

Beware of Greeks Bearing Gifts:  
Diplomatic Lobbying and the Early Settlement of  
WTO Disputes

Julia Gray  
Assistant Professor  
University of Pennsylvania

Phil Potter  
Assistant Professor, Political Science  
University of Virginia

November 12, 2014

# 1 Introduction

Trade disputes can be very costly, particularly to the trading partner at fault. The United States, for example, stood to face \$2 billion in retaliatory sanctions with a recent World Trade Organization (WTO) dispute with Canada and Mexico over the labeling of meat.<sup>1</sup> It is unsurprising, then, that many states seek settlements short of final resolution when WTO disputes in progress.<sup>2</sup>

Because of these high stakes, trade disputes are a consistent focus of high-level diplomatic engagement. It not clear, however, how well such diplomatic overtures work. The primary impediments to answering this question arise from operationalization and measurement. Although it is certainly plausible that diplomacy impacts the disposition of disputes (Albright, 1998), it is difficult to characterize its extent of diplomatic engagement in a systematic manner that would allow researchers to assess the size and direction of this influence.

To resolve this challenge, we employ a novel measure to capture the extent of high-level diplomacy and thereby assess it's effectiveness when it comes to settling trade disputes. Specifically, we gather data on the number and value of gifts given to United States officials by visiting foreign officials, using mandatory reports published in the US Federal Register. Gifts are almost always given in the context of official visits and closely mirror both the size of delegations and their frequency. As a consequence, they provide a much better measure of the extent of meaningful interaction than other proxies that are available and thereby enable us capture a truer picture of diplomatic engagement between the United States and the countries with which it has had trade disputes from 1995 to the present.

In our empirical analyses we consistently find that diplomatic engagement, measured in terms of the number of these gifts, is strongly associated with dispute settlement short prior to a final WTO ruling. In contrast, the value of gifts (independent of their

---

<sup>1</sup>“U.S. risks trade sanctions in WTO meat label dispute,” Reuters, 20 October 2014.

<sup>2</sup>But see Peritz 2014 on compliance with WTO rulings.

number) has the opposite effect — increasing the probability of a ruling and decreasing the probability of a settlement. The distinction arises because a high volume of lower-value gifts usually are observed in conjunction with the mundane work of lower level diplomats, while we tend to see smaller numbers of very high-value gifts primarily accompanying sporadic visits by heads of state. In our view, this should be taken as an indication that it is routine diplomacy that forges settlement, rather than brief interactions at the highest levels. Moreover, because there is a distinctive impacts of the number of gifts and their value, there is little possibility that these items represent a material buy-off that changes minds. After all, US officials, by statute, are not even allowed to keep the gifts that they receive. Our findings are robust to several specifications and hold true even for trade rows between the US and the European Union, which constitute the majority of WTO disputes.

The implications of these findings are important for both our understanding of international trade litigation as well as for our grasp on high-level politics. For the former, much work has been done on the dynamics of international courts and their effects on cooperative behavior (Alter, 2008; Mitchell and Powell, 2011; Chapman and Chaudoin, 2013), with particular reference to the WTO (Bown, 2004; Busch and Pelc, 2010; Sattler and Bernauer, 2011). Understanding the processes that make early settlement more likely can enrich our appreciation for the ways in states manage this process. For the latter, much research has begun to focus on ways to operationalize the process of lobbying, both in terms of volume and amount spent, and establishing its links to various policy outcomes (Pevehouse and Vabulas, 2012; Kim, 2013). This analysis provides an entry point into the murky roll of influence in international diplomacy.

The rest of the paper proceeds as follows. The section that immediately follows develops our argument and introduces extant arguments on the diplomatic and personal influence on policy processes. We then introduce the literature on WTO disputes, pointing out that while most studies acknowledge that the vast majority of disputes terminate before reaching litigation, the process by which they do so is not well-understood. We

then discuss in some detail our new data on diplomatic gifts to the United States, situating these data in a broader discussion on the literature on diplomacy and lobbying more generally. We then present our empirical findings, showing that more gifts — a proxy for the extent of diplomatic engagement — are associated with increased rates of mutually agreed settlements short of WTO rulings. The final section concludes with implications for policy and future research.

## **2 The Importance of Diplomacy in International Disputes**

Diplomacy lies at the core of the study of international relations, with the academic discipline having some of its deeper roots in diplomatic history and practice. Singer and Small (1966) were among the first to attempt to systematically study it, collecting data on official diplomatic exchanges between all states. Others such as Putnam (1988*a*) followed on this tradition by considering the same sorts of interactions between diplomacy and with domestic economic interests that motivate the questions we pose here. Examinations of the role of diplomacy in the economic arena developed over the following decades (Strange, 1992; Bergeijk, 1994; Pekkanen, Sols and Katada, 2007). Generally speaking, scholars agree that diplomacy can shape countries' economic relations as well as the terms of those relationships: the content of preferential trade agreements, for example, as well as the initiation and duration of economic sanctions (Bayne and Woolcock, 2011; Hufbauer, Schott and Elliott, 1990). That said, there are indications that diplomacy matters more for disputes involving developing countries than with developed ones such as the United States (Yakopa and vanBergeijk, 2011).

To our knowledge, however, no one has attempted to operationalize and test the influence of economic diplomacy on the outcome of WTO disputes. This is particularly troubling because nearly every research paper on these disputes acknowledges the importance of formal and informal negotiations in this process (Davis and Shirato, 2007;

Davis, 2012). In fact, the empirical record shows that the majority of potential WTO disputes (around 55 percent) do not even make it to the very first stage of the formal process, the establishment of a panel (Busch and Reinhardt, 2001), presumably because the diplomatic process . Many argue that such settlements are a sign of the overall effectiveness of the process; the structure of a dispute-resolution procedure and the specter of litigation mean that states are motivated to resolve potential disputes early on (Gilligan, Johns and Rosendorff, 2010).

It has been widely noted that settlement short of a ruling makes a great deal of sense in the context of an institution such as the WTO, which has no enforcement powers. Unlike a domestic court, the WTO's decisions influence rather than determine the final outcomes of disputes and “No functioning legal system can wait until then [Ruling] to exert its primary impact” (Hudec, 1993). The implication is that the interactions facilitated by diplomacy that contributes to settlement, either at the consultation stage or during panel proceedings prior to a ruling, are central to the effectiveness of the WTO regime (Busch and Reinhardt, 2000).

It therefore seems intuitive that individual-level interactions, and particularly organized diplomacy, should matter when it comes to the disposition of trade disputes. Scholars across all subfields of political science acknowledge the influence of individuals and individual relationships on the policy process.<sup>3</sup> Many have argued that individuals as well as personal relationships between individuals can decisively shape policy outcomes (Hermann et al., 2001; Crichlow, 2005; Goddard, 2009; Coleman, 2013). Such arguments are prominent in the study of international conflict (George, 1991; Byman and Pollack, 2001; Kissinger, 2012), civil conflict (Regan, Frank and Aydin, 2009; Regan and Meachum, 2014; Wallensteen and Svensson, 2014; Corbetta, 2014; Stanton, 2015), as well as in studies of international environmental cooperation (Andresena and Agrawala, 2002), and for bargaining outcomes in IOs such as the European Union (Tallberg, 2006). Similarly, much

---

<sup>3</sup>For example, in American politics, see Cartwright (1965). For an organizational perspective, see Conger and Kanungo (1998). On the role of individuals in the comparative political economy of policy reform, see Haggard and Webb (1993).

recent research in political science has turned to focus on individual-level interactions and attributes to explain policy outcomes (Horowitz, McDermott and Stam, 2005; Debs and Goemans, 2010; Horowitz and Stam, 2014). Others have noted that personal relationships between parties can dictate the fate of bargaining (Favretto, 2009; Beardsley and Lo, 2013).

In many regards the goal of diplomats when it comes to trade disputes closely resembles lobbying in domestic context, and the lessons from that literature may have significant implications for the question we pose here. A considerably body of work in American politics attempts to understand the effect of lobbying on domestic policy, with mixed findings as to its level of influence (Baumgartner, Berry, Hojnacki, Kimball, and Leech, 2009; Dr and de Bivre, 2007). This literature draws a distinction between ‘counteractive’ lobbying that attempts to persuade politicians to change a position (Ainsworth and Sened, 1993; Austen-Smith, 1992; Austen-Smith and Wright, 1994), and ‘friendly’ lobbying that aims to activate and assist those who are already allies of a cause (Baumgartner and Leech, 1996). In the former view, lobbyists seek to change the minds in favor of the lobbyist’s particular cause rather than against it. In the latter view, lobbying is a ‘legislative subsidy’ extended to sympathizers that aids them in supporting a position they are already inclined toward (Hall and Deardorff, 2006).

Lobbying behavior is so commonplace and effective in domestic politics as well as international affairs that it seems logical that diplomatic pressure would be associated with a greater likelihood that disputes would settle before they reached litigation or confrontation (Krasner, 1972; Putnam, 1988*b*; Evans, Jacobson and Putnam, 1993). The outcome of trade disputes can, after all, shift enormous sums of money and displace important domestic constituencies. It is only reasonable to assume that states, particularly those in vulnerable positions, would use every tool at their disposal to influence the outcome of these confrontations.

To the extent that lobbying has entered the discussion of WTO disputes it has been primarily around the notion that domestic interests might push for protections including

those that would arise from a WTO remedy. Gawande, Krishna and Olarreaga (2012), for example, model the consequences of lobbying competition between upstream and downstream producers as a determinant of trade policy. Other work, closer to the object of our inquiry, suggests that foreign lobbying to reduce trade barriers might raise welfare by reducing inefficient barriers to trade, and finds that foreign lobbying activity is negatively associated with tariff and nontariff barriers (Gawande, Krishna and Robbins, 2006). However, extending that insight to diplomacy requires a concrete measure of the depth of diplomatic engagement. We accomplish this with a database of all gifts given by foreign diplomats to US officials, which we introduce in the sections that follow.

### 3 Operationalizing Diplomacy with Giftgiving

Even in the context of domestic lobbying, where it has been the subject of longstanding scrutiny, influence has proven persistently difficult to quantify. This is in part because the vast majority of it is informal and happens behind closed doors. Moreover, empirical analyses of the question are almost universally subject to issues of endogeneity and strategic selection bias. Perhaps because of these challenges, almost no research addresses diplomacy as lobbying in the international context and the little that does tends to fixate on attempts to buy international influence that are both more overt and more expensive. For example, researchers have discussed the ways in which states buy votes at the United Nations Security Council with bilateral aid (Dreher and Vreeland, 2011; Stone and Carter, 2012) or military assistance (Ruebner, 2003). While these these material concessions are presumably more influential than any individual gift passed between states, they are relatively rare and high-salience events. In contrast, the steady flow of gift giving in the international system stands in for the steady-state maintenance of diplomatic relationships.<sup>4</sup>

Gift-giving is not a direct measure of diplomatic engagement, influence, or favor. Even

---

<sup>4</sup>However, it is reasonable to anticipate that higher salience exchanges like military assistance should be positively correlated with gift giving.

if a country gives lavish gifts with the intent of gaining leverage, it may not result in the desired outcome. That is, it is difficult to disentangle empirically the conditions under which the giving of gifts proxies for *desired* influence as opposed to *actual* influence. It may in fact be the case that there is an inverse relationship between the worth of a gift and the closeness of the relationship if states attempt to use gifts to repair damaged or fraught relationships while taking for granted those that are functioning relatively well (Flynn and Adams, 2009).

Although diplomatic giftgiving is a nearly universal practice across countries, our data reflect only gifts received by US officials over the past two decades. This is primarily due to data availability; even within the US, comprehensive record keeping on this matter has only relatively recently been put into place. Assembling a more complete dataset, in the best cases, would require significantly more investment in terms of translation and archival work. In other instances it would be altogether impossible. Focusing on the US, however, has significant advantages owing to both its power and the disproportionate academic scrutiny the country has received in terms of its diplomacy and foreign policy, which allows us to contextualize the role of gifts more readily.

Over our period of investigation, data on official gift giving is unusually complete due to the legal requirement that the State Department account for all gifts to United States officials valued over \$335 and report these gifts yearly in the *Federal Register* as required by Section 7342(f) of Title 5 of the United States Code.<sup>5</sup> We were therefore able to obtain complete data on these gifts by scraping the *Federal Register*, which has catalogued each federal gift received from 1995 to 2011. This results in a dataset of 11,671 gifts that have been archived over that time period.<sup>6</sup>

There has been a steady increase in the number of yearly gifts reported since the start of the time series. Figure 1 show the yearly gifts reported. The very low values for gifts

---

<sup>5</sup>as added by Section 515(a)(1) of the Foreign Relations Authorization Act, Fiscal Year 1978 (Pub. L. 95 105, August 17, 1977, 91 Stat. 865).

<sup>6</sup>Presidential libraries occasionally possess either a portion of the actual gifts received or an incomplete list of those gifts; prior to Franklin D. Roosevelt's establishment of the presidential library system in 1939, the records of any given president tended to be scattered among public and private institutions across the nation (Auel, 1996).

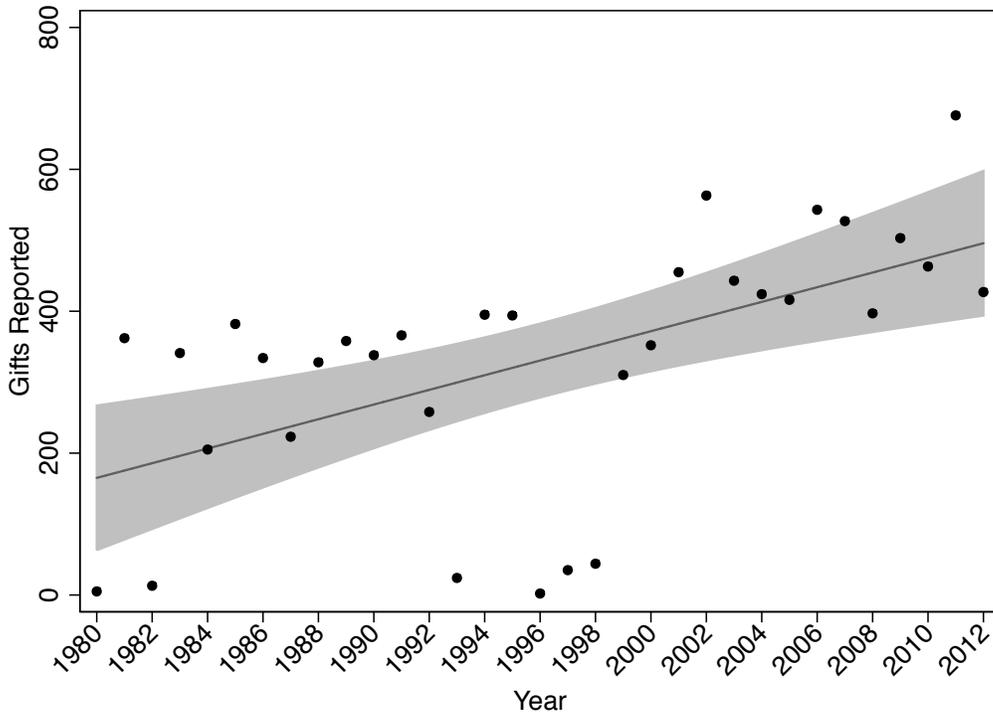


Figure 1: Gifts Received by Year

arise from missed reporting deadlines. The rise in gift receipts over time, however, is a puzzle. It is possible that this simply arises due to the increased number of states in the international system over the period of analysis or improved reporting. It is also plausible that there has been a steady escalation in the prevalence of gift giving even among those with established relationships.

Technically speaking, United States officials are supposed to attempt to decline gifts, but as this is generally counter to diplomatic norms it is actually a relatively rare. Indeed, reporting requirements dictate that the reason for accepting the gift be included, and by far the most commonly cited reason is “Non-acceptance would cause embarrassment to donor and U.S. Government.”

## 4 Understanding Giftgiving

The practice of giving gifts, especially at the political level, usually aims to do one of several things. First, the gift can be intended to establish a deeper relationship between the giver and the recipient. Often these gifts are ones that are of lesser monetary value. Many commentators criticized US President Barack Obama for giving the queen of England an iPod with preselected music. After criticism, he subsequently brought her a handmade album of photos from her parents' 1939 visit to the United States — both gifts that required some deliberation on the part of the giftgiver and that imply a shared connection.<sup>7</sup> These gifts seem particularly prevalent among allies, especially in developed countries — possibly because the monetary value of gifts is relatively meaningless in this context so it is the “thought that counts.”

Second, a gift can be notable simply for its extravagance, as a show of wealth or commitment. This can include very extravagant gifts whose purpose seems to be their ostentation: for example, in 2012 the Saudi king gave then-US Secretary of State Hillary Clinton a necklace, a bracelet, earrings, and a ring made of white gold jewelry with teardrop rubies and diamonds, valued at \$500,000. As a general rule,<sup>8</sup> In our data, we observe that oil-producing countries as well as autocracies tend to give extravagant gifts — potentially because they have little domestic accountability and are unconstrained in the giving of expensive gifts.

Third, gifts curry favor with the recipient and thereby to establish influence and reciprocity further down the line through an attempt to establish a personal connection through flattery. For example, representatives often give portraits of the president — Chinese President Hu Jintao in 2009 brought Obama a wooden framed and matted fine silk embroidery depicting a portrait study of the First Family, valued at \$20,000<sup>9</sup> —

---

<sup>7</sup>“Presents From The President: What Obama Gives His Friends,” NPR, 22 June 2013

<sup>8</sup>In fact, oil-rich countries have a long-standing tradition of lavish gift giving as conspicuous consumption (Veblen, 1918). The most expensive gift recorded in our dataset was given by the Saudis to Clinton in 1993: replica of the royal family's ancient fortress, made of 2 Karat gold and valued at \$1.4 million.

<sup>9</sup>“The Ten Most Expensive Gifts President Obama Was Given in 2009,” *New York Times*, 19 January 2011.

or particular gifts known to match their interests. For example, according to staff we contacted at his presidential library, over the course of his presidency Theodore Roosevelt — widely known to be a big-game enthusiast — received a coyote, two Nubian lions from Ethiopia; a large Alaskan eagle; and numerous horned toads.<sup>10</sup> Ronald Reagan was a self-confessed fan of jelly beans, which had helped him quit smoking, and many visitors to the White House brought some for the president. Jimmy Carter also received, according to staff at his library, “many gifts related to peanuts.” Around 4 percent of the gifts in our dataset seem to be “flattery” gifts involving portraits or other gifts targeting the individual leader.

Fourth, the gift can highlight a particular positive attribute of the giver rather than the recipient. Particularly if a country is relatively new, or if it is a relatively small state without much of a reputation on the international arena, a gift may serve as an expression of that country’s history or culture; many such countries bestow national costume or works of indigenous literature or art. For example, the Kazakh president gave Bill Clinton a copy of his autobiography, *Nursultan Nazarbayev: My Life, My Times and the Future*.<sup>11</sup> Georgian President Mikhail Sakaashvili in 2012 gave Obama a Georgian headpiece of black wool, silk, and gold embroidery; a copy of the Georgian constitution; and a copy of the Georgian declaration of independence. Georgia continues to struggle with Russia over the disputed territories of South Ossetia and Abkhazkia, so those documents were probably intended as a reminder of Georgian sovereignty. In our data, around 40 percent of the gifts seemed to be self-promotional in some way.

Finally, the gift — particularly when recorded in a public setting — can be largely symbolic, intended to advertise friendships or tensions over a particular issue.<sup>12</sup> For example, at a 2009 annual Summit of the Americas, Hugo Chavez, then president of Venezuela, gave Obama a copy of Eduardo Galeano *The Open Veins of Latin America: Five Cen-*

---

<sup>10</sup>His other known gifts included a Puerto Rican cow and calf for the White House dairy, along with a grain of rice with selections from the Koran written on it, which was lost and never recovered when the package was opened.

<sup>11</sup>“Word for Word/Foreign Exchange; Please Accept This Gift With Our, Uh, Compliments,” *New York Times*, 28 July 2002

<sup>12</sup>“The Executive Gift Exchange,” *Slate.com*, 2 April 2009

*turies of the Pillage of a Continent*, which chronicles U.S. and European economic and political interference in the region.<sup>13</sup> The purpose of this gift was to garner publicity — many media outlets reported on it, and to make a statement; as one commentator put it, “[Chavez] would also have guessed that Obama would enjoy and appreciate the writings of Galeano as he seeks to recast US policy towards Latin America.”<sup>14</sup>

## 5 Patterns of Giftgiving

Since these are new data in political science, it is worth describing the broad patterns; thus, this section offers some descriptive statistics on the gifts data. We would first like to know the number and value of gift received by agency, over the entire time period. However, the variability among the data entries limit anything but a broad grouping. There seem to be around 3,400 gifts (average value \$1480) that went either to the office of the president or vice president, around 800 gifts (average value \$1065) given to first ladies, and 1360 gifts (average value \$1086) given to the first family during the time period — meaning that gifts to the presidential orbit constitute about 47 percent of the overall data. There were 286 gifts recorded that were given to senators (average value \$326, 2 percent of the data) and a similar 283 gifts (average value \$2209) to ambassadors, at this cut of the data. Around 2130 gifts (about 18 percent of the data, average value \$2037) were given to higher-up officials (such as secretaries of state or defense), and around 427 gifts (4 percent, average value \$1167) were given to CIA personnel.

Further delineation would be needed to obtain a complete picture of the recipients. Interestingly, however, although the Oval Office obviously receives the most number of gifts, ambassadors and higher-level officials seen to receive gifts of the highest value — around \$800 higher than for the first family. Senators seem to receive the cheapest gifts. Around 272 entries logged as gifts (2 percent of the data, average value \$1970) involved local travel compensation by the host.

---

<sup>13</sup>“Chavez’s Gift: Open Veins of Latin America,” *Time*, 21 April 2009

<sup>14</sup>“Chavez’s perfect gift to Obama,” *The Guardian*, 20 April 2009

Table 1 lists by giver country the average and maximum value of gifts given, as well as the total number of gifts, over the time period.

Table 1: Gifts by Giver Country (25 Biggest Givers Sorted High to Low)

Country	Average Value	Max Value	Number
Bahrain	3460.486	52966.88	377
Pakistan	723.01	8000	301
Saudi Arabia	11650.93	500000	287
Jordan	1187.235	147000	268
Italy	1431.814	124000	241
Afghanistan	912.77	31425	240
China	946.4725	20000	240
Japan	614.8872	12700	233
Qatar	2127.4	37000	223
Egypt	680.3793	10000	222
Saudi Arabia	7819.879	1400000	210
Kuwait	1472.346	29450	209
Korea	573.3541	8000	207
Turkey	492.0328	9720	183
Russia	569.1249	4500	173
Iraq	811.3102	8500	172
France	1430.612	15083.6	168
United Arab Emir	1543.25	86500	155
India	870.2586	18000	152
Morocco	1289.3	26000	150
Mexico	782.6036	15000	137
Germany	1433.86	55000	119
Brunei	1483.823	58000	108
Canada	525.6158	4170	101
Thailand	711.7172	15000	99

Clearly there are cultural elements at play, given the preponderance of Middle Eastern allies at the top of Table 1, though these countries also obviously have a great deal at stake in the relationship with the United States. Also of note is the relative dearth of major economies on the list and the fact that when they do appear it is relatively far down. The United Kingdom and Israel, two countries generally thought to have unusually close relationships with the United States do not even make the list — Israel ranks 30<sup>th</sup> while the UK comes in at 51<sup>st</sup>.

Over time both the total value of gifts received each year (Table 2) as well as the average value of each gift (Table 3) has steadily increased. In some sense this is puzzling given that the givers should know full well that their American counterparts are not at liberty to keep these generous presents and simply turn them over to archivists or the State Department’s Office of Gift Protocol. It may be that the impression of a generous gift rather than its eventual disposal is enough to achieve the objectives of the giver, though it is also possible that diplomats simply do not give a great deal of thought to this question.<sup>15</sup> It is also possible that this situation is better understood among countries that share similar norms on gift acceptance by officials, and this partially explains why countries like the United Kingdom are not big gift givers while those like Bahrain are.

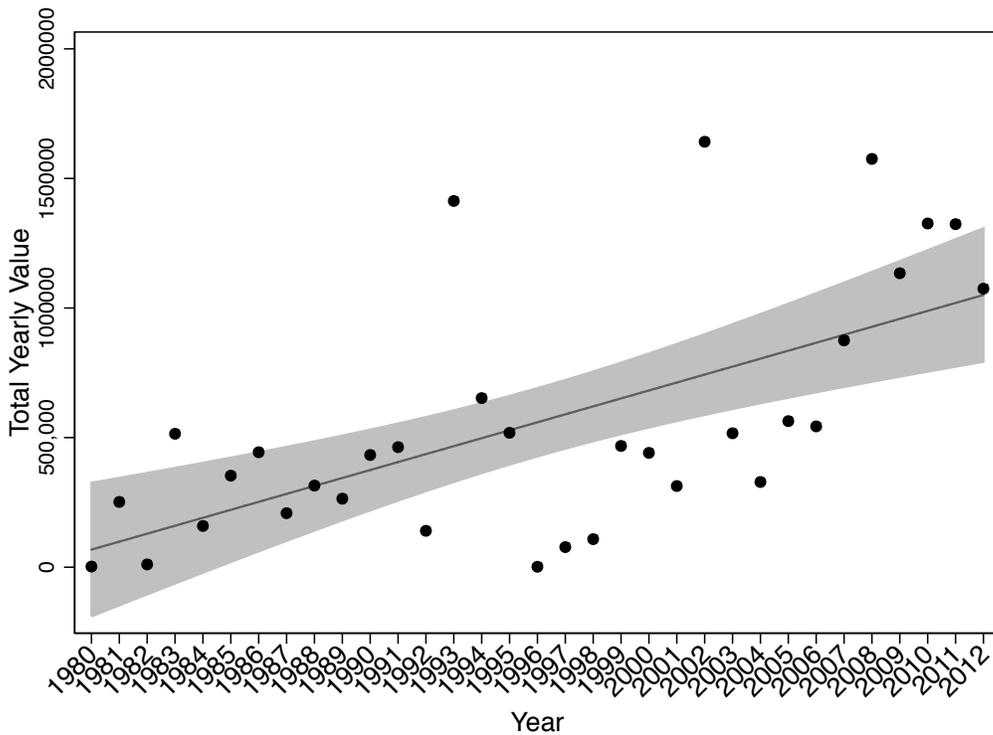


Figure 2: Yearly Value of Gifts (Total)

<sup>15</sup>Many gifts do not appear to be particularly well thought out. For example, the visiting president of Bulgaria brought George W. Bush a Bulgarian sheepdog. The then archivist of presidential materials got a call asking “would we come pick up a dog? And I’m like is this a china dog? And they’re going, ‘No a real cute dog, a live dog.’ And I’m going, ‘The archives does not pick up live animals. Cute or not.’” From “The Art (And Occasional Artlessness) Of The Presidential Gift,” NPR, May 25, 2011, *Economist*, “Presents for presidents: Houghtied with a ribbon,” 13 July 2013

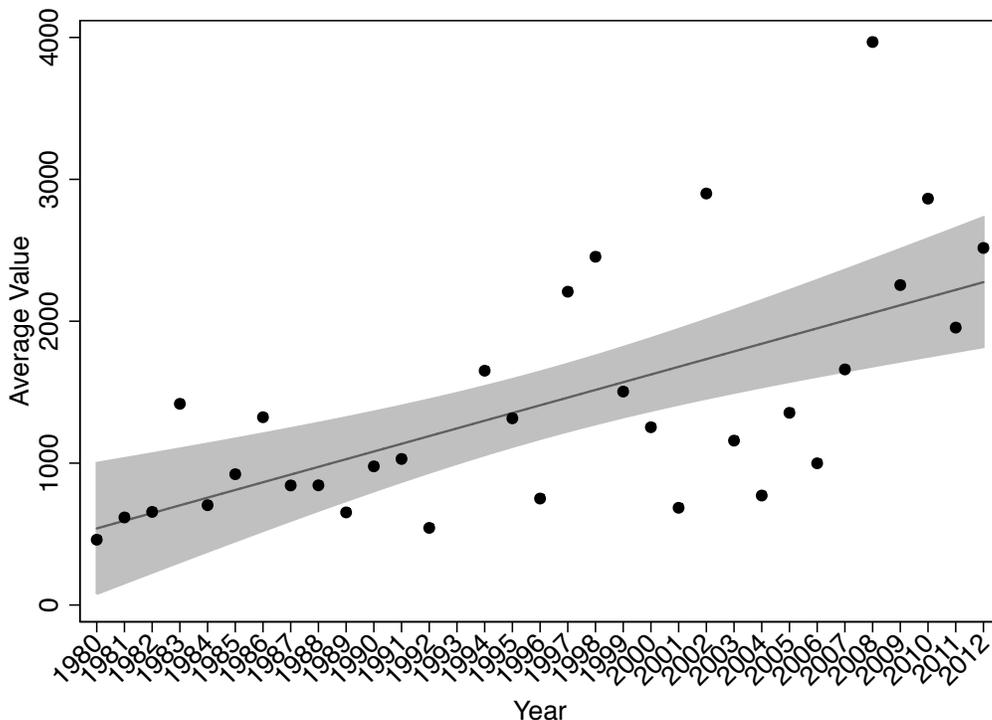


Figure 3: Average Gift Value

There are also interesting distinctions between American presidents of different parties. In general, Democrats receive fewer gifts than Republicans, but those they do get are of considerably higher value.

## 6 Characteristics of Giftgivers

Given the probable connection between giftgiving and influence, we would also want to see the attributes of nations that give these gifts, or particular political circumstances that might precipitate giftgiving. Presumably, if a country was in the midst of negotiations over a particular matter with the US — such as trade negotiations, a bilateral aid deal, or an IMF loan — giftgiving might be particularly intense or targeted.

The case of China helps illustrate this dynamic. Since 1979, the US had given China Most Favored Nation trading status, which accords it the same trade preferences as what the US gives its most advantaged trading partner. However, starting in 1995, controversy

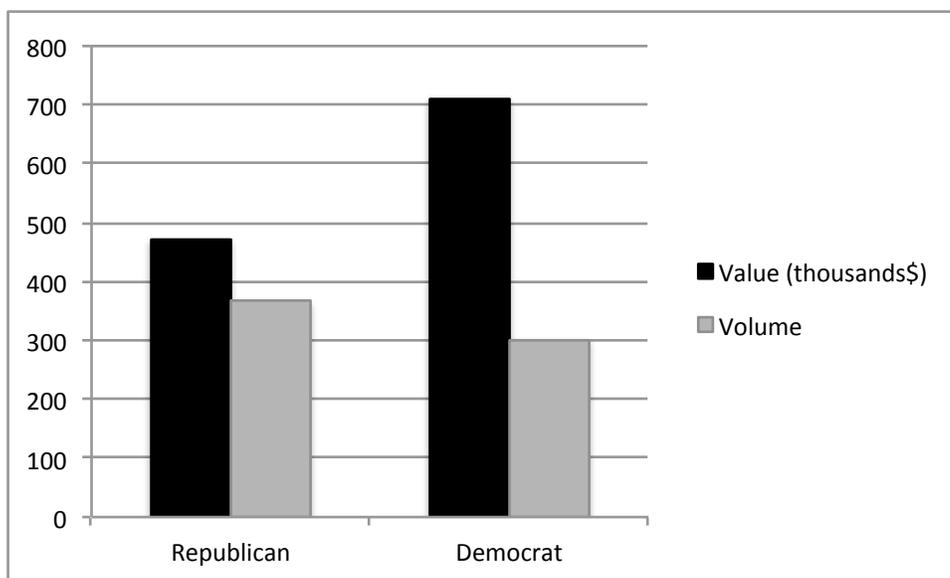


Figure 4: Gifts by President's party

arose in Congress over China's being granted this status, ostensibly on account of the country's ill treatment of prisoners and its sales of sensitive military technology. This ushered in a period of back-and-forth between Congress and Clinton, in which Clinton would renew China's MFN status and then Congress would introduce resolutions disapproving of the renewal.

On the diplomatic level, there were no recorded gifts — and, presumably, no official visits — from Chinese representatives from 1995 to 1999. However, on the occasion of the 1999 visit, Zhu Rongji, the Premier of the State Council, gave the most expensive gift since 1980: a cherry-wood framed and matted color sketch of the First Family at the Great Wall of China, valued at \$4000 (in contrast to its gifts in the 1980s, with an average worth of \$500 — with one exception of local travel expenses valued at \$4000). The gift was also aimed to flatter, since it depicted the First Family. In 2000, the two recorded gifts (a painting and a porcelain figurine) were also above-average value, at \$2,000 and \$1,200 respectively. China's Most Favored Nation status became permanent in December 2001. In subsequent visits in the 2000s, the average value of the gift dropped back down to around \$600, as Figure 5 depicts.

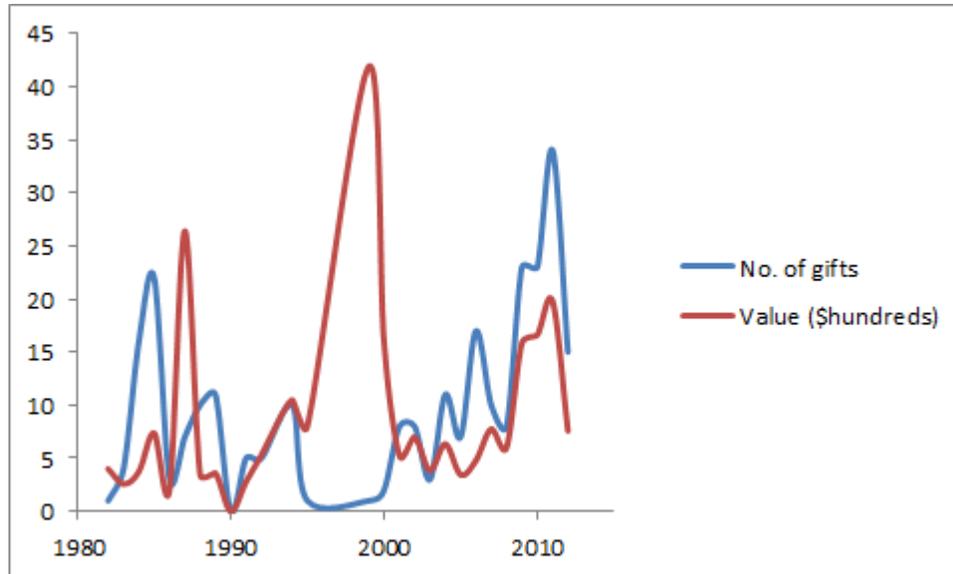


Figure 5: Gifts from China

Of course, this is merely suggestive and it is impossible to make a strong causal claim about the actual impact of this particular gift on the policy outcome. Indeed, it might be better thought of as an indication of the stakes that the Chinese saw in these negotiations rather than a causal factor in the outcome — though this in and of itself would be interesting. In general, one of the challenging aspects of giftgiving that is difficult to tease out is whether the gifts measure intended influence or actual influence. For identification purposes, it would be helpful to isolate a country that was not trying to garner influence through a variety of means but then became geostrategically important to the US for exogenous reasons (although we might expect the directionality of the effect to reverse, such that that country should *receive* better gifts, not give them).

To illustrate, take the case of Pakistan. Under Ronald Reagan’s presidency, there were 75 gifts given with an average value of \$500. In George Bush Sr.’s presidency, there were 57 gifts given, with an average value of \$700. However, under the Clinton presidency, there are only gifts recorded for the first three years of his tenure (one in 1993, 11 in 1994, and 26 in 1995, with average values of \$450, \$1,000, and \$1200, respectively). There were then no recorded gifts given until 2000 (four that year, at an average value of \$400). After

2001, Pakistan became geopolitically important due to its proximity to Afghanistan and Iraq. Figure 6 shows the changes in Pakistan’s gifts to the US over time. Although the average value of the gifts remained largely the same — an indication, perhaps, that Pakistan had little to prove in terms of the value of its gifts, although the number of those gifts did increase (indicating more frequent visits and perhaps a heightened attempt of diplomacy on the part of the US).

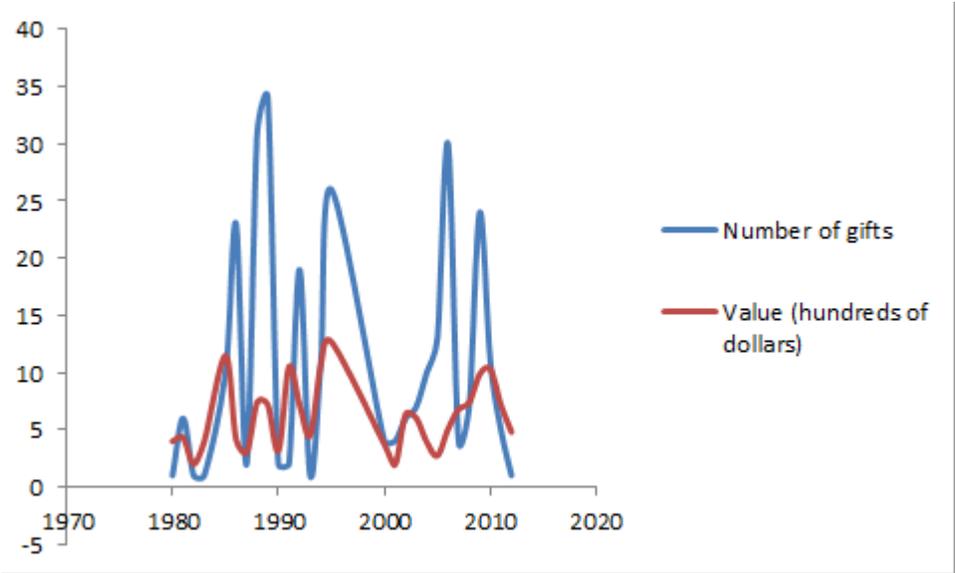


Figure 6: Gifts from Pakistan

## 7 Giftgiving, Diplomacy, and Influence

The White House visits in which gifts figure most prominently are very deliberately planned affairs. There is, of course, the step of being invited for a visit in the first place, which is not an invitation accorded to every leader and is already an indication of some importance. Given an invitation, there is usually a meeting at the Oval Office of less than an hour. But every additional detail is a symbolic detail. Whether the meeting is accompanied with coffee or lunch or even a state dinner; whether there is an attendant press conference; whether that conference takes place in the ornate East Room or the famed Rose Garden as opposed to the more mundane Oval Office itself; whether

the visit extends to a trip to Camp David, the presidential retreat; whether the visitor is accommodated at the nearby Blair House or simply a local hotel; whether the First Ladies arrange parallel events — all these details matter, and “every step of a foreign leader’s visit to Washington is carefully orchestrated to send pertinent signals to audiences at home and abroad.”<sup>16</sup>

Each visitor usually brings a gift, and protocol acknowledges that the gift an official brings can be intended as a signal of goodwill. However, because the gifts cannot be kept and usually are consigned to the archives, the motivation for giving gifts is likely complex. According to one former U.S. chief of protocol it is largely about setting the right tone, “The substance of the visit could be very challenging, but if you can create an atmosphere conducive to people wanting to work with you, then you’re successful.”<sup>17</sup>

Although these gifts do not likely do not directly translate to outcomes, many acknowledge that they carry with them the implication of favors, influence or intended good will. Some have argued that the entire practice “creates the unmistakable appearance that gifts are not gifts at all, but rather down payments or ‘quid’ for ‘pro quos.’”<sup>18</sup>. This accords with the academic literature; nearly every early treatment of giftgiving in the social sciences acknowledges that the practice centers on intended influence. One of the earliest and most frequently cited works on the topic (Mauss, 1925), in sociology, asks “Why does one give in order to receive?” This question echoes throughout anthropological studies of giftgiving (Sherry, 1983; Joy, 2001) as well as historical works (Dillon, 1968; Groebner, 2002) and sociology (Camerer, 1988; Cheal, 1988).

To sum up, we argue that gifts are not a direct measure of lobbying but rather an indirect proxy for diplomatic engagement. We think it would be a stretch to argue that any gift in of itself actually convinced an official to change his or her mind about a particular political situation. Since officials themselves do not even get to keep the gifts, it is unlikely that they would factor their liking for a particular gift into any sort of

---

<sup>16</sup>“White House welcomes: State dinner to cold shoulder,” BBC, 19 July 2010

<sup>17</sup>“The Art (And Occasional Artlessness) Of The Presidential Gift,” NPR, May 25, 2011

<sup>18</sup>Testimony from Paul C. Light, House Committee on Government Reform, Subcommittee on Energy Policy, Natural Resources and Regulatory Affairs, February 12, 2002

decisionmaking calculation. Rather, gifts are important in that they, first, indicate the existence of a diplomatic visit. Since foreign officials must be granted these visits by the US government, the fact of a gift is evidence of mutual diplomacy. Second, they represent some level of intent to reach a deal. Giftgiving indicates a degree of goodwill to strike a bargain rather than to engage in a standoff or escalation.

This leads us to our central hypothesis:

- **H<sub>1</sub>**: As the number of received gifts increases, so does the likelihood that a dispute will be settled, rather than proceed to a final ruling.

We also have data on the *value* of the gifts given. However, we do not anticipate that gift value, separate from the volume of gifts, will be associated with settled disputes.

There are several rival explanations for settlement that should be taken into account. The characteristics of different disputes might make them more or less amenable to early settlement (Kim, 2014). For example, Guzman and Simmons (2002) argue that disputes involving standards require stricter position-taking and are thus more likely to go to litigation, while disputes involving tariff levels inherently have more room for compromise as to various levels and thus would more likely lend themselves to settlement.<sup>19</sup>

Others have also suggested that developing countries may be less likely not only to file but also to carry cases fully to litigation. This phenomenon has several potential explanations. It may be either due to power imbalances between developed and developing countries that deter less powerful countries from taking on stronger countries on the international stage (Kim, 2008). Poorer countries also have lower bureaucratic and legal capacity to see cases through to the litigation stage, an expensive process that can drag on for years and requires high levels of legal expertise (Lacarte-Muro and Gappah, 2000; Davis and Bermeo, 2009). Thus, we might expect a country's level of income to also be associated with early settlement, if they file cases at all.

---

<sup>19</sup>However, in terms of their operationalization, their data only extend for five years (1995-2000) and their two categories have been criticized for being overly broad (Sattler, Ruoff and Bernauer, 2010).

Other scholars have argued that a country’s domestic political system can also impact the likelihood of settlement. For example, countries with presidential systems might have an easier time making early settlements than those with parliamentary systems (Busch and Reinhardt, 2001). Parliamentary systems have more veto points and might be more constrained in terms of cutting a deal that preempts litigation. Democracies might also be less likely to settle disputes early since there are potentially higher audience costs (Busch and Reinhardt, 2001; Chaudoin, 2014).

Others might argue that firms, not states, are the primary locus of lobbying in WTO disputes (Eckhardt, 2013). While we acknowledge the role of firms in lobbying, there at present exists no systematic data on firm lobbying; the innovation in this paper is providing a measure of *political*, not firm-based, pressure.

## 8 Analysis and Results

To assess our hypotheses we rely on data on WTO disputes from 1995 to 2011 in which the US was either a complainant (around 27 percent of cases), a respondent (around 32 percent of cases), or a third party (around 41 percent of cases).<sup>20</sup> The US was involved in a total of 345 disputes (107 as a complainant, 121 as a respondent, and 117 as a third party). Over time this amounted to a total of 4466 dispute-years, 373 of which were settled by mutual agreement, 159 of which were dropped, and 3934 of which went to ruling. That is, 8 percent of cases involving the US end up being settled, nearly 4 percent are dropped, and around 88 percent are taken through to litigation. If we exclude cases where the US was a third party, the numbers are fairly similar: 132 (5 percent) are dropped, 233 (9 percent) are dropped, and 86 percent see litigation. These numbers break dramatically from overall trends in WTO dispute settlement. According to WTO data, around 35% of all WTO disputes are dropped cases (although others estimate that in fact half of all possible disputes are settled without being notified to the WTO and

---

<sup>20</sup>Thanks to Jeff Kucik for these data.

thus do not show up in the data); around 20 percent are settled, and around half proceed to litigation (Chaudoin, Kucik and Pelc, 2014). This might indicate that the US is a sufficiently formidable opponent that countries do not initiate disputes without intending to take them through to litigation, since the US has the legal and financial resources to see any dispute through.

Our central hypothesis posits that diplomatic lobbying should be observed more frequently in the presence of dropped or settled disputes. This seems to bear out in the raw numbers; we observe 28 visits for 70 dispute-years that ended up being dropped (40 percent of dropped dispute-years) and 35 visits for 125 dispute-years that ended in settlement (28 percent of settled dispute-years), but only 48 visits for 1795 litigated dispute-years (less than 3 percent of litigated dispute-years). However, more expensive gifts are not associated with more cooperative outcomes; in dropped cases the average value of gifts was \$4055, and in settled cases, \$4268. This compares with an average gift value of \$5728 for litigated disputes. These data imply that it is the frequency of diplomatic activity that matters for cooperative dispute outcomes, and that heavy spending may simply signal desperation on the part of the giving country.

That said, other factors, which we account for in the subsequent analyses, undoubtedly influence the fate of potential WTO disputes. First, we control for the existing political relationships by counting the number of preexisting alliance with the US. We also account for the economic relationship between the US and the country in question. We control for the volume of exports as well as imports between the involved country and the United States. The effects of these variables are difficult to anticipate. On the one hand, we might expect that heavier trade between the US and the relevant country would indicate stronger commercial ties and a higher economic cost of sullyng the trading relationship. That would imply that higher trade should lead to a higher probability of dispute resolution. On the other hand, it might be the case that higher trade indicates more stake in an outcome and more to gain from the removal of an unfair trading practice, which would

make states more likely to push cases through to resolution through litigation.<sup>21</sup>

Additionally, we control for domestic political as well as economic conditions that might make cooperation more or less likely. In line with the rival explanation described above, we control for whether or not the involved state is a democracy, using Polity2 as our measure. We also look at the overall market size of the country, as operationalized by gross domestic product (GDP), to control for state power. We further include GDP per capita to measure state capacity; richer states, as mentioned above, will have more financial and bureaucratic resources to litigate cases and might be less likely to capitulate at early stages. We also control for fuel exports as a share of GDP, mindful that oil exporters might either have particular leverage or a preexisting special relationship with the US (such as Saudi Arabia).

Finally, we also take into account characteristics of a dispute that might make them more or less prone to early settlement. We use data compiled by Kim (2014) on the substantive nature of disputes.<sup>22</sup> We look at whether the dispute involves an antidumping case, subsidies, safeguards, sanitary and phytosanitary measures, technical barriers to trade, agriculture, trade-related investment measures, or trade-related intellectual property measures. Agriculture in particular might be resistant to early settlement, since this has for decades been a point of contention in international trade negotiations.

Table 2 shows the core results for our tests of the proposition that disputes should be more likely to be settled in the presence of substantial diplomatic lobbying, measured with the log of the number of gifts.<sup>23</sup> For our first set of estimations (Column 1-2), we use multinomial logit to estimate the effects of diplomacy on early dispute resolution. The values of the dependent variable are dropped cases, early settlement, and cases that went

---

<sup>21</sup>It would be ideal to have information on the sector or product concerned in the dispute and then to map that onto the trade share in that particular sector or product, but at present these data are not available.

<sup>22</sup>These data are compiled from Bobick and Smith (2013); Horn and Mavroides (2013); Sattler, Spilker and Bernauer (2013).

<sup>23</sup>We log the number of gifts in all regressions to account for the very high number of gifts given by a few countries, which if left alone would swamp the variation among less prolific givers. We do the same for the value of those gifts, though in this case the skewness is generated primarily by a few wealthy autocrats.

to litigation (the last being the omitted category in the regression).<sup>24</sup> The remaining columns show the same models, but with binary dependent variables for each outcome (dropped, settled, litigated) and logit estimations for those outcomes.

TABLE 2 ABOUT HERE

Dispute characteristics have some relationship with how cases are resolved. Agricultural disputes, consistent with our expectations, are less likely to be dropped or settled, as are cases involving subsidies (many of which are, in fact, agriculture cases). There is mixed support for some of the other dispute characteristics. The economic relationship between countries in terms of imports and exports does not have an association with early dispute settlement, perhaps because most countries do not bring a case involving the US unless there is real economic impact. The same is true for variables involving militarized disputes or alliances. Countries' domestic characteristics, including their incomes and oil production, also do not have significant relationships with dispute resolution.

Importantly, our central hypothesis finds support in these estimates. The intensity of diplomatic efforts, as measured with the number of gifts, is positively associated with disputes being settled across all models. By contrast, the *value* of those gifts is negatively associated with mutually agreed settlements to disputes. This is evidence that fewer visits accompanied by expensive gifts may simply be an indicator of desperation on the part of the visitor, or asymmetric willingness to reach a deal. The volume of gifts, however, represents interactions between officials at all levels. Thus, this mid- to high-level diplomacy is more strongly associated with dealmaking.

Because the substantive effects of nonlinear models are difficult to interpret, Figure 7 offers graphical depictions of the effects of both the volume and the value of giftgiving, on the probability of disputes being settled, dropped, or litigated.

FIGURE 7 ABOUT HERE

---

<sup>24</sup>We exclude ongoing cases from the analyses, as they may still have the opportunity to be settled.

Figure 7 spells out a consistent story that holds across the specifications that follow. Neither the volume of gifts nor their value has any discernible impact on dropped disputes. When it comes to the key category for our analysis, the probability of dispute settlement increases from near zero when there are no gifts given to nearly 20% at a standard deviation above the mean of the log of gifts given. The probability of a ruling declines correspondingly. As suggested by the prior discussion of the coefficients, precisely the opposite pattern holds for the value of gifts with the probability of settlement *decreasing* from nearly 40% at the minimum of gift value to near zero and the probability of a ruling increasing correspondingly.

Figure 8 demonstrates the consistency of these findings for logic specifications in which we treat each of the three possible outcomes as a dichotomous variable.

FIGURE 8 ABOUT HERE

## 8.1 Additional Robustness Checks

How sensitive are these results to alternate specifications? This section discusses at the durability of the results to alternate specifications as well as the exclusion of certain types of observations. Our core results still hold even in the presence of these robustness checks.

First, we examine the implications of excluding cases involving the European Union from our results. EU-related disputes constitute the vast majority of disputes in which the US engages (148 out of 218 disputes, or 68 percent of cases). Since the US and the EU are perpetually engaged in retaliatory lawsuits, it might be the case that diplomacy may not have any impact on these frequent trade conflicts between these two parties. Nonetheless, including these cases should not seriously undermine our results; if anything they should introduce bias against our results, since we would assume that gifts exchanged between the US and EU countries would *not* impact resolution. Our central results hold, and in fact strengthen, excluding these cases.

Next, we also exclude cases where the US participated in a dispute only at the level

of a third party. Although some argue that third parties in fact have a strong impact on the outcome of disputes (Johns and Pelc, 2014), it is possible that countries would be less concerned with lobbying the US in cases where it was a third party and potentially not as influential. However, as before this would most likely result in a bias *away* from finding strength on our core independent variables, since diplomacy targeting the US might not influence the outcomes in cases where the US did not play a central litigating role. Nonetheless, we rerun our estimates including only those cases when the US played a complainant or respondent role. As above, our central results strengthen once the sample is split in this manner. Table 3 shows these results.

TABLE 3 ABOUT HERE

FIGURE 10 ABOUT HERE

FIGURE ?? ABOUT HERE

## 9 Conclusion

This papers offer insight on the dynamics of higher-level diplomacy and bargaining. Many studies in international relations acknowledge that much of this influence happens behind closed doors, but these data on gifts offer a window into what were previously “unobserved, secular changes in a country’s international influence or diplomatic savoir-faire” Kuziemko and Werker (2006).

These relationships clearly matter. Our findings indicate that where there are deep diplomatic relationships, as indicated by a substantial number of reported gifts, disputes are much more likely to settle in a mutually agreeable way short of final litigation. Arguably, these ongoing relationships and iterated interactions contribute to efficiency in trade negotiations that allow the parties to identify mutually acceptable solutions that are preferable to the uncertainty inherent in a WTO ruling. Moreover, since the WTO has no enforcement authority, a final ruling must by definition be acceptable to both

parties if it is to actually be implemented. In this sense, failure to find a settlement and falling back on the WTO's decision is inefficient and a bargaining failure. The reality is that despite the quasi-judicial appearance of the proceedings, the interaction is aptly described by Busch and Reinhardt as "bargaining in the shadow of the WTO" – when that bargaining process is working well it should be settled prior to the uncertain endgame of a tribunal ruling.

The gifts data, as well as providing a means of capturing influence, also allow us to identify the individuals, countries, and agencies that receive an audience at the White House or other high-level offices. At least at the executive level, nearly all of foreign visits involve a gift, so the gift archive provides a relatively complete record of these interactions. By extension, these data also offer a chance to see the variation in the type and value of gifts given in the context of official visits, and to match those with various leader, country or agency characteristics,

## References

- Albright, Madeleine K. 1998. "The Testing of American Foreign Policy." *Foreign Affairs* 77:50–64.
- Alter, Karen. 2008. "Delegating to International Courts: Self-Binding vs. Other-Binding Delegation." *Law and Contemporary Problems* 71:37–76.
- Andresena, Steinar and Shardul Agrawala. 2002. "Leaders, pushers and laggards in the making of the climate regime." *Global Environmental Change* 12(1):4151.
- Auel, Lisa B. 1996. *Tokens and Treasures: Gifts to Twelve Presidents*. Washington, DC: National Archives and Records Administration.
- Bayne, Nicholas and Stephen Woolcock. 2011. *The New Economic Diplomacy: Decision-making and Negotiation in International Relations*. Ashgate Publishing, Ltd.
- Beardsley, Kyle and Nigel Lo. 2013. "Third-Party Conflict Management and the Willingness to Make Concessions." *Journal of Conflict Resolution* .
- Bergeijk, PAG. 1994. *Economic diplomacy, trade, and commercial policy: Positive and negative sanctions in a new world order*. Vermont: Edward Elgar.
- Bobick, Talya and Alastair Smith. 2013. "The impact of leader turnover on the onset and the resolution of WTO disputes." *Review of International Organizations* 8:423445.
- Bown, Chad P. 2004. "Developing Countries as Plaintiffs and Defendants in GATT/WTO Trade Disputes." *The World Economy* 27(1):5980.
- Busch, Marc L and Eric Reinhardt. 2000. "Bargaining in the shadow of the law: early settlement in GATT/WTO disputes." *Fordham Int'l LJ* 24:158.
- Busch, Marc L. and Eric Reinhardt. 2001. "Bargaining in the Shadow of the Law: Early Settlement in GATT/WTO Disputes." *Fordham International Law Journal* 24(158).

- Busch, Marc L. and Krzysztof Pelc. 2010. "The Politics of Judicial Economy at the World Trade Organization." *International Organization* 64(2):257–279.
- Byman, Daniel L. and Kenneth M. Pollack. 2001. "Let Us Now Praise Great Men: Bringing the Statesman Back In." *International Security* 25(4):107–146.
- Camerer, C. 1988. "Gifts as Economic Signals and Social Symbols." *American Journal of Sociology* 94:180–214.
- Cartwright, Dorwin. 1965. "Influence, Leadership, Control." *Handbook of Organizations* 1:1–47.
- Chapman, Terrence and Stephen Chaudoin. 2013. "Ratification Patterns and the International Criminal Court." *International Studies Quarterly* 57(2):400–409.
- Chaudoin, Stephen. 2014. "Audience Features and the Strategic Timing of Trade Disputes." *International Organization* .
- Chaudoin, Stephen, Jeff Kucik and Krzysztof Pelc. 2014. "Do WTO Disputes Actually Increase Trade?" Working paper.
- Cheal, D. 1988. *The Gift Economy*. London and New York: Routledge.
- Coleman, KP. 2013. "Locating norm diplomacy: Venue change in international norm negotiations." *European Journal of International Relations* 19(1):163–186.
- Conger, Jay A. and Rabindra N. Kanungo. 1998. *Charismatic Leadership in Organizations*. Sage.
- Corbetta, Renato. 2014. "Between indifference and coercion: Third-party intervention techniques in ongoing disputes." *Conflict Management and Peace Science* p. 125.
- Crichlow, Scott. 2005. "Psychological Influences on the Policy Choices of Secretaries of State and Foreign Ministers." *Cooperation and Conflict* 40(2):179–205.

- Davis, Christina L. 2012. *Why Adjudicate?: Enforcing Trade Rules in the WTO*. Princeton, NJ: Princeton University Press.
- Davis, Christina L. and Sarah Blodgett Bermeo. 2009. "Who Files? Developing Country Participation in GATT/WTO Adjudication." *The Journal of Politics* 71(03):1033–1049.
- Davis, Christina L. and Yuki Shirato. 2007. "Firms, Governments, and WTO Adjudication: Japan's Selection of WTO Disputes." *World Politics* 59(02):274–313.
- Debs, Alexandre and Hein E. Goemans. 2010. "Regime Type, the Fate of Leaders, and War." *American Political Science Review* 104(03):430–45.
- Dillon, Wilton S. 1968. *Gifts and Nations*. Paris: Moulton.
- Dreher, Axel and James Raymond Vreeland. 2011. "Buying Votes and International Organizations." cege Discussion Paper 123, May.
- Eckhardt, Jappe. 2013. "Transnational lobbying in EU and US WTO Dispute Settlement cases." WTI working paper.
- Evans, Peter B., Harold Karan Jacobson and Robert D. Putnam. 1993. *Double-edged Diplomacy: International Bargaining and Domestic Politics*. Berkeley CA: University of California Press.
- Favretto, Katja. 2009. "Should Peacemakers Take Sides? Major Power Mediation, Coercion, and Bias." *American Political Science Review* 103(2):248–63.
- Flynn, F.J. and G.S. Adams. 2009. "Money can't buy love: Asymmetric beliefs about gift price and feelings of appreciation." *Journal of Experimental Social Psychology* 45:404–409.
- Gawande, By Kishore, Pravin Krishna and Marcelo Olarreaga. 2012. "Lobbying Competition Over Trade Policy\*." *International Economic Review* 53(1):115–132.

- Gawande, Kishore, Pravin Krishna and Michael J Robbins. 2006. "Foreign lobbies and US trade policy." *The Review of Economics and Statistics* 88(3):563–571.
- George, Alexander L. 1991. *Forceful Persuasion: Coercive Diplomacy as an Alternative to War*. Washington, DC: US Institute of Peace Press.
- Gilligan, Michael, Leslie Johns and B. Peter Rosendorff. 2010. "Strengthening International Courts and the Early Settlement of Disputes." *Journal of Conflict Resolution* 54:538.
- Goddard, Stacie E. 2009. "Brokering change: networks and entrepreneurs in international politics." *International Theory* 1(02):249–281.
- Groebner, Valentin. 2002. *Liquid Assets, Dangerous Gifts: Presents and Politics at the End of the Middle Ages*. Philadelphia: University of Pennsylvania Press.
- Guzman, Andrew and Beth A. Simmons. 2002. "To settle or Empanel? An Empirical Analysis of Litigation and Settlement at the World Trade Organization." *Journal of Legal Studies* 31(1):205–236.
- Haggard, Stephan and Steven B. Webb. 1993. "What do we know about the political economy of policy reform?" *World Bank Res Obs* 8(2):143–168.
- Hermann, Margaret G., Thomas Preston, Baghat Korany and Timothy M. Shaw. 2001. "Who Leads Matters: The Effects of Powerful Individuals." *International Studies Review* 3(2):83131.
- Horn, Henrik and Petros C. Mavroides. 2013. "Multilateral Environmental Agreements in the WTO: Silence Speaks Volumes." Working Paper Series 983, Research Institute of Industrial Economics.
- Horowitz, Michael C and Allan Stam. 2014. "How Prior Military Experience Influences The Future Militarized Behavior of Leaders." Forthcoming, International Organization.

- Horowitz, Michael, Rose McDermott and Allan Stam. 2005. "Leader Age, Regime Type, and Violence in International Conflict." *Journal of Conflict Resolution* 49(5):661–85.
- Hudec, Robert E. 1993. *Enforcing international trade law: The evolution of the modern GATT legal system*. Vol. 7 Butterworth Legal Publishers Salem, NH.
- Hufbauer, Gary Clyde, Jeffrey J. Schott and Kimberly Ann Elliott. 1990. *Economic Sanctions Reconsidered: History and current policy*. Washington, DC: Peterson.
- Johns, Leslie and KJ Pelc. 2014. "Who Gets to Be In the Room? Manipulating Participation in WTO Disputes." International Organization forthcoming.
- Joy, A. 2001. "Gift Giving in Hong Kong and the Continuum of Social Ties." *Journal of Consumer Research* 28:239–256.
- Kim, In-Song. 2013. "Political Cleavages within Industry: Firm level Lobbying for Trade Liberalization." Working paper.
- Kim, Moonhawk. 2008. "Costly Procedures: Divergent Effects of Legalization in the GATT/WTO Dispute Settlement Procedures." *International Studies Quarterly* 52(3):657686.
- Kim, Moonhawk. 2014. "Enduring Trade Disputes: Disguised Protectionism, Domestic Regulations, and Duration of International Trade Disputes." Working paper.
- Kissinger, Henry. 2012. *Diplomacy*. Simon and Schuster.
- Krasner, Stephen D. 1972. "Are Bureaucracies Important?: (or Allison Wonderland)." *Foreign Policy* 7:159–179.
- Kuziemko, Ilyana and Eric Werker. 2006. "How Much Is a Seat on the Security Council Worth? Foreign Aid and Bribery at the United Nations." *Journal of Political Economy* 114(5).

- Lacarte-Muro, J. and Petina Gappah. 2000. "Developing Countries and the WTO Legal and Dispute Settlement System: A View from the Bench." *Journal of International Economic Law* 3(3).
- Mauss, Marcel. 1925. *The Gift: Forms and Functions of Exchange in Archaic Societies*. Paris: L'Anne Sociologique.
- Mitchell, Sara McLaughlin and Emilia Justyna Powell. 2011. *Domestic Law Goes Global: Legal Traditions and International Courts*. Cambridge University Press.
- Pekkanen, Saadia M., Mireya Sols and Saori N. Katada. 2007. "Trading Gains for Control: International Trade Forums and Japanese Economic Diplomacy." *International Studies Quarterly* 51(4):945-970.
- Pevehouse, Jon and Felicity Vabulas. 2012. "The Role of Informational Lobbying in US Foreign Aid: Is US Assistance for Sale?" Working paper.
- Putnam, Robert D. 1988a. "Diplomacy and domestic politics: the logic of two-level games." *International organization* 42(03):427-460.
- Putnam, Robert D. 1988b. "Diplomacy and domestic politics: the logic of two-level games." *International Organization* 42(03):427-460.
- Regan, Patrick M and M Scott Meachum. 2014. "Data on interventions during periods of political instability." *Journal of Peace Research* 51(1):127-135.
- Regan, Patrick M., Richard W. Frank and Aysegul Aydin. 2009. "Diplomatic Interventions and Civil War: A New Dataset." *Journal of Peace Research* 46(1):135-146.
- Ruebner, Josh. 2003. *Shattered Hopes: The Failure Of Obama's Middle East Peace Process*. London: Verso.
- Sattler, Thomas, Gabriele Ruoff and Thomas Bernauer. 2010. "Escalation Dynamics in WTO Disputes Over Environment, Health and Safety Issues." Working Paper No 2010/10— May.

- Sattler, Thomas, Gabriele Spilker and Thomas Bernauer. 2013. "Does WTO Dispute Settlement Enforce or Inform?" *British Journal of Political Science*, Forthcoming.
- Sattler, Thomas and Thomas Bernauer. 2011. "Gravitation or discrimination? Determinants of litigation in the World Trade Organisation." *European Journal of Political Research* 50(2):143167.
- Sherry, John F. 1983. "Gift Giving in Anthropological Perspective." *Journal of Consumer Research* 10(2):157–168.
- Singer, Joel David and Melvin Small. 1966. "National alliance commitments and war involvement, 1815-1945."
- Stanton, Jessica. 2015. *Violence and Restraint in Civil War: Civilian Targeting in the Shadow of International Law*. New York: Cambridge University Press.
- Stone, Randall and David Carter. 2012. "Democracy and Multilateralism: The Case of Vote Buying in the UN General Assembly." Working paper.
- Strange, Susan. 1992. "States, Firms and Diplomacy." *International Affairs* 68(1):1–15.
- Tallberg, Jonas. 2006. *Leadership and Negotiation in the European Union*. New York: Cambridge University Press.
- Veblen, T. 1918. *The Theory of the Leisure Class*. New York: Huebsch.
- Wallenstein, P and Svensson. 2014. "Talking peace: International mediation in armed conflicts." *Journal of Peace Research* 51(2):315–327.
- Yakopa, Mina and Peter A. G. vanBergeijk. 2011. "Economic diplomacy, trade and developing countries." *Cambridge J Regions Econ Soc* .

Table 2: **Diplomacy and Disputes**

	Dropped (mlogit)	Settled (mlogit)	Dropped	Settled	Ruling
Gift	-0.118	-0.421***	-0.091	-0.234**	0.235**
Value	(0.200)	(0.158)	(0.199)	(0.096)	(0.094)
Number of	0.252	0.671***	0.202	0.259*	-0.282**
Gifts	(0.267)	(0.212)	(0.265)	(0.135)	(0.132)
Alliances	0.010	0.213	-0.004	0.164*	-0.125
	(0.147)	(0.138)	(0.147)	(0.091)	(0.091)
Imports	0.517	-0.081	0.526	-0.229	0.016
	(0.365)	(0.284)	(0.362)	(0.200)	(0.201)
Exports	-0.409	0.080	-0.413	0.410**	-0.298
	(0.298)	(0.250)	(0.294)	(0.192)	(0.188)
Polity	0.010	-0.039	0.013	0.020	-0.015
	(0.038)	(0.027)	(0.037)	(0.019)	(0.018)
Military	-0.000	-0.000	-0.000	0.000	-0.000
Disputes	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
GDP	-0.000	0.000	-0.000	0.000	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
GDP	-0.000	-0.000	-0.000	-0.000	0.000
per capita	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Fuel	-0.018	0.003	-0.018	0.000	0.003
Income	(0.021)	(0.013)	(0.020)	(0.010)	(0.010)
Antidumping	-0.681	-0.985***	-0.605	-0.316	0.147
	(0.456)	(0.301)	(0.454)	(0.201)	(0.199)
Subsidies	0.442	-2.978***	0.583	-0.493**	0.157
	(0.409)	(0.616)	(0.406)	(0.198)	(0.188)
Safeguard	0.756	-16.175	0.918**	1.512***	
	(0.460)	(616.907)	(0.457)	(0.328)	
SPS	1.319**	1.572***	0.905	1.065***	-1.988***
	(0.578)	(0.328)	(0.564)	(0.249)	(0.275)
Technical	-0.669	0.259	-0.662	0.961***	-3.366***
barriers	(1.079)	(0.419)	(1.070)	(0.304)	(0.514)
Agriculture	-2.047***	-1.658***	-1.955***	0.330*	-0.221
	(0.550)	(0.425)	(0.546)	(0.195)	(0.186)
TRIPS	-15.789	0.103	-0.201	0.114	
	(3567.645)	(0.818)	(0.790)	(0.792)	
TRIMS	-0.383	-15.300	-0.306	2.770***	
	(0.636)	(645.253)	(0.636)	(0.601)	
Constant	-2.917	0.350	-3.287	-2.570**	3.458***
	(2.025)	(1.488)	(2.014)	(1.131)	(1.146)
N	1535	1519	1133	1535	

Table 3: Diplomacy and Disputes - Robustness

	Dropped (No EU)	Settled (No EU)	Dropped (No EU, No 3rd party)	Settled (No EU, No 3rd party)
Gift	-0.118	-0.421***	0.352	-0.701**
Value	(0.200)	(0.158)	(0.365)	(0.288)
Number of	0.252	0.671***	-0.670	0.789**
Gifts	(0.267)	(0.212)	(0.493)	(0.384)
Alliances	0.010	0.213	-0.240	0.243
	(0.147)	(0.138)	(0.255)	(0.246)
Imports	0.517	-0.081	1.049	1.002
	(0.365)	(0.284)	(0.785)	(0.656)
Exports	-0.409	0.080	-0.657	-0.843
	(0.298)	(0.250)	(0.651)	(0.520)
Polity	0.010	-0.039	-0.028	-0.088
	(0.038)	(0.027)	(0.086)	(0.066)
Military	-0.000	-0.000	-0.000	0.000
Disputes	(0.000)	(0.000)	(0.000)	(0.000)
GDP	-0.000	0.000	-0.000	0.000
	(0.000)	(0.000)	(0.000)	(0.000)
GDP	-0.000	-0.000	-0.000	0.000
per capita	(0.000)	(0.000)	(0.000)	(0.000)
Fuel	-0.018	0.003	-0.045	0.013
Income	(0.021)	(0.013)	(0.045)	(0.032)
Antidumping	-0.681	-0.985***	-0.197	-1.411**
	(0.456)	(0.301)	(0.641)	(0.557)
Subsidies	0.442	-2.978***	0.770	-2.343***
	(0.409)	(0.616)	(0.734)	(0.829)
Safeguard	0.756	-16.175	0.564	-17.911
	(0.460)	(616.907)	(0.958)	(2670.799)
SPS	1.319**	1.572***	0.737	-1.524*
	(0.578)	(0.328)	(1.101)	(0.833)
Technical	-0.669	0.259	-0.667	0.327
barriers	(1.079)	(0.419)	(1.265)	(0.807)
Agriculture	-2.047***	-1.658***	-0.583	-0.855
	(0.550)	(0.425)	(0.677)	(0.652)
TRIPS	-15.789	0.103	-17.999	1.381
	(3567.645)	(0.818)	(23275.923)	(1.321)
TRIMS	-0.383	-15.300	-1.499	-17.193
	(0.636)	(645.253)	(1.130)	(1769.866)
Constant	-2.917	0.350	-5.025	0.677
	(2.025)	(1.488)	(3.587)	(2.822)
N	1535	1535	317	317

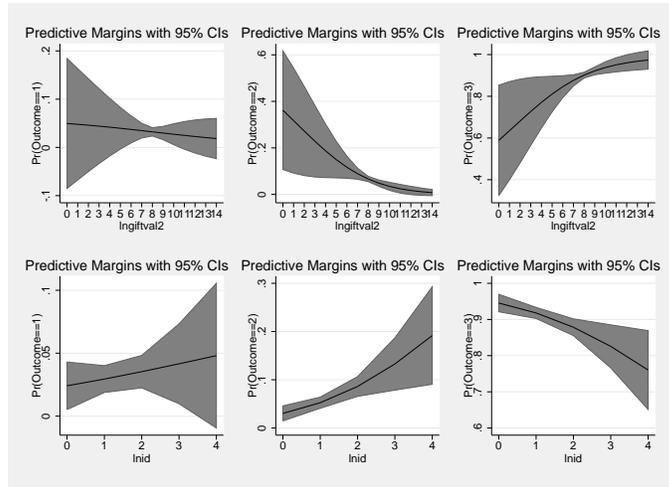


Figure 7: Predicted Probabilities of Dispute Resolution (Multinomial Logit)

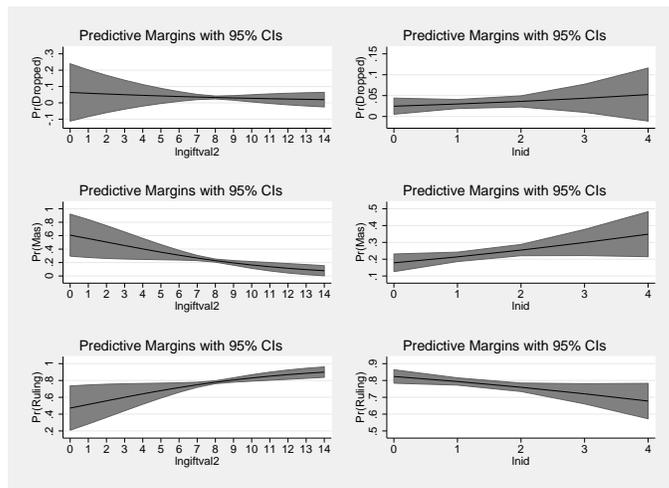


Figure 8: Predicted Probabilities of Dispute Resolution (Logit)

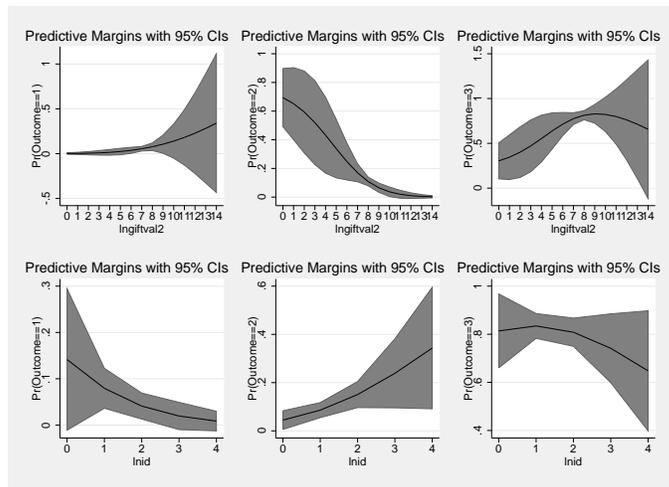


Figure 9: Predicted Probabilities of Dispute Resolution (EU excluded)

Appendix Figure 2 - US as Third Party and EU Excluded

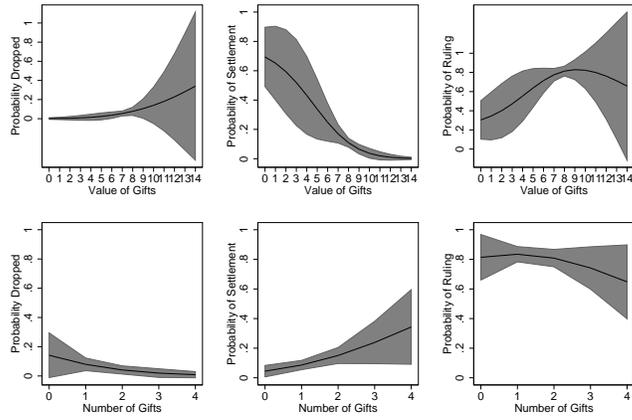


Figure 10: Predicted Probabilities of Dispute Resolution (EU and 3rd party status excluded)