (1) I examine how regime-type affects the likelihood of treaty revision. The results indicate that country-pairs that are jointly democratic (both have a polity score above 5 on a -10 to 10 scale) are more than twice as likely to revisit their trade treaty commitments, taking into account bilateral trade, distance, the depth of treaty commitments,

and differences in regime-type.

Figure 3.5 presents this finding graphically. The figure shows that the likelihood of a trade agreement being revised between a pair of democracies increases steadily over time. After 15 years, fewer than 85% of dyads 'survive' with an agreement in its original, un-revised form, with around 16% having revised a deal between themselves. Other countries are less likely to revise agreements between one another. After 15 years, around 8% of these dyads have revised a deal.

The results in Column (2) suggest that cultural affinity predicts PTA revisions well. Countries that are on the same continent are much more likely to revise a deal (even accounting for distance), as are those that share a common official or primary language. Sharing a common language is associated with an increase in the rate of PTA revision of around 61%. A common colonial heritage is also associated with an increased rate of PTA revision, but this association is only significant at the 90% rather than the 95% level.

In Column (3), I test the effects of economic factors. We can see that once we account for these factors, the control variables of trade and distance become insignificant. Countries with large, similarly-sized GDPs are more likely to revise their trade treaty commitments, as are countries that are jointly distant from other PTA partners (given by the Remoteness variable).[61] As global economies grow, so too does the rate at which countries revise their PTAs, as shown by the positive coefficient on the gross world product (GWP) variable.

Finally in Column (4) I examine how membership in institutions affects the rate of PTA revision. I find that pairs of countries that are both members of the OECD are more at risk of revising a PTA; joint OECD membership is associated with a more than four-fold

[61] This variable is constructed as in Baier, Bergstrand, and Mariutto 2014.

Table 3.4: Predicting treaty revisions: survival analysis (combined model)

	Survival analysis failure: treaty revision
	(1)
Exports (logged)	-0.005
	(0.019)
Distance (logged)	0.333***
	(0.107)
Bilateral trade imbalance	-0.054**
	(0.022)
PTA depth (Rasch score)	-0.458***
	(0.145)
Difference in Polity scores	0.017
	(0.015)
Both democracies	0.977***
	(0.185)
Common official or primary language	0.747***
	(0.153)
Common colonizer post 1945	0.474***
	(0.176)
GDP sum (logged, t-5)	0.290***
	(0.030)
GDP difference (logged, t-5)	-0.187***
	(0.036)
GDP per capita (own)	-0.013
	(0.064)
Remoteness	1.965***
	(0.428)
Same continent	-16.688***
	(3.626)
Exports as pct of GDP	0.003
	(0.002)
GWP change	0.139***
	(0.036)
Hegemony	-0.053
	(0.060)
Both in OECD	0.056
	(0.242)
Both in GATT	-0.697***
	(0.180)
Both in WTO	-0.737***
	(0.209)
Previous PTAs (ROW, t-5)	0.004**
	(0.002)
Previous PTAs (own, t-5)	-0.018***
	(0.004)
Previous PTAs (partner, t-5)	-0.019***
	(0.003)
Constant	-23.278***
	(1.670)
$\log(p)$	0.376***
z	(0.059)
Observations	41227

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

increase in the rate of PTA revision ($\exp(1.411) = 4.10$). Yet, membership in international trade organizations–the GATT and WTO–reduce the risk of revision. Similarly, membership in other PTAs also reduces the likelihood of a PTA revision. There are a number of reasons why this may be the case. Membership in numerous trade institutions may reduce the political importance of any single trade deal, leading to lower domestic calls for its upward or downward revision. At the international level, other trade agreements may provide a substitution effect, providing access in other issue-areas (i.e. reducing calls for a scope-expansion); providing improved market access such as in a recent plurilateral agreement; or reducing uncertainty by regularizing contact between PTA member officials, thus reducing the need for administrative revisions. Finally, as the absolute number of PTAs signed by the rest of the world increases, so too does the rate of PTA revision, although this may be capturing a time effect, since the number of PTAs signed in the world has increased monotonically.

Table 3.4 presents the results of a combined model. This gives us a sense of which factors maintain the most explanatory power once we include all other variables. Here we can see that on average, pairs of countries that are more likely to revise their trade commitments are jointly democratic; share cultural similarities; are economically large (and similarly sized); and are remote from other countries. Interestingly, we can see that higher export values are no longer associated with revisions. In fact, revisions are associated with more balanced trade (a lower absolute difference between imports and exports).

Do these findings support the hypotheses outlined earlier? Recalling the first hypothesis (renegotiations should, on average, result in more liberalization, rather than less), we can see that this is clearly the case, as only a small minority of revisions aim at decreasing

access. The second hypothesis (governments will tend to initiate revisions during favorable economic conditions) is partly supported. There is some evidence that revisions are associated with increased export volumes, although this finding does not hold up in the combined model with all variables. There is also evidence that revisions are more likely to take place when trade flows (imports and exports) are more balanced, although this finding *only* holds in the combined model. Furthermore, it seems that countries of a similar economic size are more likely to revise their commitments, which would support the notion that countries are less likely to revise their commitments if doing so would enable one party to impose its terms on another. Finally, revisions are clearly associated with increases in global economic output, as measured by GWP. We can conclude that on average, revisions certainly do not appear to coincide with *unfavorable* economic conditions between trading partners.

What of the third hypothesis (revisions will be more likely between countries with cultural similarities)? Here we can see that a common official language and a shared colonial past are both associated with revisions. This result holds up in both the split and combined models. To the extent that democratic values constitute cultural traits, H3 is further supported. There is strong evidence that a revision is more likely when both countries are democracies; this finding holds up in the combined model as well. The split model suggested that differences in polity scores were associated with increased likelihood of revisions, but this finding does not hold up once fully accounting for other factors in the combined model. In the split model (4) it is also clear that while membership in international trade institutions (the GATT and WTO) reduces the likelihood of revisions, joint OECD membership is positively associated with revisions. This provides additional support to H3 considering the OECD's coordinating role as a source of policy 'best practice'. In sum, it seem that revisions

are more likely in the context of favorable economic conditions, and between countries that share values.

3.7 Effects of renegotiations on cooperation

Above, we have seen that revisions are initiated at different times, across different world regions, and for agreements at differing levels of ambition. These findings provide novel insights into the nature and frequency of revisions. In this section I turn to the effects of treaty revisions on cooperation between signatories. Specifically, I examine whether treaty revisions have a substantive effect on trade. Does the uncertainty created by revisiting past commitments act as a brake on trade? Anecdotal evidence from the process of renegotiating NAFTA would suggest that this uncertainty discourages firms from investing or making other commercial commitments. Is this evidence of a wider trend? I use an error-correction model to differentiate between short- and long-term effects. I show that in general, revisions to trade treaties are not associated with a statistically significant increase in exports in the short-term. In the long-run though, revisions are generally associated with an *increase* in exports. The exception is for those revisions that aim at backtracking on past commitments by reducing market access. Such revisions are associated with reductions in exports both in the immediate term and in the long-run. In addition, those revisions that are purely administrative in nature are associated with a reduction in exports in the long-run, although they have no short-run effects.

I also discover an effect on bilateral trade imbalances. I find that those agreements that aim to reduce market access appear to correspond with widening bilateral trade imbal-

ances. In the long run though, revisions generally, and non-limiting revisions specifically, are associated with a reduction in imbalances between exports and imports. While not directly predicted by the theory, this effect may be evidence of the general consensual nature of renegotiations. This would be consistent with the argument given that I expect governments to collaborate on deepening their cooperation.

Below, the coefficients on the differenced variables indicate the short-run effect of those variables on the outcome (here, logged exports). The revision disturbs the equilibrium relationship between trade institutions and export flows, causing exports to be too low (or high, in the case of a review that reduces trade). Accordingly, exports increase (or decrease) until equilibrium is reached. The ultimate long-run multiplier effect (the extent of the increase or decrease) is given by the ratio of the coefficient of the lagged independent variables over the (negative) coefficient of the lagged dependent variable.[62] And the rate at which this increase (or decrease) occurs is given by the coefficient on the lagged dependent variable. While the ratio of these two variables provides the substantive effect, we cannot determine the statistical significance directly. To do so we can use Bewley's (1979) transformation.[63] Conveniently, this model provides us with the substantive effect and statistical significance of the long-run multiplier directly, given by the coefficient on the lagged independent variable. Finally, because the independent variable of interest (PTA revision) is binary, differencing this variable captures the shift from non-revised ('0') to revised ('1') states. But it also captures the return to a 'normal' state of affairs (from '1' to '0'), returning a value of '-1'. This has no theoretical meaning for current purposes, and so like Chow and Kono (2017,

[62]De Boef and Keele 2008.

[63]This procedure involves regressing the un-differenced DV on linear prediction of the differenced DV, the differenced IVs and the lagged IVs.

898) I use a differenced variable coded '1' on revision, and '0' for subsequent, non-revision years.[64]

Table 3.5 presents the results. The four columns examine the effects of four different types of revision. I first make no distinction between different types of revision (Column 1). Next I limit revisions to those aimed at reducing market access (Column 2). Third, I examine only administrative revisions, while finally I examine the effects of all revisions except for 'limiting' revisions (Column 4). Short-run effects are given by the bolded coefficient on the first-differenced 'Revision' variable, while the long-run multiplier effect is given by the bolded coefficient on the lagged 'Revision' variable, following Bewley's transformation. We would expect that were revisions to have a varied effect on trade depending on their nature, we should see an increasingly positive effect as we move from Column (2) through Column (4).

This is indeed what we find. In Column (1) we see that there is no significant short-run effect of a PTA revision on logged exports. We can calculate the substantive long-run effect as 0.25 (0.052/(-0.209)*-1). Note that this figure is equivalent to that given by the coefficient on the lagged Revision variable following Bewley's transformation. Using Bewley's transformation we can see that this effect is significant at the 99% confidence interval.

In Column (2), we can see that limiting revisions appear to achieve their stated objective: following such a revision there is an immediate short-run reduction of around 0.5 in logged exports, while the long-run effect of a limiting revision is a reduction in logged exports of around 1.9. To provide some context, the mean of logged exports across the entire population of countries in the sample is around 10.4 and the standard deviation is 7.7.

In Column (3), we see that administrative revisions in isolation have no immediate

[64]See also Chapter 2.

Table 3.5: Long- and short-run effects of PTA revisions on goods exports

	DV: D.Logged exports			
	Error correction model			
	(1)	(2)	(3)	(4)
Type of revision	*All*	*Limiting*	*Administrative*	*Non-limiting*
First differences				
D.Revision	**0.053**	**-0.516*****	**-0.013**	**0.115**
	(0.070)	**(0.086)**	**(0.069)**	**(0.081)**
Lags				
L.Revision	0.052	-0.393***	-0.150	0.173**
	(0.062)	(0.067)	(0.142)	(0.071)
L.Exports (logged)	-0.209***	-0.209***	-0.209***	-0.209***
	(0.005)	(0.005)	(0.005)	(0.005)
Constant	-7.213***	-7.224***	-7.217***	-7.207***
	(0.409)	(0.416)	(0.416)	(0.409)
	Long-run effects (Bewley's transformation)			
Lags (long-term effects)				
L.Revision	**0.251*****	**-1.880*****	**-0.718*****	**0.825*****
	(0.063)	**(0.066)**	**(0.142)**	**(0.071)**
Fitted values	-3.776***	-3.787***	-3.787***	-3.776***
	(0.026)	(0.026)	(0.026)	(0.026)
Constant	-34.454***	-34.580***	-34.550***	-34.419***
	(0.336)	(0.342)	(0.342)	(0.335)
Observations	93041	91650	91650	93041

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

effect on exports, but in the long run they are associated with a decrease–though around half that in magnitude of limiting revisions. Finally in Column (4) we can see that non-limiting revisions have no statistically significant short-run effect on exports. In the long-run however, such revisions are associated with an increase in logged exports of around 0.83.[65]

I also uncovered an additional effect on bilateral trade balances, given as the absolute difference between logged exports and logged imports. While not predicted directly by the theory, the results are nevertheless consistent. In Table 3.6, a negative effect signifies a reduction in the difference between imports and exports, hence a reduction in the imbalance

[65]I also run models including dyad fixed-effects, which return similar results except for the administrative revisions model; here there is no statistically significant effect either in the short- or long-run.

Table 3.6: PTA Revisions and bilateral trade imbalances: error correction model

	DV: D.Bilateral trade imbalances			
	Error correction model			
	(1)	(2)	(3)	(4)
Type of revision	*All*	*Limiting*	*Administrative*	*Non-limiting*
First differences (short-term effects)				
D.Revision	**-0.023**	**0.335*****	**0.001**	**-0.044**
	(0.071)	**(0.115)**	**(0.090)**	**(0.081)**
Lags				
L.Revision	-0.056	0.030	0.068	-0.078
	(0.066)	(0.106)	(0.102)	(0.077)
L.Bilateral trade balance	-0.397***	-0.397***	-0.397***	-0.397***
	(0.008)	(0.009)	(0.009)	(0.008)
Constant	8.304***	8.298***	8.296***	8.303***
	(0.484)	(0.491)	(0.491)	(0.483)
	Long-run effects (Bewley's transformation)			
Lags (long-run effects)				
L.Revision	**-0.140****	**0.076**	**0.171***	**-0.196****
	(0.066)	**(0.106)**	**(0.102)**	**(0.077)**
Fitted values	-1.518***	-1.519***	-1.519***	-1.518***
	(0.021)	(0.021)	(0.021)	(0.021)
Constant	20.906***	20.906***	20.900***	20.903***
	(0.463)	(0.471)	(0.471)	(0.463)
Observations	92770	91380	91380	92770

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

in trade between partners. In other respects the estimation of the models is identical to that in Table 3.5. In Column (1) we see that there is no immediate effect on the trade imbalance associated with a revision in general, but that there is a long-term reduction: revisions help to balance trade between partners.

What of limiting revisions? In Column (2) we see that such revisions are associated with a short term *worsening* of trade imbalances: where limiting revisions take place, exports and imports become even more out of kilter. Yet this effect does not seem to last, and in the long-run limiting revisions are associated with no significant effect on trade imbalances. In Column (3), we can see that no short short-term relationship between administrative revisions and trade imbalances. In the long-term, it seems that administrative revisions are

associated with a worsening of trade imbalances, although this effect is not significant at the conventional 95% confidence interval, only at 90%. Finally, non-limiting revisions (Column 4) are associated with a balancing of imports and exports that is slightly larger in magnitude to that associated with revisions in general. To provide some indication of the relative size of these effects, the mean size of the bilateral trade imbalance variable is 3.5, and the standard deviation is 4.3.

To the extent that the negotiating process is seen as one of balancing the market-access interests of different parties, it may make sense that a renegotiation achieves greater parity between countries' respective exports. Indeed, Koremenos considers this one of the motivations for limited-duration agreements: they enable countries to "adjust the distribution of gains for the effects of the shocks that cumulate during each agreement".[66] It is probable that limiting agreements are less motivated by a desire to further cooperate, and therefore may be disproportionately dominated by the interests of one signatory. This would go some way to explaining why such revisions are associated with a widening of trade imbalances. In sum, these findings are consistent with the argument given the theory's vision of trade treaty renegotiations as a collaborative endeavor between signatories.

To recap these quantitative results, those revisions that sought to limit trade achieved their objective (H4b), while non-limiting revisions resulted in greater export flows (H4a). It is a little more difficult to understand the effects of administrative revisions, which result in lower export volumes in the long-run. It is possible that such revisions may sometimes place an additional burden on exporters, thereby reducing trade. It is also possible that such revisions are used as protectionism in disguise, if they result in lower compliance with the

[66]Koremenos 2005, 551.

terms of an agreement. Finally, it may be that if these revisions are not sufficiently well-signaled as enhancing cooperation they generate uncertainty about country commitments, in line with the conventional 'credible commitments' view of cooperation. While this last point is speculative, it would suggest an important role for social context and signaling in communicating government intentions.

3.8 Conclusion

High profile renegotiations of countries' treaty commitments have recently been viewed as a major source of economic uncertainty and as a sign of a liberal order under threat. Yet beyond a few prominent cases we know very little about when and why countries choose to revisit their past treaty commitments. This chapter contributes to remedying this gap in our knowledge by introducing a new dataset of revisions to international trade agreements signed after the year 2000. Based on a few prominent cases, such as the revision of NAFTA under the Trump administration, renegotiations are generally understood as a breakdown in cooperation. The new data presented in this chapter show that in fact, governments usually use renegotiations to deepen cooperation. And while renegotiations are usually seen as rare events, the data show that they are surprisingly common.

I first justify the data collection by critically surveying the literature on treaty commitments in the context of international trade. Motivations for signing international trade agreements vary, but observers agree that such agreements function by providing policymakers and economic actors with a 'credible' indication of a stable policy environment–in other words, a promise not to backslide on commitments. In light of this conventional understand-

ing of the economic benefits of stable treaty commitments, revisions to past deals present a clear puzzle as they call into question a key tenet of the literature on 'credible commitments', namely that commitments are credible because they tie actors' hands.

I argue that renegotiations (usually) attract less public attention than initial negotiations. Establishing new trade agreements is hotly contested by the winners and losers from trade liberalization. Once the legal text of agreements is established however, future amendments become a more technocratic exercise undertaken by trade experts. This lack of public scrutiny limits opportunities for opponents of liberalization to mobilize, and provides liberal-minded policymakers with a means of inserting further liberalization. This argument would suggest that hand-tying is less important in making commitments credible than would usually be assumed. Treaty commitments are credible not only because they tie the hands of signatory governments, but also because negotiated outcomes reduce the political power of opponents to the covered agreement (such as trade liberalization), reducing the ability of opponents to mobilize. Commitments are further sustained by ongoing interactions between signatories that support a shared worldview about the legitimate purpose of cooperation.

Analysis using novel data on trade agreement renegotiations supports the argument. Descriptive statistics show that around a quarter of agreements signed since the year 2000 have been revised. When including minor amendments, this figure rises to over 40%. The mean time to revision is strikingly short at just under five years. Examining the types of revision made, I find that less than 10% of revisions were aimed at backtracking on past commitments. Indeed, around half of all revisions aimed at either deepening existing market access commitments, broadening the scope of commitments to new issue-areas, or a combination of both of these elements through an 'upgrade' to the agreement. Around a

quarter of revisions were administrative in nature, and protocols (mostly used to address a stand-alone issue) represented around 18% of revisions.

Revisions occurred across all geographic regions, although the most common type of revision varied depending on the region of signatories. Revisions also occurred at different depths of agreement. As one would expect, more ambitious deals were less likely to be upgraded or to have new issue-areas added to them.

I then turned to quantitative analysis. Using survival analysis, I first examined the reasons for a revision to be launched. I expect that governments that share cultural or regime-type affinities are more likely to cooperate in improving their agreements out of the public eye. I find that revisions are significantly more likely between pairs of democracies, and more likely between countries that share an official language, and which have a shared colonial experience. While these are unlikely to be 'push' factors in the initiation of a revision, cultural affinities may facilitate shared understandings of both the purpose of the initial agreement, and the purpose of a revision. Turning to economic factors, it appears that large, similarly-sized economies with high export volumes are more likely to revise their treaty commitments. This finding suggests that revisions are more likely to take place where the initial agreement has overseen growth in bilateral trade, and where a new set of negotiations is not likely to dramatically disadvantage one party due to unequal bargaining strength. Finally, joint membership in international economic institutions (the WTO and GATT) appears to reduce the likelihood of a revision, but joint membership in the OECD is significantly associated with increasing likelihood of a revision. This makes sense in light of the preponderance of liberalizing renegotiations given the latter institution's importance as a coordinating arena for the development of liberal policy.

Do revisions have an effect on trade? If the conventional view on credible commitments is correct, we would expect revisions to be harmful to international trade flows. In fact, revisions are associated with a long-run increase in exports and a narrowing in trade imbalances. This finding is particularly strong for those revisions that do not aim at limiting market access among signatories. Revisions of the latter type appear to meet their objective: they are associated with both an immediate and long-run reduction in exports.

These findings provide ample scope for further research. There is some indication from interviews with policymakers that precedent exerts a normative pull related to the idea of trade liberalization as progress. Because of the dominant view of trade liberalization as an *ongoing process* with free trade being the ideal goal, governments and their negotiators are reluctant to go 'backwards'. Since revisions are relatively isolated from domestic political forces, the normative force of precedent operates overwhelmingly to push negotiators to cooperate more, rather than less. Yet, viewing trade liberalization as progress is contingent on dominant narratives about the desirability of free trade, suggesting that the normative pull of past commitments should not be taken for granted. The stability of the trade regime is likely to be relatively contingent on beliefs about desired outcomes being broadly held by government actors. Where governments are more willing to question the orthodoxy that underpins trade cooperation, revisions may well become more political, and result in less liberalizing outcomes.

Future research can also build on anecdotal evidence by delving into case studies of renegotiations. Since the 1980s, New Zealand has progressively deepened trade liberalization with partners through revisions to its agreements. This began with revisions in 1988 to the Australia New Zealand Closer Economic Relations Trade Agreement (ANZCERTA, popu-

larly CER), and now includes major revisions to the agreements with China and Singapore. The European Union is also upgrading agreements, including with both Chile and Mexico. In the European and New Zealand cases, trade agreement upgrades have taken place with relatively little public attention, and have resulted in a gradual increase in commitments. This contrasts with the NAFTA experience, and illustrates the importance of social context in sustaining cooperation in trade agreements. Qualitative research on these cases will help to better test the causal mechanisms of the theory presented here.

To restate the main argument, renegotiations are usually synonymous with backsliding. I show that in fact, they result in increased cooperation. Renegotiations are not breakdowns in cooperation, they are the renewal of countries' vows.

3.9 Appendix to Chapter 3

Table 3.7: Summary statistics of key variables for Chapter 3

Variable	Mean	N	Standard deviation	Minimum	Maximum	Skewness	Kurtosis
PTA entry	0.014455	506267	0.119356	0	1	8.136076	67.19573
PTA depth (Index)	3.203818	7438	2.41218	0	7	0.513412	1.73303
PTA depth (Rasch)	0.72746	6724	0.630561	-1.72845	1.885116	-0.65998	3.87624
PTA revision	0.001053	507223	0.03243	0	1	30.77104	947.8569
Any PTA addition or change	0.00164	507223	0.040467	0	1	24.63016	607.6447
Limiting revision	0.009603	6873	0.097529	0	1	10.05714	102.1461
Administrative revision	0.033173	6873	0.179102	0	1	5.213353	28.17905
Upgrade revision	0.008439	6873	0.091481	0	1	10.74749	116.5085
Increased access revision	0.018042	6873	0.133112	0	1	7.241947	53.44579
Increased scope revision	0.016005	6873	0.125502	0	1	7.7135	60.49808
Protocol	0.027644	6873	0.163964	0	1	5.762128	34.20211
Sum of GDP (lagged 5 years)	47.61351	447924	3.253337	36.16866	60.9017	0.23755	2.872153
Difference in GDP (lagged 5 years)	2.765221	447924	2.036909	0	13.67647	0.868827	3.381592
Logged exports (lagged 10 years)	9.121641	435327	7.758348	0	27.15936	-0.07227	1.432404
Previous FTAs (own, t-5)	15.32746	493662	16.27305	0	88	2.354659	8.782626
Previous FTAs (partner's, t-5)	14.52616	493662	15.86881	-1	88	2.433476	9.348531
Previous PTAs (ROW, t-5)	677.1824	506267	89.19423	479	789	-0.50893	2.010889
Polity scores (own)	4.214213	428942	6.124871	-10	10	-0.84885	2.301696
Polity scores (partner)	4.007625	413655	6.217787	-10	10	-0.81187	2.227442
Distance (logged)	8.718345	483085	0.785726	4.087945	9.898699	-1.26656	5.08642
Remoteness	1.62703	480418	3.322286	0	9.422161	1.554584	3.422783
Same continent	0.234763	506267	0.423851	0	1	1.251556	2.566392
Year	2007.48	507223	4.612843	2000	2016	0.005154	1.790022
GWP change	3.894876	507223	1.42257	-0.1	5.6	-1.09284	4.369069
Hegemony	12.13077	507167	1.682312	10.12427	15.51264	0.828133	2.435278
Alliance	0.091911	507195	0.288901	0	1	2.825112	8.981258
Colonial relationship post-1945	0.00781	483085	0.08803	0	1	11.18236	126.0452
Previous conflict	0.007979	507223	0.088967	0	1	11.06079	123.3411

Additional regression tables

In what follows I present full regression tables for Chapter 3. Table 3.8 presents the full output from error correction models (ECM) that examine the effects of PTA revisions on exports between PTA partners. These results are the same as in Table 3.5, but here all control variables are presented. As in Chapter 3, the dependent variable is change in logged exports. In Table 3.8, the short-run effects of revisions on exports are given by the coefficients on the differenced explanatory variables. The long-run effect is not as readily interpreted. The long-run multiplier effect (the extent of the increase or decrease) is calculated as the product of the lagged explanatory variable of interest divided by the (negative) coefficient of the lagged dependent variable.[67] Thus in Columns (1) and (2) we see that the substantive long-run effect of a revision on lagged exports is

$$0.052/-0.209\times-1=0.250 \quad (1)$$

$$\text{and} \quad -0.393/-0.209\times-1=1.880 \quad (2)$$

Yet we cannot easily determine the statistical significance of this result. For this we use Bewley's (1979) transformation. To do this we regress the un-differenced dependent variable (exports) on the linear prediction of the differenced dependent variable (obtained from the regression discussed above), the differenced independent variables, and the lagged independent variables. The result of this procedure is presented in Table 3.9.

[67] De Boef and Keele 2008.

Table 3.8: PTA Revisions and trade flows: error correction model (short-run effects)

	DV: D.Logged exports			
	Error correction model			
	(1)	(2)	(3)	(4)
Type of revision	*All*	*Limiting*	*Administrative*	*Non-limiting*
First differences (short-term effects)				
D.Revision	**0.053**	**-0.516*****	**-0.013**	**0.115**
	(0.070)	**(0.086)**	**(0.069)**	**(0.081)**
D.Alliance	-0.243	-0.286	-0.288	-0.243
	(0.631)	(0.661)	(0.661)	(0.631)
D.Polity scores (own)	-0.019**	-0.019**	-0.019**	-0.019**
	(0.009)	(0.009)	(0.009)	(0.009)
D.Polity scores (partner)	-0.000	-0.000	-0.000	-0.000
	(0.008)	(0.008)	(0.008)	(0.008)
D.GDP sum (logged, t-5)	0.115***	0.111***	0.112***	0.115***
	(0.040)	(0.040)	(0.040)	(0.040)
D.GDP difference (logged, t-5)	-0.117*	-0.111*	-0.112*	-0.117*
	(0.063)	(0.064)	(0.064)	(0.063)
D.Previous PTAs (ROW, t-5)	0.008***	0.008***	0.009***	0.008***
	(0.003)	(0.003)	(0.003)	(0.003)
D.Previous PTAs (own, t-5)	0.047***	0.047***	0.047***	0.047***
	(0.006)	(0.006)	(0.006)	(0.006)
D.Previous PTAs (partner, t-5)	-0.026***	-0.027***	-0.027***	-0.026***
	(0.007)	(0.007)	(0.007)	(0.007)
D.WTO_A	0.288*	0.294*	0.294*	0.288*
	(0.160)	(0.162)	(0.162)	(0.160)
D.WTO_B	0.363**	0.362**	0.363**	0.363**
	(0.148)	(0.149)	(0.149)	(0.148)
Lags				
L.Revision	0.052	-0.393***	-0.150	0.173**
	(0.062)	(0.067)	(0.142)	(0.071)
L.Alliance	0.192***	0.194***	0.192***	0.193***
	(0.025)	(0.025)	(0.025)	(0.025)
L.Previous conflict	-0.178**	-0.172*	-0.174*	-0.177**
	(0.089)	(0.090)	(0.090)	(0.089)
L.1 for contiguity	0.083**	0.080**	0.080**	0.083**
	(0.040)	(0.040)	(0.040)	(0.040)
L.Polity scores (own)	0.006***	0.006***	0.006***	0.006***
	(0.002)	(0.002)	(0.002)	(0.002)
L.Polity scores (partner)	-0.004**	-0.004**	-0.004**	-0.004**
	(0.002)	(0.002)	(0.002)	(0.002)
L.GDP sum (logged, t-5)	0.267***	0.266***	0.266***	0.267***
	(0.009)	(0.009)	(0.009)	(0.009)
L.GDP difference (logged, t-5)	0.038***	0.037***	0.037***	0.038***
	(0.006)	(0.006)	(0.006)	(0.006)
L.Distance (logged)	-0.395***	-0.394***	-0.394***	-0.395***
	(0.020)	(0.020)	(0.020)	(0.020)
L.Remoteness	0.555***	0.562***	0.562***	0.553***
	(0.066)	(0.067)	(0.067)	(0.067)
L.Same continent	-4.528***	-4.581***	-4.581***	-4.508***
	(0.553)	(0.558)	(0.558)	(0.553)
L.Previous PTAs (ROW, t-5)	0.000	0.000	0.000	0.000
	(0.000)	(0.000)	(0.000)	(0.000)
L.Previous PTAs (own, t-5)	-0.000	-0.000	-0.000	-0.000
	(0.000)	(0.000)	(0.000)	(0.000)
L.Previous PTAs (partner, t-5)	-0.005***	-0.005***	-0.005***	-0.005***
	(0.001)	(0.001)	(0.001)	(0.001)
L.GATT_A	-0.142***	-0.154***	-0.154***	-0.141***
	(0.026)	(0.027)	(0.027)	(0.026)
L.GATT_B	-0.116***	-0.121***	-0.122***	-0.115***
	(0.029)	(0.029)	(0.029)	(0.029)
L.WTO_A	0.454***	0.467***	0.467***	0.454***
	(0.050)	(0.050)	(0.050)	(0.050)
L.WTO_B	0.122***	0.128***	0.128***	0.122***
	(0.045)	(0.045)	(0.045)	(0.045)
L.Exports (logged)	-0.209***	-0.209***	-0.209***	-0.209***
	(0.005)	(0.005)	(0.005)	(0.005)
Constant	-7.213***	-7.224***	-7.217***	-7.207***
	(0.409)	(0.416)	(0.416)	(0.409)
Observations	93041	91650	91650	93041
R^2	0.112	0.112	0.112	0.113

Table 3.9: PTA Revisions and trade flows: error correction model (long-run effects)

	DV: D.Logged exports			
	Error correction model (Bewley's transformation)			
	(1)	(2)	(3)	(4)
Type of revision	*All*	*Limiting*	*Administrative*	*Non-limiting*
First differences				
D.Revision	0.252***	-2.468***	-0.060	0.549***
	(0.070)	(0.085)	(0.069)	(0.081)
D.Alliance	-1.159*	-1.369**	-1.377**	-1.159*
	(0.631)	(0.661)	(0.661)	(0.631)
D.Polity scores (own)	-0.091***	-0.091***	-0.091***	-0.091***
	(0.009)	(0.009)	(0.009)	(0.009)
D.Polity scores (partner)	-0.001	-0.002	-0.002	-0.001
	(0.008)	(0.008)	(0.008)	(0.008)
D.GDP sum (logged, t-5)	0.551***	0.533***	0.536***	0.550***
	(0.039)	(0.040)	(0.040)	(0.039)
D.GDP difference (logged, t-5)	-0.557***	-0.529***	-0.535***	-0.558***
	(0.063)	(0.064)	(0.064)	(0.063)
D.Previous PTAs (ROW, t-5)	0.039***	0.041***	0.041***	0.039***
	(0.003)	(0.003)	(0.003)	(0.003)
D.Previous PTAs (own, t-5)	0.225***	0.224***	0.224***	0.225***
	(0.005)	(0.006)	(0.006)	(0.005)
D.Previous PTAs (partner, t-5)	-0.124***	-0.130***	-0.130***	-0.125***
	(0.007)	(0.007)	(0.007)	(0.007)
D.WTO_A	1.375***	1.406***	1.407***	1.373***
	(0.160)	(0.162)	(0.162)	(0.160)
D.WTO_B	1.735***	1.735***	1.736***	1.734***
	(0.148)	(0.149)	(0.149)	(0.148)
Lags (long-run effects)				
L.Revision	**0.251*** **	**-1.880*** **	**-0.718*** **	**0.825*** **
	(0.063)	**(0.066)**	**(0.142)**	**(0.071)**
L.Alliance	0.919***	0.931***	0.921***	0.921***
	(0.025)	(0.025)	(0.025)	(0.025)
L.Previous conflict	-0.849***	-0.824***	-0.832***	-0.846***
	(0.089)	(0.090)	(0.090)	(0.089)
L.1 for contiguity	0.394***	0.383***	0.383***	0.394***
	(0.040)	(0.040)	(0.040)	(0.040)
L.Polity scores (own)	0.029***	0.029***	0.029***	0.029***
	(0.002)	(0.002)	(0.002)	(0.002)
L.Polity scores (partner)	-0.021***	-0.021***	-0.021***	-0.021***
	(0.002)	(0.002)	(0.002)	(0.002)
L.GDP sum (logged, t-5)	1.276***	1.274***	1.273***	1.275***
	(0.004)	(0.004)	(0.004)	(0.004)
L.GDP difference (logged, t-5)	0.181***	0.178***	0.177***	0.181***
	(0.006)	(0.006)	(0.006)	(0.006)
L.Distance (logged)	-1.887***	-1.884***	-1.886***	-1.887***
	(0.016)	(0.017)	(0.017)	(0.016)
L.Remoteness	2.653***	2.689***	2.690***	2.641***
	(0.066)	(0.067)	(0.067)	(0.066)
L.Same continent	-21.628***	-21.926***	-21.930***	-21.527***
	(0.547)	(0.552)	(0.552)	(0.547)
L.Previous PTAs (ROW, t-5)	0.001**	0.001***	0.001***	0.001**
	(0.000)	(0.000)	(0.000)	(0.000)
L.Previous PTAs (own, t-5)	-0.001	-0.000	-0.000	-0.001
	(0.000)	(0.000)	(0.000)	(0.000)
L.Previous PTAs (partner, t-5)	-0.023***	-0.023***	-0.023***	-0.023***
	(0.001)	(0.001)	(0.001)	(0.001)
L.GATT_A	-0.677***	-0.736***	-0.736***	-0.674***
	(0.026)	(0.026)	(0.026)	(0.026)
L.GATT_B	-0.553***	-0.581***	-0.582***	-0.550***
	(0.029)	(0.029)	(0.029)	(0.029)
L.WTO_A	2.168***	2.237***	2.238***	2.166***
	(0.048)	(0.049)	(0.049)	(0.048)
L.WTO_B	0.585***	0.612***	0.613***	0.584***
	(0.045)	(0.046)	(0.046)	(0.045)
Fitted values	-3.776***	-3.787***	-3.787***	-3.776***
	(0.026)	(0.026)	(0.026)	(0.026)
Constant	-34.454***	-34.580***	-34.550***	-34.419***
	(0.336)	(0.342)	(0.342)	(0.335)
Observations	93041	91650	91650	93041
R^2	0.832	0.832	0.832	0.832

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

We can see that the substantive effects of revisions on exports are equivalent whether calculated manually or provided by Bewley's (1979) transformation. Thus the long-run effect of a revision in Column (1) that we calculated manually was 0.250. We can see that the result of this as presented in Table 3.9 is equivalent at 0.251 (there is a difference due to rounding error). Note then that in Chapter 3 these models are combined such that the long-run effects are given directly.

The following Tables 3.10 and 3.11 present equivalent full ECM models testing the relationship between PTA revisions and bilateral trade imbalances. These are the full models corresponding to results presented in Table 3.6. As above, the short-run effects are given by the coefficients on the differenced independent variables, while the long-run effects are given directly by the coefficients on the lagged explanatory variables in Table 3.11.

Table 3.10: PTA Revisions and bilateral trade imbalances: error correction model

	DV: D.Bilateral trade imbalances Error correction model			
	(1)	(2)	(3)	(4)
Type of revision	*All*	*Limiting*	*Administrative*	*Non-limiting*
First differences (short-term effects)				
D.Revision	**-0.023**	**0.335*****	**0.001**	**-0.044**
	(0.071)	**(0.115)**	**(0.090)**	**(0.081)**
D.Alliance	-0.075	-0.105	-0.105	-0.076
	(0.752)	(0.789)	(0.789)	(0.752)
D.Polity scores (own)	0.020**	0.020**	0.020**	0.020**
	(0.010)	(0.010)	(0.010)	(0.010)
D.Polity scores (partner)	0.010	0.010	0.010	0.010
	(0.009)	(0.009)	(0.009)	(0.009)
D.GDP sum (logged, t-5)	-0.039	-0.030	-0.030	-0.039
	(0.053)	(0.054)	(0.054)	(0.053)
D.GDP difference (logged, t-5)	0.166*	0.174**	0.174**	0.166*
	(0.086)	(0.087)	(0.087)	(0.086)
D.Previous PTAs (ROW, t-5)	-0.005	-0.005	-0.005	-0.005
	(0.003)	(0.004)	(0.004)	(0.003)
D.Previous PTAs (own, t-5)	-0.006	-0.004	-0.004	-0.005
	(0.006)	(0.006)	(0.006)	(0.006)
D.Previous PTAs (partner, t-5)	0.000	0.002	0.002	0.000
	(0.006)	(0.007)	(0.007)	(0.006)
D.WTO_A	-0.264	-0.268	-0.268	-0.264
	(0.177)	(0.179)	(0.179)	(0.177)
D.WTO_B	-0.651***	-0.661***	-0.661***	-0.650***
	(0.193)	(0.194)	(0.194)	(0.193)
Lags				
L.Revision	-0.056	0.030	0.068	-0.078
	(0.066)	(0.106)	(0.102)	(0.077)
L.Alliance	-0.026	-0.028	-0.027	-0.027
	(0.041)	(0.041)	(0.041)	(0.041)
L.Previous conflict	0.147	0.139	0.140	0.147
	(0.140)	(0.141)	(0.141)	(0.140)
L.1 for contiguity	-0.076	-0.069	-0.069	-0.076
	(0.060)	(0.060)	(0.060)	(0.060)
L.Polity scores (own)	-0.004*	-0.004	-0.004	-0.004*
	(0.002)	(0.002)	(0.002)	(0.002)
L.Polity scores (partner)	-0.001	-0.001	-0.001	-0.001
	(0.002)	(0.002)	(0.002)	(0.002)
L.GDP sum (logged, t-5)	-0.187***	-0.187***	-0.187***	-0.187***
	(0.008)	(0.008)	(0.008)	(0.008)
L.GDP difference (logged, t-5)	0.005	0.004	0.004	0.005
	(0.009)	(0.009)	(0.009)	(0.009)
L.Distance (logged)	0.247***	0.250***	0.250***	0.247***
	(0.024)	(0.024)	(0.024)	(0.024)
L.Remoteness	-0.296***	-0.297***	-0.297***	-0.295***
	(0.094)	(0.094)	(0.094)	(0.094)
L.Same continent	2.362***	2.365***	2.366***	2.357***
	(0.780)	(0.787)	(0.787)	(0.781)
L.Previous PTAs (ROW, t-5)	0.001**	0.001**	0.001**	0.001**
	(0.000)	(0.000)	(0.000)	(0.000)
L.Previous PTAs (own, t-5)	0.001	0.001	0.001	0.001
	(0.001)	(0.001)	(0.001)	(0.001)
L.Previous PTAs (partner, t-5)	0.001	0.001	0.001	0.001
	(0.001)	(0.001)	(0.001)	(0.001)
L.GATT_A	0.239***	0.237***	0.237***	0.238***
	(0.036)	(0.037)	(0.037)	(0.036)
L.GATT_B	0.237***	0.243***	0.243***	0.237***
	(0.037)	(0.038)	(0.038)	(0.037)
L.WTO_A	-0.527***	-0.527***	-0.527***	-0.527***
	(0.065)	(0.065)	(0.065)	(0.065)
L.WTO_B	-0.389***	-0.396***	-0.397***	-0.389***
	(0.059)	(0.060)	(0.060)	(0.059)
L.Bilateral trade balance	-0.397***	-0.397***	-0.397***	-0.397***
	(0.008)	(0.009)	(0.009)	(0.008)
Constant	8.304***	8.298***	8.296***	8.303***
	(0.484)	(0.491)	(0.491)	(0.483)
Observations	92770	91380	91380	92770
R^2	0.205	0.204	0.204	0.205

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table 3.11: PTA Revisions and bilateral trade imbalances: ECM (long-run effects)

	DV: D.Bilateral trade imbalances			
	Error correction model (Bewley's transformation)			
	(1)	(2)	(3)	(4)
Type of revision	*All*	*Limiting*	*Administrative*	*Non-limiting*
First differences				
D.Revision	-0.058	0.844***	0.003	-0.111
	(0.071)	(0.115)	(0.090)	(0.081)
D.Alliance	-0.190	-0.265	-0.264	-0.190
	(0.752)	(0.789)	(0.789)	(0.752)
D.Polity scores (own)	0.050***	0.050***	0.050***	0.049***
	(0.010)	(0.010)	(0.010)	(0.010)
D.Polity scores (partner)	0.026***	0.026***	0.026***	0.026***
	(0.009)	(0.009)	(0.009)	(0.009)
D.GDP sum (logged, t-5)	-0.099*	-0.075	-0.076	-0.099*
	(0.053)	(0.054)	(0.054)	(0.053)
D.GDP difference (logged, t-5)	0.418***	0.439***	0.439***	0.418***
	(0.086)	(0.087)	(0.087)	(0.086)
D.Previous PTAs (ROW, t-5)	-0.012***	-0.012***	-0.012***	-0.012***
	(0.003)	(0.004)	(0.004)	(0.003)
D.Previous PTAs (own, t-5)	-0.014**	-0.011*	-0.011*	-0.014**
	(0.006)	(0.006)	(0.006)	(0.006)
D.Previous PTAs (partner, t-5)	0.001	0.005	0.005	0.001
	(0.006)	(0.007)	(0.007)	(0.006)
D.WTO_A	-0.665***	-0.676***	-0.676***	-0.665***
	(0.177)	(0.179)	(0.179)	(0.177)
D.WTO_B	-1.638***	-1.665***	-1.665***	-1.637***
	(0.193)	(0.194)	(0.194)	(0.193)
Lags (long-run effects)				
L.Revision	**-0.140****	**0.076**	**0.171***	**-0.196****
	(0.066)	**(0.106)**	**(0.102)**	**(0.077)**
L.Alliance	-0.067	-0.071*	-0.069*	-0.067*
	(0.041)	(0.041)	(0.041)	(0.041)
L.Previous conflict	0.370***	0.350**	0.352**	0.369***
	(0.140)	(0.141)	(0.141)	(0.140)
L.1 for contiguity	-0.192***	-0.175***	-0.175***	-0.192***
	(0.060)	(0.060)	(0.060)	(0.060)
L.Polity scores (own)	-0.010***	-0.009***	-0.009***	-0.010***
	(0.002)	(0.002)	(0.002)	(0.002)
L.Polity scores (partner)	-0.003	-0.002	-0.002	-0.003
	(0.002)	(0.002)	(0.002)	(0.002)
L.GDP sum (logged, t-5)	-0.470***	-0.472***	-0.472***	-0.470***
	(0.007)	(0.007)	(0.007)	(0.006)
L.GDP difference (logged, t-5)	0.014	0.011	0.011	0.013
	(0.009)	(0.009)	(0.009)	(0.009)
L.Distance (logged)	0.623***	0.629***	0.629***	0.622***
	(0.023)	(0.023)	(0.023)	(0.023)
L.Remoteness	-0.745***	-0.747***	-0.748***	-0.744***
	(0.094)	(0.095)	(0.095)	(0.094)
L.Same continent	5.948***	5.959***	5.961***	5.935***
	(0.780)	(0.787)	(0.787)	(0.781)
L.Previous PTAs (ROW, t-5)	0.002***	0.002***	0.002***	0.002***
	(0.000)	(0.000)	(0.000)	(0.000)
L.Previous PTAs (own, t-5)	0.002**	0.002**	0.002**	0.002**
	(0.001)	(0.001)	(0.001)	(0.001)
L.Previous PTAs (partner, t-5)	0.002***	0.002***	0.002***	0.002***
	(0.001)	(0.001)	(0.001)	(0.001)
L.Self in GATT	0.601***	0.596***	0.597***	0.600***
	(0.036)	(0.037)	(0.037)	(0.036)
L.Partner in GATT	0.597***	0.612***	0.612***	0.597***
	(0.038)	(0.038)	(0.038)	(0.038)
L.Self in WTO	-1.326***	-1.328***	-1.329***	-1.326***
	(0.065)	(0.066)	(0.066)	(0.065)
L.Partner in WTO	-0.978***	-0.999***	-0.999***	-0.978***
	(0.060)	(0.060)	(0.060)	(0.060)
Fitted values	-1.518***	-1.519***	-1.519***	-1.518***
	(0.021)	(0.021)	(0.021)	(0.021)
Constant	20.906***	20.906***	20.900***	20.903***
	(0.463)	(0.471)	(0.471)	(0.463)
Observations	92770	91380	91380	92770
R^2	0.481	0.481	0.481	0.481

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

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Chapter 4

The Political Externalities of Institutional Exclusion: Preferential Trade Agreements and Political Relations with Third Party States

The two previous empirical chapters focused on preferential trade agreements as outcomes in the study of international relations. The final empirical chapter of the thesis examines how in turn, international economic institutions shape international cooperation. Global institutions are understood as one of the best means of achieving inter-state cooperation. Yet this perspective omits the effects of institutional creation on non-members. We know that exclusion from trade agreements affects countries' economic cooperation. I show here that exclusion also affects cooperation in other issue-areas. Excluded countries are generally prompted to seek closer political ties with institutional members in order to gain access to the excluding institution. But if excluded countries are instead more likely to create competing institutions, exclusion may result in worsening political ties. Case studies of the Trans-Pacific Partnership and Chinese institution-building in the Asia-Pacific illustrate the theory. Statistical analysis of the near-universe of Preferential Trade Agreements

(PTAs) and countries' voting affinities in the United Nations General Assembly (UNGA) further support the argument. Taken together with the previous empirical chapters, the argument here offers a vision of the global economy as an arena in which countries contest legal language, with cooperative and non-cooperative effects.

4.1 Introduction

The prevailing wisdom in international relations scholarship is that international institutions and regimes increase the possibility for cooperation between states.[1] In the context of the trade regime, the creation of preferential trade agreements (PTAs) is sometimes viewed as off-setting the failure to achieve liberalization at the multilateral World Trade Organization (WTO). This positive view of PTAs downplays their inherent exclusionary nature: they are *preferential* because they extend cooperation to some partners, but not to others. How does the formation of exclusionary international institutions affect the political relationships between members and non-members? I argue that the shift towards a regime characterized by more preferentialism, coupled with the expansion of trade agreements into new issue-areas,[2] has increased the benefits of agreement membership but also increased the costs of non-membership. Non-members of newly created trade agreements have incentives to mitigate against institutional exclusion by either creating a competing institution, or seeking membership in the new institution. Because accession to institutions is shaped by states' political relations, the creation of preferential agreements may lead non-members that have sound political ties with members to further improve those ties, in an effort to facilitate

[1] Keohane 1984; Koremenos, Lipson, and Snidal 2001; Ruggie 1982.
[2] Including many non-trade issues: Milewicz et al. 2016; Lechner 2016.

accession to the free trade area. Yet, countries that are already politically divided may fall further apart, as competing institutions deepen these divides. Worryingly, institutions designed to improve global cooperation may sometimes lead to non-cooperative outcomes.

There is a well-established literature showing that exclusion from preferential trade agreements affects international commercial ties. The political economy and economic literature has long recognized the potentially welfare-reducing and inefficient effects of trade diversion,[3] and more recently, investment diversion, which can arise from liberalizing economic relations between subsets of states. The diversionary effects of economic agreements sits behind powerful political economy explanations for the spread of regionalism.[4] Here, I show that exclusion from economic institutions also affects countries' cooperation in other issue-areas in international relations.

As such, the argument adds a novel twist to the literature on conflict and interdependence. Scholars in the liberal tradition tend to emphasize the pacifying effects of international economic institutions like trade agreements.[5] Some important observers have noted that the benefits of institutional membership can come at the cost of non-members,[6] but this observation has resulted in relatively little research on the political consequences of non-membership in institutions–especially trade institutions.

I use both qualitative and quantitative evidence to assess whether (and how) institutional exclusion affects states' political ties. In section 4.4 I use process-tracing, a method well-suited to developing new theory.[7] I present two case studies: the negotiations for

[3]Viner 1950.
[4]Mattli 1999; Baldwin 1997.
[5]Mansfield 2003; Mansfield and Pevehouse 2000; Russett and Oneal 2001. Although see Hafner-Burton and Montgomery 2012.
[6]Keohane 1984, 79.
[7]George and Bennett 2005.

the 'mega-regional' Trans-Pacific Partnership (TPP) agreement, and Chinese institution-building in the Asia-Pacific, notably in relation to the 'Belt and Road Initiative' (BRI). During its negotiation, the TPP was presented as an agreement that would set in place an ambitious approach to regulating trade and trade-related issues, which would serve as a template for the subsequent development of the trade architecture of the Asia-Pacific. Since the United States' withdrawal from the TPP in January 2017, the remaining 11 countries have adopted minor revisions to the agreement to exclude the most objectionable clauses, and signed the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) in March 2018. Policymakers, politicians, journalists and academic commentators frequently described the TPP in strategic terms as the economic counterpoint to the United States' 'pivot' to the Asia-Pacific, and as one means by which the US might counter the growing regional influence of China (a non-member).

Labelling the TPP an 'anti-China' agreement may be overstating the point. Nevertheless, negotiation of the TPP coincided with a more assertive effort on the part of China to promote alternative institutions in which it has a greater leadership role, notably around the BRI, sometimes called the 'One Belt, One Road'. The latter is admittedly not a PTA, but the initiative illustrates the argument. The BRI has been presented by Chinese officials as a cooperative endeavor, but it and its associated institutions have prompted Beijing's regional rivals (notably Japan and India) to develop competing initiatives. This qualitative evidence illustrates that non-membership in preferential agreements is political, and that the importance of membership appears to be particularly strong where agreements have the potential to set precedent for future deals.

The particular empirical importance of the (CP)TPP and of the BRI make these

'most likely' cases for the theory, and so we cannot rely solely on them to validate the argument.[8] Accordingly, I also leverage quantitative evidence. In section 4.5 I examine the effects of institutional creation on political ties between members and non-members, as proxied for by voting affinity in the United Nations General Assembly (UNGA).[9] Where a country signs a PTA in a given region, voting affinities between that state and non-member states from that same region are measurably affected. In general, the creation of a new PTA is associated with more similar voting behavior between an excluded state and the member of the new institution. This is particularly so where countries share membership in multilateral trade institutions, namely the General Agreement on Tariffs and Trade (GATT) and the World Trade Organization (WTO). Yet where countries have a history of very different voting behavior at the UNGA, non-membership in a new PTA is associated with *decreasing* UNGA voting affinity. Using an error-correction model, I show that PTA non-membership is associated with a long-run improvement in the ties of most country-pairs that are jointly members of the GATT/WTO, but with a degradation of ties between those countries with a history of poor relations.

Next, section 4.2 situates the chapter in the literature on trade, trade agreements, and conflict. Section 4.3 outlines the chapter's argument and hypotheses. Section 4.4 then tests the argument using the cases of the TPP and the BRI, while section 4.5 tests the argument in general terms using statistical analysis. I conclude in section 4.6 by discussing the geopolitical implications of ongoing deadlock at the WTO and the rise of preferentialism as a major institutional form of global cooperation. International commercial cooperation is

[8] Levy 2008, 12.
[9] Bailey, Strezhnev, and Voeten 2015; Davis, Fuchs, and Johnson 2019.

sensitive to exclusion from preferential trade agreements. I show that so too is cooperation in other areas of international relations.

4.2 Global institutions and political ties

How do international economic institutions affect countries' international relations? Liberal scholarship views international economic interdependencies as pacifying, and international institutions are generally seen to contribute to the positive effects of such economic ties. This perspective contrasts with the argument that international institutions may simply reflect, or even reinforce, power dynamics between states. Neither position sufficiently examines the effects of institutional creation on non-members. While positive or negative effects are sometimes implied, these are rarely made explicit. Here, I make these effects explicit by examining the implications of non-membership and placing this discussion in the context of the increasing importance of non-multilateral sources of global trade rules.

Economic institutions and international relations

Greater trade and investment between countries tends to correlate positively with peace,[10] although debate continues about the scope conditions of this relationship and the direction of causality.[11] International institutions like trade agreements play an important role in the trade-conflict relationship: the pacifying effects of trade may even rely on joint membership in trade-liberalizing institutions.[12] This builds on the more general insight that

[10] Bussmann 2010; Hegre, Oneal, and Russett 2010; Polachek, Seiglie, and Xiang 2007.
[11] Gelpi and Grieco 2003; Mansfield and Pollins 2003.
[12] Mansfield 2003.

international institutions and regimes help governments and non-state actors from different countries achieve cooperation in numerous issue-areas.[13] This work spans ontological and epistemological traditions.[14] From a broadly rationalist perspective, states cooperate through institutions to achieve certain aims, and consequently they design institutions that will best enable them to achieve those aims given their knowledge about the context in which they operate.[15] But institutions are also social environments.[16] Interactions between members are patterned not only by material but also discursive forms of power and capabilities; these interactions produce inter-subjective beliefs that constitute actors' interests, beliefs and identities.[17] Participants' interactions within a social environment, like an institution, can produce predictability about consequences in an inter-subjective environment, and therefore contribute to social order (although there is no assumption that this will be achieved without conflict).[18]

The view that international institutions help countries to cooperate has been contested on the grounds that institutional creation is likely to be epiphenomenal to power,[19] and that states' security considerations will trump social demands for increases in economic welfare. Since security is sometimes viewed as based on relative rather than absolute gains,[20] policymakers may also have a disincentive to adopt foreign economic policies that better their neighbors more than they better themselves. These views suggests that states may not always view the creation of institutions favorably, especially where they do not benefit from

[13]Keohane 1984; Krasner 1983.
[14]Jupille, Caporaso, and Checkel 2003; Checkel 2005.
[15]Koremenos, Lipson, and Snidal 2001.
[16]Johnston 2001.
[17]Ruggie 1998; Wendt 1999; Finnemore and Sikkink 2001.
[18]Hopf 1998, 177-178.
[19]Mearsheimer 1994.
[20]Jervis 1978; Gilpin 1981; Grieco 1988.

them.

The implications of PTAs for states' wider political relations have, however, been under-explored relative to other institutions. Existing work has tended to limit its focus to the effects of a PTA on the likelihood of conflict between member states. Much of this work has suggested that PTAs will improve political ties between states. Yet Hafner-Burton and Montgomery, who note the paucity of PTA-focussed security scholarship, argue that PTAs may provide powerful states with a means of using their strength to coerce others, and that agreements such as PTAs may reflect, and reproduce, antagonistic hierarchies between states by placing them in social positions of power in international politics.[21]

Other observers are similarly less sanguine about the association between trade agreements and peaceful politics, particularly in the context of power asymmetries. Power dynamics within bargaining situations mean that smaller countries may need to make more (domestic or developmental) concessions to ensure market access to larger countries.[22] Accordingly, larger countries such as the US have been able to use a "dual asymmetry–of market power and [domestic] interest salience" to secure broader policy objectives.[23] These insights acknowledge that economic institutions are likely to affect security relations. Indeed, given the "security externalities of trade",[24] political allies are more likely to sign international trade agreements among themselves.

[21] Hafner-Burton and Montgomery 2012.
[22] Peroni and Whalley 2000.
[23] Feinberg 2003, 1020.
[24] Gowa and Mansfield 1993.

The puzzle

The discussion above reveals an empirical and theoretical gap in our understanding of the effects of international institutions. Namely, the opposing perspectives on international institutions focus on the effects of institutional creation on the political ties between members, usually with reference to the importance of economic welfare. Yet, we also know that institutional creation has economic effects for third-parties (non-members).

In the case of efforts to integrate national economies through international economic integration, these third-party effects are described in well-known contributions in political science and trade economics by Walter Mattli and Richard Baldwin.[25] Mattli explains that (successful) economic integration is dependent on 'demand'-side and 'supply'-side conditions. Barriers to international commerce create negative externalities in the form of welfare losses for economic actors. These economic actors–the demand side–seek to 'internalize' these externalities and pressure their governments to reduce barriers to exchange.

Mattli uses this theoretical setup in turn to explain how 'outsiders' (to integration initiatives) become 'insiders'. Where the creation of an integration initiative creates negative economic externalities for non-members in the form of trade diversion, outsiders–if it becomes clear that economic performance has suffered as a result of non-membership–will face domestic pressure to join the institution. If membership is rejected (or rejection is anticipated), or if the conditions of membership are too high, states will seek instead to establish an alternative institution.[26] Hence, regional integration becomes 'contagious'.

Exclusion from economic institutions like trade agreements has demonstrable third-

[25]Mattli 1999; Baldwin 2008.
[26]Mattli 1999, 59-64.

party political economy effects. These push economic actors to either seek membership in institutions, or seek to create alternative institutions. What of the effects of institutional exclusion on states' political ties? Can we measure these effects?

4.3 Institutional creation and political ties

This section argues that exclusion from international institutions creates an incentive for improving political ties between states where membership is valuable and future membership may be possible. Where membership is valuable but admission into an institution is unlikely because of poor political relations between members and non-members, political ties may sour given institutional exclusion will be more likely to be associated with the creation of competing institutions. Looking to the trade regime, I place this discussion in the context of the rise of preferential trade agreements as the chief source of new trade law. The apparent importance of path-dependencies and precedent in the evolution of trade rules suggests that the rise of PTAs is likely to heighten the political effects of institutional exclusion.

The politics of membership

Why might non-membership in institutions motivate changes in political behavior? Non-membership is likely to be politically motivating when membership provides a club good, that is, a benefit that only accrues to members. This benefit may be economic, as in the case of trade liberalization. It may also relate to other outcomes, such as security, as in the case of membership in alliances. If non-membership implies not only a lack of benefit, but further results in a *negative* outcome, then non-membership will evidently be even more

motivating. If states are harmed by being outside the institution, there are clear incentives for membership. Since membership in institutions relies at least in part on political relations between states, non-members should be motivated to improve their ties with members if they intend to seek membership in the institution.

As I show below, membership expansions to PTAs occur relatively often. But non-members may also seek to mitigate against exclusion from a new plurilateral PTA by signing bilateral deals with members of the new agreement. Following the formation of NAFTA, Chile sought membership in the new agreement. This ultimately proved unachievable after the US Congress declined to grant the Clinton administration fast-track authority for the negotiations, and Chile signed bilateral agreements with NAFTA members: Canada in 1996; Mexico in 1998; the United States in 2003. A series of bilateral agreements may be a second-best solution for non-members of plurilateral institutions. For instance, compliance costs for trading firms will be higher in the case of multiple bilateral agreements with potentially differing rules. Yet for the purposes of theorizing the effect of exclusion on political ties between members and non-members, the observable implications are the same: non-members face political economy pressures to gain market access into member-economies, with corresponding political effects as above.

What if membership is not possible, but non-membership remains harmful? In this case, non-members have an incentive to create an alternative institution that can deliver similar benefits. In this situation, non-members and members have little incentive to improve political ties. This does not necessarily mean that ties should worsen, for instance if membership is simply not possible or desirable. Yet there may also be reasons that ties sour as a result of non-membership. If states are rejected, or if membership criteria are

designed to exclude certain states, this is more likely to result in an increase in tensions as, for instance, non-members may seek to undermine the institution.

Note that any alternative institution would itself be likely to exclude other countries, including the members of the initial (exclusionary) agreement. This is important for two reasons. First, it suggests that the creation of preferential agreements may trigger a wave of other, competing, agreements in reaction. This would be consistent with observations about the spread of regional integration and other commercial agreements, such Bilateral Investment Treaties (BITs).[27] Second, it suggests that exclusionary institutions can be both cause and effect. While I primarily focus on exclusion as a cause, the qualitative evidence in Section 4.4 suggests how exclusion can take both roles.

In the case of the trade regime, there are at least three reasons why non-membership in trade institutions may lead states to seek membership or to create a competing institution, and thereby affect political ties between members and non-members. The first is that there are *first-mover benefits of writing novel trade rules.* The network of PTAs has become a dense institutional environment.[28] Negotiators simultaneously rely on past legal formulations and innovate in new areas.[29] This includes by strategically 'sequencing' agreements and clauses to establish treaty language that can be relied on in future negotiations.[30] Where an institutions' rules are expected to be influential, non-members are more likely to be rule-takers than rule-makers. Rule-makers benefit materially because economic actors in rule-making states have lower (or no) adjustment costs to new rules, while economic actors

[27] Baldwin 1997; Mansfield and Milner 1999; Mattli 1999. On BITs, see Elkins, Guzman, and Simmons 2006.

[28] Pauwelyn 2014.

[29] Allee and Lugg 2016; Morin, Pauwelyn, and Hollway 2017; Meunier and Morin 2017.

[30] See Chapter 2.

in rule-taking states must adapt to new rules.[31] PTAs are also increasingly reaching into novel issue-areas.[32] Approaches to regulating these new areas are 'unsettled' and have proven particularly divisive, as illustrated by the record of leaks of trade negotiation documents.[33] Membership in influential trade negotiations may therefore be political because their rules may have a lasting impact on future deals signed by members and non-members. Even where non-members object to the rules established by a new agreement, they may still find themselves affected by those rules.

The second reason non-membership in trade institutions may motivate a membership bid or the creation of a new institution relates to the *economic losses due to trade diversion.* Regional or preferential trade agreements may result in the inefficient re-allocation of trade, as trade is diverted away from more efficient producers towards members of a trading arrangement.[34] As noted above, diversion underpins political economy explanations for the spread of economic regionalism in Europe and elsewhere. Preferential trade agreements exclude some states, and economic actors within those states, worried about the welfare losses associated with exclusion, pressure their governments to join existing agreements or to sign their own alternatives.[35] Equally, policymakers may take action if they foresee economic downturn as a result of exclusion.[36]

Finally, policymakers may be motivated to join or compete with a new institution where *trade or economic welfare becomes a security issue.* For Gilpin, countries' economic growth is an explicit component of strategies of international change, which rely on the avail-

[31]Mattli and Büthe 2003.
[32]Milewicz et al. 2016; Lechner 2016.
[33]Castle and Pelc 2019.
[34]Viner 1950.
[35]Baldwin 2008; Mattli 1999.
[36]Castle, Le Quesne, and Leslie 2016.

ability of economic surplus.[37] This provides a security justification for PTA membership to the extent that growth is supported by preferential liberalization. Moreover, tariff reductions are more likely between military allies since the gains from freer trade liberate domestic resources that can be used to increase national security.[38] Thus, the benefits to allies and fear of exclusion mean that policymakers can use trade policy and the lure of access to their domestic market to achieve more conventional foreign policy objectives.[39] Policymakers are afraid of exclusion from PTAs, and this enables states to use these institutions to achieve other foreign policy objectives, including balancing against the danger of a threatening or rising power.[40]

Should states care about exclusion from bilateral as well as plurilateral agreements? It is perhaps more obvious that exclusion from an agreement with many members would prompt a reaction, since larger agreements may be more influential. Yet, countries may also be concerned about non-membership in bilateral deals. Particularly in regions where there are high levels of economic interdependence, bilateral agreements advantage members vis-à-vis non-members. The evolution of negotiations on NAFTA during the 1980s to 1990s provides suggestive evidence to this point: initial negotiations were between the United States and Mexico, but Canada joined out of concern that a bilateral US-Mexico agreement would reduce the benefits of the previously negotiated Canada-US FTA (CUSFTA).

In sum, exclusion from preferential trade agreements carries economic and political consequences, whether or not exclusion is intended as a slight against non-members. A desire to participate in setting influential standards; fear over trade or investment diversion; or con-

[37] Gilpin 1981, 106.
[38] Gowa and Mansfield 1993.
[39] Capling 2008; Rosen 2004.
[40] Paul 2005.

cern over the security externalities of trade mean that countries care about being excluded from preferential trade agreements. In response to the creation of new trade institutions, third-parties can mitigate against non-membership by seeking access to members' markets, or by creating a competing institution. These possible reactions imply different effects on political ties between members and non-members. Efforts to gain access to members' markets through membership in the excluding institution or the creation of bilateral deals with members are likely to be associated with an improvement in political ties between members and non-members. In contrast, efforts to create alternative institutions may be associated with worsening ties between members and non-members, where such alternative institutions are competing.

Empirical expectations

I expect that where states have a sound political relationship, the creation of an international economic institution in which one is excluded is likely to be associated with an *improvement* in ties, as countries attempt to seek membership in the exclusive agreement. Conversely, where states have poor relations to begin with, the creation of an exclusionary agreement is likely to be associated with a *worsening* of existing ties.

Thus: *exclusion from an agreement is associated with an improvement in political ties for countries that have no recent history of poor political relations* (H1a). On the other hand, I expect that *exclusion from an agreement is associated with a worsening in political ties for countries that have a recent history of poor political relations* (H1b).

I further expect that these effects will be moderated by past cooperation in institu-

tions. Joint membership in institutions provides some cooperative benefits that may reduce the salience of exclusion from a new deal. In the case of the trade regime, I expect that where multilateral institutions (the GATT/WTO) provide an alternative venue for trade liberalization, countries will be less motivated to create a competing institution.

Hence, *prior membership in a trade agreement will dampen the negative effects of exclusion from a new trade agreement on countries' political ties* (H2).

I also have additional expectations that relate to the process by which non-membership may translate to political outcomes. There are good reasons to think that international agreements are unlikely to be considered inherently either 'exclusionary' or not. These categories rest, at least in part, on the way they are (re-)presented by members and non-members. It is through how countries talk about membership and non-membership that these categories gain social meaning; the 'exclusionary' nature of an agreement is at least in part socially constructed. Like other social meaning, it is contested and contestable.[41] I expect that where an agreement might be considered exclusionary but members do not want to upset political relations with non-members, they should seek to demonstrate, at least rhetorically, that the agreement is open to new members or that they are open to cooperation in other venues. Of course, we should also expect there to be variation across which non-members are considered (and consider themselves) 'excluded' from the same agreement. While a new agreement may be construed by some non-members as exclusionary and may prompt them to react with a competing agreement, other non-members to the same new agreement may seek membership.

[41] Hopf 1998; Finnemore and Sikkink 2001.

4.4 Asian-Pacific regionalism and the TPP

This section presents the motivating case studies of the TPP and Chinese institution-building. The TPP has been framed during its negotiation as an agreement that aimed at countering China's influence in the region. China has recently advanced its own strategy to boost its influence in Eurasia in the form of the BRI, which has been contested by its regional rivals Japan and India. The 'anti-China' narrative of TPP has also been contested, with officials in the United States and in China alike oscillating between viewing TPP as a geo-strategic tool and as an opportunity for future cooperation between Washington and Beijing. This latter view stresses that the TPP aimed ultimately at setting high standards and that any country willing to meet them was welcome to join. This evidence demonstrates how membership in influential agreements can become political. It also suggests that whether agreements are 'inclusive' or 'exclusive' is contingent on political ties and narrative. This in turn suggests that non-membership in PTAs may sometimes lead to closer ties between states (likely when they already have fairly close political ties), but may sometimes sour relations between states (likely when they already have poor political relations). These initial findings are then the basis for subsequent analysis.

The Trans-Pacific Partnership

PTAs have become the site of considerable contestation over new trade rules, both between and within countries. The politicization of membership has been particularly clear in the case of the 'megaregional' (CP)TPP, with China portrayed as a prominent non-member in the agreement. This section examines the political implications of Chinese non-membership

in the TPP.

The TPP began as a four-member agreement (the Transpacific Strategic Economic Partnership or 'P4' agreement) between Brunei, Chile, New Zealand and Singapore, which entered into force in 2006. The United States, Australia, Peru and Viet Nam joined negotiations on expanding the P4 agreement to include financial services and investment in 2008. During subsequent negotiation rounds, Malaysia (2010), then Canada and Mexico (2012) and finally Japan (2013) also joined the agreement. The TPP was signed in February 2016 and was ratified domestically by New Zealand and Japan. US President Trump withdrew the US from the agreement on gaining office, but the 11 remaining countries negotiated some minor amendments to the TPP and the agreement now survives as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

Was the TPP a 'geo-strategic' agreement designed to exclude China? Has Chinese non-membership in TPP triggered a competitive reaction, or an effort to seek membership? For much of the negotiation period of the TPP, the agreement was presented politically as the economic counterpart to former President Obama's 'pivot' to Asia, aimed at countering China's influence in the Asia-Pacific. Understanding the TPP as expressly motivated by geo-strategic concerns views Washington's negotiation of mega-regional deals as attempts to contain the influence of rising powers (China, and Russia in the case of the TTIP deal with the EU) or at the least, to reassert traditional US alliances.[42]

This geo-strategic view of the TPP is reflected in political and journalistic statements both from the US and from China. In a rare (for the Pentagon) comment on trade policy, US Secretary of Defense Ash Carter asserted that the passage of the TPP was as

[42]Griffith, Steinberg, and Zysman 2017.

important for the US 'rebalance' to the Asia-Pacific as adding another aircraft carrier to the military,[43] while Obama warned that without the TPP Beijing would "write the rules of the global economy."[44] On his departure as US Trade Representative (USTR), Michael Froman said of TPP, "There simply is no way to reconcile a get-tough-on-China policy with withdrawing from TPP ... That would be the biggest gift any U.S. President could give China, one with broad and deep consequences, economic and strategic."[45] Moreover, the Obama administration reportedly emphasized the geo-strategic aspect of the deal during Congressional lobbying efforts to achieve Trade Promotion Authority (TPA), which would allow the President to present the finished deal to Congress for a simple up-or-down vote (rather than allowing amendments). One senior Democrat noted, "When the administration sells me on this, it's all geopolitics, not economics: We want to keep these countries in our orbit, not China's ... I agree with that. But I need to be sold on the economics."[46]

It is likely that much of the 'anti-China' narrative of TPP within the US has been for domestic political consumption, and most commentators acknowledge that while TPP/TTIP may have strategic benefits, these are probably not the primary motivation for the agreements.[47] Griffith, Steinberg and Zysman, while cautioning against too strong a geo-strategic reading of mega-regional deals, nevertheless recognize the TPP and the TTIP as "a geo-political undertaking, an attempt to once again set trade rules in light of deadlock in the WTO."[48] The TPP would have "cemented U.S. visions of appropriate trade rules among core

[43]Carter 2015.

[44]Obama 2015. For representative news coverage see Gerald F. Seib, 'Obama Presses Case for Asia Trade Deal, Warns Failure Would Benefit China,' *The Wall Street Journal* (April 27, 2015) http://www.wsj.com/articles/obama-presses-case-for-asia-trade-deal-warns-failure-would-benefit-china-1430160415.

[45]Farewell speech on 10th January 2017. Cited in Griffith, Steinberg, and Zysman 2017.

[46]Charles E. Schumer (D, N.Y.). Cited in Bradsher 2015.

[47]Griffith, Steinberg, and Zysman 2017.

[48]Griffith, Steinberg, and Zysman 2017, 3. This reasoning with regard to venue-shift as a strategy to

countries [and] TPP, in its final form before U.S. withdrawal, did attempt to set rules for market economies on a wide-range of issues..."[49] Even those who stress the strategic aspect of TPP caution that "... comparing TPP to a kinetic weapon misses the actual geopolitical impact of the agreement, which is likely to be much broader and more diffused. TPP needs to be understood in terms of regional order, the balance of power, and the influence on a rising China."[50]

Within China, too, the view on TPP has shifted. Earlier Chinese commentary, particularly prior to around 2014, reflected a 'strategic' view of the TPP. State media outlets regularly denounced the TPP as an American strategy to achieve commercial encirclement of China. The statement by one leading Chinese journalist for the People's Daily that "[the] TPP is superficially an economic agreement but contains an obvious political purpose to constrain China's rise" is illustrative.[51] During the later years of TPP negotiations the dominant perspective appears to have been one of (cautious) acceptance of TPP.[52] Chinese Foreign Minister Wang Yi stated in 2014 that "China will face the member states of the Trans-Pacific Partnership talks with an open attitude, as well as other regional or cross-region FTA initiatives".[53] As a former Chinese Commerce Ministry official noted, "We don't think T.P.P. is a challenge to China–we will watch and study... We are more or less neutral because we have our own agenda, pushing forward Asean plus six and the Silk Road".[54] In fact, Chinese officials even proposed that Beijing may eventually seek membership in TPP. Vice finance

advance preferred trade architecture echoes that of Steinberg 2002. See also Davis 2009.

[49]Griffith, Steinberg, and Zysman 2017.

[50]Green and Goodman 2015, 24.

[51]Ding Gang, cited in Griffith, Steinberg, and Zysman 2017.

[52]Naughton et al. 2015.

[53]Ching 2014.

[54]He Weiwen, cited in Bradsher 2015.

minister Zhu Guangyao suggested that "For the T.P.P., frankly speaking, there have been internal debates within both the United States and the Chinese government... But now our position is clear: As China becomes more open, it's very important for us to be integrated into the global trade system with a high standard".[55] This more accepting view seems supported by other TPP members. New Zealand's High Commissioner in Shanghai explains that "there's always been the question asked about China in the TPP. And New Zealand's position was always well, if China wants to join the TPP once it's formed, if China finds itself in a position to meet the level of ambition, then New Zealand would support that. We're not about exclusion."[56]

While TPP may have geo-strategic elements, this was probably not the (primary) motivation. It is more likely that it served to cement past US alliances, and to instead act as an institution that would enable the US to once again take a lead role in crafting global trade rules (to its advantage), as it had during the GATT and WTO period. Notwithstanding this less competitive reading, TPP negotiations have coincided with more assertive Chinese efforts to establish international economic institutions in which it has a major role. In trade, Chinese proposals to revitalize a long-mooted Free Trade Area of the Asia-Pacific (FTAAP) and Beijing's focus on the Regional Comprehensive Economic Partnership (RCEP) were both widely perceived as reactions to the TPP. An Australian-based commentator suggested that Beijing's endorsement of FTAAP at an Asia-Pacific Economic Cooperation (APEC) Summit in November 2014 served "to prevent the Trans Pacific Partnership (TPP) from becoming the focal point of economic integration efforts and a reaffirmation of America's

[55]Bradsher 2015.
[56]Interview with Guergana Guermanoff Shanghai, June 2017.

leadership as a Pacific power" and to enable "China to carve a much more proactive role in drafting the new rules of the economic order–from a position of equal standing with the United States."[57] Similar is the view that "in the FTAAP and bilateral FTAs, Beijing seems determined to directly counter the US-led TPP" and that for "China, the FTAAP is ... designed to weaken or even nullify progress on the TPP, by overriding the selective US-led agreement with a broader, Asia-wide agreement."[58] Since Trump's TPP withdrawal, FTAAP continues to be promoted by Beijing as a "manifestation of China's steadfast effort to promote globalization" which "has been envisioned as a major instrument for realizing Asia-Pacific economic integration..."[59]

RCEP, while technically an effort led by the Association of Southeast Asian Nations (ASEAN) and initially pushed by Japan, has also been widely portrayed as the Chinese counter to TPP, and as an appropriate 'strategic' means of countering eventual loss of market access to TPP countries.[60] This is especially so since a number of countries are members of both the TPP and RCEP negotiations. As with the TPP itself, it is important not to infer too much of a geo-strategic calculus in Chinese efforts: RCEP and FTAAP are hardly revisionist moves.[61] Rather, they demonstrate the Chinese focus on maintaining influence over trade policy developments in the region. As Li Daokui, a professor at the School of Economics and Management at Tsinghua University in Beijing, notes, "The Chinese government's response is to build the free-trade agreements that it can influence... I would say it was a mistake for the U.S. not to include China. If China had been allowed to join at the beginning, the

[57] Solis 2014.
[58] Le Mière 2014.
[59] Chen and He 2017.
[60] Chunding and Whalley 2016.
[61] Solis 2014.

landscape would be entirely different."[62]

Chinese institution-building

Chinese efforts at institution-building go significantly beyond trade. It is in these wider developments that there is a stronger suggestion of real competition between China and other states in the Asia-Pacific region, including the United States. Recall that in Section 4.3, I explain how exclusionary institutions can be both cause and effect, since the alternative institutions created by an excluded country are likely to exclude other countries in turn. In the preceding discussion, the institutions promoted by China in response to the latter's non-membership from the (CP)TPP are an effect of exclusion. In what follows, I examine Chinese institutions as 'cause'.

Since 2013, China has been promoting the Belt and Road Initiative (BRI, previously branded the 'One Belt, One Road' initiative), which is a vast network of infrastructure investment projects aimed at creating overland and sea links that span from China to Europe. The BRI has become central to Beijing's foreign economic policy, and the initiative is no mean undertaking. Investment in some 900 planned or actual projects would total nearly a trillion US dollars, and the Belt and Road would together range over more than 60 countries accounting for around 4.4 billion people and a third of global GDP ($21 trillion US).[63] Official Chinese commentary has promoted the scheme as an opportunity for mutually beneficial investment and development.

China's regional rivals–none more so than India–have greeted the BRI with trepida-

[62] Cited in Sanger and Wong 2015.

[63] For a recent overview of the Belt and Road in strategic context, see Castle 2018.

tion. The initiative controversially includes a 'China-Pakistan Economic Corridor' (CPEC). Not only does the CPEC involve the major development of the Gwadar Port in Pakistan–giving China a potential strategic foothold in the Indian Ocean–it also traverses the Pakistan-administered Kashmir. This territory remains contested between China and India, but the CPEC asserts de-facto Pakistan control of the region. India has countered with investment into Iran's Chabahar Port. Perhaps most strikingly, India declined to attend a major summit on the BRI hosted by Beijing in May 2017, citing its concerns over the CPEC. A Ministry of External Relations release explained that India could not "accept a project that ignores its core concerns on sovereignty and territorial integrity."[64]

Japan appears also to have reacted defensively against more assertive Chinese initiatives. In the past decade, Japan abandoned its traditional strategy of eschewing bilateralism, and has actively negotiated trade agreements with its regional neighbors. In what appears to be a vindication of the 'domino' or 'contagion' theory of economic integration,[65] the progress made by China to negotiate a Framework Agreement with ASEAN in the early 2000s was, according to at least one observer, a direct cause of Japan's decision to itself negotiate with ASEAN.[66] Japan may also be attempting to counter China's influence in the region by offering other forms of support for its neighbors. At a November 12th, 2014 Japan-ASEAN Summit, Japanese Prime Minister Abe announced a new infrastructure support scheme that observers were quick to comment was "his latest move to counter efforts by China to gain influence in the region".[67] More recently, 2017 saw Japan agree to join India in the development of Iran's Chabahar Port (a pledge that was reiterated on the eve of Beijing's BRI

[64]Indian Ministry of External Relations 2017, in Castle 2018.
[65]Mattli 1999; Baldwin 2008.
[66]Wu 2010, 339-340
[67]The Asahi Shumbun 2014.

Summit), and Tokyo and Delhi have outlined what they have dubbed a 'Freedom Corridor' of investment initiatives in what seems a pointed counter to the BRI.[68]

The United States has also been wary of the BRI. The bulk of the funding for the initiative is Chinese, taking the form of loans from Chinese banks or funds. The Asia Infrastructure Investment Bank (AIIB) makes up a further major source of funds. The AIIB, finalized in 2015 and launched by China in 2016, is a multilateral lender established to fund projects in member countries, but with a mandate to benefit Asia. It has 57 founding members, and an initial total capitalization of $100 billion US. China's contribution of $29.8 billion dwarfs the second-largest (India's, at $8.4) and grants China the largest vote within the institution, as well as veto power. The US opposed the establishment of the AIIB, as some policymakers feared that that the new bank would undermine the influence of the World Bank and the Asian Development Bank, led by Washington and Tokyo. Despite Washington's urging, US allies including Australia, Germany and the United Kingdom signed up to the AIIB, with Japan the only major US ally declining to join.[69]

This economic competition has coincided with political tensions between China and Japan, and China and India. Long-term security issues such as territorial claims in the South China Sea remain unresolved and indeed have intensified.[70] In mid-2017, India and China became locked in a military standoff in the Doklam triborder area–territory that is disputed between Bhutan and China. At least some observers linked the standoff to the Sino-Indian tensions over the Belt and Road: "In Chinese perceptions ... India's refusal to join Xi Jinping's signature initiative, the One Belt One Road, is seen as impertinence."[71]

[68] Chaudhury 2017; Castle 2018.
[69] McBride 2015.
[70] Buszynski and Roberts 2014.
[71] Shyam Saran, cited in Castle 2018.

The politics of membership

The above discussion suggests the potential for preferential agreements to be framed–or perceived–as exclusionary. A pervasive narrative portrayed the TPP as the means by which the US (and not China) would take the lead in writing the next generation of trade rules for the Asia-Pacific. This narrative was deployed domestically by US officials up until early 2017. Given that agreements like the TPP confer not just economic but political and diplomatic benefits, an extreme position of this view suggests that the TPP was primarily motivated by geo-strategic considerations that included preventing China from achieving a leadership position in the wider Asia-Pacific region.

Yet this record also suggests that whether agreements are viewed as exclusionary is not an inherent function of their existence. Members of the TPP stressed that the agreement indeed aimed at setting high standards, but that these were not designed to exclude China from emerging networks of trade governance in the Asia-Pacific. China has in fact suggested it would consider membership, as have other countries (including South Korea).

Chinese responses to the TPP have nevertheless indicated a competitive dynamic. Efforts to advance alternative trade institutions have been seen as a direct consequence of Beijing's non-membership in the TPP. These agreements, notably the BRI, reflect a trend towards the creation of institutions by Beijing that can offer China greater influence in the wider region. And China's efforts to establish its own institutions have by some accounts motivated its regional rivals–especially Japan and India–to respond in turn. To reiterate, exclusionary institutions can prompt the creation of further exclusionary institutions.

Yet, there are limits to how much we can infer from this evidence. Some commentators

emphasize the competitive or exclusionary nature of the TPP or the BRI, while others downplay this point. In the US it may have played well domestically to sell the TPP as an 'anti-China' agreement, even if officials (and others) may have welcomed eventual Chinese moves towards membership. Certainly, if the intention of the agreement genuinely has been to set the 'rules of the game' for the future trade architecture of the Asia-Pacific, it serves that goal to have China adopt the TPP's regulatory norms. Finally, the above are 'most-likely' cases given their empirical importance. It is important to be cautious in relying on them to validate the argument.[72] Accordingly, the following section turns to quantitative evidence to test the argument.

4.5 Quantitative evidence

This section presents quantitative evidence on the political effects of institutional exclusion. Using data on states' voting patterns in the United Nations General Assembly (UNGA), I show that non-membership in trade agreements tends to correlate with a subsequent increase in voting affinity between members and non-members. This evidence supports the argument that exclusion from a trade agreement generally prompts states to seek a closer relationship with the members of a PTA. But where members and non-members have a history of poor relations, exclusion from a new PTA corresponds with a decrease in voting affinity. This suggests that the new agreement may worsen already poor ties where the prospect of a new agreement does not create an incentive for improving relations. Multilateral institutions have a mixed impact on the results, but generally appear to dampen the political effects of

[72]Levy 2008, 12.

non-membership in a PTA. I introduce the data and outline the empirical strategy before turning to the results of regression analysis.

Data

How might we operationalize political ties between states for the purpose of quantitative analysis? Existing research on the political effects of international institutions focuses on inter-state conflict as the outcome of interest, but this would be inappropriate in the present case. For exclusion from a trade institution to result in inter-state conflict would be an extreme and rather implausible outcome. Moreover, while the proliferation of PTAs provides us with significant variation to leverage, there is little variation in the case of conflict. Wars are fairly rare events.

I turn instead to a forum where repeated interactions over a large number of years provides measurable variation: the United Nations General Assembly (UNGA). Erik Voeten and co-authors use latent trace analysis of voting records to infer states' preferences over time.[73] This captures changes in state voting behaviour as well as the voting affinity of two states. I attach monadic panel data on state voting behaviour in the UNGA to a gravity dataset built at the dyad-year level. My theory is based on individual state calculations, so this is 'directed' dyad-year data that allows me to analyze the effects of each state A's entry into PTAs on state B, and vice-versa.

The UNGA vote data I use are the mean scores of a country's 'ideal point', based on UNGA voting records.[74] These data are a measure of a country's foreign policy orien-

[73]Voeten 2000; Bailey, Strezhnev, and Voeten 2015.
[74]Bailey, Strezhnev, and Voeten 2015.

tation. Because the data have been mapped onto a single dimension that is standardized over time, they enable comparisons between different countries' foreign policy preferences as time passes. The data are not only a valuable measure of political ties (which are otherwise difficult to evaluate), they are also grounded in countries' foreign policy decisions. As Davis, Fuchs, and Johnson (2019, 416) discuss, governments take UNGA vote records seriously, and use them to make decisions on issues such as aid and loans. In line with other researchers, I therefore use the distance between countries' ideal points as a proxy for countries' bilateral political relations.[75] I assume for instance that a reduction in the distance between ideal points reflects an improvement in political ties. In the context of the theory, this might indicate an effort to smooth the way to negotiation of entry into an excluding PTA, or negotiation of a new PTA with the excluding partner. As I use the distance between ideal points as my measure of political ties, I take a larger (smaller) score to proxy for more distant (closer) political ties.

For the construction of the gravity dataset, import and export figures are from the IMF's Direction of Trade Statistics (DOTS; 1950 to 2015);[76] GDP, GDP per-capita and other country-level economic variables are from the World Bank's World Development Indicators (WDI);[77] distance and other geographic measures are from the CEPII database;[78] regime type is measured using Polity 4;[79] and data on PTAs uses the Design of Trade Agreements (DESTA) dataset.[80] I use alliance data from version 4.1 of the Correlates of

[75]Davis, Fuchs, and Johnson 2019; Chilton 2015.
[76]`http://data.imf.org/dot`.
[77]`http://data.worldbank.org/data-catalog/world-development-indicators`.
[78]Mayer and Zignago 2011.
[79]Marshall, Gurr, and Jaggers 2016.
[80]Dür, Baccini, and Elsig 2014.

War dataset;[81] and data on disputes from version 4.1 of the Militarized Interstate Disputes (MID) dataset, also from the Correlates of War project.[82] Data on countries' participation in the GATT/WTO is retrieved from the country pages of the WTO website.[83]

The identification strategy rests on the assumption, drawn from empirical analyses of trade relations, that countries in the same geographic region are likely to feel the effects of trade diffusion more strongly given that they are more likely to trade with one another.[84] Accordingly, I code (in a given directed-dyad year observation) a country A as 'excluded' from its partner B's PTA if country B signed a PTA with countries in the same region as country A. This reasoning leads to my independent variable Exclusion. Given that non-membership in an agreement is likely to be especially politically motivating when the agreement is ambitious, I use data on PTA depth drawn from the DESTA dataset. I use the 'rasch' measure of depth, which provides a score for a PTA based on overall cooperation in multiple issue-areas.[85] I use the mean rasch depth of PTAs signed in a given year (to account for increases in depth over time) as a baseline: an agreement with a higher-than-average depth is identified as 'ambitious'. For some of the analysis that follows, I thereby use exclusion from an above-average PTA as the independent variable.

There are a number of variables for which it is essential to control. I include a dummy variable measuring '1' if countries are tied by any alliance identified by the Correlates of War (COW) data, and a measure of regime-type using Polity IV, since democracies may be more likely to maintain a good baseline level of political relations. The factors that

[81] Gibler 2009.
[82] Palmer et al. 2015.
[83] `https://www.wto.org`.
[84] As in the well-known 'economic gravity model' of trade: Baier and Bergstrand 2004.
[85] Dür, Baccini, and Elsig 2014.

predict the formation of a PTA between two countries likely also predict good relations between those two countries, so I control for a range of economic and political 'gravity' variables. These include the sum of states' GDPs, the difference in their GDPs, and (logged) exports, all of which I lag by five years to account for possible endogeneity. I also include geographic variables–distance (logged), a measure of joint remoteness that captures whether two countries are distant from other countries, a dummy variable measuring whether two countries are on the same continent and whether they are geographically contiguous. I control for institutional membership in the GATT and WTO, and I also control for the empirical importance of PTAs, by accounting for the number of PTAs signed by all other countries, the number of PTAs signed by country A, and the number of PTAs signed by country B (these latter three variables are lagged by five years).

Before describing the empirical strategy, some descriptive statistics are helpful to illustrate the chapter's main intuition. To start, let us look a little more closely at exclusion from a PTA. In the simplest terms possible, exclusion from an agreement of above-average ambition is identified in around 3.14% of directed-dyad-year observations from 1965 to 2015. Exclusion from any agreement is identified in around 7.21% of observations in the same period. To illustrate, we can look to the relationship between Canada and the United States. The US signed agreements with partners in the Americas, Canada's geographic region, in 2003 (with Chile), 2004 (Central American Free Trade Agreement-Dominican Republic), 2006 (Peru and Colombia) and 2007 (Panama). Following the identification strategy above means I code Canada as 'excluded' from these agreements. Given the past cooperation between Canada and the United States (including joint membership in NAFTA, the GATT and the WTO) we might expect exclusion from new agreements to have a negligible, or

positive effect on political ties. And indeed, Canada's exclusion from US agreements has a negative (-0.107) correlation with the change in ideal point difference between the two countries. Note moreover that following these agreements, Canada joined the United States in 2012 on negotiations for the Trans-Pacific Partnership (TPP) agreement.

We can also put a number on PTA enlargement, as one of the possible outcomes from exclusion is that countries seek entry into the exclusionary PTA. I refer to the most recent available list of PTAs from DESTA.[86] On 800 'base treaties', PTA enlargements make up 188 of 1157 records entered in the database. In total, 91 of the 800 signed treaties in the DESTA dataset (i.e., 11.4%) have increased membership in a way that would be predicted by the theory.

Method

I use three estimation strategies to model the effects of exclusion on the political relationship between states, as measured by the distance between ideal points. I first estimate the relationship using an ordinary least squares (OLS) regression setup. A Hausman test confirms that a fixed-effects rather than a random-effects model is more appropriate. Temporal dependence is a concern, since relations between two countries in a given year is predicted by their relations in the previous year. I tackle this problem using three approaches. I first directly include a lagged dependent variable and show that the results hold. Including a lagged dependent variable with fixed-effects leads to biased coefficient estimates (i.e., Nickell Bias),[87] so in the fixed-effects setup I use an estimator that is robust to first-order

[86] Dür, Baccini, and Elsig 2014. Version April 2018 is available at `https://www.designoftradeagreements.org/downloads/`.

[87] Nickell 1981.

auto-correlation. I also turn to first-differencing. This allows me to estimate the effects of PTA EXCLUSION on a *change* in VOTING AFFINITY: does non-membership push countries closer towards institutional members, or further away? Thus my outcome variable in my regressions is CHANGE IN VOTING AFFINITY. This variable is negatively signed when countries' ideal points are closer in year t than they were in year *t-1* (i.e., differences in voting affinity are reduced), and positively signed if they are further apart in year t than in year *t-1* (differences increase). Finally, I estimate an error-correction model (ECM) to distinguish between the short- and long-run effects of PTA exclusion on UNGA vote affinity. In addition to providing the short- and long-run effects, the ECM addresses the problem of spurious correlation created by cointegration in time-series data.[88]

It is important to acknowledge that there are likely to be unobservable factors that drive countries' decisions about trade cooperation, as well as their cooperation in other issue-areas. Because of this, one should be cautious in inferring too strong a causal relationship between these variables. For example, there may be underlying and unobservable factors that explain both poor political relations and exclusion from PTAs. I address this problem in two ways. The first is to attempt to quantify the degree to which this is a concern. The biggest worry would be if countries with poor political relations were much more likely to exclude one another from their PTAs. To test whether this is the case, I lag countries' difference in ideal points, and examine the bivariate correlation with exclusion from a PTA. It is weak, and in fact is negative, suggesting that if anything, country-pairs with *closer* (smaller) ideal points are more likely to exclude one another from their PTAs. A logistic

[88] Chow and Kono (2017, 898-99).

regression confirms this negative relationship.[89] Secondly, and as explained above, I use first-differencing and ECM models in addition to OLS regressions. By assessing the change in UNGA voting similarity rather than UNGA similarity itself, these approaches are able to reassure us that the observed effects on UNGA vote difference are indeed a function of exclusion.

The data is structured as a directed-dyad dataset, but unobserved heterogeneity within undirected dyads is likely to contribute to statistical error. Accordingly, I cluster standard-errors at the undirected dyad level. The following section presents the results of this analysis.

Results

Table 4.1 presents the results from OLS regressions with dyad and year fixed effects. The dependent variable is the mean distance in ideal-points between two countries making up a dyad. As a first step it is important to demonstrate that PTA membership and UNGA voting behaviour are in fact associated with one another. Accordingly, in Columns (1) and (2), the binary explanatory variable is the existence of a PTA, coded '1' if the two countries have previously signed a PTA and '0' if not. In Columns (3) and (4) the binary explanatory variable is exclusion from an ambitious PTA (one that is of above-average depth for the year in question). This variable takes the value of '1' if the partner country (Country B) in the dyad signed a PTA with countries situated on the same continent as Country A, but to which Country A is not a member. It is uncommon for a PTA to be negotiated in a single year, but nevertheless there is a small possibility that a dramatic shift in countries' relations (as

[89] See Table 4.9 in the Appendix.

captured by a large change in UNGA voting behavior) could lead to signature of a PTA or exclusion from a PTA. To forestall the possibility of this reverse causality, the independent variables are lagged by one year.

In Column (1), I report results from a base model with no additional control variables. In Columns (2) to (4), I report results from a model in which I control for time-varying factors such as whether the countries making up the dyad are in an alliance; whether they have experienced conflict; their regime-type; membership in multilateral trade institutions; and various economic 'gravity' variables that are often used to explain membership in PTAs.[90] All models include dyad and year fixed effects, so results indicate variation within dyads over time.

The results in columns (1) and (2) support the general intuition of the chapter. Membership in a PTA is associated with a smaller distance in ideal-points: countries that are linked by a PTA tend to vote more similarly in the United Nations General Assembly. These results hold up in the baseline model as well as a model that includes a full range of control variables.

The effect of non-membership in a PTA is the opposite. The results in column (3) are from an OLS regression in which the independent variable of interest is exclusion from an ambitious PTA. Non-membership in a new institution is associated with weaker political ties between countries. Where Country A is not a member of a new PTA formed by Country B with another country or countries in the same geographical region as Country A, the distance between Countries A and B's ideal points increases.

Column (4) includes a lagged DV and provides standard errors that are robust to first-

[90] Mansfield and Milner 2012; Baier and Bergstrand 2004.

Table 4.1: PTAs and UNGA voting distance

	DV: Mean difference in ideal points			
	Joint PTA membership		*PTA exclusion*	
Model	*Base*	*Full*	*Full*	*Lagged DV*
	(1)	(2)	(3)	(4)
L.PTA in force	**-0.080*****	**-0.037*****		
	(0.011)	**(0.010)**		
L.Exclusion (ambitious)			**0.011*****	**0.005*****
			(0.004)	**(0.001)**
Alliance		-0.076***	-0.086***	-0.010**
		(0.028)	(0.029)	(0.004)
Previous conflict		-0.025	-0.023	0.015*
		(0.067)	(0.067)	(0.009)
Polity scores (own)		-0.007***	-0.007***	-0.001***
		(0.000)	(0.000)	(0.000)
Polity scores (partner)		-0.006***	-0.006***	-0.001***
		(0.000)	(0.000)	(0.000)
GDP sum (logged, t-5)		0.038***	0.039***	0.009***
		(0.004)	(0.004)	(0.000)
GDP difference (logged, t-5)		0.016***	0.016***	0.002***
		(0.005)	(0.005)	(0.001)
Exports (logged, t-5)		0.001***	0.001***	0.000***
		(0.000)	(0.000)	(0.000)
Previous PTAs (ROW, t-5)		0.000	-0.000	-0.000***
		(0.001)	(0.001)	(0.000)
Previous PTAs (own, t-5)		0.001***	0.001**	-0.000***
		(0.000)	(0.000)	(0.000)
Previous PTAs (partner, t-5)		0.001*	0.000	-0.001***
		(0.000)	(0.000)	(0.000)
Self in GATT		-0.069***	-0.069***	-0.002
		(0.009)	(0.009)	(0.002)
Partner in GATT		-0.039***	-0.039***	0.003
		(0.009)	(0.009)	(0.002)
Self in WTO		0.031***	0.031***	0.013***
		(0.008)	(0.008)	(0.001)
Partner in WTO		0.006	0.006	0.005***
		(0.010)	(0.010)	(0.001)
L.Mean difference in ideal points				0.787***
				(0.001)
Constant	1.002***	-0.838*	-0.735	-0.225***
	(0.002)	(0.472)	(0.472)	(0.012)
Year fixed effects	Yes	Yes	Yes	No
Dyad fixed effects	Yes	Yes	Yes	Yes
Observations	1021165	570679	570699	542301
R^2	0.717	0.821	0.821	
Adjusted R^2	0.709	0.815	0.815	0.649

Table presents OLS regression estimates. Columns 1-3 provide robust standard errors clustered at the undirected dyad in parentheses. Column 4 provides standard errors that are robust to first-order auto-correlation to account for Nickell bias (Nickell, 1981). DV the absolute difference in UNGA ideal-points between country-pairs.

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

order auto-correlation to account for Nickell bias. We can see from the results presented in column (4) that even when including a lagged dependent variable, exclusion from a PTA is associated with a small worsening of ties between members and non-members of the new institution.

We know from the political economy literature on trade agreements however that while non-membership in a PTA may prompt domestic actors within non-members to lobby their governments to create a competing institution, non-membership may also prompt these actors to push for accession to the institution (as in the expansion of the European Union). Given the political dimension to institutional creation, I expect these political economy pressures to have international political effects. Specifically, I expect non-membership to result in an improvement in political ties between members and non-members where those ties are already sound, but to result in a worsening of political ties where those ties are poor to begin with. The next two tables present the results from models that tease out these expectations.

How can we measure the expectation of future cooperation? One way of doing so is to look to patterns of past cooperation, such as joint membership in the GATT or WTO, or in a previous PTA. I expect that where two countries share membership in the GATT/WTO or a PTA, PTA exclusion will be associated with *closer* rather than more distant political ties, since these two countries may seek to improve cooperation and form a new agreement.

The results presented in Table 4.2 support this expectation. In columns (1) to (5) I present models that use a variety of different fixed effects specifications, with no additional control variables, while in column (6) the model reported has the full range of control variables used above. We can see that in all models, PTA exclusion is associated with lower

mean distance in UNGA ideal points, indicated by the negative coefficient on the interaction term. Where a country-pair has a history of cooperation in international economic agreements, the non-membership of one half of that pair in the other's PTA is associated with closer political ties. As a robustness check I re-run the model presented in column (6) with a lagged dependent variable, accounting for first-order auto-correlation (not presented). The results are consistent with those presented above, although the substantive effect is weaker.

Table 4.2: Exclusion from PTA and UNGA voting distance: effects of past cooperation

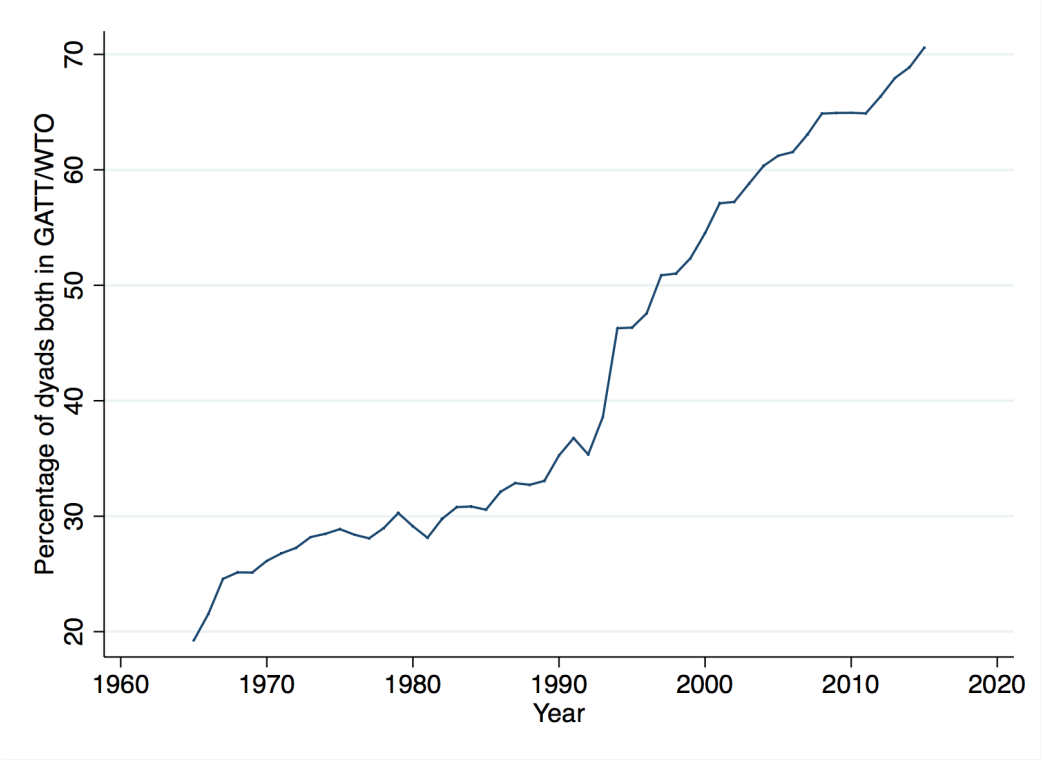
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
				DV: Mean difference in ideal points				
1L.Exclusion (ambitious)	**-0.058*****	**-0.051*****	**-0.051*****	**-0.080*****	**-0.121*****	**-0.056*****		
× Both in GATT or WTO	**(0.010)**	**(0.011)**	**(0.011)**	**(0.009)**	**(0.024)**	**(0.007)**		
1L.Exclusion (ambitious)	0.034***	0.024***	0.024***	-0.009*	-0.367***	0.016***	0.030***	-0.018**
	(0.007)	(0.006)	(0.006)	(0.006)	(0.018)	(0.006)	(0.003)	(0.007)
Both in GATT or WTO	-0.034***	-0.030***	-0.030***	0.034***	-0.184***	0.112***		
	(0.007)	(0.007)	(0.007)	(0.011)	(0.015)	(0.013)		
L.Exclusion (ambitious)							**-0.113*****	
× PTA in force							**(0.009)**	
PTA in force=1							-0.022**	
							(0.009)	
1L.Exclusion (ambitious)								**-0.021*****
× Rasch depth of PTA in force								**(0.006)**
Rasch depth of PTA in force								-0.022**
								(0.009)
Alliance						-0.058	-0.051	-0.074*
						(0.041)	(0.040)	(0.039)
Previous conflict						-0.004	0.001	0.105
						(0.048)	(0.048)	(0.087)
GDP sum (logged, t-5)						0.023	0.025	-0.166**
						(0.028)	(0.028)	(0.065)
GDP difference (logged, t-5)						0.026***	0.027***	0.009
						(0.005)	(0.005)	(0.009)
Exports (logged, t-5)						0.001***	0.001***	0.000
						(0.000)	(0.000)	(0.000)
Previous PTAs (ROW, t-5)						0.001	0.001	0.000
						(0.001)	(0.001)	(0.001)
Previous PTAs (own, t-5)						0.011***	0.011***	0.013***
						(0.004)	(0.004)	(0.005)
Previous PTAs (partner, t-5)						0.012***	0.011***	0.004
						(0.002)	(0.002)	(0.002)
Constant	0.998***	0.995	0.997***	0.965***	1.089***	-1.004	-0.774	8.538***
	(0.004)	(19.857)	(0.004)	(0.006)	(0.008)	(1.371)	(1.378)	(3.105)
Year dummies/FEs	No	Dummies	FEs	No	No	No	No	No
Dyad fixed effects	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes
Country fixed effects	No	No	Yes	No	No	No	No	No
Country-year fixed effects	No	No	No	Yes	Yes	Yes	Yes	Yes
Observations	1030222	1030222	1030204	1030059	1030080	570684	570684	124262
R^2	0.001	0.010	0.716	0.835	0.494	0.901	0.901	0.955

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Yet the theory holds additional testable implications. The above effect is based on a binary effect of membership/non-membership, but I expect that where past cooperation is stronger, PTA exclusion will be associated with a greater improvement in political ties. I first examine the effects of previous membership in a PTA; I expect the political effect of exclusion to be stronger in this case than in the case of joint membership in the GATT/WTO, since PTAs usually involve commitments beyond those made multilaterally. This is indeed what I find: the substantive effect of exclusion on UNGA voting similarity is about twice as strong in this case as it is in the model looking only at joint membership in the GATT/WTO. In column (8) I leverage variation in PTA depth to examine the effects of PTA exclusion at different levels of agreement depth. Here again, the results align with the theory. As the depth of past cooperation increases, PTA exclusion becomes associated with closer political ties.

It is helpful to provide a sense of the variation in these variables; readers unfamiliar with the GATT and WTO in particular might be excused for assuming that these multilateral institutions have always had a broad membership. As Figure 4.1 shows however, this is far from the case. It is only from the late 1990s that in a majority of country-pairs, both were members of a multilateral trade institution. Even as of 2015, that figure remained only just above 70%. To illustrate the intuition, when the CPTPP was signed in March 2018, China was able to fall back on WTO terms to gain access into the markets of CPTPP members such as Japan. Had the deal been signed prior to China's accession to the WTO in 2001, this would not have been possible, thereby heightening the effects of exclusion.

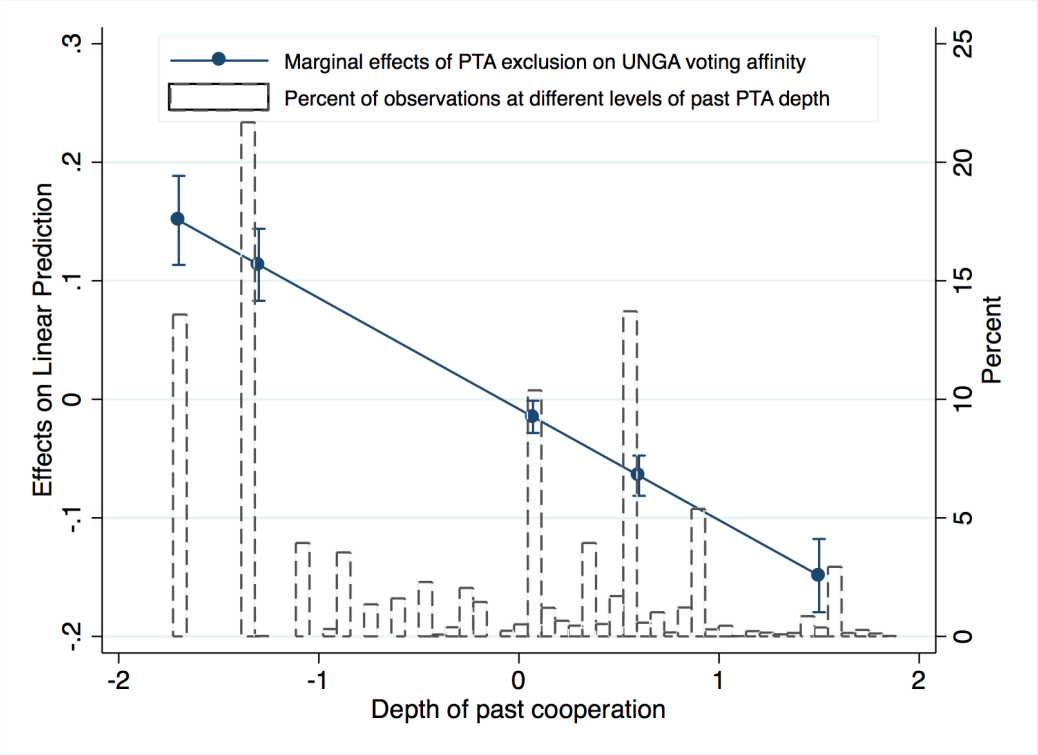
Figure 4.1: Percentage of dyads with both members in a multilateral trade institution



Note: Joint membership in either the GATT or the WTO are coded, hence the increase in the percentage of dyads following the creation of the WTO in 1995.

Figure 4.2 presents the effects of past PTA cooperation graphically. The marginal effect of PTA exclusion on UNGA ideal point difference is positive at lower levels of past cooperation (political affinities worsen), and negative at higher levels of past cooperation (political affinities improve).

Figure 4.2: Marginal effects of exclusion at different depths of previous PTA



Note: Figure represents the marginal effects of exclusion on UNGA voting distance at difference depths of an existing PTA. Full model presented in Table 4.11 in the Appendix. To retain sufficient variance the model does not use fixed effects.

Above, I used cooperation in international institutions to capture the likelihood of countries forming a PTA in the future. Below, I turn to past patterns of behaviour at the UNGA itself to capture this likelihood. Again, the expectation is that where countries have sound political ties, PTA exclusion is likely to be associated with economic actors lobbying their governments for membership in the new agreement to which the country is not a party. Accordingly, members and non-members are likely to make an effort to improve political ties with one another as part of the process of seeking accession to the new agreement. Conversely, I expect that where countries have a history of poor relations, lobbying efforts are more likely to focus on forming a competing institution. In this case of already-poor political ties, PTA

exclusion is more likely to be associated with a further souring of relations.

Table 4.3 presents the results of models that test these expectations. I again use an interaction term to 'activate' the effect of PTA exclusion. Here, the interaction term is comprised of PTA exclusion and a dummy 'polarized voting' variable. Recall that I identify as having polarized voting behavior those country-pairs that have a difference in mean ideal points that is in the upper quartile of the total distribution of ideal-point differences for a given year. For instance, in the year 2000 the 75th percentile of the difference in ideal points was around 1.55. Australia and Afghanistan had a difference in ideal points of 1.72 in that year. Accordingly, this country-pair is identified as polarized.

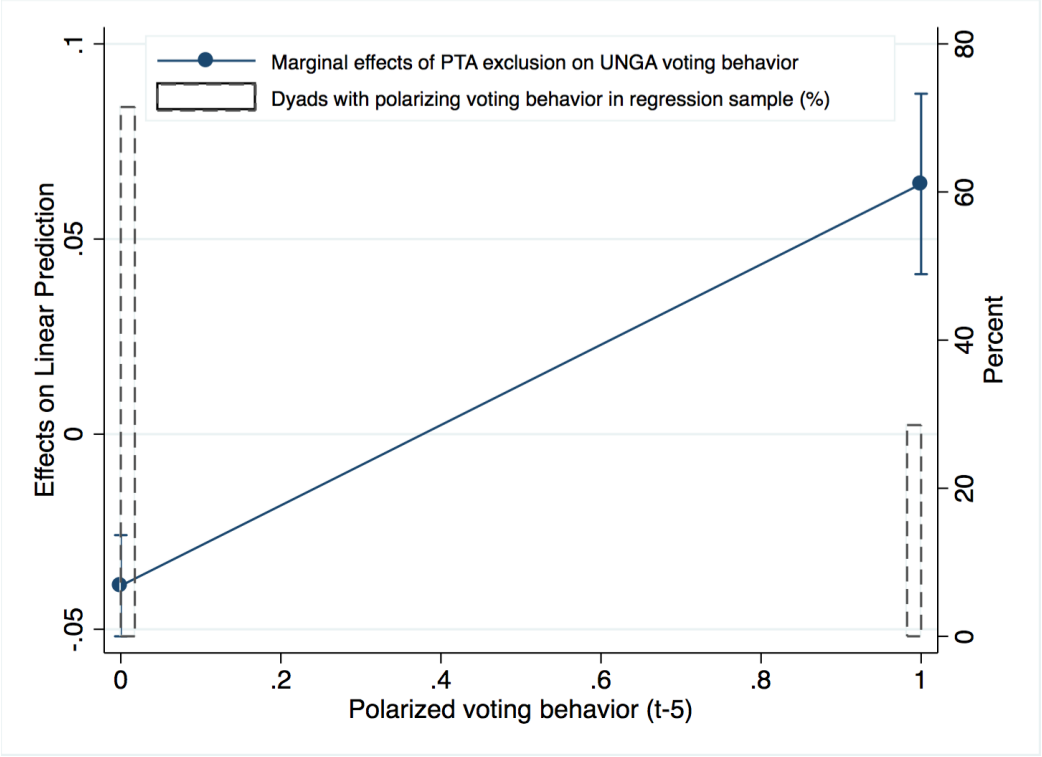
All three models include dyad and country-year fixed effects, which capture unobserved factors at the dyadic- and country-level that explain countries' UNGA ideal points. Column (1) reports a base specification, while column (2) includes a full complement of control variables. In columns (1) and (2) the results show that as expected, PTA exclusion has a deleterious effect on political relations between countries that are already politically polarized.

Table 4.3: Exclusion from PTA and UNGA voting distance: effects of polarization

	DV: Mean difference in ideal points		
	(1) Base	(2) controls	(3) polarization and GATT/WTO
L.Exclusion (ambitious) × polarized voting (t-5)	**0.02*****	**0.08*****	-0.05***
	(0.01)	**(0.01)**	(0.01)
L.Exclusion (ambitious)	-0.08***	-0.05***	0.03***
	(0.01)	(0.01)	(0.01)
polarized voting (t-5)	0.27***	0.21***	0.20***
	(0.01)	(0.01)	(0.01)
L.Exclusion (ambitious) × polarized voting (t-5) × Both in GATT or WTO			**0.16***** **(0.01)**
L.Exclusion (ambitious) × Both in GATT or WTO			-0.10***
			(0.01)
Both in GATT or WTO			0.10***
			(0.01)
polarized voting (t-5) × Both in GATT or WTO			0.01
			(0.01)
Alliance		-0.05	-0.05
		(0.04)	(0.04)
Previous conflict		0.00	-0.00
		(0.05)	(0.05)
GDP sum (logged, t-5)		0.02	0.02
		(0.03)	(0.03)
GDP difference (logged, t-5)		0.02***	0.02***
		(0.00)	(0.00)
Exports (logged, t-5)		0.00***	0.00***
		(0.00)	(0.00)
Previous PTAs (ROW, t-5)		0.00	0.00
		(0.00)	(0.00)
Previous PTAs (own, t-5)		0.02***	0.01***
		(0.00)	(0.00)
Previous PTAs (partner, t-5)		0.01***	0.01***
		(0.00)	(0.00)
Constant	0.90***	-0.89	-0.87
	(0.00)	(1.33)	(1.32)
Dyad fixed effects	Yes	Yes	Yes
Country-year fixed effects	Yes	Yes	Yes
Observations	1030055	570684	570684
R^2	0.843	0.904	0.904

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Figure 4.3: Marginal effects of polarized voting behaviour



Note: Figure represents the marginal effects of exclusion on UNGA voting distance for dyads whose previous voting behavior (at t-5) was polarized, and for those whose was not. Full model presented in Table 4.12 in the Appendix. To retain sufficient variance the model does not use fixed effects.

How do these results gel with those reported above? In column (3) I introduce a three-way interaction term, with PTA exclusion interacted with the binary poor relations variable as well as the joint GATT/WTO membership variable. Here, we can see that for country-pairs that are both polarized and also jointly members of the GATT or WTO, PTA exclusion is associated with a markedly larger distance in UNGA ideal points. Where polarized countries already have the baseline level of market access provided for by the GATT/WTO, it appears that they are even *less* likely to attempt to improve relations so as to join the new institution.

As a robustness check I run models that include a lagged dependent variable, account-

ing for first-order auto-correlation (not presented). The results for the fixed effects model are consistent with those presented above, although the substantive effect is weaker. For the model without fixed effects, the effect just escapes the conventional level of statistical significance ($p = 0.074$).

Figure 4.3 presents the marginal effects of PTA exclusion on UNGA ideal point distance for polarized and non-polarized country-pairs. For non-polarized dyads, PTA exclusion is associated with a reduction in UNGA ideal point distance of between around -0.05 and -0.025. For polarized pairs however, the effect is the opposite: PTA exclusion is associated with an increase of ideal point distance of between around 0.04 and 0.085.

Accounting for time

The results presented above provide strong initial support for the argument, but there may be some lingering concern with omitted variable bias given that ideal point differences remain stable over time. Moreover, there may be a concern that the estimation approach here does not sufficiently capture a causal change in ideal points as a result of PTA exclusion. To address these concerns head-on, I next use a first-differencing estimation, the results of which are presented in Table 4.4.

The first-differencing estimator uses *change* in explanatory and outcome variables to better isolate cause and effect. The differenced variable also captures the shift from PTA exclusion (coded '1') to a normal state of affairs (coded '0'), and renders it as '-1'. This has no theoretical value, and so I follow the lead of Chow and Kono (2017, 898), and create a differenced variable that takes the value of '1' in the first year of PTA exclusion, and '0'

Table 4.4: Exclusion from PTA and UNGA voting: first differencing

	DV: Change in Mean difference in ideal points						
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Dyads				*Polarized*	*Not polarized*	*Polarized*	*Not polarized*
D.Exclusion (Ambitious)	**-0.006*****	**-0.003*****		**0.002**	**-0.004*****	-0.022***	0.002
	(0.001)	**(0.001)**		**(0.002)**	**(0.001)**	(0.006)	(0.004)
D.Exclusion (any PTA)			**-0.004*****				
			(0.001)				
D. Exclusion (Ambitious)						**0.030*****	**-0.007**
× Both in GATT or WTO						**(0.006)**	**(0.005)**
D.Both in GATT or WTO		0.002	0.002	0.009	-0.001	0.009	-0.001
		(0.003)	(0.003)	(0.006)	(0.003)	(0.006)	(0.003)
D.Alliance		-0.002	-0.002	0.046**	-0.021*	0.046**	-0.021
		(0.011)	(0.011)	(0.021)	(0.013)	(0.021)	(0.013)
D.Previous conflict		0.179***	0.179***	0.237***	0.147**	0.237***	0.147**
		(0.040)	(0.040)	(0.029)	(0.064)	(0.029)	(0.064)
D.Polity scores (own)		-0.001***	-0.001***	-0.005***	0.000	-0.005***	0.000
		(0.000)	(0.000)	(0.001)	(0.000)	(0.001)	(0.000)
D.Polity scores (partner)		-0.001***	-0.001***	-0.005***	-0.000	-0.005***	-0.000
		(0.000)	(0.000)	(0.001)	(0.000)	(0.001)	(0.000)
D.GDP sum (logged, t-5)		0.013***	0.013***	0.006*	0.014***	0.006*	0.014***
		(0.001)	(0.001)	(0.003)	(0.001)	(0.003)	(0.001)
D.GDP difference (logged, t-5)		-0.006***	-0.006***	-0.017***	-0.002	-0.017***	-0.002
		(0.002)	(0.002)	(0.004)	(0.002)	(0.004)	(0.002)
D.Exports (logged, t-5)		-0.000	-0.000	-0.000	0.000	-0.000	0.000
		(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
D.Previous PTAs (ROW, t-5)		0.000***	0.000***	0.000***	0.000***	0.000***	0.000***
		(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
D.Previous PTAs (own, t-5)		-0.002***	-0.002***	-0.000	-0.001***	-0.000	-0.001***
		(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
D.Previous PTAs (partner, t-5)		-0.001***	-0.001***	0.000	-0.001***	0.000	-0.001***
		(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Constant	-0.002***	-0.006***	-0.006***	-0.019***	-0.003***	-0.019***	-0.003***
	(0.000)	(0.001)	(0.001)	(0.002)	(0.001)	(0.002)	(0.001)
Observations	1001450	565366	565366	155006	410360	155006	410360

Table presents regression estimates using a first-differencing estimation, with robust standard errors clustered at the undirected dyad. DV the year-on-year change in mean difference in UNGA ideal-points between country-pairs. Polarized dyads were in the top quartile of UNGA voting difference at t-5.

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

otherwise.

Column (1) reports results with a base specification (no controls); column (2) reports results with full controls; and column (3) measures the effects of exclusion from any PTA. In columns (4) and (5) I split the sample to compare the effects of exclusion for polarized and non-polarized country-pairs. In columns (6) and (7) I do likewise, but introduce an interaction term to capture the effects of PTA exclusion where both countries in the dyad are members of the GATT or WTO.[91]

As above, PTA exclusion is generally associated with an improvement in countries' voting affinity at the UNGA, seen in the negative coefficients on the D.Exclusion variables. Yet polarized countries (column (4)) do not experience this improvement in ties. And in fact, the findings from above hold: where countries have a history of poor relations but are both in the GATT/WTO, the distance between their ideal points at the UNGA widens. This is consistent with the argument that for countries with poor political ties to begin with, a baseline level of market access (through multilateral agreements) pushes economic actors not to lobby in favor of *joining* a new agreement from which they are excluded, but rather to seek to create a competing institution, with a corresponding further souring of political ties. For other countries, it seems that this multilateral cooperation is sufficient to dampen the urge to seek membership in the new institution. The negative sign of the coefficient on the interaction variable would indicate an improvement in ties, but the effect escapes statistical significance ($p = 0.127$).

Can we be sure that these effects are capturing the effect of exclusion on the excluded country? The dependent variable in this analysis is the distance between the ideal points

[91] Models including dyad fixed-effects return substantively similar results.

of Country A and Country B. Yet the theory implies that it is Country A that would react politically to exclusion from a PTA. There may accordingly be some concern that the observed effects in fact simply reflect a shift in B's ideal points. To be sure that this is not the case, I run first-differencing models in which the dependent variable is the ideal point of Country A and Country B respectively. I include dyad fixed-effects, such that I am essentially asking, within the dyad, whom does exclusion affect? The substantive effects have no theoretical meaning. Instead what we are looking for is a statistically significant effect on Country A's ideal points. Table 4.13 (in the appendix) presents the results. I find that while exclusion has an effect on A's ideal points, it has no effect on B's ideal points, which I include as a placebo. This should reassure us about the validity of the mechanism at play.

Untangling long and short-run effects

What are the long-term effects of PTA exclusion? To answer this question I use an error-correction model (ECM). This model includes differenced variables as in the first-differencing estimation, but also includes lags of all variables, including the dependent variable. The short-run effects are given by the coefficient on the differenced variables, while the long-run effects and their statistical significance can be calculated using Bewley's (1979) transformation.[92]

Table 4.5 presents estimates for the short- and long-run effects of PTA exclusion on UNGA voting similarity. I use a split-sample approach, estimating these effects for polarized

[92]The linear prediction of the differenced DV is included as a regressor in a second-stage model predicting the un-differenced DV; long-run effects and their statistical significance are given by the coefficients and errors on lagged variables.

country-pairs (columns (1) and (4)), non-polarized country-pairs (columns (2) and (5)), and for the entire sample of dyads (columns (3) and (6)). I also use two models. The first examines the long- and short-run effects of PTA exclusion (columns (1) to (3)), while the second examines these effects where countries are members in the GATT/WTO. In the interests of space, I present only the main variables of interest from the first- and second stage estimations (short- and long-run effects). The full results with all control variables are presented in the Appendix in Tables 4.14 and 4.15

The results further indicate that PTA exclusion is associated with an immediate improvement in political ties for those countries that do not have a history of poor political relations. This can be seen in the negative coefficient on the D.Exclusion (ambitious) variable in column (2). For other country pairs, the results indicate that there is no statistically significant short-run effect of PTA exclusion on the distance between countries' UNGA ideal points, as shown by the insignificant coefficients on the D.Exclusion (ambitious) variable in columns (1) and (3).

On the other hand, the long-run effect is significant across all three samples of country-pairs. Here we can see that for countries whose UNGA voting behavior is polarized, PTA exclusion is associated with a significant long-run deterioration of political ties, indicated by the positive coefficient in the second part of the table. For other countries, the inverse is true. Where a country-pairs' ideal points are not polarized, PTA exclusion is associated with a long-run *improvement* in ties, indicated by the negative coefficient on the lagged variable in the second part of the table. As we might expect given the opposing effects in these two sub-samples of dyads, this effect is diluted when looking at the full sample of dyads in column (3), but it remains significant: PTA exclusion is, in general, associated with a

Table 4.5: Exclusion from PTA and UNGA voting: error correction model

	DV: D.Mean difference in ideal points					
	Error correction model					
	(1)	(2)	(3)	(4)	(5)	(6)
Model	*Effects of Exclusion*			*Exclusion and GATT/WTO*		
Dyads	*Polarized*	*Not polarized*	*All*	*Polarized*	*Not polarized*	*All*
First differences						
D.Exclusion (ambitious)	**-0.001**	**-0.003****	**-0.001**	-0.012**	0.013***	0.001
	(0.002)	**(0.002)**	**(0.001)**	(0.006)	(0.005)	(0.004)
D.Exclusion (ambitious)				**0.013****	**-0.020*****	**-0.003**
× L.Both in GATT or WTO				**(0.006)**	**(0.005)**	**(0.004)**
D.Both in GATT or WTO	0.014**	-0.006**	0.001	0.014**	-0.006**	0.001
	(0.006)	(0.003)	(0.003)	(0.006)	(0.003)	(0.003)
Lags						
L.Exclusion (ambitious)	0.004	-0.006***	-0.001	0.016**	0.015***	0.016***
	(0.002)	(0.001)	(0.001)	(0.007)	(0.004)	(0.004)
L.Exclusion (ambitious)				-0.016**	-0.026***	-0.021***
× L.Both in GATT or WTO				(0.007)	(0.004)	(0.004)
L.Both in GATT or WTO	0.007***	-0.002**	0.002*	0.007***	-0.001*	0.002**
	(0.002)	(0.001)	(0.001)	(0.002)	(0.001)	(0.001)
L.Mean difference in ideal points	-0.048***	-0.057***	-0.041***	-0.048***	-0.058***	-0.041***
	(0.002)	(0.001)	(0.001)	(0.002)	(0.001)	(0.001)
Constant	-0.109***	0.057***	-0.005	-0.109***	0.056***	-0.006
	(0.021)	(0.010)	(0.010)	(0.021)	(0.010)	(0.010)
	Long-run effects (Bewley's transformation)					
Lags						
L.Exclusion (ambitious)	**0.075*****	**-0.111*****	**-0.032*****	0.339***	0.268***	0.389***
	(0.002)	**(0.001)**	**(0.001)**	(0.007)	(0.004)	(0.004)
L.Exclusion (ambitious)				**-0.345*****	**-0.448*****	**-0.512*****
× L.Both in GATT or WTO				**(0.007)**	**(0.004)**	**(0.004)**
L.Both in GATT or WTO	0.141***	-0.038***	0.037***	0.144***	-0.026***	0.049***
	(0.002)	(0.001)	(0.001)	(0.002)	(0.001)	(0.001)
Constant	-2.282***	0.987***	-0.119***	-2.282***	0.964***	-0.145***
	(0.021)	(0.010)	(0.010)	(0.021)	(0.010)	(0.010)
Observations	153084	392609	545693	153084	392609	545693

Table presents estimates from single-stage error-correction model (ECM) and long-run effects, using Bewley's (1979) transformation to obtain the statistical significance of long-run effects. Control variables are omitted in the interest of space; Table 4.14 in the Appendix presents models with all controls listed. Models do not include fixed effects, but results from fixed-effects models (not presented) are similar in substance and significance.

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

reduction in the distance in countries' UNGA ideal points, signifying a convergence in foreign policy orientation.

What of the effects of prior cooperation? In the top part of column (4) we can see from the positive coefficient on the interaction variable that the finding from above holds: where a country-pair has a history of poor relations, joint membership in the GATT/WTO leads to a short-term deterioration in UNGA voting affinity when one of them excludes the other from a new PTA. The opposite is true for country-pairs that do not share a history of poor relations, as indicated by the negative coefficient on the interaction term in column (5). In column (6) we can see that there are no significant short-run effects for the sample of country-pairs as a whole, as we might expect given the differing short-run effects between two sub-samples of dyads.

Turning to the long-run effects however, we can see that the combined effect of membership in the GATT/WTO and PTA exclusion is to reduce the distance in countries' voting behavior, as shown by the negative coefficients on the interaction term in the second part of the table. This finding is somewhat surprising. Although the previous analysis did not examine long-run effects, this latter result nevertheless points in a somewhat different direction. Yet it is possible that the results are being strongly driven by joint membership in the GATT/WTO: we would expect that cooperation in an important multilateral trade institution would improve countries' disposition towards one another in the context of entering into new trade agreements.

To investigate this possibility, I re-run the above models with split-samples, but restrict each sub-sample to those dyads that share membership in the GATT/WTO. The

Table 4.6: Exclusion from PTA and UNGA voting for joint GATT/WTO members

	D.Mean difference in ideal points		
	Error correction model		
	(1)	(2)	(3)
Dyads	*Polarized*	*Not polarized*	*All*
First differences			
D.Exclusion (ambitious)	**0.004**	**-0.005*****	**-0.001**
	(0.003)	**(0.002)**	**(0.001)**
Lags			
L.Exclusion (ambitious)	0.007**	-0.008***	-0.003*
	(0.003)	(0.002)	(0.001)
L.Mean difference in ideal points	-0.223***	-0.202***	-0.195***
	(0.005)	(0.003)	(0.003)
Constant	-1.305***	-0.219***	-0.441***
	(0.083)	(0.038)	(0.036)
	Long-run effects		
	(Bewley's transformation)		
Lags			
L.Exclusion (ambitious)	**0.030*****	**-0.041*****	**-0.013*****
	(0.003)	**(0.002)**	**(0.001)**
Constant	-5.846***	-1.082***	-2.257***
	(0.086)	(0.038)	(0.037)
Observations	105205	253951	359156

results are presented in Table 4.6.[93] These results are more in line with the theory and with the findings from the prior analysis. There are few significant short-run effects, with only those country-pairs that are not polarized experiencing a short-run improvement in ties following PTA exclusion.[94] In the long-run however, dyads with a history of polarized voting behavior at the UNGA suffer from a long-term degradation of ties when one member excludes the other from a PTA, while other countries experience a long-term improvement in ties.

Similarly, there may also be lingering concern that the effects of PTA exclusion on political relations are being confounded by the underlying political relationship between

[93]Tables 4.16 and 4.17 (in the appendix) present full results with all control variables.

[94]The results are very similar whether dyad fixed-effects are included or not. The only difference is that using a fixed-effects estimator, there is a significant short-run improvement in political ties following PTA exclusion, for those dyads that are not polarized.

Table 4.7: Effects of exclusion from PTA on UNGA voting, 2000-2015

	(1)	(2)	(3)	(4)	(5)	(6)
	DV: Change in mean difference in ideal points					
Dyads	*Polarized*	*Not polarized*	*Polarized*	*Not polarized*	*Polarized*	*Not polarized*
					GATT/WTO members only	
First differences (short-run effects)						
D.Exclusion (all PTAs)	**-0.00**	**-0.01*****				
	(0.00)	**(0.00)**				
D.Exclusion (ambitious PTAs)			**-0.00**	**-0.01*****	**-0.00**	**-0.01*****
			(0.00)	**(0.00)**	**(0.00)**	**(0.00)**
Lags						
L.Exclusion (all PTAs)	0.01***	-0.00				
	(0.00)	(0.00)				
L.Exclusion (ambitious PTAs)			0.02***	0.00	0.02***	-0.00
			(0.00)	(0.00)	(0.00)	(0.00)
L.Mean difference in idealpoints	-0.33***	-0.29***	-0.33***	-0.29***	-0.35***	-0.31***
	(0.01)	(0.00)	(0.01)	(0.00)	(0.01)	(0.00)
			Long-run effects (Bewley's transformation)			
Lags (long-run effects)						
L.Exclusion (all PTAs)	**0.04*****	**-0.00***				
	(0.00)	**(0.00)**				
L.Exclusion (ambitious PTAs)			**0.06*****	**0.01*****	**0.05*****	**-0.00**
			(0.00)	**(0.00)**	**(0.00)**	**(0.00)**
Constant	-0.38***	-0.06	-0.40***	-0.08	-0.55***	-0.26***
	(0.09)	(0.05)	(0.09)	(0.05)	(0.11)	(0.06)
Observations	84894	190547	84894	190547	65510	142904
R^2	0.957	0.927	0.957	0.927	0.951	0.930

Table presents ECM estimates with dyad fixed effects. Results from Bewley's transformation are in the lower half of the table. DV the year-on-year change in absolute difference in UNGA ideal-points between country-pairs. Robust standard errors clustered at the undirected dyad are reported in parentheses.
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

dyads. As a further robustness check, I accordingly build in the polarization measure at the baseline, taking the year 2000 as a reference point. I limit the date range to the years 2000 to 2015, splitting samples based on polarization at the year 2000, and include dyad fixed effects to further identify within-dyad variation. The results are in Table 4.7.[95] In columns (1) and (2), the independent variable is exclusion from any PTA. In columns (3) to (6), the independent variable is exclusion from an ambitious PTA. Columns (4) and (5) further limit the sample to only those countries that share membership in the GATT or WTO.

The results are broadly consistent with the findings previously presented. We see

[95]Tables 4.18 and 4.19 (in the appendix) present full results with all control variables.

in columns (1), (3) and (5) that exclusion from a PTA consistently has no short-run effect for polarized country-pairs. Conversely, the negative coefficient on the exclusion variables in columns (2), (4) and (6) show that exclusion from a PTA is associated with a short-run improvement in political ties between non-polarized country-pairs.

Looking to the long-run effects, the results from Bewley's transformation of the ECM show us in columns (1), (3) and (5) that exclusion is associated with a long-run degradation in political ties between polarized country-pairs. Joint GATT membership appears to lessen the effect slightly. For non-polarized country-pairs, we can see in column (2) that exclusion from a PTA (without distinguishing between ambitious and other PTAs) is associated with a long-run improvement in political ties. Exclusion from an ambitious PTA appears associated with a mild degradation of political ties in the long-run, as shown in column (4). We can see though that as above, joint membership in the GATT/WTO appears to soften these negative effects. The results in column (6) show that there is no long-run degradation in political ties where countries are jointly members of the GATT/WTO.

In sum, a number of different model specifications support the main hypotheses of the chapter. For country-pairs that have no recent history of poor political relations, exclusion from an agreement is associated with an improvement in political ties (H1a). Yet for country-pairs that do have a recent history of poor political relations, exclusion from an agreement is associated with a degradation in political ties (H1b). And we can see that past cooperation in institutions clearly has a moderating influence on these effects (H2). The negative effects of exclusion from a new PTA is lessened by joint membership in a trade agreement such as the GATT and WTO.

4.6 Conclusion

The global trade regime has become increasingly politically contested. Efforts to advance a new round of liberalization through the multilateral World Trade Organization have been stalled since 2008. Meanwhile, countries have turned to negotiating preferential trade agreements, which include some states but exclude others. Several of these agreements have recently been viewed as efforts to establish a new agenda in trade policymaking, setting the ground for a major shift in how international commerce is regulated in decades to come. Notably, 'mega-regional' deals have been viewed as efforts by major economies such as the United States and the European Union to promote their preferences for regulation of a number of important new issues in the trade regime. The influence of such agenda-setting agreements rests on their ability to set a powerful precedent for future cooperation. The importance of precedent raises the benefits of membership in agreements, but also raises the cost of exclusion, suggesting that the membership of agreements is likely to be political–and increasingly so–if PTAs become the dominant venue for trade policymaking.

Qualitative evidence supports this argument. China's non-membership in the Trans-Pacific Partnership (TPP) was viewed by observers and presented by officials as a deliberate attempt by the Obama administration to counter Beijing's influence in the Asia-Pacific. This qualitative evidence cautions that exclusion from PTAs may sometimes be associated with increasing tension between members and non-members. Does this narrative stand up to empirical scrutiny when we examine the empirical pattern of trade agreement inclusion and exclusion? If so, what are the effects of agreement formation on political relations between members and non-members?

Evidence from statistical analysis of PTA exclusion and countries' voting affinity in the United Nations General Assembly shows that PTA exclusion generally prompts countries to draw closer together, consistent with the theory that an excluded country may seek membership in the new institution. Yet this effect is reversed for dyads that have a history of poor political ties. For these 'polarized' country-pairs, PTA exclusion is associated with a worsening of ties. This is consistent with theory and anecdotal evidence that suggests that non-members that are unable to join a new institution may set up a competing one. These effects are consistent when using the depth of past cooperation as a proxy for the health of bilateral ties. As the depth of a previous agreement increases, so does countries' voting affinity following PTA exclusion.

Reasoning through the political economy dynamics created by PTA exclusion, I expect that existing joint membership in a trade agreement should dampen the political effects of PTA exclusion. Past agreements ensure a degree of open market access that mitigate against the potential effects of exclusion, such as trade diversion. Comparing the results from error correction models, this is indeed what I find. Where countries are jointly members in the GATT/WTO, PTA exclusion continues to have little effect on voting affinity in the short-run, and the substantive long-run effect is reduced by more than half as compared to a model in which all dyads are included. These findings underscore the importance of multilateral cooperation as a means of regularizing state-to-state relations and reducing political tensions in a given issue-area. This makes all the more concerning the rise in preferential trade agreements, the ongoing deadlock in liberalization at the WTO, and the more recent challenges to the functioning of the multilateral regime.

Further research can valuably build on the findings presented in this chapter. Oper-

ationalizing institutional exclusion based on the geographic location of a new agreement has a sound basis in the economic gravity model of trade, but the next phase of research will employ network analysis to better capture institutional exclusion. Network analysis is useful in the case of the trade and investment regime because it allows researchers to examine the effects of endogenous network characteristics on the development of the outcome of interest. This allows, for instance, for us to better understand how a country's position in the network of international trade agreements might prompt the negotiation of new agreements, or efforts to accede to an existing agreement.[96] In the present context, network analysis provides useful measures of network centrality, allowing me to capture how additional network ties (i.e., new trade agreements) affect the relative centrality of other countries in the global network of trade agreements. This provides a powerful means of quantifying the sort of social power that may be associated with leadership roles in important trade agreements, as well as better capturing how the relationship between countries established by new agreements may enable the legal norms in those agreements to influence subsequent agreements.

Additional research could also explore alternative measures of countries' ties, for instance with quantitative text analysis. A number of existing 'dictionaries' exist that enable researchers to identify sentiment and affect in text.[97] Analyzing the media framing of exclusionary agreements (and their members) by non-member countries will provide a measure of country ties that will complement the existing UNGA ideal-point data. Media framing of economic issues plays an important role in public perceptions and public support for the government, and quantitative text analysis of media has proven an effective means of mea-

[96]For recent applications to the trade and investment regime, see Milewicz et al. 2016; Pauwelyn and Alschner 2015; Manger, Pickup, and Snijders 2012; Manger and Pickup 2016.

[97]The Lexicoder Sentiment Dictionary is a good example: Young and Soroka 2012.

suring this framing.[98] Examining how exclusionary trade deals are framed in the media of excluded countries will therefore provide a valuable additional dimension to understanding the political economy dynamic of institutional non-membership.

The findings in this chapter contribute to an important literature on interdependence. Trade agreements are usually considered to be beneficial institutions that enable their members to achieve cooperation. Yet it appears that these ostensibly cooperative institutions may have a dark side, with non-membership exacerbating existing international political tensions. This finding also suggests the importance of further research on the causes and consequences of the evolution of global regimes. The evolution of the trade regime, and the sort of institutions that constitute it, matter not only for how states manage to liberalize economic exchange with one another, but also for international political relations between states in the broadest sense.

[98]Soroka, Stecula, and Wlezien 2015.

4.7 Appendix to Chapter 4

Table 4.8: Summary statistics of key variables for Chapter 4

Variable	Mean	N	Standard deviation	Minimum	Maximum	Skewness	Kurtosis
Mean difference in ideal points	0.983017	1051745	0.799793	1.2E-06	5.214821	0.985279	3.776783
Exclusion (any PTA)	0.064037	1479186	0.244818	0	1	3.56153	13.68449
Exclusion (ambitious PTA)	0.027592	1479186	0.163799	0	1	5.768135	34.27139
Alliance	0.088812	1478829	0.284473	0	1	2.89088	9.357188
Previous conflict	0.005675	1479186	0.075117	0	1	13.1615	174.2251
Contiguous	0.018712	1379723	0.135508	0	1	7.103479	51.45942
Polity scores (own)	2.047695	1189003	7.265243	-10	10	-0.30668	1.432671
Polity scores (partner)	1.642869	1138241	7.313617	-10	10	-0.22866	1.3871
GDP sum (logged, t-5)	46.49435	894148	3.494591	33.04316	60.9017	0.164734	2.899507
GDP difference (logged, t-5)	2.759059	894148	2.050791	0	13.67647	0.895447	3.446479
Exports (logged, t-5)	8.175051	1385781	7.898591	0	27.54788	0.133598	1.369257
Polarized voting (t-5)	0.466742	1479181	0.498893	0	1	0.133327	1.017776
Distance (logged)	8.729112	1379723	0.784238	4.087945	9.898699	-1.28366	5.158877
Remoteness	1.682576	1389328	3.370824	0	9.422161	1.506436	3.274919
Same continent	0.242722	1468434	0.428728	0	1	1.200192	2.440461
ROW previous PTAs	337.292	1468434	276.4858	0	789	0.339381	1.546481
Own previous PTAs	8.073773	1300965	12.64502	-1	88	3.205735	15.47149
Partner's previous PTAs	7.677042	1300965	12.25435	-1	88	3.307025	16.43638
Both in GATT or WTO	0.405518	1479186	0.490992	0	1	0.384863	1.14812
Self in GATT	0.592739	1468434	0.491324	0	1	-0.37751	1.142511
Partner in GATT	0.558596	1468434	0.496555	0	1	-0.23601	1.055702
Self in WTO	0.350609	1468434	0.477161	0	1	0.626167	1.392085
Partner in WTO	0.337957	1468434	0.473014	0	1	0.685153	1.469435
PTA in force	0.175379	1468434	0.380291	0	1	1.707221	3.914604

Additional regression tables

Here I present full regression tables for Chapter 4. Table 4.9 presents results from a logit model that examine the effects of UNGA ideal points on PTA exclusion. The results would be particularly concerning if there were a positive correlation between UNGA ideal point distance and PTA exclusion. The results show the opposite.

Table 4.10 presents results from simple survival model that confirms the intuition behind the chapter: exclusion from a PTA is associated with subsequent entry into a PTA with the excluding partner. Note that following the discussion in Section 4.3, no distinction is made between whether this subsequent PTA entry is into the same (excluding) institution, or whether it is a separate agreement with a member of the excluding institution.

Table 4.11 presents the regression results used to calculate the marginal effects of exclusion on UNGA voting distance at difference depths of an existing PTA, as presented in Figure 4.2. To recall, the model does not use fixed effects, in order to retain sufficient variance. The results are most readily interpreted graphically, but we can see from the negative sign on the interaction term that as the depth of previous PTA cooperation increases, exclusion from a new PTA is associated with smaller increases in UNGA voting distance. Dyads that have previously signed very low-ambition PTAs experience a widening in their UNGA voting distance when one country is excluded from a new PTA signed by the other (political ties worsen). Dyads that have previously signed very high-ambition PTAs experience a narrowing in their UNGA voting distance when one country is excluded from a new PTA signed by the other (political ties improve). This result is statistically significant.

Table 4.12 in turn presents the regression results used to calculate the marginal effects

of exclusion on UNGA voting distance for dyads whose UNGA voting behavior (at t-5) were previously politically polarized, and for those dyads whose voting behavior was not polarized. This is presented in Figure 4.3. As above, the model does not use fixed effects so as to retain sufficient variance. The positive sign on the interaction term indicates that polarized country-pairs experience a larger widening in UNGA voting distance when one country in the dyad is excluded from the other's new PTA. This result is statistically significant.

Table 4.9: Assessing endogeneity concerns

	DV: PTA exclusion
Mean difference in ideal points (lagged five years)	-0.10***
	(0.01)
Exports (logged)	0.00***
	(0.00)
Distance (logged)	-0.72***
	(0.01)
Previous PTAs (partner, t-5)	0.01***
	(0.00)
GDP sum (logged)	0.07***
	(0.00)
Polity scores (partner)	0.04***
	(0.00)
Constant	0.22
	(0.19)
Observations	695431
Pseudo R^2	0.102

Table presents the results from a logit model, with robust standard errors in parentheses, clustered at the undirected dyad. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table 4.10: PTA exclusion and likelihood of subsequent PTA entry

	DV: PTA entry
Exclusion	16.38***
	(0.41)
Exports (logged)	1.03***
	(0.00)
Distance (logged)	0.76***
	(0.01)
GDP (logged; own)	0.98***
	(0.01)
Polity scores (own)	1.02***
	(0.00)
Both democracies	0.80***
	(0.02)
Observations	942467
Pseudo R^2	0.106

Table presents the results from survival analysis using a Cox proportional hazards model. Coefficients are hazard ratios (exponentiated coefficients) with robust standard errors in parentheses, clustered at the undirected dyad. Dependent variable is entry into a PTA.

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table 4.11: Exclusion from PTA and UNGA voting distance: marginal effects of depth of past PTA

	DV: Mean difference in ideal points
1L.Exclusion (ambitious)	**-0.09*****
× Depth (Rasch) of PTA in force	**(0.01)**
1L.Exclusion (ambitious)	-0.01
	(0.01)
Depth (Rasch) of PTA in force	0.07***
	(0.01)
Alliance	-0.24***
	(0.03)
Previous conflict	0.38***
	(0.14)
Contiguous	-0.05
	(0.03)
Polity scores (own)	-0.01***
	(0.00)
Polity scores (partner)	-0.01***
	(0.00)
GDP sum (logged, t-5)	0.02***
	(0.00)
GDP difference (logged, t-5)	0.10***
	(0.01)
Exports (logged, t-5)	0.00***
	(0.00)
Distance (logged)	-0.04**
	(0.02)
Remoteness	0.73***
	(0.06)
Same continent	-6.84***
	(0.52)
Previous PTAs (ROW, t-5)	-0.00***
	(0.00)
Previous PTAs (own, t-5)	0.00***
	(0.00)
Previous PTAs (partner, t-5)	0.00***
	(0.00)
Constant	0.46*
	(0.24)
Observations	124627
R^2	0.605

Table presents OLS regression estimates, with robust standard errors clustered at the undirected dyad. DV the year-on-year change in absolute difference in UNGA ideal-points between country-pairs.

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table 4.12: Exclusion from PTA and UNGA voting distance: marginal effects of polarization

	DV: Mean difference in ideal points
1L.Exclusion	**0.10*****
× Polarized voting behavior (*t*-5)	**(0.01)**
1L.Exclusion	-0.04***
	(0.01)
Polarized voting behavior (t-5)	0.98***
	(0.01)
Alliance	-0.08***
	(0.02)
Previous conflict	0.24***
	(0.07)
Contiguous	-0.20***
	(0.03)
Polity scores (own)	0.00***
	(0.00)
Polity scores (partner)	0.00**
	(0.00)
GDP sum (logged, t-5)	0.04***
	(0.00)
GDP difference (logged, t-5)	0.04***
	(0.00)
Exports (logged, t-5)	0.00***
	(0.00)
Distance (logged)	-0.09***
	(0.01)
Remoteness	0.57***
	(0.04)
Same continent	-5.12***
	(0.33)
Previous PTAs (ROW, t-5)	-0.00***
	(0.00)
Previous PTAs (own, t-5)	0.00
	(0.00)
Previous PTAs (partner, t-5)	0.00**
	(0.00)
Self in GATT	-0.03***
	(0.01)
Partner in GATT	-0.02***
	(0.01)
Self in WTO	0.00
	(0.00)
Partner in WTO	-0.01**
	(0.00)
Constant	-0.49***
	(0.11)
Observations	570,815
R^2	0.542

Table presents OLS regression estimates, with robust standard errors clustered at the undirected dyad. DV the year-on-year change in absolute difference in UNGA ideal-points between country-pairs.

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table 4.13 presents the results of a first-differencing estimation in which I provide reassurance that the effects on the political relationship between countries does indeed reflect the effects of PTA exclusion on the excluded country. Here, the dependent variable is the ideal point of Country A, and B (the latter as a placebo). As dyad fixed effects are included in these models, we are essentially able to answer the question: within the dyad, whose ideal points move when one party is excluded from the other's PTA? If the theory is correct, we should expect exclusion to have an effect on A's ideal points, but not on B's. That is indeed what we see. Note that the direction of the effect has no theoretical meaning given the theory relates to the distance between A and B's ideal points; what is important is the significance of the effect.

Columns (1) and (3) examine the effect of exclusion from any PTA. Columns (2) and (4) examine the effect of exclusion from only ambitious PTAs. In both cases, the result is the same: A's ideal point responds to exclusion, but B's does not.

Table 4.13: Effects of PTA exclusion on A and B's ideal points

	DV: Change in Country's ideal point			
	(1)	(2)	(3)	(4)
	Country A		*Country B (Placebo)*	
Exclusion (any PTA)	**0.00*****		**-0.00**	
	(0.001)		**(0.001)**	
Exclusion (ambitious PTA)		**0.01*****		**0.00**
		(0.001)		**(0.001)**
D.Both in GATT or WTO	-0.01***	-0.01***	-0.01***	-0.01***
	(0.001)	(0.001)	(0.002)	(0.002)
D.Alliance	0.06***	0.06***	0.05***	0.05***
	(0.007)	(0.007)	(0.007)	(0.007)
D.Previous conflict	-0.11***	-0.11***	-0.11***	-0.11***
	(0.023)	(0.023)	(0.022)	(0.022)
D.Polity scores (own)	-0.00	-0.00	-0.00***	-0.00***
	(0.000)	(0.000)	(0.000)	(0.000)
D.Polity scores (partner)	-0.00**	-0.00**	-0.00**	-0.00**
	(0.000)	(0.000)	(0.000)	(0.000)
D.GDP sum (logged, t-5)	0.01***	0.01***	0.01***	0.01***
	(0.001)	(0.001)	(0.001)	(0.001)
D.GDP difference (logged, t-5)	0.01***	0.01***	0.00***	0.00***
	(0.001)	(0.001)	(0.001)	(0.001)
D.Exports (logged, t-5)	-0.00***	-0.00***	-0.00	-0.00
	(0.000)	(0.000)	(0.000)	(0.000)
D.Previous PTAs (ROW, t-5)	0.00***	0.00***	0.00***	0.00***
	(0.000)	(0.000)	(0.000)	(0.000)
D.Previous PTAs (own, t-5)	0.00	0.00	0.00*	0.00
	(0.000)	(0.000)	(0.000)	(0.000)
D.Previous PTAs (partner, t-5)	0.00***	0.00**	-0.00	-0.00
	(0.000)	(0.000)	(0.000)	(0.000)
Constant	-0.02***	-0.02***	-0.02***	-0.02***
	(0.000)	(0.000)	(0.000)	(0.000)
Dyad fixed effects	Yes	Yes	Yes	Yes
Observations	557791	557791	555271	555271
R^2	0.024	0.024	0.024	0.024

Table presents regression results from a first-differencing estimation. Dependent variable is change in Country A's ideal points (Columns 1 and 2) and change in B's ideal points (Columns 3 and 4). All models include dyad fixed effects.

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

The following tables present the results of error correction models (ECMs) that examine the short- and long-run effects of PTA exclusion on countries' bilateral political ties, as measured by UNGA voting similarity. Tables 4.14 and 4.15 present the models in Table 4.5 with all control variables and with both differenced variables and lags listed.

The coefficients on the differenced explanatory variables in Table 4.14 give us the short-run effects of PTA exclusion on the UNGA voting distance between country-pairs. The long-run multiplier effect is calculated as the ratio of the lagged explanatory variable over (negative) lagged dependent variable.[99] The statistical significance of this figure is not obtainable directly from this regression output. Conveniently, we can use Bewley's (1979) transformation to obtain the long-run multiplier effect as well as its statistical significance. This transformation involves regressing the un-differenced dependent variable on the linear prediction of the differenced dependent variable, the differenced independent variable, and the lagged independent variables. Table 4.15 presents the results. Note that these results are the same as presented in Chapter 4, but here include the full regression output, which Table 4.5 omitted in the interest of space.

Similarly, Tables 4.16 and 4.17 present the full ECM output and the output from Bewley's (1979) transformation for the split-sample models presented in Table 4.6. Here again, these two tables present the full regression output, which was omitted in the interest of space in the Chapter.

Finally, Tables 4.18 and 4.19 present the full output for Table 4.7. As above, these two tables present the results of regressions using an ECM, and the results of Bewley's transformation on those results. Here, samples of country-pairs are split based on political

[99] De Boef and Keele 2008.

distance in the year 2000. Country-pairs in the top quartile of UNGA vote distance are identified as polarized. All models use dyad fixed effects, and columns (5) and (6) in both tables are the results from models in which both countries in the dyad were members of the GATT or WTO.

Table 4.14: Exclusion from PTA and UNGA voting: error correction model

	DV: Change in mean difference in ideal points					
	Error correction model					
	(1)	(2)	(3)	(4)	(5)	(6)
Model	*Effects of Exclusion*			*Exclusion and GATT/WTO*		
Dyads	*Polarized*	*Not polarized*	*All*	*Polarized*	*Not polarized*	*All*
First differences (short-run effects)						
D.Exclusion (ambitious)	**-0.001**	**-0.003****	**-0.001**	-0.012**	0.013***	0.001
	(0.002)	**(0.002)**	**(0.001)**	(0.006)	(0.005)	(0.004)
D.Exclusion (ambitious)				**0.013****	**-0.020*****	**-0.003**
× L.Both in GATT or WTO				**(0.006)**	**(0.005)**	**(0.004)**
D.Both in GATT or WTO	0.014**	-0.006**	0.001	0.014**	-0.006**	0.001
	(0.006)	(0.003)	(0.003)	(0.006)	(0.003)	(0.003)
D.Alliance	0.024	-0.024**	-0.007	0.023	-0.024**	-0.008
	(0.022)	(0.012)	(0.011)	(0.022)	(0.012)	(0.011)
D.Previous conflict	0.259***	0.212***	0.232***	0.259***	0.212***	0.232***
	(0.026)	(0.064)	(0.037)	(0.026)	(0.064)	(0.037)
D.Polity scores (own)	-0.006***	0.000	-0.001***	-0.006***	0.000	-0.001***
	(0.001)	(0.000)	(0.000)	(0.001)	(0.000)	(0.000)
D.Polity scores (partner)	-0.006***	0.000	-0.001***	-0.006***	0.000	-0.001***
	(0.001)	(0.000)	(0.000)	(0.001)	(0.000)	(0.000)
D.GDP sum (logged, t-5)	0.008**	0.015***	0.013***	0.008**	0.015***	0.013***
	(0.003)	(0.002)	(0.001)	(0.003)	(0.002)	(0.001)
D.GDP difference (logged, t-5)	-0.010**	-0.002	-0.005***	-0.010**	-0.002	-0.005***
	(0.004)	(0.002)	(0.002)	(0.004)	(0.002)	(0.002)
D.Exports (logged, t-5)	0.000**	0.000***	0.000***	0.000**	0.000***	0.000***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
D.Previous PTAs (ROW, t-5)	-0.000***	0.000***	0.000***	-0.000***	0.000***	0.000***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
D.Previous PTAs (own, t-5)	-0.002***	-0.001***	-0.001***	-0.002***	-0.001***	-0.001***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
D.Previous PTAs (partner, t-5)	-0.001	-0.001***	-0.001***	-0.001	-0.001***	-0.001***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Lags						
L.Exclusion (ambitious)	0.004	-0.006***	-0.001	0.016**	0.015***	0.016***
	(0.002)	(0.001)	(0.001)	(0.007)	(0.004)	(0.004)
L.Exclusion (ambitious)				-0.016**	-0.026***	-0.021***
× L.Both in GATT or WTO				(0.007)	(0.004)	(0.004)
L.Both in GATT or WTO	0.007***	-0.002**	0.002*	0.007***	-0.001*	0.002**
	(0.002)	(0.001)	(0.001)	(0.002)	(0.001)	(0.001)
L.Alliance	0.014***	-0.008***	-0.003*	0.014***	-0.008***	-0.003*
	(0.004)	(0.001)	(0.001)	(0.004)	(0.001)	(0.001)
L.Previous conflict	0.017*	0.002	0.012**	0.017*	0.002	0.011*
	(0.010)	(0.005)	(0.006)	(0.010)	(0.005)	(0.006)
L.Contiguous	-0.041***	-0.016***	-0.022***	-0.040***	-0.016***	-0.022***
	(0.015)	(0.002)	(0.002)	(0.015)	(0.002)	(0.002)
L.Polity scores (own)	-0.000*	0.001***	0.000***	-0.000	0.001***	0.000***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
L.Polity scores (partner)	-0.000*	0.001***	0.000***	-0.000*	0.001***	0.000***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
L.GDP sum (logged, t-5)	0.006***	0.001***	0.003***	0.006***	0.001***	0.003***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
L.GDP difference (logged, t-5)	0.005***	0.003***	0.003***	0.005***	0.003***	0.003***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
L.Exports (logged, t-5)	0.001***	0.001***	0.001***	0.001***	0.001***	0.001***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
L.Distance (logged)	-0.014***	-0.009***	-0.011***	-0.014***	-0.009***	-0.011***
	(0.002)	(0.001)	(0.001)	(0.002)	(0.001)	(0.001)
L.Remoteness	0.119***	0.051***	0.060***	0.120***	0.050***	0.060***
	(0.022)	(0.004)	(0.004)	(0.022)	(0.004)	(0.004)
L.Same continent	-1.049***	-0.461***	-0.538***	-1.058***	-0.457***	-0.536***
	(0.191)	(0.031)	(0.035)	(0.191)	(0.031)	(0.035)
L.Previous PTAs (ROW, t-5)	0.000***	-0.000***	-0.000***	0.000***	-0.000***	-0.000***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
L.Previous PTAs (own, t-5)	-0.000***	0.000***	-0.000**	-0.000***	0.000***	-0.000*
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
L.Previous PTAs (partner, t-5)	-0.000***	0.000***	-0.000	-0.000***	0.000***	-0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
L.Mean difference in ideal points	-0.048***	-0.057***	-0.041***	-0.048***	-0.058***	-0.041***
	(0.002)	(0.001)	(0.001)	(0.002)	(0.001)	(0.001)
Constant	-0.109***	0.057***	-0.005	-0.109***	0.056***	-0.006
	(0.021)	(0.010)	(0.010)	(0.021)	(0.010)	(0.010)
Observations	153,084	392,609	545,693	153,084	392,609	545,693
R^2	0.029	0.026	0.024	0.029	0.026	0.024

Table presents regression estimates from a single-stage error-correction model. DV the year-on-year change in absolute difference in UNGA ideal-points between country-pairs. Robust standard errors clustered at the undirected dyad are reported in parentheses.

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table 4.15: Exclusion from PTA and UNGA voting: Long-run effects

	DV: Change in mean difference in ideal points					
	Long-run effects (Bewley's transformation)					
	(1)	(2)	(3)	(4)	(5)	(6)
Model	*Effects of Exclusion*			*Exclusion and GATT/WTO*		
Dyads	*Polarized*	*Not polarized*	*All*	*Polarized*	*Not polarized*	*All*
First differences						
D.Exclusion (ambitious)	-0.028***	-0.059***	-0.033***	-0.248***	0.232***	0.028***
	(0.002)	(0.002)	(0.001)	(0.006)	(0.005)	(0.004)
D.Both in GATT or WTO	0.288***	-0.108***	0.024***	0.285***	-0.112***	0.020***
	(0.006)	(0.003)	(0.003)	(0.006)	(0.003)	(0.003)
D.Alliance	0.507***	-0.421***	-0.182***	0.481***	-0.414***	-0.193***
	(0.022)	(0.012)	(0.011)	(0.022)	(0.012)	(0.011)
D.Previous conflict	5.420***	3.688***	5.685***	5.417***	3.675***	5.669***
	(0.027)	(0.064)	(0.037)	(0.027)	(0.064)	(0.037)
D.Polity scores (own)	-0.116***	0.006***	-0.023***	-0.115***	0.006***	-0.023***
	(0.001)	(0.000)	(0.000)	(0.001)	(0.000)	(0.000)
D.Polity scores (partner)	-0.116***	0.002***	-0.027***	-0.116***	0.002***	-0.028***
	(0.001)	(0.000)	(0.000)	(0.001)	(0.000)	(0.000)
D.GDP sum (logged, t-5)	0.164***	0.260***	0.315***	0.164***	0.263***	0.317***
	(0.003)	(0.002)	(0.001)	(0.003)	(0.002)	(0.001)
D.GDP difference (logged, t-5)	-0.206***	-0.029***	-0.120***	-0.205***	-0.029***	-0.120***
	(0.004)	(0.002)	(0.002)	(0.004)	(0.002)	(0.002)
D.Exports (logged, t-5)	0.010***	0.008***	0.009***	0.010***	0.008***	0.009***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
D.Previous PTAs (ROW, t-5)	-0.004***	0.007***	0.007***	-0.004***	0.007***	0.007***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
D.Previous PTAs (own, t-5)	-0.032***	-0.022***	-0.036***	-0.032***	-0.021***	-0.036***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
D.Previous PTAs (partner, t-5)	-0.013***	-0.017***	-0.022***	-0.013***	-0.017***	-0.023***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Lags (long-run effects)						
L.Exclusion (ambitious)	**0.075*****	**-0.111*****	**-0.032*****	0.339***	0.268***	0.389***
	(0.002)	**(0.001)**	**(0.001)**	(0.007)	(0.004)	(0.004)
L.Exclusion (ambitious)				**-0.345*****	**-0.448*****	**-0.512*****
× L.Both in GATT or WTO				**(0.007)**	**(0.004)**	**(0.004)**
L.Both in GATT or WTO	0.141***	-0.038***	0.037***	0.144***	-0.026***	0.049***
	(0.002)	(0.001)	(0.001)	(0.002)	(0.001)	(0.001)
L.Alliance	0.293***	-0.141***	-0.065***	0.294***	-0.138***	-0.062***
	(0.004)	(0.001)	(0.001)	(0.004)	(0.001)	(0.001)
L.Previous conflict	0.351***	0.042***	0.283***	0.349***	0.037***	0.277***
	(0.010)	(0.005)	(0.006)	(0.010)	(0.005)	(0.006)
L.Contiguous	-0.848***	-0.284***	-0.547***	-0.846***	-0.283***	-0.545***
	(0.015)	(0.002)	(0.002)	(0.015)	(0.002)	(0.002)
L.Polity scores (own)	-0.004***	0.011***	0.010***	-0.004***	0.011***	0.010***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
L.Polity scores (partner)	-0.005***	0.010***	0.009***	-0.005***	0.010***	0.008***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
L.GDP sum (logged, t-5)	0.123***	0.024***	0.070***	0.123***	0.024***	0.071***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
L.GDP difference (logged, t-5)	0.096***	0.047***	0.082***	0.096***	0.047***	0.081***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
L.Exports (logged, t-5)	0.025***	0.014***	0.019***	0.025***	0.014***	0.019***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
L.Distance (logged)	-0.289***	-0.152***	-0.268***	-0.289***	-0.152***	-0.267***
	(0.002)	(0.001)	(0.001)	(0.002)	(0.001)	(0.001)
L.Remoteness	2.481***	0.886***	1.463***	2.505***	0.876***	1.455***
	(0.022)	(0.004)	(0.004)	(0.022)	(0.004)	(0.004)
L.Same continent	-21.948***	-8.027***	-13.170***	-22.152***	-7.942***	-13.101***
	(0.187)	(0.031)	(0.033)	(0.187)	(0.031)	(0.034)
L.Previous PTAs (ROW, t-5)	0.000***	-0.001***	-0.001***	0.000***	-0.001***	-0.001***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
L.Previous PTAs (own, t-5)	-0.010***	0.002***	-0.001***	-0.010***	0.002***	-0.001***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
L.Previous PTAs (partner, t-5)	-0.009***	0.002***	-0.001***	-0.009***	0.002***	-0.001***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Fitted values	-19.914***	-16.407***	-23.489***	-19.931***	-16.370***	-23.450***
	(0.039)	(0.018)	(0.020)	(0.039)	(0.018)	(0.020)
Constant	-2.282***	0.987***	-0.119***	-2.282***	0.964***	-0.145***
	(0.021)	(0.010)	(0.010)	(0.021)	(0.010)	(0.010)
Observations	153084	392609	545693	153084	392609	545693
R^2	0.920	0.877	0.945	0.920	0.877	0.945

Table presents OLS regression estimates using Bewley's transformation to obtain statistical significance of long-run effects from an error-correction model. DV the year-on-year change in absolute difference in UNGA ideal-points between country-pairs. Robust standard errors clustered at the undirected dyad are reported in parentheses.

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table 4.16: Exclusion from PTA and UNGA voting for joint GATT/WTO members

	DV: Change in mean difference in ideal points		
	(1)	(2)	(3)
Dyads	*Polarized*	*Not polarized*	*All*
First differences (short-run effects)			
D.Exclusion (ambitious)	**0.004**	**-0.005*****	**-0.001**
	(0.003)	**(0.002)**	**(0.001)**
D.Alliance	-0.030	-0.030**	-0.021
	(0.037)	(0.015)	(0.014)
D.Previous conflict	0.317***	0.179*	0.219**
	(0.025)	(0.092)	(0.086)
D.Polity scores (own)	-0.005***	-0.001***	-0.002***
	(0.001)	(0.000)	(0.000)
D.Polity scores (partner)	-0.005***	-0.001***	-0.002***
	(0.001)	(0.000)	(0.000)
D.GDP sum (logged, t-5)	-0.006*	0.014***	0.009***
	(0.004)	(0.002)	(0.002)
D.GDP difference (logged, t-5)	-0.009*	0.006**	0.003
	(0.005)	(0.003)	(0.002)
D.Exports (logged, t-5)	0.000	0.000	0.000
	(0.000)	(0.000)	(0.000)
D.Previous PTAs (ROW, t-5)	0.000	0.001***	0.000***
	(0.000)	(0.000)	(0.000)
D.Previous PTAs (own, t-5)	-0.003***	-0.001***	-0.002***
	(0.000)	(0.000)	(0.000)
D.Previous PTAs (partner, t-5)	-0.002***	-0.001***	-0.001***
	(0.000)	(0.000)	(0.000)
Lags			
L.Exclusion (ambitious)	0.007**	-0.008***	-0.003*
	(0.003)	(0.002)	(0.001)
L.Alliance	0.037*	-0.026***	-0.016**
	(0.019)	(0.008)	(0.008)
L.Previous conflict	-0.075**	0.026	0.017
	(0.031)	(0.029)	(0.028)
L.Polity scores (own)	-0.002***	-0.001***	-0.001***
	(0.000)	(0.000)	(0.000)
L.Polity scores (partner)	-0.002***	-0.001***	-0.001***
	(0.000)	(0.000)	(0.000)
L.GDP sum (logged, t-5)	0.036***	0.007***	0.013***
	(0.002)	(0.001)	(0.001)
L.GDP difference (logged, t-5)	0.021***	0.006***	0.008***
	(0.004)	(0.002)	(0.002)
L.Exports (logged, t-5)	0.001***	0.000	0.001***
	(0.000)	(0.000)	(0.000)
L.Previous PTAs (ROW, t-5)	-0.000***	0.000**	-0.000
	(0.000)	(0.000)	(0.000)
L.Previous PTAs (own, t-5)	-0.002***	-0.001***	-0.001***
	(0.000)	(0.000)	(0.000)
L.Previous PTAs (partner, t-5)	-0.002***	-0.001***	-0.001***
	(0.000)	(0.000)	(0.000)
L.Mean difference in ideal points	-0.223***	-0.202***	-0.195***
	(0.005)	(0.003)	(0.003)
Constant	-1.305***	-0.219***	-0.441***
	(0.083)	(0.038)	(0.036)
Observations	105205	253951	359156
R^2	0.133	0.101	0.110

Table presents regression estimates from an error-correction model. DV the year-on-year change in absolute difference in UNGA ideal-points between country-pairs. Robust standard errors clustered at the undirected dyad are reported in parentheses.

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table 4.17: Effects of PTA exclusion for joint GATT/WTO members in the long-run

	DV: Change in mean difference in ideal points		
	Long-run effects		
	(Bewley's transformation)		
	(1)	(2)	(3)
Dyads	*Polarized*	*Not polarized*	*All*
First differences			
D.Exclusion (ambitious)	0.019***	-0.023***	-0.003**
	(0.003)	(0.002)	(0.001)
D.Alliance	-0.135***	-0.150***	-0.106***
	(0.037)	(0.015)	(0.014)
D.Previous conflict	1.421***	0.885***	1.121***
	(0.026)	(0.092)	(0.086)
D.Polity scores (own)	-0.024***	-0.006***	-0.011***
	(0.001)	(0.000)	(0.000)
D.Polity scores (partner)	-0.024***	-0.004***	-0.010***
	(0.001)	(0.000)	(0.000)
D.GDP sum (logged, t-5)	-0.028***	0.069***	0.046***
	(0.004)	(0.002)	(0.002)
D.GDP difference (logged, t-5)	-0.042***	0.031***	0.015***
	(0.005)	(0.003)	(0.002)
D.Exports (logged, t-5)	0.001***	0.000**	0.001***
	(0.000)	(0.000)	(0.000)
D.Previous PTAs (ROW, t-5)	0.000**	0.003***	0.002***
	(0.000)	(0.000)	(0.000)
D.Previous PTAs (own, t-5)	-0.013***	-0.007***	-0.009***
	(0.000)	(0.000)	(0.000)
D.Previous PTAs (partner, t-5)	-0.010***	-0.007***	-0.008***
	(0.000)	(0.000)	(0.000)
Lags (long-run effects)			
L.Exclusion (ambitious)	**0.030*** **	**-0.041*** **	**-0.013*** **
	(0.003)	**(0.002)**	**(0.001)**
L.Alliance	0.167***	-0.129***	-0.084***
	(0.019)	(0.008)	(0.008)
L.Previous conflict	-0.335***	0.129***	0.086***
	(0.031)	(0.029)	(0.028)
L.Polity scores (own)	-0.011***	-0.006***	-0.007***
	(0.000)	(0.000)	(0.000)
L.Polity scores (partner)	-0.010***	-0.006***	-0.007***
	(0.000)	(0.000)	(0.000)
L.GDP sum (logged, t-5)	0.161***	0.037***	0.069***
	(0.002)	(0.001)	(0.001)
L.GDP difference (logged, t-5)	0.093***	0.028***	0.043***
	(0.004)	(0.002)	(0.002)
L.Exports (logged, t-5)	0.006***	0.001***	0.003***
	(0.000)	(0.000)	(0.000)
L.Previous PTAs (ROW, t-5)	-0.000***	0.000***	-0.000
	(0.000)	(0.000)	(0.000)
L.Previous PTAs (own, t-5)	-0.008***	-0.003***	-0.004***
	(0.000)	(0.000)	(0.000)
L.Previous PTAs (partner, t-5)	-0.008***	-0.003***	-0.005***
	(0.000)	(0.000)	(0.000)
Fitted values	-3.478***	-3.941***	-4.117***
	(0.023)	(0.015)	(0.014)
Constant	-5.846***	-1.082***	-2.257***
	(0.086)	(0.038)	(0.037)
Observations	105205	253951	359156
R^2	0.676	0.639	0.688

Table presents regression estimates using Bewley's transformation to obtain the statistical significance of long-run effects from an error-correction model. DV the year-on-year change in absolute difference in UNGA ideal-points between country-pairs. Robust standard errors clustered at the undirected dyad are reported in parentheses.

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table 4.18: Effects of exclusion from PTA on UNGA voting: ECM with split samples II

	(1)	(2)	(3)	(4)	(5)	(6)
	DV: Change in mean difference in ideal points					
Dyads	*Polarized*	*Not polarized*	*Polarized*	*Not polarized*	*Polarized*	*Not polarized*
					GATT/WTO members only	
First differences (short-run effects)						
D.Exclusion (all PTAs)	**-0.00**	**-0.01*****				
	(0.00)	**(0.00)**				
D.Exclusion (ambitious PTAs)			**-0.00**	**-0.01*****	**-0.00**	**-0.01*****
			(0.00)	**(0.00)**	**(0.00)**	**(0.00)**
D.Both in GATT or WTO	-0.01	0.01	-0.01	0.01		
	(0.01)	(0.01)	(0.01)	(0.01)		
D.Alliance	0.03	0.10***	0.03	0.10***	0.01	0.11**
	(0.04)	(0.03)	(0.04)	(0.03)	(0.06)	(0.04)
D.Previous conflict	—	0.08***	—	0.08***	—	—
		(0.00)		(0.00)		
D.Polity scores (own)	-0.01***	-0.00***	-0.01***	-0.00***	-0.00***	-0.00***
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
D.Polity scores (partner)	-0.01***	-0.00***	-0.01***	-0.00***	-0.00***	-0.00***
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
D.GDP sum (logged, t-5)	0.02***	0.00	0.02***	0.00	0.01**	-0.00
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
D.GDP difference (logged, t-5)	0.02***	0.00	0.02***	0.00	0.02***	0.01**
	(0.01)	(0.00)	(0.00)	(0.00)	(0.01)	(0.00)
D.Exports (logged, t-5)	0.00**	-0.00*	0.00**	-0.00*	0.00	-0.00***
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
D.Previous PTAs (ROW, t-5)	-0.00**	0.00***	-0.00*	0.00***	-0.00	0.00***
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
D.Previous PTAs (own, t-5)	0.00	-0.00	0.00	-0.00	-0.00	-0.00
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
D.Previous PTAs (partner, t-5)	0.00*	-0.00	0.00	-0.00	-0.00	-0.00
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Lags						
L.Exclusion (all PTAs)	0.01***	-0.00				
	(0.00)	(0.00)				
L.Exclusion (ambitious PTAs)			0.02***	0.00	0.02***	-0.00
			(0.00)	(0.00)	(0.00)	(0.00)
L.Alliance	-0.04	-0.01	-0.04	-0.01	0.02*	-0.00
	(0.06)	(0.01)	(0.06)	(0.01)	(0.01)	(0.02)
L.Previous conflict	—	-0.06***	—	-0.06***	—	—
		(0.00)		(0.00)		
L.Polity scores (own)	-0.01***	-0.00***	-0.01***	-0.00***	-0.00***	-0.00***
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
L.Polity scores (partner)	-0.00***	-0.00***	-0.00***	-0.00***	-0.00***	-0.00***
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
L.GDP sum (logged, t-5)	0.02***	0.00***	0.02***	0.00***	0.02***	0.00***
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
L.GDP difference (logged, t-5)	0.02***	0.01***	0.02***	0.01***	0.02***	0.01***
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
L.Exports (logged, t-5)	0.00	-0.00	0.00	-0.00	-0.00	-0.00***
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
L.Previous PTAs (ROW, t-5)	-0.00***	0.00***	-0.00***	0.00***	-0.00***	0.00***
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
L.Previous PTAs (own, t-5)	-0.00**	-0.00	-0.00**	-0.00	-0.00**	-0.00
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
L.Previous PTAs (partner, t-5)	-0.00	-0.00	-0.00	-0.00	-0.00*	-0.00**
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
L.Both in GATT or WTO	-0.02***	-0.01**	-0.02***	-0.01**		
	(0.01)	(0.00)	(0.01)	(0.00)		
L.Mean difference in idealpoints	-0.33***	-0.29***	-0.33***	-0.29***	-0.35***	-0.31***
	(0.01)	(0.00)	(0.01)	(0.00)	(0.01)	(0.00)
Constant	-0.12	-0.02	-0.13	-0.02	-0.19*	-0.08
(0.09)	(0.05)	(0.09)	(0.05)	(0.11)	(0.06)	
Observations	84894	190547	84894	190547	65510	142904
R^2	0.212	0.190	0.212	0.190	0.219	0.192

Table presents regression estimates from an error-correction model. DV the year-on-year change in absolute difference in UNGA ideal-points between country-pairs. Robust standard errors clustered at the undirected dyad are reported in parentheses.

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table 4.19: Long-run effects of exclusion from PTA on UNGA voting: split samples II

	(1)	(2)	(3)	(4)	(5)	(6)
	DV: Change in mean difference in ideal points					
	Long-run effects					
	(Bewley's transformation)					
Dyads	*Polarized*	*Not polarized*	*Polarized*	*Not polarized*	*Polarized*	*Not polarized*
					GATT/WTO members only	
First differences						
D.Exclusion (all PTAs)	-0.01***	-0.03***				
	(0.00)	(0.00)				
D.Exclusion (ambitious PTAs)			-0.01***	-0.05***	-0.00	-0.04***
			(0.00)	(0.00)	(0.00)	(0.00)
D.Both in GATT or WTO	-0.02***	0.02***	-0.02***	0.02***		
	(0.01)	(0.01)	(0.01)	(0.01)		
D.Alliance	0.10**	0.35***	0.10***	0.35***	0.04	0.35***
	(0.04)	(0.03)	(0.04)	(0.03)	(0.06)	(0.04)
D.Previous conflict	—	0.28***	—	0.28***	—	—
		(0.00)		(0.00)		
D.Polity scores (own)	-0.02***	-0.01***	-0.02***	-0.01***	-0.01***	-0.01***
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
D.Polity scores (partner)	-0.02***	-0.01***	-0.02***	-0.01***	-0.01***	-0.01***
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
D.GDP sum (logged, t-5)	0.08***	0.00	0.08***	0.00	0.03***	-0.01**
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
D.GDP difference (logged, t-5)	0.07***	0.01**	0.07***	0.01**	0.05***	0.03***
	(0.01)	(0.00)	(0.00)	(0.00)	(0.01)	(0.00)
D.Exports (logged, t-5)	0.00***	-0.00***	0.00***	-0.00***	0.00**	-0.00***
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
D.Previous PTAs (ROW, t-5)	-0.00***	0.00***	-0.00***	0.00***	-0.00	0.00***
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
D.Previous PTAs (own, t-5)	0.00***	-0.00***	0.00***	-0.00***	-0.00***	-0.00***
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
D.Previous PTAs (partner, t-5)	0.00***	-0.00***	0.00***	-0.00***	-0.00***	-0.00***
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Lags (long-run effects)						
L.Exclusion (all PTAs)	**0.04*** **	**-0.00***				
	(0.00)	**(0.00)**				
L.Exclusion (ambitious PTAs)			**0.06*** **	**0.01*** **	**0.05*** **	**-0.00**
			(0.00)	**(0.00)**	**(0.00)**	**(0.00)**
L.Alliance	-0.11**	-0.02	-0.11**	-0.02	0.05***	-0.02
	(0.06)	(0.01)	(0.06)	(0.01)	(0.01)	(0.02)
L.Previous conflict	—	-0.19***	—	-0.19***	—	—
		(0.00)		(0.00)		
L.Polity scores (own)	-0.02***	-0.01***	-0.02***	-0.01***	-0.00***	-0.01***
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
L.Polity scores (partner)	-0.01***	-0.01***	-0.01***	-0.01***	-0.00***	-0.01***
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
L.GDP sum (logged, t-5)	0.05***	0.01***	0.05***	0.01***	0.05***	0.01***
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
L.GDP difference (logged, t-5)	0.06***	0.03***	0.06***	0.03***	0.07***	0.04***
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
L.Exports (logged, t-5)	0.00***	-0.00***	0.00***	-0.00***	-0.00***	-0.00***
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
L.Previous PTAs (ROW, t-5)	-0.00***	0.00***	-0.00***	0.00***	-0.00***	0.00***
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
L.Previous PTAs (own, t-5)	-0.00***	-0.00**	-0.00***	-0.00**	-0.00***	-0.00***
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
L.Previous PTAs (partner, t-5)	-0.00***	-0.00***	-0.00***	-0.00***	-0.00***	-0.00***
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
L.Both in GATT or WTO	-0.06***	-0.03***	-0.06***	-0.03***		
	(0.01)	(0.00)	(0.01)	(0.00)		
Linear prediction	-2.07***	-2.43***	-2.07***	-2.43***	-1.90***	-2.26***
	(0.02)	(0.01)	(0.02)	(0.01)	(0.02)	(0.02)
Constant	-0.38***	-0.06	-0.40***	-0.08	-0.55***	-0.26***
	(0.09)	(0.05)	(0.09)	(0.05)	(0.11)	(0.06)
Observations	84894	190547	84894	190547	65510	142904
R^2	0.957	0.927	0.957	0.927	0.951	0.930

Table presents regression estimates using Bewley's transformation to obtain the statistical significance of long-run effects from an error-correction model. DV the year-on-year change in absolute difference in UNGA ideal-points between country-pairs. Robust standard errors clustered at the undirected dyad are reported in parentheses.

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

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Chapter 5

Conclusion and discussion

Preferential trade agreements (PTAs) have become the dominant institution through which new trade rules are negotiated, and national economies are integrated. This doctoral thesis has explored the political economy of such preferential market integration. What explains how legal norms emerge and endure? When and why do countries renegotiate their commitments? What are the consequences of new agreements for countries' international political relations? Throughout, I have argued that legal text establishes precedent, and that negotiators, politicians and domestic groups involved in the formation of PTAs are strongly attuned to this precedent. Precedent enables strategic innovation through the sequencing of agreements; it prevents backsliding on commitments during renegotiations; and it heightens the salience of membership, with consequences for the political ties between members and non-members. Preferentialism has made the global economy an arena of strategic contestation over legal language.

In the first part of this concluding chapter, I summarize the findings of the three empirical studies presented in the preceding chapters, and discuss how the studies contribute to our understanding of the international political economy of trade and PTAs. In the second

part of the chapter, I place the thesis and its findings in wider context. I first consider the distributional implications of the findings, before turning to some of the normative concerns related to the new iteration of international economic integration. A final section offers some general conclusions and suggests how future research will build on this thesis project.

5.1 Summary of findings

The evolution of the global trade regime

In Chapter 2, I explored how new regulatory norms emerge in the global economy. I argue that policymakers and trade negotiators *sequence* agreements, establishing desired treaty language with less important trade partners, and leaning on this precedent during subsequent negotiations. To test the argument I use a two-stage regression analysis on the near-universe of PTAs. I find that PTAs that are less well-predicted by an economic and political gravity model are more ambitious, and signed sooner, than other PTAs. Yet this finding holds only for those countries that participate most in enforcing global trade rules. This finding is counterintuitive when set against the conventional view of international economic agreements, whereby deeper international commitments should come with greater benefits so as to offset the costs associated with lost policy autonomy.[1] Yet it supports the argument that farsighted negotiators have used agreements with less important partners to establish model treaty language. Qualitative evidence from the record of European and New Zealand trade negotiations shows indeed that negotiators have used talks with smaller, less-important, or likeminded partners to innovate, establishing new approaches to the design of trade deals.

[1] Baldwin 2012, 27; Moravcsik 1993. Earlier, see Haas 1961; Lindberg and Scheingold 1970. For a critical discussion of the relationship between domestic 'demand' for and policymakers' 'supply' of economic integration, see Castle, Le Quesne, and Leslie 2016, 45-47.

The first study of the thesis contributes empirically and theoretically to our understanding of how trade rules evolve in the context of a complex system of overlapping and de-centralized preferential agreements.[2] There has been relatively little scholarship devoted to understanding how a complex trade regime affects the ways that states cooperate.[3] The first study develops and robustly tests a theoretically novel argument that relies on the importance of precedent. In doing so it builds on new contributions to the study of international relations (and international political economy specifically) that draw on the insights of historical institutionalism.[4] Reaching domestic agreement on (especially behind-border) liberalization is a contentious political process. The creation of new trade institutions can lock in place a balance of political power in favor of some groups, like exporters, at the cost of others, such as firms that compete with imports. During subsequent negotiations, previous commitments provide resources to (pro-liberalization) political actors that help them to seek similar levels of commitment, making it difficult to substantially change course from what has been agreed to in the past. Negotiators are aware of these powerful path-dependencies, and thus have an incentive to craft and to maintain precedent during negotiations that will help them to achieve their desired agreement design. Trade policy is made with an eye to the future.

Revisiting past deals and sustaining commitments

In the first study I was primarily concerned with how new rules emerged in the trade regime. In Chapter 3 I flipped this issue on its head, asking how established rules may be contested

[2]Alter and Meunier 2009; Davis 2009; Pauwelyn 2014; Morin, Pauwelyn, and Hollway 2017.
[3]Meunier and Morin 2015.
[4]Fioretos 2017, 2011; Newman and Posner 2016; Newman 2008.

(or sustained) during renegotiations of past commitments. A protectionist impulse seemed to animate the renegotiations of the North American Free Trade Agreement (NAFTA) and of the Korea-United States Free Trade Agreement (KORUS) following the election of Donald Trump as US President. These influential cases would suggest that renegotiations are a rare and risky endeavor, born of a desire to loosen the bonds of past commitments. Yet for all the concern about this revisionism, we know precious little about the frequency, the causes, or the effects of treaty renegotiations.

To address this gap in our understanding, I assemble what is to my knowledge the first dataset on renegotiations of trade agreements, covering 369 deals signed since 2000. A striking 99 of these have been revised, a figure that increases to 155 once more modest changes (such as to tariff classifications) are taken into account. The mean time to revision is relatively short at a little under five years. Most importantly, I find that less than 10% of revisions sought to scale back on previous commitments, with around half aiming to deepen existing access, broaden the scope of revisions to new issue-areas, or both. Revisions are associated with higher trade values between PTA partners, and are typically associated with a long-run increase in trade between PTA partners.

This study offers an important empirical contribution to our understanding of the global trade regime. It offers new insights into the causes and effects of revisionist policy, currently of prime concern in global politics. I show that it is important to have a nuanced view of revisions. Finer-grained data on trade agreements has alerted us to the varied effects of international institutions depending on their characteristics (like depth, or scope of commitments).[5] Equally, distinguishing between different sorts of revisions alerts us to

[5]Dür, Baccini, and Elsig 2014; Hicks and Kim 2012.

their varied effects. In that they seek to limit past access, some revisions to countries' commitments appear to be motivated by protectionism; such revisions meet their aim of limiting bilateral trade. This sort of revision fits with how political scientists generally think of international agreements–as devices that enable signatories to escape from time-inconsistent demands from different social groups.[6] Because groups that are harmed by liberalization are thought better able to overcome the barriers to collective action,[7] revisions should result in protectionism because they create a window of opportunity for groups to protest against any harm they have experienced as a result of liberalization. In fact, this sort of 'limiting' revision is in the minority. Far more frequently, revisions aim to facilitate deeper cooperation between signatories, and such revisions appear to result in increased trade between signatories. However, the findings also offer a cautionary point that uncertainty does have a real cost on trade. Namely, those revisions that are purely administrative in nature are by themselves associated with a long-run decrease in trade between signatories.

While I focus in Chapter 3 on renegotiations to countries' existing commitments, it is worth commenting on how renegotiations may relate to precedent, and to the development of new legal norms–the subject of Chapter 2. The stickiness of past commitments likely constrains the ability of political actors seeking to revise existing clauses (downwards). The difficulty of US negotiators during the renegotiation of NAFTA under President Trump is illustrative: the density of value chains between the three agreement members made it difficult to unravel cooperation even where there seemed to be some political demand for it. Yet, the low profile of renegotiations may also present negotiators with opportunities for

[6]Elster 2000; Fearon 1997; Mansfield, Milner, and Rosendorff 2000, 2002; Mansfield and Milner 2012.
[7]Goldstein and Martin 2000; Olson 1965.

strategic innovation. The NAFTA renegotiations again provide a case in point. The new Chapter 33 of the US Mexico Canada Agreement (USMCA), 'Macroeconomic Policies and Exchange Rate Matters', takes aim at currency manipulation as it relates to trade. This has not been cited as a concern in North American trade, and observers agree that the new clauses reflect an effort on the part of US negotiators to establish a template to be used in other negotiations, notably with Korea, Japan or China.[8] The importance of precedent in the trade regime may accordingly help to explain why relatively few renegotiations appear to result in reduced cooperation.

The political fallout from membership

Finally, the third study examined the link between membership in international economic institutions, on the one hand, and countries' international political ties, on the other. Specifically, in Chapter 4 I explore the effects of new institutions on political relations between members and non-members.

There is an extensive literature examining the relationship between countries' commercial ties and their political relations.[9] This study builds new knowledge in two respects. Firstly, most studies examining the relationship between countries' commercial and political ties examine the effects of joint membership in international institutions, whether for good,[10] or for bad.[11] By contrast, there is very little research that examines how new international

[8] C. Fred Bergstein, 'A Positive Step in the USMCA: Countering Currency Manipulation'. *PIIE Trade and Investment Currency Watch*, October 4, 2018. `https://www.piie.com/blogs/trade-investment-policy-watch/positive-step-usmca-countering-currency-manipulation`.

[9] Hegre, Oneal, and Russett 2010; Oneal et al. 1996; Polachek 1980; Polachek, Seiglie, and Xiang 2007; Russett and Oneal 2001.

[10] Mansfield 2003; Mansfield and Pevehouse 2000.

[11] Hafner-Burton and Montgomery 2006, 2012.

institutions affect relations between members and non-members. This is an important issue to understand considering the proliferation of PTAs and their inherently discriminatory nature.

The study is also novel in the way it measures the political effects of institutional membership or non-membership. The majority of research in the existing literature examines whether liberal international ties between countries (such as trade, or co-membership in trade agreements) affects the likelihood of conflict between countries. This is a relatively blunt approach given that international conflict is relatively uncommon. Examining conflict as a dependent variable is also problematic because war is a serious enough political event as to in turn have strong effects on countries' international trade and on their likelihood to enter into trade institutions. This raises concerns over possible reverse causality in the relationship between trade and conflict.[12] In Chapter 4 I follow other recent studies and address this problem by using countries' voting patterns in the United Nations General Assembly (UNGA) to proxy for their foreign policy orientations,[13] and thereby to create a measure of bilateral political ties.[14]

Looking to two case studies from the Asia-Pacific in addition to the UNGA voting data, I find that non-members of new institutions typically improve their political ties with members. But where members and non-members have a history of poor relations, exclusion from a new institution coincides with a degradation in political ties. These findings are consistent with the expectations derived from the literature on the spread of regionalism, according to which there are strong political-economy impulses pushing countries to join new

[12]Hegre, Oneal, and Russett 2010; Keshk, Pollins, and Reuveny 2004; Gelpi and Grieco 2003; Gowa 1994; Mansfield and Pollins 2003; Pollins 1989.

[13]Voeten 2000; Bailey, Strezhnev, and Voeten 2015.

[14]Davis, Fuchs, and Johnson 2019; Chilton 2015.

trade agreements or to create their own competing institutions.[15] The findings in Chapter 4 fit with the argument developed in Chapters 2 and 3 about the importance of precedent as a motivation for institutional membership. For instance, the Trans-Pacific Partnership (TPP) chapter on state-owned enterprises (SOEs) was widely understood as an attempt to establish influential norms that would constrain China; this element of the agreement was being used strategically to influence a non-member. Yet, I also find evidence that joint membership in multilateral institutions lessens the negative effects of institutional exclusion.

Taken together, there are clear policy implications of the chapter's findings. Ostensibly cooperative agreements may sometimes lead to less global cooperation when they are discriminatory in nature, while non-discriminatory multilateral institutions encourage greater political affinities.

5.2 Broadening the scope of the findings

Having provided an overview of the empirical and theoretical contributions of the three studies presented in this thesis, I now take a wider view of the studies by considering some of the issues that were implicit, but which I was not able to address directly in the manuscripts. I first examine the distributional implications of preferentialism as an institutional form within the international trade regime. Building on this discussion, I turn to normative concerns. I suggest how an attention to precedent may inform debates within the literature on global justice, particularly as regards the global trade regime.

[15] Baldwin 1997; Baldwin and Jaimovich 2010; Mattli 1999.

Who wins and loses when precedent is at play?

What are the distributional implications of this thesis's findings? In the three empirical manuscripts, I have highlighted the importance of path-dependencies and precedent created by legal text in trade policy. Sitting behind the theories developed in this project is the notion that the stickiness of legal language creates additional motivations for governments, negotiators, firms and individuals to enter into political contestations over trade policy. In other words, distributional conflict animates the theories, but is not at the fore of analysis. Here, I briefly reformulate the standard understanding of the distributional consequences of trade liberalization, before considering how the findings presented in the empirical chapters shape how we think about the winners and losers of international trade policy. The path-dependencies created by institutions mean that the influence of legal norms they establish extends beyond the immediate membership of institutions. To the extent that these norms have distributional outcomes, this means that the first movers that are most active in creating them (whether domestic lobby groups or countries) enjoy enduring returns. Legal power accumulates, and with it comes material power.

The standard economic case for trade is made on the basis of comparative advantage. The Ricardian insight is that two countries gain from trading those products with one another in which they have a comparative productive advantage relative to other products, even when one country has an absolute advantage in producing all products.[16] Economic and social policies such as trade agreements nevertheless create winners and losers domestically and internationally. Domestically, liberalization is usually understood to create relatively diffuse

[16]Ricardo 1817/1951. For a thoughtful lay discussion see James (2012, 46-51). For an overview of the intellectual legacy see Irwin (1996, 2002).

economic benefits for consumers and importers. This includes producers who use imported products, who enjoy lower prices due to the reduction of tariffs on goods.[17] Liberalization also benefits exporters due to the principle of reciprocity, by which countries agree to mutually reduce barriers.[18] Because of this, economic actors like firms that engage in trade are less in favor of protectionism.[19] Set against the beneficiaries of freer trade are groups that suffer, primarily from increased competition from more efficient overseas producers.[20] Import-competing firms and their workers may face adjustment costs like job losses and re-allocation of capital if increased competition makes them uneconomical. Because governments are accountable to their populations, countries negotiating trade agreements have 'offensive' interests (areas in which their exporters would benefit from a reduction in their partner's trade barriers) and 'defensive' interests (areas in which their import-competing groups would suffer from a reduction in their own protective trade barriers).

At the international level, the distribution of gains and losses between countries can also be unequal. Agreements may favor exporters from one country over another, particularly where there are asymmetries in negotiating power that result in lopsided reductions in the barriers to free trade.[21] Evidently, the (often politically and economically painful) adjustment costs from liberalization may also be unequal between agreement signatories.

Does the precedent created by past deals change these distributional effects? As discussed in Chapter 2, precedent creates incentives for the winners and losers from trade policy to mobilize early, in order to influence the design of initial agreements. Yet the ability of

[17] Alt and Gilligan 1994.
[18] Gilligan 1997.
[19] Milner 1988.
[20] Alt and Gilligan 1994.
[21] Gowa and Kim 2005.

these groups to look ahead to future political battles is clearly imperfect: one cannot predict all future agreements a government may sign. This makes mobilization more challenging, as it requires greater strategic foresight. At the domestic level then, it is likely that particularly well-connected and well-resourced groups will have a disproportionate influence on trade policy.[22] Such groups are better placed to devote resources to strategic action, while less well-resourced groups are likely to be more reactive. Strategic mobilization is therefore likely to vary not only between industries but also between firms. This would fit with research that shows that participation in international trade and investment, as well as the distributional consequences of liberalization, vary not only between industries or factors of production,[23] but also between firms within the same industry.[24] Thus we know for instance that the largest and most productive firms benefit most from preferential liberalization.[25]

While groups like large, productive firms or industry lobby groups are likely to more readily mobilize strategically due to their superior resources, we might also expect that at times when countries are negotiating multiple agreements, strategic mobilization on the basis of establishing defensive or offensive precedent is relatively less costly. As such, we would expect sharper political debates during times when countries are negotiating more than one agreement. This fits with anecdotal evidence from the European Union. As discussed in Chapter 2, civil society opposition to the Comprehensive Economic and Trade Agreement (CETA) negotiated between the EU and Canada became tied to concern over parallel negotiations between the EU and the US on the Transatlantic Trade and Investment Partnership

[22]Following Milner (1988), we may expect these groups primarily to be firms, as these are the most influential actors in trade policy.

[23]Hathaway 1998; Hiscox 2002; McGillivray 2004; Rogowski 1987.

[24]Bernard and Jensen 1999; Melitz 2003; Osgood 2016; Osgood et al. 2017.

[25]Baccini, Pinto, and Weymouth 2017.

(TTIP). Mobilization against investor-state dispute settlement in the CETA deal ultimately appeared motivated by concern about such a clause in the TTIP agreement, and this concern eventually led to the revision of CETA's investment chapter. This insight also fits with the intuition outlined in Chapter 3 whereby revisions (as opposed to new negotiations) are less politically salient, allowing the beneficiaries of past deals to push for deeper liberalization.

These views suggest scope for future research to examine when and why political and social actors refer to the potential for agreements to set precedent. How is this political activity distributed between different groups within society? How does it vary over time and between negotiations? Analyzing lobbying and public submissions on trade agreements offers one way to understand these issues.

What of the distributional effects between countries? Wealthy countries with strong legal capacity are more likely to have the negotiating power to set in place novel agreement clauses and to leverage them in future negotiations. But even wealthy countries may be limited in what they can achieve if they are small. When previous agreement texts are used as the basis for new deals it is usually the texts of the more powerful negotiating partner. As an illustration, the negotiations for a Free Trade Agreement between the EU and New Zealand (which launched in June 2018) are largely on the basis of EU texts.[26] Here, the EU is disproportionately able to use negotiations with New Zealand–a country with relatively similar preferences for agreements that are highly liberalizing and broad in scope–to establish preferred text for use in future negotiations. This fits with research that shows that similarly, it is wealthy countries with high legal capacity that hold the strongest influence over multilateral trade rules. We see this in the negotiation of GATT and WTO

[26]European Commission 2018.

rules,[27] as well as in dispute settlement. In WTO disputes for instance, countries with high legal capacity have the strongest influence over rulings,[28] and wealthy WTO members are best equipped to establish and exploit precedent in WTO jurisprudence.[29]

Yet establishing precedent, and sticking by it, remains possible for smaller countries even in asymmetric negotiations. New Zealand's experience is again instructive. Since the New Zealand-Singapore Closer Economic Partnership (signed 2000), New Zealand negotiators have managed to include a clause in all of the country's recent trade agreements that allows the New Zealand government to fulfill its obligations to Māori under the Treaty of Waitangi.[30] This general exceptions clause, which New Zealand innovated, allows the New Zealand government to implement policies that accord more favorable treatment to Māori without extending equivalent treatment to PTA partners, provided such measures are not used unjustifiably or arbitrarily, or as a disguised barrier to trade. This clause is one of the elements granting the government the domestic social license to pursue trade liberalization. But given its *de jure* potential for abuse, New Zealand negotiators must skillfully, and forcefully, convey both its importance (demonstrated by its presence in all New Zealand PTAs) and the unlikelihood of its use. The inclusion of the Waitangi clause can usefully be viewed as relying on defensive precedent maintained by consistent New Zealand practice. One can speculate that a country with a less well-established trade bureaucracy and lower legal capacity would have far greater difficulty achieving the inclusion of such a broad exceptions clause.

[27] Gowa and Kim 2005; Steinberg 2002.
[28] Daku and Pelc 2017.
[29] Pelc 2014.
[30] The 1840 Treaty of Waitangi is New Zealand's founding constitutional document, signed between a large number of Māori chiefs and the British Crown. The British declared sovereignty over New Zealand as a result of the Treaty.

In sum, an emphasis on the precedent set by international agreements broadens how we think about winners and losers in the trade regime. First-movers are likely to benefit disproportionately as their preferred agreement design is reproduced in subsequent political contests. Well-resourced countries (internationally) and economic actors (domestically) are best placed to set and exploit precedent in trade agreements, suggesting that legal and material power are self-reinforcing.

The implications of preferentialism for global justice

The above discussion bears on discussions in international political theory about how to achieve global justice,[31] and specifically a 'just' trade regime.[32] I first offer a general comment about the tension in the trade regime between the inclusivity of participation at the multilateral level and the success of cooperative outcomes. I then note how precedent in agreement design provides a normative warrant for examining global justice in two senses–in the context of pursuing a just distribution of resources, and in the context of non-domination. This discussion is in the spirit of Lea Ypi's 'activist' political theory,[33] which takes seriously the need for 'non-ideal' theorizing to take the world as it is in order to work towards achievable solutions.[34]

A first comment draws directly on the thesis's unifying theme of precedent. As discussed in the preceding chapters, multilateral trade negotiations at the World Trade Organization (WTO) have stalled, with countries instead pursuing PTAs as an alternative. One reason for this is that although multilateralism is more inclusive to a wider range of countries,

[31] Lu 2017.
[32] Christensen 2017; James 2012.
[33] Ypi 2010, 2012.
[34] Also see Christensen (2017).

this makes achieving a negotiated outcome far more difficult. Turning to the relationship between PTAs and multilateralism, for some observers preferential agreements are likely to be 'stumbling blocks' on the path to global trade liberalization because of their diversionary effects,[35] and because they take up finite resources that could otherwise be committed to multilateral negotiations. Yet country negotiators often view PTAs as part of a 'stepping stones' approach that will sustain the momentum of trade liberalization and build towards broader liberalization by encouraging a series of progressively negotiated, GATT/WTO-consistent commitments.[36] This latter perspective is consistent with the argument of this thesis that the design and negotiation of PTAs reflects strategic efforts to establish and exploit path-dependencies. Thus, PTAs would re-energize multilateral talks by embedding the rules they develop in a multilateral framework. This raises potential concerns over distributional outcomes given that during multilateral negotiations the scales would be tilted in favor of those countries (wealthy, high legal capacity) most involved in establishing precedent. Such a situation would likely contribute to reproducing and reinforcing established material inequalities in the global trade regime, suggesting that scholars of global trade justice would do well to interrogate the normative implications not only of multilateral trade negotiations such as at the WTO, but also of preferential negotiations.[37]

Seen in this light, the long shadow cast by the precedent of negotiated outcomes is evidently normatively problematic if our concern is an equitable distribution of global resources, as in liberal conceptualizations (following John Rawls). For Rawls, justice is 'fairness'; a just distribution of resources is one to which individuals would agree behind a 'veil

[35]Bhagwati 2008.

[36]Vitalis 2015. This view was popularized by US economist Larry Summers. For a brief overview see Pomfret 1997, 236-237.

[37]Christensen 2017; James 2012.

of ignorance' about their own social position. At the domestic level, justice is redistributive for Rawls since he rejects a utilitarian sacrifice of individual welfare for the common good. Thus his two 'just' distributive principles are "equality in the assignment of basic rights and duties" and that inequalities "are just only if they result in compensating benefits for everyone, and in particular for the least advantaged members of society."[38] Rawls suggests a more circumscribed 'duty of assistance' between 'well-ordered' and 'burdened' societies at the international level up to the level that the latter become 'well-ordered', since justice inheres in well-ordered political communities.[39] We find the distinction between different redistributive principles echoing in debates between statists, for whom individuals' membership in political associations limit the scope of our distributive obligations,[40] and cosmopolitans, for whom the moral equality of all human beings gives rise to distributive obligations that are not limited to national borders.[41] But the understanding of justice as a fair distribution of resources anchors liberal scholars in both traditions.

Precedent may also be normatively problematic for scholars of global justice concerned with non-domination, as in republican conceptualizations. Such thinkers are centrally concerned with regulating power rather than distributing resources. Thus Philipp Pettit argues that Isaiah Berlin's negative and positive freedom (the basis of liberal conceptions of freedom) ignore a third type of freedom–freedom from domination.[42] Pettit defines domination as 'a power of arbitrary influence' or a 'degree of alien control' of one party over another. He is ultimately concerned with individual liberty: if states are dominated by other states, then

[38]Rawls 1999*b*, 13.
[39]Rawls 1999*a*.
[40]Goodin 1988; Miller 2005, 2007; Walzer 1983.
[41]Christensen 2017; citealt[245]Lu2000; Lu 2017, chap. 10; Pogge 1992; Singer 1972.
[42]Berlin 1969; Pettit 2010.

their members are not free.[43] This conception of justice is particularly apt in an era of global interdependence, which can be seen to create new 'circumstances of politics' because of the new possibilities for domination.[44] From this perspective a just international order may be one in which international institutions rely on conditions of mutual benefit and consent, but we might also add the requirement that background conditions that are characterized by reciprocity.[45] This avoids nominally voluntary participation masking coercive participation, or unanticipated inequalities.

How does precedent matter for these debates? The distributional implications of precedent indicate a source of power in global politics stemming from the capacity to establish dominant legal text; establishing dominant legal text in turn brings potentially long-lasting material benefits. From a liberal perspective focused on redistribution, it bears repeating then that it is not only multilateral institutions whose terms may establish conditions of global inequality, it is also institutions with more limited membership, such as PTAs. Similarly, a concern with political freedom provides the motivation to interrogate power relationships (such as those created by path-dependencies, as in Chapters 2 and 3) and the political and socio-economic dynamics that come from them (such as the political fallout from institutional creation, as in Chapter 4).

[43] Pettit 2010, 73.
[44] Bohman 2004, 337.
[45] Kokaz 2005.

5.3 Final conclusions

The great challenge of International Relations theory is explaining why some cooperative outcomes last and others do not.[46] This question is now playing out in the global trade regime. Countries have failed to sustain trade liberalization at the multilateral level, with World Trade Organization (WTO) talks in deadlock since 2008. The same period has witnessed a remarkable growth in preferential trade agreements between a subset of states, which increasingly create rules in novel issue-areas. This is at once a transformation in the governance of the trade regime, and a continuation of post-war liberal economic principles. How has the trade regime evolved, and how has this evolution affected the way states cooperate? I have argued in this thesis that legal text sets precedent, which states and negotiators leverage in future negotiations–and renegotiations.

This argument enriches our understanding of international politics. On the one hand, I have argued that precedent is powerful because it reflects the outcome of domestic political contestations between social actors in the formation of trade policy. Legalized outcomes grant political power to the victors of these contestations, whose position is thereby further strengthened, increasing the likelihood of path-dependencies. In the tradition of a broadly liberal study of international political economy, this argument illustrates how international relations are ultimately grounded in domestic politics.[47] On the other hand, and more in line with constructivist research, the importance of precedent during international negotiations illustrates how international relations also reflect social interactions between states and policymakers, and the collective understandings between them about the social purpose

[46] Keohane 1984; Ruggie 1983; Waltz 1979; Wendt 1999.
[47] Milner 1988; Lake 2009.

of their actions.[48]

This project offers opportunities for further research that will contribute to key debates in political science. A first line of additional research would deepen some of the analysis of the dissertation project. In Chapter 2, I signalled the limitation of the DESTA dataset for understanding how specific trade rules evolve. While DESTA is a comprehensive dataset, it is also coarse: it is not possible to evaluate how individual clauses (say, on the design of foreign investment dispute mechanisms) have evolved and spread over time. A text-as-data approach could supplement the analysis by capturing how legal norms have spread between agreements,[49] including those agreements that are abandoned (such as the Transatlantic Trade and Investment Partnership, TTIP), which as such may constitute 'missing observations' in the DESTA dataset. A text-as-data approach would have the added advantage of being able to broaden the scope of analysis beyond PTAs to other agreements. In Chapter 2 I focused on preferential agreements, but PTAs may also relate to wider efforts to promote the reform of global trade rules, including at the multilateral level. Accordingly, a text-as-data approach would facilitate deeper engagement with scholarship on diffusion and norm-building at the multilateral level.

In addition, further research on renegotiations will enrich the concept of 'credible commitments'. International agreements are generally understood to enable states to cooperate because their binding nature enables governments to credibly commit to a cooperative policy. This leaves little room for revisionism without damaging cooperation, but as I outline in Chapter 3, revisions to countries' trade commitments are strikingly prevalent. How then

[48] Ruggie 1983; Pouliot 2016; Wendt 1999. Similarly, Polanyi 1944.
[49] Allee and Lugg 2016; Alschner, Pauwelyn, and Puig 2017.

should we understand the source of credibility of countries' commitments, particularly during a period of revisionism from a key guarantor of the liberal multilateral order? By extending the dataset presented in Chapter 3, and leveraging two powerful tools for social-scientific analysis–quantitative text analysis and network analysis–future research will analyze the politics of precedent-setting and treaty revisions in the trade regime. Text analysis on position papers and media coverage will assess the politicization of agreements, and network analysis will examine how novel provisions in the trade regime spread. By focusing on specific clauses in agreements (such as investment, and non-trade issues such as human rights and trade-and-gender), future research can more precisely illustrate the mechanisms involved in processes of legal innovation and evolution in the trade regime. This work will also speak to the normative tension between the push for transparency in government, and the risk that greater transparency may enable special interest groups to obstruct policies in the interest of society at large.

Trade negotiations have emerged as one of the most political issues of contemporary global governance. Further research will valuably build dialogue between scholars working in international relations and legal scholars, comparativists, and political theorists. Social orders require nurturing to be sustained. Only by maintaining the legitimacy of social outcomes, and managing shared understandings and expectations, can we hope to sustain international cooperation through periods of global change.

6

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