Beware of Greeks Bearing Gifts: Diplomacy and WTO Dispute Resolution

Julia Gray and Phil Potter

University of Pennsylvania / University of Virginia

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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.
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 ↑ Pr(litigation)
Core Results

Predictive Margins with 95% CIs

![Graphs showing the predictive margins with 95% CIs for different outcomes.](image)

Gray & Potter (UPenn/UVA) Greeks Bearing Gifts at the WTO IPES 2014
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