

Beware of Greeks Bearing Gifts: Diplomacy and WTO Dispute Resolution

Julia Gray and Phil Potter

University of Pennsylvania/ University of Virginia

IPES 2014

Diplomacy and International Cooperation

- Many acknowledge importance of high-level lobbying and diplomacy for cooperation
 - ▶ Dynamics of relationships between particular leaders (Horowitz and Stam 2014, Baturo 2013, Goemans et al 2010)
 - ▶ Lobbying matters for international outcomes (aid, trade, disputes, deals) (Vabulas and Pevehouse 2014, Kim 2014)
- WTO: nearly 55% of disputes are dropped or settled
 - ▶ Many argue for dispute characteristics (Guzman and Simmons 2001, Bernauer et al 2013, Kim 2014) or country characteristics (Busch and Reinhardt 2001, Davis and Bermeo 2009)
- But diplomacy, though valuable in this process, is hard to measure.

Diplomacy and Heads of State

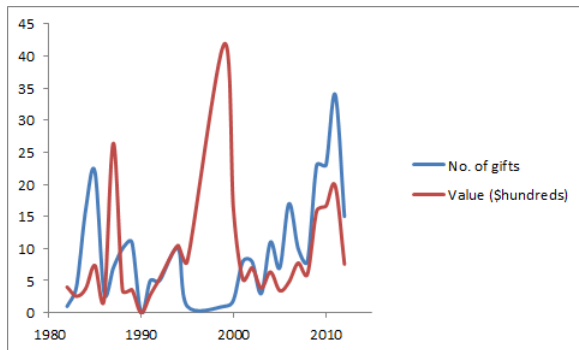


Gifts as Measure of Diplomacy and Lobbying

- US Federal Registry, 1980-present
- Value, number and description of gifts to president, Congress, top officials
- Around 15,000 observations from nearly every country in the world
- Not bribes (officials can't keep them)

Gift *value* vs gift *number* (China example)

- Expensive gifts usually associated with infrequent visits
 - ▶ China and MFN in the 90s
- High number of gifts represent official interaction at several levels and ranks



Central Hypothesis

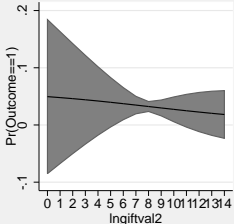
- H_1 : \uparrow *number* of gifts \uparrow Pr(settled, dropped disputes)
- H_2 : \uparrow gifts *value* of gifts \downarrow Pr(settled, dropped disputes)
- Not causal, but a proxy for diplomatic engagement
 - ▶ Holding constant: previous political relationship, economic ties, country characteristics, dispute characteristics

Estimations

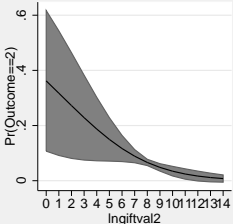
- Data on cases for which US was complainant, respondent, or third party in WTO
 - ▶ N=1535
 - ▶ Multinomial logit, logit
 - ▶ Robustness: exclude third-party cases, EU cases
- Results: gift *numbers* associated with greater likelihood of settled, dropped cases
 - ▶ Gift *value* associated with \uparrow Pr(litigation)

Core Results

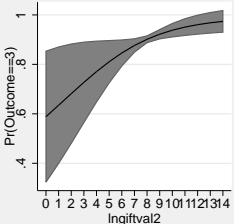
Predictive Margins with 95% CIs



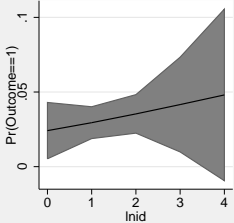
Predictive Margins with 95% CIs



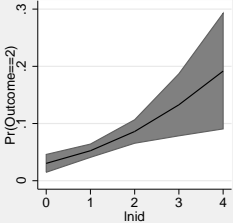
Predictive Margins with 95% CIs



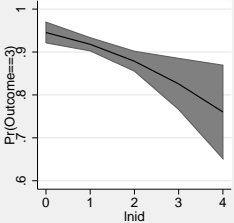
Predictive Margins with 95% CIs



Predictive Margins with 95% CIs



Predictive Margins with 95% CIs



Conclusion and Extensions

- Evidence that intensive lobbying at many bureaucratic levels is associated with WTO dispute resolution
 - ▶ Extensions to other types of disputes
- New data as neat way to measure relationships between leaders, countries' desired international image
 - ▶ Books, snacks, pets, weapons, portraits