

## **PART 2 PROJECT PROPOSAL**

### **1) Project title and abstract:**

#### **ECONOMIC GLOBALIZATION UNDER THREAT: DESIGN, IMPACT AND PERCEPTIONS OF LATIN AMERICAN TRADE AGREEMENTS**

Trade agreements have received heightened attention in recent years. Both, initiatives to further liberalize markets as well as protectionist calls have been shaping the current development of trade policy. We have also seen a further shift away from multilateral to regional and bilateral trading arrangements with competing objectives pursued by the US, China and the European Union. What has received less attention is how the current revival of geopolitics and protectionism has been shaping the trade architecture in regions such as Latin America. We are particularly interested to work on the research frontier of explaining the variation in trade agreements design, their impact on economic, political and legal institutions as well as overall support of citizen in relation to trade agreements' objectives and content. This is more so important in times when economic globalization is undergoing tremendous changes in light of new geopolitical challenges.

This project aims to strengthen research cooperation between the World Trade Institute, a leading center of excellence on trade policy in Europe, and partner institutions in Latin America (FLACSO, PUCP and UChile). The long term objective of this partnership is to create an excellence network for research on trade agreements from an interdisciplinary perspective and focusing on Latin America. The project includes workshops to present ongoing research based on the World Trade Institute's and its partners' trade and investment databases and to work towards designing a multi-year research project involving the core members from Argentina, Chile and Peru in a first stage, later to be extended to other interested research institutions.

### **2) Relevance, objectives and justification**

We are witnessing important developments and changes in trade policy. Since the 1990s, we observe a new wave of "regionalism" through an increase of preferential trade agreements (PTAs) and more recently the negotiations of so-called 'mega-regionals' (e.g. CPTPP, CETA, TTIP, RCEP) which are deeper and broader in scope than any prior agreements. New agreements are no longer simply copy-pasted as important new models are being created. These developments

in global economic rule-making, however, are also accompanied by an increasing backlash against liberal ideas of globalization. While an increasing number of developing countries have been embracing ideas of growing market integration and foreign investment protection in recent years, notably in Latin America and South East Asia, we have been witnessing street protests and opposition to trade and investment agreements in Europe. In addition, the recent US administration's trade agreement approach has been shifting to address trade imbalances, in particular trade deficits and has targeted in particular China, but also its other main trading partners Mexico and Canada.

Against this backdrop of politicization of trade agreements, this collaborative research projects aims to focus on the role of Latin American countries in shaping trade agreements. In particular, we strive to advance our understanding on design choices of international treaties, their evolution and impact, as well as strength of citizens' perceptions and support for policies that liberalize trade. We are interested in both domestic and international factors and their interaction in explaining trade policy outcomes. Following research questions stand out:

1. What explains the formation and design of trade agreements in Latin America? Does growing societal discontent change countries' negotiation approach in PTAs? What is the impact of growing trade disputes between major economic powers on PTAs in Latin America?
2. What is the impact of PTAs on economic factors (e.g. trade flows, wages) and non-economic factors (e.g. environment, labor, biodiversity)? How can we disentangle effects from single PTAs from regional integration (e.g. Mercosur, Pacific Alliance) and multilateral liberalization (e.g. WTO)?
3. What explains support of opposition of citizens vis-à-vis PTAs? What optimal design would citizen prefer in PTAs and what are their preferences regarding trading partners?

The research on trade agreements has made important progress recently, not least because of the availability of new databases on the design of trade agreements and investment agreements<sup>1</sup>, the development of more sophisticated software for machine coding treaties, the development of new methods of impact assessment studies and the growing number of experiments embedded in national surveys related to trade. Our project aims to make a contribution in all these areas. A further innovation of this project is to widen the perspective by taking an interdisciplinary approach, combining political economy and law and by focusing more precisely on the Latin American network of trade agreements complementing existing studies which are mostly country-based.

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<sup>1</sup> Dür, A., Baccini, L., and M. Elsig. 2014. „The Design of International Trade Agreements: Introducing a New Dataset,“ *The Review of International Organizations* 9(3):353-375.

### 3) Research plan and timeframe

In order to address our research questions, we will use a mix-method approach. First, we rely on existing databases on PTAs and bilateral investment treaties (BITs) where the WTI has been a key partner (DESTA and EDIT, respectively).<sup>2</sup> We plan to map past practice in PTAs and BITs and to analyze structural changes and evolution of treaty language focusing on Latin America. We do this by using existing manually coded data, but complementing this approach by applying text-as-data methods and network analyses.<sup>3</sup> We will select specific treaty commitments and trace their origin and diffusion path. This will allow us to better understand the diffusion processes at work.

Second, we will review existing methodologies of impact assessment and actual impact assessments carried out in Latin America and work towards a refinement of these methodologies. This will be a mix of conceptual work, data analysis and quantitative estimations as well as some process-tracing through case studies.

Third, we will collect existing survey data on trade policy attitudes and we will work towards designing survey experiments to better understand citizen support for trade agreements.<sup>4</sup> What are the main ego-centric and socio-tropic factors for support different types of agreements and how stable are these attitudes when individuals are exposed to priming and framing attempts. In times of increasing criticism on globalization (and international treaties that are seen as elite projects), we aim to study the micro-foundations in greater depth.

The project is planned for a 12 months period initially. Two workshops will mark the milestones, one which will take place in one of our partner institutions in Latin America and one in Switzerland. The first workshop will focus on the mapping of trade agreement design and exploring trends over time and across countries. We aim to involve a large group of stakeholders to investigate existing perceptions vis-a-vis PTAs and their design. This will allow us to fine-tune our research, including selection of treaties as to their importance for impact assessment and understanding key societal concerns regarding the PTAs.

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<sup>2</sup> For DESTA, see [www.designoftradeagreements.org](http://www.designoftradeagreements.org); EDIT is a new electronic database on investment treaties which the WTI has developed with partners from the University of Ottawa and the World Bank. It will be launched in October 2019.

<sup>3</sup> Allee, T., Elsig, M. and A. Lugg 2017. "The Ties between the World Trade Organization and Preferential Trade Agreements: A Textual Analysis," *Journal of International Economic Law* 20(2):333-363.

<sup>4</sup> Spilker, G., Bernauer, T. and V. Umaña 2016. "Selecting Partner Countries for Preferential Trade Agreements. Experimental Evidence from Costa Rica, Nicaragua, and Vietnam," *International Studies Quarterly* 60(4):706-718.  
Spilker, G., Bernauer, T. and V. Umaña 2018. "What Kinds of Trade Liberalization Agreements Do People in Developing Countries Want?" *International Interactions* 44(3):510-536.

The second workshop is devoted to the process of preparation for writing a larger research proposal. This will involve further work on methodologies of impact assessment tools and discussions and initial pre-testing of survey experiments that will be envisaged.

#### **4) Expected impact**

The project should allow partner to further work on complementing their expertise and work towards preparing a larger research proposal. We will explore the specific possibilities of submitting to different funding agencies, including SNF and EU programmes. One option could also to split the three research blocks and seek funding individually. We will also seek support from the Inter-American Development Bank and the World Bank. And finally through the WTI's Global Impact Association, we will reach out to potential donors and philanthropic organizations in Europe, Switzerland and in the respective partner countries.

#### **5) Research cooperation:**

Three of the involved parties have worked together in the SECO/WTI Academic Cooperation Project, a comprehensive six-year (2011- 2017) academic capacity building project aimed at academic training in trade regulation. It was initiated and funded by the Swiss State Secretariat for Economic Affairs (SECO). This project allowed a series of collaborative steps that helped building an academic cooperation network between the WTI, the PUCP and UChile and institutes from Indonesia, Vietnam and South Africa. The current project would like to strengthen the joint research capacities and enlarge the pre-established network by cooperating also closely with FLACSO.

#### **6) Experience of the applicants:**

The applicants have ample experience to carrying out the proposed research. The Latin American applicants' strengths lies in particular in their local knowledge and existing research projects to work with domestic companies for survey experiments and to link to governmental actors to engage in a fruitful dialogue on impact assessment studies. The access to civil servants will be instrumental for the success of the programme. The WTI has ample experience in research on trade treaties, impact assessment studies and has recently explored using survey experiments in the field of trade.

### **7) Promotion of female and young researchers**

The project team includes two female principal investigators from Latin America, thus contributing to gender balance in participation. Efforts to bring young female researchers into the project will be made by the lead investigators both in Switzerland and Latin American counterparts. The researchers involved in the project will also work with young researchers at their home institutions, promoting their participation in the different stages of the project. The workshops seminars will include the participation of the participants' institutions' master and doctoral students.

### **8) Intended Intellectual Property Rights (IPR): Include IPR agreements (if applicable).**

NOT APPLICABLE

### **9) Ethical, safety and regulatory issues**

The research will be conducted following the highest ethical, academic and scientific standards and following safety and regulatory issues in the applicable countries. Amongst them, researchers fully comply with the Swiss Academies of Arts and Sciences "Memorandum on scientific integrity and the handling of misconduct in the scientific context" and "Principles and procedures concerning integrity in scientific research", as well as the own involved Universities ethical codes and procedures, including Ethical committees' reviews when necessary. It will also follow the new European data protection rules by developing a specific data management plan for this project.