Why Coalesce?: Informal Coalitions in Multilateral Trade Negotiations

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Abstract

Informal coalitions within the General Agreement on Tariffs and Trade (GATT) and the World Trade Organization (WTO)—such as G-10, G-20, G-33, Five Interested Parties, etc.—have proliferated in recent multilateral trade negotiations. Why do countries form or join such coalitions? In this paper I advance a novel argument. I argue that part of the impetus lies in the international trading environment that countries face. In particular, both the number of PTAs to which countries' trade partners belong and whether or not countries are excluded from their trade partners' PTAs shape countries' strategies. When the number of partners' PTA and the extent of exclusion are low, forming or joining their own PTA constitutes countries' ideal strategy. However, when the number of partners' PTA and the extent of exclusion are high, the international trading system becomes overly fragmented and countries' choice of PTA partners becomes limited. In this situation, countries turn their efforts to the multilateral trading system by forming informal bargaining coalitions. I test this argument against novel data on bargaining coalitions between 1986 and 2006.

1 Introduction

The number of countries participating in the periodic multilateral trade negotiations within the General Agreement on Tariffs and Trade (GATT) and its successor the World Trade Organization (WTO) has risen dramatically in the last two decades. Whereas only 23 countries signed the original GATT in 1947, 125 countries participated in the Uruguay Round of multilateral trade negotiations between 1986 and 1993. In the latest, failed Doha Round, 150 members and 31 observers participated in the negotiations. This surge in membership resulted mainly from the increasing participation by developing countries in the world, for whom domestic economic reforms led to new, more liberalizing trade policy objectives (Winham, 1998).

Accompanying this broadened membership has been an increase in the number of bargaining coalitions among GATT/WTO members, starting with the Uruguay Round. As Hamilton and Whalley (1989) acknowledge defining what a coalition is in trade negotiations is difficult, given the informal and fluid interactions among trade representatives at the negotiations. They define a coalition as "any group of decision-makers participating in such a negotiation who agree to act in concert to achieve a common end" (547). In addition to this definition, the formal or informal names by which country groupings refer themselves help in identifying the existence of bargaining coalitions. South Centre, a intergovernmental organization and think tank of developing countries, identifies three types of coalitions within the international trade regime: regional coalitions (e.g. African Group), issue-based coalitions (e.g. Cotton–4) and coalitions based on common characteristics (e.g. Small Vulnerable Economies (SVEs)).

While the existence of coalitions constituted an important difference between the Uruguay Round and the preceding rounds of trade negotiations, the purpose and the effectiveness of coalitions remain controversial. For example, how successful developing country coalitions

were in advancing their agenda and stalling the Doha Round will be difficult to assess even with a detailed history of the negotiations. Although a few scholars have begun to identify and assess the objectives and strategies of bargaining coalitions (Hamilton and Whalley, 1989; Kahler and Odell, 1989; Narlikar, 2003; Narlikar and Odell, 2006), a key question about the phenomena remains unaddressed in the literature. Why do countries form or join bargaining coalitions in international trade negotiations? A simple answer to the question might be that countries form and join bargaining coalitions to extract a better deal for themselves in international negotiations. This answer, however, does not address the variation across countries and over time in coalition memberships. If belonging to a coalition facilitates obtaining better outcomes for countries, then all countries should always be in a coalition to the extent the net expected benefits are positive. This expectation is not consistent with the empirical pattern of coalition memberships.

I argue that part of the impetus for countries forming or joining bargaining coalitions lies in the international trading environment that countries face. When countries become excluded from PTAs of their trade partners, the exclusion mounts competitiveness pressures on them. While creating competing, parallel PTA might be the first-best strategy for excluded countries, that strategy is time-consuming and has highly uncertain payoffs. Instead, forming or joining bargaining coalitions present a means through which countries can seek to modify the international trade environment in their favor at the multilateral level. Although bargaining coalitions may also have uncertain payoffs, the costs of organizing and maintaining the groupings are much lower than other strategies countries might pursue. In short, countries excluded from PTAs of their trade partners are more likely to form or join bargaining coalitions.

Understanding the domestic and international dynamics of coalition formations in international trade negotiations is important for two reasons. First, bargaining coalitions are manifestations of difficulties in negotiations at the GATT/WTO level (Kahler, 1992) and

thus of the challenges the international regime over trade confronts. Understanding the phenomena of coalitions will better highlight the nature of these challenges. Second, to the extent that multilateral coalitions arise from countries' exclusion from regional/preferential arrangements, the phenomena of bargaining coalitions reveal another set of dynamics between multilateralism and regionalism, adding to the existing debate on whether regionalism helps or hurts multilateralism.

This paper proceeds in the following manner. section 2 develops the argument of how coalition formation constitutes an international strategy for countries confronting pressures for economic adjustment. section 3 carries out a preliminary analysis of the argument on a novel data set of bargaining coalitions in trade negotiations between 1977 and 2004. Countries' exclusions from preferential trade arrangements (PTAs) of their trade partners explain well both the formation and the existence of bargaining coalitions. Lastly, section 4 concludes the paper by summarizing the argument and the findings and laying out the improvements necessary in the empirical analysis.

2 PTA Dynamics and Coalitions in Multilateral Trade Negotiations

Countries' participation in preferential trade arrangements (PTA) of their trade partners influence their decisions to form or join bargaining coalitions to participate in multilateral trade negotiations. In this section, I develop this main argument by elaborating on the two mechanisms that link PTA membership of other countries to a country's decision to be a member of a bargaining coalition.

2.1 Adjusting to Systemic PTA Dynamics

PTAs among countries generate effects on non-member countries as well as on member countries. Among members, PTAs can decrease the costs of exchange by bolstering the commitment to lower trade barriers and maintain trade openness (Baier and Bergstrand, 2007; Mansfield and Reinhardt, 2008). At the same time, PTAs necessarily exclude third-party countries from membership. To be "preferential," PTAs have a closed membership rule, and countries' desire and capacity to join a PTA alone are not sufficient for them to become members as the existing members of the PTA must permit expansions in the membership.[1] Moreover, countries outside a PTA confront significant competitiveness pressures (Chang and Winters, 2001, 2002). Following the formation of a PTA, countries within it increase trade among themselves by reducing volatility in trade and/or lowering their barriers to trade. To maintain the same levels of access into PTA country markets as prior to the formation of the agreement, excluded countries are pressured to reduce their export prices. Such competitiveness pressures to gain access obviously do not exist for countries within the PTA, unless they are excluded from another PTA.

Competitiveness pressures that other countries' PTAs generate compel countries to pursue economic adjustment. Economic adjustment is "a nation's response to changes in the comparative costs of production, the demands and conditions in the world market, the patterns of the international flow of money and credit, and the foreign economic policies adopted by other nations" (Chu, 1989, 649). To adapt to the changing international economic conditions by increasing competitiveness, countries can pursue adjustment at the domestic level. While some countries seek adjustment by increasing interventions into the domestic economy to promote adjustment by pursuing mercantilist policies, others do so by decreasing interventions by pursuing liberal policies (Gourevitch, 1986). In addition to such domestic-level

[1]The European Union (EU) is the prime example of an exception, as it has systematically expanded over the decades. However, even the EU has logical and geographical limits to its expansion, as countries in East Asia, for example, will never be able to apply for membership.

adjustment, countries can pursue economic adjustment at the international level (Ikenberry, 1986). Particularly in the context of PTAs, scholars argue that exclusions lead to creation of new, competing PTAs (Lazer, 1999; Mansfield, 1998; Pahre, 2001) or to increased trade disputes in the multilateral trade regime (Haftel, 2004). Although these scholars do not frame these changes as adjustment strategies, they are consistent with the notion of adjustment strategies by Chu (1989).

In this context, two types of PTA activities by trade partners influence a country's calculations about how to adjust to the competitiveness pressures. One type is the number of PTAs that a country's trade partners have. Precisely because PTAs are exclusionary by nature and a country cannot be a part of all of its trade partners' PTAs, a larger number of PTAs a country's partners have implies greater competitiveness pressures as well. Moreover, this quantity captures the extent of countries' participation in PTAs more broadly by tracking how many trade partners of a country are involved in PTAs. As a result, a high number of PTAs that a country's trade partners have indicates a greater saturation of the international trading system with preferential arrangements or greater fragmentation of the trading system into regional and preferential blocs. In short, with which countries and how many PTAs a country's trade partners form shape the international trading environment that a country confronts and must devise a strategy to adapt to.

The other type of activities is whether a country's trade partners exclude the country in question from the PTAs they have with other countries. In the aggregate, the proportion of a country's trade partners that exclude it from their PTAs can affect countries' calculations. The higher the proportion of excluding trade partners, the greater the anticipated and realized competitiveness pressures would be on a country. In addition to the pressures, however, the proportion of PTA-excluding partners also reveal a constraint that countries confront. A trade partner that has chosen to exclude a country from a PTA is less likely to choose to include the country in another arrangement. Accordingly, when the proportion of

excluding trade partners is high, countries have few potential partners with whom to form an economic grouping. In short, high proportion of trade partners that exclude a country from PTAs simultaneously indicates high competitiveness pressures and exhaustion of economic collaborators.

2.2 Bargaining Coalitions and PTAs as Adjustment Strategies

Whereas creating competing PTAs and initiating trade disputes might be some strategies that countries pursue, they do not constitute sole strategies because of their highly uncertain payoffs. When countries are excluded from a large and significant PTA (e.g. North American Free Trade Agreement), creating a significant enough PTA that would rival the excluding PTA would be difficult and time-consuming, if possible at all. Initiating trade disputes can open up markets of countries targeted by plaintiff countries only to the extent that latter countries are successful in dispute settlement. Even then only the sector in dispute would be opened up for greater trade, and the durability of the openness is uncertain since the results of the GATT/WTO dispute settlement procedures do not create formal precedents.

Countries can respond to the pressures arising from PTA activities of their trade partners in a variety of way. One strategy that scholars have widely identified is formation of competing PTAs in response. When the number of countries involved in PTAs increases or when a country is excluded from a trade partner's PTA, one way to relieve the competitiveness pressure is to form a PTA that includes the country. In this paper, I argue that membership in informal bargaining coalitions for multilateral trade negotiations can serve as an alternative strategy that countries can pursue. I first elaborate on the role that informal coalitions can play in countries' adjustment and proceed to discuss the trade-offs between PTAs and coalitions as a response to changing PTA activities of countries' trade partners.

2.2.1 Bargaining Coalitions in Multilateral Trade Negotiations

Forming or joining a bargaining coalition in multilateral trade negotiations entail uncertain payoffs. However, they constitute a relatively cost-effective means through which countries can seek to shape their international trading environments upon confronting competitiveness pressures from PTA activities of their trade partners. The payoffs are uncertain because even highly cohesive and organized coalitions may not always be able to affect the bargaining outcomes in their favor. In contrast, the costs of forming or joining a coalition are lower than creating a new PTA, as coalitions tend to be informal arrangements entailing little start-up and maintenance costs (Lipson, 1991). At the same time, informality of coalitions likely dampens countries' commitments to coalitions and reduces their bargaining leverage.

Once competitiveness pressures increase for countries as a result of exclusion from their trade partners' PTAs and/or growth in the number of PTAs to which the coutnries' trade partners belong, the bilateral or the regional *status quo ante*—the state of affairs prior to the PTA activities—is no longer available to them (Gruber, 2000). In that context, bargaining coalitions offer countries a possible means to alter or preserve the multilateral status quo.[2] PTA activities by countries' trade partners worsen the baseline against which countries compare the deal to be negotiated at the international level. Upon confronting higher competitiveness pressures from such PTA activities, countries will try to block unfavorable multilateral bargaining outcomes, which they may have accepted prior to confronting the pressures. Similarly, through joining bargaining coalitions, countries will press for more favorable multilateral bargaining outcomes, which they would not have attempted prior to the increased competitiveness pressures. The types of coalitions that scholars have identified are consistent with these objectives countries pursue. Bargaining coalitions can serve diverse functions, such as agenda-setting, proposal-making, blocking and negotiating (Hamilton and

[2] Ikenberry (1986) calls these "offensive" international strategy and "defensive" international strategy, respectively.

Whalley, 1989).

Given these functions, being a member of bargaining coalitions can serve as a substitute strategy to PTA membership for countries to adjust to competitiveness pressures. When membership in PTAs declines in its utility, countries will likely turn to bargaining coalitions as an alternate strategy. The two types of PTA activities—countries' exclusions and growth in the number of PTAs—affect the trade-offs through particular logics.

First, the number of PTAs among a country's trade partners can vary across countries and over time. When the number of PTAs among trade partners is relatively low, forming a PTA in response to the competitiveness pressures constitutes the ideal strategy. This leads to the domino effect in PTAs that scholars have identified throughout modern history, in which formation of one PTA leads to formation of other PTAs in response. Forming or joining an alternate PTA in response to rising number of PTAs in the system, however, becomes less ideal as the number of PTAs that trade partners have increases beyond a threshold. As discussed above, a large number of PTAs indicates a system permeated with such preferential arrangements, and in such a fragmented trading context, PTA-as-a-response-to-PTA strategy declines in its marginal returns.

Countries' decision to be part of a bargaining coalition mirrors their choice to form or join a PTA. When the number of PTAs among trade partners is low, countries' best response is to form or join a PTA, rather than join a bargaining coalition at the multilateral level. However, as the number of PTAs among trade partners increases and PTA formation as a response declines in utility, countries are more likely to join a bargaining coalition at the multilateral level. The logic for this substitution goes beyond the fall of the utility of PTAs. As the trading system becomes more fragmented, countries increasingly have an interest in reducing the disintegration by focusing their resources on the single multilateral system of trade governance. Bargaining coalitions serve as a means to that end.

Second, the extent of countries' exclusion from PTAs of their trade partners can vary

across countries and over time as well. When the proportion of trade partners with exclusionary PTAs is low, forming a PTA in response to the competitiveness pressures of exclusion constitutes the ideal strategy. More so that for the number of PTAs that trade partners have, exclusion from PTAs provides a large incentive for the excluded countries to form or join competing PTAs. However, a high proportion of trade partners with exclusionary PTAs constrains formation of or acceding to competing PTAs, because the high proportion of excluding partners indicates a smaller pool of potential trade partners with whom to form a competing PTA.

A similar dynamics exists between the extent of a country's exclusion from PTAs and its decision to be part of bargaining coalitions as the one between the number of PTAs a country's trade partners have and the country's decision to be part of bargaining coalitions. As proportion of trade partners that exclude a country from their PTAs increases, the excluded country will become more likely to turn their attention away from preferential governance of trade toward the multilateral governance.

2.3 Hypotheses

The preceding discussion generates the following testable hypotheses linking countries' PTA behavior and coalition behavior to the PTA activities of their trade partners.

- PTA Membership Hypotheses
  - *H1a*: The number of PTAs countries belong to will likely be *increasing* in the number of PTAs that countries' trade partners have when the number of PTAs is *relatively low* and *decreasing* in the number of PTAs that countries' trade partners have when the number of PTAs is *relatively high*.
  - *H1b*: The number of PTAs countries belong to will likely be *increasing* in the extent of countries' exclusion from their trade partners' PTAs when the extent

of exclusion is *relatively low* and *decreasing* in the extent of countries' exclusion from their trade partners' PTAs when the extent of exclusion is *relatively high*.

- Bargaining Coalition Membership Hypotheses
  - *H2a*: The number of bargaining coalitions countries belong to will likely be *decreasing* in the number of PTAs that countries' trade partners have when the number of PTAs is *relatively low* and *increasing* in the number of PTAs that countries' trade partners have when the number of PTAs is *relatively high*.
  - *H2b*: The number of bargaining coalitions countries belong to will likely be *decreasing* in the extent of countries' exclusion from their trade partners' PTAs when the extent of exclusion is *relatively low* and *increasing* in the extent of countries' exclusion from their trade partners' PTAs when the extent of exclusion is *relatively high*.

In short, the proposed argument anticipates a curvilinear relationship to exist between the phenomena of interest—the number of PTAs and the number of bargaining coalitions countries belong to—and the two main explanations—the number of PTAs by trade partners and the extent of PTA exclusion by trade partners. Moreover, the anticipated relationships are in the opposite directions for PTAs and bargaining coalitions. In the next section, I carry out an analysis of this argument against a novel data on countries' membership in bargaining coalitions.

3 Empirical Analysis

3.1 Data and Model

The phenomena of interest in the analysis is countries' aggregate behavior with respect to PTA and bargaining coalition membership. Accordingly, unlike extant analyses of PTAs that mostly use the dyad-year unit of analysis (Mansfield *et al.* , 2002, 2008), in the current study I use monadic country-year as the unit of analysis. As implied by the hypotheses summarized in the previous section, this approach collapses countries' PTA and coalition behavior into counts, i.e. the total counts of PTA and coalition membership in a year. The sample consists of all countries that were members of the GATT/WTO from 1986 (the first year of the Uruguay Round) through 2006. Although the European Union became a formal member of the WTO in 1995, due to complications with its member countries being double-counted, I exclude the EU from the analysis.

The data on bargaining coalitions have been collected mainly from two sources—Croome (1999) and Narlikar (2003). Croome (1999) is a detailed negotiating history of the Uruguay Round and Narlikar (2003) is the only extensive analysis of bargaining coalitions in the GATT/WTO. Thus, although the coverage of coalitions may not be exhaustive in these two volumes, it is authoritative. When the membership information and dates of countries' membership were insufficient in the two sources, data on PTAs from the WTO and Lexis-Nexis searches on the names of coalitions were used to supplement the information. Table 1 lists the bargaining coalitions included in the analysis.

[Table 1 about here]

Based on this data, I generate counts of unique coalition-partner combinations for each country-year. This coding goes beyond the simple count of unique coalitions that a country belongs to and incorporates information about the relative size of coalitions as well. Coali-

tions with more members in them count more as each country in them contribute to counts of unique coalition-partners.[3]

The coalition membership data is organized into undirected dyad-years, so the dependent variable indicates whether pairs of countries belong to a bargaining coalition together in a year. In this way, the unit of analysis is similar to Mansfield *et al.* (2002) and Mansfield *et al.* (2008), which analyze countries' decisions to form PTAs with varying depths of integration. The dyad-year arrangement allows analysis of why a country forms a coalition with another particular country. An alternative unit of analysis would be the simpler monadic country-year, which would limit the analysis to why countries join coalitions without addressing the characteristics of their partner countries. Although the main argument is cast in monadic terms, it applies to all countries in coalitions symmetrically. Countries excluded from PTAs form coalitions with other countries excluded from PTAs. Dyad-year analyses rather than country-year analyses can verify this implication. Arranged in this manner, each dyad can belong to more than one common bargaining coalition in a particular year. Thus, this data structure is suitable for analyzing the varying counts of coalitions across dyad-years as well as the creation and the existence of coalitions. In the current paper, I carry out analyses of the latter two aspects.

The data on PTAs is from Goldstein *et al.* (2007). While the original data is in a dyad-year format, I collapse it to country-year level by summing all the unique PTA partners a countries have in a year. In this manner, as with the count of coalition-partners, the count is of total unique PTA-partner combinations rather than of total unique PTAs. This measure is the dependent variable for testing hypotheses 1a and 1b.

From the same PTA data source, I derive measures of exclusion and the number of PTAs among trade partners. I matched the PTA data twice on bilateral trade data by Barbieri

[3]I also carry out supplementary analyses with counts of unique coalitions as the dependent variable. However, the estimates do not converge for numerous specifications.

et al. (2008), once by dyad-year and the second time by country 2-year. This enabled bilateral trade partners that 1) have a PTA in a particular year, 2) do not have a PTA in a particular year and country 2 also does not have a PTA with any of its other trade partners, and 3) do not have a PTA in a particular year *but* country 2 has one or more PTAs with its other trade partners. The third scenario captures instances of countries' exclusion from their trade partners' PTAs. I then divide the total count of exclusion per country-year by the total number of countries' trade partners for that year. The resulting measure is a proportion of countries' trade partners that exclude the country from their PTAs in a year.

For the number of PTAs among trade partners, I calculate the total number of PTAs per each trade partner-year in the same manner as I calculate the total number of PTAs for countries above. Thus, the resulting figure is total number of unique PTA-partner combinations for each trade partner in a year. Instead of summing this total across all of countries' trade-partners in a year, I take the average—dividing the total number of PTA-partner combinations across all trade-partners in a year by the total number of trade-partners. This average figure then captures the *general* trend in the PTA membership by countries' trade partners rather than capturing some erratic PTA behavior by a small number of trade partners.

In addition to the main explanatory variable, I include the following economic control variables: the logged amount of total trade in constant U.S. dollars, the logged size of the economy (total GDP in constant dollars), the logged level of economic development (per capita GDP in constant U.S. dollars), and the level of democracy with Freedom House's political rights index (Freedom House, 2012). For the democracy index, I invert the scores for them to be increasing in democracy. The trade data is from Barbieri *et al.* (2008), and the GDP data are from World Banks's *World Development Indicators* online (World Bank, 2010). Table 2 presents the summary statistics of all the variables in the analysis.

[Table 2 about here]

Both dependent variables in the analysis are count variables. Because the means of the count variables conditional on explanatory variables do not equal the conditional variances, I use negative binomial regression to model these outcomes. All the independent variables are lagged by one year. The standard errors are clustered on each country.

3.2 Analysis and Results

I begin the analysis by exploring the relationship between countries' involvement in coalitions and PTAs. The correlation between the measures capturing the two concepts is only .20. However, countries with a large number of PTA partners are also likely to have a large number of coalition partners and vice versa, as Table 3 shows. In Model 1, the dependent variable is the coalition count, and in Model 2, the dependent variable is the PTA count. The relationship is likely spurious in that countries that are prone to having numerous PTA partners are also prone to having numerous coalition partners. Importantly, less developed countries are likely to have more numerous partners of both types, and the level of democracy does not affect either count.

[Table 3 about here]

Next I begin examining the hypotheses more specifically. First, I test the effects of PTA counts of countries' trade partners on the countries' PTA counts. Table 4 summarizes the results. Model 3 includes only the linear effect of partner PTA count, whereas Model 4 includes the quadratic effect as well as the linear effect.

[Table 4 about here]

Consistent with Hypothesis 1a, the coefficient estimates of both the linear and the quadratic terms of partner PTA count are statistically significant, and the coefficient on the quadratic term is negative, indicating an upside-down u-shaped relationship between

partner PTA count and countries' own PTA counts. Democracy continues to be statistically insignificant. As Model 5 in the same table shows, the evidence supports Hypothesis 2a as well. Both terms of partner PTA count are statistically significant influencing the coalition count of countries. As expected by the hypothesis, the curvilinear relationship is u-shaped.

Lastly, to examine the effects of exclusion from trade partners' PTAs in conjunction with the effects of partners' PTA counts, I include both the linear and the quadratic terms of the exclusion variable into the model. Models 6 and 7 in Table 5 correspond to Models 4 and 5 with the exclusion variables included.

[Table 5 about here]

Supporting all the hypotheses advanced, both the linear and the quadratic terms of the exclusion and the partner PTA count variables are statistically significant. In Model 6, the only statistically significant control variable is the level of economic development, which is negatively related to the count of countries' PTA involvement. In Model 7, the total count of countries' PTA involvement is positively related to the count of countries' coalition involvement, and the level of development and the size of the economy are negatively related to the count of their coalition involvement.

A potentially important and necessary distinction in identifying bargaining coalitions is whether they are based on existing PTAs or not. PTAs that are customs unions have a legal and administrative justification for bargaining in the GATT/WTO as a group, since they maintain common external tariffs against their trade partners. However, PTAs that are not customs unions also tend to bargain as single groups. This is a predictable development since PTAs provide natural institutional focal points among countries with common trading interests. At the same time, not all PTAs act as a bargaining coalition all the time. Regardless of whether PTA-based coalitions are customs unions or not, they may need to distinguished from other non-PTA coalitions, since PTA-based coalitions are not simply bargaining coali-

tions. As a robustness check I examine Model 7 with non-PTA coalition involvement only. Model 8 in Table 6 summarizes the results. Although the effects of partners' PTA count remain mostly similar, the effects of exclusion become much larger than with the coalition involvement including PTA as well as non-PTA coalitions.

[Table 6 about here]

As additional robustness checks, I analyze the main models using counts of unique non-PTA coalitions rather than those of unique coalition-partners as the dependent variable. Model 9 in Table 6 summarizes the results. The mean of this variable is 1.6 with the standard deviation of 1.5. The minimum is zero and the maximum is 9. As the estimates show, the pattern of results remain exactly the same as with the results using the other measures of the dependent variable.

To analyze the substantive effects of the main explanatory variables, I generate and plot expected values and the confidence intervals surrounding them using Clarify (King *et al.* , 2000). I hold all the other variables at their sample mean and vary the two terms of each explanatory variable from their respective fifth-percentile value to the 95th-percentile value. Figure 1 and Figure 2 are the charts for partners' PTA count and exclusion, respectively. The shape of the lines tracing the expected values is consistent with the curvilinear effects expected by the argument advanced in this paper.

[Figure 1 about here]

[Figure 2 about here]

4 Conclusion

In this paper, I have addressed the question of why countries form or join bargaining coalitions in multilateral trade negotiations at the GATT/WTO. I have argued that part of the

impetus lies in the international trading environment that countries face. In particular, both the number of PTAs to which countries' trade partners belong and whether or not countries are excluded from their trade partners' PTAs shape countries' strategies. Both of these PTA activities mount competitiveness pressures on countries and constrain the choices that they have in responding to those pressures. When the number of partners' PTA and the extent of exclusion are low, forming or joining their own PTA constitutes countries' ideal strategy. However, when the number of partners' PTA and the extent of exclusion are high, the international trading system becomes overly fragmented and countries' choice of PTA partners becomes limited. In this situation, countries turn their efforts to the multilateral trading system by forming informal bargaining coalitions.

I have carried out an analysis of the argument utilizing a novel data of bargaining coalitions in the Uruguay Round and the Doha Round of GATT/WTO negotiations. Incorporation of numerous political and economic variables leads to the confirmation of the broad argument that forming or joining bargaining coalitions is a strategy that countries use in place of forming/joining PTAs. Importantly, the analysis has confirmed the curvilinear effects of partners' PTA count and exclusion on the extent of countries' involvement in informal coalitions.

This research carries numerous implications. I highlight two. First, the argument and the finding in this study complements the findings by (Mansfield and Reinhardt, 2003) in an interesting way. (Mansfield and Reinhardt, 2003) argue that bargaining difficulties at the GATT/WTO lead to PTA formations. I find that, in turn, when countries confront "proliferation of PTAs" (Mansfield, 1998), they turn their attention back to GATT/WTO negotiations by forming bargaining coalitions. The exact and dynamic relationship between regionalism and multilateralism in international trade governance will be an important and intriguing one to untangle. Second, an international institution has to be sufficiently institutionalized to make the phenomena of coalitions meaningful. As some scholars argue, however, power

politics may still underlie important interactions at the GATT/WTO (Steinberg, 2002). As the rules and procedures of international institutions become more self-enforcing, bargaining dynamics—including the use of coalitions—may increasingly mirror those within domestic institutions (Kahler, 1992).

Various potential avenues exist for building on and extending this research.

One project can seek to distinguish between "founders" of coalitions on the one hand and subsequent joiners on the other and examine which countries play the leadership role in multilateral trade negotiations. Another project can seek to account for the type of coalitions that countries join, whether they are "blocking" coalitions, "agenda-setting" or otherwise. These projects in conjunction with the current one will improve our understanding of the challenges that governance of international trade confronts as well as the solutions countries devise to sustain cooperation in international institutions.

Table 1: List of Bargaining Coalitions in the Analysis

Coalitions
ACP
ASEAN
BANGKOK AGREEMENT
CAIRNS GRP
CAN (ANDEAN COMMUNITY)
CARICOM
CEFTA
CEMAC
CLOSER ECONOMIC RELATIONS (CER)
COMESA
COMMONWEALTH OF INDEPENDENT STATES
EAST AFRICAN COMMUNITY (EAC)
ECCAS
ECOWAS
EU
EUROPEAN FTA (EFTA)
FIVE INTERESTED PARTIES
FRIENDS OF DEVELOPMENT BOX
FRIENDS OF GEOGRAPHICAL INDICATIONS
G10 (GAB)
G10 (agriculture importers)
G20 (developing)
G20 (industrial)
G22 (WILLARD GROUP)
G33 (developing)
G33 (industrial)
G4
G5
G7
G8
G90
GSTP
GULF COOPERATION COUNCIL (GCC)
INDIAN OCEAN COMMISSION
LDC GROUP
LIKE MINDED GROUP
MERCOSUR
NAFTA
NILE BASIN INITIATIVE
PAN-ARAB FTA (ARAB LEAGUE)
S. AMER. COMM. OF NATIONS
SACU
SADC
SAPTA
SMALL & VULNERABLE ECON.
WAEMU

Table 2: Summary Statistics

Variables	Mean	Min	Max	SD	N
Exclusion	.732	.483	.916	.0938	2583
Exclusion, squared	.545	.234	.839	.137	2583
Partner PTA count	19.6	9.81	25.8	5.64	2583
Partner PTA count, squared	414	96.3	664	204	2583
PTA count	22.3	0	75	17	2583
Percapita GDP (logged)	7.69	4.39	10.9	1.64	2583
Total GDP (logged)	23.3	18.8	30.0	2.37	2583
Total trade (logged)	8.33	3.32	14.1	2.25	2583
Democracy	4.72	1	7	2.12	2583

Table 3: Relationship between Coalitions and PTAs

Variables	Model 1 Coef/SE Coalitions	Model 2 Coef/SE PTAs
PTA count (t–1)	.012 (.0023)	
Coalition count (t–1)		.011 (.0020)
Per capita GDP (t–1)	-.19 (.044)	-.091 (.044)
Total GDP (t–1)	-.15 (.060)	.073 (.088)
Total trade (t–1)	.058 (.066)	.15 (.087)
Democracy (t–1)	.021 (.022)	.012 (.022)
Constant (t–1)	7.8 (.94)	.36 (1.5)

Table 4: Partners' PTA Counts and PTA Involvement

Variables	Model 3 Coef/SE PTAs	Model 4 Coef/SE PTAs	Model 5 Coef/SE Coalitions
Partner PTA count (t–1)	.035 (.0039)	.16 (.025)	-.047 (.020)
Partner PTA count, squared (t–1)		-.0036 (.00067)	.0021 (.00055)
PTA count (t–1)			.010 (.0025)
Per capita GDP (t–1)	-.17 (.041)	-.17 (.040)	-.19 (.045)
Total GDP (t–1)	.016 (.089)	.018 (.088)	-.15 (.060)
Total trade (t–1)	.17 (.088)	.16 (.087)	.044 (.067)
Democracy (t–1)	.0023 (.024)	.00054 (.024)	.012 (.023)
Constant (t–1)	2.0 (1.4)	.88 (1.4)	7.8 (.96)

Table 5: Exclusion, Partner PTA Count and Coalitions and PTAs

Variables	Model 6 Coef/SE PTAs	Model 7 Coef/SE Coalitions
Exclusion (t–1)	22 (2.6)	–8.8 (3.6)
Exclusion, squared (t–1)	–21 (2.1)	7.2 (2.7)
Partner PTA count (t–1)	.13 (.0098)	-.067 (.020)
Partner PTA count, squared (t–1)	-.0014 (.00034)	.0020 (.00055)
PTA count (t–1)		.018 (.0032)
Per capita GDP (t–1)	-.016 (.0096)	-.18 (.044)
Total GDP (t–1)	-.0093 (.025)	-.16 (.058)
Total trade (t–1)	.015 (.023)	.051 (.065)
Democracy (t–1)	-.0020 (.0068)	.012 (.023)
Constant (t–1)	–3.6 (.77)	11 (1.5)

Table 6: Robustness Checks using Non-PTA Coalitions and Coalition Counts

Variables	Model 8 Coef/SE Unique Non-PTA Coalitions	Model 9 Coef/SE Non-PTA Coalition-Partners
Exclusion (t–1)	–16 (5.0)	–8.8 (3.6)
Exclusion, squared (t–1)	12 (3.6)	7.2 (2.7)
Partner PTA count (t–1)	-.058 (.022)	-.067 (.020)
Partner PTA count, squared (t–1)	.0015 (.00063)	.0020 (.00055)
PTA count (t–1)	.020 (.0039)	.018 (.0032)
Per capita GDP (t–1)	-.25 (.065)	-.18 (.044)
Total GDP (t–1)	-.13 (.074)	-.16 (.058)
Total trade (t–1)	.026 (.082)	.051 (.065)
Democracy (t–1)	.022 (.032)	.012 (.023)
Constant (t–1)	13 (2.0)	11 (1.5)

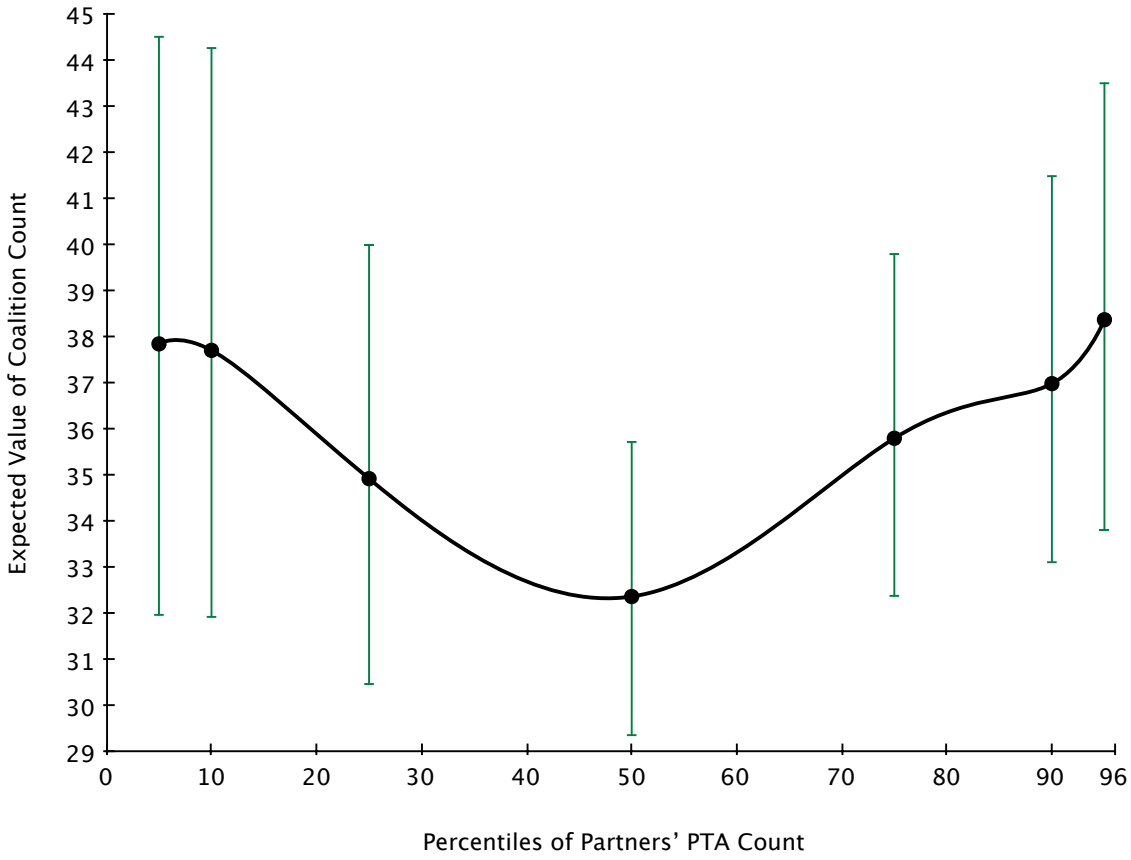

Figure 1: Expected Values of Coalition Involvement, by Partners' PTA Count

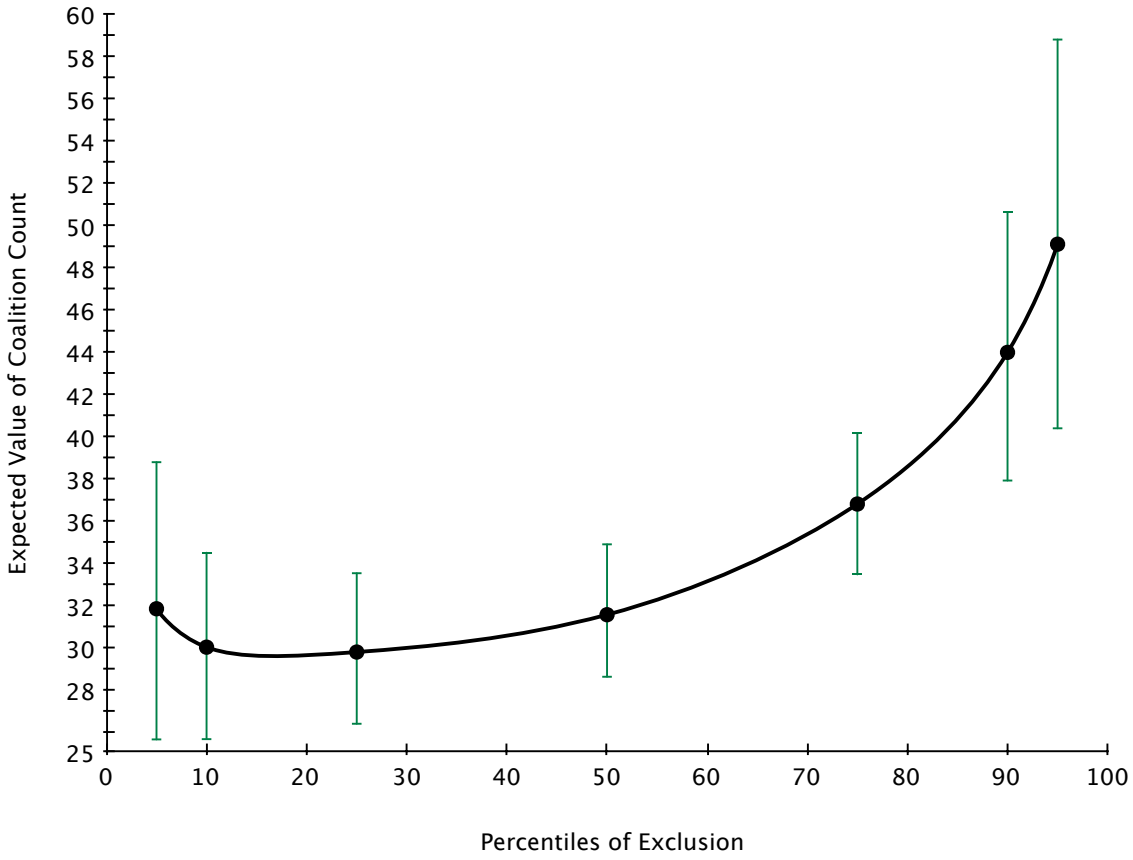

Figure 2: Expected Values of Coalition Involvement, by Exclusion

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