External Actors and Outside Funding in South-South Regional Trade Agreements

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Abstract

The world has seen a drastic rise in regional economic organizations in the past several years. These regional economic blocs are often cited as increasing sources of influence. Yet many of these agreements actually receive a majority of their funding from external sources, such as the EU, the US, and Japan. This funding takes the form of infrastructural support to secretariats as well as specific program funding. How does this funding translate into influence, and how might this influence in turn impact the scope and effectiveness of these agreements? I discuss the effects of EU and US economic engagement with regional blocs, and exploring the different funding strategies (the EU tends to give overall support to the secretariats of regional blocs where the US tends to fund individual program activities, and more on the bilateral level) and their impacts on relations with the countries in question. Data collection is still at an early stage, but I present a brief descriptive look at funding patterns for a group of prominent economic organizations and discuss possible implications. This is a major form of engagement with emerging markets, and very little research has thusfar been conducted on the comparative strategies and impacts of funding of regional economic organizations. This study helps contribute to our understanding of the effectiveness of these strategies across time.

1 Introduction

Regional organizations — particularly regional economic organizations (REOs)[1] — have proliferated in the past few decades, to some fanfare (Mansfield and Milner, 1997; Baccini and Dur, 2009). Many treat them as the new face of international cooperation today, and credit them with all sorts of good things, from reducing volatility (Mansfield and Reinhardt, 2008) to increasing foreign investment (Milner and Büthe, 2008) to improving human rights (Pevehouse 2001, Hafner-Burton 2004). Yet how do these organizations actually function, and what determines the patterns of influence within these agreements? Traditional measures of power in these organizations usually look at the relative weight of the member economies of the given agreements (McCall Smith, 2000). But powerful external actors often bankroll these organizations' budgets — and yet their influence has yet to be acknowledged in the literature.

The role of external actors in shaping the institutional structure of REOs is an area that has been largely neglected in the study of international organization.[2] Yet outside funding from the EU, the United States, the Scandinavian donors, and Japan — and, increasingly, China — has been a driving force of many of these agreements. These actors often provide not only funding but also inspiration — direct and indirect — for the structure of the institutions, the language of treaties, and the shape of program activities. External funding is often specifically linked to the development of certain competencies or the emphasis of a certain type of institutional structure. Furthermore, when external funding is renewed without an emphasis on the performance of a given agreement, it may change the incentives of member states in terms of the administrative resources that they themselves spend on those organizations.

Overlooking the role of these forces on the character and composition of regional

[1] I use the term "regional economic organizations" in place of the commonly used regional trade agreements or preferential trade agreements (PTAs) because the theory refers specifically to organizations that have a secretariat and staff, which many of the world's 400-odd PTAs lack.

[2] There are notable exceptions; see Shanks, Jacobson, and Kaplan 1996, Boerzel and Risse 2008, and Johnson 2010. Johnson & Urpeleinen 2011 look at the role of external international bureaucrats in shaping IOs, although they focus primarily on the design of international agreements.

agreements is detrimental to our understanding of how those agreements work. We risk misattributing, for example, a thick institutional design to a show of will and commitment on the part of member states, when in fact that design may be simply a function of some EU directive, where funding is conditional on the formation of a certain type of (EU-like) institution. This omission also overlooks the role of power politics in the shape of international cooperation today. Many describe the predominance of regional organizations as evidence of a globalized, multipolar, post-hegemonic world, in which myriad and discrete spheres of influence prevail over one central core. But if these organizations are bankrolled and shaped by a few dominant actors, the world does not look so different from the classic makeup of traditional power politics. Thus, any evaluation of REO performance Gutner and Thompson (2010) should take external actors in REOs into account.

This paper attempts to fill this gap by making two key arguments. First, I address variation in the supply side of outside funding to REOs. I argue that outside funders of regional organizations are driven primarily for internal political reasons that may not center on the effectiveness of the organizations themselves. The big donors — the EU, the US, and Japan — have differing foreign policy objectives, and their funding patterns reflect those objectives. The EU in particular has a tendency to both grant funding to organizations in its members' former colonies, and it also tends to encourage the structure of regional institutions that look similar to its own (CARICOM and the Andean Community are particular examples of this). For its part, the US gives little infrastructural support and leans toward funding of specific programs, many of which have nothing to do with trade promotion per se. By contrast, Japan invested heavily in ASEAN so that it would secure a vertical integration network for its own foreign direct investment (Baldwin, 2007; Manger, 2009). We can expect these different motivations to lead to differing performance of the REOs under study.

Building on that point, I next argue that the level of outside funding, and the motivations of a donor, in a given regional organization has important effects on its organizational outputs. When donors fund agreements for reasons that have little to do with those organizations promoting trade, we can expect those organizations to have broader scope and to be less effective at trade promotion. We might also expect that organizations that receive a high amount of external funding

This logic could apply to many types of organizations, but I focus here on supranational economic organizations for theoretical as well as practical reasons (narrowing the scope makes the data collection process more feasible. The baseline effectiveness of economic organizations is easier to establish than for many other organizations, with regional trade (either in terms of increases in the volume of trade or the decreasing of tariffs or nontariff barriers) as a tangible output that should be common across organizations. Additionally, for organizations that have many different mandates (such as the UN or the European Union), or ones whose goals are more abstract (such as the World Meteorological Organization or the International Centre for Science and High Technology), it is more difficult to determine whether or not they are meeting the goals they set out for themselves. Thus, it is easier to measure the impact of funding on agreements that have the same mandate, and if that mandate is related to a tangible economic output.

This article dovetails a few important strands of literature. One, to be discussed further below, is the literature focusing on the effectiveness of aid. There is a rich literature on nontax revenue (Wright 2009, Morrison 2010) and how it changes the incentives of decisionmakers; this logic should be applied not only to governments but to supranational actors as well. The second is the benefits of international organization that do not have to do with their stated purpose. Typically, these arguments center political benefits, either on the domestic or the supranational level, that accrue to those organizations (Fratianni and Pattison, 2001; Bourename, 2002; Katzenstein, 2005), or for changes in perception about those countries (Fernandez, 2000; Duina, 2008; Gray, 2011; Joliffe and Jupille, 2011; Bruter, 2003). The third is variation across supranational organizations and its impact on cooperative outcomes, a growing field in the study of international relations (Baccini and Dur, 2009; Kim, 2011; Hicks and Kim, 2010; Haftel, 2007; Kono and Rickard, N.d.)

but one that has not yet taken into account the contributions of both member states and external actors into those organizations.

I lay the foundations for my argument using the fruits of extensive fieldwork, culled from visits to eleven different regional organizations, from Asia to Latin America to Africa to Europe.[3] During these trips, I spoke with dozens of staff members as well as external policy experts on the functioning of these agreements. I also gathered itemized, historical budget data from the vast majority of these agreements. This affords insights that were heretofore absent from much of the literature on international organizations. The data for this project are not yet in final form

The paper proceeds as follows. The section below outlines some of the useful literatures in assembling the argument, particularly the literature on foreign aid. I discuss as well the foreign policy goals of the three primary donors — the EU, the US, and Japan — in their patterns of giving more generally and to regional economic organizations specifically. I then present a set of preliminary hypotheses for how different types of aid might impact the recipient organizations. The following section describes the data-gathering project underway and shows some initial patterns in that data that support these hypotheses. The final section concludes.

2 External Actors and Regional Economic Organizations

Scholars attribute many cooperative benefits to international organizations (Keohane, Moravcsik and Slaughter, 2000; Rosendorff, 2005; Milner and Rosendorff, 1996), and many scholars are currently endeavoring to study the microfoundations of those effects.

[3]These organizations are the European Union (EU) the Central European Free Trade Agreement (CEFTA), the European Free Trade Agreement (EFTA), the South African Development Community (SADC), the Common Market for Eastern and Southern Africa, the Asia-Pacific Economic Council (APEC), the Association of Southeast Asian Nations (ASEAN), the North American Free Trade Agreement (NAFTA), the Latin American Integration Association (LAIA), the Andean Community, and the Common Market for the Southern Cone (Mercosur).

These include several endeavors to quantify the variation in economic agreements, and to link that variation to cooperative outcomes among member states. Most of these codings, however, focus on the content and provisions of the agreements themselves. The financial structure of economic agreements is a heretofore overlooked source of variation across regional economic arrangements, and one that could have tremendous impact on the way that those agreements impact cooperation, the interests represented in those agreements, their institutional structure, and the outputs they produce.

This is not an area that is altogether overlooked. Some research have already drawn attention to how supranational organizations can be shaped by outside forces — though this research resides for the most part in the comparative regionalism and diffusion literatures, which describe how external actors can be influential on regional agreements through learning, emulation and persuasion (Alter, 2008; Duina, 2008; Jetschke, 2009; Yeo, 2008).[4] Fewer works cite the actual economic and material incentives that can be provided to these organizations (but see Boerzel and Risse (2009*b*); Lenz (2011)).[5]

Similarly, a large and diverse literature exists on the determinants and consequences of foreign aid, but few have connected that literature specifically to the shape and performance of regional economic organizations. This is in part because this type of funding is relatively low-profile and technocratic; aid to regional organizations usually constitutes only a small part of any given country or IFI's overall budget, most of which centers on bilateral aid to governments. Yet for the organizations themselves, external funding can constitute a huge percentage of their overall operational budget; since 2006, for example, the Central European Free Trade Agreement has been almost entirely funded by the European Commission and Scandinavian donors. The sums may be small for donors, but

[4]The implications for each mechanism differ: when actors learn from or are persuaded by another's successes, they adopt the policies that are most appropriate to their own conditions (Finnemore 1996, Keck and Sikkink 1998, Checkel 2001, Simmons, Dobbins and Garrett 2006, Meseguer 2006, Baturo and Gray 2008). By contrast, when coercion — either overt or implicit — takes place, the structures may be adopted superficially but not internalized (Keohane 1984, Legro 1997). Similarly, if policies are simply mimicked, their relevance to local contexts may be small, and thus they may be adopted in name only (Meyer and Rowan 1977, Haveman 1993, Weyland 2003).

[5]Katzenstein (2005) and Robles (2008) describe power-based, hegemonic influences on regionalism in developing countries on the part of external actors, but they do not explicitly address the financial interactions.

they can often constitute the organization's lifeblood. The section below reviews some of that literature and examines funding patterns in some of the major givers.

2.1 A Brief Look at the Funding Landscape Across Donors

Considerable variation exists across donors in terms of their motivations for giving as well as the structure of their aid.[6] Most scholars acknowledge that the United States and the Nordic countries tend to target pockets of poverty, democracy, and openness, although the U.S. also directs a disproportionate amount of its aid towards the Middle East, particularly Israel and Egypt.[7]

The great powers vary widely in their patterns of giving. The EC's development policy centers on aid and trade preferences (Tsoutsoplides, 1991). Within the EU, the European Development Fund (EDF), established in the Treaty of Rome, is the most coherent structure for external aid and is significantly influenced by the preferences of France in its relationship toward its former colonies (Hewitt and Whiteman, 2004). The Yaounde I (1963) and Yaounde II (1968) agreements allowed for the continuation of the benefits and aid relationships that member states' former colonies recieved. These included guarantees for the Africa/Carribean/Pacific (ACP) countries regarding mutual interdependence, sovereignty, while later iterations included concerns and protocols regarding human rights, democracy, and other social issues. These were extended by the four Lomé conventions, initially established in 1975 with revisions in 1980, 1985 and 1990 (Brolin, 2007). Outside of the ACP, EC aid is much more ad hoc; it comes from the general Commission budget and is the domain of the Directorate-General for External Relations (RELEX). Member states also conduct bilateral agreements and aid relationships with

[6]This opens the question of why governments extend foreign aid in the first place. Many scholars have argued that aid serves as a foreign policy instrument for donors, rather than a development tool for recipients (Olsen, 2005; Bearce and Tirone, 2010). Others claim that multilateral aid is less politically motivated; see Maizels and Nissanke (1984); Rodrik (1999). In a banner study, Alesina and Dollar 2000 found that donors were equally motivated by strategic or political considerations as by economic need.

[7]Roodman (2006) has constructed a measure to analyze and compare the quality of donor aid, finding that Denmark, the Netherlands, Norway and Sweden demonstrate the best performance among ODA donors, with France behind all of those.

their former colonies, as well as with other countries (Rudner 1992).[8]

Part of the reason why the EU puts forward funding to regional arrangements is that it is highly invested in promoting its own structures around the world, particularly in its former colonies Boerzel and Risse (2009*b*). Additionally, as confirmed by interviews within the commission, funding of these regional arrangements is a fairly generic policy point on which it is relatively easy to build member-state consensus. "The EU's promotion of similar regional arrangements has always been an important part of external relations," says one Commission employee. "Foreign policy is very difficult to agree on across member states, but this is something that is mostly non-controversial." [9] Indeed, the EU actively promotes formal regionalism, negotiating interregional accords with Mercosur and CARICOM, and providing incentives for adherence to regional blocs in Africa and Central Europe, including basic infrastructural funding for the secretariats. Their structures emulate those of the EU, from courts to parliaments to highly legalized language (Boerzel and Risse, 2009*a*,*b*; Lenz, 2011) — a point that will be discussed in greater detail below.

By contrast, US funding — channeled primarily through USAID — is more bilateral and tends to focus on trade in its partnerships (Aggarwal and Fogarty, 2004; Hettne, 2005). Where the US funds regional arrangements, it tends to do so through short-term program funding, for programs that are in fact often unrelated to trade per se. For example, USAID extended funding to COMESA for a program on children's health — simply because it was more efficient to have COMESA coordinate the countries involved than to strike up agreements with ten different African countries.[10] Japan tends to fund programs exclusively in Asia; it contributed significantly to the funding of the ASEAN-AFTA, in part due to its desire to have an efficient trading structure that would enable vertically integrated foreign direct investment (Manger, 2005). Since the implementation of that REO, their funding strategy, at least of ASEAN, has come to resemble that of the

[8] Schraeder, Hook and Taylor (1998) found French aid to be directed at supporting Francophone countries regardless of economic need.

[9] Author interview, Giancarlo Ferre, Director, EU External Relations, May 10 2010.

[10] Author interview, Cris Mayunda, COMESA Secretariat, December 18, 2008.

US, as confirmed by an ASEAN official: "We do get a lot of funding from Japan, but at the beginning it was more for infrastructural support. Now they tend to fund programs on more broad cooperation initiatives." [11].

The result of unrelated programmatic funding may be organizations that end up becoming less and less focused on — or even competent in — trade. That is, in order to continue their existence, organizations may have to broaden their scope away from traditional trade issues and focus instead on areas that are unrelated to trade generation. This may be accidental or deliberate, as described by one donor from the Swedish International Development Agency (SIDA):

> [ECOWAS] let the major donors know that it was interested in getting help for its trade negotiators to improve their skills. This was a matter of obvious importance. They were very aware that their negotiators could not effectively compete in these big settings — like at the WTO — when they were up against the representatives from the EU and the US, these very professional negotiators with a lot of experience. So ECOWAS appealed to the EU funding mechanism and to USAID for a proposal they wrote on improving their trade negotiators, through training and assistance. This was not a very big project; the budget was small and reasonable. But the EU and the US wouldn't touch it. Why should they pay for something that would make them potentially lose an advantage? In the end SIDA was the sole funder of this project.[12]

Though it is beyond the scope of this paper to fully examine every donor's strategies of and patterns for their giving, the above discussion should highlight that there is variation in the type of and motivation for funding across donors. The next section briefly illustrates how this variation translates into a spectrum of different types of support for different REOs.

[11] Interview, Rin Chailinfa, ASEAN secretariat, 16 December 2010
[12] Author interview, Elisabeth Lofvander, SIDA, 4 June 2010

2.2 Variation in External Funding Across REOs

This section provides a brief illustrative look at external funding patterns for a few well-known organizations, grouped from lowest (NAFTA) to highest (CARICOM).

NAFTA has a unique structure among REOs, in that it has no standing secretariat — instead, a handful of officials are staffed within each country's trade ministry — and is funded exclusively by member states. Part of the thinking for the structure originated as a direct response to the thickly institutionalized EU; the US in particular wanted NAFTA to be embedded in member states, without a supranational structure or authority Duina (2008). No more than five staff members have full-time responsibility for NAFTA in each of the three member states, though many government officials have responsibilities pertaining to NAFTA as part of their portfolio.[13] Mexico in particular had brought up the possibility of increased institutionalization, but this has always been quashed by the US.[14] As such, funding for NAFTA operations comes through each member state's general government budget; annual meetings of NAFTA officials take place on a rotating basis in each of the three countries and are financed by the host country, with no external funding entering into the budget.

For its part, Mercosur started out with an extremely similar structure to NAFTA. Its secretariat comprised only ten full-time staff members, in a secretariat that occupied half a floor of a villa in Montevideo, Uruguay that housed United Nations offices (office space was provided pro bono) and a five-member permanent court in Asunción, Paraguay. It focused exclusively on trade-related issues, and was financed by member states, up until the early 2000s, after economic crises in Brazil and subsequently Argentina stymied trade. In 2004 Mercosur agreed to greater institutionalization, with the founding of a parliament, and has adopted more EU-style institutions (Lenz, 2011). Also in the past few years, the EC had been the main source of resources for Mercosur; it has extended about 250 million euros for regional and bilateral cooperation with Mercosur between 2000

[13] Interview, Cesar Hernandez, Mexican Ministry of the Economy, 9 March 2011.
[14] Interview, Rodolfo Vázquez Rubí, Mexican Ministry of the Economy, 10 March 2011.

and 2006.[15] USAID has extended no economic support to Mercosur, in part because it conflicted with its goals of establishing a Free Trade Area of the Americas.

By contrast, the majority of external assistance to ASEAN — 60% of total development aid — has consistently dominated by Japan, even since ASEAN's founding in the 1960s (Kwon 2003). This funding, however, comes primarily in the form of bilateral assistance to member states (especially Indonesia, Thailand, and the Philippines), albeit to support regional activities. Japan's major form of funding to ASEAN has been in the form of FDI and its attendant capital and technology, as well as intermediate products through trade.

International donors were a crucial force in the very early days of the South African Development Community (SADC), which had its origins in the Frontline States' attempt to sever economic dependency from that South Africa. Indeed, one of the organizations' first meetings was a November 1989 conference where the states pitched the idea of the organization to foreign donors (mostly OECD countries). Subsequently, in 1980, SADC held a donor conference in Mozambique, from which it raised $650 million for development projects (Arnold, 2001). Initially, member states supported the functioning of the secretariat while donors paid for project funding, but the EU has increasingly contributed to the operational costs of the secretariat as well. At present the EC constitutes 80% of all foreign support to SADC — almost four times the contribution of South Africa, the largest member.[16]

The Caribbean Community (CARICOM), for its part, receives nearly all of its funding from external sources. The EC provides the bulk of financing for the secretariat and court, which greatly resembles the European Institutions. CARICOM is also a hub for over 100 various programs funded by donors as far-reaching as the UN, the World Bank, the Child Survival and Health Programs Fund, the UK's DfID, USAID, the Canadian International Development Agency, and Japan, among others. These projects do include initiatives such as Canada's $15 million Trade and Competitiveness program, but also numerous

[15] IADB Mercosur Report No. 9 (2003-2004), Juan Jose Taccone

[16] Activity Report of the SADC Secretariat, August 2007-July 2008.

programs relating to HIV and other public health issues, infrastructure development in member states, and drug trafficking.

The Central European Free Trade Agreement (CEFTA) started out as an initiative among the Višegrad countries in the run-up to EU accession. After those countries became full EU members in 2004 and disbanded CEFTA, the EU itself promoted the idea that the West Balkan countries reinvigorate CEFTA as a training ground for potential EU accession.[17] The EU itself is the primary financer of the organization, and it occupies rent-free space in the EFTA building in Brussels, but unlike CEFTA the secretariat is very small, consisting of only three full-time and two part-time staff.

Thus, external funding to REOs comes at drastically different levels and is not decidedly linked to any one type of institutional design, nor is it straightforward that more outside funding creates better- or worse-functioning institutions. Table One summarizes the variation across these organizations.

3 Implications of Donor Support

What do these different donor compositions tell us about the organizations that receive that funding? This variation is of some interest inof itself, but scholars in international cooperation would want to know whether the variation in funding patterns corresponds with, or can be causally linked to, institutional design or performance.[18] Data are still being gathered as to the details of funding over time and across donors, which unfortunately prevents a thorough exploration of the impacts of external funding. This section, though, does lay out some preliminary intuitions for what future research might uncover.

One possibility, discussed above, is that a higher percent of outside funding correlates with a higher degree of scope of issues covered in regional agreements. Many have

[17] Author interview, Renata Mandžić, CEFTA Secretariat, 15 May 2010.

[18] Endogeneity and selection would of course be issues here: donors might tend to give to organizations that demonstrated competence in their affairs, thus linking high funding to high competence; or, conversely, donors might give to poorly functioning organizations in the hopes of improving them. In both cases, we would risk misattributing to donor funds various types of institutional performance unless we modeled or accounted for the underlying factors that drive variation in both simultaneously.

Table 1: **Recent Funding Structure of Some REOs**

REO	Institutional Structure	Source of External Funding (in order of contribution)	Major Type of External Funding	% Member-State Funding
NAFTA	No formal secretariat or permanent court; NAFTA offices embedded in econ ministries of each member state	n/a	n/a	100
COMESA	EU-model secretariat, DSM	EC, USAID, UNDP	Mix of program and infrastructural	55
Mercosur	Small secretariat, standing court	EC ($15m), IADB, UNDP	Support for secretariat	45
ASEAN	Formal secretariat, DSM	Japan ($8m) & EC ($8m), USAID		
SADC	EU-model secretariat, permanent court	EC ($17m), DfID	Mostly program; infrastructural from EC	40
Andean Community	EU-model secretariat, permanent court	EC ($10m), IADB	35	
CEFTA	Small secretariat,	EC, SIDA, DfID	Support for secretariat	15
CARICOM	EU-model secretariat, permanent court	EC, USAID, DfID, UNDP, IADB, WB, CIDA	Mostly program funding	12

Canadian International Development Agency (CIDA), US Agency for International Development (USAID), UK Dept for International Development (DfID), European Union (EU), UN System Development Assistance (UNDP), World Bank (WB), African Development Fund (AFDF), European Commission (EC) attributed increased scope in issues covered to the increasing complexity of trade . Particularly in the case of pure programmatic funding, we might expect that the organizations will become less and less focused on trade promotion and will increasingly stray from their initial mission. Some have treated breadth of coverage as evidence of the credibility of states' commitments to trade (Kim and Hicks, 2008) but here I argue that it could instead be driven by donor mandates. An implication that I do not test here is that broad scope could even lead to an organization's being less effective, if the scope expands beyond their competency.

Additionally, from the discussion above, we can imagine that variation in these funding strategies might lead to variance in the structure efficiencies in regional economic organizations. In the case of blanket infrastructural funding, such as what the EU provides, member states of a given REO would have no incentive to make the agreement run effectively. If the EU, for its own strategic or ideational reasons (including the promotion of its own model beyond its borders), will fund agreements regardless of how well they work in terms of trade-generation, we can expect that the agreements will tend to be mere bureaucratic structures. Member states would have no incentive to extend resources in making these agreements work, since they will be funded unconditionally.

These propositions can be summarized in the following hypotheses:

- H_1: Organizations that receive more external program funding will have broader scopes (and, potentially, less ability to fulfill their original mandate).
- H_2: In organizations that receive a high degree of external funding but with few conditions or evaluations attached, heads of state will be more likely to use the organization for patronage purposes.

Though the data are still being assembled, we can at least take a preliminary look at whether the basic intuition holds. To test the first part of Hypothesis 1, I use data from a survey of experts around the globe on how regional trade agreements work in practice (Gray and Slapin, 2011). We gathered data from experts on 25 different characteristics for

PTAs encompassing their potential capacity, including but not limited to how well they work as trade promoting instruments, how they deal with non-tariff barriers, how well their bureaucracies function, their perceived influence, the effectiveness of adjudication, and the match or mismatch between their ambitions and their actual competencies.

We rescaled the main scores from 1 to 10, to -4.5 to 4.5 for a ten-point scale, before multiplying that rescaled score by the salience of that particular dimension. This allows us to capture the score of a particular dimension along with its relative importance. For example, if an agreement scores below average on a particular dimension but the salience for that dimension to that agreement is above average, its score will be negative, indicating a failure to live up to its own expectations. I examine here responses for one particular question relating to the scope of regional trade agreements.[19]

With funding data for only eight agreements (presented in Table 1), the possibilities are fairly limited. Currently available are only aggregate levels of funding; at present I do not have a breakdown of the funding from each external actor across organizations; more specific variants of the hypotheses stated above could be tested once these data are transcribed. For the moment, I use Spearman's nonparametric (that is, distribution-free) rank statistic, which evaluates the ability of the relationship between two variables to be described using a monotonic function. This techniques converts the raw scores X_i and Y_i are converted to ranks (x_i and y_i), and then calculates the differences between the ranks of each observation. If two variables are monotonically related — even if it is not a linear relationship — this will result in a Spearman correlation of 1, which would differ from a Pearson correlation. I also calculate Kendall's tau, which is specifically intended to be used with small- and moderate-sized datasets, as is the case. I display below the τ_a statistic, which tests the strength of the association of cross tabulations, as well as the τ_b statistic, which makes adjustments for ties. Both the Spearman and the Kendall statistics test the null hypothesis of independence of any two variables. Looking just

[19]The question reads, "The agenda items over which PTA members negotiate do not go beyond traditional trade issues/The agenda items over which PTA members negotiate go beyond traditional trade issues"

at the relationship between percent of outside funding and the scope of the agreement, the Pearson's correlation (ρ) is at 0.67, with significance at 0.06; Kendall's τ_a at 0.50, τ_b 0.52, with significance at 0.10. Both are within the conventional cutoff levels of statistical significance. This does indicate that there is some link between the scope of agreements and the level of outside funding they receive.

The second hypothesis requires far more data than funding data alone — that is, it would require data on bureaucratic appointments, which I am currently collecting. I spell out some of the formal logic for this hypothesis in an appendix.

4 Conclusion and Implications

Though in its very early stages, this paper seeks to address an overlooked form of great-power engagement with the developing world, and an important source of variation across regional economic organizations. The US, the UK, the EU, and Japan already fund regional economic organizations in various ways, and China is beginning to extend funding to regional organizations as well. This is an understudied phenomenon in international relations that has potential consequences for our understanding of international cooperation today.

This paper is part of a larger data-gathering project on many aspects of regional economic organizations. Though the data collection and assembly is still in its early stages, I plan to examine whether the basic relationship as described above holds by taking a look at some of the budget patterns of a few of the regional agreements in the world, and looking at how variance in funding patterns corresponds to variance in both the effectiveness of the agreements but also in the influence of external actors in those agreements. An organization for whom the bulk of their funding goes into program activities (such as COMESA and Mercosur) might work differently than organizations that receive their main support in the form of infrastructural funding to the secretariats (such as the Andean Community and CARICOM). In the case of blanket infrastructural funding, such as what the EU provides, it could be the that member states of a given REO would have no incentive to make the agreement run effectively — particularly if the aid is given for strategic reasons and with no conditions or evaluations attached, as seems to be the case with most EC funding to REOs.[20] It could also be the case that, if aid is given for strategic or ideational reasons (including the promotion of its own model beyond its borders), and if donors will fund agreements regardless of how well they work in terms of trade-generation, the agreements will tend to be mere bureaucratic structures that do not actually promote trade among members. But the presence of outside funding would explain those organizations' persistence. These propositions will be operationalized and tested in future stages of this project.

[20]Several have argued that when aid is given for strategic reasons, we might expect it be to be ineffective, as the donors have no credible means of enforcing the conditionality that is often tied to that aid (Bearce and Tirone 2009). Thus, we might expect that when aid is given to organizations for reasons that have little to do with the merits of the agreement itself, it will result in a spiral of ineffectiveness. The mechanism here is slightly different — in the aid literature, strategic aid means that donors cannot credibly enforce conditionality — but the underlying point is the same.

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