
Kerry A. Chase

The proliferation of preferential trade agreements (PTAs) rates among the most conspicuous developments in the world economy of late. Research on this phenomenon has multiplied about as rapidly as its occurrence. For several years, Edward Mansfield and Helen Milner have advanced this line of scholarship in a co-edited volume (1997) and several journal articles (some with other co-authors). Their book, Votes, Vetoes, and the Political Economy of International Trade Agreements, will surely change how researchers approach the study of PTAs. Its analytical core is an original and simple institutional explanation for why governments enter these arrangements. Scholars working from other theoretical traditions will have no choice but to incorporate, refute, or somehow come to grips with this new perspective.

Studies of PTAs in the 1960s and 1970s by functionalists and other analysts of regional integration were built around narrative and dominated by a single case, the European Community. The spread of PTAs in the 1980s and 1990s and the application of new approaches to understand them introduced more cases and analytical perspectives, perpetuating to a degree the elaboration of a different theory (or theoretical emphasis) to fit each instance of these complex bargains. A decade ago, it was hard to dispute Gilpin’s (2000, 344) pronouncement that “[t]he diversity of regional arrangements makes broad generalizations and overarching theories or explanations of regionalism impossible.” Now those days are long gone. Mansfield and Milner account for the many hundreds of PTAs struck since 1950 in rigorous statistical models with just a handful of variables. Along the way they acknowledge the explanatory value of (and control for) several existing propositions about when, why, and with whom states enter these arrangements. Their main purpose, however, is to accentuate the powerful—and largely overlooked—contributions of two key factors: a state’s regime type and the number of veto players in its political system.

The book’s central arguments, spelled out in chapter 2, go roughly as follows. First, democracies are more likely to enter PTAs than non-democracies because electoral competition motivates governments to pursue trade cooperation. In a democracy, the chief executive risks losing office if the economy slackens, but a shrewd leader may be able to elude voter backlash through policies that reassure the public that his economic management is sound. Trade agreements are an especially effective tactic to retain voter trust because they signal the executive’s commitment to hold at bay protectionist demands that could harm the economy. By this logic, democracy induces leaders to contrive a commitment device to persuade voters; PTAs make this reassurance credible by externally monitoring state promises, creating audience costs for governments that buckle to special interests. Second, countries are less likely to enter PTAs the more prevalent are domestic veto players. Some veto players hail from opposition parties seeking to drive the executive from office and, moreover, special interests injured by trade will work through veto players to block PTA formation. The larger the number of veto players, the harder it is to craft agreements that attract enough domestic support and
the greater the bribes that must be paid to secure ratification. This means higher transaction costs of trade cooperation, hence fewer PTAs.

The novelty of these claims is evident in how little they rely on received wisdom about the political economy of PTAs. Countless studies have probed systemic sources of PTAs, notably declining hegemony, regional diffusion, the global business cycle, and the Cold War’s end. Mansfield and Milner reference these conjectures and subject them to fresh scrutiny in chapter 3. Another literature emphasizes societal demands for PTAs by domestic groups such as exporters, multinationals, and sectors heavily engaged in intra-industry trade. The authors credit this research as well and loosely draw from it: pro-trade groups in their framework provide monitoring and information for the general public, enhancing the incentives for democratic executives to check protectionist pressures. Yet neither systemic nor societal factors, they argue, offer a full account of why, when, and where PTAs form. The larger part of the story is political institutions, which shape the calculations of state leaders in their external trade interactions.

In the development of these claims, interest group approaches are alternately close allies and primary targets. The book’s larger implication is clear: PTAs are rooted in the electoral politics of democracies, not the distributive politics of industry coalitions; leaders form them to placate voters, not to please special interests. However, one of these co-authors is renowned for uncovering how industry demands influence policy (Milner 1988, 1997a, 1997b) and the book appears unready to cast this work aside completely. At times it grants the importance of industry preferences while denying it at others. Some of the charges leveled against interest group approaches build from a selective reading of the theoretical literature and case history, which may not persuade skeptical readers. The strongest point in their favor is that data are not available to test on a large number of cases any of the numerous variants of societal arguments available; these propositions have not been formulated with the same generality as the straightforward institutional theory the authors introduce. It is this hearty blend of simplicity and breadth that makes their argument so compelling.

The core hypotheses about regime type and veto players find strong support in a series of statistical models in chapter 4. Here the setup is the workhorse of PTA studies, directed dyads observed over a fifty-three year period, which yields more than 1 million country pairs that could have entered a PTA together in any given year. The empirical analysis joins the authors’ dataset on PTA formation and ratification dates with off-the-shelf measures of their primary independent variables (POLITY for regime type; the Political Constraint Index for veto players) and numerous controls. Estimated coefficients for regime type and veto players are statistically significant and substantively large. Moreover, these results stand up to several model permutations and robustness checks, as Mansfield and Milner anticipate and dispose of just about every objection that comes to mind. The inclusion of domestic variables together with the systemic factors identified in the previous chapter provides what looks like a full picture of spatial and temporal trends in PTA formation. In fact, the authors point out, some systemic factors (the Cold War’s end; geographic distance) are at least as important as their institutional determinants of PTAs.

Though these correlations are striking, it is fair to ask whether the book has its causation right. Propositions about institutional effects on cooperation often emphasize strategic interaction between democracies: shared democracy strengthens trust, enhances
information, and aids in making commitments credible, thus democracies find it easiest to cooperate with one another. As Mansfield and Milner see it, however, democracy is an incentive for PTAs irrespective of the regime type of prospective PTA partners: democracies have no trouble striking trade agreements with autocracies; autocracies just have less of a need for them. But what if democracies systematically snub autocracies in their calculations about negotiating partners to minimize cheating risks? (Autocracies do enter some PTAs, after all—are they mostly with other autocracies?) Or, for that matter, what if states seeking PTAs avoid partners with too many veto players so as to limit the pressure they will face for concessions? Anecdotes to illustrate these sorts of two-level game conjectures abound. While they may be way off base, it would have been worth the authors engaging them, and the literature on democracy and cooperation, more deeply.

The book does however prove eight auxiliary hypotheses in chapter 5. This section provides important corroboration for several key assumptions that underpin the core theoretical claims. Wherever possible, these analyses build off the baseline model of the previous chapter, enabling findings to cumulate. Especially convincing is the test of the fourth hypothesis, which strongly demonstrates, using three alternative measures, that more politically competitive autocracies are less likely to enter PTAs than democracies, but more likely to do so than less politically competitive autocracies. The authors also offer preliminary indications that democratic leaders who sign PTAs enjoy greater longevity in power, though their stipulation that “bad economic times” should be easier for these officeholders to survive unfortunately does not find its way into the model. (Incidentally, evidence that voters actually punish democratic leaders who break PTA commitments would have strengthened this link in their causal chain.) One other result, that trade-exposed democracies are more likely to enter PTAs, appears to favor the societal approaches that the authors prefer to dismiss. Their interpretation stays true to their argument: voters in trade-dependent democracies are better informed (a potentially testable proposition), exacerbating the commitment problems their leaders face. The obvious alternative explanation is that trade gives interest group demands for PTAs more vigor. It at least appears to mediate the effect of democracy on PTAs, which the previous chapter reported (p. 113) was not the case.

A nagging issue throughout is the relationship between PTAs and other trade agreements. PTAs are the subject of study; however the book’s title reads ‘international trade agreements’ not ‘preferential trade agreements.’ The text uses these terms and the simpler ‘international agreements’ and ‘commercial agreements’ interchangeably. Yet chapter 2 briefly clarifies that PTAs and GATT-WTO agreements are not perfect substitutes: PTAs, the authors assert, are more binding than the GATT-WTO, which grant poorer countries too many exceptions for these commitments to be credible. Setting aside the implication that PTAs must then have more domestic value for smaller and developing countries than for larger and developed countries (testable but untested propositions), the claim that “PTAs are often better monitored and enforced than the WTO” (p. 36) calls for some kind of justification. If even domestic audiences discount GATT-WTO commitments, then why do states make them and invest so much in extracting the same from others? The question obviously transcends the book’s scope. The problem is that PTAs and the multilateral system interact in important ways, and if the authors are correct—that leaders can freely cheat on the GATT-WTO as, say, George W. Bush did by protecting steel and hiking farm subsidies while negotiating free trade
agreements with Chile and Central America—then how much do PTAs really reassure voters that their leaders will not cave to special interests?

Impressionistic demurrals are no match for the battery of statistical tests that Mansfield and Milner line up to muster support for their argument. These few quibbles aside, theirs is a magnificent book, among the most provocative written on the subject. An effective antidote to a literature once prone to a different story for each unique arrangement, the analysis integrates systemic and institutional influences on PTAs into a single framework whose starting point is state leaders and their electoral incentives. Readers seeking detailed narratives of trade politics will not find them here; the empirics are quantitative from start to finish. Nor will those looking to weed out competing hypotheses get much help—propositions rarely go unsupported as almost everything in the models is statistically significant. Still, the more tentative results, particularly in chapter 5, leave plenty of work for future researchers. Nobody interested in the political economy of trade can ignore this book. Without question, it will be widely read and cited, as it deserves to be.

References