

Who Benefits? International Institutions and Interstate Political Relations

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 - Central claim in IR: Institutions increase cooperation between states, leading to more peaceful relations
 - By increasing trade between certain states in particular, the WTO boosts political relationships between these states at the expense of their traditional partners.
 - Implies a revision and extension to liberal peace theory

The Problem: Political Hold Up

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- Example: 1976 US-Mexico natural gas pipeline
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- Problem could be solved through long-term trade agreement, but often unenforceable

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- WTO makes violating agreements more costly for a variety of reasons
- Multilateral reputation mechanism: countries develop reputations for compliance
- Dispute settlement body flags violators: impartiality, transparency, retaliation
- Domestic incentives for compliance

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- States with political frictions – incentive to renege
- Since the WTO increases trade most between these states, political relations improve most between these states
- Trade generates common interests, incentives for cooperation, domestic empowerment

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- Voting in the UN
- Allocating foreign aid with set budget
- Taking sides in a conflict

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- Due to economic ties, "The Saudi relationship is no longer a monopoly of Pakistan" –Pakistan army general

Many Examples

- China-Taiwan-US (2002)
- US-Japan-India (1955)
- Cuba-Mexico-US (1986)
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Hypothesis

- Hypothesis: Joint WTO membership increases political cooperation between politically asymmetric states in particular
- Focus on WTO's impact on UN voting behavior
- Considerable evidence that voting behavior is closely associated with strength of political ties
- Stronger WTO-induced trade ties between dissimilar states should lead to common positions on international issues

Empirical Analysis

- Unit of observation is the dyad-year, use OLS with year and dyad fixed effects, 1948-2011
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- Dependent variable: UN Vote Similarity averaged over 5 years, scored from -1 to 1
- Key independent vars: Both in WTO X Large Power Diff, Both in WTO X Non-Allied, Both in WTO X Different Regime Type
- Capabilities(CINC): Singer (1988); Allies: Leeds et. al. (2002); Regime: Cheibub et. al. (2010)

Results

	1	2	3
Large Power Diff X Both in WTO	0.011*** (0.003)		
Large Power Difference	-0.039*** (0.004)	-0.033*** (0.004)	-0.033*** (0.004)
Nonallied X Both in WTO		0.015 (0.008)	
Non-allied	-0.052*** (0.009)	-0.061*** (0.010)	-0.052*** (0.009)
Dissimilar Reg Types X Both in WTO			0.005 (0.003)
Dissimilar Regime Types	-0.014*** (0.003)	-0.015*** (0.003)	-0.017*** (0.003)
Both in WTO	0.027*** (0.004)	0.021** (0.008)	0.031*** (0.005)
One in WTO	0.032*** (0.004)	0.032*** (0.004)	0.032*** (0.004)
R-Squared	0.801	0.801	0.801
N	415159	415159	415159

Covariates: $\text{Log}(\text{GDP per Cap})_{A,B}$ $\text{Log}(\text{GDP})_{A,B}$

Robustness Checks

- Different covariates profiles
- Alternative measures of independent variables
- Respecify dependent variable
- Drop outliers

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- More nuanced view of effect of institutions on political relationships

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- Relations with India improve at expense of China: pro-India gov elected, met with Dalai Lama, public opinion
- “While India interferes with Nepal's domestic affairs, it does so with Nepal's best interests in mind. When China interferes, it does so while thinking only of its own interests”

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- Japanese and US cultures "appeared to be converging" while Japan and India's relationship "was dormant"

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- “We want Mexico to be part of the first world, not the Third” –Carlos Salinas de Gortari