Choosing not to Conclude:
Mapping Canadian and American Efforts to Negotiate Preferential Trade Agreements (PTAs) (1980-2020)
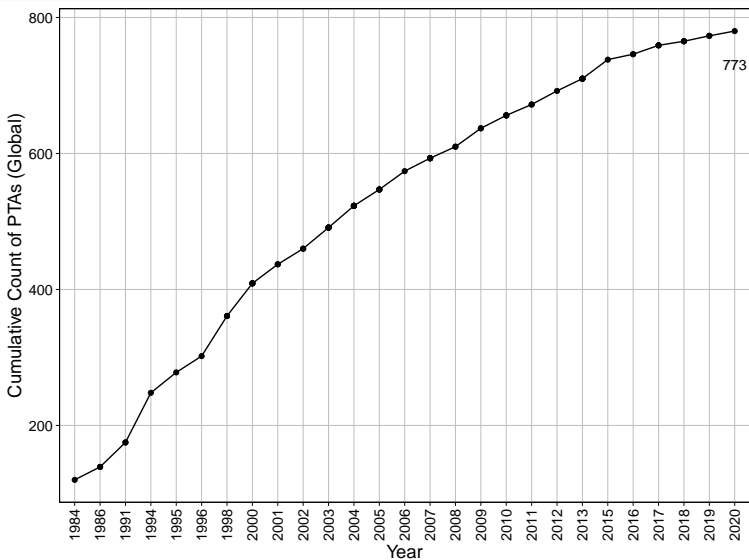
International Political Economy Society (IPES) 2021

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October 22nd 2021

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Increasing numbers of preferential trade agreements (PTAs)

Treaty
Ratification

PTA negotiations as a 5 stage process

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┌──────────────┐    ┌──────────────┐    ┌──────────────┐    ┌──────────────┐    ┌──────────────┐
│ Exploratory  │ →  │ Negotiations │ →  │ Negotiations │ →  │   Treaty     │ →  │   Treaty     │
│ Discussions  │    │              │    │  Concluded   │    │  Signature   │    │ Ratification │
└──────────────┘    └──────────────┘    └──────────────┘    └──────────────┘    └──────────────┘
        ↓                   ↓                   ↓                   ↓
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Research Questions: When and why do attempts to negotiate preferential trade agreements (PTAs) fail to conclude?

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What can we learn from attempted PTA negotiations?

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Claim: PTA negotiations are empirically traceable. They are not "non-events" in the sense that they *never happened*.

Contributions

This paper offers several contributions to the field of international political economy (IPE) and political science:

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- **Theoretical:** The changing costs of negotiation breakdown.

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- **Conceptual:** Expands on the systematic study of "non-events" in IPE.
- **Theoretical:** The changing costs of negotiation breakdown.
- **Methodological:** Digital archival research methods to reconstruct records.

Data collection strategy (1)

Triangulate public notices of negotiation initiation:

- Press releases from Global Affairs Canada (GAC).
- Press releases from the United States Trade Representative (USTR).
- Leaked diplomatic cables (Wikileaks).
- WaybackMachine archives of GAC and USTR websites.*
- Annual reports from USTR to the president on the state of trade negotiations.*

Definitions and coding rules

A given pair of states must publicly announce that they intend to negotiate an agreement, and formally engaged in a negotiations at least once.

Cases coded according to 5 categories:

1. exploratory
2. ongoing negotiations
3. concluded negotiations
4. signed
5. ratified

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Negotiation failure: a concrete effort to negotiate a PTA that did ultimately did not result in an agreement of *any* kind. A negotiation was coded as failed (1) if negotiating parties had not met for 2.5 years.
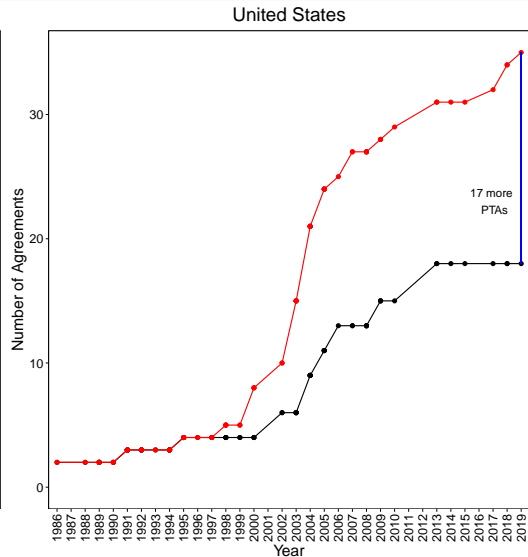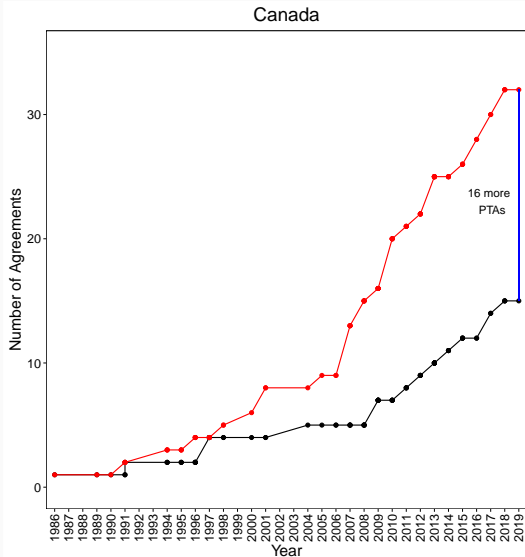
PTA Negotiations from 10,000 feet

68 PTA negotiation attempts by the United States and Canada between 1980 and 2020.

Negotiation failure happens often:

- 44% of American PTA negotiations have failed (19 vs.15).*
- 50% of Canadian PTA negotiations have failed (16 vs.16).

Expanding the case set to negotiation attempts

In a world where two countries seeking an agreement can walk away, the costs of failure must be high in order to compel them to continue negotiating, and furthermore accept less than their preferred outcome.

The perceived costs of negotiation failure can change over negotiations, particularly if other PTAs are signed.

- **H1:** Country leaders will be more willing to accept negotiation failure if the perceived costs of walking away with no agreement are low.

What determines negotiation success?

The policy agenda of a sitting leader matters greatly for which countries the United States and Canada seeks to negotiate with.

Leaders also evaluate the costs of negotiation failure differently over time, especially for those they inherit.

- **H2:** The policy priorities of new political leaders can lead to the termination of negotiations inherited from prior administrations.

Cross-sectional time series model

Expanding the dataset out between start year and end years of negotiation yields a panel dataset capturing variation in key predictors over time.

Cox proportional hazards model (survival analysis) of 218 cases:

- **DV:** Event: time to negotiation failure (1).
- **IV 1:** Cumulative number of ratified PTAs by CAN/USA in negotiation year i.
- **IV 2:** Electoral turnover in CAN/USA in negotiation year i.
- **Controls:** RILE score in CAN/USA, negotiating partner electoral turnover dummy, partner democracy dummy, partner developing status, number of negotiating parties.*

Survival analysis results

	Negotiation failure (1)
Canada/USA cumulative PTAs >9	1.40**
	(0.68)
Canada/USA leadership turnover	1.08*
	(0.64)
Negotiation months >= 47	-3.31***
	(0.69)
Developing Developed: Developing	2.31***
	(0.79)
Controls	✓
N	218
R^2	0.26

Predicted Probability of Negotiation Failure (Survival Analysis)
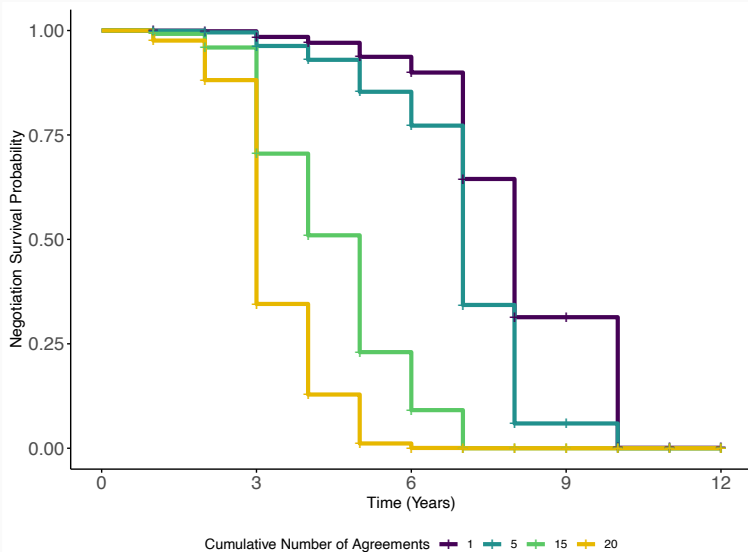
Conclusions: when do PTA negotiations fail?

- Between 1980 and 2020, I find that:
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- Accounting for negotiation failures may change our understanding of successful cases.

16

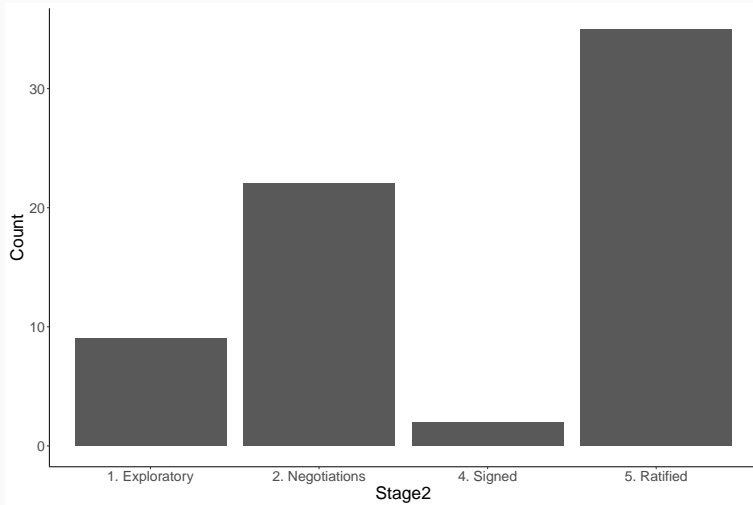- Qualitative evidence suggests that specific leaders matter a great deal.

Conclusions: why do PTA negotiations fail?

- Qualitative evidence suggests that specific leaders matter a great deal.

- While existing research argues that democracies are more likely to sign PTAs with one another, it's not for lack of efforts to negotiate PTAs with developing countries or autocracies.

- The hallmark of democracy – the peaceful transition of power – may in fact frustrate negotiations, especially when the status quo is favourable.
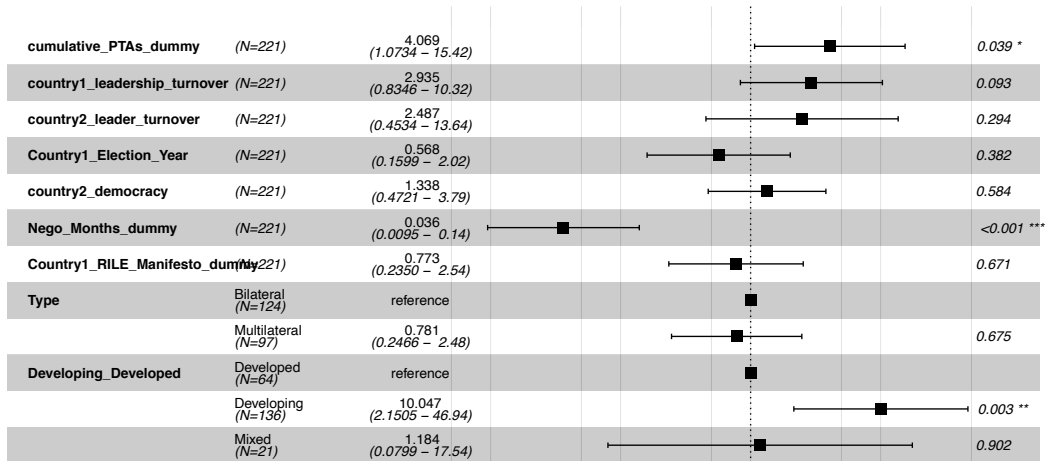
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Appendix

Distribution of observations across categories

Hazard ratios from survival analysis

cumulative_PTAs_dummy	*(N=221)*	4.069 *(1.0734 – 15.42)*		*0.039 **
country1_leadership_turnover	*(N=221)*	2.935 *(0.8346 – 10.32)*		*0.093*
country2_leader_turnover	*(N=221)*	2.487 *(0.4534 – 13.64)*		*0.294*
Country1_Election_Year	*(N=221)*	0.568 *(0.1599 – 2.02)*		*0.382*
country2_democracy	*(N=221)*	1.338 *(0.4721 – 3.79)*		*0.584*
Nego_Months_dummy	*(N=221)*	0.036 *(0.0095 – 0.14)*		*<0.001 ****
Country1_RILE_Manifesto_dummy	*(N=221)*	0.773 *(0.2350 – 2.54)*		*0.671*
Type	Bilateral *(N=124)*	reference		
	Multilateral *(N=97)*	0.781 *(0.2466 – 2.48)*		*0.675*
Developing_Developed	Developed *(N=64)*	reference		
	Developing *(N=136)*	10.047 *(2.1505 – 46.94)*		*0.003 ***
	Mixed *(N=21)*	1.184 *(0.0799 – 17.54)*		*0.902*

 # Events: 27; Global p−value (Log−Rank): 2.2216e−10
AIC: 188.92; Concordance Index: 0.91

0.005 0.01 0.05 0.1 0.5 1 5 10 50

Explaining PTA negotiation success:

- Tangible economic benefits
  (Baier & Bergstrand, 2007; Büthe & Milner, 2008)
- Domestic demands and/or reform measures
  (Milner & Kubota, 2005; Baccini & Urpelainen, 2014)
- Policy diffusion
  (Elkins, Guzman & Simmons, 2006; Dür, Baccini and Haftel, 2015)

Explaining treaty failure:

- Ad hoc studies of negotiation failure
  MAI (Neumayer, 1999; Batlu, 2000); TTIP (Henckels, 2016)
- Delayed ratification
  (Milner & Rosendorff, 1997; Lechner & Wüthrich, 2018/2020)

Generalizability

Companion paper coauthored with Haillie Na-Kyung Lee (Seoul National University) shows the results travel to Bilateral Investment Treaties (BITs). BIT negotiations fail ~33% of the time (38/116) for similar reasons.

Trade Bargaining Dataset by Huei-Jyun Ye (Binghamton University, SUNY) covers PTA negotiation attempts in the Indo-Pacific (24 countries, 260 negotiations, 1980-2020).

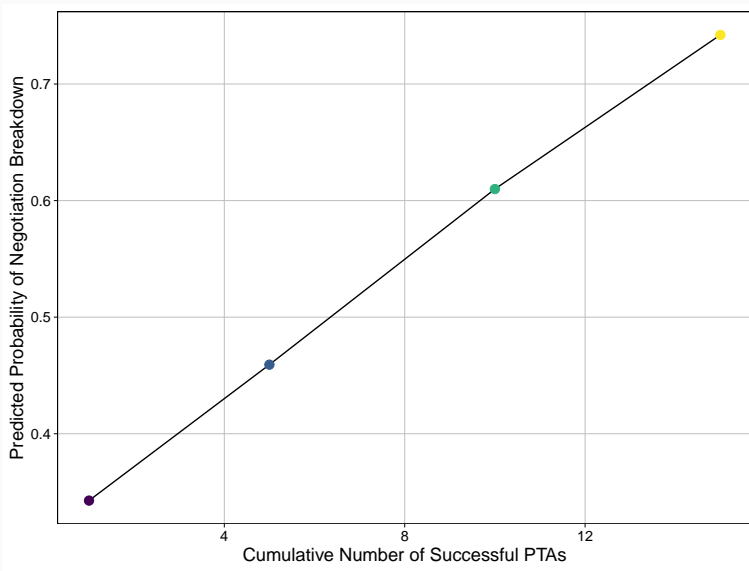Both confirm results extend beyond North America and trade.

Generalizability of findings to BITs (Democracies) (2)

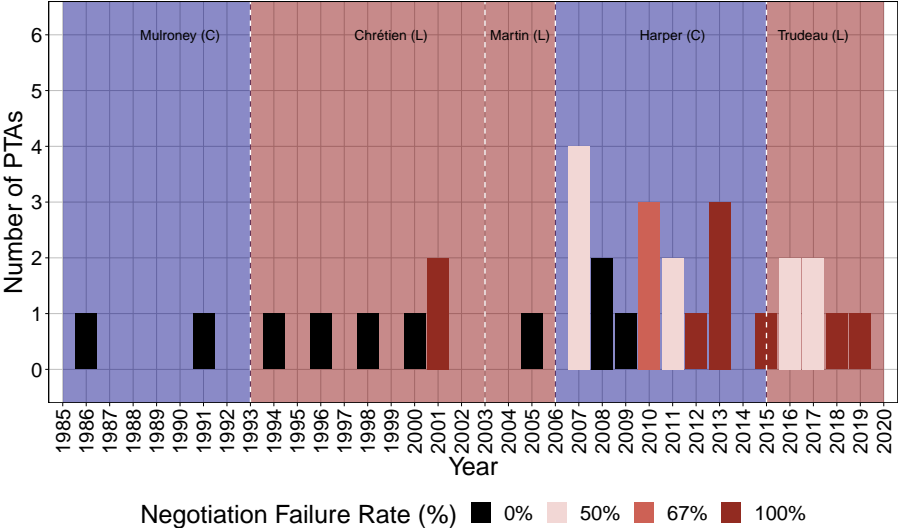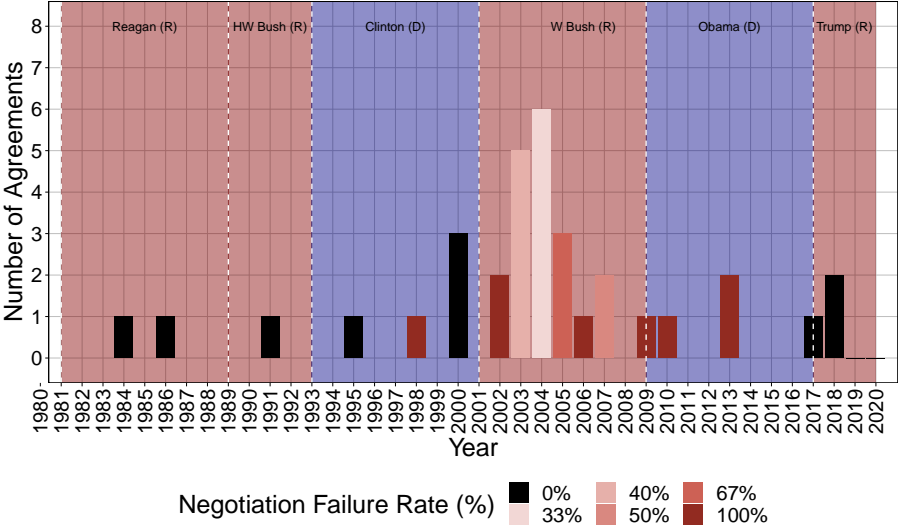|	*Negotiation Failed (1)*
Democratic Dyad	−0.039
	(0.383)
Developing Partner	1.083**
	(0.545)
Controls	✓
Observations	162
Log Likelihood	−89.420
Akaike Inf. Crit.	190.840
Note:	*p<0.1; **p<0.05; ***p<0.01

Predicted probabilities from basic logit

Failure rates by leader (Canada)

Failure rates by leader (USA)

PTA Negotiation Attempts by American Presidents

PTA Negotiation Attempts by American Presidents

President	Successful	Success (%)	Failed Nego.	Failed Rat.	Failure (%)
Reagan (R)	2	100%	0	0	0%
H.W. Bush (R)	1	100%	0	0	0%
Clinton (D)	4	80%	1	0	20%
W. Bush (R)	9	47%	10	0	53%
Obama (D)	0	0%	4	1	100%
Trump (R)	3	100%	0	0	0%

PTA Negotiation Attempts by Canadian Prime Ministers

PTA Negotiation Attempts by Canadian Prime Ministers

Prime Minister	Successful	Success (%)	Failed	Failure (%)
Mulroney (C)	2	100%	0	0%
Chrétien (L)	4	67%	2	33%
Martin (L)	1	100%	0	0%
Harper (C)	7	41%	10	59%
Trudeau (L)	2	33%	4	67%