

**Aggressive Multilateralism:
The Determinants of GATT/WTO Dispute Initiation, 1948-1998**

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Abstract

Why do states initiate trade disputes under the General Agreement on Tariffs and Trade (GATT) or its successor, the World Trade Organization (WTO)? Existing studies suggest that democracies should either experience and litigate fewer trade conflicts or at least resolve them more cooperatively. Other works contend that improvements in the trade dispute settlement regime account for the rising number of trade complaints in recent years. This paper provides the first large-scale test of these hypotheses and others, using multivariate regression and exhaustive new data on dispute initiation within all GATT/WTO directed dyads from 1948 through 1998. The evidence contradicts prevailing explanations. It turns out that democracies participate in more, not fewer, GATT/WTO disputes, and they resolve those disputes less cooperatively as well. Moreover, changes in the dispute settlement regime have not had the predicted impact.

“Whoever speaks of dispute settlement in GATT must start from nearly nothing.”¹

1. Introduction

Thanks to the multilateral trading regime, freer trade is breaking out all over. Yet states are increasingly pursuing high-stakes trade conflicts in this forum to ensure their fair share of the gains. As Figure 1 illustrates, since 1988, more disputes (317) have been initiated under the General Agreement on Tariffs and Trade (GATT) and its successor, the World Trade Organization (WTO), than in the first 40 years of GATT’s existence combined (287). Many of these conflicts target hundreds of millions of dollars of potential annual trade. Some erupt into lasting trade wars; many more reach fully or partially liberalizing conclusions, but only after years of costly delay. What explains the explosive growth in what we might call “aggressive multilateralism”?² That is, why do states initiate trade disputes under GATT/WTO?

As the epigraph suggests, we know little about the political economy of GATT/WTO dispute resolution. However, recent studies of the “democratic peace” as applied to trade are suggestive. According to one variant, democracies should be *less* likely to experience and thus litigate trade disputes, either in general or specifically with other democracies. Another version of the theory, however, contends that pairs of democracies might be *more* likely to file GATT/WTO complaints, because doing so is consistent with the rule of law and democratic norms. A corollary of the latter argument is that the WTO’s increased legalism and procedural formalization should boost states’ willingness to raise trade conflicts in this forum.

I argue that both renditions of the democratic peace argument fail to explain the pattern of aggressive multilateralism. States initiate trade disputes as a response to increasing domestic political pressures for protection and for “fair trade” in export markets. Democracies should be *more* likely to initiate disputes, not because they prefer to follow international law, but because

they are necessarily more responsive to domestic pressures from both import-competing firms as well as exporters locked out of protected foreign markets. Democracies should also be more frequent targets, because they are more sensitive at the margin to pressures for objectionable trade policies in the first place, due to their disproportionate representation of producers over consumers. But these are single-country tendencies only: *pairs* of democracies should be no more or less disputatious than what one would predict based on the level of democracy in each separate state. Thus, counter to conventional wisdom, there should be no “democratic peace” in GATT/WTO trade disputes.

Furthermore, I contend that changes in the dispute settlement regime have, if anything, backfired. Like the GATT, the WTO still lacks enforcement power, and it has imposed many new transaction costs in dispute litigation, despite removing others. Hence we can expect it to be no more efficient in processing disputes, which should translate into little net effect on dispute initiation as well. The rise in aggressive multilateralism can thus be explained more by the *failure* of the dispute settlement regime than by its success.

To test these claims, I conduct the first large-scale, multivariate analysis of GATT/WTO dispute initiation. Using all GATT and WTO members from 1948 through 1998, I construct a database of (332,728 ordered) pairs of members and a comprehensive new list of 604 GATT and WTO disputes. The results are surprising. Specifically, democracies are significantly more likely to initiate disputes and to be targeted as well. Yet, remarkably, they are *less* likely to resolve these disputes cooperatively. These findings are consistent with my argument. Moreover, the probability of dispute initiation between any two countries has *not* risen over time, nor (except against developing countries) under the WTO regime, *ceteris paribus*. The growth in disputes is instead a function of the rise in GATT/WTO membership and increasing trade

dependence. Dispute initiation is also more likely (a) in retaliation for a prior dispute, (b) against states previously targeted by others, (c) between allies, (d) between recent opponents in a militarized interstate dispute (MID), and (e) between states lacking a preferential trade agreement (PTA).

Section 2 introduces GATT and WTO dispute procedures. Section 3 presents a number of competing hypotheses on trade dispute initiation and elaborates my argument. Section 4 describes the research design, section 5 characterizes the results, and section 6 considers some implications.

2. Dispute Settlement under GATT/WTO

The GATT agreement of 1947 did not specify dispute procedures, but a rather regularized system evolved. The typical dispute begins when a complainant state identifies objectionable trade practices of a defendant state. The complainant files notice with GATT and requests formal bilateral consultations with the defendant. If negotiations remain unproductive after a period of months if not years, the complainant may request the formation of a panel of experts to rule on the matter. The panel investigates and issues its ruling, usually within a year or so. The ruling is legally valid only after all GATT members formally adopt it. Key features of this procedure are that (a) defendants may settle at any time, (b) the decision to form a panel, the selection of panel members, and the final adoption of panel reports are all subject to unilateral veto by the defendant, and (c) the complainant state may of course retaliate unilaterally whenever it chooses, though without legal authority to do so unless the members unanimously approve such action *ex ante*.³ What is most important is that GATT and the WTO entirely lack enforcement power. Whether sanctions for noncompliance are implemented is up to individual

member states themselves (generally a costly proposition). The GATT and WTO are thus “courts without bailiffs.”

Over time this dispute settlement regime changed. For example, in the 1950s, 1966, and 1979, GATT formalized the process and wrote in special access for developing countries, changes which observers claim were rather inconsequential.⁴ In 1989, GATT established tighter norms on acceptable use of the unilateral veto, accelerated some procedures, and increased technical assistance for less developed countries interested in filing complaints.⁵ And, most significantly, the Uruguay Round created a wholly new regime, the WTO’s Dispute Settlement Understanding (DSU), which, starting in 1995, removed the unilateral veto on all aspects of dispute settlement, introduced a formal appellate procedure, and further tightened the timeframe for dispute action.⁶

3. Why States Initiate GATT/WTO Trade Disputes

This section identifies and critiques two potential explanations of dispute initiation, and it offers new hypotheses in their place.

3.1. Democracy, Domestic Pressures, and Trade Conflicts

A number of studies have suggested ways in which democracy might affect the propensity towards international cooperation. Gaubatz argues that democracies are more likely to cooperate (which in this context means freer trade policy) with other states due to their transparency, which minimizes fears of cheating.⁷ Verdier hypothesizes likewise, but for the reason that democracy empowers voters over business interests and thus pushes policy towards the national interest, greater free trade.⁸ Partial empirical support for the hypothesis that democracy makes a country cooperate more on economic issues is provided by Remmer.⁹ Simmons, however, finds that democracies in the interwar period were more likely to *raise* tariffs, not lower them.¹⁰

Empirically speaking, the jury is thus still out on the monadic effect of democracy on trade cooperation.

A larger number of works have proposed not that democracies cooperate more overall (i.e., monadically) but rather that they do so only with other democracies (dyadically). For instance, Mansfield, Milner, and Rosendorff contend that democratic dyads are more likely to conclude freer trade agreements than dyads of dissimilar regimes, because of the credible exit threats which democracies possess by virtue of their need for domestic ratification of agreements.¹¹ Dixon and Moon reason that any two nations with similar regimes types (democratic or not) should be more likely to trade more freely with each other, since such similarity reduces political conflict and increases familiarity with each other's business practices, hence facilitating exchange.¹² In keeping with these arguments, Bliss and Russett and Morrow, Siverson, and Tabares demonstrate empirically that pairs of democratic states trade significantly more than other dyads.¹³ However, Remmer and Mansfield and Bronson find that democratic dyads do *not* cooperate more (defining cooperation using treaty counts and trade flows, respectively).¹⁴ Definitive empirical conclusions about this dyadic hypothesis are thus unavailable at present.

These works speak more to trade flows than to trade policy or, further yet, dispute initiation. However, the inferences for disputes seem straightforward. By the logic of these studies, democracies, whether alone or in pairs, should experience less conflict over trade. If the monadic version is correct, democracies should initiate fewer disputes and be targeted by others less frequently as well. If the dyadic version is true, democracies should be less disputatious only with each other.

Dixon and Raymond make very different predictions.¹⁵ The idea is that democracies extend their domestic principles of "bounded competition" and the rule of law to international conflicts

with like regimes. Democratic dyads thus may experience just as many conflicts of interest, but they deal with them in very different ways, by disproportionately referring those disputes to conflict management institutions like those of the GATT/WTO.¹⁶ The outcomes of such referred disputes among democratic dyads are accordingly expected to be significantly more cooperative, a hypothesis empirically validated by Dixon but disconfirmed by Raymond.¹⁷

The literature has neglected features of democracies that would make them *more*, not less, susceptible to trade conflict. A distinguishing characteristic of democracy is its relative sensitivity to mobilized political pressure. For well-known reasons, such mobilization in trade politics occurs more among producers than consumers. Producers are more able both to articulate their common interests and to resolve the collective action problems of mobilizing because they constitute smaller groups, they have more at stake as individuals than consumers, and they tend to be more geographically concentrated. In addition, once mobilized, producers have better access to politicians in democracies through campaign finance and lobbying instruments.¹⁸ Democracy also disproportionately favors business because of business's preeminence in generating economic growth, a critical determinant of incumbents' electoral fortunes.¹⁹ Many consumers fail to exercise their main tool of influence, the vote. Even when they do vote, trade is more often than not low on the list of priorities guiding their decision, and politicians know this.²⁰ If anything, the electoral incentive may induce further bias, since imminent elections may cause politicians to buy greater support from producers.²¹

Admittedly, this argument is simplistic. Democracies vary widely in the extent to which they are open to interest group pressure, and authoritarian regimes are often dependent upon business elites.²² The point — the ultimate arbiter of which must be empirical tests — is just that democracies *overall* may be more beholden to such interests than non-democracies.

What are the implications of producer bias for trade disputes? The first concerns the tendency to initiate disputes. Both import-competing and export-dependent producers should support the initiation of disputes against partners maintaining interventionist trade measures (import restrictions or export promotion).²³ Export-dependent firms (or relatively abundant factors) gain if the partner frees up its home market or reduces export subsidies increasing competition in third-party markets. Import-competing firms (or relatively scarce factors) likewise benefit if the partner reduces export subsidies or trade barriers yielding economies of scale for the partner's firms. And import-competing firms of course profit if the partner fails to concede and the home country retaliates with protection of its own. If we assume, as argued above, that democracies respond more readily to demands from producers, then what follows is that

H1. Democracies are more likely to initiate trade disputes.

The targets of such disputes will be states that maintain more interventionist trade practices. Democracies, I argue, will disproportionately do so, again because they set policy more in line with producer preferences. It is well established, of course, that import-competing firms prefer protection. But export-dependent or multinational firms (i.e., "internationalized" ones) are often said to prefer freer trade, due to the tendency of protection to evoke retaliation and increase costs and competition abroad and at home.²⁴ However, retaliation cannot be assumed²⁵ and indeed has been extraordinarily infrequent in GATT/WTO disputes.²⁶ Moreover, internationalized firms may prefer subsidies even if they oppose import barriers; existing economic theory provides no justification for the assumption that they favor a *laissez-faire* policy.²⁷ Hence even export-dependent producers may well lobby for trade intervention, different from import barriers but just as noxious to foreign competitors. Democracies should be more likely to accede to these

twin pressures from import-competing and internationalized producers for some kind of interventionist trade-related policy. For these same reasons democracies may cheat on existing liberalizing commitments more frequently,²⁸ since removing protection or subsidies may be more politically difficult in such regimes. Even when a democracy has successfully removed trade barriers, it may be more likely than a non-democracy to publicly consider new ones (e.g., in the form of unfair trade investigations), even if it does not ultimately implement them, in response to producer pressure following economic downturns. Forestalling such investigations or proposed legislation has been the aim of many GATT/WTO disputes.²⁹ If democracies are more likely to maintain or impose interventionist trade policies, an admittedly controversial position, then

H2. Democracies are more likely to be targeted in trade disputes.

Outside of regime type, we can point to a number of other domestic factors that should increase a state's tendency to participate in trade disputes. In particular, higher trade levels can be expected to raise the salience of conflicts of interest on trade policy, increase the threat to import-competing firms, and boost the desire for a more level playing field abroad on the part of exporters.³⁰ Hence,

H3. Higher levels of bilateral trade raise a state's probability of initiating a dispute against its partner.

H4. Higher levels of bilateral trade raise a state's probability of being targeted in a dispute initiated by its partner.

3.2. *Dispute Settlement Regime Change*

A second perspective on the initiation of trade disputes concerns the evolution of the dispute settlement regime itself, especially the transition to the WTO. For instance, Sevilla's elegantly argued study maintains that the change to the WTO should increase the filing of complaints.³¹

The multiple opportunities for defendants to veto proceedings, in particular, made litigation under the old regime more costly and uncertain. Hudec, writing before the establishment of the WTO, similarly reasons that the probability of dispute initiation could be expected to rise following each one of the smaller regime improvements noted earlier, especially that in 1989.³² In addition, Sevilla contends that initiation of certain categories of disputes should be especially more likely under the WTO. In particular, small or less developed states should initiate more disputes under the WTO than under GATT, since such states are more deterred by high transaction costs per dispute, and since those costs have arguably decreased under the WTO.³³ As former WTO Director-General Ruggiero said, “many more of these cases are being brought [under the WTO] by developing countries, underlining their growing faith in the system.”³⁴

However sound the reasoning behind these arguments, the assumption that the WTO lowers transaction costs in disputes is problematic. The fundamentals have not changed. Just like GATT, the WTO has no autonomous enforcement: “while [states] can no longer block the adoption [of a panel report], they can decide not to implement it and dare smaller countries to retaliate.”³⁵ Use of the unilateral veto to prevent panel establishment outright was relatively rare under GATT anyway,³⁶ and the WTO retains the defendant’s delay option, if not the veto. The WTO erects a new array of auxiliary procedures between the issuance of an initial ruling and the ultimate legal disposition of a case. Such procedures include the possibility for appeal, a recommended 15-month grace period before compliance is expected, and then mandated negotiations potentially followed by arbitration over compensation if the defendant still fails to comply. The procedure thus adds up to *29 months* to the time the plaintiff must wait before retaliating for a defendant’s noncompliance, on top of what was required in the GATT system.³⁷

Further, WTO rules especially encourage the addition of third parties to complaints, thereby adding to the costs of transacting any one dispute. Article 15 of the DSU also adds a private report review stage which states have used frequently for selective leaks. The former WTO director repeatedly noted the problems introduced by this rule change: “The creation of... mis-impressions by selective leaks is highly undesirable because the mis-impressions are unlikely to be correctable later. Moreover, leaks reduce the likelihood of a mutually agreeable solution...”³⁸ The DSU does not allow for remand from the Appellate Body to the initial panel, and hence the capacity of the Appellate Body (with just 3-4 staff lawyers in addition to the 3 detailed judges) to process cases expeditiously may be heavily strained.³⁹ And the DSU explicitly states that “non-violation” cases of nullification or impairment of treaty obligations do not require the withdrawal of the offending measure.⁴⁰ Yet such cases under GATT could and often did result in rulings necessitating removal of the disputed policy.⁴¹ Finally, the WTO binds plaintiffs by strictly capping the quantities involved in potential retaliation and by ruling out retroactive compensation.⁴²

These facts lead me to adopt a very controversial view, namely, that the WTO dispute settlement system is designed more to tie the hands of complainants than to make compliance by defendants more likely.⁴³ GATT’s success, if any, was arguably due to the twin threats of definitive normative (not legal) condemnation of misbehavior and unilateral retaliation from complainants.⁴⁴ GATT’s normative mechanism was the panel ruling, regardless of a ruling’s subsequent formal authorization by the members. By adding numerous additional steps preceding the issuance of a final opinion by the WTO, by permitting defendants to drag cases out further, and by giving defendants powerful tools to gain WTO approval to avoid full compliance, as noted above, the WTO has diluted its ability to make a single-shot normative statement on the

issue. And it has many more provisions limiting retaliation by complainants. These are precisely the problems the European Union (EU) has exploited in dragging out its compliance with rulings on its banana import regime, for instance.⁴⁵ By raising new barriers to effective dispute resolution despite lowering old ones, the WTO can be expected to have little net impact on the overall probability of dispute initiation, at least compared to the post-1989 GATT system.

H5. Dispute initiation is not more likely overall under the WTO than under late-era GATT.

The rise in aggressive multilateralism is thus a function more of growing membership and increased trade dependence than of dispute settlement regime changes.

This perspective yields some additional hypotheses. In particular, even under the WTO, most less developed countries (LDCs) remain unable to mount WTO legal complaints,⁴⁶ which are by necessity extraordinarily complex. Given the accompanying 26,000 pages of new law,⁴⁷ the WTO has nominally increased technical assistance but in practice rules out such aid to all members who fail to pay dues, i.e., precisely those states who need it the most.⁴⁸ A revealing case is India, presumably one of the LDCs best prepared to prosecute WTO disputes, which still has no permanent trade representative's office and selects dispute negotiators on an ad hoc basis.⁴⁹ That the WTO has significantly increased the number and complexity of covered issues is validated by the comments of some observers who argue that even the WTO itself may lack the institutional capacity to process many more disputes at any one time.⁵⁰ Hence I hypothesize that

H6. LDCs are less likely to initiate disputes under the WTO than under GATT.

Most legal scholars infer the success of GATT/WTO from rising numbers of disputes.⁵¹ As one observer wrote, "The growing number of cases brought to the WTO...is seen as a sign of growing confidence among its 132 members that they can get justice from the [WTO dispute

procedures].”⁵² A straightforward inference from this claim is that past “successes,” defined in terms of extent of concessions by defendants in keeping with complainants’ demands, should increase the probability of the initiation of new disputes.

I disagree. Disputes are more likely to follow past *failures* rather than successes.⁵³ They are the “fire alarms” of a decentralized regulatory system. Because “the sheriff is asleep at the saloon,”⁵⁴ states seek enforcement of prior rulings by filing new complaints. For instance, four separate sets of complaints have been filed over the EU’s banana import regime, because it failed to comply with the spirit of three distinct GATT/WTO rulings.⁵⁵ Regardless of outcome, dispute initiation should experience positive, not negative, feedback, for two reasons. First, states use the GATT/WTO system as a bargaining chip. Just as in the domestic civil litigation context, defendants can be expected to file countersuits. For example, in 1988 the US initiated a case against Canada’s ice cream and yogurt restrictions, and Canada retaliated by filing a complaint of its own on the US’s parallel policy.⁵⁶ Thus I hypothesize that

H7. A country targeted by its partner will be more likely to initiate a new dispute against that partner.

Second, disputes encourage further disputes because of fears of trade diversion.⁵⁷ For instance, the United States initiated a case against Korea’s beef import quota in 1988. Australia and New Zealand were concerned that Korea would leave its global import quota the same and simply raise the US share. To force Korea to raise their quota rights in addition to those of the US, they filed their own complaints. For the same reason, New Zealand and the US joined Chile’s initial complaint in 1988 against the EU’s restrictions on apple imports.⁵⁸ States bandwagon against defendants to prevent discriminatory settlements. Hence I predict that

H8. A country will be more likely to initiate a dispute against its partner the more that partner is targeted in disputes raised by other states.

4. Research Design

This paper tests its (enumerated) hypotheses against competing arguments quantitatively, using a comprehensive list of GATT/WTO members and disputes from January 1, 1948 through December 31, 1998. The main analysis involves multivariate regressions of dispute initiation, but I estimate an auxiliary model of dispute *outcomes* to assess alternative interpretations of the initiation results.

4.1. Unit of Observation

The database consists of all directed dyad years among GATT/WTO members.⁵⁹ That is, it includes all permutations of country *i* (the potential initiator) and country *j* (defendant) in year *t*. A country is counted for a given year if it was a member at any point during that year. Because EU members have negotiated as a unit on most external trade disputes since 1958,⁶⁰ the EU is included as a member as well (in addition to its constituent states, although intra-EU dyads of members or the EU itself are deleted). The result is a database of 332,728 directed dyad years.⁶¹

4.2. Dispute Initiation and Outcome

I construct an exhaustive new list of all (604) trade disputes filed under GATT or the WTO, from their inception through the end of 1998. The unit is a dyadic dispute.⁶² A “dispute” is a complaint officially filed under GATT/WTO by one member state against another, concerning a trade practice identified as objectionable by the complainant. (See appendix for data sources.) All disputatious (by the above definition) Article 22 consultations and all Article 23 cases are counted.⁶³ The dummy variable $Dispute_{ijt}$ equals 1 if state *i* initiated at least one such complaint

against state j in year t (0 otherwise). *Dispute* is 1 in 501 (0.15 percent) of the 332,728 directed dyad years.⁶⁴

Certain alternative explanations of the initiation results can only be falsified by examining dispute outcomes as well. Accordingly, I code disputes as ending with negligible, partial, or full trade concessions, in line with the complainant's initial demands, following Hudec's coding of each case.⁶⁵ The variable *Concessions* equals 1 if no liberalization occurred, 2 if partial relaxation of the disputed policy was implemented, and 3 for full concessions.⁶⁶ (See appendix.)

4.3. *Explanatory Variables*

Democracy. Each state's *Democracy* value is its Polity 98⁶⁷ democracy minus autocracy level, consistent with standard practice. The variable *Joint Democracy* is coded as the minimum *Democracy* value in the dyad.⁶⁸

Dispute Settlement Regime. The dummy variables *WTO* and *GATT1989* are 1 inclusively for all years [1995,1998] and [1989,1993], respectively, reflecting the dispute settlement regimes in place in those periods; 0 otherwise.⁶⁹ 20.2 percent of the observations occur under the WTO.

Countersuit. This variable is 1 if the defendant in the current directed dyad initiated a dispute against the complainant side in the previous year; 0 otherwise.

Bandwagon. This variable counts the number of disputes initiated the previous year by all states against the current observation's defendant.

Alliance. A number of studies have demonstrated that allies trade more,⁷⁰ although some recent works have questioned the robustness of this relationship.⁷¹ Controlling for trade levels, allies should participate in fewer trade disputes. Accordingly, I include the variable *Alliance*, coded as 1 for each pair of states having an alliance of any type; 0 otherwise.⁷² 11.6 percent of the observations exhibit an alliance.

MID. If trade follows the flag,⁷³ then enemies should experience more trade disputes, again controlling for trade levels. I address this dynamic by including the variable *MID*, defined as 1 if the pair of states were participants in opposite sides of any militarized interstate dispute (new or ongoing) in that year; 0 otherwise.⁷⁴ Just 3192 cases (1.4 percent) had MID's in the prior year.⁷⁵

LDCs. Each state is coded as a less developed country (i.e., *LDC* equals one; 0 otherwise) if it has officially identified itself as such to GATT/WTO.⁷⁶ LDCs may be less likely to initiate disputes since they are less involved in the GATT system.⁷⁷ They may also be less frequent targets, since larger states have been willing to exclude LDCs from many of GATT's more politically costly provisions.⁷⁸ In addition, I interact *LDC* with *WTO* for both complainant and defendant states in order to test predictions about the conditional effect of changes in the regime. 69.8 percent of the observations have an LDC on the plaintiff side (same for defendant side).

GDP Ratio. *GDP Ratio* is the complainant state's gross domestic product (GDP) over the sum of the two state's GDPs, both expressed in current United States dollars. On one hand, larger states may be more desirable targets from the standpoint of market opportunities.⁷⁹ On the other, larger states may concede less than smaller ones, due to asymmetries in dependence and power, so states should be more likely to initiate when *GDP Ratio* is in their favor.⁸⁰ Probably due to this contradiction, evidence regarding this variable's effects is mostly null.⁸¹

Trade Dependence. *Trade Dependence* for each country is the sum of imports from and exports to the partner country, divided by gross domestic product (GDP), all measured using current US dollars.

Trade Surplus. *Trade Surplus* is a state's exports to the world minus imports from the world, all divided by GDP, expressed in current US dollars. Trade deficits are associated with decreased competitiveness and hence should cause domestic pressures for protection and dispute

initiation.⁸² A state's overall surplus, likewise, may be an indicator of protectionism (or devaluation) and should accordingly increase the likelihood of being targeted.⁸³

Year. *Year* is included to capture any secular trend in the probability of dispute initiation.

EU. Whether a state is a member of the EU is indicated by *EU* (1 if so, 0 otherwise). This variable is included as a control and is expected to yield a negative coefficient both for complainants and targets.⁸⁴ EU members generally initiate their complaints versus outsiders through the EU rather than singly, and because the EU directs external trade policy, disputes from outsiders are mostly raised against the EU as a whole. 10.4 percent of the observations have an EU member state on the plaintiff side (same for defendant side).

PTA. The dummy *PTA* is 1 if the dyad are members of a (reciprocal) preferential trade agreement (PTA), including free trade agreements (FTAs) and customs unions (CUs), counting all those formally notified to GATT/WTO;⁸⁵ 0 otherwise. PTA members face lower bilateral trade barriers and often have access to proprietary dispute resolution mechanisms. Hence pairs of states belonging to a shared PTA should initiate GATT/WTO disputes against each other less frequently. 7.2 percent of the observations occur between PTA members.

Past Concessions. The variable *Concessions*, discussed above, is averaged across all disputes initiated in a given year, and then lagged three years, to yield *Past Concessions*, which aims to capture the level of overall success associated with the GATT dispute process over time. If the legal literature described above is correct, *Past Concessions* should increase the probability of dispute initiation in the present. This variable is missing in one third of the observations, so it is used only for sensitivity testing.

4.4. *Statistical Models*

The paper estimates three different models with dispute initiation as the dependent variable. Data on all variables are not available for the entire population. Model I includes as regressors the national security and democracy variables in addition to the trade flow and GDP indicators, but it is accordingly limited to years before 1994, dropping 55 percent of the cases, including all those from the WTO period. Hence, rather than draw inferences purely from model I, biased as they may be due to listwise deletion, I remove sets of regressors limiting the sample. Model II drops the national security variables, thereby utilizing 58 percent of the population, including enough WTO-era observations to merit the inclusion of the dispute settlement regime variables. Model III drops the democracy and economic regressors in order to examine the effect of the dispute settlement regime variables on the entire population of cases. We can expect significant autocorrelation in dispute initiation, so I estimate all three models using a probit generalized estimating equation (GEE) with first-order autocorrelation (AR1).⁸⁶ I also estimate a follow-up ordered probit model of the outcomes of a limited set of disputes with model I's set of regressors, using disputes themselves as the unit of observation.

All variables except *GATT1989*, *WTO*, *EU1*, *EU2*, *LDC1*, and *LDC2* are lagged by one year. Descriptive statistics are listed in Table 1.

5. Results

The results strongly support my hypotheses and disconfirm the competing arguments.⁸⁷ Estimates of the three initiation models are shown in Table 2.⁸⁸ Overall, the models fit the data adequately.⁸⁹ Collinearity does not pose problems.⁹⁰

First consider the effect of democracy. The findings in models I and II are quite striking, especially since they control for relative size (*GDP Ratio*) and trade dependence, among other things. The more democratic a state, the more it will initiate disputes, and the more it will be

targeted, regardless of its partner's regime type. This is a monadic property, so the effect on dispute initiation cumulates if both states are democratic. However, the cumulative effect is attenuated to the extent that, *controlling for monadic characteristics*, pairs of democracies are significantly less likely to participate in disputes in model I (but not in II).⁹¹ These net results hold if we substitute alternative dyadic terms for *Joint Democracy*, such as the absolute value of the initiator's *Democracy* minus the defendant's, or the product of the two *Democracy* values.⁹² The findings also survive if we remove from models I and II all dyads including Japan, the EU, and the US on either side, so they are not an artifact of unique features of the economic great powers. Note that democracy's substantive impact is extraordinarily high (higher than all but one other variable in model I, in fact). Specifically, holding all other variables at their sample means in model I, if the potential defendant state has the minimum *Democracy* value (-10) and the other moves from the minimum to the maximum (10), the probability of dispute initiation increases by a factor of 5.8 million.⁹³ If then we move the defendant's *Democracy* value to 10 from -10, dispute initiation becomes 6.5 times even more likely. Any dyadic effect is thus small relative to the strong monadic tendency of democracy to increase dispute participation. This finding supports my hypothesis and contradicts the competitors.

Of course, democracies may participate in a legal dispute settlement system like GATT's more frequently precisely because they are able to use it to conclude their disputes more cooperatively.⁹⁴ However, GATT evidence casts doubt on this interpretation. As Table 3 indicates, disputes involving a democracy as either plaintiff or defendant are significantly *less* likely to end cooperatively (again with little cumulative effect, since *Joint Democracy's* coefficient is negative), even controlling for alternative predictors of dispute outcomes.⁹⁵

Next consider the role of trade dependence. Consistent with my hypotheses, a state is more likely to initiate disputes and to be targeted as well when a high proportion of its GDP derives from imports and exports with its partner. This is true even when one factors in the role of relative GDP size and LDC status. As it goes from its minimum to maximum sample value, bilateral trade dependence can increase the probability of initiation (or being targeted) by up to 3066 (4720) times in model II, holding other variables at their means.

What about the impact of changes in the dispute settlement regime? Coefficients for *GATT1989* and *WTO* are positive and significant. Compared to the earlier regime, the post-1989 GATT system increases the probability of dispute initiation by a factor of 3.3 in model III, controlling for other variables. For pairs of developed countries, the WTO, however, has not made initiation more likely than under the post-1989 GATT rules: a Wald test reveals no significant difference between the coefficients of these two dummy variables.⁹⁶ This upholds my argument. Quite surprisingly, there has been no explosive growth in disputatiousness in the developed world under the WTO. Compared to the post-1989 GATT system, however, the WTO has raised the probability that disputes will be filed *against* LDCs by up to 4.7 times in Model III, while *lowering* the prospects for initiation by LDCs by as much as a third.⁹⁷ The latter is consistent with my hypothesis and inconsistent with the conventional wisdom. Far from becoming more avid users of the system, LDCs are instead increasingly locked out of it, while simultaneously subjected to ever-growing litigation from other states.

There are a number of other interesting results. Just as I predicted, *Countersuit* and *Bandwagon* significantly raise the likelihood of initiation in all three models. Being targeted by a partner in the previous year increases a state's chances of filing a new dispute against that partner by up to 55 times (in model III, holding other variables constant). A dispute filed against

a state multiplies the probability of *each partner* targeting that state the next year by up to 1.3. Also, if we add the variable *Past Concessions* to the initiation models, it *decreases* the likelihood of dispute initiation.⁹⁸ And, if we look at the entire population (in model III), if anything, the secular trend is *negative*. Thus, not only has there *not* been an increase in disputatiousness over time or under the WTO (except against LDC targets), the failure of past disputes to end with concessions actually makes new complaints more, not less, likely. These two points contradict the optimistic interpretation of Hudec, Jackson, and others of the overall growth in numbers of disputes.

Model I shows that the dictates of national security influence the emergence of trade conflicts, though not exactly as the literature would predict. A prior militarized conflict increases the probability of initiation of a GATT/WTO complaint by up to 4.7 times. However, a state is 8.5 times more likely to file a dispute against an ally than a non-allied partner. Thus both allies *and* enemies experience more trade conflicts, compared to neutral parties.⁹⁹ This is not because allies or MID rivals are more likely to cooperate once the dispute is filed; Table 3 shows that both have an insignificant effect on the probability of concessions in the set of initiated disputes.

Surprisingly, relative state size (*GDP Ratio*) has no significant impact on the probability of dispute initiation (though Table 3 reveals that larger states are able to induce more concessions from smaller defendants). The larger a state's global trade surplus, the more likely it is to be targeted, consistent with prior studies.¹⁰⁰ However, states with larger global surpluses tend to initiate more disputes themselves, which does not mesh with the common view that trade deficits increase political pressures for "fair" trade. As expected, LDCs and EU members (but not the EU itself) are significantly less likely to file GATT/WTO complaints and to be targeted as well.

And PTA members are about 7 times less likely (in Model III) to participate in disputes with each other, compared to pairs not sharing a PTA.

6. Implications

What do these results say about the links between democracy, dispute settlement regime change, and “aggressive multilateralism”?

6.1. *Democracies Are More Disputatious*

The evidence is consistent with my argument that democracies are more subject to producer pressure than non-democracies. Seeking support from domestic import-competing and export-dependent producers, a democracy is more likely to push for “fair” trade and a level playing field abroad by filing complaints with GATT/WTO. Democracies may also be more susceptible at the margin to domestic pressures for interventionist trade policy at home, perhaps even maintaining greater *absolute* levels of protection or subsidies in some cases, compared to non-democracies. This would explain why democracies are targeted more in trade disputes.

My results thus disconfirm many extant propositions about democracies and trade. Democracies are not more peaceful overall when it comes to GATT/WTO trade disputes. And pairs of democracies, in particular, do not experience fewer such conflicts, or resolve those conflicts more cooperatively, than mixed or non-democratic pairs. Moreover, increased disputatiousness is not an artifact of higher bilateral trade dependence among democracies, since we have controlled for that variable.¹⁰¹ Nor is it attributable to greater *overall* exposure to trade in democracies: if we add a measure of each states’ openness to imports and exports as a percentage of GDP,¹⁰² the monadic democracy terms remain positive and significant in models I and II.¹⁰³ Naturally, the phenomenon at issue—GATT/WTO disputes—is distinct from the broader question of trade cooperation. But my results do seem to undermine the view, for

instance, that democracies trade more because economic actors within them fear fewer political disruptions of exchange.¹⁰⁴ These disputes, after all, are much more closely tied to the calculations of market actors than are foreign policy conflicts on remoter issues.

A special variant of the democratic peace proposition suggests that democratic dyads should be *more* likely to participate in GATT/WTO complaints, because they prefer to abide by legal rules and thus are more able to resolve their conflicts peacefully.¹⁰⁵ This interpretation turns out to be wrong in the GATT/WTO case, for two reasons. First, democratic dyads are significantly *less* likely to conclude their disputes cooperatively, i.e., with trade concessions, than non-democratic dyads, which is consistent with Raymond's evidence from non-trade conflicts.¹⁰⁶ Second, regardless of their outcomes, complaints are much less likely between two democracies than we would expect if we summed the individual *Democracy* effects, due to the negative impact of *Joint Democracy*. Yet Dixon would expect *Joint Democracy* to have a positive coefficient: norms of "bounded competition," and hence the use of an adjudication mechanism like GATT's, should only hold in democratic *dyads*. The evidence reveals instead that the dyadic tendency of democracies is to diminish, not increase, the probability of initiation which would otherwise occur. Thus, Dixon's hypothesis that the shared norms of democracies increase the chances of using a forum like GATT/WTO is falsified in this context.

Other alternative interpretations of these democracy results are worth considering. For instance, if democracies disproportionately use non-tariff barriers (NTBs) over tariffs, and if GATT/WTO complaints are more likely over NTBs than tariffs, then democracy's effect might be due to its role as a proxy for policy instrument rather than producer pressure. However, this interpretation is easily rejected, since, if anything, GATT law was stronger with respect to tariffs than NTBs, and prior statistical analysis demonstrates that GATT disputes over NTBs were no

more likely to end with concessions than those over tariffs.¹⁰⁷ One could similarly argue that democratic dyads are more likely to engage in intra-industry rather than complementary trade, and that the former generates greater competitive pressure on domestic producers. But the models control for level of development, a frequent proxy for intra-industry trade.¹⁰⁸ And, if we add controls to model I for the percentage of high-technology goods and services in each country's total exports¹⁰⁹—an even better proxy—the monadic democracy variables retain their signs and significance. In any case, intra-industry trade empirically *lessens* rather than increases protectionist pressures.¹¹⁰ Thus, if anything, the possibility that democracies engage in more intra-industry trade intensifies the salience of the positive result for democracies. Producer pressure remains the best explanation for the finding that democracies participate more frequently in these trade conflicts.

6.2. *Flaws in the WTO Dispute Settlement Regime*

My results contrast sharply with the legal literature regarding the merits of the WTO's dispute settlement system, especially as compared to GATT's. The facts are as follows:

- The WTO has not made dispute initiation more likely among developed members, compared to the immediately previous system under GATT.
- Past successes of the system in eliciting concessions from defendants do not make new complaints more likely; rather, past *failures* do.
- Complaints beget complaints, regardless of outcome. States use the GATT/WTO like any other litigation system, filing countersuits and bandwagoning against defendants to prevent discriminatory settlements with the initial plaintiff.

- Far from lowering the bar for LDCs, the WTO has increased it, relative to the post-1989 GATT rules. LDCs are less likely to initiate disputes than before, yet they are the target of an increasing number of complaints.

These facts are consistent with my controversial interpretation of the WTO. The Dispute Settlement Understanding has not changed the key characteristic of the system, its lack of enforcement power. Moreover, although it has removed a defendant's veto over various stages of GATT action, it has also imposed an array of new obstacles to the rapid and definitive legal processing of a complaint. GATT, in contrast, was at least able to issue a reasonably speedy and unassailable normative condemnation of the defendant (in the form of a panel ruling), even if that judgment was not always given legal force (because of the threat of a veto). The DSU is just as concerned with "defendants' rights" as with those of the plaintiff: e.g., it restricts further the legitimacy of unilateral retaliation by complainants. But a system that lacks enforcement power can only induce compliance by combining the (admittedly small) value of normative condemnation with the threat of retaliation by plaintiffs.¹¹¹ This explains why the 1989 GATT reforms induced more conflicts than the prior regime, even though the WTO has not (except against LDCs). The 1989 rules failed to remove the veto, but they accelerated proceedings and clarified norms guiding the use of the system. Pescatore was right to say,

Though I hope fervently that the Uruguay Round will end in success, as a lawyer I would say that even if it ended in a stalemate this would be no catastrophe for dispute settlement, if only the *status quo* attained at mid-term [the 1989 change] is maintained.¹¹²

In many ways, then, the WTO constitutes a lateral if not a backwards step in trade dispute settlement.

WTO proponents argue that the explosive growth in disputes reflects "enhanced effectiveness" or "growing confidence" in the WTO system. Even without the statistical

evidence provided in this paper, we should be suspicious of such claims for a number of reasons. First, increasing litigation in domestic civil courts is almost always seen as costly and inefficient as compared to settlement out of court;¹¹³ why should trade litigation be different? Second, GATT disputes involve a conflict of interest by definition, i.e., a policy preferred by the defendant but opposed by the complainant. In the vast majority of cases, the offending measure is inconsistent with GATT. We know this is true since the court's bias is heavily to the plaintiff in adjudicated cases, and cases settled *before* rulings are issued exhibit significantly more concessions by the defendant, which probably reflects even clearer legal violations.¹¹⁴ Thus disputes are a rough indicator of underlying levels of cheating. Third, the majority of disputes, like the banana cases, end with no or partial concessions, even after rulings against the defendant.¹¹⁵ Many disputes which *are* settled cooperatively go through very conflictual stages and involve long, costly delays.¹¹⁶ Others are refiled years later due to the failure of the defendant to implement the initial agreement. Fourth, the initiation of a GATT/WTO dispute has non-negligible inherent costs, regardless of ultimate outcome. These include immediate negative trade effects¹¹⁷ and transaction costs of litigation, such as the precious time of understaffed trade negotiators.¹¹⁸ Intrinsically, then, "aggressive multilateralism" denotes as much conflict as it does cooperation. We should not infer that the dispute settlement regime is robust merely on the basis of growing numbers of complaints.

The paper's evidence supports this claim. In fact, there has been no increase in individual states' propensity to file disputes over time. Complaints arise today disproportionately because of the failure of the dispute settlement regime to facilitate successful resolution of previous complaints. LDCs do not use the system more frequently now. Indeed, they do so less, probably because of the higher transaction costs they face in managing extremely complex and time-

consuming litigation.¹¹⁹ Ironically, because disputes are in large part a function of trade dependence, my results suggest that the WTO, perhaps the most liberalizing agreement in history, may soon face the distressing possibility of being overwhelmed by a flood of disputes it has indirectly created. The point of course is not simply to critique the WTO, but rather to highlight those reforms which have not worked as expected, with the hope that future research may point to more effective modifications.

7. Conclusion

This paper began with a puzzle: what explains the dramatic growth in “aggressive multilateralism”? Empirical analysis provides an answer to that question. Increasing dependence on foreign trade raises the stakes in leveling the playing field, which motivates states to lodge disputes against their partners. Rising levels of democracy make states more vulnerable to domestic pressures for “fair” trade, expressed as trade complaints. And positive feedback in disputatiousness, in the form of countersuits and bandwagoning against defendants, adds to the dynamic. These are the explanations for the explosive increase in GATT/WTO disputes. The WTO dispute settlement regime itself is probably not responsible for the increase, in contrast to the claims of its public advocates. Moreover, controlling for such factors, individual states have *not* actually become more likely to initiate trade conflicts over time. Rather, as Figure 1 suggests, holding constant trade dependence and other factors, we should expect larger number of complaints merely by virtue of the ballooning membership of GATT/WTO.

The paper also aims to contribute to the separate literature on the democratic peace by identifying at least one issue-area, trade, on which democracies may have greater tendencies to conflict than non-democracies. No existing explanation of democratic behavior gets the GATT disputes picture correct: democracies use the system more, but they resolve their disputes much

less cooperatively. I thus infer that democracies are especially susceptible to pressure from interests that benefit from provoking trade conflicts. In this respect, GATT/WTO disputes may share some of the same causes as, e.g., section 301 complaints and antidumping or countervailing duty actions, or other kinds of policies, like inflationary spending in the political business cycle or diversionary military adventurism.

Of course, we still have much to learn about the causes (and outcomes) of GATT/WTO trade disputes. For instance, this paper could not speak to the question of why a country would file a complaint with GATT/WTO as opposed to conducting negotiations bilaterally, because large-scale data is not yet available on cases not filed under GATT/WTO. Definitive analysis of the rationale for initiating complaints requires case-level data on factors such as legal merits, stakes, the kind of trade measure opposed, etc. This paper also lacks information on characteristics that vary *within* democracies (as opposed to the larger distinction of regime type), such as the timing of elections, electoral rules, parliamentarism or presidentialism, extent of divided government, and so forth. Such institutions mediate the exposure of leaders to particularistic domestic pressures and thus should condition democracy's effect on dispute initiation. Finally, the paper's results raise unanswered questions about the relationship between the filing of disputes and their outcomes. To what extent do states factor in likely outcomes when they initiate trade conflicts? Answers to these and other questions must await future research.

Appendix: Data Sources

Disputes

The list of cases was drawn from a variety of sources.¹²⁰ A complaint is distinct from a related complaint if it is separately filed and reported as such by GATT/WTO. There are two exceptions to this rule: (a) an Article 23 filing that follows an identical Article 22 case, with the same plaintiff and defendant, within 12 months, is counted as the same “complaint,” since the Article 23 action reflects the natural progression of a single dispute; and (b) two or more identical Article 22 cases filed in any 12-month period are counted as a single case for the same reason. The outcome variable, *Concessions*, is measured following Hudec,¹²¹ supplemented with information from issues of *GATT Activities* and *GATT Focus*, with reference to the policies in place the day each dispute was filed.

Explanatory Variables

GDP data are from the following sources, in order of preference: (a) World Bank; (b) Organization for Economic Cooperation and Development (OECD)’s official records, as provided in machine-readable form through the electronic service Datastream; (c) International Monetary Fund (IMF); (d) United Nations.¹²² If GDP in current US\$ was not available, GDP in national currency units was used and converted using the annual average market exchange rate from the same data source.

Imports and exports in current US\$ are obtained from the International Monetary Fund.¹²³ These data are directed, i.e., they reflect the potential complainant state’s records rather than those of the potential defendant. When data going one direction was missing but data going the opposite direction was not, I filled in missing values by multiplying the other side’s bilateral exports by 1.1 and dividing the other side’s bilateral imports by 1.1, following standard IMF

practice.¹²⁴ Since Belgium and Luxembourg's trade data are aggregated by the IMF, for the purposes of *Trade Dependence* and *Trade Surplus* those two countries' values are identical (and the denominator is the sum of their GDPs).

The European Union requires special treatment for a number of the variables. The EU's *Democracy* is the maximum of its members' *Democracy*. For *GDP Ratio*, *Trade Dependence*, and *Trade Surplus*, GDP figures used are the sum of the EU members' GDPs, and imports and exports are the sum of the EU members' imports and exports with the relevant external partner (intra-EU trade is not counted). *Alliance* and *MID* are 1 if at least one EU member had an alliance or MID with the partner country. The EU's *LDC* value is zero.

Table 1. Descriptive Statistics

	Model I		Model III	
<i>Dispute_{ijt}</i>	0.0023±0.047	0–1	0.0015±0.039	0–1
<i>Bandwagon_{j,t-1}</i>	0.165±0.872	0–18	0.150±0.913	0–19
<i>Countersuit_{ji,t-1}</i>	0.002±0.046	0–1	0.001±0.038	0–1
<i>Democracy_{i,t-1}</i>	2.88±7.73	-10–10	—	—
<i>Democracy_{j,t-1}</i>	2.88±7.73	-10–10	—	—
<i>Joint Democracy_{ij,t-1}</i>	-1.36±7.35	-10–10	—	—
<i>GATT1989_t</i>	—	—	0.162±0.369	0–1
<i>WTO_t</i>	—	—	0.202±0.402	0–1
<i>WTO_t*LDC_i</i>	—	—	0.153±0.360	0–1
<i>WTO_t*LDC_j</i>	—	—	0.153±0.360	0–1
<i>Alliance_{ij,t-1}</i>	0.135±0.341	0–1	—	—
<i>MID_{ij,t-1}</i>	0.010±0.098	0–1	—	—
<i>GDP Ratio_{ij,t-1}</i>	0.5±0.38	~0–~1	—	—
<i>Trade Dependence_{ij,t-1}</i>	0.009±0.036	0–3.46	—	—
<i>Trade Dependence_{ji,t-1}</i>	0.010±0.038	0–3.03	—	—
<i>Trade Surplus_{i,t-1}</i>	-0.034±0.102	-2.5–0.67	—	—
<i>Trade Surplus_{j,t-1}</i>	-0.034±0.102	-2.5–0.67	—	—
<i>EU_{it}</i>	0.147±0.354	0–1	0.104±0.306	0–1
<i>EU_{jt}</i>	0.147±0.354	0–1	0.104±0.306	0–1
<i>PTA_{ij,t-1}</i>	0.102±0.303	0–1	0.072±0.258	0–1
<i>LDC_{it}</i>	0.589±0.492	0–1	0.698±0.459	0–1
<i>LDC_{jt}</i>	0.589±0.492	0–1	0.698±0.459	0–1
<i>Year_t</i>	1979.4±9.96	1949–1993	1982.9±11.92	1948–1998
No. of observations	149,894		332,418	

Table 2. Three GEE AR(1) Probit Models of GATT/WTO Dispute Initiation, 1948-1998

$\text{Pr ob}(Dispute_{ijt} = 1)$	Model I	Model II	Model III
Constant	-17.749** (5.610)	-3.398 (5.816)	7.161 (5.886)
<i>Bandwagon</i> _{<i>j,t-1</i>}	0.085** (0.008)	0.057** (0.007)	0.073** (0.006)
<i>Countersuit</i> _{<i>ji,t-1</i>}	1.009** (0.099)	1.072** (0.109)	1.252** (0.121)
<i>Democracy</i> _{<i>i,t-1</i>}	0.155** (0.054)	0.065* (0.029)	—
<i>Democracy</i> _{<i>j,t-1</i>}	0.146** (0.055)	0.065* (0.029)	—
<i>Joint Democracy</i> _{<i>ij,t-1</i>}	-0.120* (0.055)	-0.027 (0.030)	—
<i>GATT1989</i> _{<i>i</i>}	—	0.200** (0.064)	0.325** (0.062)
<i>WTO</i> _{<i>i</i>}	—	0.289** (0.101)	0.484** (0.099)
<i>WTO</i> _{<i>i</i>} * <i>LDC</i> _{<i>i</i>}	—	-0.249** (0.095)	-0.260** (0.086)
<i>WTO</i> _{<i>i</i>} * <i>LDC</i> _{<i>j</i>}	—	0.425** (0.105)	0.318** (0.090)
<i>Alliance</i> _{<i>ij,t-1</i>}	0.548** (0.081)	—	—
<i>MID</i> _{<i>ij,t-1</i>}	0.396** (0.116)	—	—

(continued)

(continued)

	Model I	Model II	Model III
<i>GDP Ratio</i> _{ij,t-1}	0.054 (0.105)	0.108 (0.090)	—
<i>Trade Dependence</i> _{ij,t-1}	0.926* (0.369)	1.022** (0.230)	—
<i>Trade Dependence</i> _{ji,t-1}	1.545** (0.260)	1.108** (0.353)	—
<i>Trade Surplus</i> _{i,t-1}	0.434 (0.401)	0.408** (0.132)	—
<i>Trade Surplus</i> _{j,t-1}	1.191** (0.291)	0.592** (0.091)	—
<i>EU</i> _{it}	-0.997** (0.158)	-1.098** (0.137)	-1.048** (0.139)
<i>EU</i> _{jt}	-0.382** (0.080)	-0.418** (0.079)	-0.346** (0.077)
<i>PTA</i> _{ij,t-1}	-0.844** (0.134)	-0.650** (0.110)	-0.480** (0.108)
<i>LDC</i> _{it}	-0.203* (0.080)	-0.360** (0.071)	-0.668** (0.066)
<i>LDC</i> _{jt}	-0.756** (0.101)	-0.858** (0.093)	-1.000** (0.078)
<i>Year</i> _t	0.007* (0.003)	0.0001 (0.003)	-0.005 (0.003)
No. of observations	149,894	192,628	332,418
Model χ^2	(18) 665.23**	(20) 665.91**	(12) 801.19**

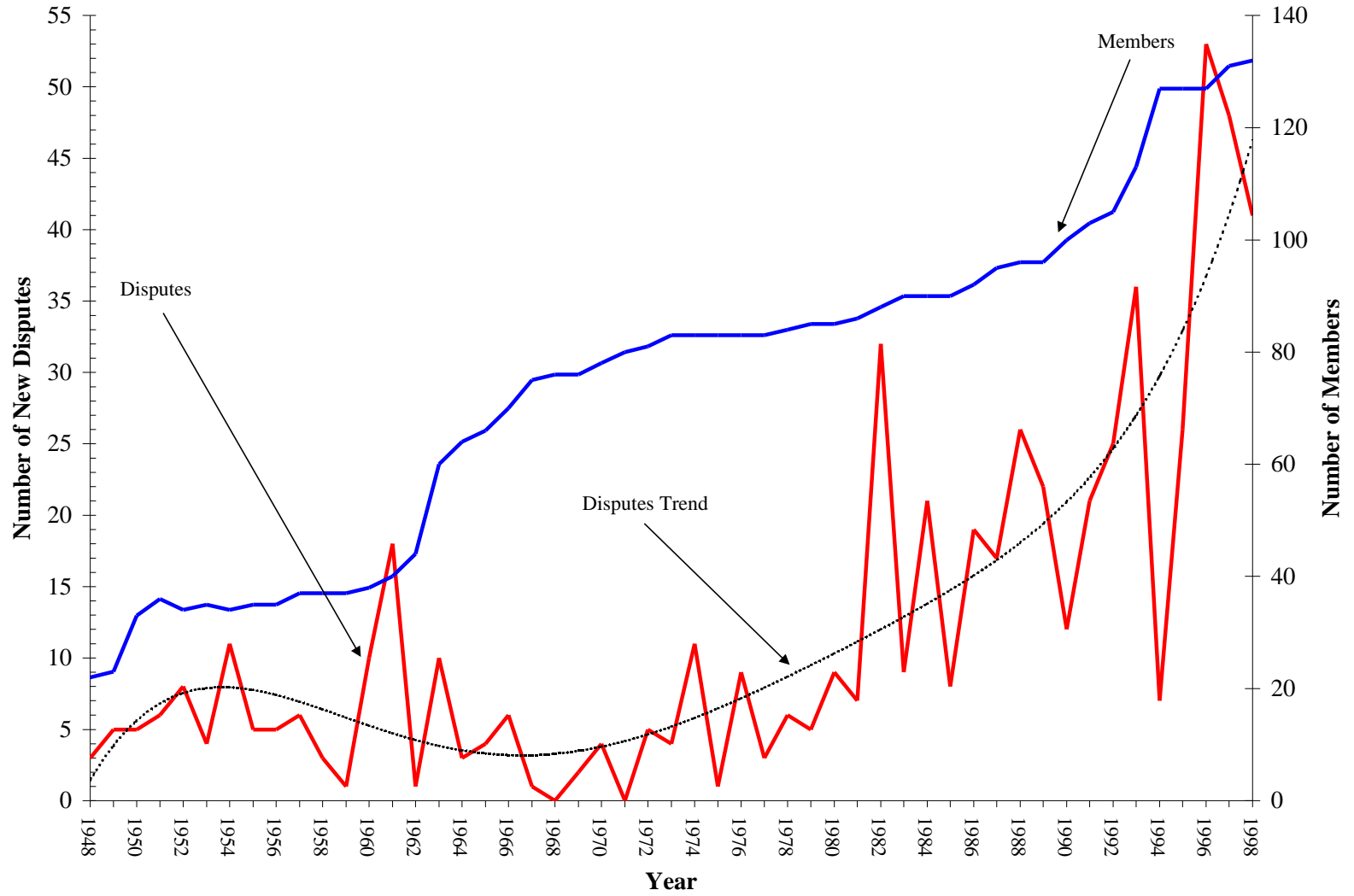
* 2-tailed $p < 0.05$, ** $p < 0.01$. Robust SEs clustered on directed-dyads in parentheses.

Table 3. Determinants of Concessions in GATT Dispute Outcomes, 1948-1993

<i>Concessions_{ij}</i>	Model Estimates		Descriptive Statistics
	Coefficient	Robust SE	
			2.04±0.86, 1–3
<i>Bandwagon_{j,t-1}</i>	0.023	0.046	2.27±2.65, 0–11
<i>Countersuit_{ji,t-1}</i>	-0.037	0.228	0.23±0.42, 0–1
<i>Democracy_{i,t-1}</i>	-1.133**	0.321	8.2±4.42, -8–10
<i>Democracy_{j,t-1}</i>	-0.975**	0.305	9.43±2.06, -6–10
<i>Joint Democracy_{ij,t-1}</i>	1.179**	0.315	7.67±4.68, -8–10
<i>Alliance_{ij,t-1}</i>	-0.235	0.210	0.59±0.49, 0–1
<i>MID_{ij,t-1}</i>	0.065	0.368	0.05±0.22, 0–1
<i>GDP Ratio_{ij,t-1}</i>	0.841*	0.368	0.41±0.36, ~0–~1
<i>Trade Dependence_{ij,t-1}</i>	3.096*	1.473	0.05±0.08, ~0–0.34
<i>Trade Dependence_{ji,t-1}</i>	0.907	1.542	0.03±0.06, ~0–0.42
<i>Trade Surplus_{i,t-1}</i>	0.921	0.928	-0.02±0.09, -1.19–0.10
<i>Trade Surplus_{j,t-1}</i>	-3.407	3.323	-0.01±0.03, -0.13–0.09
<i>EU_{it}</i>	0.124	0.730	0.01±0.09, 0–1
<i>EU_{jt}</i>	-0.608*	0.292	0.08±0.27, 0–1
<i>PTA_{ij,t-1}</i>	-0.064	0.501	0.039±0.194, 0–1
<i>LDC_{it}</i>	-0.256	0.309	0.25±0.43, 0–1
<i>LDC_{jt}</i>	2.241**	0.476	0.07±0.25, 0–1
<i>Year_t</i>	-0.023*	0.009	1977±13.0, 1949–1993
Intercept 1	-54.473**	18.613	—
Intercept 2	-53.681**	18.605	—
No. of observations		230	
Model χ^2	(18) 71.37**	Pseudo-R ²	0.111
Correctly predicted	52.3%	(38.7% with no covariates)	

* 2-tailed $p < 0.05$, ** $p < 0.01$. t is the start year of the dispute.

Figure 1. Number of GATT/WTO Members and New Disputes, 1948-1998



¹Pierre Pescatore, “The GATT Dispute Settlement Mechanism: Its Present Situation and its Prospects,” *Journal of International Arbitration* 10 (1993), 27.

²Thomas O. Bayard and Kimberly Ann Elliott, *Reciprocity and Retaliation in US Trade Policy* (Washington, DC: Institute for International Economics, 1994), 345, coined this term. “Aggressive” denotes the active policing of other states’ trade policies. “Multilateralism” refers to the use of GATT/WTO process — as opposed to purely unilateral action — to prosecute such complaints. The reference point is US section 301 action, termed “aggressive unilateralism” in Jagdish Bhagwati, “Aggressive Unilateralism: An Overview,” in Bhagwati and Hugh T. Patrick, eds., *Aggressive Unilateralism: America’s 301 Trade Policy and the World Trading System* (Ann Arbor: University of Michigan Press, 1990).

³Pescatore (fn. 1); William J. Davey, “An Overview of the General Agreement on Tariffs and Trade,” in Pierre Pescatore, Davey, and Andreas F. Lowenfeld, eds., *Handbook of GATT Dispute Settlement* (Irvington-on-Hudson, NY: Transnational Juris, 1993), 65-69.

⁴Davey (fn. 3), 66; Ernst-Ulrich Petersmann, “The Dispute Settlement System of the World Trade Organization and the Evolution of the GATT Dispute Settlement System since 1948,” *Common Market Law Review* 31 (1994), 1187-8; World Trade Organization [WTO], *Analytical Index: Guide to GATT Law and Practice*, vol. 2 (Geneva: WTO, 1995), 632-6, 641-2, 721-4, 755, 759, 765-6.

⁵Davey (fn. 3), 67; WTO (fn. 4), 638-41.

⁶Petersmann (fn. 4), 1193-4; John H. Jackson, William J. Davey, and Alan O. Sykes, Jr., eds., *Legal Problems of International Economics Relations, Documents Supplement*, 3rd ed. (St. Paul, MN: West Group, 1995), 366-90.

⁷Kurt Taylor Gaubatz, “Democratic States and Commitment in International Relations,” *International Organization* 50 (1996).

⁸Daniel Verdier, *Democracy and International Trade: Britain, France, and the United States, 1860-1990* (Princeton: Princeton University Press, 1994), 293-4.

⁹Karen L. Remmer, “Does Democracy Promote Interstate Cooperation? Lessons from the Mercosur Region,” *International Studies Quarterly* 42 (1998), 40-1.

¹⁰Beth A. Simmons, *Who Adjusts? Domestic Sources of Foreign Economic Policy during the Interwar Years* (Princeton: Princeton University Press, 1994), 197-8, 200-1.

¹¹Edward D. Mansfield, Helen V. Milner, and B. Peter Rosendorff, “Free to Trade: Democracies, Autocracies, and International Trade” (Prepared for delivery at the annual meeting of the American Political Science Association, Boston, MA, 1998). Fiona McGillivray and Alastair Smith, “Cooperating Democrats, Defecting Autocrats” (Manuscript, Yale University, 1998), argue similarly that pairs of democracies are more likely to cooperate because of joint credible threats of removal from office of leaders that fail to abide by international commitments. Likewise, Ashley Leeds, “Domestic Political Institutions, Credible Commitments, and International Cooperation,” *American Journal of Political Science* 43, no. 4 (1999), contends that democratic dyads cooperate more than mixed dyads because, among other reasons, democracies experience greater audience costs for abrogating international commitments.

¹²William J. Dixon and Bruce Moon, “Political Similarity and American Foreign Trade Patterns,” *Political Research Quarterly* 46 (1993), 10-1. Daniel Verdier, “Democratic Convergence and Free Trade,” *International Studies Quarterly* 42 (1998), argues in contrast that similar regimes cooperate *less* on trade, when most trade is not intra-industry. He assumes regime type determines which factor dominates policy. If that is true, because (from Heckscher-Ohlin) trade should occur more between countries with different relatively abundant factors, it follows that freer trade should occur between countries with different regime types.

¹³Harry Bliss and Bruce Russett, “Democratic Trading Partners: The Liberal Connection, 1962-1989,” *Journal of Politics* 60 (1998); James D. Morrow, Randolph M. Siverson, and Tressa E. Tabares, “The Political Determinants of International Trade: The Major Powers, 1907-1990,” *American Political Science Review* 92 (1998).

¹⁴Remmer (fn. 9), 40-1; Edward D. Mansfield and Rachel Bronson, “The Political Economy of Major-Power Trade Flows,” in Mansfield and Helen V. Milner, eds., *The Political Economy of Regionalism* (New York: Columbia University Press, 1997), 197.

¹⁵William J. Dixon, “Democracy and the Management of International Conflict,” *Journal of Conflict Resolution* 37 (1993); Dixon, “Democracy and the Peaceful Settlement of International Conflict,” *American Political Science Review* 88 (1994); Gregory A. Raymond, “Democracies, Disputes, and Third-Party Intermediaries,” *Journal of Conflict Resolution* 38 (1994).

¹⁶Robert E. Hudec, *Enforcing International Trade Law: The Evolution of the Modern GATT Legal System* (Salem, NH: Butterworth Legal Publishers, 1993), 288, makes a similar argument.

¹⁷Dixon (fn. 15, 1994); Gregory A. Raymond, "Demosthenes and Democracies: Regime-Types and Arbitration Outcomes," *International Interactions* 22 (1996).

¹⁸Verdier (fn. 8), 17, argues in contrast that democracies are *less* sensitive to pressure groups, since a winning coalition must be larger under democracy, and building a large coalition is harder for concentrated interests. However, what Verdier (293-4) means is that democracy tends to organize interests along factor rather than sector lines. But different factors, no less than different sectors in the alternative model, will have competing preferences regarding free trade, so Verdier's contention is indeterminate regarding the policy ultimately pursued. If anything, owners of *relatively scarce* (and hence protectionist) factors will tend to exhibit the small numbers, geographic concentration, and greater intensity of individual stakes that increase mobilizational capacity and, accordingly, political influence.

¹⁹Charles E. Lindblom, *Politics and Markets: The World's Political-Economic Systems* (New York: Basic Books, 1977), 170-200.

²⁰Raymond A. Bauer, Ithiel de Sola Pool, and Lewis Anthony Dexter, *American Business and Public Policy: The Politics of Foreign Trade*, 2nd ed. (Chicago: Aldine-Atherton, 1972), 82-6. Most Americans, for example, have no knowledge or opinion about trade policy. When asked whether they favor or oppose placing new limits on imports, 51 percent of people polled in the 1996 National Election Studies (NES) answered "haven't thought much about this" or "don't know." Those actually voting in 1996 were only slightly more likely to have opinions about trade policy (59%), and the majority of *these* voters (53%) actually supported greater protectionism instead of liberalization. Voter mobilization on trade issues is thus weak even in the strongest of democracies, and where it exists it tends towards protectionism rather than free trade. See variables 961327 and 961074 in Steven J. Rosenstone, Donald R. Kinder, Warren E. Miller, and the National Election Studies, *National Election Studies, 1996: Pre- and Post-Election Study* [dataset], 3rd release (Ann Arbor, MI: University of Michigan, Center for Political Studies [producer and distributor], 1998).

²¹Amy Searight and Christopher Way, "Electoral Incentives and International Bargaining: Preliminary Findings on US-Japan Economic Disputes and Elections, 1976-1997" (Prepared for delivery at the annual meeting of the American Political Science Association, Washington, DC, 1998).

²²Large-scale comparisons of the propensity to experience political business cycles in democracies versus non-democracies are hard to find. In a study of fiscal policy in 17 Latin American countries up to 1970, Ames highlights the importance of expansionary budgets to gain support even for military regimes, but his regression results produce no positive and significant coup cycle effects, while they do for election timing. Edwards finds an electoral cycle in devaluations in democracies but no such cycle around the establishment of dictatorial regimes, using 25 developing countries. See Barry Ames, "The Politics of Public Spending in Latin America," *American Journal of Political Science* 21 (1977); Sebastian Edwards, "The Political Economy of Inflation and Stabilization in Developing Countries," Working Paper 4319 (Cambridge: National Bureau of Economic Research, 1993), 34.

²³Equivalently, both relatively scarce and abundant factors should prefer the initiation of trade disputes against such partners.

²⁴Helen V. Milner, *Resisting Protectionism: Global Industries and the Politics of International Trade* (Princeton: Princeton University Press, 1988), 21-4.

²⁵Marc L. Busch, *Trade Warriors: States, Firms, and Strategic-Trade Policy in High-Technology Competition* (New York: Cambridge University Press, 1999), 5, 22.

²⁶John H. Jackson, *The World Trade Organization: Constitution and Jurisprudence* (London: Royal Institute of International Affairs, 1998), 95.

²⁷Dani Rodrik, "Political Economy of Trade Policy," in Gene M. Grossman and Kenneth Rogoff, eds., *Handbook of International Economics*, vol. III (New York: Elsevier, 1994), 1476-8. Subsidies would raise the real purchasing power of foreign consumers, increase the firm's ability to compete in foreign markets, and leave unaffected the firm's domestic market share with respect to non-exporting firms in that industry, all in sharp contrast to the effects of import barriers.

²⁸E.g., by substituting non-tariff barriers for proscribed tariffs.

²⁹Hudec (fn. 16), 451, 476, 510, 530.

³⁰Kimberly Ann Elliott and J. David Richardson, "Determinants and Effectiveness of 'Aggressively Unilateral' Trade Actions," in Robert C. Feenstra, ed., *The Effects of US Trade Protection, and Promotion Policies* (Chicago: University of Chicago Press, 1997), 228-9; Marcus Noland, "Chasing Phantoms: The Political Economy of USTR," *International Organization* 51 (1997), 372.

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- ³¹Christina R. Sevilla, "Explaining Patterns of GATT/WTO Trade Complaints," Working Paper 98-1 (Cambridge: Weatherhead Center for International Affairs, Harvard University, 1998), 8-10.
- ³²Hudec (fn. 16), 288.
- ³³Sevilla (fn. 31), 7, 11.
- ³⁴Renato Ruggiero, "The Future of the World Trading System" (Geneva: WTO, 1998), <http://www.wto.org/wto/speeches/bergen.htm>; see also Ernst-Ulrich Petersmann, *The GATT/WTO Dispute Settlement System: International Law, International Organizations, and Dispute Settlement* (London: Kluwer, 1997), 202-5.
- ³⁵Edwin Vermulst and Bart Driessen, "An Overview of the WTO Dispute Settlement System and Its Relationship with the Uruguay Round Agreements," *Journal of World Trade* 29 (1995), 147.
- ³⁶Davey (fn. 3), 67; Petersmann (fn. 4), 1194.
- ³⁷Vermulst and Driessen (fn. 35), 144-8; Jackson (fn. 26), 96-7. See DSU articles 17, 21:3(c), and 22, respectively.
- ³⁸Renato Ruggiero, "Statement by the Director-General, General Council, 24 April 1998" (Geneva: WTO, 1998), <http://www.wto.org/wto/speeches/state17.htm>.
- ³⁹Petersmann (fn. 34), 201; Jackson (fn. 26), 80, 94.
- ⁴⁰Jackson (fn. 26), 88, 92-3.
- ⁴¹Hudec (fn. 16), 246-7, 269; WTO (fn. 4), 657-62.
- ⁴²Jackson (fn. 26), 97.
- ⁴³Frieder Roessler, Warren F. Schwartz, and Alan Sykes, "Understanding Dispute Resolution in the WTO/GATT System" (Manuscript, University of Chicago, 1999); Norio Komuro, "The WTO Dispute Settlement Mechanism: Coverage and Procedures of the WTO Understanding," *Journal of World Trade* 29 (1995), 41.
- ⁴⁴Eric Reinhardt, "Adjudication without Enforcement Can Be Influential" (Manuscript, Emory University, 1998), 24.
- ⁴⁵*Journal of Commerce*, December 21, 1998, 7A.
- ⁴⁶Eric Reinhardt, "Tying Hands without a Rope: Rational Domestic Response to International Institutional Constraints" (Manuscript: Emory University, 1999); South Centre, "Issues Regarding the Review of the WTO Dispute Settlement Mechanism," Trade-Related Agenda, Development, and Equity Working Paper 1 (Geneva: South Centre, 1999), 23-4, <http://www.southcentre.org/publications/trade/dispute.pdf>.
- ⁴⁷John H. Jackson, "Designing and Implementing Effective Dispute Settlement Procedures: WTO Dispute Settlement, Appraisal, and Prospects," in Anne O. Krueger, ed., *The WTO as an International Organization* (Chicago: University of Chicago Press, 1998), 161.
- ⁴⁸Constantine Michalopoulos, "The Participation of the Developing Countries in the WTO," World Bank Policy Research Working Paper 1906 (Washington, DC: World Bank, 1998).
- ⁴⁹*India Today*, November 10, 1997, 52.
- ⁵⁰Jackson (fn. 26), 73-4, 92-4.
- ⁵¹Hudec (fn. 16), 290; Jackson (fn. 26), 59-60; Petersmann (fn. 4), 1205. Could the explosive growth in disputes be attributed to the expansion of GATT's legal scope, across sectors and policy instruments? The answer is probably no. From its inception, GATT permitted complaints about policies and sectors not addressed by the 1947 agreement, through the mechanism of Article XXIII's very permissive "nullification or impairment" clause; see WTO (fn. 4), 653-71. Disputes have occurred from the outset on the so-called "new protectionism," or non-tariff barriers and subsidies; such conflicts are not new to the WTO, and hence the legal expansion of GATT in this regard is probably not responsible for the growth in disputes over time.
- ⁵²*Journal of Commerce*, November 5, 1998, 4A.
- ⁵³Petersmann (fn. 34), 206.
- ⁵⁴Jagdish Bhagwati, *The World Trading System at Risk* (Princeton: Princeton University Press, 1991), 55.
- ⁵⁵Petersmann (fn. 34), 207-9; WTO, "Dispute Settlement Body Annual Report (1998)," WT/DSB/14 (Geneva: WTO, November 27, 1998), 8-9.
- ⁵⁶Hudec (fn. 16), 575.
- ⁵⁷Bhagwati (fn. 54), 55.
- ⁵⁸Hudec (fn. 16), 242-4.
- ⁵⁹Membership dates are from WTO, *GATT Activities, 1994-1995: A Review of the Work of the GATT in 1994 and 1995* (Geneva: WTO, 1996), 203-4; GATT, *GATT Activities, 1989: An Annual Review of the Work of the GATT* (Geneva: GATT, 1990), 139; WTO (fn. 55); John H. Jackson, *World Trade and the Law of GATT* (Indianapolis: Bobbs-Merrill, 1969), 898-900; WTO, "Accession of the Federal Republic of Yugoslavia: Communication from the Republic of Slovenia," WT/L/199 (Geneva: WTO, November 28, 1996).

- ⁶⁰J. P. Hayes, *Making Trade Policy in the European Community* (London: Macmillan, 1993), 11-5.
- ⁶¹A list of GATT/WTO members with their dates of accession (and withdrawal, if appropriate), can be found at <http://userwww.service.emory.edu/~erein/research/#initiation>, along with all other data used in this paper.
- ⁶²Hence a complaint with three plaintiffs and one defendant constitutes three “disputes.”
- ⁶³Both Articles 22 and 23 defined GATT 1947’s dispute settlement procedures: Pescatore (fn. 1), 1; Vermulst and Driessen (fn. 35), 131. Many Article 22 cases became Article 23 disputes (these are not double-counted); others were dropped, but are still counted here. The WTO merges all cases which would have fallen under either GATT 1947 article into a common procedure under the Dispute Settlement Understanding (see Article 3).
- ⁶⁴In some of these directed dyad years more than one dispute was filed, which is why *Dispute* does not equal 1 in 604 cases.
- ⁶⁵Hudec (fn. 16), 589; Eric R. Reinhardt, *Posturing Parliaments: Ratification, Uncertainty, and International Bargaining* (Ph.D. diss., Columbia University, 1996), 169-73.
- ⁶⁶This variable is coded only for 256 of 435 GATT disputes (and none of the WTO cases), given the limits of Hudec’s (fn. 16) coverage.
- ⁶⁷Ted Robert Gurr and Keith Jagers, *Polity 98: Regime Characteristics, 1800-1998* (Center for International Development and Conflict Management, University of Maryland, 1999), <http://www.bsos.umd.edu/cidcm/polity/>.
- ⁶⁸Bliss and Russett (fn. 13), 1133.
- ⁶⁹*GATT1989* ends in 1993 as opposed to 1994 because states ceased their use of the system in anticipation of its imminent replacement by the WTO.
- ⁷⁰Joanne Gowa and Edward D. Mansfield, “Power Politics and International Trade,” *American Political Science Review* 87 (1993); Mansfield and Bronson (fn. 14).
- ⁷¹Morrow, Siverson, and Tabares (fn. 13); Bliss and Russett (fn. 13).
- ⁷²Dan Reiter, “Interstate Alliances, 1985-1992” (Manuscript, Emory University, 1999).
- ⁷³Brian M. Pollins, “Does Trade Still Follow the Flag?,” *American Political Science Review* 83 (1989); Gowa and Mansfield (fn. 70); Mansfield and Bronson (fn. 14); but see Morrow, Siverson, and Tabares (fn. 13); Bliss and Russett (fn. 13).
- ⁷⁴D. Scott Bennett, Jr., and Allan C. Stam, III, *EUGene: Expected Utility Generation and Data Management Program*, version 1.18 (Pennsylvania State University, 1999), <http://wizard.ucr.edu/cps/eugene/eugene.html>.
- ⁷⁵*Alliance* and *MID*, with one year lag, are missing after 1993.
- ⁷⁶WTO, “Participation of Developing Countries in World Trade: Overview of Major Trends and Underlying Factors,” WT/COMTD/W/15 (Geneva: WTO, August 16, 1996), <http://www.wto.org/wto/develop/w15.htm>; WTO, “Agreement on Implementation of Article VII of the GATT 1994 (Customs Valuation),” G/VAL/2/Rev.5 (Geneva: WTO, April 14, 1997); WTO, “Generalized System of Preferences: Notification by Switzerland,” WT/COMTD/N/7 (Geneva: WTO, April 11, 1997).
- ⁷⁷Hudec (fn. 16), 295.
- ⁷⁸Alan O. Sykes, “Constructive Unilateral Threats in International Commercial Relations: The Limited Case for Section 301,” *Law and Policy in International Business* 23 (1992), 301-2, 310.
- ⁷⁹Sevilla (fn. 31); Hudec (fn. 16), 198; Noland (fn. 30), 370, 374, 376.
- ⁸⁰Hudec (fn. 16), 315-7; Sykes (fn. 78), 294.
- ⁸¹Hudec (fn. 16), 321; Reinhardt (fn. 65), 193; Elliott and Richardson (fn. 30), 232, 235; Noland (fn. 30), 383.
- ⁸²Noland (fn. 30), 366, 374-5.
- ⁸³Sykes (fn. 78), 287, 309-10; Elliott and Richardson (fn. 30), 228-9; Noland (fn. 30), 370, 376.
- ⁸⁴Hudec (fn. 16), 299.
- ⁸⁵WTO (fn. 4), 858-72; WTO, “Regional Trade Agreements Notified to the GATT/WTO and in Force in April 1999,” (Geneva: WTO, July 26, 1999), <http://www.wto.org/wto/develop/webrtas.htm>.
- ⁸⁶I used the *xgee* command in Stata 6.0, with *family(bin)*, *link(probit)*, *corr(ar1)*, *robust*, and *force* as options. See Garrett M. Fitzmaurice, Nan M. Laird, and Andrea G. Rotnitzky, “Regression Models for Discrete Longitudinal Responses,” *Statistical Science* 8 (1993), for an introduction to GEE models.
- ⁸⁷The International Monetary Fund (IMF) is notorious for sometimes coding zero trade as missing. Reassuringly, if we re-estimate the models having coded *Trade Dependence* and *Trade Surplus* as zero when trade flows are missing, the results are qualitatively identical to those in Table 2.
- ⁸⁸With robust standard errors, GEE estimates are consistent regardless of the particular time dependence assumed: Fitzmaurice, Laird, and Rotnitzky (fn. 86), 287. Thus, not surprisingly, Table 2’s results do not change with alternative error structure assumptions like independence, AR3, or 3-year stationarity. Estimates of first-order autocorrelation in models I-III are 0.026, 0.064, and 0.056, respectively.

⁸⁹In GEE's quasi-maximum likelihood framework, the usual likelihood-based goodness of fit statistics do not apply, but the Wald test statistics reported at the bottom of Table 2 indicate that the explanatory variables as a group have substantial predictive power.

⁹⁰In Models I and II, the three democracy variables exhibit collinearity R^2 s (i.e., when regressed on all other explanatory variables) of around 0.75, and *GDP Ratio* and the *LDC* dummies, around 0.5; the rest, below 0.3. This imposes little burden on the monadic democracy measures, since they turn up significant regardless. In Model III, the only variables with potentially problematic collinearity are *YEAR* (0.54), *WTO* (0.88), and the two *WTO* interaction terms with the *LDC*s (0.77). Again, since *WTO* and the interaction terms are significant regardless, this collinearity does not inhibit inference.

⁹¹If the two *Democracy* values are dropped from models I and II, *Joint Democracy*'s coefficient becomes positive (0.036 and 0.040) and highly significant ($p < 0.001$), but this is only an artifact of the strong (omitted) monadic effects.

⁹²These alternative dyadic terms are much less collinear with monadic democracy, so we can not attribute *Joint Democracy*'s lack of significance in model II to high collinearity.

⁹³Recall that disputes—like getting struck by lightning—are extraordinarily rare in the first place, so even variables with enormous relative impact (such as democracy) may not raise the predicted probability of initiation much in absolute terms. Here the change is from a predicted probability of virtually zero (2.67 times 10^{-11}) to 0.0002.

⁹⁴Dixon (fn. 15, 1994).

⁹⁵The same finding holds if we restrict our sample to just those cases (75) in which a GATT panel ruled clearly against the defendant. In other words, democratic defendants are much less likely to comply with adverse GATT rulings (especially when the complainant is democratic as well).

⁹⁶ $\chi^2(1) = 1.00$ and 3.55 ($p = 0.32$ and 0.06) for models II and III.

⁹⁷In models II and III, if we add a dummy variable that is 1 only for WTO-era observations between two LDCs, its coefficient is not statistically significant. The WTO does not increase the probability of disputes *between* LDCs, apart from the boost in *all* disputes against LDCs.

⁹⁸Its coefficient is -0.123 ($p = 0.024$) if added to model I and is negative (but only borderline significant) in the other models.

⁹⁹These results stand if we exclude all directed dyads with Japan, the EU, or the US on either side, and even if we add a dummy for the Cold War (1948-1989) and interact that dummy with *Alliance*.

¹⁰⁰Elliott and Richardson (fn. 30), 228-9; Noland (fn. 30), 370, 376.

¹⁰¹Indeed, democratic dyads exhibit no greater bilateral trade dependence in this sample. Specifically, *Joint Democracy* has a null or negative effect if *Trade Dependence* (side i and j) is regressed on it, the two *Democracy* variables, *GDP Ratio*, and the *LDC* dummies.

¹⁰²World Bank, *World Development Indicators on CD-ROM* (Washington, DC: World Bank, 1999).

¹⁰³In fact, democracies are *not* more open to trade in this sample, and they actually impose significantly *more* import and export duties as a percent of GDP than non-democracies (as determined by tobit regressions of openness and duties for 3294 and 1381 of the 3844 total GATT/WTO member-years, respectively, on *Democracy*, *LDC*, *Year*, and a dummy for all so-called "Least Developed Countries," as labeled by the WTO). Data sources: World Bank (fn. 102); WTO, "Participation of Developing Countries in World Trade: Recent Developments, and Trade of the Least-Developed Countries," WT/COMTD/W/31 (Geneva: WTO, September 17, 1997), <http://www.wto.org/wto/about/devgroups.htm>.

¹⁰⁴Morrow, Siverson, and Tabares (fn. 13), 659; Dixon and Moon (fn. 12).

¹⁰⁵Dixon (fn. 15, 1993, 1994); Raymond (fn. 15).

¹⁰⁶Raymond (fn. 17).

¹⁰⁷Reinhardt (fn. 65), 190.

¹⁰⁸E.g., Verdier (fn. 12).

¹⁰⁹World Bank (fn. 102).

¹¹⁰Howard P. Marvel and Edward John Ray, "Intraindustry Trade: Sources and Effects on Protection," *Journal of Political Economy* 95 (1987).

¹¹¹Reinhardt (fn. 44).

¹¹²Pescatore (fn. 1), 28.

¹¹³Robert D. Cooter and Daniel L. Rubinfeld, "Economic Analysis of Legal Disputes and Their Resolution," *Journal of Economic Literature* 27 (1993), 1068.

¹¹⁴The ratio between rulings substantially for the plaintiff and those substantially for the defendant was about 3.6 to 1 for cases begun before 1994: Reinhardt (fn. 44), 5.

¹¹⁵Reinhardt (fn. 44), 5.

¹¹⁶The 1982-1987 US-EU value-added tax dispute, the 1986-1990 EU-US customs user fee case, and the 1988-1992 US-EU oilseeds subsidy conflict are just a few examples: Hudec (fn. 16), 505-6, 537-8, 558-61.

¹¹⁷A trade complaint raises uncertainty about future prices and hence in the short term may reduce orders. Quantitative analyses of the consequences of the related phenomenon of antidumping (AD) investigations (*not* duties imposed) have shown such a depressing effect on bilateral trade: see Thomas J. Prusa, "The Trade Effects of U.S. Antidumping Actions," in Robert C. Feenstra, ed., *The Effects of U.S. Trade Protection and Promotion Policies* (Chicago: University of Chicago Press, 1997), 199.

¹¹⁸Sevilla (fn. 31), 9.

¹¹⁹Acknowledging this critique, the 1999 WTO Ministerial Conference put great priority on bolstering technical assistance, as well as decreasing the assistance fund's reliance on ad hoc voluntary contributions from developed states in favor of permanent WTO budgetary status. Not surprisingly, however, such proposals have been opposed by some advanced industrial states, which obviously benefit from LDCs' lesser ability to litigate. See WTO, "Preparations for the 1999 Ministerial Conference: Technical Assistance," WT/GC/W/259 (Geneva: WTO, July 21, 1999); *Financial Times*, February 17, 1999, 4.

¹²⁰Hudec (fn. 16); *GATT Activities* (various years); *GATT Focus*; WTO (fn. 4), 620, 623-8, 772-87; WTO, "Overview of the State-of-Play of WTO Disputes," (Geneva: WTO, February 26, 1999), <http://www.wto.org/wto/dispute/bulletin.htm>. See Reinhardt (fn. 65), 168-9.

¹²¹Hudec (fn. 16), 417-608.

¹²²World Bank (fn. 102); IMF, *International Financial Statistics* (Washington, DC: IMF, December 1998); UN, *Statistical Yearbook* (New York: UN, various).

¹²³IMF, *Direction of Trade Statistics* (Washington, DC: IMF, December 1998).

¹²⁴Bliss and Russett (fn. 13), 1133.