

Review of “Votes, Vetoes and the Political Economy of International Trade Agreements”, by Helen Milner and Edward Mansfield

The rise in preferential trade agreements (PTAs) between countries (in the form of GATT’s sanctioned free trade agreements, customs unions and other preferential arrangements) stands as the dominant trend in the evolution of the international trade system in the recent two decades. Hundreds of preferential agreements have been negotiated during this period and with nearly every member country of the World Trade Organization (WTO) belonging to at least one PTA.

What prompts countries to enter PTAs? How does the political regime affect the decision to enter trade agreements? How do domestic political forces shape the nature of the trade agreements that countries reach? In **“Votes, Vetoes and the Political Economy of International Trade Agreements,”** Milner and Mansfield study these questions in depth, providing an insightful and wide-ranging exploration of the political forces underlying the formation of PTAs.

Milner and Mansfield develop (in Chapter 2) a rational choice theory to explain why governments negotiate PTAs. Political leaders are assumed to make decisions on trade agreements based on whether the political benefits outweigh the costs of membership. The central argument of this book is that these political calculations are shaped by the country’s regime type (democratic or non-democratic) and the presence of institutional veto players (agents or groups of agents who can block policy change). Milner and Mansfield argue that democratic countries will be more

likely to join preferential agreements as this allows political leaders to signal voters that they are not beholden to protectionist special interests. Furthermore, since policy proposals need domestic political support (from legislatures or other powerful political constituencies), veto players affect the formation of PTAs; the greater the number of veto players, the greater is the likelihood that a proposed trade agreement adversely affect the interests of at least one player, resulting in a lower likelihood of PTA ratification. Several auxiliary hypotheses are developed as well. One hypothesis is that democratic governments will see an increase in political support and political leaders will enjoy longer tenure following a PTA. Another hypothesis is that partisanship should matter; left wing governments should be more likely to join a PTA as they have a greater need to assure voters that they will not indulge in excessive protectionism. It is also argued that democratic governments will seek agreements that provide economic integration of greater depth and that the presence of veto players affects, for instance, both the design of the agreement as well as the length of time necessary to ratify the agreement.

Importantly, Milner and Mansfield subject their theoretical hypotheses to a variety of empirical tests. Combining information from a number of novel data sets on a range of economic and domestic political variables and using a variety of statistical techniques to evaluate their hypotheses (Chapters 3, 4 and 5), they find that regime type and veto players in the system indeed exert systematic influence on the establishment of preferential trade groupings. The authors point out, rightly, that their findings do not indicate that domestic political factors are the “most important”

determinants of PTA ratification, but rather that they underscore the importance of politics in the formation of trade agreements.

At a conceptual level, many of the arguments forwarded by Milner and Mansfield are subject to easy challenge. Central to their thesis that preferential trade agreements are more likely to be adopted by democracies, is the notion that preferential trade agreements liberalize trade against the wishes of protectionist special interests. However, as Jacob Viner pointed out over a half century ago, in his classic analysis of this issue, preferential trade liberalization, by providing preferential access to producers in member country markets, may well *increase* protection for domestic producers rather than reduce it. Thus, it is far from clear that signing a PTA signals the liberal intent of the government; the opposite may just as easily be true. Equally, leaders in democracies may need the political support of special interests to a greater extent than do autocrats. Thus, democracies may yet engage in PTAs to a greater extent than autocracies, but perhaps to indulge special interests, not oppose them, i.e., for the reasons that run counter to those proposed by Milner and Mansfield.

A variety of challenges also abound in constructing the data and in the empirical analysis of the role of regime type and veto players. For instance, the identification and role of veto players in determining trade policy is subject to significant complexities. Changing political and economic circumstances over time may elevate some players to “veto” status, while diluting the power of others. Thus, a switch in

the identity of the party holding a majority in the legislature or the transition from a majority government to a government composed of a coalition of parties, may each change the identity, configuration and power of political players within the system, making it difficult to characterize the number of “veto” players and their role in trade policy determination.

These significant issues notwithstanding, the author’s findings concerning the role of regime type and veto players in determining the likelihood and the shape of trade agreements are robust to many variations in data use, statistical specification and technique – and are certain to be seen as enduring contributions to our understanding of the domestic political economy of international trade agreements.

Future theoretical and empirical research will no doubt engage the many remaining questions in this area: How is the political economy of PTAs different from that of non-preferential trade liberalization? How does variation in the type of democratic regime and the agency granted to various parts of the government (e.g., Presidential “fast-track” authority over trade) affect trade policy outcomes? What are the economic and political characteristics of the partner countries that induce countries to sign trade agreements with them? All of this work will also undoubtedly have to build on the foundations laid by “Votes, Vetoes and the Political Economy of International Trade Agreements,” which now stands as the most comprehensive modern treatment of the domestic political economy of trade agreements. It is

essential reading for economists, political scientists and policy analysts interested in the trade agreements and the evolution of the international trade system.

Pravin Krishna

Johns Hopkins University