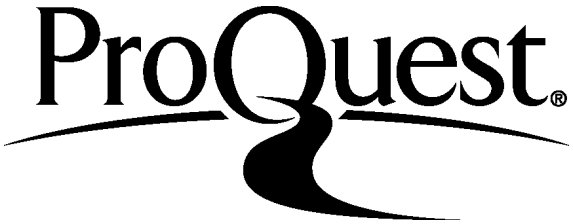
THE INFLUENCE OF TRADE AGREEMENTS ON FOREIGN POLICY

A Thesis
submitted to the Faculty of the
Graduate School of Arts and Sciences
of Georgetown University
in partial fulfillment of the requirements for the
degree of
Master of Public Policy
in Public Policy

By

Katherine Sierra Shea, B.S.

Washington, DC
April 11, 2016



THE INFLUENCE OF TRADE POLICY ON FOREIGN POLICY

Katherine Sierra Shea , B.S.

Thesis Advisor: Andreas Kern, Ph.D.

ABSTRACT

Since the failure of the Doha round of negotiations, the number of trade agreements between countries has increased exponentially worldwide. The premise being that trade agreements tie nations closer together lessening the chance of disagreements between countries. This paper focuses on the trade policy of the United States over the past 35 years. The US is relatively new to the trade agreement world, signing its first Free Trade Agreement in 1985, but has increased the number of agreements in the past decade. Using Ideal Points of UN voting as an indicator, this paper shows that the US is fighting an uphill battle to gather allies closer. Building off a novel dataset covering 124 countries in the timespan between 1982 and 2012, I show that trade agreements can positively affect the Ideal Point when utilized with other US government resources, but the effects are minimal. From a public policy perspective these findings imply that even though countries are not agreeing with the US viewpoint in UN fora, trade agreements used in conjunction with other assistance can help bind allies closer to the US Ideal Point thus the US should concentrate on signing agreements with allies.

The research and writing of this thesis
is dedicated to everyone who helped along the way.

Many thanks,
Katherine Sierra Shea

TABLE OF CONTENTS

LIST OF FIGURES

LIST OF TABLES

Introduction

From the trading to obsidian disks to the current multinational trade agreements between states that are hundreds of pages long, international trade has been an integral pillar of the international economic relations between countries for centuries. While in prehistoric times, trade was done simply between two individuals, in today's world trading between countries is a complicated affair involving teams of lawyers, specialists, and government officials and has spillover effects into other government affairs, including politics. Trade disagreements effecting politics is nothing new either, perhaps most famous example of disrupting trading patterns for political dissent is the Boston Tea Party, when the Sons of Liberty threw British tea into the harbor protesting the British treatment of the colonies. The reverse is also true of liberalizing trade through political pressure as the Gunboat diplomacy of the US lead to the Japanese ports opening in the 19th century (Dennett, 1922). More recently, the Marshall Plan can be seen as both an economic plan and a political plan as it helped Europe recover from the devastation of World War II, while at the same time removing barriers for trade so America could have greater access to European markets, securing new growth markets for American manufacturers.

In today's world, trade goals are being more and more entwined with political goals. Trade agreements are no longer backwater deals produced by senior government officials, they are being hotly debated in the public sphere (Ciofu, 2016). Many people are

staunchly against free trade and even trade liberalization yet these agreements continue to get passed. In the first 46 years of the General Agreement on Trade and Tariffs (GATT), 124 trade agreements were signed worldwide (an average of 2.7 per year) but since 1994, over a 130 have been signed (an average of 15 per year) (Viner, 2007). The first wave of trade agreements were in the years following the collapse of the Soviet Union but it eventually slowed by the end of the 20th century (Higgott, 2004). Recently, the number of trade agreements being signed and negotiated has increased, some speculating because of the failure of the Doha Rounds (Heydon, 2009).

Not only has the number of trade agreements grown overall, but their impact has also grown as now 43% of trade occurs under Free Trade Agreements. (Viner, 2007) This has led to trade agreements now being considered to be of vital national importance, not only economically, but also for foreign policy goals of governments. While there is a growing field of 'trade aid' research, few research has gone into the implications of trade agreements on foreign policy. Governments would only formalize agreements if there was a huge net benefit from agreements because negotiating these deals is often an arduous process that takes a large amount of time and often requires the swaying of the public, even if the American public pretends not to be interested (Voeten, 2015).

So if many of the American FTAs are not with their largest trading partners, then why are these agreements being signed? My hypothesis is that states are getting other benefits from these agreements, namely more support for their foreign policy goals. In

this paper, I investigate the linkage of trade agreements and levels of support for the US as shown by voting agreement at the UN. Using a novel data set covering 124 countries in the timespan between 1982 and 2012, I analyze the question whether the signing of a trade agreement increases the support for the US position at the UN General Assembly (UNGA). I hypothesize that these trade agreements exert a positive effect and to show this, I utilized dataset with variables related to the country's government status, trade levels with the US, levels of US soldiers in the country, and US development assistance. My results indicate that US government has been utilizing trade agreements more to influence UN voting patterns with mixed results. In certain regions, trade agreements are more able to influence UN voting patterns than in others. Policy makers should utilize these trade agreements to garner support for their foreign policy goals, and select targeted countries to reach agreements with in the future, pulling their allies in closer.

Background & Literature Review

The increase of "mega"-regional trade agreements, such as Transpacific Partnership (TPP) and Transatlantic Trade and Investment Partnership (TTIP), will have huge implications for setting standards globally, but their power lies not just in deciding how much weight a chair should be able to hold, but also showing to the world that these signed countries have a vested interest in being allied together. TPP was considered a wash until the US joined the talks, leading some to suggest that trade agreements only pass when they become too discriminatory to not join (Sahakyan, 2015). With the increase

of trade agreements, do they actually lead to shift in the foreign policies of governments? Are they actually able to sway opinions and votes at the UNGA to make countries vote more in line with their trade partners?

It would make economic sense for countries to first sign trade agreements with their principal trading partners, then moving to secure lesser trading partners. A securing of these trading partners would allow for an even greater liberalization of trade, and yet this is often not the case. The United States has Free Trade Agreements (FTAs) signed with only four of its top twenty trading partners, if the TPP and TTIP are signed then the United States will have FTAs with 15 of its largest 25 trading producers (Viner, 2007).

Trade agreements in today's modern complex world takes on several different definitions from Regional Trade Agreements (RTAs) to Most Favored Nation status (MFN) of the World Trade Organization (WTO). Each agreement is a highly complex set of regulations and rules agreed to by the signatory countries, for the purpose of this paper, trade agreements will refer to Free Trade Agreements (FTAs), Bilateral Investment Treaties (BITs), and Trade and Investment Frameworks (TIFAs), which are utilized by the US government's Trade Representative to formalize trade relationships with other states (USTR, 2016).

The first major organization to formalize trade rules on the world stage was the General Agreement on Tariffs and Trade (GATT), which arose from the aftermath of World War II as part of the Bretton Woods institutions. This system remained in place

until the 1990s, when GATT evolved into the World Trade Organization (WTO), the current de facto multilateral organization on trade (Higgott, 2004).

Trade is ever evolving and no agreement is ever considered to be the end-all. Even NAFTA (North American Free Trade Agreement), considered one the cornerstones of American trade policy signed in 1993, is now considered outdated less than 25 years later (Murray, 2016). Technology moves so fast that trade agreements cannot keep up; i.e. Moore's Law, thus it is necessary to constantly update them. Singapore is currently trying to update all of its agreements at once without having to jump any major bureaucratic hurdles because they consider most of their trade agreements too obsolete. Technology is not the only concern for states, their economies are changing too, the growth of the Asian Tigers shows that economies can turn around very fast and trade agreements must keep up with these changes to protect the home market (Aggarwal, Vinod, 2012).

Thus the number of trade agreements has expanded exponentially since 1947 to over 780 currently in place. These agreements range from Most Favored Nation to Customs Unions, each serving various different functions in this highly globalized world. Whereas, MFN is a status given to all World Trade Organization (WTO) members which affirms their rights of reciprocity and non-discrimination in bilateral reciprocal relations, but still allows for the preferential treatment of developing countries, Regional Free Trade Areas, and Customs Unions are preferential trade agreements between specific countries. This is one of the cornerstones of WTO law and one of the most

contested when new trade agreements are negotiated. The figure (1) below shows the increase in trade agreements since then end of World War II, the biggest increase follows the dissolution of the Soviet Union, but the average number per year remains high in the past 25 years.

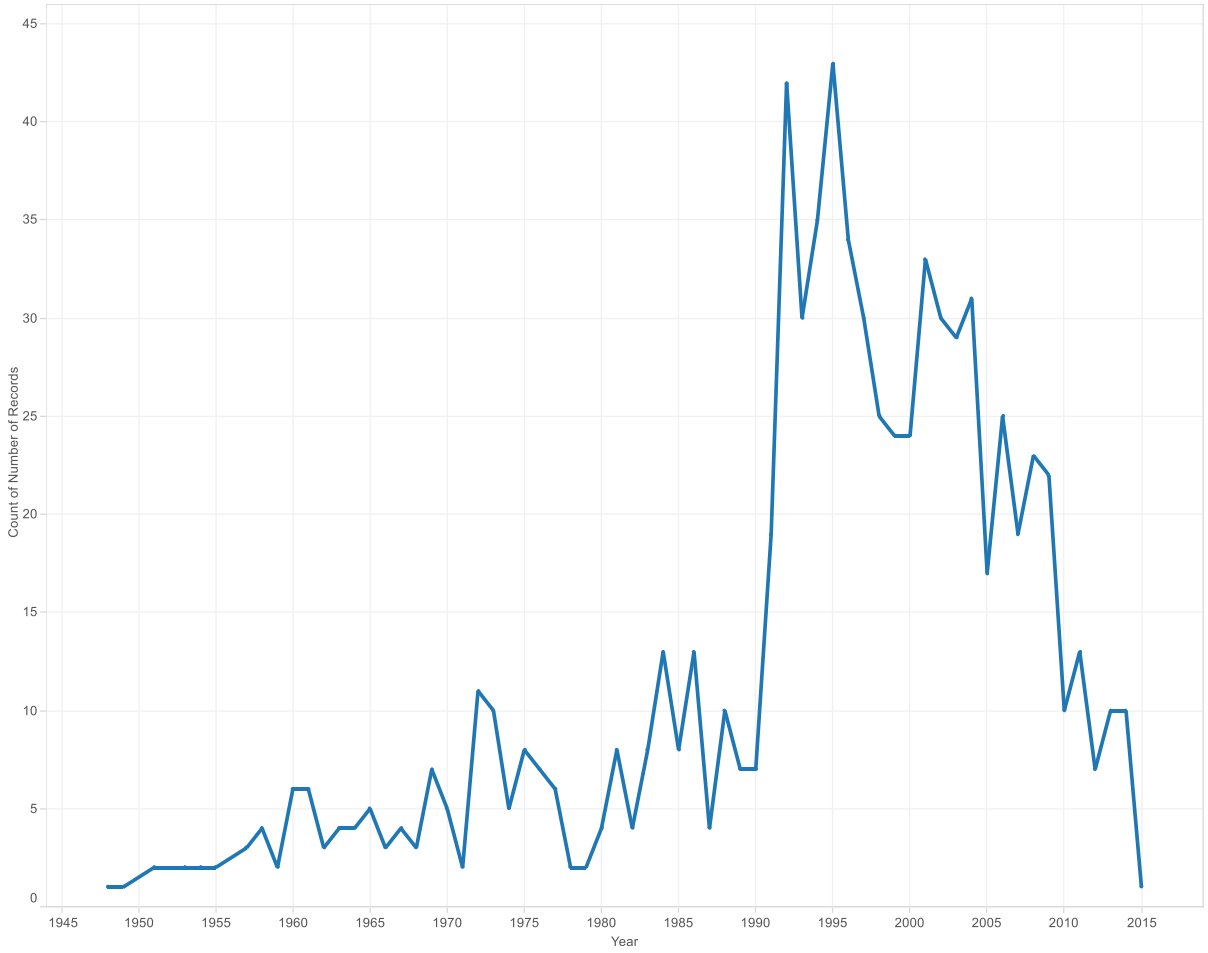


Figure 1 – Total Number of Trade Agreements

Regional Trade Agreements are a major force of today's multilateral trading system. They are now a central piece of commercial policy and are increasing in complexity. Reciprocal preferential developed-developing agreements are increasing in number comparatively, as are cross regional and expansion agreements. Free Trade Agreements

(FTAs) are easier to complete (faster, less complex) than customs unions, such as the European Union. RTAs are often among "natural" trading partners (Crawford, 2005). Despite this, the US has only two RTAs, NAFTA and Dominican Republic – Central American Free Trade Agreement (DR-CAFTA).

While most trade agreements are negotiated between nations, private companies, especially large multinational corporations have a vested interest in agreements and are often involved behind closed doors. Private companies wish to have better access to key markets, and when their interests are aligned with the government's, they have considered force to help pass trade agreements. Sometimes they act protectionist when they have a home court advantage, whereas other times they act hawkish to get greater access to new markets (Krugman, 1996).

The latest type of trade agreement is Bilateral Investment Treaties first created in 1959, but since then over 2700 have been created (Jandhyala, 2009). Often not associated in the same category as RTAs, FTAs, and PTAs, they nevertheless play a major role in analyzing the intersections of trade and foreign policy. Since the US government only utilizes FTAs, BITs, and TIFAs, I will include BITs and TIFAs in my analysis. Compared to other states, the US has been slow to implement trade agreements, the European Union already has over 39 in place with 93 countries, while the US only has 14 FTAs with 20 countries (EC, USTR, 2016).

Research Question

To better assess whether trade agreements affect foreign policy decisions, I will use data about trade agreements and United Nations (UN) votes. The figure (2) below shows the number of US trade agreements distributed by year and grouped by region. To see the trade agreements, I will be using the Design of Trade Agreements (DESTA) data set along with USTR's website listing of US BITs and TIFAs. The data set includes all agreements between 1947 and 2013. I will be focusing on the US, thus the trade agreements utilized are between 1980 and 2013 and include FTAs, BITs, and TIFAs.

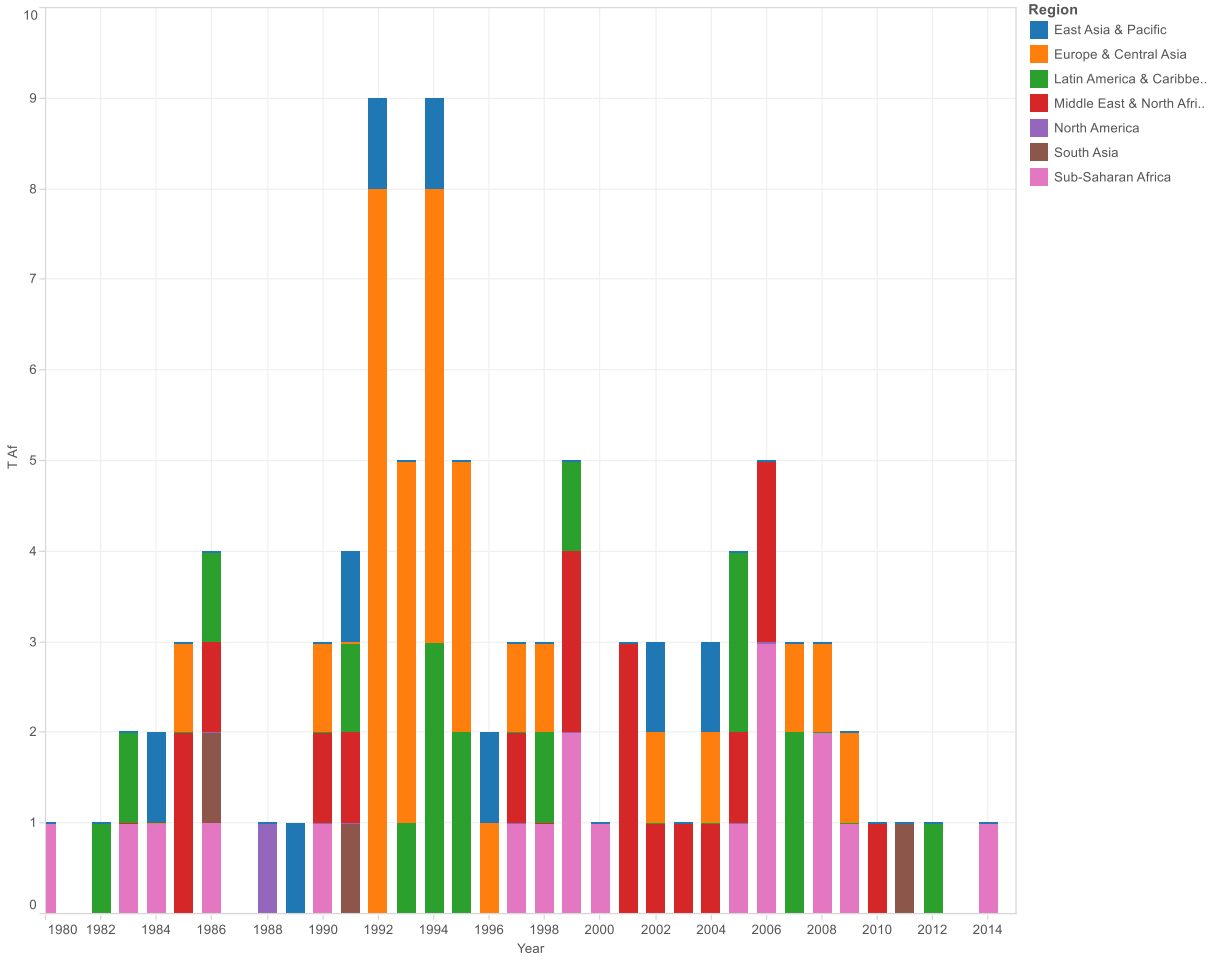


Figure 2 – US Trade Agreements by Region

In order to measure political proximity to the US and/or the strength of alliance between a country and the US, I have decided to use Ideal Points to measure change in countries preferences in foreign policy (Voeten et al, 2015). In their paper, Voeten, Strezhnev, and Bailey show how the typical method of measuring changes in UN votes is not suitable since it only measures it against total number of votes, whereas, Ideal Points take into account that the raw number of votes may change each year but that does not indicate that there has been a categorical change in voting patterns. Instead, this dataset uses 7 subcategories of types of votes within the General Assembly (UNGA) to see if countries change their votes in these categories from year to year, thus changing their ideal point.

The illustration below (3) shows the change in agreement levels of countries with the US and the Chinese raw agreement percentage at the UNGA. The countries are colored by region to show changes within groupings, like the EU countries shifting together. The lighter shades reflect the percentage of agreement in 1977, while the brighter colors show the agreement in 2014. Overall countries are agreeing less with the United States, while China has maintained relatively the same level of support by countries.

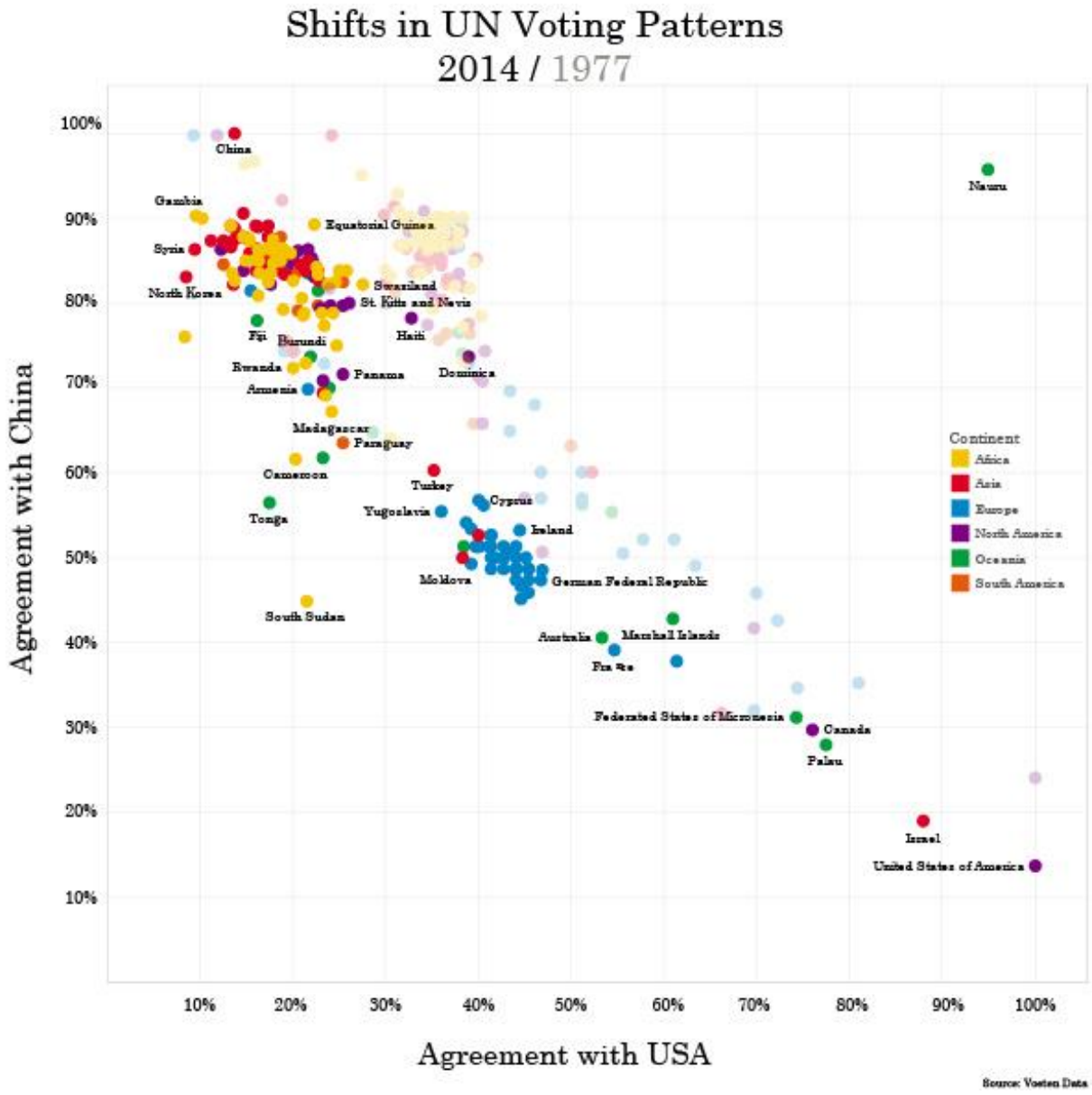


Figure 3 – Shift in UN Voting Patterns

Hypothesis

There is often a dichotomy between China and the US when it comes to voting at the UN, often portrayed as adversarial forces at UN General Assembly, voting differently on many issues. A closer look at the data shows some interesting trends such as Europe

grouping together while Africa is ungrouping and certain countries shifting closer to the US, such as Israel and Canada, both of whom have large trade agreements with the US.

The hypothesis that the years before a country signs a trade agreement (any kind: FTA, BIT, TIFA) with the US, the Ideal Point will shift upwards, especially on the US State Department designated important votes at the UN. The countries that the US has FTAs with will already be closer to the US Ideal Point than countries the US signs BITs with or TIFAs.

The hypothesis being that trade agreements will have a larger effect on the Ideal Point Important than the Ideal Point. Since the US has marked these agreements as important, one could except that the US would pressure allies to vote in agreement with them on these votes. As well, countries wishing to show an act of good faith towards the US would be more likely to vote in agreement on this matter than on regular votes within the UNGA. Countries that have previously signed trade agreements with the US would be considered better allies, thus these allies will vote more with the US. In particular, I am interested in the question whether after signing an agreement the positive voting impact diminishes as allied parties are re-assured of their status as an ally of the US. Since allies are sure of their status with the US after the signing of a treaty, do they then vote less in line with the US seeing no further need to curry favor?

Conceptual Framework

To investigate this relationship of trade agreements and ideal points, I construct the following econometric modeling setup that can be written such that:

$$Ideal\ Point_t = \beta_0 + \beta_{Trade\ Agreement} + \beta_{US\ Trade\ Levels} + \beta_{Government\ type\ and\ other\ checks} + \mu_t \qquad (1)$$

Whereby the Ideal Point is my central dependent variable, it is coded on a scale between –3 and +3, whereby higher values indicate a closer alliance between the country and the US. Since 1984, the US State Department has marked certain votes at the UN as more important and vital to national interests. The Ideal Point Important is calculated using just these votes on the same scale as the normal Ideal Point. I shall also run the same test again but instead substituting out Ideal Point for Ideal Point Important since these votes matter more to the US government.

My central independent variable is a dummy for whether a trade agreement is signed with the US. There are several different types of trade agreements, below are outlined each type of agreement and the other independent or control variables in order to minimize the risk that results might be driven by co-founding factors.

Free Trade Agreements (FTAs) are considered the most comprehensive type of trade agreement, currently the US has 20 FTAs in force including two regional FTAs, the

North American Free Trade Agreement (NAFTA) and the Dominican Republic-Central America Free Trade Agreement (CAFTA-DR FTA).

Bilateral Investment Treaties (BITs) are also a large section of US trade agreements. Listed below are the current ones with their status, date of signature, entry into force, and a link to a full English text. There are currently 47 BITS, with 1 terminated, and 4 not in force yet. BITs are often viewed as the next step towards a FTA

Trade Invest Framework Agreements (TIFA) are general guidelines for how the US and partner country will approach trade, often they are seen as part of the pathway to FTAs. These agreements involve a lot of countries in strategic regions such as Africa and the Middle East. These agreements come from the USTR website, will they are not coded on depth, they can be used in conjunction with export and import levels to gauge their effectiveness.

Trade In Services Agreement (TiSA) is currently being negotiated by the United States and 20 other nations. The following countries are involved in the negotiations: Australia, Canada, Chile, Colombia, Costa Rica, The European Union, Hong Kong, China, Iceland, Israel, Japan, Liechtenstein, Mauritius, Mexico, New Zealand, Norway, Pakistan, Panama, Peru, The Republic of Korea, Switzerland, Chinese Taipei, and Turkey. These ties will further cement a relationship between the US and other countries, but since it is not signed, it is also not included.

In order to account for cofounding factors, I also include an interaction variable of trade levels if there is a trade agreement, the natural log of US troops, the Polity2 score, and official development assistance in that county on the right hand side of my equation, these constitute robustness checks for my regression.

Trade (Export and Import Levels) – Trade agreement effects can be seen by changes in import and export levels. This data is provided by the World Trade Organization (WTO) in collaboration with the World Bank, the United Nations Conference on Trade and Development (UNCTAD) and in consultation with organizations such as International Trade Center, United Nations Statistical Division (UNSD) and the World Trade Organization (WTO) in the World Integrated Trade Solution (WITS), and includes data from 1961 to 2014. However, not all countries have complete data. The data is the total of imports and exports combined in constant US dollars per year.

US Soldiers – Using data from the Heritage foundation, each year shows by country the change in soldiers from the average amount of US soldiers in that country. Due to the skewedness of the distribution and outliers biasing my results, I take the natural logarithm in my regression. This was done to appropriately approximate the changes in a given country and take into account such events as in Afghanistan and Iraq following 9/11.

Polity2 – On a scale of -10 (autocracy) to +10 (democracy) this data is compiled from Polity IV Individual Country Regime Trends, 1946-2013 by Marshall and Gurr and is an updated version to use in time panel data (Marshall, Jaggers and Gurr 2014). With about 20% representing a full democracy, 50% of the scores are above the neutral 0 rating. The next highest observation is a -7 accounting for just over 15% of the total representation over the entire span.

Net Official Development Assistance (ODA) – These are the official numbers reported to the Organization of Economic Co-operation and Development (OECD) by the United States. This data shows the constant amount of US dollars given to each country.

The formula above is a condensed version to show the main relations. US trade levels, for instance, actually encompasses both import and export levels for each year. The relationship being that as US trade levels increase, the country will shift upwards on the Ideal Point scale. There will also be an interaction variable to account for the influence of trade agreements on trade. The trade agreement variable is a dummy variable, and there are also dummy variables for each type of trade agreement for running sensitivity tests as well as time beginning dummies for each type of trade agreement.

Results

Excluding the first two column of the results, I control for both country and time fixed effects and do not use simple OLS estimations since they do not capture the differences among countries. I added in the controls of percentage change from average amount of soldiers in a given country, their polity2 score, their net ODA from the US, trade, and an interaction of their trade levels and if they have a trade agreement with the US.

Table 1- Baseline Regressions

Variables	(1) Ideal Point	(2) Ideal Point	(3) Ideal Point	(4.a) Ideal Point	(4.b) Ideal Point Important
Trade Agreement	-.0511642	.1232884	.4610545	.0172647	.0150365
	(.696)	(.523)	**(.046)	(..0160507)	(.0350276)
Constant	.0107999	-.0463628	.4874334	-.0255179	.023022
	(.674)	***(0.000)	***(.000)	(.216)	(0.241)
Controls:					
Troops (logged)				.0064506**	-.0007465
				(.058)	(.0116512)
Polity2				.0033506**	.0054168**
				(.0013793)	(.0029922)
Trade				.00000000000801**	.00000000000007*
				(.0033739)	(0.078)
Net ODA (lagged)				.0000797**	.0000239
				(.0000378)	(0.570)
Lag Ideal Point				.7591644***	1.8565723***
				(..0460237)	(.0840254)
Country		X	X	X	X
Time			X	X	X

Standard Errors in parenthesis, *** p<0.001, ** p<0.05, *p<0.1

In the first column, Trade Agreements do have a significant impact but is barely negative, once adjusted in the following columns for controls and fixed effects of time and country, trade agreements do an impact on the Ideal Point, when looking at the Ideal Point important, trade agreements has a less significant result with a smaller magnitude.

After controlling for time and country affects and adding in the controls, Trade Agreements do have a statistically significant effect in the year they are signed but after testing for their effect after signing, they are not significant but do have a positive. Whereas the political leanings of a country, the amount of US troops, trade, and the previous coefficient on the Ideal Point is significant and positive as expected. This can be explained by the US strategy of BITs in the 1990s, which were mainly focused at previous Soviet states including the signing (but not ratifying) of a BIT with Russia. These post-Soviet countries tend to vote as a bloc at the UNGA, and while there has been a recent upswing in their Ideal Points in the past five years, this is not enough data to influence the mid-1990s as these countries attempted to liberalize.[1]

As noted in the first figure, many BITs were signed around 1992-1995, there was then a decline in any type of trade agreement until the mid-2000s. Since the mid-2000s there has been a rise of both FTAs and TIFAs, the FTAs have mainly focused on Latin American and the Caribbean with FTAs have been used less often. Similarly, US State department designated important votes are probably some of the most contentious votes, thus expecting support in this same time period would be difficult in actuality as shown in the table above. Instead, I looked at TIFAs since they have seen an increase in usage since the late 1990s, peaking around 2004-2007 and have been used heavily in Africa as

[1] Please see Appendix A for more information about US Trade Agreements.

figure (4) show below. Many of these agreements have been signed within the last decade.

Figure 4- US TIFA Agreements

TIFAs

Since FTAs are the least used method of trade agreement in the US and many BITs were used on post-Soviet countries, I then ran the same regression substituting TIFA in for trade agreements because TIFAs have been used more in the past 15 years.

Table 2- TIFA

Variables	(4.a) Ideal Point	(5) Ideal Point
Trade Agreement	.0172647	
	(..0160507)	
TIFA		.0324577**
		(.015089)
Constant	-.0255179	-.0463628
	(.216)	***(0.000)
Controls:		
Troops (logged)	.0064506**	.0061926**
	(.058)	(.0033887)
Polity2	.0033506**	.0031002**
	(.0013793)	(.0013258)
Trade	.00000000000801**	.0000000000274***
	(.0033739)	(.0000000)
Net ODA (lagged)	.0000797**	.0000786**
	(.0000378)	(.000037)
Lag Ideal Point	.7591644***	.7598961***
	(..0460237)	(.0455678)
Country	X	X
Time	X	X

Standard Errors in parenthesis, *** p<0.001, ** p<0.05, *p<0.1

The results showed that new model had a higher rate of significance for all variables and an overall better model fit. Troops had the lowest significance at the 10% level and was positive, while TIFA, Net ODA, Polity2 were also positive and significant at the 5% level, leaving the lag of the Ideal Point and constant both positive and significant at the 1% level. This makes sense as the Ideal Point from the year before will significantly influence the Ideal Point for the next year.

Raw Voting Percentages With Other Countries

Since the US position is often viewed vis-à-vis the China and Russia positions, I then decided to compare whether trade agreements affect the raw percentage agreement with the United States, Russia, and China looking at just TIFAs again to see if TIFAs are influential against raw voting percentages as well.

Table 3- Comparison Against Other Countries

Variables	US (Raw Percentage)	Russia (Raw Percentage)	China (Raw Percentage)
TIFA	.0077902	.0091034	-.006014
	*(.075)	**(.041)	(.190)
Constant	.1315761	.3690058	.4352599
	***(.000)	***(.000)	***(.000)
Controls:			
Troops	.0009223	-.0004474	-.001146
	(.568)	(.314)	(.252)
Polity2	.0009199	-.00013	-.0006142
	**(.011)	(.711)	(.104)
Trade	.0000000000000181	.0000000000121	.000000000000142
	(.113)	***(.000)	(.312)
Net ODA	.0000149	.0000225	-.0000065
	(.163)	*(.097)	(.519)
Lag of previous year	.2280867	.4971363	.4682673
	***(.000)	***(.000)	***(.000)
Country	X	X	X
Time	X	X	X

Standard Errors in parenthesis, *** p<0.001, ** p<0.05, *p<0.1

Running the same base model but with percentage agreement substituted in for Ideal Point, the results show that TIFAs do affect the agreement levels with Russia and the US as the 5% significant level and positive, whereas the China agreement levels are not significant but the results are negative. Figure 5 below shows the world average agreement with each of the three countries. Since the 1980s, both China and Russia has maintained an average of over 50% agreement with other countries, while the US average hovers around the 25% range.

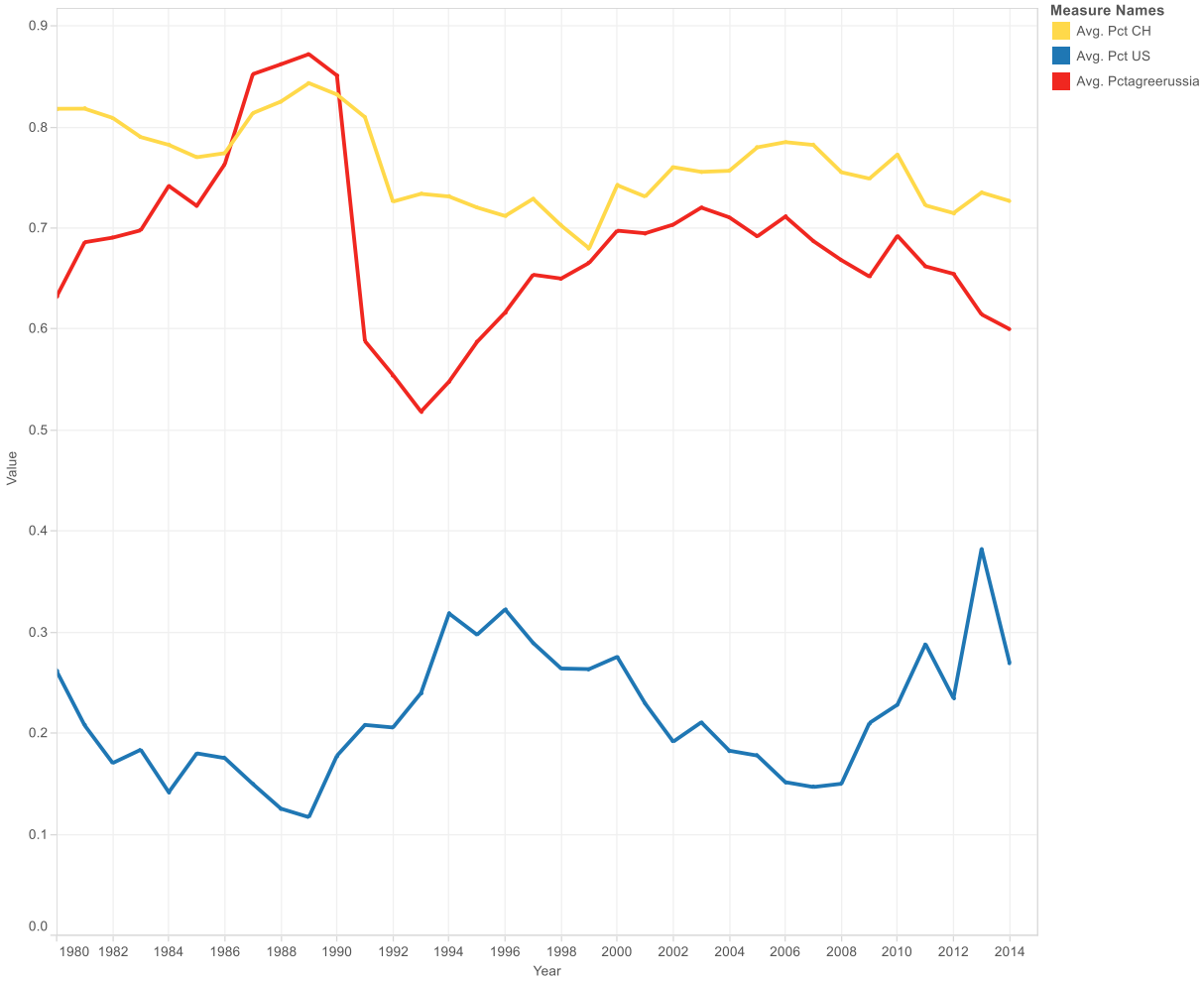


Figure 5 – Raw Percentage Agreements

However, since 2010 the average agreement levels of both China and Russia have been steadily declining, while the US has seen some slight movement upwards. The signs on the Polity variable are as predicted, being negative for Russia and China (which themselves are scored on the negative sign of Polity2) and positive for the US, they are not significant except for the US regression and then only at the 5% significance level. TIFAs are a relatively new form of trade agreements being utilized more strategically in the past 10 years, thus their long-term effects can be harder to identify at the moment as these regressions show. These TIFA signed countries can be affecting the change by voting more with the US, but the historical averages of agreement with China and Russia are Higher Than The US, Thus It Is Harder To Show Changes In These High Averages.

By Regions Group Variations

The Obama administration in 2011 remarked that it would "Pivot to Asia," signaling a change in US foreign policy (Ungaro, 2012). Because of this shift, I wanted to investigate if the relationship of trade agreements and ideal points could be different depending on the location of a country. I looked at variations in TIFA, BIT, and FTA effects dependent on region using the World Bank classification to see if different trade agreements had different affects dependent on the region. I applied the same regression of Ideal Points as used previously, substituting in the various trade agreements to see how different trade agreements can effect each region. The results were mixed, but this can be due to the change in US trade policy after 9/11. After the tragic events, the US

concentrated more resources on the Middle East and the results can be seen in regression for that area, whereas in the Sub-Saharan African region, the US has had a more haphazard result. The most of the TIFAs in this Sub-Saharan Africa come from not negotiations with individual countries but instead through signed agreements with regional custom unions. These are shown to not be as effective at influencing the Ideal Point, most likely because negotiating with a regional body does not ensure the signatory countries see these deals as beneficial to themselves and are less likely to view themselves as an ally of the United States, feeling less pressure to vote in line with the US position. They thus would vote less in line with the US then others. The same regional body approach has been used in Asia resulting again in insignificant numbers for TIFA. As shown in the results, these are not as effective. In the MENA, the FTAs signed with Oman, Morocco, Jordan, and Israel have had a significant positive effect. Whereas, the BITS have had a negative effect on the Ideal Point at the 5% significant level, while the TIFA is positive as expected, it is not significant. The net ODA level is able to influence voting in East Asia and Pacific, and MENA in a positive and significant way at the 1% and 5% level respectively. The FTAs are blank in Europe, South Asia, and Sub-Saharan Africa because the US does not have any currently signed with these regions, though they are in negotiations for one in Europe and Central Asia and another in East Asia and Pacific. While the TIFA is not significant in all regions, it is positive in every region except South Asia. BITs are significant in two of the regions (East Asia & Pacific and MENA), but are

negative. In general, the problem is that Ideal Points are not very high around the world as shown in figure (3) of shifts of the raw percentage of voting patterns.

The US is becoming less of a popular ally in many places around the world, and needs to do more to curry favor to keep the allies it does have now. As previously stated, the BITs in Europe tend to be for former Soviet satellite states, who are often still dependent on Russian aid thus it should be no surprise the BIT with the US is both significant and negative. In fact, the only trade agreements signed in the region after 1998 are Switzerland in 2002 and Iceland 2012. As the figure 6 shows, the average ideal point when grouped by region is still very low and often negative except for North America.

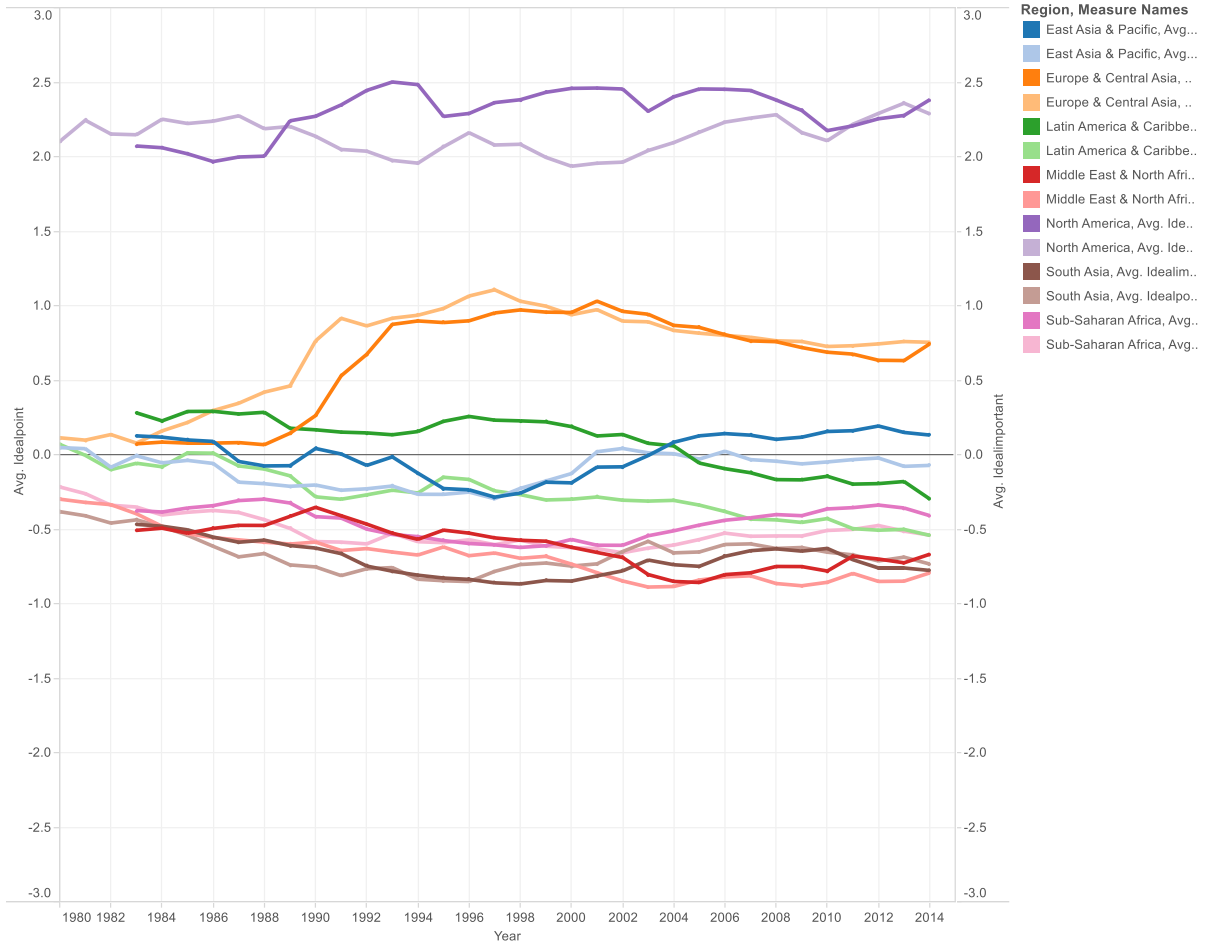


Figure 6 – Ideal Points by Region

By Income Group Variations

To see whether the income group affected changes in the relationship between trade agreements and the ideal point, I ran the same baseline regression of Ideal Points breaking it down by income groups as determined by the World Bank. The results were disappointing. High income: OECD group has the most promising model, but it was still not a good fit overall. The problem being that many of these groups contain a very diverse set of countries, and the lowest of the group are being influenced by aid not just from the US but from all over the world, which can influence their voting patterns as shown by the previous research on trade aid. The figure (7) below shows that except for High Income: OECD countries, the Ideal Point and the Ideal Point important for income groups are negative and for a brief period of 1990-2000, where High Income: non-OECD is positive.

My results indicate that the current US strategy of trade agreements to influence foreign policy goals has mixed results. TIFAs are able to positively influence the ideal point when they are signed directly with countries and not with regional organizations, and have the best results when used in a region where there are other trade agreements also in place. These other more extensive trade agreements are able to act as a carrot to entice countries with TIFAs to agree more with the US in hopes of gaining a BIT or FTA.

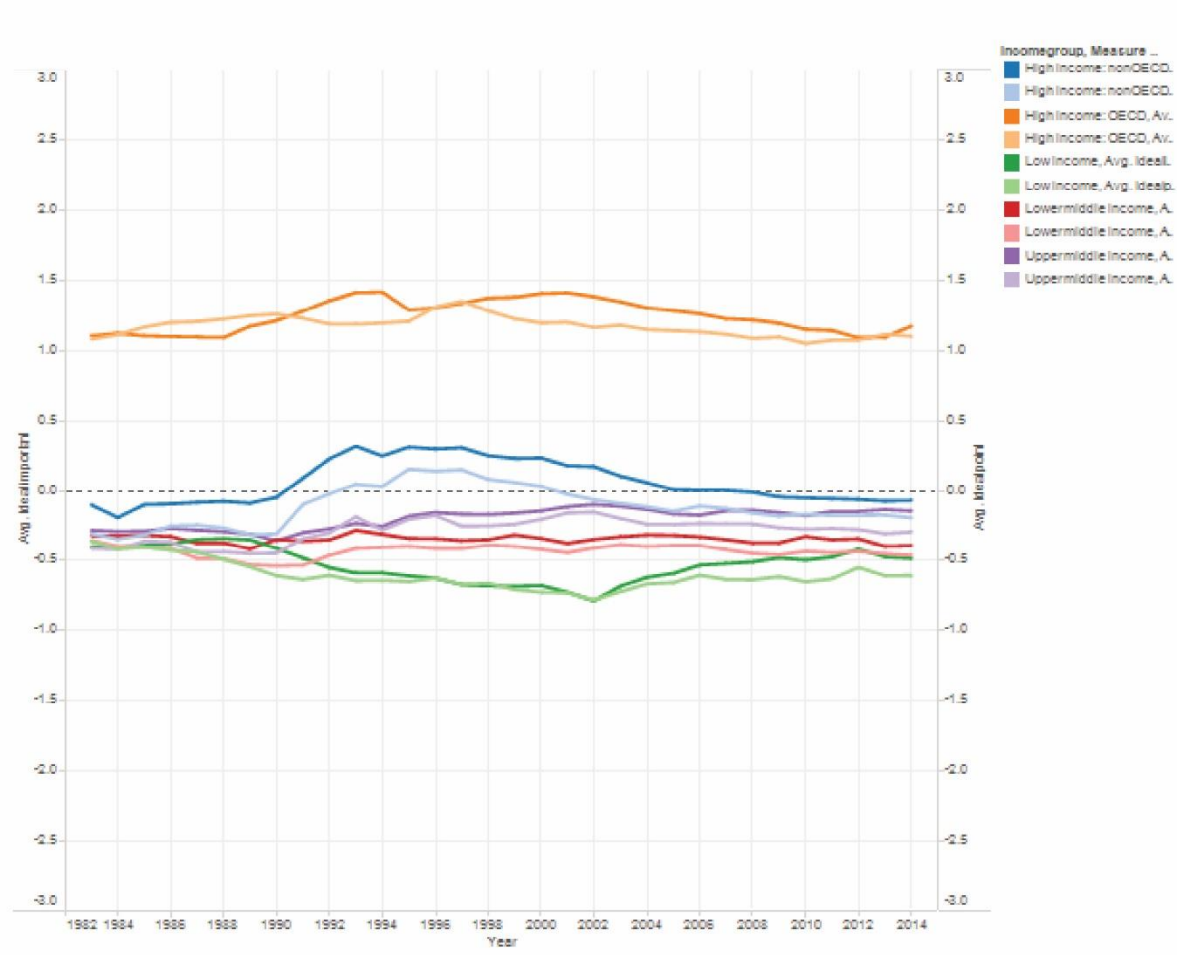


Figure 7 – World Average Ideal Point

Conclusion

Trade Agreements have increased in the last 10 years, the number of FTAs increasing threefold, but the US is still lightyears behind other countries that have been more nimble in their trade agreements, notably the EU (Sbragia, 2010). Many of these trade agreements are not with important trading partners but instead, often with strategic regions. The US needs to capitalize on utilizing trade agreements to influence countries because as shown, the average Ideal Point is very far from the US not only worldwide but also by regions and often still negative. In the MENA region, where the US has

devoted considerable resources, they have been able to influence countries to vote more in line with the US. Overall, the US needs to utilize trade agreements more to bind their allies to closer.

Historically, World War II affected the world's economic order, as suddenly states saw trade not as a domestic issue, but instead one of mutual concern as trade influenced outside states too. Yet even after the war, trade was often considered a low foreign policy01 item, agreements such as Bretton Woods and GATT enabled trade to be relegated to a lower level issue as disagreements were discussed and resolved with agreements that all states were to follow. The establishment of a world economic order kept trade issues off the agenda of high diplomacy (Cooper, 1977). GATT allowed for general rules governing trade, a commitment to lowering the barriers and quotas of trade and most importantly, allowed for an orderly procedure in disagreements.

The European Economic Community (EEC) shook the order, suddenly European countries were integrating their markets to what some Americans saw as the exclusion of other states, against the founding principles of GATT. The greater intrusion of domestic economic interests, trade policy, were interfering with foreign policy. Trade could no longer be relegated to a low level item. When trade relations sour, they infect other areas of policy, even the former high policy items. Writing in 1971, Cooper looks on in hope that Europe will take the charge towards a more global orientations instead of just a European one when it comes to setting trade policies. Prior to World War I, Britain was

the largest global trader, after the war the United States picked up the mantle and after the signing of the EEC, Europe is now at the helm. Until the EEC, trade was a lower track, sometimes pulling foreign policy into its realm, then relegated to the low level again; however, after the EEC and the Kennedy Rounds of GATT, trade was forever linked with foreign policy.

The 1970s and 1980s saw the linking formally of trade policy and foreign policy in academic literature. Baldwin complains that political economy of trade policies that the economic self-interest of political participants often dominates trade policies against the advice of economists. Economists also began to look at the reasons why states enter into agreements. State-Power and Neoclassical Trade Theories emerged in an attempt to explain how states formed their connections (Crawford, 2005; Kranser, 1976).

By the 1990s, trade policy was firmly entrenched in foreign policy. NAFTA was critiqued by some as being less about trade and more about a veiled attempt to push foreign policy (Krugman, 1995). As well, traditional approaches to evaluating trade agreements need to be re-assed as number of jobs added are no longer as much as a concern as the type of jobs added.

The post-9/11 world saw the added dimension of security taking the helm of concerns in the foreign policy-trade nexus. Economic interests are now tied especially in the United States, as it rewards and treats states in bilateral trade agreements (Niggott, 2005). Like the EEC, 9/11 now added security the linkage between foreign policy and

trade. The US increased the number of trade agreements after 9/11 and they have been able to wield some influence but the US must utilize more of nimbly to bind allies even closer.

Since FTAs are an arduous process to undertake, the US seems slower to implement these than other countries. While the European Union has over 30 FTAs, the US has scarcely more than 10, yet the number of US agreements is increasing. Worldwide, the number of FTAs has also significantly increased since the 'failure' of the Doha round, the United States cannot be left behind and out of the free trade game.

Ideal Points are a new way of calculating agreement with the US and as such, there are learning curves with utilizing them. The re-tabulation of how we calculate agreement with the US may lead to the recalculation of other factors as well. Ideal Points are an interesting concept in rating foreign policy preferences, and logically make sense. Increasingly, it seems like the US's frame of view is shared by less and less of the world, and perhaps these trade agreements are just staving off the decline. Future research should look at how Ideal Points can be utilize to recalculate other geo-political indicators and influencers.

Any rhetoric calling the benefits of free trade into question, would not only have significant economic, but also geopolitical backlashes for the US. In today's complex world, setting the global policy agenda is difficult and often requires close alliances. Perhaps, the addition of trade agreements draws these allies closer (like Israel, Canada)

allowing the US more say in setting the global policy agenda. If TTIP and TPP pass and are ratified, the US will be have nearly half of its close trading partners locked into agreements, many of whom can be counted as close allies.

Appendix A: List of Trade Agreements

FTA

North Africa & Middle East

Israel	1986
Jordan	2001
Morocco	2006
Oman	2006

Americas

Canada	1994
Chile	2004
Colombia	2012
Costa Rica	2005
Dominican Republic	2005
El Salvador	2005
Guatemala	2005
Honduras	2005
Mexico	1994
Nicaragua	2005
Panama	2012
Peru	2005

Asia

Bahrain	2006
Korea	2012
Singapore	2004

*TTP is under the review part but has not been signed, thus it is not included in this dataset

Oceania

Australia	2004

Europe

*Currently, TTIP is under negotiation involving the 28 member states of the European Union and the United States and thus not included either.

BIT

Africa

Cameroon	1986
Congo, Democratic Republic of the	1984
Congo	1990
Egypt	1986
Morocco	1985
Mozambique	1998
Rwanda	2008
Senegal	1983
Trinidad and Tobago	1994
Tunisia	1990

Americas

Argentina	1991
Bolivia,	**1998****
Ecuador	**1993**
El Salvador	**1999**
Haiti	**1983***
Honduras	**1995**
Jamaica	**1994**
Nicaragua	**1995****
Panama	**1982**
Uruguay	**2005**

Asia

Armenia	1992
Azerbaijan	1997
Bahrain	1999
Bangladesh	1986
Grenada	1986
Jordan	1997
Kazakhstan	1992

Kyrgyzstan	1993
Mongolia	1994
Russian Federation	1992**
Sri Lanka	1991

Europe

Albania	1995
Belarus	1999*
Bulgaria	1992
Croatia	1996
Czech Republic	1991
Estonia	1994
Georgia	1994
Latvia	1995
Lithuania	1998
Turkey	1985
Ukraine	1994
Uzbekistan	1994**

TIFA

Africa

U.S. - Angola TIFA (English)
U.S. - Common Market for Eastern and Southern Africa (COMESA) TIFA
U.S. East African Community TIFA
U.S. - Economic Community of West African States (ECOWAS) TIFA
U.S. - West African Economic and Monetary Union (WAEMU) TIFA
U.S.-Algeria TIFA
U.S. - Egypt TIFA
U.S.-Ghana TIFA
U.S.-Liberia TIFA
U.S.-Libya TIFA
U.S.-Mauritius TIFA
U.S.-Mozambique TIFA
U.S.-Nigeria TIFA

U.S.-Rwanda TIFA
U.S.-Tunisia TIFA
U.S.-South Africa TIFA

Americas

U.S. - Caricom TIFA
U.S.-Uruguay TIFA

Asia

U.S.-ASEAN TIFA
U.S.-GCC Framework Agreement for Trade, Economic, Investment and Technical Cooperation
U.S.-Central Asian TIFA (Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan)
U.S.-Afghanistan TIFA
U.S.-Bahrain TIFA
U.S.-Burma TIFA
U.S.-Cambodia TIFA
U.S.-Indonesia TIFA
U.S.-Iraq TIFA
U.S.-Oman TIFA
U.S.-Qatar TIFA
U.S.-Saudi Arabia TIFA
U.S.-Kuwait TIFA
U.S.-Lebanon TIFA
U.S.-Malaysia TIFA
U.S.-Maldives TIFA
U.S.-Mongolia TIFA
U.S.-Nepal TIFA
U.S.-New Zealand TIFA
U.S.-Philippines TIFA
U.S.-Pakistan TIFA
U.S.-Sri Lanka TIFA
U.S.-Thailand TIFA
U.S.-Turkey TIFA
U.S.-Vietnam TIFA
U.S.-United Arab Emirates TIFA
U.S.-Yemen TIFA

Europe

U.S. - Georgia TIFA
U.S. - Iceland TICF

U.S. - Switzerland TICF
U.S. - Ukraine TICA

Appendix B: Results Tables

TABLE 4- Comparison of Trade Agreements Across Regions

Variables	East Asia & Pacific	Europe & Central Asia	South Asia	Middle East & North Africa	Sub-Saharan Africa
TIFA	.053096 (.116)	.0796511 **(.001)	-.0003011 (.988)	.0320548 (.159)	.018011 (.542)
BIT	-.8021065 ***(.000)	.0667145 (.112)	-.056405 *(.039)	-.0437575 **(.021)	-.0233824 (.213)
FTA	-.0527093 (.406)	_	_	.0527156 **(.025)	_
Constant	.042076 (.398)	.0822871 **(.031)	-.1183655 **(.013)	-.0672652 (.222)	-.2576326 *(.066)
Controls:					
Troops	.000762 (.873)	.0058018 (.232)	-.0029863 (.763)	.0017468 (.683)	.0242072 (.231)
Polity2	-.0005945 (.724)	.0037554 (.163)	-.0005768 (.787)	.0108197 ***(.000)	.0016968 (.516)
Trade	.0000000000182 (.130)	.000000000896 (.948)	.0000000000574 (.456)	.0000000000587 **(.040)	.0000000000425 (.838)
Net ODA	.0000854 ***(.004)	.000000786 (.980)	-.000034 (.877)	.0000529 *(.053)	-.00000643 (.583)
Lag of previous year	.7376065 ***(.000)	.8118401 ***(.000)	-.1183655 **(.013)	.863958 ***(.000)	.6383081 ***(.000)
Country	X	X	X	X	X
Time	X	X	X	X	X

TABLE 5- By Income Group

Variables	High Income: OECD	High Income: non-OECD	Upper Middle Income	Lower Middle Income	Low Income
TIFA	_	-.049396 (.158)	.0461679 (.171)	.0197697 (.320)	-.0003906 (.988)
BIT	.1307474 *(.061)	.0703524 (.368)	-.0955827 (.108)	-.0308298 (.328)	-.0217861 (.240)
FTA	.069736 (.479)	-.118394 ***(.008)	.0085009 (.802)	-.0210466 (.659)	_
Constant	.6038371 ***(.000)	-.0543328 ***(.004)	-.0345208 (.433)	-.0606862 (.032)	-.0211506 (.370)
Controls:					
Troops	.0016592 (.850)	.0077343 (.113)	.0150109 *(.059)	.0062705 (.212)	.0056876 (.429)
Polity2	-.0304864 **(.001)	.0048489 **(.039)	.0057475 **(.029)	-.0003283 (.841)	.0017367 (.410)
Trade	.00000000887 (.420)	-.000000000161 (.226)	.00000000000164 ***(.004)	.0000000000427 (.172)	.000000490 (.435)
Net ODA	-.0000417 **(.009)	.0001332 (.648)	.0003444 ***(.003)	.0000491 *(.065)	-.0001538 (.545)
Lag of previous year	.5353006 ***(.000)	.7810986 ***(.000)	.7111277 **(.000)	.8516452 ***(.000)	.7082919 ***(.000)
Country	X	X	X	X	X
Time	X	X	X	X	X

Works Cited

Aggarwal, Vinod, and Shujiro Urata. Bilateral Trade Agreements in the Asia-Pacific: Origins, Evolution, and Implications. Routledge, 2013.

Dür, A., Baccini L., and Elsig M. 2014. The Design of International Trade Agreements: Introducing a New Dataset. The Review of International Organizations.

Bailey, Michael and Strezhnev, Anton and Voeten, Erik, Estimating Dynamic State Preferences from United Nations Voting Data (February 8, 2015). Bailey, Michael,

Strezhnev, Anton and Voeten, Erik., Estimating Dynamic State Preferences from United Nations Voting Data. Journal of Conflict Resolution (2015)

Bailey, Michael, Anton Strezhnev, and Erik Voeten. "Estimating dynamic state preferences from United Nations voting data."

Baldwin, Robert E. "The political economy of trade policy." *The Journal of Economic Perspectives* (1989): 119-135.

Bauer, Raymond Augustine, Ithiel de Sola Pool, and Lewis Anthony Dexter. "American business and public policy: The politics of foreign trade. With a new prologue." (1964).

Bergsten, Fred. "Globalizing free trade: the ascent of regionalism." *Foreign Affairs* 75, no. 3 (1996): 105-120.

Bhagwati, Jagdish N. "US trade policy: The infatuation with FTAs." (1995).

Bhagwati, Jagdish, David Greenaway, and Arvind Panagariya. "Trading preferentially: Theory and policy." *Economic Journal* (1998): 1128-1148.

Capling, Ann. "Preferential trade agreements as instruments of foreign policy: an Australia–Japan free trade agreement and its implications for the Asia Pacific region." *The Pacific Review* 21, no. 1 (2008): 27-43.

Ciofu, Sabina Maria and Nicolae Stefanuta. "TTIP, the Bullied Kid of Twitter." Georgetown Public Policy Review. McCourt School of Public Policy, 11 Jan. 2016. Web.

Chuan, Tan Song. "Challenges to multilaterism free trade agreements." *Asia Europe Journal* 2, no. 1 (2004): 121-132.

Cooper, Richard N. "Trade policy is foreign policy." *Foreign Policy* 9 (1972): 18-36.

Crawford, Jo-Ann, and Roberto V. Fiorentino. "The changing landscape of regional trade agreements." (2005).

Dennett, Tyler. Americans in eastern Asia: A critical study of the policy of the United States with reference to China, Japan and Korea in the 19th century. Macmillan, 1922.

Eisenman, Joshua. "China–Africa trade patterns: causes and consequences."Journal of Contemporary China 21, no. 77 (2012): 793-810.

Gilpin, Robert, and Jean M. Gilpin. The political economy of international relations. Vol. 8. Princeton: Princeton University Press, 1987.

Hayakawa, Kazunobu, Nobuaki Yamashita, and 山下直輝. "The role of Preferential Trade Agreements (PTAs) in facilitating global production networks." (2011).

Heydon, Kenneth, and Stephen Woolcock. "The Rise of Bilateralism: Comparing American, European and Asian approaches to preferential trade agreements." (2009).

Higgott, Richard. "US foreign policy and the 'securitization' of economic globalization." *International Politics* 41, no. 2 (2004): 147-175.

Jandhyala, Srividya, Witold J. Henisz, and Edward D. Mansfield. "Three waves of BITs: The global diffusion of foreign investment policy." *Journal of Conflict Resolution* (2011): 0022002711414373.

Krasner, Stephen D. "Defending the national interest: Raw materials investments and US foreign policy." (1978).

Krasner, Stephen D. "State power and the structure of international trade."*World Politics* 28, no. 03 (1976): 317-347.

Krugman, Paul R. "Increasing returns, monopolistic competition, and international trade." *Journal of international Economics* 9, no. 4 (1979): 469-479.

Krugman, Paul. "The uncomfortable truth about NAFTA: It's foreign policy, stupid." *Foreign Affairs* 72, no. 5 (1993): 13-19.

Mandelbaum, Michael. "Foreign policy as social work." *FOREIGN AFFAIRS-NEW YORK-* 75 (1996): 16-32.

Mansfield, Edward D., Helen V. Milner, and B. Peter Rosendorff. "Why democracies cooperate more: Electoral control and international trade agreements." *International Organization* 56, no. 03 (2002): 477-513.

Murray, Christine. "U.S. Trade Relationships Need an 'upgrade': Pritzker." Reuters. Thomson Reuters, 04 Feb. 2014. Web.

Niemann, Michael. "Diamonds are a state's best friend: Botswana's foreign policy in Southern Africa." *Africa Today* (1993): 27-47.

Renard, Mary-Françoise. "China's Trade and FDI in Africa." African Development Bank Group Working Paper Series 126 (2011).

Rosen, Howard. "Free trade agreements as foreign policy tools: The US-Israel and US-Jordan FTAs." *Free trade agreements: US strategies and priorities* (2004): 51-77.

Sahakyan, Davit. "TPA and Inherent Discrimination Drive US Regional Trade Agreements - Your Opinion - Atlantic Community." TPA and Inherent Discrimination Drive US Regional Trade Agreements - Your Opinion - Atlantic Community. July 21, 2015. Accessed September 18, 2015.

Sbragia, Alberta. "The EU, the US, and trade policy: competitive interdependence in the management of globalization." Journal of European Public Policy 17.3 (2010): 368-382.

Schott, Jeffrey J. "Assessing US FTA Policy." *Free trade agreements: US strategies and priorities* (2004): 376.

Schott, Jeffrey. "Free trade agreements: US strategies and priorities." (2004).

Simmons, Beth A., Frank Dobbin, and Geoffrey Garrett. "Introduction: The international diffusion of liberalism." International Organization 60, no. 04 (2006): 781-810.

Ungaro, Alessandro Riccardo. "Developments in and Obstacles to the US Pivot to Asia: What Alternatives for Europe?." (2012).

Voeten, Erik. "How Trade Affects US Elections?" Washington Post, May 13, 2015, Monkey Cage sec.