Regionalism, Multilateralism, and Globalization

Memo by Ed Mansfield

Comments by
Christina Davis
Princeton University

April 29, 2005
Overview

- Framework for understanding regionalism
Overview

- Framework for understanding regionalism
- Variation in the form of regionalism
Overview

- Framework for understanding regionalism
- Variation in the form of regionalism
- Forum-shopping and overlapping institutions
Overview

- Framework for understanding regionalism
- Variation in the form of regionalism
- Forum-shopping and overlapping institutions
- Example questions from survey of Japanese firms
Framework for Understanding Regionalism

- Economic interests model
Framework for Understanding Regionalism

- Economic interests model
  - welfare gains from PTA
Framework for Understanding Regionalism

- Economic interests model
  - welfare gains from PTA
- Political interests model
Framework for Understanding Regionalism

- Economic interests model
  - welfare gains from PTA

- Political interests model
  - lobbying by narrow groups that gain from discriminatory liberalization
Framework for Understanding Regionalism

- Economic interests model
  - welfare gains from PTA

- Political interests model
  - lobbying by narrow groups that gain from discriminatory liberalization
  - Do voters and policymakers expect PTA to be trade-diverting or creating?
Framework for Understanding Regionalism

- Economic interests model
  - welfare gains from PTA

- Political interests model
  - lobbying by narrow groups that gain from discriminatory liberalization
    - Do voters and policymakers expect PTA to be trade-diverting or creating?
  - Shared political values
Framework for Understanding Regionalism

- Economic interests model
  - welfare gains from PTA

- Political interests model
  - lobbying by narrow groups that gain from discriminatory liberalization
    - Do voters and policymakers expect PTA to be trade-diverting or creating?
  - Shared political values
    - conditionality and democratization
Framework for Understanding Regionalism

- Economic interests model
  - welfare gains from PTA

- Political interests model
  - Lobbying by narrow groups that gain from discriminatory liberalization
    - Do voters and policymakers expect PTA to be trade-diverting or creating?
  - Shared political values
    - Conditionality and democratization

- Geopolitical strategy model: trading with allies
Framework for Understanding Regionalism

- Economic interests model
  - welfare gains from PTA

- Political interests model
  - lobbying by narrow groups that gain from discriminatory liberalization
    - Do voters and policymakers expect PTA to be trade-diverting or creating?
  - Shared political values
    - conditionality and democratization

- Geopolitical strategy model: trading with allies
  - maximize gains with allies (Gowa, Mansfield)
Framework for Understanding Regionalism

• Economic interests model
  ★ welfare gains from PTA

• Political interests model
  ★ lobbying by narrow groups that gain from discriminatory liberalization
    * Do voters and policymakers expect PTA to be trade-diverting or creating?
  ★ Shared political values
    * conditionality and democratization

• Geopolitical strategy model: trading with allies
  ★ maximize gains with allies (Gowa, Mansfield)
  ★ use economic dependence to increase influence over smaller states (Hirschman)
Framework for Understanding Regionalism

- Economic interests model
  - welfare gains from PTA

- Political interests model
  - lobbying by narrow groups that gain from discriminatory liberalization
    - Do voters and policymakers expect PTA to be trade-diverting or creating?
  - Shared political values
    - conditionality and democratization

- Geopolitical strategy model: trading with allies
  - maximize gains with allies (Gowa, Mansfield)
  - use economic dependence to increase influence over smaller states (Hirschman)

- Analysis of views about selection of PTA partners could provide leverage to differentiate among these mechanisms for regionalism.
Framework for Understanding Regionalism

- Economic interests model
  - welfare gains from PTA

- Political interests model
  - lobbying by narrow groups that gain from discriminatory liberalization
    - Do voters and policymakers expect PTA to be trade-diverting or creating?
  - Shared political values
    - conditionality and democratization

- Geopolitical strategy model: trading with allies
  - maximize gains with allies (Gowa, Mansfield)
  - use economic dependence to increase influence over smaller states (Hirschman)

- Analysis of views about selection of PTA partners could provide leverage to differentiate among these mechanisms for regionalism.
  - Bergstrand (2004) economic model explains 85% of FTAs
Framework for Understanding Regionalism

- Economic interests model
  - welfare gains from PTA

- Political interests model
  - lobbying by narrow groups that gain from discriminatory liberalization
    - Do voters and policymakers expect PTA to be trade-diverting or creating?
  - Shared political values
    - conditionality and democratization

- Geopolitical strategy model: trading with allies
  - maximize gains with allies (Gowa, Mansfield)
  - use economic dependence to increase influence over smaller states (Hirschman)

- Analysis of views about selection of PTA partners could provide leverage to differentiate among these mechanisms for regionalism.
  - Bergstrand (2004) economic model explains 85% of FTAs
  - Would survey analysis add any more to our understanding of these choices?
See how framing influences preferences for PTA
See how framing influences preferences for PTA
“Country X has become democratic, do you favor a free trade agreement to strengthen relations?”
See how framing influences preferences for PTA
“Country X has become democratic, do you favor a free trade agreement to strengthen relations?”
versus “X country imports many goods from our industries, do you favor a free trade agreement to strengthen economic relations?”
Form of Regionalism

- Variation in form of PTA
Form of Regionalism

- Variation in form of PTA
  - Level of economic integration ranges from GSP and economic partnership agreements to FTA or customs union
Form of Regionalism

• Variation in form of PTA
  ✴ Level of economic integration ranges from GSP and economic partnership agreements to FTA or customs union
  ✴ legalization and use of dispute settlement mechanism
Form of Regionalism

- Variation in form of PTA
  - Level of economic integration ranges from GSP and economic partnership agreements to FTA or customs union
  - legalization and use of dispute settlement mechanism
  - open versus closed, use of conditionality for accession
Form of Regionalism

- Variation in form of PTA
  - Level of economic integration ranges from GSP and economic partnership agreements to FTA or customs union
  - Legalization and use of dispute settlement mechanism
  - Open versus closed, use of conditionality for accession

- How can we explain preferences for design?
Form of Regionalism

- Variation in form of PTA
  - Level of economic integration ranges from GSP and economic partnership agreements to FTA or customs union
  - Legalization and use of dispute settlement mechanism
  - Open versus closed, use of conditionality for accession

- How can we explain preferences for design? Why is there no EU in East Asia?
Form of Regionalism

- Variation in form of PTA
  
  - Level of economic integration ranges from GSP and economic partnership agreements to FTA or customs union
  - legalization and use of dispute settlement mechanism
  - open versus closed, use of conditionality for accession

- How can we explain preferences for design? **Why is there no EU in East Asia?**
  
  - Do those who are more optimistic of trade gains from PTA also accept more delegation of sovereignty?
Form of Regionalism

• Variation in form of PTA
  ★ Level of economic integration ranges from GSP and economic partnership agreements to FTA or customs union
  ★ legalization and use of dispute settlement mechanism
  ★ open versus closed, use of conditionality for accession

• How can we explain preferences for design? Why is there no EU in East Asia?
  ★ Do those who are more optimistic of trade gains from PTA also accept more delegation of sovereignty?
  ★ Do those who favor political similarity among PTA members also accept more delegation of sovereignty?
Form of Regionalism

- Variation in form of PTA
  - Level of economic integration ranges from GSP and economic partnership agreements to FTA or customs union
  - Legalization and use of dispute settlement mechanism
  - Open versus closed, use of conditionality for accession

- How can we explain preferences for design? Why is there no EU in East Asia?
  - Do those who are more optimistic of trade gains from PTA also accept more delegation of sovereignty?
  - Do those who favor political similarity among PTA members also accept more delegation of sovereignty?
  - Do those who want trade-diverting PTA favor closed membership and conditionality?
Forum-shopping and overlapping institutions

Debate between two opposing views of the relationship between regionalism and multilateralism.
Debate between two opposing views of the relationship between regionalism and multilateralism.

- competitive liberalization as regionalism supports multilateralism
Forum-shopping and overlapping institutions

Debate between two opposing views of the relationship between regionalism and multilateralism.

- competitive liberalization as regionalism supports multilateralism
- danger that successful regionalism undermines support for broad liberalization
Forum-shopping and overlapping institutions

Debate between two opposing views of the relationship between regionalism and multilateralism.

- competitive liberalization as regionalism supports multilateralism
- danger that successful regionalism undermines support for broad liberalization
- *How could survey help to measure whether PTA increases or reduces pressure for multilateral liberalization?*
Forum-shopping and overlapping institutions

Debate between two opposing views of the relationship between regionalism and multilateralism.

- competitive liberalization as regionalism supports multilateralism
- danger that successful regionalism undermines support for broad liberalization
- How could survey help to measure whether PTA increases or reduces pressure for multilateral liberalization?
  - Ed suggests examining whether respondents in export sectors support regionalism instead of or in addition to multilateral liberalization
Forum-shopping and overlapping institutions

Debate between two opposing views of the relationship between regionalism and multilateralism.

- competitive liberalization as regionalism supports multilateralism
- danger that successful regionalism undermines support for broad liberalization
- *How could survey help to measure whether PTA increases or reduces pressure for multilateral liberalization?*
  - Ed suggests examining whether respondents in export sectors support regionalism instead of or in addition to multilateral liberalization
  - Do same firms say they lobbied for both NAFTA and Uruguay Round, or now for CAFTA and Doha Round?
  - Do firms that say they benefit greatly from NAFTA show less interest in question about need for Doha Round?
  - Do firms with negative assessment of Doha Round show more interest in PTAs?
Comparative Institutional Perspective

- Need to examine choice among alternative fora for dealing with trade and investment problems.
Comparative Institutional Perspective

- Need to examine choice among alternative fora for dealing with trade and investment problems.

- Questions to firms about what strategies they favor for dealing with trade barriers to their exports - informal negotiations, PTA, or WTO?
2004 METI Survey of Japanese Firms

“To what degree will the new WTO Round improve the foreign business environment?”

<table>
<thead>
<tr>
<th>Industry</th>
<th>Very much</th>
<th>Somewhat</th>
<th>Very little</th>
<th>Don’t know</th>
<th>No response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total (528)</td>
<td>22.2%</td>
<td>38.8%</td>
<td>18.4%</td>
<td>6.3%</td>
<td>14.4%</td>
</tr>
<tr>
<td>Food (22)</td>
<td>45.5</td>
<td>27.3</td>
<td>9.1</td>
<td>0.0</td>
<td>18.2</td>
</tr>
<tr>
<td>Autos (25)</td>
<td>32.0</td>
<td>48.0</td>
<td>8.0</td>
<td>0.0</td>
<td>12.0</td>
</tr>
<tr>
<td>Chemicals (39)</td>
<td>30.8</td>
<td>41.0</td>
<td>15.4</td>
<td>10.3</td>
<td>2.6</td>
</tr>
<tr>
<td>Machinery (36)</td>
<td>30.6</td>
<td>33.3</td>
<td>19.4</td>
<td>11.1</td>
<td>5.6</td>
</tr>
<tr>
<td>Precision tools (27)</td>
<td>25.9</td>
<td>33.3</td>
<td>22.2</td>
<td>3.7</td>
<td>14.8</td>
</tr>
<tr>
<td>Other non-mf (44)</td>
<td>25.0</td>
<td>38.6</td>
<td>20.5</td>
<td>2.3</td>
<td>13.6</td>
</tr>
<tr>
<td>Electronics (34)</td>
<td>23.5</td>
<td>35.3</td>
<td>23.5</td>
<td>5.9</td>
<td>11.8</td>
</tr>
<tr>
<td>Metals (19)</td>
<td>21.1</td>
<td>21.1</td>
<td>15.8</td>
<td>15.8</td>
<td>26.3</td>
</tr>
<tr>
<td>Trading (108)</td>
<td>18.5</td>
<td>41.7</td>
<td>16.7</td>
<td>1.9</td>
<td>21.3</td>
</tr>
<tr>
<td>Transportation (18)</td>
<td>16.7</td>
<td>33.3</td>
<td>11.1</td>
<td>5.6</td>
<td>33.3</td>
</tr>
<tr>
<td>Other manuf. (119)</td>
<td>14.3</td>
<td>39.5</td>
<td>23.5</td>
<td>9.2</td>
<td>13.4</td>
</tr>
<tr>
<td>Finance (28)</td>
<td>7.1</td>
<td>57.1</td>
<td>21.4</td>
<td>7.1</td>
<td>7.1</td>
</tr>
</tbody>
</table>
“To what degree will FTA negotiations improve the foreign business environment?”

<table>
<thead>
<tr>
<th>Industry</th>
<th>Very much</th>
<th>Somewhat</th>
<th>Very little</th>
<th>Don’t know</th>
<th>No response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total (528)</td>
<td>19.9%</td>
<td>36.4%</td>
<td>17.6%</td>
<td>12.1%</td>
<td>14.0%</td>
</tr>
<tr>
<td>Autos (25)</td>
<td>40.0</td>
<td>40.0</td>
<td>4.0</td>
<td>4.0</td>
<td>12.0</td>
</tr>
<tr>
<td>Electronics (34)</td>
<td>29.4</td>
<td>23.5</td>
<td>26.5</td>
<td>8.8</td>
<td>11.8</td>
</tr>
<tr>
<td>Food (22)</td>
<td>22.7</td>
<td>45.5</td>
<td>9.1</td>
<td>4.5</td>
<td>18.2</td>
</tr>
</tbody>
</table>
"To what degree will FTA negotiations improve the foreign business environment?"

<table>
<thead>
<tr>
<th>Industry</th>
<th>Very much</th>
<th>Somewhat</th>
<th>Very little</th>
<th>Don’t know</th>
<th>No response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total (528)</td>
<td>19.9%</td>
<td>36.4%</td>
<td>17.6%</td>
<td>12.1%</td>
<td>14.0%</td>
</tr>
<tr>
<td>Autos (25)</td>
<td>40.0</td>
<td>40.0</td>
<td>4.0</td>
<td>4.0</td>
<td>12.0</td>
</tr>
<tr>
<td>Electronics (34)</td>
<td>29.4</td>
<td>23.5</td>
<td>26.5</td>
<td>8.8</td>
<td>11.8</td>
</tr>
<tr>
<td>Food (22)</td>
<td>22.7</td>
<td>45.5</td>
<td>9.1</td>
<td>4.5</td>
<td>18.2</td>
</tr>
</tbody>
</table>

Other questions:

- “Have you contacted the Japanese government or a foreign government about a WTO violation policy?”
2004 METI Survey of Japanese Firms

“To what degree will FTA negotiations improve the foreign business environment?”

<table>
<thead>
<tr>
<th>Industry</th>
<th>Very much</th>
<th>Somewhat</th>
<th>Very little</th>
<th>Don’t know</th>
<th>No response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total (528)</td>
<td>19.9%</td>
<td>36.4%</td>
<td>17.6%</td>
<td>12.1%</td>
<td>14.0%</td>
</tr>
<tr>
<td>Autos (25)</td>
<td>40.0</td>
<td>40.0</td>
<td>4.0</td>
<td>4.0</td>
<td>12.0</td>
</tr>
<tr>
<td>Electronics (34)</td>
<td>29.4</td>
<td>23.5</td>
<td>26.5</td>
<td>8.8</td>
<td>11.8</td>
</tr>
<tr>
<td>Food (22)</td>
<td>22.7</td>
<td>45.5</td>
<td>9.1</td>
<td>4.5</td>
<td>18.2</td>
</tr>
</tbody>
</table>

Other questions:

- “Have you contacted the Japanese government or a foreign government about a WTO violation policy?” only 3 % said yes
2004 METI Survey of Japanese Firms

“To what degree will FTA negotiations improve the foreign business environment?”

<table>
<thead>
<tr>
<th>Industry</th>
<th>Very much</th>
<th>Somewhat</th>
<th>Very little</th>
<th>Don’t know</th>
<th>No response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total (528)</td>
<td>19.9%</td>
<td>36.4%</td>
<td>17.6%</td>
<td>12.1%</td>
<td>14.0%</td>
</tr>
<tr>
<td>Autos (25)</td>
<td>40.0</td>
<td>40.0</td>
<td>4.0</td>
<td>4.0</td>
<td>12.0</td>
</tr>
<tr>
<td>Electronics (34)</td>
<td>29.4</td>
<td>23.5</td>
<td>26.5</td>
<td>8.8</td>
<td>11.8</td>
</tr>
<tr>
<td>Food (22)</td>
<td>22.7</td>
<td>45.5</td>
<td>9.1</td>
<td>4.5</td>
<td>18.2</td>
</tr>
</tbody>
</table>

Other questions:

- “Have you contacted the Japanese government or a foreign government about a WTO violation policy?” only 3% said yes
- “Do you have staff who examine international economic rules?”
2004 METI Survey of Japanese Firms

“To what degree will FTA negotiations improve the foreign business environment?”

<table>
<thead>
<tr>
<th>Industry</th>
<th>Very much</th>
<th>Somewhat</th>
<th>Very little</th>
<th>Don’t know</th>
<th>Don’t know</th>
<th>No response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total (528)</td>
<td>19.9%</td>
<td>36.4%</td>
<td>17.6%</td>
<td>12.1%</td>
<td>14.0%</td>
<td>14.0%</td>
</tr>
<tr>
<td>Autos (25)</td>
<td>40.0</td>
<td>40.0</td>
<td>4.0</td>
<td>4.0</td>
<td>12.0</td>
<td></td>
</tr>
<tr>
<td>Electronics (34)</td>
<td>29.4</td>
<td>23.5</td>
<td>26.5</td>
<td>8.8</td>
<td>11.8</td>
<td></td>
</tr>
<tr>
<td>Food (22)</td>
<td>22.7</td>
<td>45.5</td>
<td>9.1</td>
<td>4.5</td>
<td>18.2</td>
<td></td>
</tr>
</tbody>
</table>

Other questions:

- “Have you contacted the Japanese government or a foreign government about a WTO violation policy?” only 3% said yes

- “Do you have staff who examine international economic rules?” 82% said they had none
Some Suggestions for the Survey Plan

- Selection bias: individuals with stronger trade interests and lobbying activity will be more likely to respond to surveys
Some Suggestions for the Survey Plan

- Selection bias: individuals with stronger trade interests and lobbying activity will be more likely to respond to surveys

- Non-response and don’t know may be informative answers about level of interest
Some Suggestions for the Survey Plan

- Selection bias: individuals with stronger trade interests and lobbying activity will be more likely to respond to surveys.

- Non-response and don’t know may be informative answers about level of interest.

- Ask questions that will get closer to revealed preferences: do your views on trade influence your vote, has your company given a contribution to influence trade policy, who contacts a legislator when an FTA agreement is up for vote?
Some Suggestions for the Survey Plan

- Selection bias: individuals with stronger trade interests and lobbying activity will be more likely to respond to surveys

- Non-response and don’t know may be informative answers about level of interest

- Ask questions that will get closer to revealed preferences: do your views on trade influence your vote, has your company given a contribution to influence trade policy, who contacts a legislator when an FTA agreement is up for vote?

- 17 country case selection: why 4 South American and only Japan and China from East Asia?
Some Suggestions for the Survey Plan

- Selection bias: individuals with stronger trade interests and lobbying activity will be more likely to respond to surveys

- Non-response and don’t know may be informative answers about level of interest

- Ask questions that will get closer to revealed preferences: do your views on trade influence your vote, has your company given a contribution to influence trade policy, who contacts a legislator when an FTA agreement is up for vote?

- 17 country case selection: why 4 South American and only Japan and China from East Asia?

- Comparative surveys: Ask area experts to help you gather more info on single country studies that might provide leverage for either ideas of good questions or to fill gaps when you don’t do a country.