

Democracy, Veto Players, and the Depth of Regional Integration

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Abstract

In this paper, we examine the domestic political factors that might account for the choice of regional integration arrangement (RIA) that states enter. States can pursue at least five types of RIAs, in order of their depth of policy integration: preferential trade agreements, free trade areas, customs unions, common markets, and economic unions. What accounts for the type of arrangement that they choose? We argue that domestic politics influence this choice, particularly a country's regime type and the number of institutional "veto players." Democracies are more likely to form an RIA than other states, a tendency that becomes more pronounced as the proposed level of integration in an arrangement rises. However, all democracies are not the same. As the number of veto players rises, democratic governments are increasingly less likely to enter an RIA. Furthermore, RIAs that aim to achieve greater integration are likely to generate more pronounced distributional consequences than those that aim to achieve more modest amounts of integration. As the number of veto players increases in a democracy, so does the likelihood that at least one such player will have a constituency that is adversely affected by the RIA and therefore will block it. Consequently, veto players are expected to have a larger effect on the odds of a democracy forming an RIA, the greater is the extent of integration that the arrangement aims to achieve. A series of statistical tests, based on analysis of all pairs of countries from 1950 to 2000, support our arguments. Democracy and veto players strongly affect whether states enter an RIA, as well as the type of arrangement that they choose.

Introduction

Countries have developed various types of institutions for coordinating foreign economic policy. Among the most important and pervasive are regional integration arrangements (RIAs).¹ All RIAs attempt to promote economic integration by improving and stabilizing the access that each member has to the other participants' markets. Nonetheless, important differences exist among these arrangements. In a preferential trade arrangement (PTA), member-states grant the other participants preferential access to parts of their markets; in a free trade area (FTA), members mutually reduce or eliminate trade barriers on many (if not all) products; in a customs union (CU), members eliminate barriers to trade with other participants and erect a common external tariff (CET) vis-à-vis third parties; in a common market, countries augment a customs union by implementing similar product regulations and permitting the free flow of factors of production between members; and in an economic union, members participate in a common market and use a common currency. Different types of RIAs aim to achieve different degrees of economic integration among members, with PTAs being the least integrative and economic unions being the most. Very little research, however, has addressed the political economy of why states choose a particular type of integration arrangement.

An extensive literature exists on the economic consequences of integration arrangements (for example, Lipsey 1960; de Melo and Panagariya 1993; Baldwin and Venables 1995; Bhagwati and Panagariya 1996; Krueger 1997; Krishna, Panagariya, and Bhagwati 1999; Freund 2000; Panagariya 2000; Venables 2003; Lloyd and MacLaren

¹ RIAs are so-named because member-states are usually located in the same geographical region of the world.

2004). Many studies have analyzed the economic gains and losses states face as a result of choosing a particular type of RIA. Most conclude that integration lowers the costs of engaging in overseas trade and may enhance members' welfare, sometimes at the expense of third parties. Notably, the economic benefits for participants tend to rise with the extent of integration embodied in these arrangements, although adjustment costs tend to rise as well.

The political economy of these agreements is less well understood. Grossman and Helpman (1995) theorize that PTAs may be more sustainable than other RIAs because they allow member-states to discriminate against third parties (including highly competitive countries) and to protect uncompetitive and politically salient sectors. This discriminatory and selective approach enables policy makers to solidify their position, since they can obtain rents from the sectors that remain protected. Grossman and Helpman's argument stresses the links between interest groups and integration arrangements, but other aspects of domestic politics have received shorter shrift in the existing literature.

Here we argue that domestic politics does indeed matter for the type of RIA in which states choose to participate. In particular, a country's regime type, its number of institutional "veto players," and the homogeneity of preferences among those veto players are crucial. The more democratic a country is, the more likely it is to sign any type of integration agreement. However, all democracies are not the same. As the number of veto players rises, democratic governments are increasingly less likely to enter an RIA. A state's regime type and its number of veto players also influence the type of arrangement that it enters. RIAs that aim to achieve greater integration are likely to

generate more pronounced distributional consequences than those that aim to achieve more modest amounts of integration. As the number of veto players increases in a democracy, so does the likelihood that at least one such player will have a constituency that is adversely affected by the RIA and therefore will block it. Consequently, we expect veto players to have a larger effect on the odds of a democracy forming an RIA the greater is the extent of integration that the arrangement aims to achieve. A series of statistical tests, based on analysis of all pairs of countries from 1950 to 2000, support our arguments. Democracy and veto players have a pronounced affect whether states enter an integration agreement as well as the type of agreement that they choose.

Regime Type and the Formation of Integration Arrangements

We begin by examining the preferences of political leaders in democratic and non-democratic regimes. Political leaders seek to conclude trade agreements if they think it will improve (or at least avoid damaging) their prospects of retaining office. RIAs can promote efficiency and benefit certain segments of society. These economic gains, however, can come at a political price for leaders. Large increases in integration are likely to affect a wide variety of firms, leaving those in import-competing industries struggling to survive and raising the prospect that workers in these firms will lose their jobs. Moreover, heightened exposure to international markets is likely to redistribute income within society, an outcome that tends to be politically costly for leaders (Fernández and Rodrik 1991; Rodrik 1994).

Since leaders depend on the support of constituents to stay in power, adopting policies that antagonize important segments of society is ill advised. However, the means

by which leaders retain office depends on the type of political regime. In democracies, leaders must stand for office in regular and competitive elections. In autocracies, by contrast, leaders must maintain the allegiance of small, select groups within the country, often including the military, labor unions, key members of the ruling party, or owners of the means of production. The groups that select the leader and keep her in office (that is, the “selectorate”) make up a broader portion of society in a democracy than in an autocracy (Bueno de Mesquita et al. 2003). In most democracies, the selectorate is that portion of the population that is eligible to vote, and the most important member(s) of that selectorate is the median voter, whose ballot determines electoral outcomes.

The need to maintain a certain amount of domestic support is common to all regime types. Consequently, both democratic and autocratic leaders will be reluctant to adopt policies that are likely to erode their support. Because leaders fear that efficiency-maximizing economic policies will adversely affect at least some key constituents, such policies are rarely implemented. Good politics drives out good economics. Trade liberalization—whether unilateral, bilateral, or multilateral—is thus politically infeasible much of the time, since it jeopardizes a leader’s domestic support among groups that bear adjustment costs or suffer losses in income as a result of heightened exposure to global markets. The interest groups that gain from protection are often powerful and well organized, while those that lose are often less influential and poorly organized.² But the likelihood that a country will be able to adopt more efficient economic policies depends on its regime type. Theory and empirical research have shown that democracies tend to

² Some pro-trade groups can be very powerful, especially exporters or multinational firms with widespread global operations (Milner 1988; Gilligan 1997).

choose more efficient economic policies than other regimes (for example, Wittman 1989, 1995; Bueno de Mesquita et al. 2003; Milner with Kubota 2005).

Following Bueno de Mesquita et al. (2003), Milner with Kubota (2005), and Mayer (1984), we argue that democracies are more likely to enter an RIA than autocracies since democracies have larger selectorates and median voters who benefit more from heightened integration. As Bueno de Mesquita et al. (2003) point out, democratic leaders preserve and expand their domestic support by providing public goods, such as economic growth, whereas autocrats maintain power by furnishing private goods, such as rents from protectionism, that they can distribute to supporters. Societal pressures for private goods provision in autocracies vest leaders of these countries with an incentive to resist entering RIAs that reduce the rents they can provide to supporters. Moreover, such agreements not only encourage member-states to liberalize trade with other participants, they also lock leaders into open trade policies. It is harder and more costly for a government to renege on an international trade agreement than it is to unilaterally raise trade barriers because the government faces the prospect that its agreement partners will retaliate. Hence, we expect that autocrats will be reluctant to enter RIAs. Democracies, however, are likely to favor agreements that foster trade liberalization and economic integration, since they promote economic growth.³

Furthermore, democratic leaders have an incentive to conclude such agreements because voters have difficulty distinguishing between events that adversely affect the country and are beyond the leader's control and adverse consequences arising from the leader's poor performance in office. As a result, voters may remove a democratic head of

³ A debate exists over how much trade and trade liberalization foster economic growth. Most observers agree, however, that economic closure and protectionism do not promote growth (for example, Frankel and Romer 1999; Rodriguez and Rodrik 2001; Noguera and Siscart 2005).

state from office because they believe he has done a bad job when in fact this is not the case. Entering an integration arrangement can help chief executives to guard against this possibility, since these institutions often are able to furnish reliable information about the behavior of member-states. Countries that violate their commitments to the institution will trip an alarm sounded by other members or the organization itself. By publicizing a democratic leader's actions, RIAs help him to avoid being turned out of office because voters mistakenly believe he has performed poorly. In non-democracies, by contrast, electoral dynamics are far less important, giving leaders much less incentive to enter integration arrangements (Mansfield, Milner and Rosendorff 2002). Democracies thus reap benefits from RIAs that autocracies do not; democratic leaders can enhance their political support by signing these agreements while autocrats generally cannot.⁴

The Role of Veto Players

Thus far, we have argued that democratic leaders have a stronger preference for entering RIAs than their autocratic counterparts, largely because they have larger selectorates and therefore face greater pressures to craft policies that benefit the median voter. However, democracies are not homogenous. There are key differences across democracies that are likely to influence the likelihood of entering an integration arrangement. Of crucial importance in this regard are differences in the formal institutions for sharing decision-making power that create the potential for veto players. These players are institutional and partisan actors whose assent is necessary to change

⁴ In some cases, autocratic governments may face a domestic political constellation such that pursuing international economic integration might enhance their domestic support. For instance, if the major groups supporting an autocrat are exporters or large multinational firms, then leaders may choose economic integration. They might, however, still prefer to do this unilaterally rather than in a bilateral or multilateral setting where reneging later is harder.

existing policies (Tsebelis 2002: 2). They have an institutional position that allows them to forestall a proposed policy or change in policy and have different preferences about that policy than does the chief executive who proposed it. Tsebelis (2002) shows that the difficulties of policy-making grow as the number of veto players increases, as their preferences diverge, and as the internal coherence of the actors declines. Policy stasis or adherence to the status quo becomes more likely as the number of veto players increases. Others have shown that veto players can affect whether countries liberalize their trade regime or sign RIAs (Frye and Mansfield 2003; Henisz and Mansfield 2005; Mansfield, Milner, and Pevehouse 2005).

Veto players exist in all types of regimes. Even in non-democratic systems of government, politics is rarely a pure hierarchy with a unitary decision-maker and no veto players. In a dictatorship, the support of the professional military or a political party is frequently necessary for the leader to retain power and implement policies. These groups often exercise veto power over the executive's proposals and may help set the country's policy agenda. In other cases, their acquiescence may be necessary for any policy to be implemented. By definition, democratic systems of government are marked by veto players, although the number of such players varies considerably across democracies. In most democracies, both the legislature and the executive share control over decision-making. Sometimes two or more political parties or coalitions compete, and often governments are composed of multiple parties who share control over ministries. Domestic political institutions determine how such control is distributed among the actors. For example, constitutions often assign certain powers to the executive and others to the legislature or judiciary. Formally, democracies will tend to have a greater number

since they have meaningful institutions that constrain the power of the leader. However, non-democracies may also have a large number of veto players. We are interested in the actual number of such actors and the homogeneity of their preferences. Conceptually, regime type and veto players are distinct and we treat them as such.

We expect that, among democracies, the likelihood of forming any type of RIA increases as the number of veto players declines. All of these arrangements involve mutual policy adjustment and international cooperation. In each type of arrangement, parties are expected to take steps to provide the other members with improved market access. Such policy changes have distributional consequences. Lowering trade barriers creates groups that gain economically from the policy and groups that lose as a result. When veto players exist that represent the preferences of the distributional losers, making policy changes and cooperating with other prospective members of the integration arrangement become much more difficult and unlikely. As the number of veto players rises, so does the number of groups they represent and the probability that adversely affected groups are represented by at least one such player. Thus, the chances of ratifying an RIA fall. A larger number of veto players constrains the leader's policy choices and makes it especially difficult to change the status quo policy. The combination of a democracy with a large number of veto players is likely to be very inauspicious for promoting economic integration. This argument is quite consistent with the finding that divided government is an impediment to international cooperation for democracies (Milner and Rosendorff 1997; Milner 1997). However, we are unaware of previous efforts to link variations in veto players to the prospects of democracies entering an RIA.

We have less clear expectations about whether or how veto players operate in autocracies. On the one hand, autocrats should be constrained by veto players, just like democratically elected leaders. Autocrats also need veto players to ratify policy change and international agreements. As such, a rise in the number of veto players may increase the likelihood that the distributional losers from a proposed RIA will be represented by such a player and thus reduce the prospects that the arrangement will materialize. On the other hand, autocracies may be more constrained to pursue economically efficient policies as the number of veto players rises. Bueno de Mesquita et al. (2003) point out that, in autocracies, as the “winning coalition” grows relative to the size of the selectorate, leaders face increasing pressure to provide public rather than private goods. In effect, it becomes too expensive to pay off all of the veto players as their numbers rise; hence autocrats have to switch strategies and behave more like democracies. If they cannot maintain public support through rent seeking, then autocrats may be more likely to choose trade liberalization and the faster growth associated with it as the number of veto players grows. Consequently, it is unclear what effect veto players will have on the likelihood of autocracies entering economic integration agreements.

In sum, then, leaders in democracies have incentives to enter RIAs, both to foster economic growth and to create an institutional alarm that helps reassure the electorate about the leader’s competence. We expect, *ceteris paribus*, that democracies will be more likely to enter regional integration agreements than autocracies. Within democracies, however, the ability of leaders to overcome opposition by the likely losers from these arrangements depends on the formal institutions of the state, the alignment of preferences between these institutions, and the homogeneity of preferences within them.

Domestic Politics and the Depth of Integration Arrangements

The preceding discussion addressed the effects of regime type and veto players on the formation of RIAs, without distinguishing among different types of arrangements. For a variety of reasons, we expect that the number of veto players will also have a strong influence on the type of integration arrangement that a democratic state enters. The magnitude of domestic change needed to comply with an RIA and the associated political costs borne by leaders for entering it depend on the extent of integration that the agreement aims to achieve. As the proposed degree of economic integration rises, so do the adjustment costs for adversely affected domestic actors. As the number of veto players rises, so does the likelihood that adversely affected groups are represented by at least one veto player; and these players are especially likely to resist policy change as the associated costs of that change for their key constituents increase. In this section, we explain why increasing the proposed level of integration is likely to involve larger adjustment costs, raising the likelihood that veto players will expend the effort to block such arrangements.

As states move from PTAs to FTAs to CUs, common markets and economic unions, the degree of *political* integration expands greatly. Domestic legislatures lose the authority to set trade policy and are stripped of policy mechanisms that can be used to pressure foreign *or domestic* executives. Once a state decides to enter a CU, its trade barriers on the products of third parties are replaced with a common external tariff negotiated at the supranational level. In common markets and economic unions, issues such as monetary policy as well as labor and immigration policy are also handled by international institutions that may or may not be responsive to the domestic politics of a

given member-state.⁵ Thus, the effectiveness of institutional veto players in blocking policy change can be mitigated by RIAs if policymaking shifts from the domestic to the regional level. Moreover, the ability of veto players to influence policy becomes increasingly attenuated as the RIA aims to achieve progressively deeper integration. This effect is quite separate from the effects of societal interests (which we turn to below), but stems from the institutions that give voice to those interests, who may themselves oppose a loss of autonomy.

There are various reasons why deeper economic integration is likely to spur opposition to RIAs among certain segments of society. As the proposed level of integration deepens, the number of actors affected is likely to rise considerably. Arrangements that envision more extensive integration are likely to cover more goods and services – and therefore to affect more sectors and a larger segment of society – than other RIAs. With the adoption of a CET, moreover, the prospect of a sector in a given member-state obtaining protection against imports from third parties declines as well. Similarly, moving from a PTA or an FTA to a CU, a common market or an economic union increases the variety of issues that are covered by the arrangement (from trade to finance and immigration, among others) and the odds that domestic groups will face sizable adjustment costs. Thus, as the breadth of the issues covered by a proposed RIA rises, so does the likelihood that a significant portion of society will anticipate being adversely affected and therefore oppose entering the arrangement.

Furthermore, there is reason to believe that as the number of sectors covered by a proposed RIA expands, so will the effort expended by the likely distributional losers to

⁵ A new body of research in international relations suggests agency slack is a major problem for members of international organizations. See Hawkins et al. (2006).

block membership. Under FTAs, increased competition from partner countries will lead to contraction of non-competitive industries (Hillman 1982; Long and Vousden 1991; Richardson 1993). As a result, workers in these industries will be displaced and the industries' "lobbying activities decrease and the level of protection from non-members granted [them] by policy-makers also decreases" (Richardson 1993: 320; see also Cassing and Hillman 1986). If individuals affiliated with such industries anticipate that the FTA will threaten their employment and hamper their ability to lobby, then they have reason to exert considerable effort to block the FTA's formation in the first place.

It is even harder to successfully lobby for changes in trade policy in a CU than a FTA. Since the former involves the adoption of a CET, an industry can no longer influence trade policy by lobbying its home government alone. The industries that would be adversely affected by the CET or the heightened integration of members' markets should fight particularly hard to block a CU. It is, of course, possible that these industries may find allies in other member-states, raising the possibility that they could join forces to lobby for a higher CET. However, these efforts are likely to be frustrated by free riding. The likely consequence, as Panagariya and Findlay (1996) and Richardson (1994) have shown, is that the level of external protection will actually be lower in a CU than an FTA. A domestic industry will assume that its foreign counterparts will lobby hard for a higher CET, prompting it to reduce its own lobbying efforts. Since all industries are likely to behave in this way, the likely result is less lobbying within the CU and a lower level of protection. Foreseeing this possibility, industries will attempt to scale back integration goals. As Richardson (1994: 88) points out, "just as firms lobby for tariff levels, presumably they also lobby for their preferred arrangement."

For these reasons, increasing the number of veto players in a democracy is likely to more significantly reduce the prospect of forming an RIA as the extent of proposed integration rises. Heightened integration tend to reduce the decision-making power of certain veto players (like domestic legislatures), increase the adjustment costs and the portion of society affected, and attenuate the ability of domestic groups to lobby the government. As the number of veto players increases, so does the odds that at least one player will represent an adversely affected group. And as the propose level of integration rises and likely loses to adversely affected groups therefore mount, veto players have reason to oppose an RIA with increasing intransigence.

Some studies have made arguments similar to ours. Richardson (1993: 310-11) claims a key puzzle left by the endogenous protection literature concerns why domestic pressure groups allow the formation of deeper integration arrangements in the first place. His answer focuses on pressure groups and domestic political institutions: “the entry of countries into new bilateral or multilateral trade agreements is very often triggered by underlying shifts in political power or support” (Richardson 1993: 319). Or as Long and Vousden (1991: 94, fn. 7) argue, entry into an RIA “might simply reflect such things as the balance of powers in the constitution and the delineation of electoral boundaries.” For example, in a study of the US-Canadian FTA, Hufbauer (1989: 143) suggests that the Canadian elections of 1988, which cemented the power of the conservative Mulroney government, were key to the agreement’s ratification.

Indeed, this is the crux of the empirical tests that we conduct in the remainder of this paper. We expect that as the number of constitutionally mandated veto players increases and as their preferences diverge, especially in democracies, one is less likely to

see deeper integration proposed. But why is it that RIAs are not simply designed in such a way that the demands of veto players are woven into the fabric of the institution? Why not assume that rather than oppose integration entirely, veto players will simply attempt to achieve an arrangement that protects their interests?

Two factors make this outcome unlikely. First, institutional factors may limit the input that societal groups have on the design of a trade pact. For example, fast track authority in the US allows Congress to accept or reject a pact, but without altering the terms of the arrangement. While it might be possible for an executive to negotiate an agreement taking into account the objections of many relevant veto players, this is increasingly unlikely as the number of veto players increases, since the sheer number of demands in such negotiations would become enormous. Second, as Schiff (2000: 11) argues, while FTAs leave room for domestic groups to manipulate tariff rates and other trade policies, such manipulation becomes increasingly difficult as the proposed level of integration rises. Within FTAs, for example, countries often negotiate exceptions and rules of origins, but one purpose of heightened integration is to decrease exceptions and expand the authority granted to supranational institutions, severely limiting the ability of executives (or any negotiators) to design a trade pact that meets the demands of any particular veto player.

A Statistical Model

Having laid out our argument, we now introduce the variables and methods that are used to test it. These tests center on estimating the following model:

$$\begin{aligned}
\text{Proposed Integration}_{ij} = & \beta_0 + \beta_1 \text{Veto Points}_i + \beta_2 \text{Veto Points}_j + \beta_3 \text{Regime Type}_i + \\
& \beta_4 \text{Regime Type}_j + \beta_5 (\text{Veto Points}_i \times \text{Regime Type}_i) + \beta_6 (\text{Veto Points}_j \times \\
& \text{Regime Type}_j) + \beta_7 \text{Trade}_{ij} + \beta_8 \text{GDP}_i + \beta_9 \text{GDP}_j + \beta_{10} \Delta \text{GDP}_i + \beta_{11} \Delta \text{GDP}_j + \\
& \beta_{12} \text{Dispute}_{ij} + \beta_{13} \text{Ally}_{ij} + \beta_{14} \text{Former Colony}_{ij} + \beta_{15} \text{Contiguity}_{ij} + \\
& \beta_{16} \text{Distance}_{ij} + \beta_{17} \text{Hegemony} + \beta_{18} \text{GATT}_{ij} + \varepsilon
\end{aligned} \tag{1}$$

The dependent variable is the proposed level of integration in an RIA signed by a pair of states, i and j , in year $t+1$. We code this variable on a six-point ordinal scale. It equals zero if states i and j did not form an integration arrangement in year $t+1$, one if they formed a PTA, two if they created an FTA, three if they established a customs union, four if they entered a common market, and five if they joined an economic union. Note that the observed value of this variable is non-zero only when states initially join an RIA, not in subsequent years when the agreement is in force.⁶ We draw our sample of arrangements primarily from the World Trade Organization (1995), but also include arrangements that were not notified to either this organization (WTO) or its predecessor, the General Agreement on Tariffs and Trade (GATT), since there is no reason to believe that regime type or veto players influence the decision to enter only those RIAs notified to these bodies.⁷

The coding of these agreements is based on an analysis of each RIA. Some arrangements set integration goals that are not realized, but we are interested in the goals of the treaty itself. After all, if states decide to enter a common market, they likely have every hope and expectation that the market will come to fruition even if that does not

⁶ We do not exclude dyad-years in which an agreement is in force for two reasons. First, some country-pairs form more than one arrangement during the period covered here. Second, some RIAs are upgraded – for example, from an FTA to a CU or a common market.

⁷ We draw data on PTAs that were not notified to either GATT or the WTO from Mansfield and Pevehouse (2000).

actually occur. Moreover, domestic interests are more likely to respond to the proposed level of integration than to an ad hoc calculation about the level of integration that will eventually be achieved. In our data set, common markets are the most frequently adopted form of RIA: 1,067 dyads form this type of arrangement. FTAs are formed by 683 dyads, CUs are established by 228 dyads, and PTAs are created by 136 dyads. Economic unions are the rarest type of integration arrangement, having been established by only 88 country-pairs.⁸

The first six independent variables in equation (1) are included to test our arguments. *Veto Points_i* and *Veto Points_j* indicate, in year *t*, the extent of constitutionally mandated institutions that can exercise veto power over decisions in states *i* and *j*, as well as the alignment of actors' preferences between those institutions within each state. The data are taken from Henisz (2002), who measures the presence of effective branches of government outside of the executive's control, the extent to which these branches are controlled by the same political party as the executive, and the homogeneity of preferences within these branches. As he notes, the measure "draws from recent theoretical developments in positive political theory to develop a structurally derived and internationally comparable measure of the degree of constraints on policy change using data on the number of independent veto points in the political system (executive, legislative, judicial and sub-federal branches of government) and the distribution of political preferences both across and within these branches" (Henisz 2000: 5).

⁸ We exclude non-reciprocal agreements, since these arrangements do not require policy adjustments from all members. Thus, veto players are less likely to play a role since some participants bear few costs for entering the arrangement. Nonetheless, including these agreements in the data set changes very few of our results.

Henisz's measure is particularly well suited to testing our argument. His measure is theoretically derived from a spatial model of veto players. The theory underlying his measure is a single dimensional, spatial model of policy choice that allows the status quo and the preferences of the actors to vary across the entire space. His measure therefore nicely captures what we think of as a veto player. Henisz's (2002: 363) research reveals that "(1) each additional veto point (a branch of government that is both constitutionally effective and controlled by a party different from other branches) provides a positive but diminishing effect on the total level of constraints on policy change and (2) homogeneity (heterogeneity) of party preferences within an opposition (aligned) branch of government is positively correlated with constraints on policy change."

The resulting measure is a continuous variable ranging from 0 to 1. When *Veto Points_i* or *Veto Points_j* equals 0, there is a complete absence of veto players in states *i* or *j*, respectively. Higher values indicate the presence of effective branches of government to balance the power of the executive. In cases where effective branches exist, the variables take on larger values as party control across some or all of these branches diverges from the executive's party. For example, in the US, the value of this measure is larger during periods of divided government.⁹ Because of this variable's theoretically-based construction and its attention to both domestic institutional arrangements and the preferences within those arrangements, it is especially appropriate for testing our hypothesis.¹⁰

⁹ For more details concerning this measure of veto points, see Henisz (2000, 2002).

¹⁰ Henisz's measure has some advantages compared to alternative measures of veto players. For example, Beck et al. (2000) have developed a measure that emphasizes the electoral rules and the degree of electoral competition in a country, as well as the degree of partisan differences across these players. This measure, however, is available for fewer countries than Henisz's measure and it only covers the period from 1975 onward. Using the Beck et al. measure rather than Henisz's measure cuts the size of our sample in half, which is clearly undesirable. However, there is a good deal of agreement between Henisz's measure and

A second key variable needed to test our hypothesis is the regime type of each state. *Regime Type_i* and *Regime Type_j* are 21-point indices of country *i*'s and country *j*'s regime type in year *t*. These widely-used variables are constructed using the Polity data set. They take on values ranging from 1 for the most autocratic states to 21 for the most democratic countries (Jagers and Gurr 1995).¹¹

Crucial to testing our argument is the interaction between *Regime Type* and *Veto Points*. We expect that an increase in the number of veto players will reduce the likelihood of democratic states forming an RIA, and that this effect will be larger as the proposed level of integration in the RIA rises. As such, the estimate of each interaction term should be negative.

Very few empirical studies have addressed the factors influencing the proposed level of integration in RIAs. Nonetheless, we include in equation (1) a variety of variables that previous studies have linked to the formation of these arrangements to ensure that they do not account for any observed relationship between either veto players or regime type and our dependent variable. *Trade_{ij}* is the logarithm of the total value of trade (in constant 1995 US dollars) between countries *i* and *j* in year *t*. Various observers argue that increasing economic exchange creates incentives for domestic groups that benefit as a result to press governments to enter RIAs, since these arrangements help to avert the possibility that trade relations will break down in the future (Nye 1988). Moreover, heightened overseas commerce can increase the susceptibility of firms to

Beck et al.'s measure where those samples overlap – the correlation between a country's annual score on Henisz's measure of veto players and its score on the Beck et al. measure is about .75, suggesting that our results are not driven by the choice of measure.

¹¹ We use Gleditsch's (2004) update of the Polity IV data set (Marshall 2004), which includes data on smaller states excluded by the Polity project, but included in the Correlates of War Project list of system members.

predatory behavior by foreign governments, prompting firms to press for the establishment of RIAs that limit the ability of governments to behavior opportunistically (Yarbrough and Yarbrough 1992).¹² There is also reason to believe that as trade flows increase, some economic actors may press for further economic coordination between states, deepening levels of proposed integration.

In addition to economic relations between countries, economic conditions within countries are likely to influence the decision to join an RIA and the proposed depth of integration within the arrangement. Particularly important in this regard is a state's economic size. Large states may have less incentive to seek the expanded market access afforded by RIA membership than their smaller counterparts. These larger markets may also have less reason to seek arrangements that foster more extensive integration. We therefore analyze GDP_i and GDP_j , the logarithm of country i 's and country j 's gross domestic products (in constant 1995 US dollars) in year t . Moreover, fluctuations in economic growth may affect whether states enter integration arrangements. On the one hand, some research indicates that downturns in the business cycle lead states to seek membership in such arrangements (Mattli 1999). On the other hand, increased growth is likely to increase a country's demand for imports and supply of exports, creating an incentive to gain preferential access to overseas markets. To address this issue, we introduce ΔGDP_i and ΔGDP_j , the change in GDP_i and in GDP_j from $t-1$ to t .¹³

Political relations between states may also influence whether they join the same RIA, as well as the proposed depth of integration in those arrangements. Military

¹² We use Gleditsch's (2002) data on trade flows. Gleditsch draws much of his data from the International Monetary Fund's *Direction of Trade Statistics*. Like the IMF data, however, Gleditsch's data are in current dollars. We deflate these data using the US consumer price index.

¹³ GDP data are also taken from Gleditsch (2002) and are deflated using the US consumer price index. Gleditsch draws much of his GDP data from the Penn World Tables.

hostilities between states signal large differences in preferences between countries and may discourage economic cooperation and thus their propensity to sign RIAs. Similarly, political-military cooperation may promote economic cooperation, as Gowa (1994) has argued. $Dispute_{ij}$ is coded 1 if countries i and j are involved in a militarized interstate dispute (MID) during year t , and 0 otherwise.¹⁴ $Ally_{ij}$ equals 1 if countries i and j are members of a military alliance in year t , and 0 otherwise. Since previous research on economic regionalism has found that a former colonial relationship between i and j increases the likelihood that they will enter the same RIA, we also include $Former\ Colony_{ij}$, which equals 1 if countries i and j had a colonial relationship that ended after World War II (Mansfield, Milner, and Rosendorff 2002).¹⁵ Again, these variables have been linked to the onset of RIAs, but they may also affect the type of arrangement a pair of states join. For example, states marked by cooperative political relations (that is, those that are not embroiled in a dispute and those that are political-military allies) may be much more willing to coordinate economic policies and integrate their economies than states marked by conflictual relations.

Geographical distance is another important influence on RIA membership and perhaps on the proposed depth of integration as well. States often enter RIAs to obtain preferential access to the markets of their key trade partners. These partners tend to be located nearby, since closer proximity reduces transportation costs and other impediments to trade. It is unclear, however, whether proximity also influences the type of integration arrangement that states select. To address this issue, we introduce two

¹⁴ For a description of the MIDs data, see Jones, Bremer, and Singer (1996). For a review of the updated MIDs data, see Ghosn and Palmer (2003).

¹⁵ Data on former colonial relations are taken from Kurian (1992). Data on alliances are taken from the Correlates of War Project (Gibler and Sarkees 2003).

variables. $Contiguity_{ij}$ is coded 1 if countries i and j share a common border, 0 otherwise. $Distance_{ij}$ is the logarithm of the capital-to-capital distance between i and j . It is useful to include both variables since some states have distant capitals (for example, Russia and China) yet share borders, while other states do not share borders but are in relatively close proximity (for example, Benin and Ghana).¹⁶

In addition, conditions throughout the international system are likely to affect the prospects of RIA formation. Many studies have found that declining hegemony contributes to the proliferation of integration arrangements (Bhagwati 1993; Krugman 1993; Mansfield 1998). It may also be the case that declining hegemony spurs states to seek deeper levels of integration since they fear that coordination of tariff rates and monetary policy, for example, is unlikely to occur at the multilateral level. We therefore include *Hegemony*, the proportion of global GDP produced by the state with the largest GDP (in our sample, the US for each year) in year t . This variable therefore takes on the same value for each country in t .

In order to gain bargaining power within the GATT/WTO, members of this multilateral institution may be particularly likely to enter RIAs (Mansfield and Reinhardt 2003). To account for this possibility, we introduce $GATT_{ij}$ in the model. It equals 1 if countries i and j are both members of GATT in each year, t , prior to 1995 or if they are both members of the WTO in years from 1995 on, and 0 otherwise.¹⁷ Finally, ε is a stochastic error term.

Descriptive statistics for all of the variables are presented in Table 1. The sample in the following analyses is comprised of all pairs of states during the period from 1950

¹⁶ Data on distance and contiguity are taken from Oneal and Russett (1999).

¹⁷ Data are taken from the WTO web site: <http://www.wto.org>.

to 1999 (years t). Which state is i in each pair and which one is j is determined by random assignment. Because the observed value of the dependent variable is ordered, we use an ordered probit specification to estimate the model.

The Results

The first column of Table 2 presents the initial parameter estimates. The estimates of *Veto Points_i*, *Veto Points_j*, *Regime Type_i*, and *Regime Type_j* are positive; the estimates of *Veto Points_i x Regime Type_i* and *Veto Points_j x Regime Type_j* are negative, and each of these estimates is statistically significant. These results indicate that as the number of veto players rise in more democratic states, the level of proposed integration declines.

In order to assess the substantive significance of these results, we calculate the predicted probability of two democracies (which, for present purposes, we define as countries whose regime type score is 21) forming each type of RIA analyzed here when the values of *Veto Points_i* and *Veto Points_j* are at the ninetieth percentile found in the data and again when they are at the tenth percentile. Moving from the higher to the lower value of veto players yields a nearly 10-fold increase in the predicted probability of forming a PTA, representing a rise from less than one dyad forming a PTA per year to more than five dyads. This change yields almost an 11-fold increase in the predicted probability of establishing an FTA, representing a shift from less than three dyads forming such an arrangement to roughly 30; it generates a 12-fold rise in the likelihood of forming a customs union, representing a change from about one dyad entering a CU to more than 11; it produces more than a 15-fold jump in the prospect of entering a common

market, representing a shift from more than two dyads creating a common market to almost 40; and it leads to more than a 32-fold increase in the predicted probability of creating an economic union, representing a change from virtually zero dyads forming such a union to about two.¹⁸ These results strongly support our argument that democracies are more likely to enter integration agreements as the number of veto players declines and that the effect of veto players is quantitatively larger for arrangements that propose more extensive integration.

Our results also show that democracies are more likely than autocracies (which, for present purposes, we define as countries whose regime type score is 1) to form integration arrangements. When evaluating the lowest value of veto players that occurs in the data for both democracies and autocracies, the predicted probability of forming a PTA is nearly fourteen-fold higher in democracies than for autocracies.¹⁹ For FTAs, the probability is 15-fold higher in democracies; for customs unions, it is 17-fold higher; for common markets, it is over 25-fold higher; and for economic unions, it is almost 50-fold higher. When evaluating the highest value of veto players that is observed for both democracies and autocracies, the differences are less pronounced, but democracies continue to display a greater propensity to forms RIAs than autocracies. Democracies are about 25 percent more likely to form PTAs than autocracies, nearly 30 percent more likely to form FTAs and customs unions, almost 35 percent more likely to form common markets, and roughly 45 percent more likely to form economic unions. These findings accord with our argument that democracies generally are more likely than autocracies to

¹⁸ We calculate these numbers by multiplying the probability times the number of dyads, divided by the number of years in the sample.

¹⁹ For the purposes of identifying the range of veto points that occur in the data for both democracies and autocracies, we following various previous studies in identifying democracies as countries with a regime type score that exceeds 17 and autocracies as countries with a regime type score less than 5.

form RIAs, as well as with past work on this topic (Mansfield, Milner, and Rosendorff 2002).

As we mentioned earlier, it is not clear what effect veto players should have in autocracies. Our results indicate that autocratic country-pairs become increasingly likely to enter an RIA as the number of veto players rise. Focusing on the range of veto players that is observed for autocracies, a change from the tenth percentile to the ninetieth percentile produces roughly a five- to six-fold increase in the likelihood of forming an integration arrangement. This effect is much smaller than we found for democracies. Moreover, unlike democracies, the size of this effect does not depend on the proposed level of integration.

Why might autocracies marked by more veto players display a greater propensity for entering RIAs? One possibility is that autocrats may attempt to use the gains from regional integration as a way to buy off veto players and ensure their loyalty to the regime. Indeed, some have argued that autocracies attempt to join regional economic organizations to lock in rules, such as respect for property rights, that guarantee economic advantages for outgoing elites in the event of democratization (Pevehouse 2005). A related possibility is that, as an autocracy's winning coalition increases relative to the size of its electorate, the autocrat may face mounting pressure to provide public goods rather than private ones. Buying off all of the veto players becomes increasingly expensive as their numbers rise, forcing autocrats to behave more like democracies and enter RIAs as a means to promote growth and solidify political support.

In addition to regime type and veto players, many of our control variables influence the proposed level of integration within an RIA. To illustrate the effects of

these variables, we focus primarily on the formation of FTAs and common markets, since these types of RIAs occur most frequently in our data. Particularly important is the influence of political-military alliances. The estimate of *Allies_{ij}* is positive, statistically significant, and fairly sizable. For example, allies are two and a half times more likely to form FTAs than other states; they are three and a half times more likely to form a common market. This result is consistent with past work suggesting that close political-military relations are an important impetus to more extensive trade relations (Gowa 1994).

Membership in the GATT/WTO also increases the likelihood of entering an RIA. The estimate of *GATT_{ij}* is positive and statistically significant, although its effect seems fairly uniform across different types of integration arrangements. Such membership, for example, increases the probability of forming both a FTA and a common market by about 50 percent. Further, geographical proximity increases the odds of forming an RIA, especially one that aims to achieve a high level of integration. The estimate of *Distance_{ij}* is negative and significant; and a change from one standard deviation above its mean value to one standard deviation below its mean increases the probability of forming an FTA, for example, by about 150 percent, a figure that grows to 250 percent in the case of a common market.

Hegemony also appears to be an important influence on RIAs. The estimate of this variable is negative and statistically significant. Moreover, a decline in *Hegemony* from one standard deviation above its mean to one standard deviation below roughly doubles the probability of entering a free trade area or a common market. This suggests that the global distribution of power has important implications for the prospects of

regional integration, although it does not seem to have much bearing on the type of integration arrangements that states form. Turning to the remaining political variables in our model, military disputes, former colonial relations, and shared borders seem to have little influence on the proposed depth of integration.

Finally, several economic variables also influence the proposed level of integration. The estimates of GDP_i and GDP_j are both negative and statistically significant, suggesting that economically large states prefer arrangements that aim to achieve less integration. Since smaller states gain more from greater access to foreign markets than their larger counterparts, it is not surprising that smaller states prefer arrangements that hold out the promise of greater integration. It is noteworthy, however, that the substantive effect of these variables is rather small compared to other variables in the model.

The remaining economic variables have a weaker effect than national income. More specifically, the estimates of ΔGDP_i and ΔGDP_j are both positive. But whereas the former variable is significant the latter is not, and neither variable has a very sizable impact on the proposed level of integration within an RIA. Equally, $Trade_{ij}$ has little bearing on the proposed level of integration.

Assessing the Robustness of the Results

The preceding results provide strong support for our argument. Democracies are more likely to form RIAs than autocracies. Furthermore, among democracies, reducing the number of veto players increases the odds of forming an integration arrangement. Both the effect of democracy and the effect of veto players within democracies become

increasingly pronounced as the proposed level of integration within the arrangement rises. However, it is also important to assess the robustness of these results, particularly with respect to the coding of the dependent variable, the coding of regime type, the estimation technique, and the choice of control variables.

First, we mentioned earlier that customs unions and economic unions occur much less frequently than PTAs, FTAs, and common markets. To ensure that our results are not unduly influenced by this characteristic of the data, we collapse our dependent variable into three categories: (1) preferential trade agreements, (2) free trade agreements, and (3) customs unions/common markets/economic unions. We again estimate our model using an ordered probit specification. The results, presented in the second column of Table 2, are remarkably consistent with our previous estimates. The signs, sizes, and significance levels of every variable except ΔGDP_j – which is now statistically significant – are virtually identical to those based on our five-category classification of RIAs.

Second, many social scientists consider regime type a categorical rather than a continuous variable. As such, they distinguish between democracies and other regimes, based on some threshold value (often a score of 18 or higher) of Jagers and Gurr's (1995) 21-point index, rather than analyzing the index itself. Following these studies, we code democracies as countries with a regime type score of 18 or higher.²⁰ If a country is democratic, *Regime Type* is set equal to 1; otherwise it is set equal to 0. We then recalculate $Veto Points_i \times Regime Type_i$ and $Veto Points_j \times Regime Type_j$ based on this dichotomous measure of democracy.

²⁰ This is the traditional cut-off for defining democracies in much of the political science literature. We relax this threshold in a series of tests and find that doing so only strengthens our results.

The estimates of this new specification are reported in the third column of Table 2. Like before, the estimates of *Veto Points_i*, *Veto Points_j*, *Regime Type_i*, and *Regime Type_j* are positive; and the estimates of *Veto Points_i x Regime Type_i* and *Veto Points_j x Regime Type_j* are negative. Each estimate except *Veto Points_j* is statistically significant. Further, the estimates of the control variables do not depend on whether we treat regime type as a continuous or a dichotomous variable. These results, then, are quite similar to our initial findings, although (in light of the insignificant estimate of *Veto Points_j*) they provide somewhat weaker evidence that veto players influence the extent of proposed integration in non-democratic regimes.²¹

Third, our dependent variable is an ordered, nominal measure of the extent of proposed integration. This variable is quite useful and appropriate in light of our purpose, but analyzing it and estimating our model using an ordered probit specification places certain restrictions on our parameter estimates – namely, imposing the assumption that each independent variable has a monotonic effect on the dependent variable. It is therefore useful to estimate the model using a multinomial logit treatment, which allows us to eliminate this restriction on the parameter estimates and also to relax the assumption that the different types of RIAs considered here are ordered.

To conduct this analysis, we again separate RIAs into three categories: PTAs, FTAs, and customs unions/common markets/economic unions.²² The results are presented in Table 3. The first column shows the estimates for PTA formation. Clearly, regime type and veto players do not exert a strong influence on the decision to enter such

²¹ Although we present the estimates using the three-category dependent variable, there are few changes when using the five-category variable.

²² We use the three-outcome dependent variable because of the shortage of cases in some of the five-category outcomes (specifically, customs unions and economic unions). We also remove *Former Colony_{ij}* since there is nearly no variation in this variable when analyzing the highest proposed level of integration.

an arrangement. Given that these RIAs are quite “shallow” – often covering very few goods and services – this result is not entirely surprising. Among parties to a PTA (many of which are bilateral), very few domestic interests will have to pay to whatever adjustment costs are created by the arrangement.

Regime type and veto players, however, do exert a large and strong effect on FTA formation, and an even larger and stronger influence on the establishment of CUs/common markets/economic unions. In the second and third columns of Table 3, the estimates of *Veto Points_i*, *Veto Points_j*, *Regime Type_i*, and *Regime Type_j* are positive; the estimates of *Veto Points_i x Regime Type_i* and *Veto Points_j x Regime Type_j* are negative; and all of these estimates are statistically significant. Moreover, the absolute value of each estimate associated with CUs/common markets/economic unions is much larger than the corresponding estimate for FTAs. These results are quite consistent with our earlier findings based on the ordered probit specification. So too are the substantive effects of regime type and veto players based on these results. The predicted probability of two democracies forming an FTA rises two and a half-fold as the number of veto players decreases from the ninetieth percentile to the tenth percentile found in the data. Such a change yields almost a 20-fold rise in the likelihood of forming a CU/common market/economic union. Thus, the effects of veto players in democracies continue to be much more pronounced as the proposed integration within an RIA becomes more extensive. Equally, these results continue to show that that pairs of democracies are much more likely than pairs of autocracies to join integration arrangements.

Finally, we include a series of variables that are omitted from equation (1) and that might affect our earlier results, and we make some additional modifications to our

research design to ensure that these changes do not affect our results. We add country-specific fixed effects to account for any unobserved heterogeneity in the data. We respecify our measures of regime type and veto players using an additive form. More specifically, we sum state i 's and state j 's scores for both *Regime Type* and *Veto Points*, and then include the interaction between these variables as well. We include a variable indicating whether either state in a given dyad is imposing economic sanctions on the other state, since this might be expected to reduce the willingness of the target state to enter an arrangement that aims to achieve a high level of integration.²³ We introduce a measure of the similarity of states' political preferences, since dyads that have more similar preferences might find it easier to conclude agreements that proposed extensive integration.²⁴ We include a measure of the number of intergovernmental organizations that states i and j are members of, since this might be indicative of their willingness to engage in more extensive and cooperative trade agreements.²⁵

Further, we analyze whether the European Community (EC) and the European Union (EU) have a strong influence on our findings. Participants in these institutions have been especially active in forming RIAs and we want to ensure that they are not driving our results. To this end we include a variable indicating whether both states in the country-pair are members of the EC/EU. We also estimate the model after excluding these pairs altogether.

²³ Data are taken from Hufbauer, Schott, and Elliot 1990; Institute for International Economics <<http://www.iie.org>>. All sanctions episodes (bilateral and multilateral) are included.

²⁴ Data for this variable are taken from Gartzke (1998). Some studies of international relations have recently begun to use a different measure of preference similarity, referred to as S . See Signorino and Ritter (1999). Our results do not depend on which measure is used.

²⁵ Data for this variable are taken from Pevehouse, Nordstrom, and Warnke (2004).

Finally, because we use time-series cross-sectional data, there is a threat of temporal dependence in our model. To ameliorate this possibility, we adopt the strategy outlined by Beck, Katz, and Tucker (2000) in creating a variable counting the years between joining any type of regional agreement. We then use this variable as the base of a cubic spline function with three knots, and add this set of variables to our original model.²⁶

None of these supplementary tests have any bearing on our results. In every case, the estimates of *Veto Points_i*, *Veto Points_j*, *Regime Type_i*, and *Regime Type_j* are positive; the estimates of *Veto Points_i x Regime Type_i* and *Veto Points_j x Regime Type_j* are negative; and all of these estimates are statistically significant.²⁷ Equally, the size of these estimates is very similar to those reported earlier. Thus, our results are quite robust to various respecifications of our model.

Conclusions

Over the past decade, mounting interest has been expressed in the political economy of regionalism. Various studies have addressed the domestic politics underlying the formation of RIAs. Virtually no research, however, has analyzed the factors influencing the type of integration arrangement that is chosen.

In this paper, we have argued that leaders in democracies have a strong incentive to join regional integration agreements. Such agreements help spur economic growth, which is likely to benefit the median voter in a large electorate, while also providing

²⁶ We also added three spline functions to our multinomial logit models – one for each possible outcome variable. Again, their inclusion did nothing to change the values of our variables of interest.

²⁷ Where the sums of *Veto Points_i* and *Veto Points_j* and of *Regime Type_i* and *Regime Type_j* are analyzed, the estimates of these variables are positive, the estimate of the interaction between them is negative, and all three estimates are statistically significant.

information to the electorate about the competence of her leadership. Furthermore, within democracies, a rise in the number of veto players reduces the prospect of a state entering an RIA, and that this effect grows larger as the proposed level of integration in an arrangement grows deeper. The increasing costs of adjustment created by moving to deeper levels of policy coordination will bring pressure on democratically-elected governments by the segments of society that would bear the brunt of these costs.

Our statistical results support this argument. As the number of veto players increases, as preferences between those institutions diverge, and as preferences within the institutions become more heterogeneous, the likelihood of democracies entering arrangements that propose deeper regional integration declines quite dramatically. Our results are robust to re-specifications of our dependent variable and several key independent variables, as well as to our choice of estimation technique.

Thus, while democracies have a particular interest in regional integration arrangements, the types of arrangements they enter depends centrally on institutions and preferences within these countries. A hallmark of most democracies is the checks and balances that exist among different branches of government. This feature has many important benefits. Nonetheless, the presence of a large number of checks and balances augurs poorly for promoting international economic cooperation and fostering deeper economic integration.

Table 1. Descriptive Statistics.

Variable	Mean	S.D.	Minimum	Maximum
Proposed Integration	0.025	0.281	0	5
(ln) Trade	-1.350	4.918	-6.908	12.492
Regime Type _i	0.331	0.471	0	1
Regime Type _j	0.332	0.471	0	1
Veto Points _i	0.175	0.213	0	0.708
Veto Points _j	0.177	0.213	0	0.708
Veto Points _i x Regime _i	0.135	0.207	0	0.708
Veto Points _j x Regime _j	0.136	0.207	0	0.708
(ln) GDP _i	17.178	1.797	13.099	22.870
(ln) GDP _j	17.182	1.795	13.099	22.870
ΔGDP _i	5564673	2.43e+07	-1.61e+08	4.06e+08
ΔGDP _j	5594755	2.43e+07	-1.61e+08	4.06e+08
Hegemony	0.220	0.018	0.201	0.276
Dispute	0.005	0.071	0	1
(ln) Distance	8.220	0.783	1.872	9.423
Allies	0.073	0.261	0	1
Former Colony	0.004	0.063	0	1
Contiguity	0.038	0.190	0	1
GATT	0.343	0.475	0	1

Note: N = 339,910 for all variables. S.D. = standard deviation.

Table 2. Ordered Probit Estimates of the Effects of Veto Points and Regime Type on the Depth of Regional Integration, 1950-2000.

	<i>Model 1.1</i>	<i>Model 1.2^a</i>	<i>Model 1.3^b</i>
Veto Points _i	1.073** (0.163)	1.054** (0.164)	0.339** (0.074)
Veto Points _j	0.892** (0.171)	0.851** (0.173)	0.089 (0.077)
Regime Type _i	0.029** (0.002)	0.028** (0.002)	0.297** (0.043)
Regime Type _j	0.024** (0.002)	0.024** (0.002)	0.136** (0.045)
Regime Type _i x Veto Points _i	-0.103** (0.009)	-0.102** (0.009)	-1.058** (0.128)
Regime Type _j x Veto Points _j	-0.093** (0.010)	-0.092** (0.010)	-0.573** (0.132)
Trade _{ij}	-0.001 (0.003)	-0.001 (0.003)	-0.002 (0.003)
GDP _i	-0.067** (0.006)	-0.068** (0.006)	-0.067** (0.006)
GDP _j	-0.060** (0.006)	-0.060** (0.006)	-0.060** (0.006)
ΔGDP _i	8.71 x 10 ⁻¹⁰ * (3.93 x 10 ⁻¹⁰)	8.96 x 10 ⁻¹⁰ * (4.00 x 10 ⁻¹⁰)	7.82 x 10 ⁻¹⁰ (4.28 x 10 ⁻¹⁰)
ΔGDP _j	6.70 x 10 ⁻¹⁰ (3.68 x 10 ⁻¹⁰)	7.42 x 10 ⁻¹⁰ * (3.67 x 10 ⁻¹⁰)	6.39 x 10 ⁻¹⁰ (3.89 x 10 ⁻¹⁰)
Dispute _{ij}	-0.166 (0.104)	-0.169 (0.105)	-0.146 (0.104)
Ally _{ij}	0.499** (0.025)	0.505** (0.026)	0.509** (0.025)
Former Colony _{ij}	-0.294 (0.221)	-0.289 (0.221)	-0.277 (0.224)

(Table 2 continued)

	<i>Model 1.1</i>	<i>Model 1.2^a</i>	<i>Model 1.3^b</i>
Contiguity _{ij}	-0.071 (0.039)	-0.071 (0.039)	-0.064 (0.038)
Distance _{ij}	-0.383** (0.015)	-0.385** (0.015)	-0.374** (0.015)
Hegemony	-10.117** (0.611)	-9.681** (0.610)	-9.945** (0.612)
GATT _{ij}	0.156** (0.019)	0.159** (0.019)	0.173** (0.018)
_Cut 1	-4.424** (0.266)	-4.371** (0.263)	-4.612** (0.264)
_Cut 2	-4.398** (0.266)	-4.345** (0.263)	-4.587** (0.264)
_Cut 3	-4.241** (0.266)	-4.188** (0.263)	-4.431** (0.264)
_Cut 4	-4.157** (0.266)	---	---
_Cut 5	-3.280** (0.265)	---	---
Log-likelihood	-14063.16	-13040.31	-13175.78
N	339,910	339,910	339,910

Note: Parameters are estimated using ordered probit regression. Entries in parentheses are Huber standard errors clustered on the dyad.

** $p \leq 0.01$; * $p \leq 0.05$. All tests of statistical significance are two tailed.

^a Dependent variable is collapsed to three categories: (1) PTA, (2) FTA, and (3) Customs Union/Common Market/Economic Union.

^b Regime Type_i and Regime Type_j are dummy variables.

Table 3. Multinomial Logit Estimates of the Effects of Veto Points and Regime Type on the Depth of Regional Integration, 1950-2000.

	<i>PTA</i>	<i>FTA</i>	<i>CU/CM/EU</i>
Veto Points _i	-7.821* (3.664)	1.759** (0.551)	3.449** (0.529)
Veto Points _j	-3.732 (2.503)	1.881** (0.536)	2.525** (0.584)
Regime Type _i	0.033 (0.019)	0.051** (0.010)	0.080** (0.007)
Regime Type _j	0.015 (0.022)	0.037** (0.010)	0.072** (0.006)
Regime _i x Veto _i	0.255 (0.185)	-0.141** (0.036)	-0.330** (0.031)
Regime _j x Veto _j	0.078 (0.131)	-0.131** (0.035)	-0.297** (0.033)
Trade _{ij}	-0.008 (0.035)	0.004 (0.013)	-0.005 (0.009)
GDP _i	-0.143* (0.070)	-0.002 (0.031)	-0.235** (0.022)
GDP _j	0.010 (0.071)	-0.036 (0.030)	-0.189** (0.021)
Δ GDP _i	-5.56×10^{-9} (5.73×10^{-9})	2.09×10^{-9} (1.11×10^{-9})	-5.39×10^{-9} ** (2.04×10^{-9})
Δ GDP _j	-1.31×10^{-8} (7.76×10^{-9})	2.83×10^{-9} ** (9.45×10^{-10})	-5.05×10^{-9} ** (1.41×10^{-9})
Dispute _{ij}	-1.267 (1.050)	0.072 (0.323)	-0.615 (0.324)
Ally _{ij}	2.022** (0.304)	1.172** (0.115)	1.106** (0.093)
Contiguity _{ij}	-0.383** (0.101)	-0.350* (0.168)	-0.269* (0.134)

(Table 3 continued)

	<i>PTA</i>	<i>FTA</i>	<i>CU/CM/EU</i>
Distance _{ij}	-0.621** (0.151)	-0.900** (0.057)	-0.889** (0.056)
Hegemony	-15.943** (5.700)	-29.942** (3.343)	-22.008** (2.000)
GATT _{ij}	-0.867** (0.279)	-0.189* (0.090)	0.634** (0.062)
Constant	2.628 (2.302)	7.075** (1.254)	12.224** (0.891)
Log-likelihood		-12962.38	
N		339,910	

Note: Parameters are estimated using multinomial logit. Entries in parentheses are Huber standard errors clustered on the dyad.

** $p \leq 0.01$; * $p \leq 0.05$. All tests of statistical significance are two tailed.

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