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COLLECTIVE NEGOTIATIONS OR GOING BILATERAL?
THE FOREIGN ECONOMIC DIPLOMACY OF TRADING BLOCS AS COLLECTIVE POLITICAL
ACTORS

Abstract

What actors negotiate preferential trade agreements (PTAs)? A growing number of states negotiate PTAs with third states both bilaterally and collectively as part of trading blocs. Trading blocs tend to be mischaracterised as static economic entities, but collective negotiations typically do not preclude their member states' retaining the authority and ability to negotiate bilateral agreements. Emphasising the negotiating process and economic diplomacy, this paper seeks to address why states pursue a dual foreign commercial policy by negotiating agreements both bilaterally and collectively. In doing so, it develops a theory of trading blocs as collective political actors that help states manage their economic relations by representing common interests. Crucially, states do not delegate trade policy. Instead, representatives from member states collectively represent the trading bloc. As opposed to delegation, collective agency allows states to negotiate jointly yet remain in direct control at the negotiating table. Collective negotiations may be driven by necessity or choice. When capacity constraints limit states' ability to conduct economic diplomacy, collective agency helps states expand capacity by pooling expertise and resources while maintaining control - allowing them to negotiate agreements they could not conclude on their own. In the absence of capacity constraints, collective negotiations are a means to manage and align internal and external commitments. While collective negotiations involve a trade-off between a common compromise and autonomy, functional variability and exemptions allow for limited differentiation and thus favour collective agreements. The decision between collective and bilateral negotiations involves an element of political choice - like-mindedness and an interest in trading bloc cohesion facilitate collective negotiations. The theory of trading blocs as collective political actors is put to empirical tests using a regression discontinuity design, matching and multi-level models. Case studies and several interviews with trade representatives and negotiators provide evidence for the argument on the role of collective trade negotiations in international trade governance.

"It's not that we don't have a common external tariff because we have exemptions. We have a common external tariff precisely because we have exemptions."

- Former Director for International Trade Negotiations at the Ministry of Foreign Affairs and International Trade of Argentina¹

1 Introduction

One morning during a round of negotiation on the EU-Mercosur preferential trade agreement (PTA), an official from the French embassy, identifying a subject matter of interest to their country, sought to attend one of the sessions. *"Who is this person?"*, the irritated EU Chief negotiator - who is an official of the European Commission's DG Trade - asked, before having the French diplomat removed from the premises.² While this anecdote may refer to a rather unusual occurrence, it poignantly contrasts the differences between the negotiating parties - which are consequential. Despite commonly being framed as inter-bloc PTA, two different types of actors were negotiating an agreement: On one side of the table, European Commission officials were negotiating on behalf of the EU. After delegating trade policy to the EU, member states have surrendered the authority and ability to conduct their own trade policy. On the other side of the table, however, were officials from all of Mercosur's member states, who jointly negotiated on behalf of the entire bloc. Representing a common position instead of multiple national ones, they operated as a collective agent.

The difference between collective agency and delegation is reflected both in the way negotiations unfold and in trade policy beyond negotiations. Most notably, states that negotiate as part of collective agents retain the authority and personnel to pursue their own trade policy. Indeed, on 24th April 2020, Argentina informed Mercosur that it will not participate in any further PTA negotiations as a group, citing the state of its domestic economy as the reason for this decision.³ At that point, Mercosur already had jointly negotiated 13 PTAs, with three more at the negotiation stage. During the same period, Argentina negotiated only three bilateral PTAs. While the decision was reversed only a few weeks later, the incident casts doubts over Mercosur's future trade policy.

An increasing number of trading blocs has jointly concluded PTAs with third states, i.e., external partners outside the trading bloc. In many cases, collective negotiations are not exclusive and

¹Interview 7.

²Interview 4.

³Ministry of Foreign Relations of Paraguay. 24.04.2020. "MERCOSUR: Argentina informó que dejará de participar de las negociaciones externas en curso": <https://www.mre.gov.py/index.php/noticias-de-embajadas-y-consulados/argentina-decide-retirarse-de-las-negociaciones-externas-que-emprende-el-mercotur>

member states additionally pursue a bilateral trade policy. The heavy focus on the EU (Meissner 2019; Krapohl/Van Huut 2020) - despite the delegation of trade policy being an exception, not the rule - often overshadows the heterogeneity and multi-level trade policy conducted by multiple states. Similarly, common nomenclatures of economic integration and an emphasis on trade flows miss this variable element of trade governance (Balassa 1967; Lindberg/Alvstam 2007). Collective agency cuts across classifications such as free trade areas or customs unions. With the scope of PTAs expanding, and global commercial relations growing ever more complex, static conceptions of trading blocs do not necessarily reflect how states organise their trade policy. Beyond determining tariff lines, PTAs help states navigate a complex web of heterogenous and differentiated economic relationships. Collective negotiations bring about both a territorial and functional change in how international trade is governed.

This paper addresses the question of why and under what conditions states conclude trade agreements bilaterally or collectively, and why many states pursue a dual trade policy - both bilaterally and as part of a collective agent - rather than relying on one of these two. The paper posits that states act as collective agents in order to exert direct control throughout the negotiating process. In doing so, they operate distinctly from delegated authority. Emphasising economic diplomacy, it argues in favour of conceiving trading blocs as political agents, which operate relationally and may overlap, rather than static entities. The argument brought forward in this paper is threefold: First, it establishes that bilateral trade policy and collective negotiations as part of a trading bloc are complementary, not mutually exclusive. Second, collective agency allows states to overcome capacity constraints as well as to align intra-bloc rules with those governing external trade, thus reducing disruptive elements in the governance of international trade. Third, while the decision between bilateral and collective negotiations thus is shaped by state capacity and ex-ante commitments, it involves a meaningful element of political choice.

Under this framework, collective negotiations can arise from both necessity and choice. When capacity constraints prevent states from conducting an independent foreign commercial policy, collective negotiations can help overcome these by pooling resources and filling capacity deficits. Paradoxically, giving up an independent trade policy may be a requirement for policy autonomy in such case. States also choose to collectively negotiate agreements even when able to pursue an independent trade policy. In the absence of capacity constraints, states seek to align ex-ante commitments within trading blocs with their external ties while maintaining direct control in negotiations. Deeper ex-ante commitments among trading bloc members therefore increase the incentives to negotiate collectively and agree on common rules with respect to third states. Accordingly, the effect of ex-ante commitments on trade policy is smaller for states with low capacity.

Collective agency entails a compromise among members of trading blocs. States must decide

whether the compromise they can achieve in collective negotiations is preferable to a bilateral agreement or even no agreement - which often is only determined after negotiations commenced. Differentiation and exemptions facilitate agreement and are a design feature of modern trade governance - not irregularities. Membership in multiple trading blocs and the situational actorness of collective agents reflect the dynamic and variable geometry of modern trade governance. A mixed methods approach puts the theory to test. A statistical analysis - employing a regression discontinuity design, matching, and multi-level models - and case studies of trading blocs based on interviews with negotiators and policy makers provide evidence for the theory.

This paper speaks to several strands of research on trade governance. With respect to research on the formation of PTAs (Mansfield/Reinhardt 2003; Mansfield et al. 2007; Egger/Larch 2008; Manger et al. 2012; Kim/Manger 2017), it shifts the question from the angle of whether a PTA is concluded by focusing on the negotiating process and the actors that conduct these negotiations. Moreover, the paper connects to the recent interest in multi-level governance in trade policy (Freudlsperger 2020; Broschek/Goff 2020). Instead of looking at the institutionalised subnational level, it extends the multilevel framework the other way by investigating how actors cooperate when there are little rules on how to cooperate beyond the state.

This contribution also relates to non-trade related research, addressing the literature on the international authority of IOs (Hooghe et al. 2017; Zürn 2018; Hooghe et al. 2019; Abbott et al. 2020a) and the rise of informal intergovernmental organisations (Vabulas/Snidal 2013) by stressing the role of collective agency for cooperation in international trade. Although often entrenched in a formal IO, collective agency presents itself as rather variable and overlapping arrangement, which operates distinctly from the logic of delegation. Further, it relates to the impact of capacity constraints and the limited leeway of affected states to effectively engage in economic diplomacy (Jones et al. 2010; Jones 2013; Poulsen/Aisbett 2013; Poulsen 2015), emphasising doubts about a level playing field in economic diplomacy. This analysis specifically does not focus on the EU as *sui generis* trading bloc but provides in-depth evidence from actors in South America, the Caribbean and the Pacific. Lastly, the role of collective agency contributes to understanding the potential of plurilateralism in the debate on the relation between bilateralism and multilateralism (Rixen/Rohlfing 2007; Thompson/Verdier 2014).

2 When Trading Blocs Become Actors: The Growing Prevalence of Bloc PTAs

The international trade order is undergoing substantive change. The post-Cold War period is marked by the growing prevalence of PTAs and their expanding scope, which are embedding trade into comprehensive economic governance. Rather than being about insiders and outsiders, trade governance entails managing intricate governance relations. Simultaneously, trading blocs beyond the EU have become relevant actors in organising international trade. The governance of international trade requires adequate governance structures that account for an growing scope, complexity, and depth - which trading blocs can contribute to provide.

Particularly so-called 'mega PTAs' - i.e. agreements between a large number of states such as CPTPP or RCEP - have received increasing media and scholarly attention (Kim et al. 2016; Velut et al. 2017; Bown 2017). Yet, these mega PTAs are but one special type of plurilateral agreement⁴ - and not a new phenomenon either. Trading blocs - defined as a group of more than two states with a common PTA among its members or states that jointly negotiate PTAs⁵ - can constitute *plurilateral actors* in the international trading system.

Several trading blocs move on to conclude numerous PTAs with external states or trading blocs, which can be thought of as *collective PTAs* - that is, jointly negotiated agreements with third parties. When plurilateral actors negotiate collective agreements as a group they attain agency, altering the dynamics of trade negotiations. These agreements are distinct from bilateral agreements and those which constitute trading blocs for plurilateral actors act as a collective: they represent a joint position of their member states, which pursue a common foreign commercial policy. Their members' interests and strategies are bound together.

Although often overlooked or even ignored, the role of trading blocs as plurilateral actors is not trivial. While many trading blocs are designed as an end in itself, the number of those that operates plurilateral actors in external relations has grown significantly. Indeed, the agency of trading blocs is a backbone of international economic governance - despite the proliferation of bilateral PTAs. In fact, the vast majority of country-dyads covered by PTAs involves trading blocs - either through common membership of collective PTAs (Figure 1). The figure further distinguishes bilateral agreements

⁴Plurilateral agreements are distinct from bilateral and multilateral agreements as they have a well-defined limit to membership and do not seek global coverage.

⁵There are only very few instances where a trading bloc is not constituted by a common PTA. In that case, it mostly arises from some other trade arrangement or is a subset of a larger bloc. Henceforth, the term *trading bloc* will be used interchangeably with *plurilateral actor* and therefore include these cases.

⁶If a dyad is covered by multiple types, precedence is given to trading blocs.

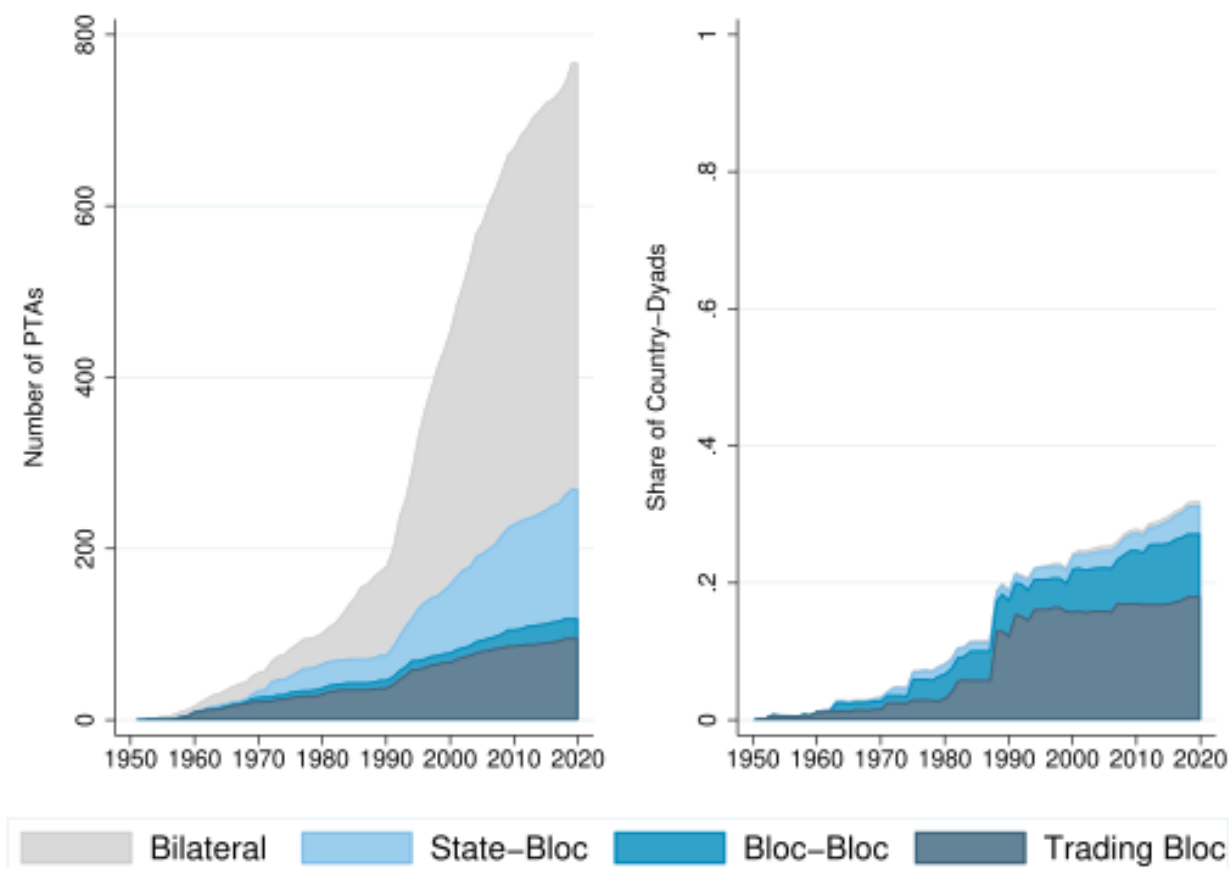


Figure 1: Number of PTAs (left panel) and share (right panel) of country-dyads covered by types of PTAs over time. *Data source: DESTA.*⁶

from trading blocs and the collective PTAs concluded by trading blocs. While clearly dominating in number, bilateral PTAs alone cover less than 1% of all country dyads⁷ and less than 10% of all country-dyads covered by PTAs. Despite covering a disproportionate share of world trade, bilateral PTAs are, from a dyadic perspective, a fringe phenomenon in international trade.⁸

The early history of trading blocs, however, has been a heterogenous one. While regional trading blocs – mostly regional IOs such as EFTA, CARICOM or ECOWAS – were established around the globe, PTA negotiations were virtually confined to the European Communities, later the EU (Figure 2). Notably, this included several agreements with its former colonies in form of the group of African, Caribbean, and Pacific countries, mingling political and economic relations.⁹ Over time, this relationship saw significant change, becoming increasingly coercive (Robertson 2017; Hurt 2003).

⁷This corresponds to merely about 100 pairs among 140 countries and thus about 0.6% in 2020.

⁸See Figure 13 for the share of PTA types among members of trading blocs.

⁹These include the Yaoundé Convention from 1963, the often revised Lomé Convention and the 2000 Cotonou Agreement. ACP is omitted from Figure 2.

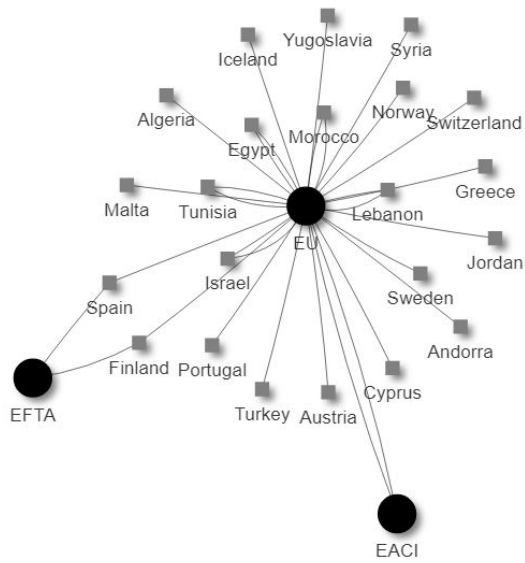


Figure 2: PTAs involving Trading Blocs as of 1990. Squares indicate states, while circles are represented as circles.

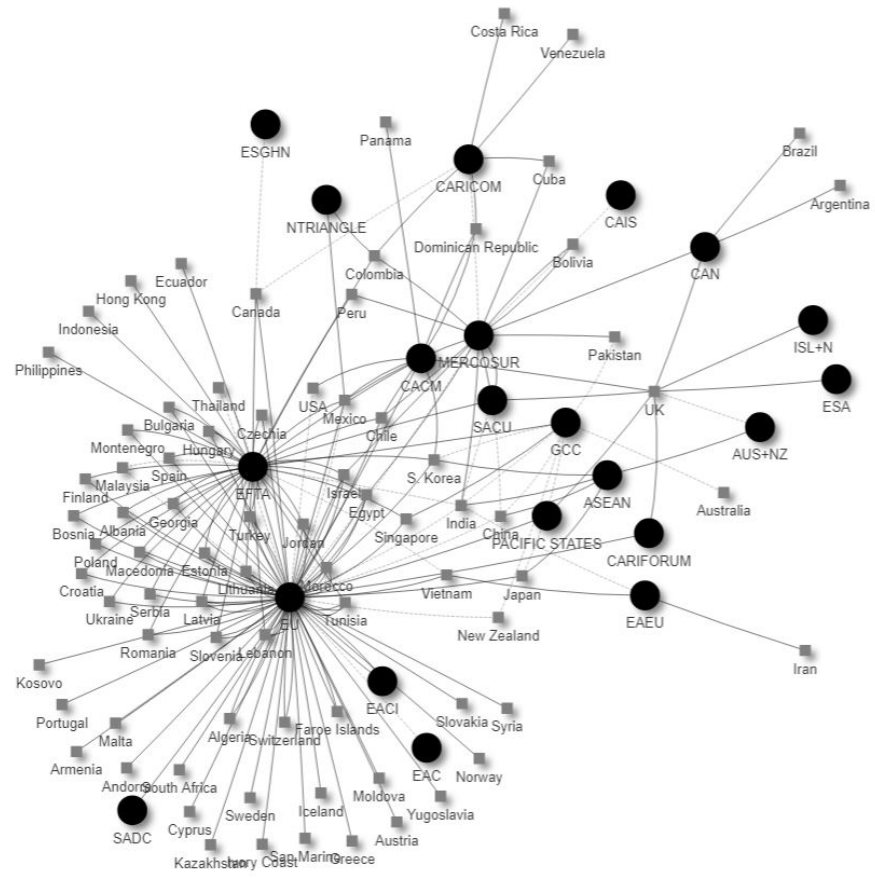


Figure 3: PTAs involving trading blocs as of 2020. Squares indicate states, while circles are represented as circles. Dashed lines show agreements that are being negotiated. Data from DESTA.

Following the end of the cold war amid the rise of new regionalism (Söderbaum/Shaw 2003), trading blocs have become more numerous and significantly more active in external relations (Figure 3). Collective negotiations are no longer restricted to the EU and its partners. As result of a growing number of trading blocs, about 20 had concluded at least one external PTA by 2020. More than 80 bloc-to-state agreements and 20 inter-bloc PTAs have been concluded, with several more being negotiated. These agreements have become much more diverse and multipolar. They include PTAs such as the one between the European Free Trade Association (EFTA) and the Gulf Cooperation Council (GCC); agreements concluded by the Eurasian Economic Union; and an agreement between the Common Market of the South (Mercosur) and the Southern African Customs Union (SACU), where domestic incentives and democratization within the two trading blocs played a central role (Mansfield/Milner 2012, pp. 54–55).

This development coincides with the changing character of the *content* of PTAs, which increasingly resemble regulatory or economic governance agreements. Whereas early PTAs indeed were centred on trade in goods, modern agreements reach far beyond traditional trade issues. Indeed, the classic trade-off between trade creation and trade diversion that might follow from PTAs (Viner 1950; Balassa 1967) seems not to hold for modern, deep PTAs (Mattoo et al. 2022). Accordingly, the 'label *'free trade agreements'* does not do a very good job of describing what recent proposed agreements [...] actually do' (Rodrik 2018, p. 74). Regulation, and the governance of differences are much more at the centre of modern agreements (Lawrence 2000; Fiorini/Hoekman 2018; Maggi/Ossa 2020). They “ *cover regulatory standards, health and safety rules, investment, banking and finance, intellectual property, labor, the environment, and many other subjects*” (Rodrik 2018, p. 75). They also are linked to foreign investment (Manger 2009; Buthe/Milner 2012; Bütthe/Milner 2014).

Modern trade governance therefore is not about insiders or outsiders or even trade flows – it is about navigating a complex web of asymmetric and differentiated economic relationships. Most states, particularly those that are embedded in regional integration schemes, have to consider the rules and architecture of their regulatory commitments before entering in negotiations with external trading partners – both if they intend to negotiate bilaterally and even more so as part of a trading bloc. It is particularly the latter that may contribute to a convergence of regulatory frameworks (Young 2015); the mutual recognition of standards (Messerlin 2014, p. 5); and, prospectively, the multilateralization of regional and bilateral regimes (Kemp/Wan et al. 1976, p. 76).

The conception of trading blocs as mutually exclusive and clearly delineated economic entities is not reflective of the increasingly fragmented and overlapping trading system. Besides the growing number of trading blocs as well as collective PTAs, the post-Cold War period witnessed the rise of variable arrangements and institutional overlap (Figure 4). On average, states now belong to 3.5 trading blocs – as opposed to between one and two before 1990. Unlike early regionalism's emphasis

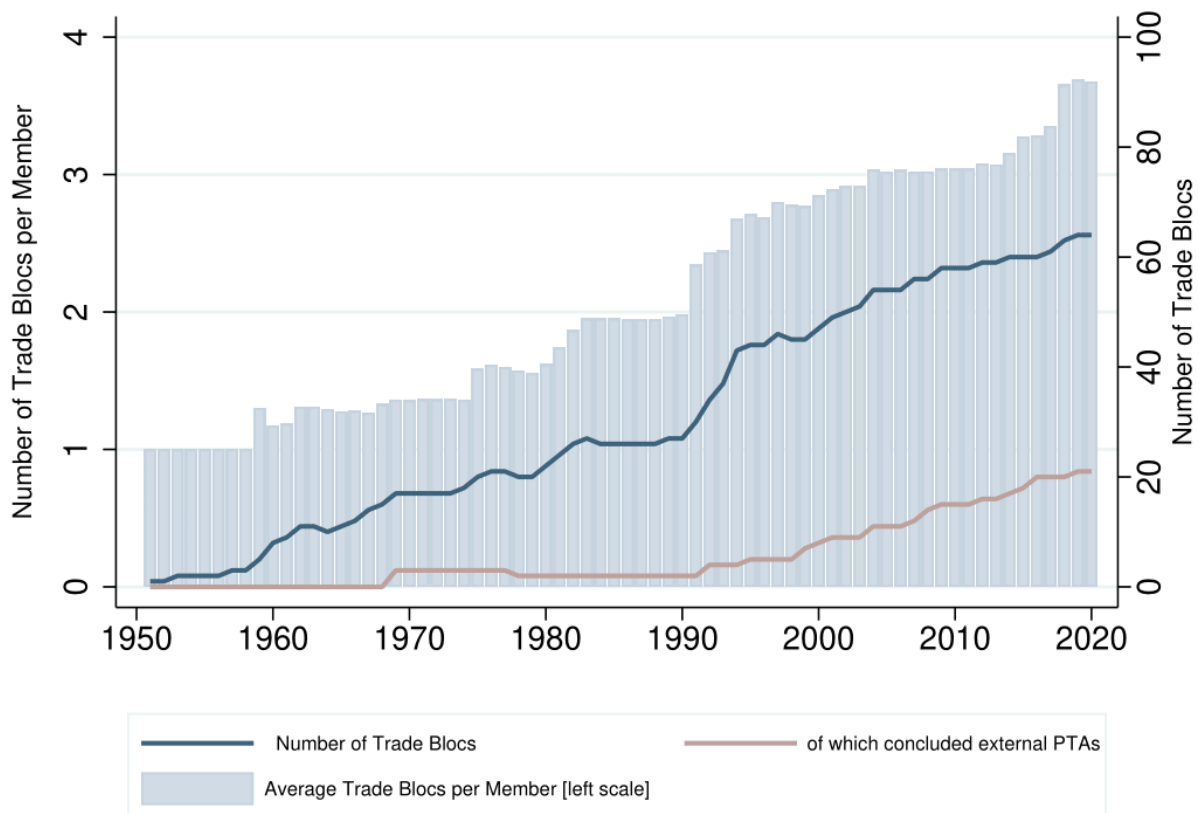


Figure 4: Number of trading blocs (of which concluded collective PTAs) and average number of trading bloc memberships per member state. Data from DESTA.

on deep regional integration, modern trading blocs are not necessarily defined by geography but serve as framework for situational cooperation, such as the D8 or Pacific Alliance. Trading blocs are not always congruent with economic geography or even regional IOs. Peru and Colombia, for instance, are members of ALADI, the Andean Community (which has a common external tariff) as well as the Pacific Alliance – and negotiate external agreements within the frameworks of the latter two.

Trading blocs have turned from static, inward-looking entities to variable, outward-looking actors. Attempts to pursue inward and outward-directed relations, however, may increase fragmentation. For instance, the EU-Kazakh PTA does not deal with tariffs at all as Kazakhstan is part of the Eurasian Customs Union whereas MERCOSUR tolerates deviations from its common external tariff.¹⁰ Nonetheless, negotiating agreements as a trading bloc offers opportunities to organise and ensure the compatibility of economic relations. Purely trade-based taxonomies of integration do not account for these developments.

¹⁰So does - technically speaking - the European Customs Union, where the EU and Turkey pursue independent trade policies.

2.1 No Need for Delegation: The Variable Geometry of Collective Agents

While trading blocs act jointly, the relation between trading blocs and their members is more complex. A perception of states delegating their trade policy to trading blocs would be - in the overwhelming majority of cases - a mischaracterisation. Delegating authority is a consequential choice states may not be willing to make. Besides states, trading blocs appear as two types of actors in international trade: (i) trading blocs as collective agents that are composed of officials from each member state and (ii) international organisations that negotiate on behalf of a trading bloc, following the delegation of trade policy by member states. In the first and much more frequent case, states retain their policy autonomy and capabilities, which enables them to pursue a dual trade policy - both bilaterally and collectively as part of a trading bloc. Variable and situational geometries of governance relations and institutional overlap are the result.

The two types of trading blocs as actors can be conceived as instances of *delegation* and *collective agency*. In the case of delegation, member states - as principals - delegate the negotiation process and issue a negotiating mandate, but do not conduct external negotiations which are led by IO staff. States are not able to walk away or pursue an independent policy. Although the EU is often invoked as typical model IO, it represents one of the extremely rare instances of delegation. The European Commission negotiates with third states and its authority and autonomy is exceptional (De Bièvre/Dür 2005; Woolcock 2016; Schade 2019). Therefore, considering the EU a role model or benchmark would be misleading. The EU's approach is the exception, not the rule, and not reflective of trade governance across the globe.

Collective agents operate in a very distinct way as the example of Mercosur showed. States retain both the capacity and authority to pursue a bilateral trade policy. They do not delegate their trade policy to IOs but form a common group that is comprised of representatives from member states, ensuring that all states are present at the negotiating table. Yet, officials and bureaucrats collectively represent a trading bloc and its common negotiation position, not their own state. Even when interests diverge, they speak for a "*common agenda, not [their] own national interests.*"¹¹ As opposed to delegation, internal coordination is more fragile and complicates trade negotiations.

Negotiating jointly therefore adds a layer of complexity to the negotiation, and implementation, of agreements (Figure 5). Under the scenario of a delegated trade policy, IO staff negotiates agreements on behalf of the bloc. If states retain an independent trade policy, however, they face a choice of whether they want to negotiate collectively. If latter case, an internal negotiation, or development of a (broad) mandate is antecedent to actual collective negotiations with external partners. While this can be thought of as a simplified two-stage process, in reality there is no clear-cut distinction. The

¹¹Interview 1.

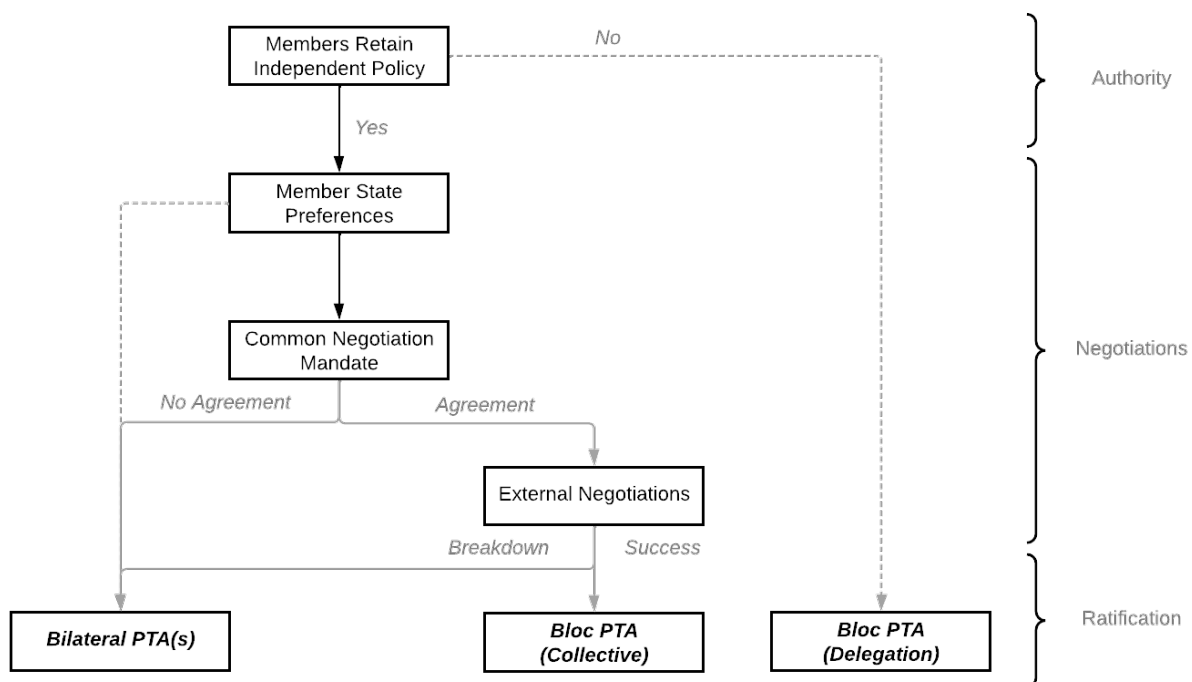


Figure 5: Stylised Flow Diagram of Joint Trade Negotiations.

internal consensus rather corresponds to continuous internal negotiations and may well break down during external negotiations. In consequence, there are significantly more breaking points in collective negotiations than in delegated or bilateral ones, increasing the chances of negotiations collapsing.

Whereas delegation usually entails a lasting choice, collective agency involves a continuous process that is not without alternative. As a result of this added layer, the failure of joint negotiations is not uncommon.¹² Bilateral negotiations are more likely to remain at the consultation stage whereas collective negotiations face difficulties *after* negotiations commence. In collective negotiations, individual state have an exit option of walking away and negotiating bilaterally when discontent with negotiations.¹³ Alternatively, a negotiated agreement may simply not be signed or ratified and, thus, not come into force.

Bilateral and collective trade negotiations are relevant governance features in international trade. Figure 6 shows the relation between the number of bloc PTAs and the average number of bilateral PTAs concluded per member state.¹⁴ Each bubble represents a trading bloc. The size of the bubbles indicates the number of member states of a bloc, whereas the share of collective PTAs over the sum

¹²See Table 6 for examples.

¹³For instance, after the failure of EU-ASEAN negotiations, the EU negotiated bilateral PTAs with selected ASEAN members - allowing for special rules of origin. Chile signed bilateral PTAs with three ASEAN member states in close temporal proximity.

¹⁴This only includes PTAs concluded during membership in the respective trading bloc.

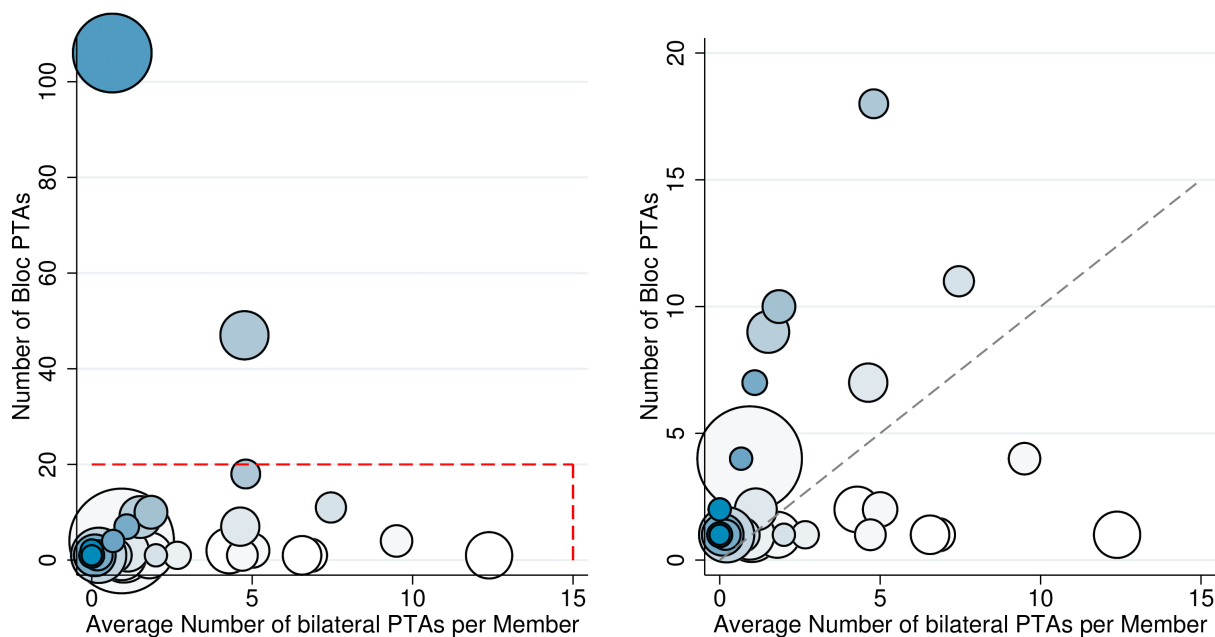


Figure 6: Bubble plot showing the relation of bloc to bilateral PTAs. Full plot (left panel) and zoom on highlighted area (right panel). *Data source: DESTA.*

of collective and bilateral PTAs is indicated by the colour of the bubbles.¹⁵ Looking at all cases (left panel) stresses the special character of the EU. Zooming in on the subset trading blocs with smaller numbers of PTAs (right panel) shows that the number of collective PTAs often is larger than the average number of bilateral PTAs. Disregarding the EU & EFTA due to the large number of agreements,¹⁶ collective PTAs are shown to be a meaningful pillar of trade policy, ranging from 16% to 66% of all PTAs concluded by the member states of trading blocs with more than five collective PTAs.¹⁷

Why do states pursue a dual policy and when do they choose to negotiate collectively or bilaterally? Static explanations revolving around bargaining power or economic parameters fail to explain this aspect of trade policy. If, for instance, a common external tariff prevented states from pursuing bilateral negotiations, they would either negotiate bilaterally or collectively - but not do both. Actual economic relations tend to indicate a more complex decision-making process. Why and under what conditions would states compromise on their policy autonomy?

¹⁵Blue represents a larger share of collective PTAs whereas a white fill indicates a smaller share of collective PTAs.

¹⁶While overwhelmingly negotiating collectively, however, however, EFTA states also negotiate bilateral agreements unlike EU member states.

¹⁷These are ASEAN, CACM, CARICOM, GCC, Mercosur and SACU, where ASEAN and SACU have the smallest and largest share of collective agreements, respectively.

3 Argument: Collective Political Agents Balancing Control, Capacity, and Commitments

With the evolution of trade agreements and the changing character of economic governance, static conceptions of mutually exclusive free trade areas and customs unions are not reflective of how states manage - external - economic relations. I argue that trading blocs are organic political actors, that, constituted by their members, attain a distinct agency that is more than the mere sum of their members. Trading blocs help states organise multi-dimensional and multi-layered economic relations in increasingly complex regimes. Collective negotiations allow states to align internal with external commitments, ensuring the compatibility of rules and minimising obstacles to private actors and overlapping rules. Growing fragmentation of actors is evidence of their agency as distinct from static conceptions of regionalism.

A trading bloc acts as coherently as its members choose to act. The decision to negotiate collectively is not determined by economic imperatives – economic structure constitutes the framework political agents operate in. Unlike deep regional integration where externalities and transaction costs are decisive (Mattli 1999a; Mattli 1999b), the relations of trading blocs with third parties are more fragmented and modular. Explanations focusing on relative market size and regionalism (Krapohl/Van Huut 2020) or of the EU responding to coherence and trade flows in the regions of its trading partners (Meissner 2019) fall short of acknowledging that collective agency is not exogenous¹⁸ - but a common objective and the result of the choice to negotiate collectively. Economic structure and diverging preferences can be accounted for in collective PTAs - if states are willing to manage necessary differentiation and exemptions. Ultimately, this is a political decision: *'if there is political consensus, the agreement will happen one way or another - whether with [state X] or with Mars.'*

The capacity to act independently is a prerequisite to having a choice. State capacity defines the leeway states have and if they have the ability to act independently. If states are unable to negotiate agreements on their own, they have to rely on collective negotiations out of *necessity*. Capacity constraints prevent equal legal rights from translating into equal opportunities in the international system (Poulsen/Aisbett 2013; Poulsen 2015), such as the pursuit of an independent trade policy. States then cannot achieve their goals on their own, leading to flawed outcomes (Betz 2019). This is no different for technically complex agreements such as PTAs that are several hundred pages long. Collective negotiations, may then be the only way to negotiate at all - facing no agreement as alternative. For many small countries, ministries of trade are comprised of only a few bureaucrats¹⁹ or lack expertise,

¹⁸For instance, the EU attempted to negotiate an agreement with ASEAN which failed due to diverging interests among ASEAN members - despite the latter's fairly successful record as collective actor.

¹⁹Interview 3.

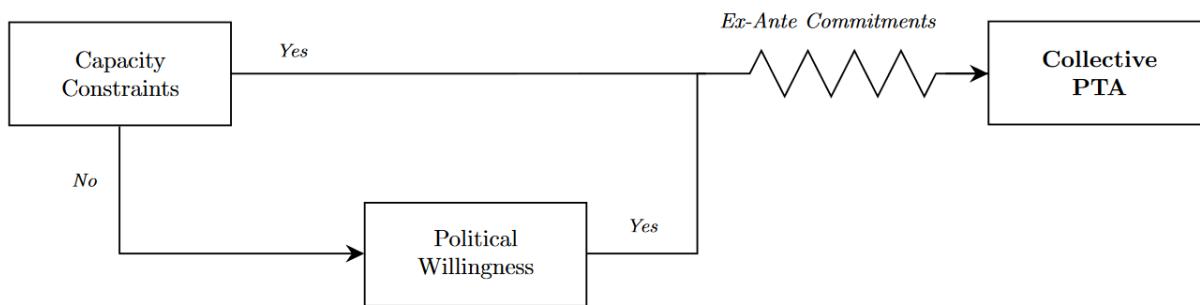


Figure 7: Simplified and stylised argument.

making it a challenge to even enter into negotiations.²⁰ Therefore, weak states have extensively built coalitions in WTO negotiations (Narlikar/Tussie 2004; Patel 2007; Odell 2010). Expanding capacity through collective negotiations can also help overcome constraints in the network of PTAs (Jones et al. 2010, pp. 48–52; Jones 2013, pp. 58–63). Paradoxically, these states have more policy leeway when they do not act independently but collectively as their ability to act alone is limited.

Collective trade negotiation are by no means limited to low-capacity states.²¹ In the absence of prohibitive capacity constraints, states make a deliberate decision between bilateral and collective negotiations, entering the latter out of *choice* (Figure 7). Willingness is the crucial element, with states deciding whether the pooling of resources and collective provisions outweigh the loss of policy autonomy amid concessions in collective negotiations. The structure of - possibly distinct - ex-ante commitments, both within the trading bloc and in relation to third states, mediates this trade-off. States face different options and each collective negotiation and agreement entails a compromise, which each state may or may not consider preferable to bilateral negotiations.

Collective negotiations generally differ from bilateral approaches with respect to important dimensions. Collective agents or delegated authority give trading blocs increased bargaining power in external negotiations: *'it's a stronger position negotiating as a group'*.²² This does not even require uniform provision but even a common offer can be an advantage. Heterogenous economies and balancing sensitive issues can give trading blocs an edge in negotiations.²³ However, different actors have varying effects on regulatory alignment and fragmentation. Individual states have leeway to commit to more flexible rules, whereas delegation ensures a high level of internal regulatory coherence, reducing regulatory fragmentation that might be caused by external PTAs. Collective agents allow for common approaches with more flexibility and differentiation - falling in-between bilateral

²⁰Interview 16.

²¹Brazil, Russia, Switzerland, Singapore, Norway and South Africa all have negotiated as part of trading blocs, amongst others.

²²Interview 15.

²³Interviews 6 & 16.

Table 1: Characteristics of different approaches to negotiating PTAs.

		EXPAND CAPACITY	
		<i>No</i>	<i>Yes</i>
RETAIN CONTROL	Yes	Bilateral Negotiations	Collective Agency
	No	<i>De facto</i> Transfer ³³	Delegation

and delegated negotiations. While internal discussions can be more difficult,²⁴ states can exploit a common stance related to internal rules.²⁵ Collective agency thus limits fragmentation through joint commitments without imposing a common approach.

Different types of actors also exhibit procedural trade-offs between control and the pooling of capacity in negotiations. Even where capacity constraints are not prohibitive, mutually benefitting from each other's expertise, without necessarily bringing in external capacity, is an important element of collective negotiations. Limitations in processing information, screening the impact of agreements and so on can be a challenge in negotiations. Collective approaches help compensate for individual members' lack of technical competence,²⁶ or simply reduce the amount of supporting work and analyses: banally, it may just be '*easier to have [other member] pay*'.²⁷ One trade negotiator highlighted that '*our training school was the WTO, after its stalling we stopped building capacity*'.²⁸ Capability issues were amplified as negotiations became more complex and state capabilities didn't catch up.²⁹

States, however, also seek to maintain control (Krasner 1985; Wendt 1999, p. 233; Howes 2003).³⁰ While collective negotiations require a compromise and thus may reduce policy autonomy, states nonetheless value direct control over negotiations throughout the process in its own right.³¹ Accordingly, while preferring collective negotiations, many state representatives stress the importance of being able to act bilaterally.³²

The result is a trade-off in negotiating PTAs (Table 1). States generally seek to maintain control while balancing capacity and control considerations (Abbott et al. 2020a; Abbott et al. 2020b). Bilat-

²⁴Interview 15.

²⁵Interview 6.

²⁶Interviews 4 & 10.

²⁷Interview 4.

²⁸Interview 7.

²⁹Interviews 7 & 16.

³⁰For specific instances, see Catalinac 2010 or Gritsch 2005.

³¹The difference between policy leeway and control is reflected by states that would not be able to negotiate bilaterally. Another example is Brexit, where an increase in control reduced the UK's policy leeway - at least temporarily.

³²Interviews 4 & 5.

³³Legally, this case would correspond to delegation where states don't have the capacity to effectively oversee the agent. In consequence, this kind of relationship ceases to be hierarchical.

eral negotiations allow states to maintain full control over policy but do not offer any advantages in the negotiating process. Delegation and collective agency entail joint commitments. Collective agency allows states both to exert direct control, i.e. remain at the negotiating table, and to compensate for individual deficits in expertise and capacity. Conversely, delegation of trade negotiations involves bringing in outside expertise - which also can benefit states through the hierarchical relationship - but does so only at the expense of control throughout the process. It therefore is a very rare occurrence.³⁴ If states cede control by delegation yet do not have sufficient capacity, a situation arises where states cannot effectively oversee negotiations. This could be described as dysfunctional delegation or de facto transfer of authority as the agent, in practice, can negotiate without being bound to the principal's mandate - in other words, the relationship ceases to be hierarchical.³⁵ The case of CARICOM's Regional Negotiating Machinery (RNM), where members feared their will was being overridden due to lacking capacity to oversee the RNM could be considered approaching this scenario.³⁶

All these arrangements are an expression of the pursuit for an optimal trade policy. In collective negotiations, this can mean different things to states. With states being hesitant to step back from the negotiating table and functionality holding cooperation together, delegation is not necessary for trading blocs to act.³⁷ Collective agency satisfactorily accommodates this bureaucratic trade-off by allowing states to sit at the negotiating table while expanding capacity by pooling of capacity. Mostly operating under the logic of collective agency, trading blocs conduct negotiations that only differ in degree.

3.1 Maintaining Control in Negotiations through Collective Agency

Collective agency differs from delegation as it allows states to exert direct control over the negotiating process while retaining the capabilities to act on their own. Giving up their seat at the negotiating table is not required. Thus, it enables cooperation as a collective approach allows for situational cooperation and overcoming capacity constraints. Control, however, does not mean that states can pursue their independent policy goals. The logic of collective agency limits individual states' influence on negotiations. Internal bargaining thus determines the policy-leeway states enjoy as part of a collective agent. Contrasting delegation with collective agency helps clarify this difference. Figure ?? schematically visualises the negotiating process, ranging from the agreement of a common mandate (M) before negotiations begin to the agreement being signed (S).

³⁴If at all, this applies - besides the EU - in limited ways to ECOWAS (Hulse 2014, p. 557) and CARICOM. See the section on case studies for a detailed discussion of the latter.

³⁵Note that this is particularly problematic as states eventually must approve of and implement negotiated agreements.

³⁶Interviews 11 & 12

³⁷Interview 13.

Under delegation of the negotiating process to an external agent, member states - as principals - would issue a negotiating mandate, on the basis of which the agent negotiates an agreement. Principals act as veto players when signing and ratifying the negotiated agreement but do not interfere in the negotiating process. The loss of control during the negotiation stage can create typical conflicts between principals and agent (Hulse 2014, p. 557). In practice, states therefore still retain influence, even if informal or consultative, during negotiations even if authority has been delegated. Even in the EU, member states are kept in the loop during negotiations and are able to influence them (Adriaensen 2016). When necessary, EU member states even have opted to seize more control, shifting from structural to ad hoc delegation (Meunier/Nicolaidis 1999). Oversight by member states also was significantly closer during the Brexit negotiations, with member states being concerned about the Commission's ability to keep sensitive issues hidden from member states for a long time.³⁸

Collective actors operate distinctly, where officials from all members that comprise the common actor sit at the negotiating table. Member states always have direct oversight of the negotiations and exert direct control during the entire negotiating process. This difference is important as states keep their voice: *'We all have microphones, we can all speak'*.³⁹ This is particularly salient for states with less bureaucratic capacity. Participation in working groups hinges on capacity, expertise and personnel constraints. While often not all member states can be represented in all groups, all usually have the same voting rights and must be consulted and approve of agreements.⁴⁰ Other states have no authority to decide on their behalf. Thus, effective cooperation requires some sense of solidarity and awareness of limitations.⁴¹ Solidarity and an interest in joint success thus become an element to capacity building. Although states are in the driver's seat, their individual ability to steer varies - control does not translate into policy leeway. Negotiators must comply with the common negotiation mandate and represent the common position of the trading bloc, not their individual goals - which may be different.⁴² Finding a common position corresponds to an additional negotiation. ⁴³ As a Mercosur negotiator put it: *'what we have within Mercosur is a negotiation, as much as with third states - as friends, but these are negotiations'*.⁴⁴

Under collective agency, states directly control the negotiating process. Yet, their influence on negotiations depends on the way collective agents operate internally. The more flexible the common position is throughout negotiations, the larger individual impact on the common position during negotiating process - while directly remaining in control regardless. Trading blocs differ in their approach

³⁸Politico.eu. 19.10.2021. "Leaders look to break EU's impasse on trade deals": <https://www.politico.eu/article/eu-leaders-want-to-get-brussels-out-of-its-trade-impasse/>

³⁹Interview 4.

⁴⁰Interviews 6 & 10. Consultations usually run through chief negotiators, with capitals being consulted in rare cases.

⁴¹Interviews 5 & 16.

⁴²Interviews 1 & 4.

⁴³Interviews 5 & 12.

⁴⁴Interview 4.

to joint negotiations. Mercosur does not have a common mandate in writing but understanding in principle and considers common positions a 'moving target'.⁴⁵ EFTA, on the other hand, agree on quite a detailed written mandate before entering negotiations, however, being aware that this is not going to be the final result.⁴⁶ In all cases, internal coordination happens continuously, during or between rounds,⁴⁷ via instant messengers⁴⁸ or informally '*during breakfast or with a beer in your hand*'.⁴⁹

While collective agency facilitates joint negotiations by letting states maintain control over the process, it can also create a joint decision trap (Scharpf 1988), where desirable outcomes are unviable as states are unwilling to budge. This may render collective agents less stable. Accepting joint agreements remains a political choice. If states don't consider them good enough, they can 'veto' the agreement by walking away from negotiations or refuse to sign or ratify a negotiated agreement - and conclude bilateral PTAs unlike in the case of delegation.

Inducing Willingness: External Pressure

Political incentives can facilitate agreement on a collective compromise. Occasionally, external pressure serves as a catalyst for collective PTAs, particularly when paired with capacity constraints. Especially the EU's self-perception as model of successful integration has arguably led it to engage in region-building (Risse 2016; Börzel/Risse 2009), particularly after the differentiation of ACP relations through EPAs (Woolcock 2014). While not restricted to trade (Haastrup 2013; Lenz 2021), trade relations entailed the creation of regions abroad (Krapohl/Van Huut 2020) and were central in the creation of the South African Development Community (Buzdugan 2013). In doing so, the EU often followed its own conception of regions, disregarding extant cooperation schemes (Nicolaidis et al. 2014).⁵⁰ When negotiating with the Central American Common Market (CACM), the EU insisted Panama be part of the group – despite not being a member of CACM's economic integration system at that time. "*They told us we either get an agreement as part of CACM or no agreement at all*", an official from Panama recalls.⁵¹ The EU pursued a similar approach in the Caribbean, where the resulting group – CARIFORUM – is comprised of CARICOM and the Dominican Republic as the sole non-member.

External pressure on trading blocs, however, is neither always successful nor uniformly favouring collective negotiations. The EU insisted on negotiating with the entire Andean Community - despite Venezuela's problematic stance (Woolcock 2007, p. 5) and Bolivia's reluctance to conclude

⁴⁵Interviews 4 & 7.

⁴⁶Interview 6.

⁴⁷Interviews 4, 5, 6, 7, 8 & 16

⁴⁸Interview 16.

⁴⁹Interview 4.

⁵⁰Arguably, this may raise doubts about the legitimacy of these arrangements.

⁵¹Interview 1.

trade agreements. Colombia and Peru, which had just negotiated PTAs with the US and Canada, tried to accommodate this, but eventually had to ask the EU to negotiate as subset, which later was joined by Ecuador.⁵² Conversely, Colombia refused to negotiate bilaterally with Uruguay after failed negotiations with Mercosur.⁵³ The refusal of several African states to apply the EU's agreements further indicates the limitations of this approach.⁵⁴ External pressure may also keep trading blocs from negotiating together. For a long time, China refused to negotiate with trading blocs, making EFTA states conclude bilateral ones without indicating any substantive reason.⁵⁵ Japan acted in a similar way.⁵⁶ Ultimately, external influence is a matter of trading partners' choices.

Destabilising Willingness: Political Exposure

The willingness to negotiate collectively can be undermined if trade policy is salient in domestic politics or exposed to the electoral cycle. PTAs entail a political compromise, especially as trade policy becomes more fragmented and variable. In general, domestic veto players reduce the probability of PTAs (Mansfield et al. 2007), with subnational actors playing a growing role in trade policy (Broschek/Goff 2020; Freudlsperger 2020; Paquin 2022). Collective agency adds a further layer and potential breaking point to this compromise. Political influence can complicate collective negotiations, especially when states have the option to go alone. The politicisation of trade policy played a role in EU-US negotiations (De Bièvre/Poletti 2020) and led to referenda in Switzerland on the EFTA-Indonesia agreement and in the Netherland on the EU-Ukraine agreement.⁵⁷ If the Swiss referendum had been successful, the EFTA agreement would have been in limbo.⁵⁸

Not only public opinion can destabilise collective agency. Changing leaderships and elite opinion also impact states' ability to find common ground. Argentina's presidential system has made Mercosur's *'trade policy dependent on the electoral cycle'*.⁵⁹ Venezuela even decided to leave the Andean Community and join Mercosur because Colombia and Peru signed PTAs with the US.⁶⁰ Similarly, political upheavals in Myanmar limited Asean's ability to act collectively.

Collective negotiations may entail an element of depoliticization (Bianculli 2020). Individual

⁵²Interview 8.

⁵³Interview 4.

⁵⁴For instance, only Ivory Coast and Ghana are applying the 2016 EU-Western Africa agreement, whereas 14 other states chose not to do so.

⁵⁵Interviews 5 & 6.

⁵⁶Interviews 5 & 6.

⁵⁷The latter of which quite obviously was a political signal. Similar agreements with several other states in Eastern and Southern Europe did not create any comparable momentum in any EU member state.

⁵⁸Interview 16.

⁵⁹Interview 7.

⁶⁰Los Angeles Times. 20.04.2006. "Venezuela to Withdraw From Free Trade Pact": <https://www.latimes.com/archives/la-xpm-2006-apr-20-fi-briefs20.8-story.html>

concerns and reservations may dilute as part of a larger group, precisely because the interests of other must be taken into account.⁶¹ Negotiators can more easily fend off private sector interests: *'in collective negotiations there's more at stake, the entire common effort could be undermined'*.⁶² Hence, more concessions can be sold to a domestic audience.

3.2 Ex-Ante Commitments and Alignment in Collective Negotiations

With political choice at the centre of collective trade negotiations, states' perception of the negotiating process is key: The concessions in collective negotiations must not outweigh the perceived benefits. Economic structure and trade flows feature prominently in explaining the behaviour of trading blocs (Lindberg/Alvstam 2007; Krapohl/Van Huut 2020; Meissner 2019). Instead, I posit that while economic structure mediates this trade-off and shifts the perception of states, states face a political choice. Moreover, rather than looking at trade flows, economic constraints are better conceived of as ex-ante commitments of state, reaching beyond trade in goods.

Ex-ante commitments determine the framework for states to pursue their policy goals - sometimes posing significant constraints. For instance, a common external tariff generally is supposed to prevent states from setting their own tariffs. However, these commitments usually are far from deterministic with respect to states' leeway in collective negotiations. Rather, states must reasonably manage intra-bloc and external commitments. *Internal commitments* are more stringent the deeper a trading bloc is integrated, making it more costly to deviate. *External commitments* may be highly asymmetric, with states having vastly diverging ex-ante relations with third states.

Collective negotiations can help states align and manage commitments among trading bloc members and those towards third states, thus being a tool for establishing efficient governance frameworks. A collective PTA therefore requires a satisfactory balance between ex-ante commitments and regulatory relations - and must reflect the ambition of trading bloc members. In other words, *'our internal rules guide how our rules are negotiated externally'*.⁶³ For ASEAN, internal commitments broadly limit the design of collective external agreements - with members going beyond common issues in bilateral agreements (Cremona et al. 2015, p. 137). The need to clarify to what extent the PACER Plus agreement would create obligations between Australia and New Zealand stresses this link.⁶⁴ Similarly, the close regulatory alignment among EFTA states through the EEA agreement highlights the

⁶¹Interviews 7 & 10.

⁶²Interview 15.

⁶³Interview 12.

⁶⁴LetterfromToddMcClay,MinisterofTradeofNewZealand.14.06.2017:<https://www.dfat.gov.au/sites/default/files/side-letter-on-pacer-plus-from-new-zealand-to-australia.pdf>

value of collective negotiations beyond traditional trade issues.⁶⁵ Thus, trading blocs may contribute to a convergence of regulatory frameworks (Young 2015).

Internal commitments can also constrain states' policy leeway and, potentially, states' ability to negotiate PTAs. Increasingly, this concerns regulatory issues rather than trade in goods. Especially when it comes to harmonised rules and mutual recognition, ex-ante commitments can be an obstacle. Contradictory rules on geographic indication within Mercosur and under the bilateral Uruguay-Mexico PTA technically correspond to violations of either agreement and are repeatedly addressed in Mercosur's regulatory group without any progress.⁶⁶ The 2014 EU-Ukraine association agreement stipulates that Ukraine is to adopt European standards, withdrawing conflicting and gradually replacing GOST standards - which were developed in the Soviet Union and continued in Russia.⁶⁷ Initial attempts aimed at allowing Ukraine deeper integration with both the EU and the Russian-led EAEU required substantial exemptions.⁶⁸ While ex-ante commitments can be restrictive, differentiated rules and exemptions give states leeway to manage these commitments - if they are willing to act in such way

Managing Divergence in Collective Negotiations: Variable Rules, Differentiation, and Exemptions

Managing differences and differentiated provisions are not an irregularity but a crucial element to collective agency and joint negotiations. They are reflective of incongruent rules and regime complexity in economic governance, allowing states to blur governance boundaries. Sensitive policy areas or ex-ante commitments that are too restrictive can be dealt with by means of omissions or exemptions. They allow trading blocs to negotiate collectively in the presence of incongruent preferences or ex-ante commitments. Collective PTAs often entail somewhat differentiated provisions. If there is a will to so, states often can manage and accommodate divergence. As one negotiator put it: *'We must have honest discussions, but we'll find a way if we try.'*⁶⁹ In collective agreements, this can be achieved through (i) omissions; (ii) exemptions; (iii) differentiation; or (iv) the variable entry into force of provisions.⁷⁰

Variable rules, differentiation and exemptions are abundant in collective PTAs. Trade in goods

⁶⁵Interview 6.

⁶⁶Interview 4.

⁶⁷Association Agreement between the European Union and its Member States, of the one part, and Ukraine, of the other part, Article 56(8): [https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:22014A0529\(01\)&qid=1689525765551](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:22014A0529(01)&qid=1689525765551)

⁶⁸Süddeutsche Zeitung, 14.09.2014. "Durchlöchert von Tausenden Ausnahmen": <https://www.sueddeutsche.de/politik/abkommen-zwischen-eu-und-ukraine-durchloechert-von-tausenden-ausnahmen-1.2125659>

⁶⁹Interview 7.

⁷⁰Note that, moreover, bilateral agreements may extend some benefits to members of trading blocs that are non-parties.

and market access can rather easily be differentiated, whereas this is less sensible, yet possible, for regulations. For many collective actors such as EFTA, market access remains a bilateral issue with individual tariff schedules.⁷¹ PTAs do not necessarily have to include provisions on market access: Argentina was exempted from the market access chapter of the Mercosur-Korea PTA. Maybe counterintuitively, this also applies to customs unions: the Kazakh-EU agreement does not include trade in goods, whereas CARICOM has many exceptions from its common external tariff (Dunlop et al. 2004, p. 14). In its external PTAs, even the EU agreed on separate rules on agriculture for Spain and Portugal during the 1990s, whereas Turkey pursues an independent trade policy despite being a member of the European customs union.⁷² EFTA used to conclude bilateral protocols on agriculture, before switching to a common approach⁷³ - yet, individual tariff schedules remain, so with respect to this area, *'bilateral agreements wouldn't look very different'*.⁷⁴

The prominence of exemptions blurs the distinction between free trade areas and customs unions. Mercosur established an unwritten rule to negotiate jointly with trading partners from overseas while tolerating a fragmented approach in Latin America. Importantly, this *'was a matter of choice'*.⁷⁵ In Latin America, Mercosur technically concludes joint agreements with member states concluding bilateral agreements as additional protocols - which essentially *'was kind of a façade'*.⁷⁶ Arguably, these exemptions are necessary to maintain a common external tariff in the first place. Similarly, when the Andean Community negotiated with the US and Canada, negotiators were 'relieved' when Venezuela left the community so Peru and Colombia could achieve bilateral agreements with joint provisions.⁷⁷ Even if no joint agreement can be concluded, provisions such as cumulation of origins help pursue collective interests (Estevadeordal et al. 2009; Abreu Donner 2016), as does monitoring each others' bilateral policy.⁷⁸

The trade-off between collective negotiations, and thus the collective management of provisions, and differentiation necessary to achieve a collective compromise determines if states prefer viable collective outcomes to alternatives - most notably a bilateral agreement or no agreement at all. The stringency of collective agency and the extent to which states are willing to accept exemptions, not economic structure per se, therefore constrain the political willingness of states to act collectively. Importantly, one state's decision to walk and pursue bilateral negotiations may be sufficient for collective negotiations to break down. The relatively frequent failure of collective negotiations reflects

⁷¹Interview 5.

⁷²Turkey's PTA usually entail provisions in case Turkey accedes to the EU, whereas EU agreements include a declaration encouraging trading partners to initiate separate negotiations with Turkey.

⁷³Interview 5.

⁷⁴Interview 6.

⁷⁵Interview 7.

⁷⁶Interview 7.

⁷⁷Interview 8.

⁷⁸Interview 7.

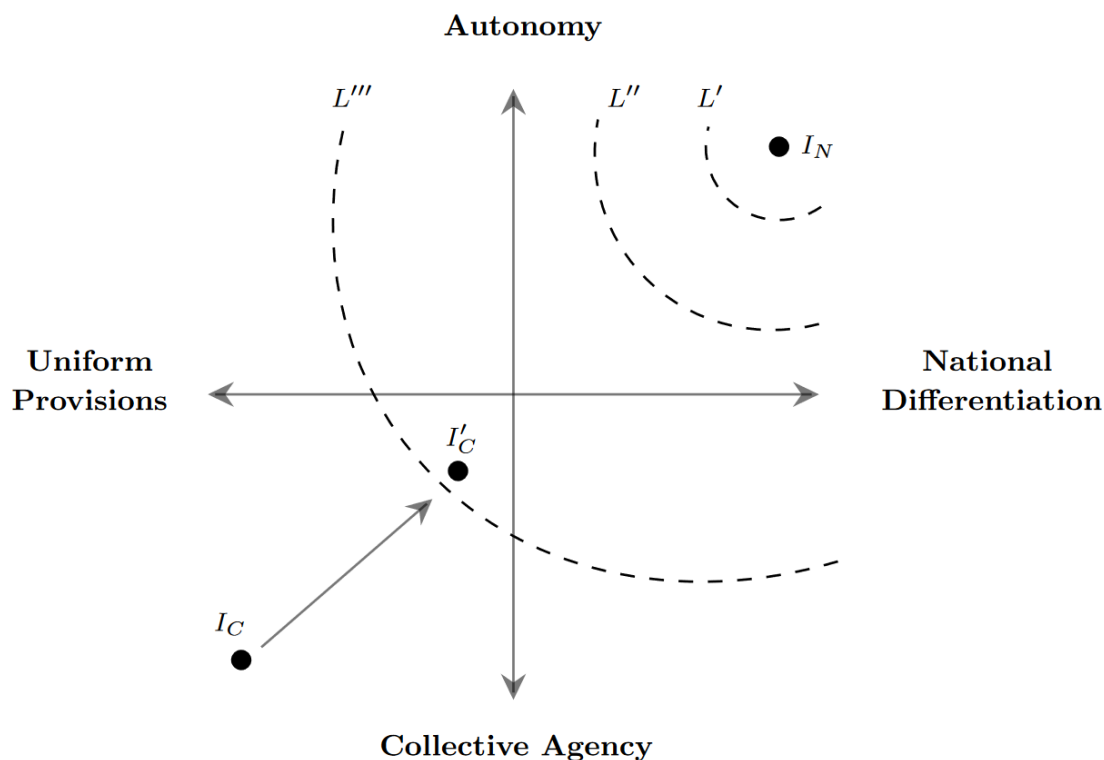


Figure 8: Schematic decision-making on collective negotiations. The vertical dimension reflects a *procedural* trade-off between individual autonomy during negotiations and collective agency. The horizontal dimension visualises a *substantive* trade-off between uniform and differentiated treaty provisions.

this tension.

Differentiation in collective negotiations is a matter of degree, entailing procedural and substantive trade-offs that are schematically visualised in Figure 8. Procedurally, states decide on the extent to which they represent a common position or enjoy meaningful leeway during negotiations, with the latter rendering negotiations more akin to simultaneous internal and external negotiations.⁷⁹ Process matters and may facilitate or complicate joint negotiations.⁸⁰ Substantively, collective agents agree on rules that are uniformly applied or entail meaningful differentiation, up to individual rules.⁸¹ The figure shows the example for a single state, whose ideal point is located in the top-right corner (I_N). The trading bloc's possible collective agreement, under the scenario of no differentiation, is located in the bottom-left corner (I_C). The more *ex ante* commitments govern relations within a trading bloc, the closer these points are in substantive terms. If the state prefers this outcome to alternatives, it signs up

⁷⁹Deep agreements such as CETA's Regulatory Cooperation Forum even require continuous cooperation on regulatory alignment.

⁸⁰Interviews 6, 8 & 15.

⁸¹Note that, in practice, these two dimensions likely somewhat overlap. For the sake of conceptual clarity, they are considered independent in this simplified model.

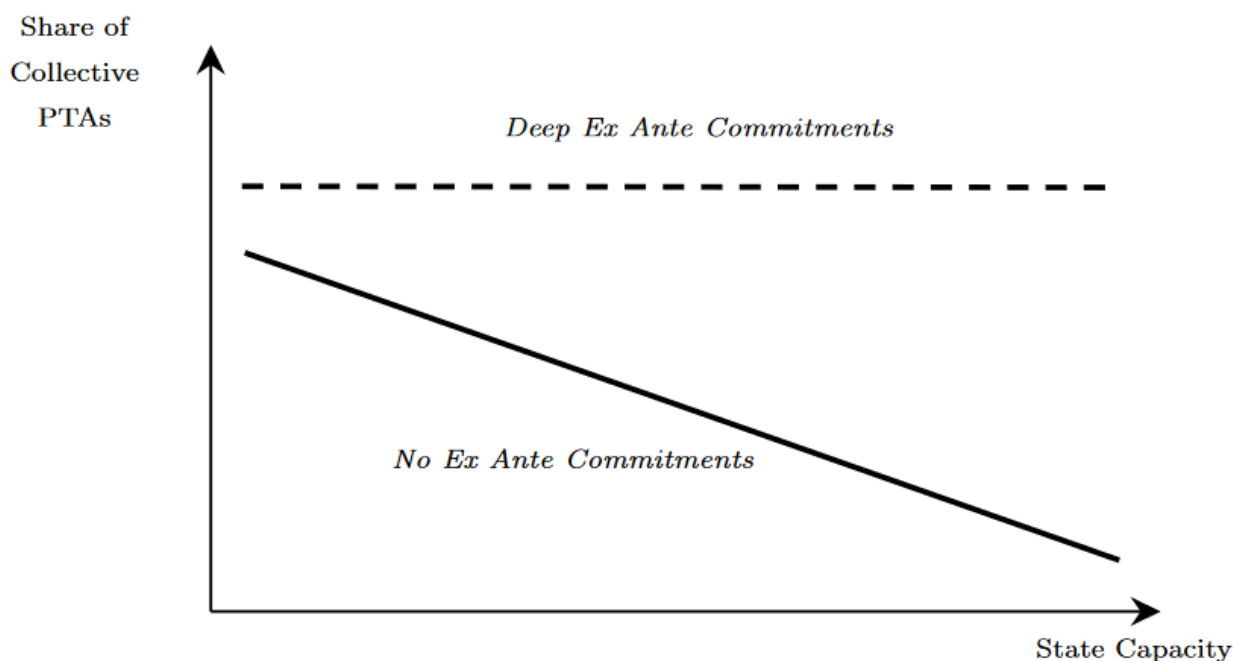


Figure 9: Expected prevalence of collective PTAs dependent on state capacity and ex-ante commitments.

to the collective agreement. Indifference curves (L) visualise this relationship.⁸² If however, the state prefers an alternative to the collective agreement - such as in the scenario of L''' indicating the state's preferred alternative, it would drop out. In this case, a collective agreement with differentiation and exemptions, I'_C , can render the collective agreement preferable to alternatives. If the necessary degree of differentiation or autonomy becomes too costly to reconcile with this position, or states have strong preferences to pursue bilateral negotiations,⁸³ as visualised by indifference curves L'' and L' , a collective agreement is unlikely to be viable. The willingness to compromise and manage divergence, and the alignment of internal and external rules, thus determines if collective negotiations succeed.

3.3 Theoretical Expectations & Hypotheses

Summarising the role of state capacity and ex-ante commitments for states' decision to pursue collective negotiations, Figure 9 schematically visualises the expected prevalence of collective PTAs. For low-capacity states, joint PTAs are more common due to capacity constraints, independent of previous commitments. With growing state capacity, the choice to compromise and the likelihood to conclude

⁸²The alternative may be a bilateral agreement or no deal at all, depending on interest and capacity.

⁸³This may be the case with vastly diverging ambitions on the scope of an agreement - despite the political willingness to negotiate jointly.

joint PTAs decrease as alternatives are less costly and more suited to the individual state. Such states are able to more easily conclude bilateral PTAs. As theorised above, collective negotiations can be instrumental in managing commitments. Thus, trade strategy hinges on the stringency of states' ex-ante commitments, which alter the trade-offs states face when negotiating collectively. Generally, the share of collective PTAs grow as commitments become more stringent - and can be imagined as an upwards movement of the black line towards the dotted line in Figure 9. However, ex-ante commitments do not preclude bilateral agreements unless the capacity to negotiate agreements has been delegated to an IO. For collective agents, ex-ante commitments merely limit the potential incentives to act outside of the collective agent. Bringing together the theoretical considerations developed in this section, the following empirical expectations can be derived which will be tested in turn:

H1: Collective and bilateral trade policies are not mutually exclusive but complementary.

H2: State capacity moderates the effect of ex-ante commitments. The lower state capacity is, the smaller the effect of ex-ante commitments on the choice between bilateral and collective PTAs.

H3: Unless capacity constraints are prohibitive or trade policy is delegated to an IO, collective negotiations are a matter of political and economic choice, not economic imperatives.

4 Empirical Analysis

To put the theoretical model and expectations to test, I employ a three-tiered approach. Firstly, I examine the impact of collective negotiations on states' overall trade policy, addressing the question of whether bilateral and collective trade policies are mutually exclusive. Secondly, I analyse when states conclude bilaterally and collectively negotiated PTAs, examining the role of state capacity and ex-ante commitments. Thirdly, I illustrate the role of (political) choice in deciding between bilateral and collective negotiations in a number of case studies. These cases reveal necessity, due to capacity constraints, and choice as the central determinants of collective agency.

4.1 Research Design

Conceptualising the collective agency of trading blocs is the central issue in analysing trade policy. Unlike IOs or supranational actors - such as the EU when it comes to trade - collective agents inherently exhibit an incongruence. Collective agents act on behalf of the sum of their constituent members yet are distinct from a sum of bilateral agreements. In international trade, this is reflected in their being a single agent during negotiations, whereas (partially diverging) trade rules cover all dyads

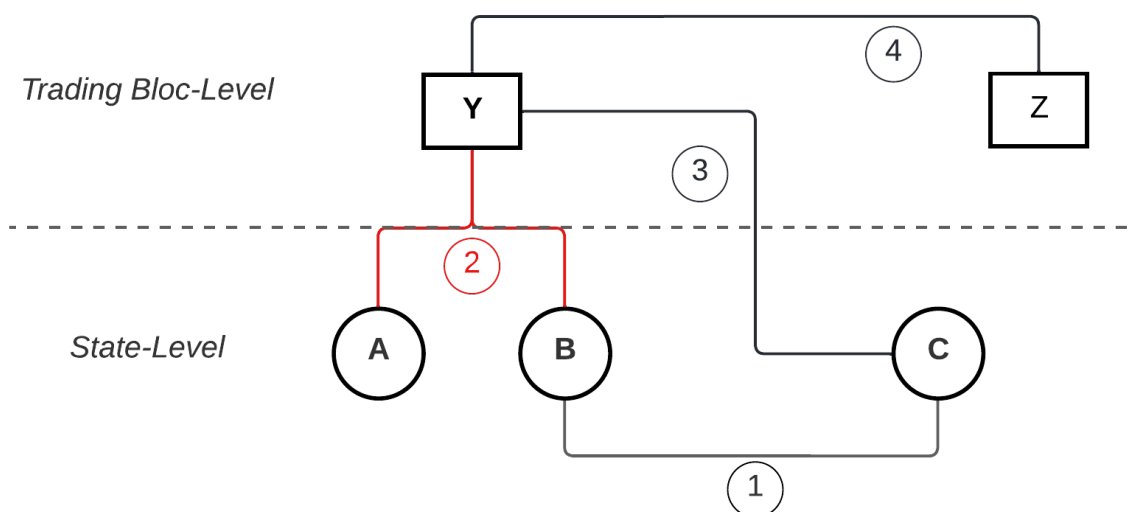


Figure 10: Schematic visualisation of distinct types of PTAs. PTAs that constitute trading blocs are highlighted in red.

between involved states and are collectively administered by states. From a methodological point of view, this creates some trade-offs when it comes to operationalising their agency.

Oftentimes, research does not distinguish between bilateral and plurilateral PTAs, or merely does so by inclusion of a dummy variable. Rather, the focus is on whether states conclude PTAs or whether a state-state dyad is covered by a PTA. For the very most research questions, this may be appropriate but from an economic diplomacy perspective this conceptualisation ignores an important aspect of trade negotiations. PTAs, however, can be classified into four distinct types (Figure 10): (i) bilateral PTAs between two states; (ii) PTAs between more than two states, constituting a trading bloc;⁸⁴ (iii) PTAs between a trading bloc and a state; and (iv) PTAs between two trading blocs, sometimes referred to as interregional PTAs.⁸⁵

Broadly distinguishing between bilateral and plurilateral PTAs therefore conflates the latter three types. Separating trading bloc membership (type 2), which governs trade rules internally, and *external PTAs*, i.e. those that trading blocs conclude with third states (type 3 and 4), is imperative to understanding how states organise trade policy and identifying collective agency. Note further that external PTAs are actor-specific, implying directed dyads: When the UK concluded a PTA with the Andean Countries, for instance, the UK negotiated bilaterally, i.e. facing a single party, whereas the Andean Countries negotiated collectively. Accordingly, this PTA would be considered bilateral for the UK

⁸⁴This group includes 'mega-PTAs', which - despite not having collectively negotiated external agreements so far - in principle merely differ from regional trading blocs in terms of geography. However, their agency may change with efforts to multilateralise trading rules.

⁸⁵Note that the latter name is unnecessarily restrictive and excludes agreements between blocs from the same region.

but a result of collective negotiations for the Andean Countries. This is an important difference and reflects diverging approaches in PTA negotiations.

Since the principle aim of this contribution is explaining the role of collective agency, the analysis focusses on the external PTAs concluded by trading blocs and their contrast to bilateral negotiations. I conceive of PTAs that constitute trading blocs as link between bilateral policy and collective negotiations. While not all trading blocs eventually become collective agents and a few collective agents are created through the conclusion of external PTAs,⁸⁶ this approach helps alleviate methodological problems. First, it narrows down the range of all possible cases of collective agency (Poast 2010). Second, it allows for the representation of multiple membership in trading blocs - as trading bloc memberships are not mutually exclusive -, thus keeping track of constellations through which states may collectively negotiate PTAs. While network analysis to model PTA conclusion has become increasingly popular (Manger et al. 2012; Kim/Manger 2017; Wu et al. 2020), collective agency in the context of multiple membership creates several methodological problems to modelling.⁸⁷ I therefore refrain from applying network analysis and rather account for the linkages of trading bloc membership in a monadic design, thus mitigating these problems (Cranmer/Desmarais 2016, p. 356; Diehl/Wright 2016). While it would be desirable to fully account for interdependence, the following analysis aims to be a first step in this direction as it seeks to contribute to understanding the complexity in trade policy introduced by collective agency.

4.2 Alternatives or Complements? The Role of Collective Negotiations

How do collective negotiations shape states' trade policy? Considering the EU as role model of regional integration may create the impression that there is a clear-cut threshold in terms of regional integration: either states negotiate collectively or they don't. The theoretical argument laid out above, however, paints a more nuanced picture. To address this issue, I analyse the relation between collectively negotiated PTAs and those negotiated bilaterally, using a monadic design. Note that EU member states are excluded if their first collective agreement was negotiated as EU member.⁸⁸ Further, ACP-EU Conventions are not considered in this part either due to simultaneity concerns regarding the analysis of the long-term effects.⁸⁹

⁸⁶This usually applies to subgroups of or moderately modified trading blocs, such as the Northern Triangle; Ecuador, Peru, and Colombia; or Island and Norway

⁸⁷Hollway/Koskinen 2016 are coming closest to such a design but they but deal with one type of membership in fishery agreements, thus not facing the problem of collective agency.

⁸⁸With an exceptional level of unity with common agency in the WTO and delegation of trade policy to the Commission, EU members' trade policy is invariant.

⁸⁹Substantive results do not change, however, if these agreements are considered.

Data on trade agreements originate from the DESTA database (Dür et al. 2014). I transform constituting PTAs into a trading bloc membership matrix and classify each remaining PTA as either bilateral or involving a collective actor. In case of the latter, I code each state as either single party or part of a trading bloc, i.e. collective agent. I then mark each state's first collectively negotiated PTA, to be used as a cut-off in the first part of the analysis. I further record the number of bilateral PTAs each state had negotiated at that moment and the number of trading blocs of which they were members. I further consider GATT/WTO membership - based on data from GATT/WTO records - as well as GDP per capita from the World Bank (Bank 2022), and states' absolute GDP in constant 2005 US-\$ as measure of market size, retrieved from Penn World Table (Feenstra et al. 2015).

In a first step, I investigate the immediate effect of collective negotiations on trade policy. To do so, each state's first collective negotiation serves as cut-off for a regression discontinuity design. I separately estimate the change in trade policy by analysing states' propensity to negotiate different types of PTAs *after* having negotiated one as part of a collective agent. The disruption to states' trade policy is visualised in Figure 11 for ten-year periods before and after the cut-off.⁹⁰ Note that the first collective PTA is removed to prevent a distorting effect. The plots reveal that the propensity to conclude bilateral PTAs is not meaningfully affected and remains at a likelihood of about 10% in after the cut-off. The likelihood to collectively conclude a PTA jumps from 0%, by design, to about 20%, which is remarkable as it is about twice the likelihood for bilateral PTAs. The total number of PTAs even increases at the cut-off, jumping from about 15% to 40%, albeit with an overall falling tendency. The number of trading blocs states join - Figure 15 in the annex - reveals no jump at the cut-off but a decline in the number of new blocs states join setting in a few years before their first collective PTA. It revolves just below 10% likelihood, however, indicating a consolidation rather than an end to joining new blocs.

Importantly, these visualisations strongly suggest that collectively negotiated PTAs are an additional tool for states and do not replace bilateral agreements - which remain almost equally likely as before the first collective PTA. To lend further credibility to the additive role of collective PTAs, I conduct a brief analysis of the full texts of PTAs around the cut-off. Exploratory results indicate that the cut-off is loosely associated with a change in the content of PTAs. I specifically focus the analysis on the term 'cumulation' - and derivations - which reflects interdependence by allowing for more permissive, i.e., cumulated, rules of origins as well as 'cohesion' and derivations. The results are visualised in Figure 16 in the annex. An increase in the use of 'cumulation' in PTA text can be observe, while there only seems to be a minor increase in PTAs that mention 'cohesion'. Note that this also includes bilateral PTAs, where extended cumulation addresses deeper links with other trading bloc members. While only indicative, this suggests that collective negotiations does affect trade

⁹⁰See Figure 14 in the annex for annual changes.

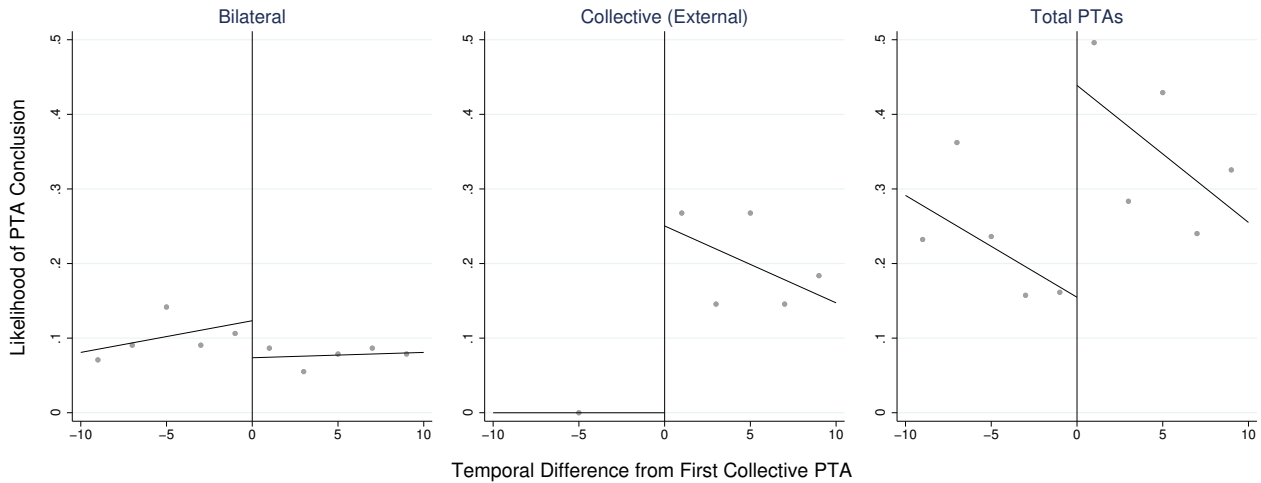


Figure 11: The immediate effect of first collective negotiations on trade policy by PTA type.

policy both in terms of agency and content of PTAs, which seems to accounts for collective ties.⁹¹

Robust regression discontinuity models are then estimated for each PTA type, employing a means squared error-optimal bandwidth selection algorithm (Calonico et al. 2017). All models further include covariates for the country and year when the first collective PTA was negotiated with standard errors clustered on countries. Results for each PTA type are shown in Table 2. The results confirm the visual evidence - the number of bilateral PTAs does not change significantly whereas the number of collective PTAs, by design, and the total number of PTAs increases meaningfully. Whereas bilateral PTAs have a yearly likelihood to be concluded of 10% prior to the first collective negotiation, this only slightly falls to 8.3%. For total PTAs, the yearly likelihood rises from 23% to 34.7%.⁹² Of course, these estimates cannot causally be interpreted as the cut-off is endogenous to trade policy. Yet, they show that collective negotiations disrupt states' trade policy and alter how states conduct economic diplomacy.

Is the change brought about by collective negotiations persistent or merely a moment or realignment and therefore transitory? I use matching techniques to assess the effect's longevity. I use the year just before a state signs its first collectively negotiated PTA and match that state with observations from a pool of states that had not collectively negotiated any PTA by 2020. The difference in the number of PTAs that have been concluded between that year and 2020 is then the measure of interest. Coarsened exact matching is applied as it provides significant advantages - such as controlling the trade-off between exact and approximate balancing - over other approaches such as propensity score

⁹¹Importantly, the depth of PTAs states conclude does not change at or after the cut-off.

⁹²The same models are re-estimated using second-order polynomials instead of linear ones (Table 7). Substantive results remain unchanged, yet a significant negative effect on trading blocs is reflective of the decrease a few years prior to the cut-off.

Table 2: RDD results based on states' first collective PTA.

<i>Pr(PTA)</i>	(1)	(2)	(3)	(4)
	Bilateral PTAs	Trading Blocs	Collective (Ext.) PTAs	Total PTAs
1 st Collective PTA	-0.0253 (0.0345) [-0.105;0.0501]	0.0106 (0.0244) [-0.0386;0.0798]	0.241*** (0.0509) [0.121;0.355]	0.343*** (0.0878) [0.179;0.585]
Mean DV Left ₁₀	0.100	0.130	0	0.230
Mean DV Right ₁₀	0.0833	0.0833	0.199	0.347
Covariates	Yes	Yes	Yes	Yes
Clustered SE	Yes	Yes	Yes	Yes
Bandwidth Selection	mserd	mserd	mserd	mserd
Polynomial Order	1	1	1	1

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$. Robust RD Regressions. Robust SEs in Parentheses.

Table 3: Linear estimates of number of PTAs following coarsened Exact Matching.

Δ PTAs	<i>Bilateral PTAs</i>		<i>Bilateral & Collective PTAs</i>	
	Partial Model	Full Model	Partial Model	Full Model
<i>ATT</i> _{CollectiveNegotiations}	-0.679 (0.539) [-1.74;0.378]	0.259 (0.241) [-0.214;0.733]	5.23*** (1.17) [2.29;7.53]	4.45*** (0.383) [3.7;5.21]

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$. Robust SEs in Parentheses.

matching (Iacus et al. 2012; King/Nielsen 2019).⁹³ Nonetheless, the same models are re-estimated using propensity score matching (Rosenbaum/Rubin 1985), rendering virtually unchanged results.⁹⁴

Two sets of covariates are used to match observations, which are then used to estimate the effect of collective negotiations on the subsequent number of PTAs. Effects are computed for the number of bilateral PTAs as well as the sum of bilaterally and collectively negotiated PTAs, rendering four estimates in total. The partial model considers the year in which a state concluded its first collectively negotiated PTA, the number of bilateral PTAs at treatment time as well as the number trading blocs to which a state is a member. The latter two address variation in states' trade openness and policy. The full model adds three more variables: WTO membership, GDP per capita and the total GDP of states as economic covariates.⁹⁵ Either approach satisfactorily achieves balance in covariates between treatment and control group.⁹⁶

Results based on linear estimates based on the matched data, including the average treatment

⁹³All estimates are implemented using the *Matchit* package in R (Ho et al. 2011).

⁹⁴Results for estimates using propensity score matching are presented in Table 8.

⁹⁵While accounting for even more variables would be desirable, the curse of dimensionality as well as operating at state level impose meaningful constraints, precluding the estimation of a potentially moderated effect.

⁹⁶See Figure 17 in the annex.

effect on the treated (ATT), are presented in Table 3. They confirm that the effect of collective negotiations is not transitory but persistent. As before, there is no significant effect on the number of bilateral PTAs, indicating that states that negotiate collectively, on average, do not compromise on their bilateral trade policy. The total number PTAs is significantly increased. That is, states that negotiate collectively conclude on average about four PTAs more than states that do not engage in collective negotiations. Importantly, this increase does not come at the expense of bilateral PTAs. Therefore, the null effect on the number of bilateral agreements strongly indicates that collectively negotiated agreements are not substitutes but complementary to bilateral PTAs. It is well possible, however, that collective negotiations have diverging roles for different states, which will be addressed in the following section.

4.3 Who Goes Collective or Alone? A Mixed Effects Model

Whereas the previous analysis established that bilateral and collective negotiations are not mutually exclusive, the question remains of when states choose one approach over the other. To test the hypothesis on the influence of state capacity and ex-ante commitments, I model the propensity to conclude collectively negotiated PTAs relative to bilateral ones. Since the main interest is how states pursue trade policy, I use a monadic design that focuses on the choice of bilateral and collectively negotiated PTAs, reflecting the composition of states' trade policies. Rather than looking at whether trading blocs negotiate jointly, this approach assesses whether states conclude bilateral or collective PTAs given their membership in trading blocs. While each PTA is the outcome of negotiations among two or multiple varying parties, only in combination they comprise a state's trade policy. A monadic design also accounts for multiple membership in trading blocs.

This approach follows the tradition of treating PTAs as non-repeated events (Beck et al. 1998). It deviates from the common approach of estimating the likelihood of concluding a PTA relative to no agreement (Mansfield/Reinhardt 2003; Chen/Joshi 2010) in estimating the likelihood of a collective PTA relative to bilateral PTAs, which serve as reference group. While this design does not estimate when states conclude *any* PTA, it identifies systemic differences in states and treaty-level characteristics between the two types of PTAs. In doing so, it helps assess not *if* a state is likely to conclude an agreement but what type of PTA will rather be concluded by states. PTAs are chosen as unit of analysis, not state-to-state dyads. That is, each PTA is counted exactly once per state.⁹⁷ This approach has two major advantages: First, it stresses the role of the negotiations and treats them as single process, without replicating implicit outcomes from the same process. Second, it allows to directly estimate the propensity to conclude bilateral or collective agreements relative to each other.

⁹⁷Splitting up PTAs into dyads would massively inflate and overestimate collective negotiations as collective agents are more likely to conclude inter-bloc PTAs.

Mixed effects models, also known as multilevel models (Goldstein 2011; Bosker/Snijders 2012), are estimated to assess the effect of state capacity and ex-ante commitments on PTA conclusion. The advantage of this type of model is that they estimate general effects as a weighted average of between and within unit effects. Although I'm primarily interested in the differences between states, their characteristics (substantively) change over long temporal horizons and so does their membership in trading blocs - as well as the trading blocs themselves. Importantly, the state-specific random effects entailed in these models help account for heterogeneity across states.

In this model design, PTAs (level 1) are clustered in states (level 2), thus representing states' being a party to an agreement. Each PTA is represented exactly once for each states that has signed the agreement. Collectively negotiated PTAs are further clustered in trading blocs. Integrating trading bloc membership in this model entails meaningful trade-offs. They cannot simply be added as a further, third level without causing pseudoreplication, i.e., counting observations several times. This is due to two reasons: Firstly, trading bloc membership is cross-classified (i.e., PTA-trading bloc combinations can be heterogenous for states) rather than nested. Bilateral PTAs, for instance, do not cluster in a trading bloc but collective PTAs concluded by the same state do. Secondly, modelling trading blocs would require a multiple membership structure as states can simultaneously be part of several blocs. While such models can be estimated (Beretvas 2011; Rasbash 2014), this would render (extremely) low numbers of PTAs in unique country-bloc combinations and therefore be unlikely to render consistent models. Facing this trade-off, states are prioritised as level of primary interest where trade policy is organised. After all, it is the members of blocs that collectively decide to negotiate, not some independent authority.⁹⁸ I therefore implicitly address the problem of hyperdependencies (Cranmer/Desmarais 2016), i.e., interdependence within trading blocs, by modelling trading bloc membership as characteristics on state-level. This corresponds to incorporating the trading bloc level by means of a quasi hierarchical summary measure analysis (Fitzmaurice et al. 2012). Accordingly, I estimate mixed effects models with the following specification:

$$\log(\pi_{cp}) = \mu + \rho(C_c) + \sigma(X_c) + \delta(C_c \times X_c) + \alpha(L_c) + \gamma(M_{cp}) + T_5 + u_c + \varepsilon_{cp}$$

where

$$\pi_{cp} = Pr(Collective_{cp} = 1)$$

$$u_c \sim N(0, \sigma_c^2)$$

The dependent variable is a binary variable that indicates whether a PTA was negotiated bilaterally or collectively, and μ is an intercept. State capacity is indicated by C_c , whereas the level of

⁹⁸Trading blocs, as collectives, have less influence on the bilateral trade policy of members, especially if states are members in multiple blocs.

states' ex-ante commitments is described by X_c . Their interaction effect, $C_c \times X_c$, is the central effect of interest. L_c describes a vector of control variables on state-level, which also includes information on trading bloc membership. Note that all variables on state-level are time-varying and measured in the year of PTA conclusion. M_{cp} is a vector of PTA-specific covariates, some of which are dyadic and therefore also state-specific. Five-year period fixed effects are indicated by T_5 .⁹⁹ Lastly, u_c are country-level random intercepts and ε_{cp} a PTA-state-specific error term.

Data

The dependent variable is a binary indicator for whether a PTA was negotiated bilaterally or collectively. This allows to directly infer the propensity to conclude one type of PTA over the other. Data on PTAs originate from DESTA as before. For theoretical reasons, I exclude EU members from the analysis but retain the EU in its role as trading partner to other states.¹⁰⁰ To measure state capacity, I use the log of GDP per capita in constant 2015 US-\$ ($CAPACITY_{GDP}$), with data retrieved from the World Bank (Bank 2022). Its availability and coverage are useful properties as is its being the base for the World Bank' income groups, which offer a rough approximation of state capacity. GDP per capita, however, is known to be a broad indicator that is often used to measure various concepts. I therefore use a second measure which is conceptually more precise at reflecting the capacity of state bureaucracy to lend credibility to the analysis. Hanson & Sigman's novel index on state capacity ($CAPACITY_{LLD}$) offers such a measure (J. Hanson/Sigman 2020; J. K. Hanson/Sigman 2021). Results are shown to be robust using either measure of capacity.

EX-ANTE COMMITMENT measures the level of commitments states have entered in trading blocs before negotiating a PTA. This is measured as a three component index - each component weighted equally - to adequately capture the heterogeneity of trading blocs. The first component indicates the scope of trading blocs as indicated in their constituent PTAs, with data coming from DESTA.¹⁰¹ The second component is a binary measure that indicates if a trading bloc is a customs union, also from DESTA. These two components are available for all agreements and are not specific to trading blocs.¹⁰² The third component indicates deeper commitments and is only available for trading blocs that are part of or related to a regional integration scheme. Originating from the Regional Organisa-

⁹⁹I choose five-year intervals to prevent observations from being dropped. Substantive results remain unchanged if year fixed effects are included instead.

¹⁰⁰This is due to the unitary trade policy of the EU which does not allow for differentiation. Maintaining EU member states would therefore distort the analysis, particularly given its exceptionally large number of PTAs. One may be inclined to consider a dummy variable for EU members instead - this would only cause EU members to be dropped from the analysis, however, since there is no variation in the outcome. EU membership perfectly predicts trade policy.

¹⁰¹This indicates if issues such as services, regulation, government procurement or others are covered - note that this measure is not specific to trading blocs.

¹⁰²Data are covered on a yearly base and changes in consolidated treaties or protocols are accounted for.

tions' Competencies project (Panke/Starkmann 2019), it measures if a trading bloc's legal documents make commitments regarding (i) a free trade zone; (ii) free movement of goods, capital, or labour; and (iii) a common market. It thus accounts for commitments which go beyond the usual scope of trade agreements, stressing additional commitments for collective action. Each component can add up to a value of one, with the entire index ranging from zero to three. The level of commitments is annually recorded for each trading bloc. If a state is member to more than one trading bloc at any time, the maximum value of commitments is recorded to account for the more conservative measure. As a further robustness check, in some models I replace the index with only the third component supplemented by the indicator for customs unions ($EX\text{-}ANTE\ COMMITMENT_{Narrow}$), which represents a more conservative measure of commitments and is more specific to trading blocs rather than PTAs in general.

The models further account for $TRADE\ OPENNESS$, which reflects states' proportion of trade over GDP, from the World Bank (Bank 2022) as well as WTO membership. $DEMOCRACY$ is measured using Polity V project data (Marshall et al. 2020). Moreover, the number of trading blocs ($NUMBER\ TRADING\ BLOCS$) to which a state is a member is used as a proxy for trade policy with respect to integration as well as to account for the overlap of commitments. Dyadic covariates account for $CONTIGUITY_{dyadic}$ with data from the Correlates of War Project (Douglas et al. 2002);¹⁰³; whether the other party in a PTA is a trading bloc ($TRADING\ BLOC_{dyadic}$); and the share of trading bloc members that have already concluded a bilateral PTA with the partner state of a PTA to account for interdependent network effects ($BLOC\ MEMBER\ PTAS_{dyadic}$).¹⁰⁴ Robustness checks are conducted with additional covariates such as log of total GDP in 2005 US-\$ ($MARKET\ SIZE$) from Penn World Tables, the share of bilateral trade with the PTA partners over a state's total trade ($TRADE\ SHARE_{dyadic}$) as well as the share of the sum of all trading bloc members' bilateral trade over their total trade ($TRADE\ SHARE\ BLOC_{dyadic}$), accounting for interdependent incentives. Data on trade were retrieved from UN Comtrade.

Results

Main results of the mixed effects models are presented in Table 4.¹⁰⁵ The main effects are consistent and in line with theoretical expectations. Recall that the outcome reflects the likelihood of concluding PTA through collective negotiations relative to bilateral ones. As expected, deeper ex-ante commitments increase the negotiate collectively relative to bilateral negotiations. Moreover, larger state capacity is associated with a decrease in the likelihood to negotiate collective agreements, reducing the log-odds to do so by 0.681 or 0.95. Importantly, the results for different measures of $CAPACITY$ are

¹⁰³Data are available up until 2014 and were extrapolated beyond.

¹⁰⁴If a state is member in more than one bloc, the maximum value is used.

¹⁰⁵See Table 9 in the annex for full results of the models.

Table 4: Main mixed effects models.

<i>Pr(Collective PTA)</i>	(1)	(2)	(3)	(4)	(5)
Ex-Ante Commitment	1.292*** (0.229)			-5.346*** (1.413)	0.935*** (0.243)
Capacity _{GDP}		-0.681*** (0.225)		-1.623*** (0.317)	
Capacity _{LLD}			-0.950*** (0.324)		-2.331*** (0.449)
<i>Ex-Ante Commitment x Capacity_{GDP}</i>				0.833*** (0.175)	
<i>Ex-Ante Commitment x Capacity_{LLD}</i>					1.306*** (0.255)
Σ Countries	6.327*** (1.627)	8.865*** (2.219)	8.701*** (2.147)	6.086*** (1.520)	6.156*** (1.502)
Covariates	Yes	Yes	Yes	Yes	Yes
5-Year FE	Yes	Yes	Yes	Yes	Yes
Country RE	Yes	Yes	Yes	Yes	Yes
<i>N</i>	1,633	1,590	1,633	1,590	1,633
Countries	141	139	141	139	141
*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.					

remarkably consistent, with differences in coefficient sizes arising due to their using different scales. Thus - when not accounting for the other - EX-ANTE COMMITMENTS generally are associated with a higher likelihood for collective negotiations whereas CAPACITY is associated with a lower likelihood. Furthermore, WTO MEMBERSHIP and the trading partner being a trading bloc are associated with higher likelihoods for collective negotiations, whereas CONTIGUITY and the share of bloc members that already had concluded a PTA with the partner state ($BLOC\ MEMBER\ PTAS_{dyadic}$) are associated with lower probabilities for collective PTAs.

The central effect of interest is modelled in columns 4 and 5, where the theorised interaction between the two central variables is examined. Strikingly, the interactions are highly statistically and substantively significant as well as similar in magnitude. Note that in interaction models the coefficients for individual variables cannot be interpreted in isolation and merely may reflect a null effect at values outside the sample. Indeed, the difference in the coefficient for EX-ANTE COMMITMENTS is due to this distortion as, in model 4, it refers to the variable's effect only when the GDP per capita is at zero - which is substantively not of interest. As usual in such case, calculating and plotting predicted probabilities provides a more intuitive and meaningful representation of the interaction effect.

The estimated effect based on model 4 is visualised in Figure 12, providing evidence for the

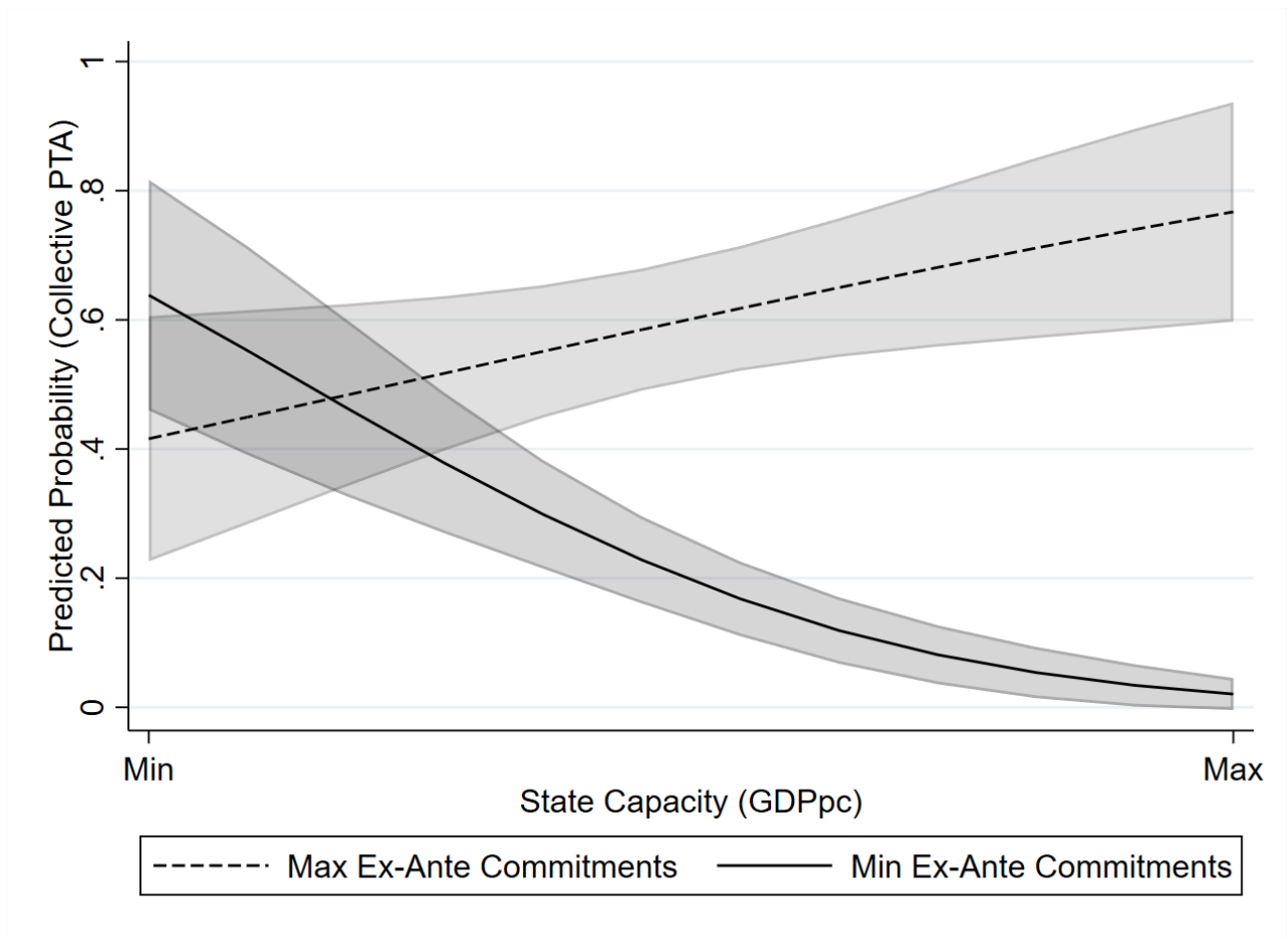


Figure 12: Predicted probabilities based on Model 4. 95% confidence intervals shown.

hypothesised moderated effect of CAPACITY and EX-ANTE COMMITMENTS.¹⁰⁶ The figure meaningfully represents the estimated interaction effect and confirms that the effect is in line with theoretical expectations. It paints a more nuanced picture of the effect of EX-ANTE COMMITMENTS and CAPACITY than the separate estimations revealed. CAPACITY is still associated with a lower probability of collective negotiations, which are more pronounced the lower a state's EX-ANTE COMMITMENTS are. For the maximum level of commitments, there is virtually no difference in the outcome, or even a slightly increasing likelihood over state capacity. Looking at the minimum level of commitments, the difference across levels of CAPACITY is enormous. States at the maximum level of capacity have a near zero probability of collectively negotiating PTAs relative to bilateral ones, whereas states at the minimum have about a 60% predicted likelihood - despite having made no previous commitments. In general states with the minimum level of CAPACITY are predicted to be about as likely to conclude a collective PTA as a bilateral PTA, irrespective of EX-ANTE COMMITMENTS. At the other extreme, the gap in predicted probability dependent on commitments extends to about 75%-points.

The results remain substantively unchanged if the alternative measure of commitments, EX-

¹⁰⁶The estimated substantive effect remains unchanged for model 5, see Figure 18 in the annex.

ANTE COMMITMENTS_{narrow} is used instead of the commitments index (Table 10 in the annex). Moreover, the results are robust to the inclusion of an extended vector of covariates (Table 11 in the annex) As a final robustness check, I estimate the same models using different estimators, namely pooled regressions with country-clustered standard errors as well as fixed effects models, which provide unchanged results (Table 12 in the annex).

The analysis provides evidence for the theorised moderated effect of state capacity and ex-ante commitments on states' trade policy. States that operate under capacity constraints are, relative to bilateral PTAs, more likely to collectively negotiated PTAs regardless of commitments. This is likely due to their limited leeway in pursuing trade policy. For states with high levels of capacity, ex-ante commitments matter tremendously. High-capacity states go bilateral without any significant commitments yet strictly stick to their intra-bloc commitments. This suggests that for moderate levels of ex-ante commitments, even high-capacity states tend to select the type of PTA they negotiate on a case-by-case basis, taking advantage of both options. One reason to use bilateral PTAs could be to supplement collective trade negotiations where interests deviate and specific trading partners has vastly diverging importance to bloc members.

5 Case Studies & Qualitative Evidence

The empirical analysis has shown that collectively negotiated trade agreements selectively yet fundamentally shape the trade policy of states in lasting ways. They do so, however, differently and play varying roles in states' overall trade policy. This ranges from being the backbone of trade policy, notably for low-capacity states, to being a selective addition to bilateral agreements. Moreover, the process of representing a common interest can alter the relations among states in a way that makes collective agency the preferred or even default choice for states - both by necessity, or choice. After negotiating a larger number of agreements, EFTA states, for instance, '*know [their] approach and red lines*'.¹⁰⁷

Importantly, collective and bilateral negotiations are *not* determined by trading bloc membership and mutually exclusive. Collective agency allows states to pursue both approaches simultaneously. The following cases reflect the differentiated role of collective negotiations. They show that not trade relations but political choice, mediated by capacity constraints and ex-ante commitments, shape collective agency. In either case, the stress that states desire not to lose control by delegating authority even if capacity constraints require bringing in external expertise.

¹⁰⁷Interview 6, also Interview 5.

5.1 Necessity: Collective Agency to Overcome Capacity Constraints

In order to contrast different approaches to collective trade negotiations, I broadly distinguish cases where joint negotiations were necessary for states to overcome capacity constraints from those where states choose to negotiate jointly in the presence of alternative options. Thus, the cases reveal how collective agents operate and emphasise the role of capacity-building for the former as well as control for both cases.

CARICOM: Facing Challenges, Building Capacity - Taking Back Control

The Caribbean is possibly the most insightful region when it comes to joint trade negotiations. Not only is the extent to which cooperation dominates trade policy insightful, but so is the institutional evolution of the trade policy regime in the region. After facing capacity constraints amid external challenges, Caribbean Community (CARICOM) created a system of partial delegation to deal with collective negotiations. Despite apparent success in negotiating PTAs, member states were not able to effectively oversee this arrangement and, thus, decided to take back control by redesigning the institutional architecture. Increasing political influence is one of the outcomes.

In the late 90s, the Caribbean simultaneously faced three major trade negotiations - which would have been beyond the ability of individual states: comprehensive WTO negotiations; the prospective free trade agreement of the Americas; and the post-Lomé relations with the EU. Anticipating that these negotiations would overwhelm the limited resources of many member states, the CARICOM established a common framework for trade negotiations,¹⁰⁸ called the Caribbean Regional Negotiating Machinery (CRNM), in 1997.¹⁰⁹ The basic principle of the CRNM was to make the most of members' expertise while adding regional capacity and resources to fill remaining gaps. This entailed leading those negotiations as well as the establishment of a 'College of Negotiators' to coordinate negotiations and provide technical capacity. On the other hand, member states would lead subject areas where they had expertise, such as Jamaica in competition policy.¹¹⁰ Despite the weak technical capacity of some members, they were consulted and kept in the loop in an effective way, so that it was only after the first of these negotiations that CARICOM '*felt [they] were in a position to negotiate with the EU outside ACP*'.¹¹¹

The CRNM and College of Negotiators indeed operated effectively, yet members' capacity to provide data, support and clear political guidance was often limited (Jones 2013, p. 142), leading to

¹⁰⁸It is noteworthy that despite having a common external tariff since 1991, members' trade policies differ substantially due to various exemptions (Dunlop et al. 2004, p. 14).

¹⁰⁹Interview 11.

¹¹⁰Interview 11.

¹¹¹Interview 10.

a situation where member states could exert only weak oversight. This is important from a negotiating perspective as states must eventually implement the agreement. Indeed, a lot of problems in implementing the EU agreement are caused by capacity constraints.¹¹² Politically, this imbalance led to growing tensions between the CRNM and member states (Bilal et al. 2007, p. 323), with member states gradually losing confidence in the framework. This was exacerbated by the fact that donations partially came from the states with whom the CRNM negotiated.¹¹³ This resulted in a political backlash amid an impression that *'member state control wasn't there, that the will of the members was being overridden'*.¹¹⁴ Concerns about control over negotiations and at the negotiating table made states re-evaluate the framework - *'members thought not to give primacy to the CRNM'*.¹¹⁵

As a result, the CRNM was incorporated into the CARICOM Secretariat in 2009 and renamed the Office of Trade Negotiations (OTN). In effect, this meant political guidance was closer to actual negotiations.¹¹⁶ Another consequence of the incorporation was that technical assistance was reduced - the OTN operates without the College of Negotiators, professional trainees and under a smaller budget.¹¹⁷ With the OTN preparing drafts and coordinating a common CARICOM position, its purpose has not changed. CARICOM members traded less autonomy for more political oversight and inefficiencies. Whereas the CRNM led negotiations in cooperation with member states, this approach changed, with members exercising more influence.¹¹⁸ The process, involving more politics, thus became more difficult and inefficient, with *'states [asking] questions on stuff already agreed on.'*¹¹⁹ Even though the OTN is not per se in charge of all external negotiations, its director-general served as chief negotiator in PTA negotiations with Canada.¹²⁰ Divisions among CARICOM members, however, were a major factor in Canada's decision to abandon negotiations.¹²¹ Despite having been approached by trading partners, CARICOM currently does not negotiate any new agreements, even though feasibility studies are being commissioned.¹²² The case of CARICOM shows that direct control in negotiations was deemed crucial by member states - even at the expense of outcomes.

¹¹²Interview 10.

¹¹³Interview 10.

¹¹⁴Interview 12.

¹¹⁵Interview 11.

¹¹⁶Interview 12.

¹¹⁷Interview 11.

¹¹⁸Interview 9.

¹¹⁹Interview 10.

¹²⁰12

¹²¹Interview 10.

¹²²Interview 10.

Pacific Islands Forum: Bringing in Expertise without Delegation

The Pacific island states faced a significant challenge when negotiating the Pacific Agreement on Closer Economic Relations Plus (PACER Plus) with Australia and New Zealand.¹²³ PACER Plus negotiations were triggered when the post-Cotonou agreement with the EU came into force, as the original - non-preferential - PACER agreement entailed a dynamic most-favoured-nation clause.¹²⁴ Due to geographic proximity, PACER Plus would have a much larger effect on the island states. Strikingly, intra-island trade is not significant in volume nor a main interest of the states when negotiating PACER Plus.¹²⁵ As in the EU agreement, the island states were mostly interested in access to labour markets and temporary migration (Jones 2013, p. 31).¹²⁶ Given the lacking interest in negotiating trade in goods and the diverging political outlook of the island states - some of them being US Compact states, others part of the Realm of New Zealand - amid changing geopolitics in the Pacific, they were reluctant to negotiate the agreement,¹²⁷ which was brought onto them due to previous commitments.

The island states were dependent on external expertise as they lacked technical capacity. Besides the lack of data, for most countries *'the ministry of trade comprised one or two people only'*.¹²⁸ In response, the Office of the Chief Trade Advisor to the Forum Island Countries (OCTA) was created specifically to assist the island states in negotiating PACER Plus. The role was modelled on CARICOM's approach but adjusted to the less homogenous group and less robust institutions in the region.¹²⁹ Importantly, the role was specifically created as an advisory one to provide technical support. No control was ceded to the PIF Secretariat: *'We do not need delegation, we were able to hold coordination together this way'*.¹³⁰ It was deliberately designed as less than Chief Negotiator, following the principle to retain states' autonomy in negotiating. This entailed providing technical support and coordinating positions internally but the negotiations with Australia and New Zealand were a collaborative effort coordinated by OCTA: *'I would speak from the mandate, states would also speak'*.¹³¹ While the Chief Trade Advisor would partially negotiate on behalf of the states, foreign trade minister meetings always took place before negotiations.

¹²³ Australia and New Zealand appeared as single actor also in relation to ASEAN before (Castle 2018).

¹²⁴ Pacific Agreement on Closer Economic Relations, Article 6: <https://www.forumsec.org/wp-content/uploads/2018/02/Pacific-Agreement-on-Closer-Economic-Relations-2001.pdf>.

¹²⁵ On the other hand, Australia and New Zealand bilaterally determined their mutual rights and obligations under PACER Plus, highlighting their appearance as collective actor in these negotiations. Letter from Todd McClay, Minister of Trade of New Zealand. 14.06.2017: <https://www.dfat.gov.au/sites/default/files/side-letter-on-pacer-plus-from-new-zealand-to-australia.pdf>

¹²⁶ Interview 3.

¹²⁷ Interview 13.

¹²⁸ Interview 3.

¹²⁹ Interview 13.

¹³⁰ Interview 13.

¹³¹ Interview 3.

Political aspects heavily shaped the negotiations. Australia and New Zealand were keen to keep the region together, possibly because they didn't want the EU to have an agreement they could not have.¹³² At the same time, they opposed the creation of a new IO to coordinate Pacific trade policy in order to safeguard the Pacific Island Secretariat's relevance.¹³³ As a result, the OCTA was created as charity under Australian domestic law, with funds being directly disbursed to the advisor's private bank account.¹³⁴

The necessity to negotiate collectively, however, does not necessarily translate into the necessity to collectively implement an agreement. Indeed, not all island states ratified or even signed the agreement due to concerns regarding its substantive provisions. Strikingly, Fiji and Papua New Guinea, which singled out their own benefits in negotiations with the EU (Jones 2013, p. 110), did not sign PACER Plus. Capacity constraints led to concerns about implementation costs amid modest gains¹³⁵ and severe losses in public revenue due to preferential market access to Australia and New Zealand.¹³⁶ Ex-ante commitments, capacity constraints and the desire to retain control thus shaped both the negotiating process and the substantive outcome.

5.2 Choice: Making the Most of Trade Governance

In the cases of CARICOM and the Pacific Islands, capacity constraints required states to take action in order to deal with upcoming negotiations. In contrast, various states that also negotiate bilateral agreements *choose* to collectively negotiate PTAs. As the cases below illustrate, it would be misleading to conceive of economic integration as being fully deterministic of states' trade policy. Rather, political preferences that are sought to be reconciled with previous commitments and agreements shape these states' trade policy.

Pacific Alliance: Like-Mindedness Beats Economics

Established in 2011, the Pacific Alliance - comprised of Mexico, Chile, Colombia and Peru - is a relatively novel integration scheme in Latin America. While pursuing an ambitious economic and political agenda that includes the integration of members' stock exchanges and joint diplomatic mis-

¹³²Interview 13.

¹³³Interview 13.

¹³⁴Interview 13.

¹³⁵Bilaterals.org. 13.06.2017. "Joey Tau: Can the MSG bloc walk out on the PACER-Plus trade deal?" <https://www.bilaterals.org/?joey-tau-can-the-msg-bloc-walk-out&lang=en>.

¹³⁶RNZ. 25.10.2018 "Pacific trade deal signatories face heavy losses:" <https://www.rnz.co.nz/international/programmes/datelinepacific/audio/2018668199/pacific-trade-deal-signatories-face-heavy-losses-report>.

sions, trade remains at the centre of the bloc. This is noteworthy as the bloc overlaps with others: most notably, its members are part of the Andean Community, a customs union, and NAFTA, whereas all members save Colombia are parties to CPTPP. Trade relations among members is reflective of this structure: intra-Pacific Alliance trade is remarkably low and, for instance, accounts for only about 1% of Mexican trade. Naturally, members' ties to outsiders remain much more important when it comes to trade volume. And yet, the Pacific Alliance has been playing an important role for its member states in collective trade negotiations. In fact, for Mexico, negotiations under the auspices of the Pacific Alliance have become more frequent than bilateral ones.

Rather than based on functionalist cooperation, the Pacific Alliance's role precisely originates from its bringing together a likeminded group of states. Unlike other integration schemes in the region, such as ALADI, its members pursue shared interests when it comes to commercial policies, despite diverging economic and trade relations.¹³⁷ Even in the deeply integrated Andean Community, political disagreements on free trade hinder a common approach. Whereas ALADI merely offers a framework for partial scope agreements, the members of the Pacific Alliance chose to collectively pursue their commercial interests. This choice does not only entail material benefits as politics also come into play: Member states also seek to signal a common interest and openness to traders and investors, which was an important consideration on joint negotiations with Singapore.¹³⁸

One of the major advantages of joint negotiations is that negotiations with third states are easier:¹³⁹ the Alliance's member states have a stronger bargaining position as a group, sometime allowing them to make offers on a take-it-or-leave-it basis.¹⁴⁰ On the other hand, this means internal discussions can be more difficult and contested.¹⁴¹ Therefore, this approach requires the political willingness to overcome internal differences.¹⁴² Somewhat paradoxically, the character of collective negotiations can facilitate convergence on a joint position by curbing the influence of private sector interests. This is because in collective negotiations special interests are diluted due to the aggregation of broader preferences - with much more being at stake, actors prevent behaviour that could jeopardise the entire agreement. To safeguard the common effort, in collective negotiations states are not willing to allow the private sector to voice opposition in the same way as in bilateral fora - '*everyone can't put their own interest first.*'¹⁴³

Given the relatively low levels of trade among the Pacific Alliance's members, considering and managing trade relations with respect to non-parties is crucial. Member states seek to maintain en-

¹³⁷Interview 14.

¹³⁸Interview 15.

¹³⁹Interviews 14 & 15.

¹⁴⁰Interview 15.

¹⁴¹Interview 8.

¹⁴²This usually is managed through exemptions.

¹⁴³Interview 15.

hanced relationships with their top trading partners.¹⁴⁴ Amongst other means, rules such as the cumulation and extension of rules of origins contribute towards this aim.¹⁴⁵ Moreover, ex-ante commitments as common members in CPTPP helped the Alliance's members negotiate collective agreements, allowing them to build upon extant rules. For instance, when negotiating with Singapore, the negotiators ensured that rules of origin were compatible with those under CPTPP to prevent additional hurdles for the private sector.¹⁴⁶

Importantly, states continue to pursue their own bilateral trade policy. A case of simultaneous negotiations emphasises the modular character of cooperation under the Pacific Alliance framework. In May 2017, Peru initiated bilateral negotiations with Australia - followed by the start of negotiations between the Pacific Alliance and Australia only five weeks later.¹⁴⁷ These negotiations were separate, pursuing different aspirations of economic cooperation.¹⁴⁸ While the bilateral agreement was successfully concluded, however, collective negotiations stalled due to substantive disagreements.

EAC: Going Together - but not at all Costs

Negotiations between the EU and the East African Community (EAC) on Post-Cotonou relations in the shape of an economic partnership agreement reveal how extant commitments can create meaningful obstacles to collective agency even if states seek to act collectively. External pressure and inconsistent preferences among EAC members prevented the implementation of a readily negotiated agreement. Despite the strong desire of the EAC to act collectively, the regional approach could not accommodate these aspects. Only after years of uncertainty, EAC members agreed on a variable geometry, after which Kenya concluded bilateral agreements with the UK and EU, and began negotiating a further PTA with the US.

The EAC is often considered an African role model regional integration scheme. Traditionally, ties between the EAC and EU have been remarkable comprehensive, covering multiple areas and providing support for further regional integration (Trouille/Uwimbabazi 2021). Integration in the EAC seeks to give rise to a strong regional actor. Even the original agreement on the 'first' EAC, a short-lived attempt at regional integration in the late 1960s, already stipulated that *'no Partner State shall enter into arrangements with any foreign country whereunder tariff concessions are available*

¹⁴⁴Interview 8.

¹⁴⁵Interview 14.

¹⁴⁶Interview 15.

¹⁴⁷DFAT. 24.05.2017. "Launch of Peru-Australia Free Trade Agreement (PAFTA) negotiations:" <https://www.dfat.gov.au/trade/agreements/in-force/pafta/news/Pages/pafta-news>; DFAT. 01.07.2017. "Launch of Pacific Alliance Free Trade Agreement negotiations:" <https://www.dfat.gov.au/trade/agreements/negotiations/pacificalliancefta/Pages/pacific-alliance-fta-news>

¹⁴⁸Interview 8.

to that Partner State which are not available to the other Partner States.’¹⁴⁹

The EAC-EU agreement concluded in 2014 also clearly stipulated that the EAC, collectively, was considered a single party to the agreement, noting that ‘*the term ‘party’ shall refer to the EAC Partner States acting collectively or the EU as the case may be*’.¹⁵⁰ The agreement further encouraged the EAC to mandate a representative on behalf of all members.¹⁵¹ The agreement was signed by the EU and Rwanda and Kenya, but required all EAC members sign it before coming into force. By rejecting to do so, other members effectively blocked the agreement in its entirety. The EU expected the EAC to deal with its internal disagreements.

The stringent collective approach, however, would eventually turn into a significant problem for Kenya unless relaxed and replaced by variable rules. In 2014, Kenya was reclassified as low-middle income economy by the World Bank - which meant that, unless the agreement came into force, Kenya would suddenly lose non-reciprocal access to the EU market (Krapohl/Van Huut 2020). This put Kenya under severe pressure and divided the EAC. While Kenya sought to rally its fellow EAC members, the latter had little to gain from the agreement - being able to rely on non-reciprocal EU concessions. The EU passed the buck to Kenya by trying to keep the EAC together while raising the prospect of - essentially - punitive tariffs on Kenyan goods.¹⁵² This mismatch between political aspirations and commitments increasingly left Kenya isolated in the EAC.

It was only until after the UK - by far Kenya’s most important trading partner in Europe - concluded a bilateral agreement with Kenya in the course of its preparations for Brexit that the insistence on collective agency changed.¹⁵³ In response, the EAC agreed on the principle of ‘variable geometry’, allowing Kenya to implement agreements bilaterally as long as other members ‘*are not in a position to sign the agreement*’.¹⁵⁴ Accordingly, an additional protocol was added to the EU-EAC agreement,

¹⁴⁹Treaty for East African Cooperation (1967), Article 7 *External Trade Arrangements*: <http://kenyalaw.org:8181/exist/rest/db/kenyalaw/Kenya/Legislation/English/Amendment%20Acts/No.%2031%20of%201967.pdf>

¹⁵⁰Economic Partnership Agreement Between the East African Community Partner States, of the one Part, and the European Union and its Member States of the other Part, Article 132(2): <https://circabc.europa.eu/ui/group/09242a36-a438-40fd-a7af-fe32e36cbd0e/library/4f8d4f46-48ba-45d8-a1d2-a1a934b56949/details?download=true>.

¹⁵¹Even further than this, the EU-West Africa economic partnership agreement establishes that all Western African states are considered a single party with respect to dispute settlement, creating collectively liability.

¹⁵²Bilaterals.org. 10.08.2016. "Collapse of EU trade deal : Kenya finds itself isolated for a third time in four months:" <https://www.bilaterals.org/?collapse-of-eu-trade-deal-kenya&lang=fr>

¹⁵³Note that the UK-Kenya agreement foresees the future accession of other EAC members. See also: The East African. 01.03.2021. "EAC secures unlimited access to Kenya-UK trade deal:" <https://www.theeastafrican.co.ke/tea/business/eac-secures-unlimited-access-to-kenya-uk-trade-deal-3307788>

¹⁵⁴EAC. 27.02.2021. "Communiqué of the 21st Ordinary Summit of the East African Community Heads of State": <https://www.eac.int/communique/1942-communiqu%C3%A9-of-the-21st-ordinary-summit-of->

allowing for its bilateral implementation. While more flexible in terms of implementation, the agreement substantively remains the same, simply being adjusted to the bilateral context.¹⁵⁵ While the bilateral agreement is now in force, its origins likely damaged the EAC's legitimacy - but stressed the element of politics and choice in collective negotiations.

A Political Compromise: MERCOSUR's Dual Strategy

Probably one of the most well-known regional integration schemes is MERCOSUR. Established in 1991, it is, potentially, one of the most powerful regional IOs due to its vast market size. After the introduction of a common external tariff in 1995, it nominally is a customs union although the incomplete character of its implementation has sparked debates on the true extent of MERCOSUR integration (Gardini 2011; Doctor 2013). Addressing doubts about the customs union issue, an Argentine negotiator poignantly put it this way: *'It's not that we don't have a common external tariff because we have exemptions. We have a common external tariff precisely because we have exemptions.'*¹⁵⁶

The case of MERCOSUR impressively shows that, even for relatively deeply integrated trading blocs, political choices prevail over institutions when it comes to trade policy. MERCOSUR's members negotiate trade agreements both bilaterally and collectively. The evolution of its institutional framework is reflective of the challenges and politics that shaped collective efforts. MERCOSUR's trade policy broadly went through three phases, with the last one yet to form. First, MERCOSUR states sought to negotiate collectively and, in fact, did so with a number of partners in the region. After this approach ran into difficulties, due to diverging preferences in negotiations both with Mexico and Chile, members agreed on a dual approach: MERCOSUR would collectively negotiate framework agreements, with subsequent bilateral agreements being added as additional protocols to the collective agreements.¹⁵⁷ MERCOSUR hence agreed on an unwritten rule, allowing bilateral agreements with ALADI members - i.e., essentially all of South America, Mexico, and Cuba - whereas agreements with trading partners from overseas were to be negotiated collectively.¹⁵⁸ Importantly, this separation was a political agreement, *'a matter of choice'*.¹⁵⁹

This second phase of geographic separation lasted for almost two decades. Tensions between

the-east-african-community-heads-of-state.

¹⁵⁵EU Commission. 22.06.2021. "The European Union and the Republic of Kenya launch strategic dialogue and engage towards implementing the East African Community Economic Partnership Agreement:" <https://web.archive.org/web/20211022073608/https://trade.ec.europa.eu/doclib/press/index.cfm?id=2279>

¹⁵⁶Interview 7.

¹⁵⁷Technically, even the comprehensive and modern bilateral agreements between MERCOSUR member states and Chile merely are additional protocols to the common framework agreement (ACE 35).

¹⁵⁸This occasionally led to incompatibilities between trading rules, yet political choices outweighed economic constraints.

¹⁵⁹Interview 7.

MERCOSUR member states grew and subsided but reached a watershed moment when Argentina dropped out of negotiations with South Korea due to concerns about its manufacturing sector. This caused a rupture among members. An official from Uruguay stressed that collective negotiations are always preferable if all members want an agreement - *'but if there is disagreement, let us do it on our own'*.¹⁶⁰ This also touched upon the selection of trading partners. While the political aspect is more important to some members, others *'want more - we don't want to negotiate with Egypt and South Africa'*.¹⁶¹ The desire to go alone eventually made Uruguay decide to enter formal negotiations with China regarding a bilateral agreement - thus *'opening Pandora's box'*¹⁶² and undermining MERCOSUR's consensus. This development has drawn severe criticism from other members amid its consequences for the future of MERCOSUR.¹⁶³ Amid its geopolitical consequences, Uruguay's efforts also prompted the US Senate to introduce bipartisan legislation that would entail unilateral tariff concessions - aimed at deterring Uruguay from pursuing the agreement with China.¹⁶⁴ Political considerations are unlikely to stop shaping MERCOSUR's trade policy.

6 Conclusion

Trade negotiations are a complex process. While there is abundant research assessing why and under what conditions states conclude PTAs, relatively little emphasis lies on how these negotiations unfold and *who* negotiates. This paper sought to address the latter. It argued that states seek to maintain control over trade policy and the negotiating process, and therefore do not delegate economic diplomacy to IOs - with the EU being the notable exception. Operating as collective agents, states retain the capacity to negotiate bilaterally and continue to do so: Collective negotiations as a trading bloc and a bilateral trade policy are not alternatives or even mutually exclusive. They can be combined and are elements of the trade policy for various states.

The benefits and opportunities of collective negotiations are not the same for all states. If states lack the capacity to pursue their own trade policy - lacking the expertise and personnel to conduct increasingly intricate economic negotiations on their own - they will seek collective negotiations as necessity. Even negotiators, at times, face the constraints of their trading partners.¹⁶⁵ Oftentimes,

¹⁶⁰Interview 4.

¹⁶¹Interview 4.

¹⁶²Interview 7.

¹⁶³The Diplomat. 18.03.2023. "The Potential China-Uruguay Trade Deal Risks Fracturing Mercosur:" <https://thediplomat.com/2023/03/the-potential-china-uruguay-trade-deal-risks-fracturing-mercotur/>

¹⁶⁴United States Uruguay Economic Partnership Act. Senate Committee on Foreign Affairs. MCC23740 J99. See: <https://www.foreign.senate.gov/press/dem/release/menendez-hagerty-kaine-introduce-united-states-uruguay-economic-partnership-act>.

¹⁶⁵Interview 16.

however, the decision to collectively negotiate a PTA is a matter of choice - with political considerations playing a crucial part. Ex-ante commitments in terms of depth of integration of trading blocs, rather than actual trade volume, meaningfully shape this decision-making process. Rather than being deterministic of trade policy, this analysis has painted a more nuanced picture of the effect of ex-ante commitments.¹⁶⁶ They enter states' decision-making because collective trade policy is an effective way to align - or even harmonise - internal and external commitments, thus providing the most effective governance framework for the private sector. In other words, economic relations create the structure in which political agents operate. For collective agents, it often is during the negotiating process when states identify the overlap and tension between each other's preferences - and establish whether choices can be reconciled with commitments in a collective compromise.

Collective agency's being distinct from delegation has significant consequences for trade policy. States eagerness to keep control over trade policy and throughout the negotiation process helps explain the institutional choices and success of collective negotiations. For instance, this approach helps qualify findings that regional hegemons hamper coalition building (Narlikar 2005, pp. 165–167): unequal bargaining power may not necessarily a problem - rather, states are keen to prevent effectively ceding control which is a more salient problem when a dominant power is involved. However, with collective agents being fragmented, trading partners may exploit in-group disagreements to their advantage (Carrión 2009, p. 22). Trading partners may also use collective agency as a vehicle to impose certain rules on an entire group of states as the example of the EU-EAC and Pacer Plus negotiations have shown, where non-reciprocal concessions were to be turned into reciprocal arrangements.

Collective trade negotiations also are evidence of the blurring boundaries of PTAs. Functionally, the expanding scope of PTAs towards economic governance agreements renders trade relations more complex, requiring a more active management of commitments. Geographically, collective agency helps align internal commitments with external trading rules as much as is desirable, even if exemptions remain and rules can be differentiated. Formal membership in agreements, however, is not the only demarcation of trade rules. If commercial ties between states exist, as is often the case within trading blocs, these ties can be acknowledged even if no collective agreement is concluded. Rules such as the cumulation or extension of origins can facilitate intra-bloc trade despite the lack of a common agreement. For the same reason, joint membership in trading blocs likely creates an interdependence of bilateral trade policies as well. While third party effects on the conclusion of PTAs have received increasing attention (Egger/Larch 2008; Chen/Joshi 2010), considering ex-ante commitments and trading bloc membership could help understand third party effects in a more nuanced manner. With deeper internal commitments, the bilateral choices of other members are likely to play a role for the strategic choices of trading bloc members. Another avenue for further research could be

¹⁶⁶This is similar to willingness being more relevant to coalition building in the WTO than the depth of regional integration (Narlikar 2005, p. 175).

the analysis of the distributive effects of collective PTAs.

Capacity constraints are likely to be more severe the more complex and intricate PTAs become. This limit the policy leeway of states and render them dependent on collective negotiations. While this expands their leeway, their ability to enter preferential arrangements remains limited. Indeed, many states concluded PTAs when agreements were mainly about tariff rates while abstaining from more complex agreements. Yet, trade policy is merely one issue area in international cooperation. While possibly less obvious, similar constraints are likely to shape the institutions of cooperation both when it comes to negotiating agreements and their implementation. Environmental agreements and carbon pricing schemes, for instance, may pose similar challenges to bureaucracies around the globe. Collective agency holds the promise to alleviate these shortcomings and divide the costs of cooperation between several states. The growing prominence of summit diplomacy, such as in the case of African leaders' summits with various third states, is an example of joint approaches that help states share the transaction costs of modern diplomacy. Rather than conceiving of multilateralism and bilateralism as competing elements of international cooperation (Rixen/Rohlfing 2007; Thompson/Verdier 2014), plurilateralism may be an effective strategy to organise complex in-group and out-group relations that acknowledges economic and political limitations. From this perspective, collective agency could be a central element in constructing the 'second best' scenario to multilateralism.

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Annex

No	Date	Country/Organisation	Position
1	12/12/2019	Panama	Chief of Bilateral and Multilateral Affairs, Ministry of Foreign Affairs
2	09/02/2022	OECS	Officer, International Relations Unit
3	02/02/2022	Pacific Islands Forum	Chief Trade Advisor of the Pacific Island Countries
4	09/12/2021	Uruguay	Director-General for Integration and Mercosur Affairs, Ministry of Foreign Affairs
5	30/11/2021	Switzerland	Senior Officer, State Secretariat for Economic Affairs
6	11/11/2021	Norway	Director, Ministry of Trade and Industry
7	30/11/2021	Argentina	Former Director of Trade Negotiations, Subsecretariat of Foreign Commerce
8	15/03/2022	Peru	Director General of Int'l Trade, Ministry of Foreign Trade
9	06/05/2022	CARICOM	Deputy Programme Manager for External Economic Relations
10	09/05/2022	CARICOM	Senior Coordinator, Office for Trade Negotiations
11	09/05/2022	CARICOM	Trade Policy Advisor
12	17/05/2022	CARICOM	Trade Policy Legal Specialist
13	30/06/2022	Pacific Islands Forum	Chief Trade Advisor of the Pacific Island Countries
14	09/03/2023	Mexico	Subsecretary for Trade Negotiation Strategy
15	10/03/2023	Mexico	Former Minister of Foreign Trade
16	13/07/2023	Liechtenstein	Chief Negotiator, Ministry of Foreign Affairs

Table 5: List of Interviews.

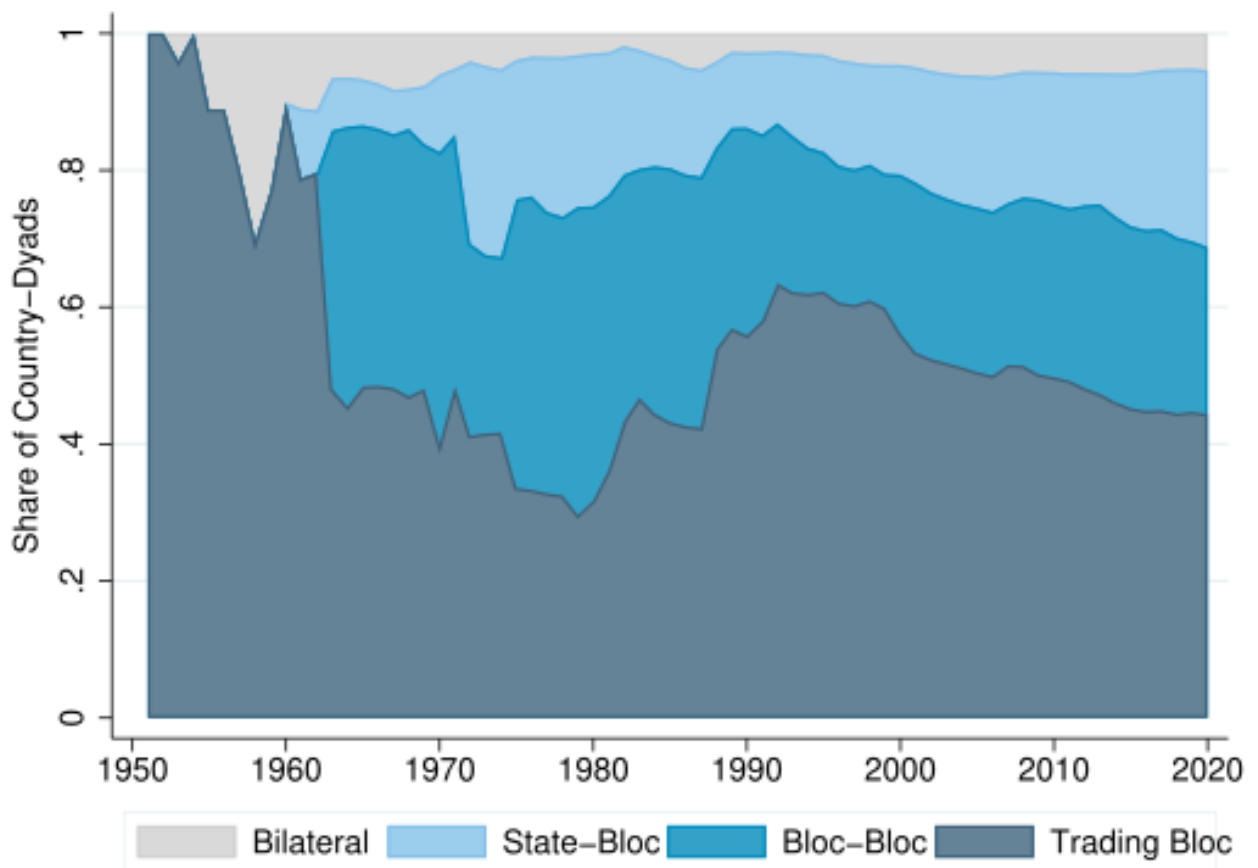


Figure 13: The plot shows the proportion of all country-dyads involving members of trading blocs covered by PTAs, distinguishing different PTA types.

Outcomes of Failed Joint Negotiations	PTAs (Examples)
Negotiations Revived after being on Hold	<i>EAEU - India</i>
	<i>EU - New Zealand</i>
	<i>EU - Mexico</i>
	<i>EFTA - India</i>
	<i>EFTA - Vietnam</i>
	<i>EFTA - Malaysia</i>
	<i>SACU - India</i>
	<i>GCC - Pakistan</i>
Negotiations Collapsed	<i>CARICOM - Canada</i>
	<i>GCC - Australia</i>
	<i>EFTA - EAEU</i>
	<i>EU - USA</i>
	<i>EU - GCC</i>
	<i>EU - India</i>
	<i>EU - China</i>
	<i>GCC - Japan</i>
	<i>GCC - MERCOSUR</i>
	<i>GCC - India</i>
	<i>GCC - New Zealand</i>
	<i>GCC - China</i>
	<i>EFTA - Thailand</i>
	<i>SACU - China</i>
	<i>CAIS - Mercosur</i>
<i>CAIS - CARICOM</i>	
Selective Bilateral PTAs	<i>Central America - Canada</i>
	<i>Central America - South Korea</i>
	<i>Pacific Alliance - Australia</i>
	<i>EFTA - Central America</i>
	<i>EFTA - Japan</i>
	<i>EFTA - China</i>
	<i>Andean Community - USA</i>
	<i>Andean Community - Canada</i>
	<i>EU - Andean Community</i>
	<i>EU - ASEAN</i>
	<i>EU - Central Africa</i>
<i>EU - ESA</i>	
<i>Pacific Islands - AUS/NZL</i>	
<i>Mercosur - South Korea (?)</i>	
Incomplete Ratification	<i>EU - EAC</i>
	<i>EU - ECOWAS</i>
	<i>Pacific Islands - AUS/NZL</i>

Table 6: Examples of failed joint negotiations.

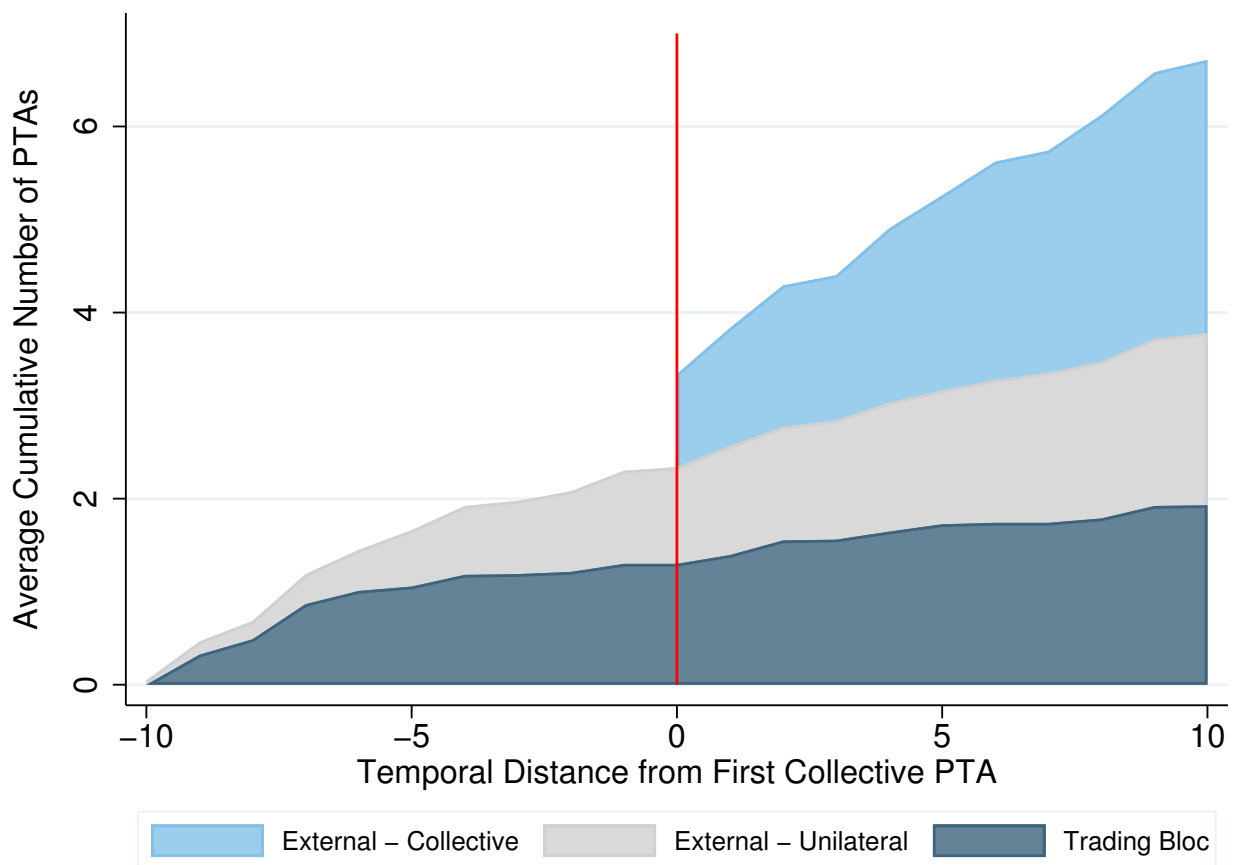


Figure 14: Share of PTAs concluded by type relative to states' first negotiation as part of a collective agent.

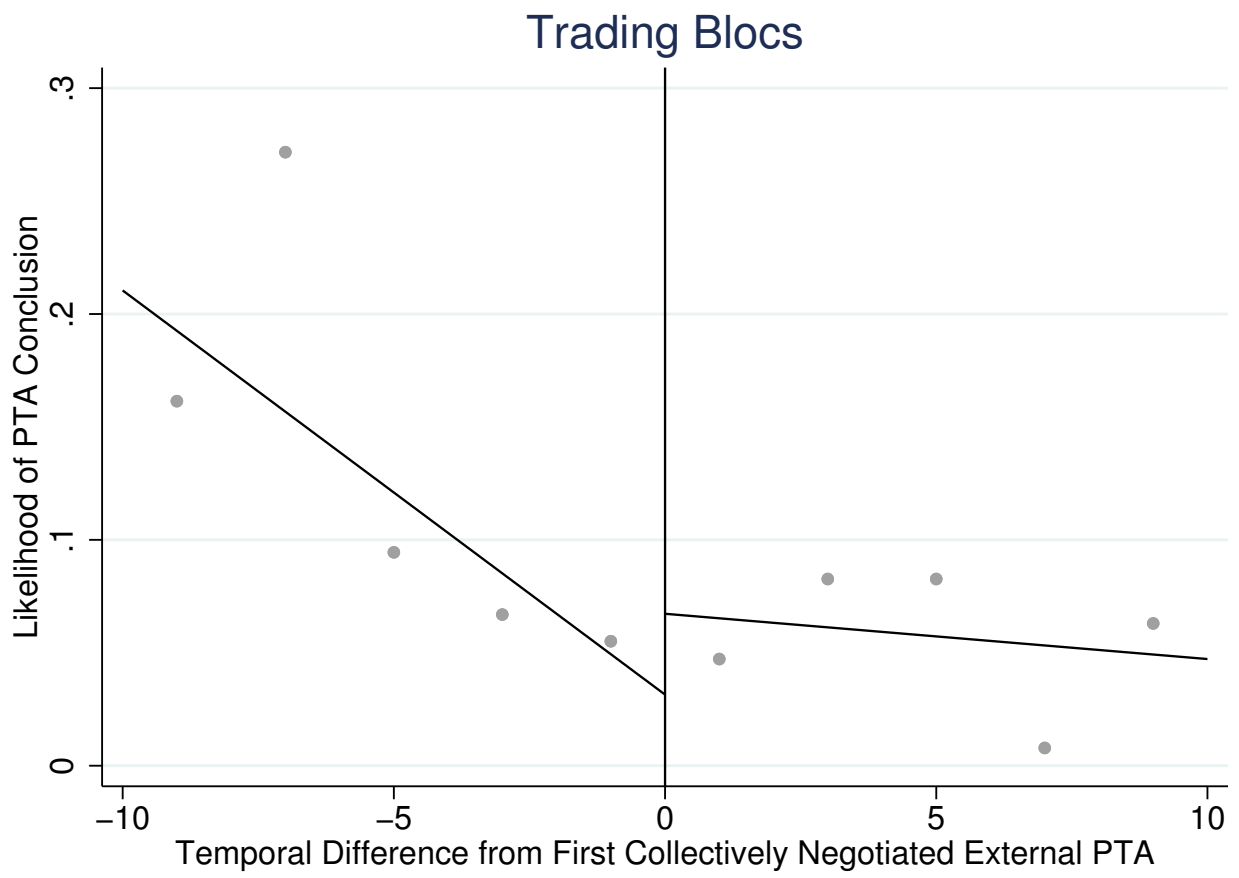


Figure 15: Rdplot visualising the likelihood of joining trading blocs relative to first collective PTA.

Table 7: RDD results based on states' first collective PTA. Second-order polynomial regression.

<i>Pr(PTA)</i>	(1)	(2)	(3)	(4)
	Bilateral PTAs	Trading Blocs	Collective (Ext.) PTAs	Total PTAs
1 st Collective PTA	0.00166 (0.0533) [-0.109;0.133]	-0.131*** (0.0396) [-0.233;-0.0620]	0.267*** (0.0670) [0.107;0.414]	0.411*** (0.103) [0.204;0.659]
Mean DV Left ₁₀	0.100	0.130	0	0.230
Mean DV Right ₁₀	0.0833	0.0833	0.199	0.347
Covariates	Yes	Yes	Yes	Yes
Clustered SE	Yes	Yes	Yes	Yes
Bandwidth Selection	mserd	mserd	mserd	mserd
Polynomial Order	2	2	2	2

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$. Robust RD Regressions. Robust SEs in Parentheses.

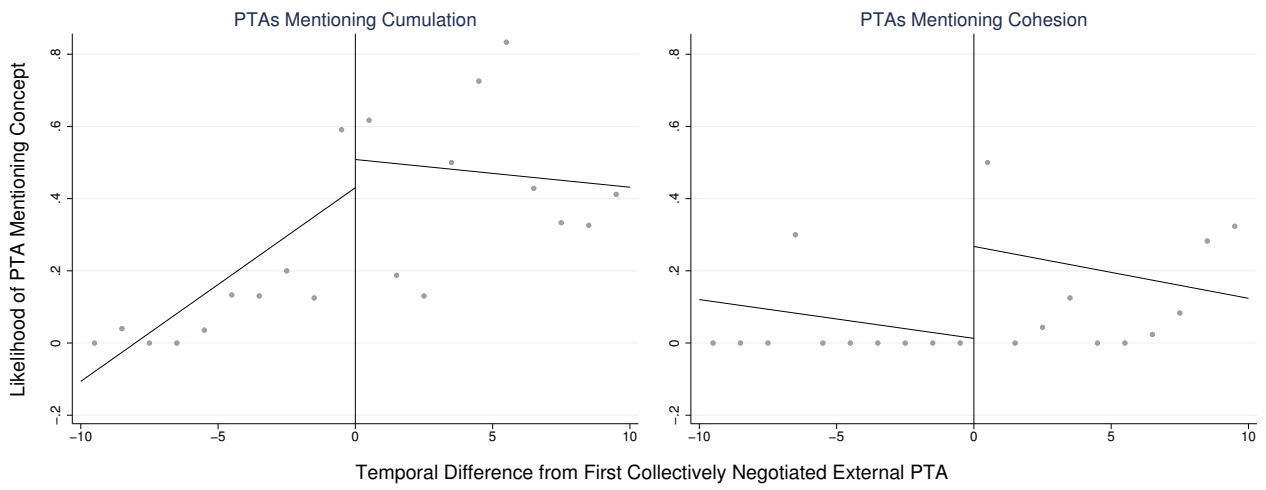


Figure 16: Mentions of selected concepts in PTAs before and after first collective negotiation.

Table 8: Linear estimate after propensity score matching. Effect of collective PTA negotiations on number of PTAs.

Δ PTAs	<i>Number of Bilateral PTAs</i>		<i>Number of Bilateral & Collecite PTAs</i>	
	Partial Model	Full Model	Partial Model	Full Model
<i>ATT</i> _{CollectiveNegotiations}	-0.608 (0.6) [-1.78;0.567]	0.292 (0.384) [-0.46;1.04]	4.76*** (0.975) [2.85;6.67]	4.05*** (0.996) [2.09;6.00]

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$. Robust SEs in Parentheses.

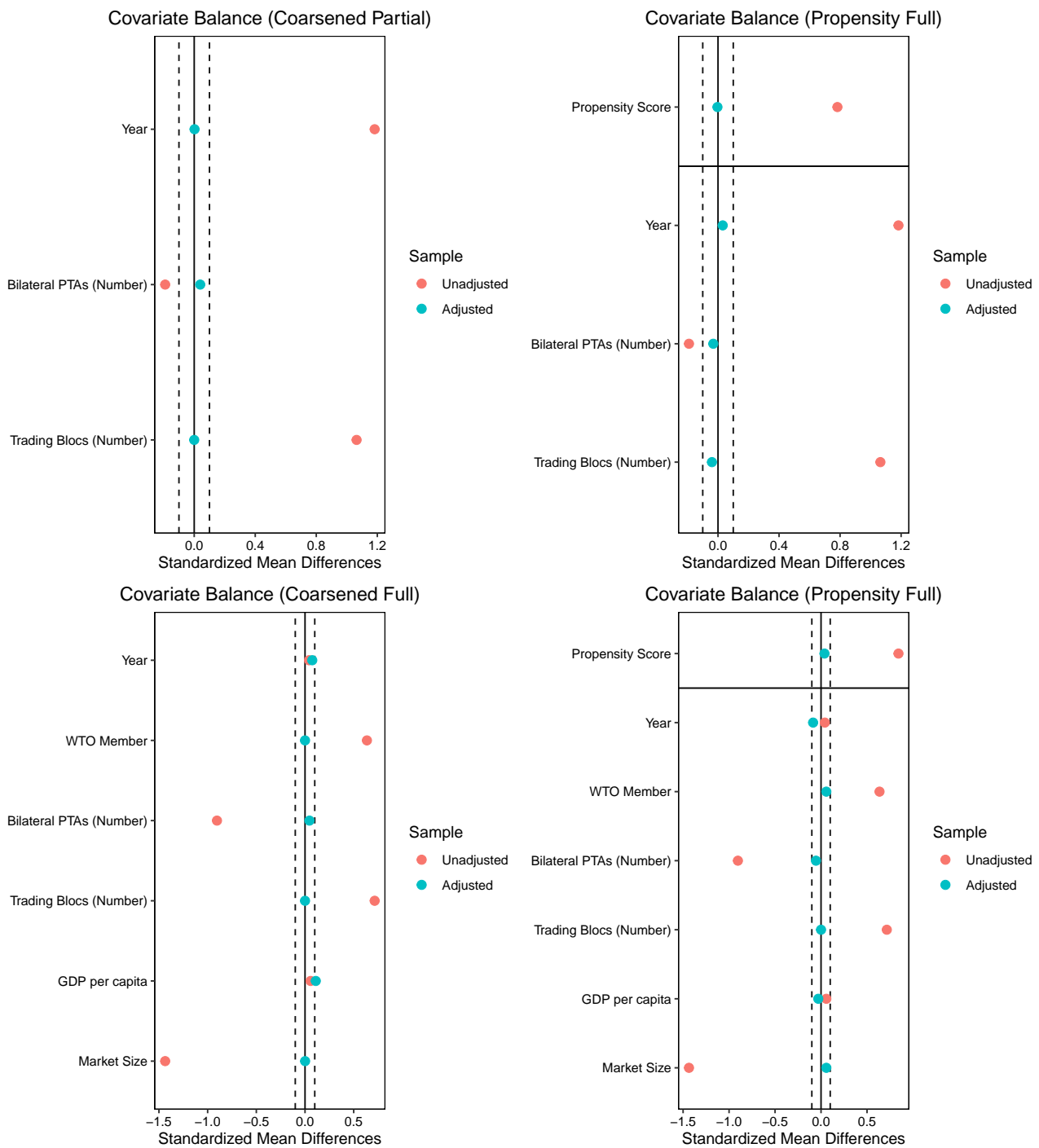


Figure 17: Balance plots for partial and full models using coarsened exact matching and propensity score matching.

<i>Pr(Collective PTA)</i>	(1)	(2)	(3)	(4)	(5)
Ex-Ante Commitment	1.292*** (0.229)			-5.346*** (1.413)	0.935*** (0.243)
Capacity _{GDP}		-0.681*** (0.225)		-1.623*** (0.317)	
Capacity _{LLD}			-0.950*** (0.324)		-2.331*** (0.449)
<i>Ex-Ante Commitment x</i> <i>Capacity_{GDP}</i>				0.833*** (0.175)	
<i>Ex-Ante Commitment x</i> <i>Capacity_{LLD}</i>					1.306*** (0.255)
Trade Openness	0.00697 (0.00424)	0.00856* (0.00452)	0.00756* (0.00448)	0.0101** (0.00433)	0.00721* (0.00426)
Democracy	-0.00380 (0.332)	0.0297 (0.356)	0.264 (0.362)	0.325 (0.353)	0.399 (0.363)
WTO Member	1.401*** (0.372)	1.533*** (0.375)	1.538*** (0.372)	1.844*** (0.400)	1.667*** (0.390)
Number Trading Blocs	0.131 (0.137)	0.296** (0.137)	0.308** (0.136)	0.0769 (0.145)	0.111 (0.144)
Contiguity _{Dyadic}	-0.949*** (0.272)	-0.975*** (0.272)	-0.965*** (0.268)	-0.983*** (0.280)	-0.994*** (0.276)
Trading Bloc _{Dyadic}	2.918*** (0.287)	2.783*** (0.290)	2.867*** (0.286)	2.842*** (0.293)	2.821*** (0.286)
Bloc Member PTAs _{Dyadic}	-1.628*** (0.297)	-1.530*** (0.297)	-1.488*** (0.290)	-1.731*** (0.308)	-1.612*** (0.298)
Σ Countries	6.327*** (1.627)	8.865*** (2.219)	8.701*** (2.147)	6.086*** (1.520)	6.156*** (1.502)
Constant	-4.624*** (0.545)	1.174 (1.790)	-4.175*** (0.551)	8.093*** (2.460)	-4.087*** (0.546)
5-Year FE	Yes	Yes	Yes	Yes	Yes
Country RE	Yes	Yes	Yes	Yes	Yes
<i>N</i>	1,633	1,590	1,633	1,590	1,633
Countries	141	139	141	139	141

*** p<0.01, ** p<0.05, * p<0.1

Table 9: Full main models

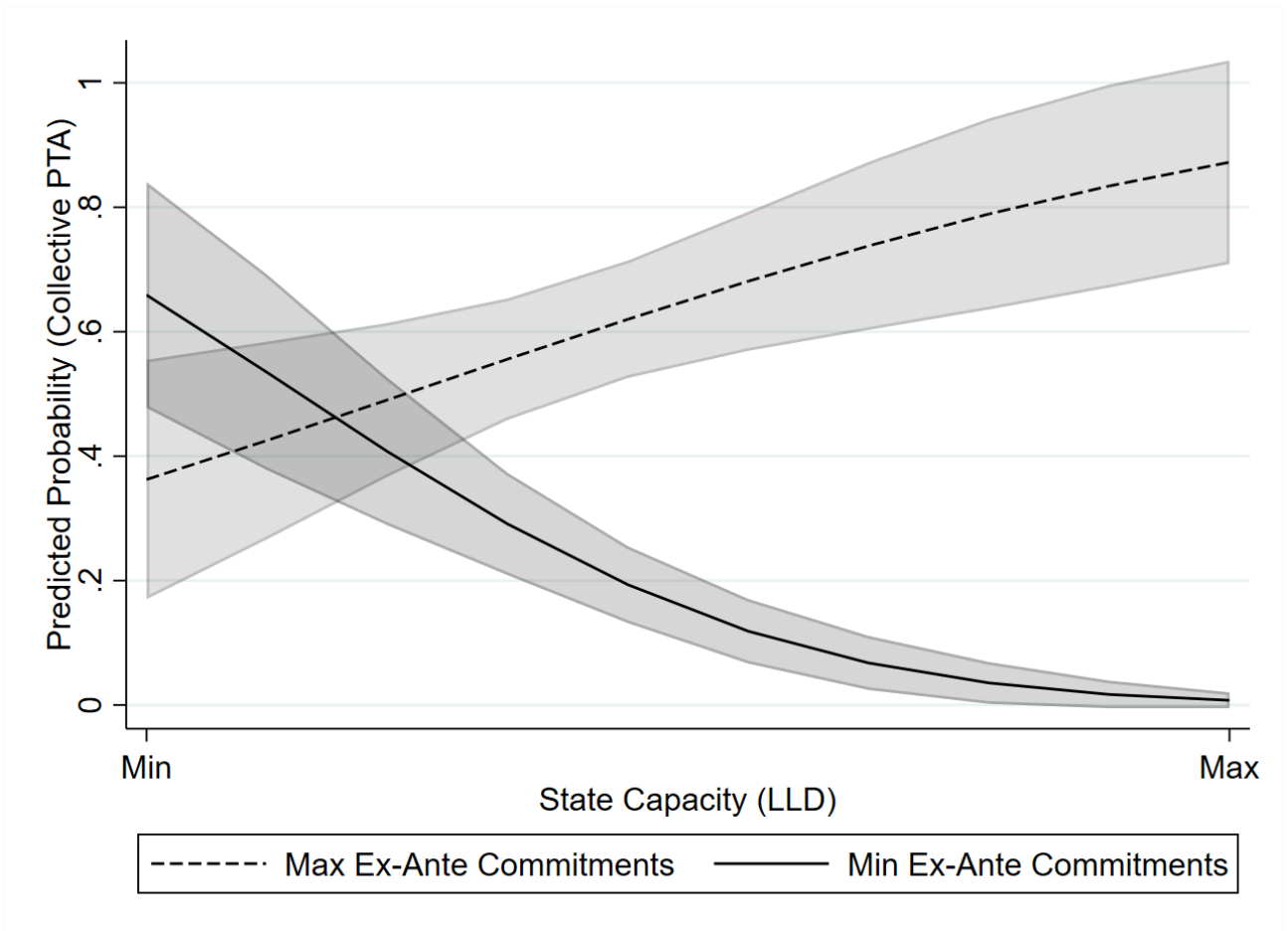


Figure 18: Predicted probabilities based on main model 5.

<i>Pr(Collective PTA)</i>	(R1)	(R2)	(R3)	(R4)
Ex-Ante Commitment	0.352 (0.360)	-11.63*** (2.446)		
Capacity _{GDP}		-1.818*** (0.325)		-1.157*** (0.254)
Capacity _{LLD}	-2.723*** (0.469)		-2.291*** (0.413)	
<i>Ex-Ante Commitment x</i> <i>Capacity_{GDP}</i>		1.567*** (0.302)		
<i>Ex-Ante Commitment x</i> <i>Capacity_{LLD}</i>	2.336*** (0.430)			
Ex-Ante Commitment _{Narrow}			4.043*** (1.059)	-27.43*** (6.309)
<i>Ex-Ante Commitment_{Narrow} x</i> <i>Capacity_{GDP}</i>				4.203*** (0.820)
<i>Ex-Ante Commitment_{Narrow} x</i> <i>Capacity_{LLD}</i>			7.670*** (1.348)	
Trade Openness	0.00772* (0.00431)	0.0104** (0.00443)	0.0125*** (0.00430)	0.0141*** (0.00441)
Democracy	0.553 (0.365)	0.269 (0.356)	0.430 (0.373)	0.0510 (0.366)
WTO Member	1.531*** (0.376)	1.695*** (0.385)	1.520*** (0.397)	1.401*** (0.403)
Number Trading Blocs	0.427*** (0.136)	0.436*** (0.136)	0.211 (0.138)	0.277** (0.140)
Contiguity _{Dyadic}	-1.004*** (0.270)	-0.990*** (0.277)	-0.955*** (0.278)	-0.962*** (0.284)
Trading Bloc _{Dyadic}	2.805*** (0.284)	2.775*** (0.289)	2.843*** (0.293)	2.715*** (0.295)
Bloc Member PTAs _{Dyadic}	-1.571*** (0.296)	-1.660*** (0.305)	-1.606*** (0.293)	-1.711*** (0.303)
Σ Countries	6.442*** (1.579)	6.885*** (1.731)	5.751*** (1.415)	6.159*** (1.546)
Constant	-4.131*** (0.574)	9.649*** (2.535)	-4.015*** (0.544)	4.951** (1.970)
5-Year FE	Yes	Yes	Yes	Yes
Country RE	Yes	Yes	Yes	Yes
<i>N</i>	1,633	1,590	1,502	1,462
Countries	141	139	138	136

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 10: Alternative measurement models

<i>Pr(Collective PTA)</i>	(R5)	(R6)	(R7)	(R8)
Ex-Ante Commitment	1.392*** (0.333)	-2.935* (1.694)		
Capacity _{GDP}		-0.562 (0.359)		-0.257 (0.289)
<i>Ex-Ante Commitment x</i> <i>Capacity_{GDP}</i>		0.569*** (0.203)		
Capacity _{LLD}	-0.873* (0.514)		-1.416*** (0.486)	
<i>Ex-Ante Commitment x</i> <i>Capacity_{LLD}</i>	0.795*** (0.306)			
Ex-Ante Commitment _{Narrow}			3.115** (1.280)	-20.97*** (7.251)
<i>Ex-Ante Commitment_{Narrow x}</i> <i>Capacity_{GDP}</i>				3.260*** (0.923)
<i>Ex-Ante Commitment_{Narrow x}</i> <i>Capacity_{LLD}</i>			5.887*** (1.456)	
Trade Openness	-0.000267 (0.00442)	-0.000124 (0.00459)	0.00555 (0.00471)	0.00383 (0.00491)
Democracy	-0.179 (0.429)	-0.257 (0.428)	-0.0404 (0.443)	-0.524 (0.440)
WTO Member	2.590*** (0.612)	2.755*** (0.626)	2.672*** (0.630)	2.463*** (0.618)
Number Trading Blocs	-0.196 (0.170)	-0.258 (0.173)	0.0632 (0.161)	0.0984 (0.161)
Market Size	-0.634*** (0.174)	-0.716*** (0.189)	-0.606*** (0.185)	-0.812*** (0.201)
Contiguity _{Dyadic}	-0.673** (0.309)	-0.638** (0.315)	-0.597* (0.313)	-0.563* (0.320)
Trading Bloc _{Dyadic}	1.116*** (0.323)	1.191*** (0.331)	1.351*** (0.325)	1.339*** (0.329)
Bloc Member PTAs _{Dyadic}	-1.777*** (0.304)	-1.820*** (0.312)	-1.738*** (0.304)	-1.771*** (0.310)
Trade Share _{Dyadic}	-0.682 (1.246)	-1.037 (1.242)	-1.358 (1.283)	-1.530 (1.282)
Trade Share Bloc _{Dyadic}	0.113** (0.0440)	0.127*** (0.0454)	0.108** (0.0438)	0.119*** (0.0449)
Σ Countries	4.431*** (1.201)	4.573*** (1.253)	5.036*** (1.331)	5.312*** (1.424)
Constant	5.981*** (1.959)	11.05*** (2.985)	5.792*** (2.099)	10.07*** (2.505)
5-Year FE	Yes	Yes	Yes	Yes
Country RE	Yes	Yes	Yes	Yes
<i>N</i>	1,254	1,237	1,236	1,219
Countries	134	133	132	131

*** p<0.01, ** p<0.05, * p<0.1

Table 11: Extended covariates models

<i>Pr(Collective PTA)</i>	(R9)	(R10)	(R11)	(R12)	(R13)	(R14)	(R15)
Ex-Ante Commitment	1.821*** (0.293)			1.447*** (0.291)	-2.376 (1.614)	0.414 (0.436)	-6.031** (2.609)
Capacity _{GDP}		-0.511** (0.230)			-1.092*** (0.393)		0.623 (1.145)
Capacity _{LLD}			-1.053** (0.412)	-1.693*** (0.495)		-1.256 (1.084)	
<i>Ex-Ante Commitment x</i> <i>Capacity_{GDP}</i>					0.521*** (0.199)		0.793** (0.309)
<i>Ex-Ante Commitment x</i> <i>Capacity_{LLD}</i>				0.844*** (0.285)		0.850** (0.433)	
Trade Openness	0.00434 (0.00366)	0.00664 (0.00422)	0.00632 (0.00397)	0.00466 (0.00349)	0.00614 (0.00373)	0.00390 (0.00733)	0.00575 (0.00735)
Democracy	-0.308 (0.523)	-0.399 (0.688)	0.0143 (0.684)	0.0137 (0.563)	-0.187 (0.551)	-0.183 (0.516)	-0.450 (0.548)
WTO Member	2.162*** (0.762)	2.496*** (0.695)	2.624*** (0.742)	2.465*** (0.771)	2.576*** (0.756)	2.146*** (0.765)	2.147*** (0.782)
Number Trading Blocs	0.0285 (0.180)	0.395** (0.179)	0.385** (0.174)	-0.00261 (0.176)	-0.0529 (0.176)	-0.202 (0.224)	-0.365 (0.228)
Trade Share _{Dyadic}	1.610* (0.883)	1.015 (0.870)	1.089 (0.871)	1.755* (0.921)	1.524* (0.906)	0.783 (1.067)	0.565 (1.103)
Contiguity _{Dyadic}	-0.837*** (0.314)	-0.847*** (0.308)	-0.808*** (0.302)	-0.908*** (0.318)	-0.885*** (0.323)	-0.518* (0.309)	-0.441 (0.316)
Trading Bloc _{Dyadic}	1.423*** (0.346)	1.505*** (0.340)	1.508*** (0.335)	1.401*** (0.343)	1.474*** (0.351)	1.005*** (0.322)	1.120*** (0.336)
Bloc Member PTAs _{Dyadic}	-1.935*** (0.487)	-1.864*** (0.512)	-1.854*** (0.487)	-1.903*** (0.479)	-1.961*** (0.504)	-1.461*** (0.301)	-1.455*** (0.310)
Constant	-1.168* (0.651)	2.903* (1.750)	-1.024 (0.637)	-1.167** (0.593)	6.967** (2.955)		
5-Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
C-Clustered SE	Yes	Yes	Yes	Yes	Yes	No	No
Country FE	No	No	No	No	No	Yes	Yes
<i>N</i>	1,348	1,325	1,348	1,348	1,325	617	605
Countries	141	139	141	141	139	53	52

*** p<0.01, ** p<0.05, * p<0.1

Table 12: Alternative Estimators: Logit models with clustered SEs (R9-13) and fixed effects models (R14 & R15).