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ENDOWMENTS, POWER, AND DEMOCRACY: POLITICAL ECONOMY OF MULTILATERAL COMMITMENTS ON TRADE IN SERVICES

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Abstract

In spite of their growing importance in international trade as well as in bilateral and multilateral trade negotiations, services have only attracted limited attention from researchers interested in determinants of trade policies and commitments. This paper draws from different approaches within the field of international political economy to try to explain why governments undertook different levels of market access commitments under the WTO's General Agreement on Trade in Services (GATS). The argument, which is supported by empirical analysis, suggests that democracy, relative power, relative endowments, and the WTO accessions process have a significant impact on multilateral commitments on trade in services.

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[1] Counsellor, WTO Secretariat. The views expressed are personal and do not in any way represent those of the WTO Secretariat or WTO Members. The author is grateful to Juan Marchetti and Marcelo Olarreaga for useful comments. All errors remain those of the author.

ENDOWMENTS, POWER, AND DEMOCRACY: POLITICAL ECONOMY OF MULTILATERAL COMMITMENTS ON TRADE IN SERVICES

Nowadays, services account for more than half of domestic production in all developed economies as well as in many developing countries. Over the last 20 years, as a result of technological advances as well as more liberal investment policies and other economic reforms, trade in services has grown more rapidly than goods trade or world production. Services now represent an important share of world trade as well as the greater share of world FDI flows. Due to their economic importance, but also to the fact that – with the exception of agriculture – they are subject to most trade barriers, services also figure prominently in multilateral as well as regional trade negotiations.

In spite of this, while international trade in services has recently started to attract greater attention from economists trying to account for patterns of trade, it has drawn less interest from political scientists, international relations specialists and others doing research on determinants of protection or regionalism, on the relationship between democracy and trade or on the link between conflict and trade.[2]

This paper focuses on one area of research that has been applied only in a limited manner to services trade: determinants of protection and international cooperation. Economists and political scientists have for a long time sought to explain levels of protectionism. The efforts have been both theoretical and empirical, and have tended to focus on accounting for protection within particular countries, that is why some sectors attract more protection from international competition than others. Explanations have called attention to factors such as the strength of private interest groups or to such characteristics of the industry as the level of import penetration and geographical concentration.[3] Other avenues of research have tried to explain shifts in levels of global openness and protectionism over time by focusing on international economic or political determinants. These have underscored, for example, the impact of particular configurations of power in the international system, hegemonic or otherwise.[4] Still, fewer studies have attempted to explore the determinants of protection and non-cooperation across countries, and therefore to investigate why some countries are more protectionists than others or less willing to undertake legally binding international trade commitments. Almost all such studies about determinants of trade protection/openness have focused on goods.

This paper is about determinants of WTO commitments on trade in services. It tries to account for the varying levels of market access bindings on services amongst WTO Members under the General Agreement on Trade in Services (GATS). In doing so, I draw from different approaches in political economy and international relations to build theoretical propositions that are then tested empirically.

[2] See for example Markusen, Rutherford and Tarr (2005); Markusen and Strand (2006); Grossman and Rossi-Hansberg (2007); Bhagwati, Panagariya and Srinivasan (2004). Bhagwati (1984) was a precursor. For a useful review of research on services trade, see Hoekman (2006). From a political economy perspective, see Chase (2008).

[3] For a review, see for example Rodrik (1995); Gawande and Krishna (2003); Magee (1997); Marks and McArthur (1993).

[4] Mansfield (1994); Gilpin (1987); Krasner (1976); Reuveny and Thompson (2004).

Why did governments undertake different levels of market access commitments under the GATS? The argument and findings suggest four key determinants: democracy, relative power, relative endowments, and the negotiating process. First, democratic states undertook greater commitments because they are more familiar with the legal implications of undertaking international commitments, they put greater value on the locking-in effect of commitments, and see as less of a cost the fact that commitments limit the scope for discretion and rent-seeking. Second, the more powerful states undertook more commitments; this is consistent with the argument that relative gains concerns in the international system induces Members to try to ensure that those that yield the greatest capabilities contribute their 'share' and do not free ride. Third, states that are relatively more abundant in human capital tend to take more GATS commitments; they will have a comparative advantage in services and services firms will pressure their governments to ensure that they benefit from more liberal and predictable market access conditions abroad. Finally, states that had to go through the WTO accession process undertake more services commitments because they have to negotiate their entry in a non-reciprocal context with the whole WTO membership.

The paper is organized as follows. The following section briefly reviews the GATS and discusses key features of services commitments undertaken under this multilateral agreement. Section 2 puts forward theoretical propositions to account for differing levels of services commitments. Section 3 then introduces the methods used to test these predictions and presents the results. The last section concludes by discussing implications.

I. The GATS and Multilateral Market Access Commitments

The creation of the General Agreement on Trade in Services (GATS) in 1995 constituted a major achievement since more than 100 GATT Parties then agreed on a comprehensive set of rules to regulate world trade in services.[5] The idea to create an agreement on trade in services was initially pushed by the US, and later by other developed economies. While a number of developing countries initially resisted the idea, they ended up influencing significantly the content of the Agreement, in particular its liberalization modalities.

The first novelty of the GATS was to define what 'trade in services' consisted of. The Agreement covers all measures affecting four modes of supplying services internationally. The modes cover not only trade in the traditional sense (mode 1: cross-border supply), but also involves movement of labour and capital (modes 2 through 4).[6]

[5] International rules on this topic were quite limited, even at the bilateral or regional level, except for European integration rules dealing with movement of capital and labour, and the Canada-US agreement's chapter on trade in services which entered into force in 1989. See JP Singh (2008) and Drake and Nicolaïdis (1992) for details about the negotiations leading to the creation of the GATS.

[6] Mode 1 or cross-border trade: the supply from a service provider in one country to a service consumer in another country (e.g., maritime transport, international telephone communications; call centre services); mode 2 or consumption abroad: the consumer from one country goes to another country to consume the service there (e.g., tourism, education, health); mode 3 or commercial presence: the supply abroad through the establishment of a business entity, such as a subsidiary or branch, in another country (e.g., banks establishing abroad); mode 4 or the supply through the movement of natural persons, e.g., a lawyer going abroad to provide legal advice.

While the Agreement includes a variety of provisions (e.g., on transparency, good governance, transfers, or most-favoured-nation treatment), its two key obligations are those of market access and national treatment because they imply liberalization or, in other words, openness to foreign competition. National treatment (Article XVII) is about non discrimination between domestic and foreign services and service suppliers, while the market access obligation (Article XVI) prohibits 6 types of restrictions, essentially quantitative limitations. The GATS has the particularity that these two obligations - unlike for example national treatment under the GATT - are negotiable and therefore apply differently to different WTO Members, depending on the commitments that each has undertaken in its schedule of specific commitments.

First, market access and national treatment only apply to the sectors that each Member has inscribed in its schedule. This means that sectors not committed are totally unbound, leaving Members with the capacity to impose any type of measure inconsistent with national treatment or market access, at any time. Second, Members can attach conditions and limitations in relation to the sectors that are inscribed in the schedule. The level of treatment bound, or guaranteed, in schedules can therefore vary across sectors and modes of supply. A Member may take 'full commitments', thereby guaranteeing that it will fully comply with the national treatment and/or market access obligations without exceptions (denominated as 'none' in schedules). At the other end of the spectrum, a Member can refrain from taking commitments under a mode of supply for a given sector, thereby preserving fully the ability to impose any type of measure incompatible with the national treatment and/or market access obligations (denominated as "unbound" in schedules). Finally, Members may take 'partial commitments', thereby undertaking to comply with the national treatment/market access obligations, but with some exceptions; the restrictions that a Member wishes to reserve the right to use or maintain (e.g., a foreign equity limitation on banks, or a limitation on the number of mobile telephony operators) are specified in the schedule.

Unlike some regional agreements with disciplines on services and investment, commitments scheduled under the GATS do not necessarily reflect the applied level of openness.[7] The lack of commitments in a sector - or the fact that a mode of supply is 'unbound' for a scheduled sector - does not mean that the sector is in effect closed to foreign services and service suppliers, but rather that there is no legal guarantee, under the WTO, of a minimum level of treatment. In other words, the fact that a sector is not the subject of commitments does not necessarily mean that it is in practice more restricted than scheduled sectors. Further, in the case of 'partial commitments', the limitations scheduled do not mean that they are necessarily applied in practice. Anecdotal evidence suggests that services trade often is - and was, at the time of Uruguay Round - more open than what commitments suggest.[8] Nevertheless, a number of sectoral commitments reflect the applied regime and, in a few cases (e.g., acceding countries), commitments have induced real, i.e., new, liberalization. Even when that is not the case, the value of commitments rests in the fact that

[7] See Barth, Marchetti, Nolle and Sawangngoenyuang (2009) for a comparison of WTO commitments with actual practices in the banking sector.

[8] There is no comprehensive information on Members' applied regimes across different modes of supply and sectors. While efforts to build such information base are underway (see, notably, Gootiiz and Mattoo (2009)), nothing allows to assess with precision whether GATS commitments reflected the applied level of restrictions at the time they were undertaken.

they provide a legal guarantee of a minimum level of access, which is not to be reversed in the future.[9]

In view of the aforementioned liberalization modalities, commitments under the GATS vary significantly from one Member to the other. The most striking difference relates to the sector coverage of schedules, that is the extent to which Members have decided to include or not sectors, and to therefore bind a certain level of treatment. As a result, while almost all Members have some commitments in tourism services, a majority of them has no commitments whatsoever in such sectors as audiovisual, postal-courier, maritime transport, education or health services. Further, out of the 160-odd services sub-sectors under the GATS classification system, Members have on average made commitments in about a third of all subsectors. Variation is great, ranging from more than 120 sub-sectors for such countries as Moldova or Ukraine, to less than 10 for such others as Mali or Fiji.

The level of treatment bound in scheduled sectors also varies across Members, although some common patterns emerge: commitments under modes 3 and 4 are predominantly 'partial', commitments under mode 2 are often unrestricted (i.e., 'full'), while those under mode 1 show a higher proportion of 'unbound' than for other modes. Such pattern is broadly similar across different country groups.[10] Most of the difference in the services commitments undertaken by WTO therefore rests with their sectoral scope or, in other words, the number of sectors where Members have decided to guarantee a minimum level of access. In this paper, we study the determinants of GATS commitments and try to account for the varying levels of sector coverage in Members' schedules by drawing from theoretical approaches in international political economy.

II. The Argument

Research to assess the determinants of protection/openness in services trade or of negotiated commitments on services has been limited. Most studies on the topic have focused on a single sector rather than accounting for WTO services commitments across the board.

Harms, Mattoo and Schuknecht (2003) explored the determinants of commitments on financial services as a result of the WTO extended negotiations in this sector, which concluded in 1997. Approaching the issue from a political economy perspective, their model finds that such variables as unionisation, financial sectoral development, membership in negotiating coalitions (e.g., the Cairns group of agricultural exporters), and the quality of prudential regulations exercised an influence on the openness of commitments undertaken in this sector. Valckx (2004) also studies the determinants of liberal commitments in the financial sector and finds that a number of economic and policy variables, including GDP growth and the growth and performance of the banking sector, are key explanatory variables.

Egger and Lanz (2008)'s research represents the only attempt so far to explain the overall level of commitments under GATS. To build their predictions, they rely on general equilibrium theory of trade and multinational enterprises. In classic models of trade,

[9] The GATS does not have provisions allowing for contingent protection, such as safeguards, anti-dumping or countervailing duties.

[10] See Marchetti and Roy (2008), 67-69; Adlung and Roy (2005).

countries that are relatively scarce in the factors that are used intensively in the production of a good would benefit most from reducing barriers to the import of such goods. Based on Markusen (2002) and Egger et al. (2007), among others, they suggest that small countries typically gain most from trade or investment liberalization, and, further, that unskilled-labour abundant (or capital scarce) countries get larger welfare gains from liberalization than skilled-labour (or capital) abundant countries. Assuming that countries would be motivated by the expected welfare gains, Egger and Lanz hypothesize that those that would benefit most from trade and investment liberalization in services - countries that are smaller and abundant in labour (i.e., low capital-labour ratio endowments) - would have undertaken greater market access commitments in their GATS schedules as negotiated during the Uruguay Round. While the two variables assist in explaining variations of GATS commitments across the membership and are significant, they have the opposite effect as that predicted by the theory. This leaves the authors to conclude that possible explanations may be found in the design of the negotiating process and in regulatory concerns about services sectors.

In this paper, we depart in a number of ways from the interesting work of Egger and Lanz. We first differ in the meaning we attach to GATS commitments. Egger and Lanz see them as reflecting the restrictiveness of one's services trade regime (p. 1669) and, in this light, assume, for example, that sectors that are not committed in schedules are less liberalized than listed ones, whatever the level of treatment bound for the committed sectors.

In contrast, as noted earlier, we do not see that GATS commitments necessarily reflect applied levels of liberalization/restrictiveness. In mode 1, for example, many commitments are 'unbound' - about a third according some calculations - even though few restrictions may be imposed in practice. Further, as noted earlier, the fact that a sector is not committed does not mean that it is more restricted than committed ones. More obviously, the differences between GATS commitments of WTO Members essentially rest on their differing sectoral coverage. Accordingly, in our view, accounting for different levels of GATS commitments is less about the extent of liberalization or protection, and more about the political decision to take commitments or not, in how many sectors.[11] The extent to which countries have undertaken commitments across the full range of services sectors may be seen as representing their level of participation and cooperation in the international regime on services trade. In that context, determinants of GATS commitments may best be analyzed by having recourse to factors reflecting the political environment where decisions to undertake commitments were being made, such as the negotiating context or societal demands. In the rest of this section, we therefore rely on different branches of research on the political economy of trade to construct an argument and generate hypotheses to account for variations in countries' GATS commitments.

In order to derive predictions about the determinants of GATS market access commitments, we draw on the vast body of literature on the political economy of protection and cooperation in international economic relations. More specifically, we base our approach on models focusing on endogenous protection and factor endowments, on the impact of security considerations and the configuration of power in the international system, and on the impact of democracy on trade policy. We also look at the characteristics of WTO services negotiations to derive additional predictions.

[11] That said, we do not mean to say that commitments in themselves have no value for foreign countries and economic operators. Commitments provide transparency and predictability of investment and trading conditions, the lack of which can be said to constitute a trade barrier.

a) *Endogenous Protection and Factor Endowments: Economic Determinants of Protection*

Many economists and political scientists attempt to explain protectionism through the economic incentives that would result from moving to free trade. Various models have tended to rely on the Hecksher-Ohlin model and, in particular, the Stolper-Samuelson theorem, which yield predictions about who wins and who loses from free trade within an economy on the basis of factor endowments. Researchers then suggest how these predicted effects interact with the political system so as to yield policy decisions as regards levels of protection.

Two of the better known theories in this branch are the median-voter model and the contributions - or protection for sale - model. The direct democracy, or median-voter, approach supposes that if the median capital-labour ratio in the economy is low, as is usually the case, the median voter will vote for a tariff policy that favours labour over capital. Since the Stolper-Samuelson theorem predicts that trade restrictions will increase returns to the scarce factor, the theory suggests that countries well endowed with capital would impose greater barriers to trade than those well endowed with labour.[12] In the contributions model, organized sectors seek to maximize their own welfare by obtaining protection, and influence politicians through campaign contributions. Politicians, on the other hand, maximize total political contributions as well as aggregate social welfare.[13] The various studies emanating from these general approaches have however tended to focus on the distribution of protection across different industries rather than across countries. Neither have these various models of protection been applied specifically to services trade.

Our approach here is straightforward. We posit that the stance of political authorities *vis-à-vis* services liberalization will be influenced by the views of producer groups, which in turn is determined by countries' comparative advantage. Comparative advantage, in turn, is derived from factor proportions, in this case intensity of human capital or skilled labour.

According to the Hecksher-Ohlin theory, countries will have a comparative advantage in the production of goods that use the inputs that are relatively abundant within the country. Countries have an interest to specialize where they have a comparative advantage and will export the goods that use the inputs that are relatively abundant. Like Hindley and Smith (1984) or Feketekuty (1988), we consider that the principle of comparative advantage can generally apply to services trade, despite certain differences between the international exchange of goods and services.[14]

Many services tend to be capital intensive, as opposed to labour intensive. Some services sectors tend to be particularly capital intensive - such as finance or telecoms, two of the more important sectors - and others relatively less so, e.g., education, professional services. Further, much of world services trade takes place through establishment of a

[12] See Mayer 1984, and Gawande and Krishna (2003), Magee (1997), Rodrik (1995) and Marks and McArthur (1993) for a review of the literature.

[13] Grossman and Helpman 1994.

[14] See also Langhammer (2004), Dash (2006); Deardorff (1985), Bhagwati, Panagariya and Srinivasan (2004), Hoekman (2006).

commercial presence abroad (mode 3), which necessitates movement of capital to the 'importing' country, which further suggests capital intensity. Maybe more so, services also tend to be intensive in skilled-labour, and therefore human capital is a critical source of comparative advantage.[15] For example, Hoekman and Mattoo (2008) find that, across Indian states, services output per capita is strongly associated with the proportion of tertiary educated.

From a political economy perspective, we consider that those countries relatively abundant in human capital (or, alternatively, abundant in skilled labour (vs. unskilled labour) or in capital (vs labour)) would tend to generally favour services negotiations. The H-O model predicts that they would have some comparative advantage in services and export interests in this area. Positing that services firms in these countries would wish to expand their production and profits by taking advantage of opportunities abroad - i.e. maximising their own welfare -, they would lobby governments to open markets abroad or otherwise provide for greater transparency and stability of trading conditions in foreign markets. They would also not generally favour barriers to services imports because they have a comparative advantage in this area and because raising such barriers may lead to an increase in barriers abroad, which would hurt their exports. While governments can be expected, in some extent, to maximize social welfare and hence to favour free trade, they are also sensitive, because of their need for re-election or continued political support, to the wishes of interest groups, in particular those that may be more directly affected by trade policies. The greater mobilization of such groups, as compared to the preferences of individuals, means that they exert greater influence, and therefore that they represent a key political and electoral consideration.

Governments abundant in skilled-labour or in capital would therefore favour international negotiations on services because these would lead to either greater business opportunities in sectors where the country has comparative advantage or bind levels of access and provide greater predictability for such sectors. These governments would be willing to undertake more commitments in the sector since concerns about import competition are relatively limited and undertaking commitments would incite other trading partners to do the same. From politicians' point of view, satisfying the demands of an exporting services sector may also assist in cancelling out the disfavours it may experience from negotiating in other areas which may yield greater import competition.

Under the same logic, we would expect those countries relatively scarce in physical or human capital to be less forthcoming on international commitments in services trade. They would have less firms that would pressure the government into opening markets abroad and that would wish to take on greater commitments to incite others to do the same. Further, countries relatively scarce in human or physical capital would be expected to import services as they would not have a comparative advantage and, even though liberalization is generally welfare enhancing, governments could be expected to face some pressures from import-competing companies, who would rather argue for protection and prefer to leave room for further protection in the future, i.e., more limited commitments.

Therefore, we should expect the countries richest in human capital to be more enthusiastic about services agreements and to be ready to take on more commitments,

[15] See Hoekman and Mattoo (2008), p. 44-46; Markusen, Rutherford and Tarr (2005); Markusen and Strand (2006); Dash (2006).

especially since those do not necessarily mean lowering of barriers. This leads us to our first proposition:

H1: Countries better endowed with human capital will take more services commitments.

Such hypothesis clearly contrasts with other predictions that could be derived from the H-O model, which indeed also predicts that countries that are scarce in the factors that are used intensively in the production of a good would benefit the most from reducing import barriers for those goods. Indeed, Egger and Lanz hypothesized that countries with low capital-labour ratios would have lower barriers to services trade because these countries would reap the greatest welfare gains from liberalization of services trade.[16] However, these predictions relate to economy-wide welfare effects of trade, and the political system does not necessarily put such 'superior' interests into practice, especially if they hurt the interests of certain groups and get intertwined with electoral and other political considerations.

b) Distribution of power

A large branch of research in political science and international relations assesses the outcome of interactions between states, such as the occurrence of cooperation and non-cooperation in international trade and economic relations.

The neorealist paradigm derives the determinants of cooperation/non cooperation from characteristics of the international political system. They emphasize that states may opt out of cooperation because of concerns about relative gains, i.e., concerns about who would gain most, as opposed to absolute gains that each state would obtain from cooperation. This is because economic gains can translate into power, which is the key currency and basis for one's own security in an anarchic international system. Other approaches highlight that certain distribution of power in the internal system may be more conducive to cooperation at the international level, be it hegemony or certain levels of concentration of power.[17] However, most of these studies aim to explain variation in global openness (i.e. cooperation in the international trading system as a whole) over time. Few 'power-centric' theories have attempted to explain different levels of protection or cooperation across states; they offer less straightforward predictions for such cases. Other strands of 'realist' research have focused on the impact of security relationships, alliances, and foreign policy interests, but have focused on assessing their influence on bilateral trade flows.[18] Relying on these approaches to assess variations in commitments in multilateral trade negotiations would seem more difficult; such negotiations naturally comprise a wide variety of Members, which each have links with alliance partners and non-alliance partners, and where the commitments are undertaken by each Member are for the benefit of all other WTO Members without discrimination.

Nevertheless, these approaches can assist in analysing the result of multilateral negotiations on services. For one, realists would see the creation of a new international regime, such as a multilateral agreement on services trade, as being consistent with the

[16] In their model to account for trade in skilled services, Markusen and Strand (2006) conclude that small countries abundant in skilled labour would benefit.

[17] Mansfield (1994); Krasner (1976); Gilpin (1987).

[18] For example: Morrow, Siverson and Tabares (1998); Mansfield and Bronson (1997); Gowa and Mansfield (2004).

preferences, or the result of the efforts, of the more powerful state(s). Historical evidence suggests that this is the case since the US, the leading global power during the Uruguay Round, was a key *demandeur* for an agreement, along with other such economic powers as the European Communities and Japan, the more powerful states.[19] However, while the United States and other leading states may have exerted power in bringing about the GATS, we are here rather interested in the breadth of commitments undertaken by different WTO Members states.

One possible view may be that the larger states use their power to extract greater concessions - in terms of market access commitments - from smaller ones. However, not all theories that focus on power to explain international economic cooperation yield such suggestions. A number of scholars tend to view the concordance of US power predominance and open international trade regime in the post-WWII era not as proof that the United States extracted trade concessions from less powerful states, but rather that the United States was foregoing relative gains concerns in relation to these trading partners so as to bolster the position of the alliance (and its own) *vis-à-vis* the only rival for systemic leadership, the USSR.[20]

While they would see the powerful states taking the lead in setting up regimes (the context for negotiating services trade in this case), some realists would also argue that international regimes need to reflect the underlying power relationships, in that a regime cannot be sustained if major powers do not contribute to it. Countries' foreign policy role and responsibilities in the international political system must concord with their relative capacities. For different reasons, in such security regimes as alliances, the larger states tend to contribute more than smaller states.[21]

In view of the above, and in particular the realist insistence on relative gains, we consider that the more powerful states would take on greater commitments than smaller ones. For one, the more powerful can be expected to have played a larger role in bringing about the regime, in this case the GATS; had they been opposed or concerned, the regime would not have come about. This appears consistent with researchers' accounts of the negotiations leading to the creation of the GATS.[22] Accordingly, having spent most efforts to set up the regime, we can infer that they would have greater interest in using it and contributing to it.

More decisively, larger states in the multilateral trading system would have a particular interest in ensuring that other large states make a contribution and do not get a free ride; doing otherwise would have relative gains implications. Under such approach, cooperation (i.e., market access commitments) can be perceived as a cost, since it may entail providing greater guarantees of access to one's own market than the other way around. Each state's initial preference would therefore be to abstain, or take as few commitments as possible, while letting others take more commitments.[23] Since the GATT/WTO is a

[19] Steinberg (2002); Drake and Nicolaïdis (1992); Singh (2008); Crystal (2003).

[20] Gowa (1994).

[21] Olson and Zeckhauser (1966).

[22] See JP Singh (2008). That said, as Singh notes, developing countries were not "hapless victims" and went from initially obstructing to later welcoming services liberalization and the GATS. (p. 7).

[23] Naturally, these are assumptions derived from such a security perspective, not a normative view of cost/benefits of international trade commitments and trade openness, which the author views as welfare enhancing.

multilateral forum, refraining from taking commitments, or many commitments, would not automatically lead - like in a bilateral context - to failure of cooperation. In this perspective, a regime can only function if major powers are making a contribution, and if none of the more relevant actors free rides. Each Member's preference would be to free ride, but reactions of others would prevent them from doing so.

Indeed, we can expect that joint reactions from other Members would, in the end, result in an 'optimal' distribution of commitments under that logic, namely one that is in line with the distribution of capacities in the system. Accordingly, the smaller the relative weight of a Member, the more he will be allowed to get away with lesser commitments. Larger players are mostly interested in ensuring that other larger players contribute. Since these carry more of a relative gains threat, they are more likely to provoke a reaction of other states to ensure that they undertake a greater level of commitments. The more the relative power of the state, the more the relative gains concerns it will generate in other states, and the stronger the reaction of others to ensure that it is 'contributing its share'. In other words, the greater the relative power in the system, the less the ability to free ride; greater relative power also means greater concerns about relative gains (one depends less on others for security) and therefore greater interest in ensuring that other large states do not free ride.[24] The lesser the relative power of a state, and hence the lesser the relative gains concerns it provokes, and the more difficult it is to mobilize Members in extracting concessions. Similarly, the less a country is perceived as free riding - i.e., measured by the difference between its relative level of commitments and its relative importance in the system - the more difficult it would be to mobilize Members in extracting concessions. The negotiation process will tend to produce an outcome where levels of commitments generally match relative power in the system. Indeed, an outcome that does not match power differentials may create instability: a fairly powerful state that had undertaken few commitments would be seen as 'benefiting' from the access granted by others and, in a relative gains framework, would pose concerns.

This leads us to our second hypothesis:

H2: The greater a country's share of power in the system, the greater the commitments undertaken.

c) Democracies and Political Regimes

Many researchers have investigated the link between democracy and armed conflict, but only more recently has research been conducted to evaluate whether and how countries' level of democracy or type of political regime affect trade flows and trade policies. In other words: do autocracies trade less? Are democracies more inclined to adopt freer trade policies? And, in the context of this paper, would democracies take more market access commitments?

The first two key studies on such questions, by political scientists, conclude that democratization leads to more trade. Mansfield, Milner and Rosendorff (2000) found that,

[24] Large countries may also want to ensure that larger Members commit, and do not go around and then 'sell' GATS+ commitments in bilateral or regional agreements, in exchange for market access gains that, again, may create relative gains concerns.

during the period 1960-1990, pairs of democratic states traded more than pairs composed of democratic and autocratic states, controlling for other factors. Looking at more than 100 LDCs between 1970 and 1999, Milner and Kubota (2005) find that democracy, as well as regime change towards greater democracy, are associated with lower levels of trade barriers.

These two studies theorize differently the relationship between the type of political regime and trade. Mansfield et al. (2000) highlight the role of domestic legislatures, emphasizing that in democracies the chief executive needs the approval of a legislative majority, which tends to be more protectionist than the executive because it can more easily be captured by specific interests. The authors develop a model where two states negotiate reductions of trade barriers sequentially, which yields that pairs of democratic states agree on less protectionist trade policies than dyads of democratic-autocratic states because a 'trade war' or non-cooperative outcome is a worse outcome for a pair of democracies. The authors suggest that having a legislature that ratifies the executive's trade proposals may create a credible threat of veto that leads executives to search for mutually acceptable levels of trade barriers. This approach makes predictions about trade relations between dyads of democratic-democratic and democratic-autocratic states, but does not make any predictions as to whether democracies will generally be less trade restrictive than non-democracies. The model also does not suggest whether pairs of democracies would trade more than pairs of autocracies. The focus on dyads makes it difficult to use this model when attempting to assess the result of multilateral negotiations or the market access commitments owed by given states towards all others, without preferences or differential treatment.

Milner and Kubota (2005) argue that democratization of the political system reduces the ability of governments to use trade barriers as a strategy to build political support. Democracy provides new pools of support for freer trade since it leads previously disenfranchised groups to become part of the voting public. These groups benefited more from trade liberalization than continued protectionism, and political competition led leaders or parties to appeal to these new groups by favouring liberalization.

Milner and Kubota note that democratization means an expansion of those who select the political leaders. In contrast, in autocracies, the backing of a few small groups (e.g., military, some industrialists or land owners) is needed, which represent a sub-set of the population. The argument follows the Stopler-Samuelson theorem, noting that trade liberalization in developing countries would benefit those well endowed with the relatively abundant factor, that is labour as opposed to capital. Accordingly, workers and the poor would tend to gain from trade liberalization in developing countries. Democratization would thus enfranchise a new group of voters with preferences for lower levels of protectionism. Political leaders, which in autocracies rely on the support of a few groups - likely the more powerful and well endowed in capital -, must gather support from this new group of electors which prefers less protectionism; this induces political leaders to offer lower trade barriers to gather support from this group.

In a more recent contribution, O'Rourke and Taylor (2007) rely similarly on the Hecksher-Ohlin-Stolper-Samuelson model to argue that democracy encourages free trade. They test - and confirm - this argument against trade patterns in the late 19th century. Like Milner and Kubota, they argue that democratization involves transferring power from non-elected elites to the wider population, most of whom will be workers. They then argue that democratization will lead to freer trade in countries where workers stand to gain from less

protectionist policies. Therefore, as per the H-O-S model, democratization will lead to greater support for free trade in labour-abundant countries, and lower it in labour-scarce economies. Unlike Milner and Kubota, the authors here do not limit their empirical test to developing countries, which are typically labour-abundant. Their analysis shows that the impact of democracy on tariffs varied depending on the country's factor endowment. Democracy was associated with greater tariffs in countries with higher land-labour ratios, and lower tariffs in countries with lower land-labour ratios.

Tavares (2008) also finds empirical support for such an argument. He argues that since most of the electorate are relatively capital-poor in any given country, democracy will be associated with more protectionism in capital-abundant countries, and more openness in labour-abundant countries. He uses the interaction of political rights - a proxy for yielding power to the median voter - with an indicator of capital-labour endowments to test the predictions on average tariff rates of developed and developing countries between 1980 to 2003, and finds support for the predictions.

Kono (2008) uses a similar approach, and argues that the impact of democracy on trade liberalization varies across trading partners. Like O'Rourke and Taylor, he relies on the H-O-S model of trade, which holds that a rise in the relative price of a good will lead to a rise in the return to that factor which is used most intensively in the production of the good. Like Mayer (1984), he argues that the median voter, which is typically well-endowed with labour, should support imports of capital-intensive goods, but oppose imports of labour-intensive goods. Since democratization increases the median voter's influence, it is associated with liberalization with wealthier (more capital-abundant) trading partners and with more protection in relation to poorer (or more labour abundant) ones. He tests these propositions against data on bilateral trade flows and bilateral trade barriers.

In the case of multilateral services commitments, we see a number of channels through which democracy may lead to higher levels of commitments. Unlike most of the studies mentioned above, we consider, initially, that the effect of democracy in this case does not necessarily depend on the median voter, and therefore relative endowments. The level of democracy can impact the propensity to take services commitments in three general ways. First, legal commitments limit the scope for discretion and future rent-seeking policies. Binding a given level of treatment means that certain - protectionist - policy options are foregone. It limits the extent to which a government is able to use trade policy to distribute rents. Since autocracies can be expected to rely, more than democracies, on support from certain small groups, including economic ones, political authorities in such systems may be more interested in maintaining greater scope for discretion as regards rent producing policies - even considering that more commitments do not necessarily mean more openness. In contrast, leaders in democracies rely relatively less on small groups and more on larger, broad-based, coalitions for political support.

Second, an important feature of trade agreements, especially the GATS, - and a motivation for taking commitments - is to consolidate trade reforms undertaken (or reform plans adopted). Commitments serve to ensure that liberal reforms undertaken often at significant political cost will not be overturned in the future, or, in the case of ongoing ones, that efforts will not wane and incumbents try to stop or reverse the policy decisions. Undertaking commitments that consolidate these reforms takes such trade policies out of the

political arena, ensuring that these are not an issue in future elections campaigns or are not reversed by the next government. Such considerations are less relevant for autocracies.

Third, commitments under the WTO have value because they are legally binding and subject to dispute resolution and enforcement.[25] Unlike autocracies, democracies tend to be characterized by the separation of power between the executive and the judicial, and are naturally more accustomed to judicial proceedings. We would therefore expect political leaders in autocracies to be less inclined to favour external scrutiny of their policies through independent, judiciary-type, systems. Existing research already suggests that democracies are more likely to participate in multilateral trade disputes than non-democracies, and that democratic dyads are more likely to resolve their disputes cooperatively.[26] Since a key difference between democratic and non democratic countries is that in the latter there is less political opposition - at least less official or permitted channels for its expression - we can also suppose that autocracies are less inclined than democracies to permit their policies to be contested and possibly disapproved through a multilateral dispute settlement mechanism. We would expect such tendencies to be much more acute in the field of services than goods trade. Indeed, the realm of governmental measures that can constitute market access barriers under the GATS is much wider: services restrictions are not border measures, but are rather embedded in governments' legal and regulatory frameworks, and barriers subject to negotiations are not simply tariffs, but can take a wide variety of forms (e.g., various types of non-discriminatory quantitative restrictions, as well as all types of discriminatory measures); services trade measures involve regulations over wide areas of domestic economic activity, and therefore involve actions by various sectoral ministries (transport, post, communications, finance, etc.), as well as regulations at all levels of governments (as may sometimes be the case for such sectors as education or health).

In light of the above, we formulate the following hypothesis:

H3: The more democratic a country, the greater the commitments undertaken.

Nevertheless, like O'Rourke and Taylor, as well as Kono and Tavares, we may also consider that the impact of democracy on services commitments would depend on relative endowments or levels of development. Democratization means transferring power to workers or, in other words, to the median voter, which will tend to be more labour-rich than the national average. The H-O-S model suggests that the factor used abundantly - e.g. labour - would get greater returns from free trade. We would thus expect that democracy would lead to greater support for free trade in the more labour-abundant countries.

However, we are here only looking at trade in services, and it is unclear how the labour-rich median voter would perceive negotiating freer trade in one particular sector. Broad support for free trade could translate into support for multilateral trade liberalization. While public opinion or the median voter may have different views on different aspects of the multilateral trade negotiations, the pool of support for free trade among the electorate, to which elected leaders would respond to, can nevertheless be expected to manifest itself across the various areas of negotiations, be it services or others. Greater support for free trade

[25] While the WTO has no direct enforcement powers, recommendations of Panels and the Appellate Body have significant weight since reprisal measures can be authorized in case of non-compliance with the recommendations.

[26] Sherman (2001); Busch (2000).

translates into greater support for multilateral negotiations, which provides greater incentives for governments to contribute to such negotiations by undertaking more GATS commitments. From this discussion of the median voter emerges the following hypothesis:

H4: The impact of democracy on GATS commitments will depend on its interaction with relative endowments. It will be associated with more GATS commitments in countries with low capital-labour ratios, but with less commitments in countries with high capital-labour ratios (i.e., relatively abundant in capital).

Another element that may impact upon trade commitments is, in contrast to the type of political regime, whether the country has experienced change in its degree of democracy/autocracy during the negotiations. Theoretical predictions are not unequivocal in this regard. On the one hand, we may consider that those countries that experienced movement towards greater democracy during the negotiations would be more enclined to take bindings commitments and, conversely, that those that experience change towards less democracy and more autocracy may want to further refrain from undertaking commitments. Indeed, moving towards more autocracy reinforces the desire for discretion and lessens the interest in transparency and 'quasi-judicial' oversight. On the other hand, however, we can also consider that the greater the political change – whether towards greater democracy or towards greater autocracy – will lead to the undertaking of greater commitments. The greater the change in the fundamental aspects of a regime, the greater would be the interest in communicating stability through binding international commitments. Commitments bring stability to economic operators since they insure against dramatic shifts in trade policy and economic policy. Further, from a political standpoint, they also provide a way to get some form of international legitimacy – i.e., showing that the new political regime can make a positive contribution to international cooperation efforts. In our view, the type of political change that matters here is change in the fundamental aspects of a regime (change towards greater autocratic or democratic aspects), rather than a mere change in the political leadership that is not accompanied by a modification of the institutions and characteristics of political competition and decision-making. We therefore hypothesize that:

H5: The greater the recent change in the level of autocracy/democracy of the political regime, the greater the GATS commitments undertaken.

c) Negotiating Process: Acceding countries

A number of authors have noted that governments that have acceded to the WTO after the Uruguay Round and the creation of the WTO have tended to undertake more significant commitments than the average level for other WTO Members. Adlung and Roy (2005) have already highlighted that this is the case for services commitments: governments that have acceded since 1995 possess commitments with much broader sectoral coverage than the average for other WTO Members. Such results can be traced to the different negotiating process in which accessions take place.[27] Since the new Members will benefit from commitments undertaken by all Members in all previous rounds of negotiations, other countries tend to extract a high price for 'joining the club'. Indeed, in practice, one can only

[27] Jones (2009).

accede to the WTO when all other Members agree, and the acceding Member cannot seek any concessions from other WTO Members, but only negotiate how much it will 'pay' for its entry ticket. Unlike in multilateral negotiations, the acceding Member is negotiating alone against all others. We therefore hypothesize that:

H6: Having gone through the WTO accessions process is associated with greater GATS commitments.

III. Empirical Analysis

We will here test the hypotheses derived from the preceding discussion. To sum up, drawing on a variety of theoretical approaches, our key propositions are that the breadth of commitments of WTO Members are linked positively to the relative power of Members, as well as to the relative endowment in human capital. We also argued that democracy would have a positive impact on the level of commitments, as would change in political regimes. We also believe that those Members that went through the accessions process would have undertaken greater commitments.

Using ordinary least squares (OLS), our basic equation is the following:

$$\text{Logit } GATSCOM = \beta_1 + \beta_2\, log\ HUMANCAPITAL + \beta_3 \log GDPSHARE + \beta_4\, DEM + \beta_5\, changeDEMAUT + \beta_6\, ACCEDING + e$$

We will also use an alternative model to test whether the impact of democracy depends on levels of relative endowments.

$$\text{Logit } GATSCOM = \beta_1 + \beta_2\, log\ HUMANCAPITAL + \beta_3 \log GDPSHARE + \beta_4\, INT + \beta_5\, changeDEMAUT + \beta_6\, ACCEDING + e$$

Our dependent variable GATSCOM represents the proportion of services sectors that are committed in each Members' schedule of specific commitments under the GATS.[28] As indicated in Section I, such measure makes no attempt to try to assess the depth of the commitments undertaken, which is an arduous task. The breadth of sectoral coverage is the key characteristic of GATS commitments, as it is where divergences are greatest between states - much more so than as regards the level of commitment. The lack of commitment indeed means that any type of restriction can be imposed at any given time. Like in Egger and Lanz (2008), the dependent variable appears in a logistically transformed way so as to ensure a normal distribution.

Unlike Egger and Lanz, we will look not only at all the commitments emerging from the Uruguay Round, but also those resulting from the extended negotiations - on telecommunications and financial services in particular - between 1995 and 1997. Even though the extended negotiations took place after the conclusion of the Round, the decision to undertake such negotiations arose from discussions during the Uruguay Round. In a way,

[28] Out of a total of 160 subsectors.

these extended negotiations represent a continuation of negotiations that had started - and ended provisionally - during the Uruguay Round. Further, it is sensible to refer to the extended negotiations since the level of commitments undertaken during the Uruguay Round may have been influenced by the knowledge that such extended negotiations would occur. That said, we also test the model against commitments taken by original WTO Members, excluding the results of extended negotiations.

Details about variable definitions and data sources are found in Table 1 and summary statistics are contained in Table 2.

For relative endowments, section II suggests looking at human capital and, alternatively at capital/labour ratios. Since it is available for a large number of countries, we here use the (log of) human capital index (*HUMANCAPITAL*) from the Human Development Reports, which measures per capita human capital stock. This is a good proxy for relative endowments in human capital.

As regards relative power, we hypothesized it would be positively related to the level of GATS commitments because the capacity to free ride would be constrained as a result of relative gains concerns this would raise for other players. As in various other studies, we here use GDP as a proxy for power. *GDPSHARE* represents [the log of] a Member's share of the total GDP of all WTO Members. GDP is a good measure for power capacities in the system, given that military capacities ultimately depend on economic power. In the trade context, it is a particularly good proxy for power since it represents the value of the markets for which Members negotiate access.

To test a number of propositions in relation to democracy, we rely on the indicator most widely used, which is the democracy index from Polity III and Polity IV, constructed by Gurr et al. (1990) and Jaggers and Gurr (1995). This democracy index, which ranges from 0 to 10 (the higher, the more democratic), captures such institutional features of political regimes as the presence of a process through which citizens can express preferences about alternative policies and leaders, the existence of constraints on the exercise of power by the executive, and the guarantee of civil liberties. We will therefore test whether this variable (*DEM*) has an independent, positive, impact on the level of GATS commitments. Since the level of democracy at the time the negotiations are substantively underway - and not simply the level at the tail-end of the negotiations -, the variable *DEM* will consist in the average of the Polity scores for 1990 and 1994 in the case of original WTO Members.[29]

Our theoretical discussion also suggested that the impact of democracy may depend on relative endowments. Degrees of democracy would be associated with more GATS commitments in countries with low capital-labour ratios, but with less in countries with high capital-labour ratios. Since, as noted by Kono, the capital-labour ratio is highly correlated with GDP per capita, we will use the latter since data is available for more countries,

[29] Services were included on the agenda of the Round launched in 1986, and negotiations about the content, structure and liberalization modalities of the agreement were intensive from then on and in the following years. In 1990, the Chair of the Negotiating Group on Services sent to Trade Ministers meeting Brussels his proposed text of a Services Agreement. The text contained all the elements that would eventually become the GATS. See Singh (2008), pp. 95-116.

therefore allowing for a greater amount of observations.[30] Our interactive variable (*INT*) will therefore be:

*INT = Inv DEM ** log *GDP per capita*

Where *Inv DEM* is simply the democracy index in reverse order (e.g., 0 = 10, 1 = 9. etc.).

In addition, we hypothesized that change in political regimes (whether towards more democracy or more autocracy) in the years preceding the undertaking of GATS commitments would be positively related to levels of commitment. To measure changes in political regimes, we rely again on the Polity III dataset and use their indices of democracy (from 0 to 10, with highest being most democratic) and of autocracy (from 0 to -10, with lowest being most autocratic). Like Milner and Kubota, we merge these two measures to create a 21 point index, ranging from most autocratic (-10) to most democratic (10). The variable *ChangeDEMAUT* measures the absolute difference between the values for 1994 and 1990.

Finally, since we expect acceding country Members to undertake more commitments, we include a dummy variable, which has a value of 1 if the Member went through the process of accession to the WTO, and 0 if not. That said, we will also test the model only for the original WTO Members.

Table 1: Variable Definitions and Data Sources

GATSCOM	Proportion of sub-sectors committed in Members' schedules of commitments under the GATS. Source: compiled by the author.
GATSCOMUR	Proportion of sub-sectors committed in Members' schedules of commitments that resulted from the Uruguay Round. Source: compiled by the author.
WBGATS	World Bank's index of GATS commitments.
DEM (+)	Scores on the Polity III index for democracy for which ranges from 0 to 10 (the higher being the more democratic). For WTO Members, average of scores for 1990 and 1994. For acceding countries, average of the score for the year of accession and that 4 years prior.
INT (-)	*INT = Inv democracy ** log *GDP per capita* Real GDP per capita for 1994 is taken from the World Bank's World Development Indicators *Inv democracy* is the Polity score for democracy for 1990, but in reverse order (e.g., 10=0, 9=1, 8=2, etc.). Accordingly, the lowest score means the most democratic and the highest the less democratic.
GDPSHARE (+)	Represents a Member's share of the total GDP of all WTO Members. Source: World Bank's *World Development Indicators*. Base year is 1993 for original WTO Members (both for the numerator and

[30] We also ran the regressions with a different interaction variable, where democracy interacts with HUMAN CAPITAL (*Inv democracy * HUMAN CAPITAL*). The results were almost identical, with all the relevant variables showing the expected sign and statistical significance.

	denominator). For acceding countries, the base year is one year prior to date of accession.
ChangeDEMAUT (+)	Measures the absolute change in the level of democracy/autocracy. Combination of scores on the Polity III index for democracy and autocracy (ranging from -10 to 10), the lowest being most autocratic and 10 being the most democratic. Change is measured between 1994 and 1990 for original WTO Members. For acceding countries, change is measured between the date of accession and 4 years prior.
HUMANCAPITAL (+)	Represents a Member's score on the Human Development Index (the higher the score, the greater the per capita stock of human capital). Source: UNDP (http://hdr.undp.org/en/). For original WTO Members, *HUMANCAPITAL* is the average of the scores for 1990 and 1995. For acceding countries, the base year is 1995, 2000, or 2005, depending which is closest to the date of accession to the WTO. According to UNDP, data on such five-year spans are most comparable.
K/L (+)	The capital labor ratio calculated as the ratio of the estimated capital stock (the cumulated, depreciated sum of the past aggregate investment) to the number of workers. Source: Penn World Table 6.1. The base year for original Members is 1993, 1 year before accession for acceding countries.
Cairns (-)	Dummy variable coded as 1 if the Member is part of the Cairns group of agricultural exporters, and 0 if not. Source: WTO.
RTA (+)	Dummy variable coded as 1 if the Member had been party to a bilateral or regional trade agreement notified to the WTO or GATT prior to GATS commitments entering into force.
Trade/GDP (+)	Ratio of total trade (exports+imports of goods and services) to GDP. Source: World Bank's *World Development Indicators*. Base year is 1995 for original WTO Members and year of accession for other WTO Members.
KAOPEN (+)	Chinn-Ito (2002)'s index to measure a country's degree of capital account openness (the higher the number, the greater the degree of openness of the capital account). Base year is 1993 for original WTO Members and 1 year prior to accession for those Members having gone through the accession process (2006 being the latest entry).
Ecogrowth (+, -)	% change in real GDP from 95 to 89. Source: World Bank's *World Development Indicators*. For accession countries, the % change is calculated from 6 years before accession to the year of accession.

Note: expected sign of independent variables in parentheses.

Table 2: Summary Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
log *HUMANCAPITAL*	128	-0.445	0.294	-1.246	-0.069
logit *GATSCOMUR*	116	-1.770	1.562	-5.069	0.788
logit *GATSCOM*	141	-1.102	1.617	-5.069	2.425
Ecogrowth	153	18.324	27.580	-86.312	124.975
KAOpen	146	0.0232	1.413	-1.798	2.540
log *Trade/GDP*	159	4.281	0.583	1.146	5.673
INT	136	45.684	31.987	0	103.165
Change*DEMAUT*	150	2.667	4.894	0	17
logit *WBGATS*	138	-1.611	1.448	-5.517	1.682
log_*K/L*	104	8.946	1.517	5.627	11.470
RTA	139	0.849	0.359	0	1
Cairns	141	0.128	0.335	0	1
ACCEDING	137	0.175	0.382	0	1
log *GDPSHARE*	131	-3.218	2.250	-7.286	3.455
DEM	146	4.296	3.900	0	10

Control variables

We will also add to our basic model a number of control variables. First, we include (the log of) total trade (exports + imports) to GDP as a proxy for a country's openness to international trade (*Trade/GDP*). Those countries more open, or more dependent on trade, may be expected to be more inclined to take commitments. We also include the Chinn-Ito index (*KAOPEN*), which measures the restrictiveness of capital account. We expect that the more a country imposes such restrictions, the lesser the propensity to take commitments.

We also include a variable capturing the macroeconomic environment. *Ecogrowth* represents the real growth of GDP over the 5 years previous to undertaking commitments. Predicting the impact of economic growth on GATS commitments is not necessarily straightforward. On the one hand, pressures for protection may be greater in difficult economic times, and hence governments may be less inclined to commit to certain levels of

openness to foreign competition.[31] On the other hand, one could argue that countries are more likely to liberalize after experiencing economic difficulties, including because economic crises generate conflict among the ruling elite.[32]

In terms of trade policy variables, we include a measure of a countries' participation in bilateral or regional trade agreements. *RTA* is a dummy variable which is coded as 1 if a country was engaged in a bilateral or other free trade agreement. We expect this variable to be positively related to the level of GATS commitments since experience with taking commitments at the RTA level may predispose towards multilateral commitments. For example, the conclusion of RTAs may show that higher political authorities are sensitized to the importance of trade and can push to overcome bureaucratic resistance, which is particularly relevant in the case of services given the greater number of ministries involved in regulating trade in this area (e.g., transport, education or health ministries).

Membership in negotiating coalitions can also be determinant. At the multilateral level, a key coalition is the Cairns group of agricultural exporters, who seek through the negotiations greater access abroad for their exports. Harms et al. (2003) hypothesized that membership in Cairns would be associated with less commitments (for the financial services sector), not more, because they considered that these countries would refrain from committing on financial services so as to keep leverage for future negotiations on agriculture. To assess this prediction, we create dummy variable, *CAIRNS*, with a value of 1 for members of the coalition.

Results

Table 3 presents the result of the regression for the two variants of the basic model. In (1), we include the variable DEM, while in (2) we use the interaction variable.[33] The results provide good support for the predictions derived from the theoretical discussion. The explanatory power of the basic model is quite good, with a R^2 of 0.71. All explanatory variables are significant and have the expected sign, except *ChangeDEMAUT*, which is only significant — and at the 0.10 level — in one equation.

TABLE 3: Regression Results for Determinants of GATS Commitments (*GATSCOM*)

Dependent Variable: Logit *GATSCOM*				
Explanatory Variables:	(1)	(2)	(3)	(4)
ACCEDING	1.664*** (0.251)	1.660*** (0.247)	1.901*** (0.293)	1.879*** (0.291)
Log *GDPShare*	0.212*** (0.049)	0.212*** (0.050)	0.262*** (0.064)	0.265*** (0.065)
Log *Humancapital*	2.333*** (0.447)	2.511*** (0.429)	1.880*** (0.596)	2.092*** (0.593)
DEM	0.054** (0.024)		0.071*** (0.024)	

[31] In the case of services, see Harms et al. (2003) and Valckx (2004).
[32] See Milner and Kubota (2005), p. 123; Tornell (1998).
[33] *DEM* and *INT* are highly correlated and we therefore do not use them in the same regression.

changeDEMAUT	0.024 (0.021)	0.038* (0.022)	0.025 (0.024)	0.042* (0.025)
INT		-0.007*** (0.002)		-0.008*** (0.002)
Cairns			-0.201 (0.232)	-0.192 (0.230)
RTA			0.541 (0.334)	0.529 (0.335)
Log Trade/GDP			0.216 (0.225)	0.236 (0.228)
Ecogrowth			-0.006 (0.005)	-0.005 (0.005)
KAOpen			0.002 (0.072)	0.009 (0.075)
Constant	-0.055 (0.243)	0.542*** (0.135)	-1.456 (1.047)	-0.781 (0.981)
Observations	104	103	94	93
R^2	0.714	0.716	0.736	0.736

Notes: Robust standard errors in parentheses. ***: significant at 1%; **: at 5%; *: at 10%.

In (3), and (4), we add control variables to the basic model. The explanatory power of the model remains in a similar range, and the key explanatory variables of the basic model are systematically significant at the 0.01 level. On the other hand, *ChangeDEMAUT* is not consistently significant. None of the control variables exert a significant impact on the level of GATS commitments. These empirical results provide strong support for our theoretical predictions: countries that are more democratic, that are relatively well endowed in human capital, that hold a larger share of power, and that have gone through the accessions process have more GATS commitments.

In Table 4, we further test the model by excluding countries that went through the WTO accession process. Equations (1), and (2) are the alternative versions of the more parsimonious model, while (3), and (4) include the various control variables. Again, the variables of our basic model (*DEM*, *INT*, *GDPShare*, and *HUMANCAPITAL*) are still highly significant and the explanatory power of the model remains around in a similar range, around 0.70 R^2. The control variables do not exert a significant influence, nor does the variable measuring change in political regimes.[34]

[34] We also conducted the regressions with the inclusion of the log of GDP per capita as an additional variable, even if it is highly correlated with the log of *HUMANCAPITAL*. Such modification did not significantly change the results, and the coefficient for the log of GDP per capita did not prove statistically significant.

Table 4: Regression Results for Determinants of GATS commitments (excluding acceding Members)

Dependent variable : Logit GATSCOM (without acceding Members)				
Explanatory Variables:	(1)	(2)	(3)	(4)
Log *GDPShare*	0.253*** (0.052)	0.254*** (0.053)	0.325*** (0.074)	0.329*** (0.074)
Log *HUMANCAPITAL*	2.227*** (0.467)	2.37*** (0.454)	1.586** 0.646	1.730*** (0.646)
DEM	.050** (0.024)		0.070*** (0.024)	
changeDEMAUT	0.024 (0.023)	0.038 (0.025)	0.028 (0.028)	0.046 (0.028)
INT		-0.006** (0.003)		-0.009*** (0.003)
Cairns			-0.226 (0.224)	-0.221 (0.224)
RTA			0.509 (0.365)	0.496 (0.365)
Log *Trade/GDP*			0.304 (0.233)	0.320 (0.236)
Ecogrowth			-0.005 (0.004)	-0.004 (0.005)
KAOpen			0.032 (0.065)	0.041 (0.067)
Constant	0.024 (0.231)	0.572*** (0.140)	-1.767* (1.041)	-1.111 (1.011)
Observations	87	86	79	78
R^2	0.697	0.699	0.699	0.700

Notes: Robust standard errors in parentheses. ***: significant at 1%; **: at 5%; *: at 10%.

We further test the robustness of our results in Tables 5, where the dependent variable (logit *GATSCOMUR*) captures solely the level of GATS commitments at the end of the Uruguay Round, excluding therefore commitments resulting from the extended negotiations as well as accessions. Here again, the key explanatory variables are significant, whether in the more parsimonious or more detailed specifications. For its part, c*hangeDEMAUT* is statistically significant at the 0.10 level in some but not all equations. Finally, unlike in previous equations, two of the control variables exert a statistically significant impact, although often only at the 0.10 level: higher ratios of trade to GDP are associated with greater commitments, while economic growth is associated with less commitments.

TABLE 5 - Regression Results for Determinants of GATS commitments during the Uruguay Round (*GATSCOMUR*)

Dependent variable : Logit GATSCOMUR				
Explanatory Variables:	(1)	(2)	(3)	(4)
Log *GDPShare*	0.284*** (0.067)	0.285*** (0.067)	0.399*** (0.087)	0.404*** (0.088)
Log *HUMANCAPITAL*	1.929*** (0.574)	2.092*** (0.539)	1.309* (0.705)	1.396** (0.695)
DEM	0.052* (0.030)		0.069** (0.030)	
changeAUTDEM	0.031 (0.026)	0.047* (0.028)	0.038 (0.033)	0.058* (0.032)
INT		-0.007** (0.003)		-0.009*** (0.003)
Cairns			-0.020 (0.258)	-0.016 (0.256)
RTA			0.365 (0.361)	0.347 (0.360)
Log Trade/GDP			0.488* (0.261)	0.513* (0.263)
Ecogrowth			-0.012** (0.006)	-0.011* (0.006)
KAOpen			-0.042 (0.085)	-0.027 (0.085)
Constant	-0.341 (0.296)	0.2484452 (0.163)	-2.558** (1.155)	-1.933* (1.101)
Observations	88	87	79	78
R^2	0.615	0.618	0.617	0.622

Notes: Robust standard errors in parentheses. ***: significant at 1%; **: at 5%; *: at 10%.

We did a number of additional robustness tests, the results of which are found in Tables 6, 7, 8 and 9.

First, in Table 6, we test our explanatory variables on a different measure of GATS commitments; *WBGATS* is an index elaborated by the World Bank that measures levels of GATS commitments not only in terms of sectoral coverage, but that also measures the level of treatment bound for each committed sector (full points for commitments of full openness; half points for commitments with certain limitations, etc.). Accordingly, *WBGATS* is not simply an alternative measure of our indicator of GATS commitments' sectoral coverage, but rather measures something different, that is the level of access that Members were willing to guarantee. Since a key factor explaining the level of binding undertaken in each sector is likely the existing level of applied restrictions, for which no detailed information is available, we see that such specifications may have some limitations, even if the variables *Trade/GDP* and *KAOPEN* may capture the degree of applied protection/openness on a general level.

Nevertheless, Table 6 shows that our key explanatory variables remain statistically significant, whether acceding countries are excluded from the sample or not.

TABLE 6 Regression Results for Determinants of GATS commitments, using the World Bank's index of GATS commitments as the dependent variable.

Dependent variable : Logit WBGATSCOM				
Explanatory Variables:	(1)	(2)	(3) (without acceding)	(4) (without acceding)
ACCEDING	1.906*** (0.300)	1.890*** (0.292)		
Log *GDPShare*	0.132* (0.068)	0.136* (0.074)	0.199*** (0.076)	0.202*** (0.076)
Log *HUMANCAPITAL*	1.637** (0.625)	1.728*** (0.593)	1.405** (0.663)	1.460** (0.631
DEM	0.048* (0.025)		0.049* (0.027)	
changeDEMAUT	0.001 (0.028)	0.013 (0.022)	0.008 (0.032)	0.021 (0.031)
INT		-0.006* (0.004)		-0.007** (0.003)
Cairns	-0.132 (0.269)	-0.140 (0.277)	-0.126 (0.267)	-0.135 (0.268)
RTA	0.615* (0.359)	0.617** (0.290)	0.717* (0.387)	0.719* (0.388)
Log *Trade/GDP*	-0.027 (0.221)	0.007 (0.256)	0.119 (0.220)	0.150 (0.221)
Ecogrowth	-0.015** (0.005)	-0.015*** (0.005)	-0.018*** (0.005)	-0.017*** (0.005)
KAOpen	0.111 (0.070)	0.111 (0.087)	0.127* (0.070)	0.127* (0.071)
Constant	-1.097 (1.057)	-0.702 (1.089)	-1.687* (1.012)	-1.273 (0.946)
Observations	94	93	79	78
R^2	0.650	0.611	0.574	0.580

Notes: Robust standard errors in parentheses. ***: significant at 1%; **: at 5%; *: at 10%.

Second, we test a model where capital/labour ratios are used instead of per capita human capital stock. The use of such a variable reduces significantly the number of observations. Nevertheless, the coefficient for K/L is significant, although only in the more parsimonious specifications (see Table 7). Our other key explanatory variables, relating to power, democracy and the accessions process are significant.

TABLE 7 Regression Results for Determinants of GATS commitments, using capital/labour ratios as an explanatory variable instead of human capital stock.

Dependent variable : Logit GATSCOM				
Explanatory Variables:	(1)	(2)	(3)	(4)
ACCEDING	1.211*** (0.323)	1.237*** (0.304)	1.234*** (0.336)	1.322*** (0.335)
Log *GDPShare*	0.272*** (0.081)	0.279*** (0.080)	0.392*** (0.095)	0.381*** (0.094)
Log *K/L*	0.310** (0.135)	0.289** (0.123)	0.192 (0.146)	0.200 (0.147)
DEM	0.060* (0.036)			0.080** (0.039)
changeDEMAUT	0.026 (0.032)	0.043 (0.032)	0.048 (0.032)	0.030 (0.032)
INT		-0.012** (0.005)	-0.013** (0.006)	
Cairns			-0.336 (0.303)	-0.350 (0.320)
RTA			0.542 (0.349)	0.593* (0.347)
Log *Trade/GDP*			0.646** (0.263)	0.611** (0.266)
Ecogrowth			-0.010 (0.007)	-0.011* (0.006)
KA Open			-0.011 (0.107)	-0.004 (0.109)
Constant	-3.823*** (1.281)	-2.882** (1.328)	-4.466*** (1.473)	-5.334*** (1.369)
Observations	92	91	83	84
R^2	0.520	0.546	0.585	0.560

Notes: Robust standard errors in parentheses. ***: significant at 1%; **: at 5%; *: at 10%.

In table 8, we use a different dataset, where each of the 12 original Member States of the European Communities are counted separately. The results show strong support for our hypotheses: the coefficients of the key explanatory variables are significant and have the expected sign, whether the parsimonious specifications ((1) and (2)) or those with the various control variables are used ((3) and (4)).[35] These results are similar when acceding countries are excluded from the sample ((5) and (6)) and when only commitments emerging from the Uruguay Round are taken into account ((7) and (8)). The explanatory power of the model is still high, with R^2 for each of these specifications varying between 0.69 and 0.77.

[35] We introduced a new control variable (*EU*), to control for the possibility that being part of the European Communities' negotiating entity induced greater commitments than would otherwise be the case.

TABLE 8 (1/2) Regression Results for Determinants of GATS commitments, with each EC-12 member states counted individually

Dependent variable : Logit GATSCOM				
Explanatory Variables:	(1)	(2)	(3)	(4)
ACCEDING	1.575*** (0.254)	1.574*** (0.249)	1.812*** (0.271)	1.792*** (0.267)
Log *GDPShare*	0.218*** (0.05)	0.218*** (0.05)	0.260*** (0.067)	0.262*** (0.068)
Log *HUMANCAPITAL*	2.459*** (0.445)	2.658*** (0.425)	1.874*** (0.593)	2.070*** (0.587)
DEM	0.066*** (0.241)		0.064*** (0.024)	
changeDEMAUT	0.022 (0.021)	0.039* (0.022)	0.024 (0.024)	0.039 (0.025)
INT		-0.008*** (0.002)		-0.007*** (0.002)
EU			0.405 (0.253	0.391 (0.259)
Cairns			-0.168 (0.244)	-0.161 (0.245)
RTA			0.500 (0.333)	0.492 (0.333)
Log *Trade/GDP*			0.211 (0.211	0.226 (0.212)
Ecogrowth			-0.005 (0.005)	-0.005 (0.005)
KA Open			-0.001 (0.068)	0.003) (0.071)
Constant	0.036 (0.241)	0.751*** (0.117)	-1.401 (0.974)	-0.775 (0.921)
Observations	115	114	103	102
R^2	0.735	0.737	0.769	0.768

Notes: Robust standard errors in parentheses. ***: significant at 1%; **: at 5%; *: at 10%.

TABLE 8 (2/2) Regression Results for Determinants of GATS commitments, with each EC-12 member states counted individually

Dependent variable: Logit GATSCOM, excluding acceding countries			*Dependent variable: Logit GATSCOMUR*	
Explanatory Variables:	(5)	(6)	(7)	(8)
Log *GDPShare*	0.331*** (0.076)	0.339*** (0.077)	0.411*** (0.090)	0.420*** (0.090
Log *HUMANCAPITAL*	1.626** (0.622)	1.788*** (0.615)	1.327* (0.689)	1.441** (0.673)
DEM	0.073*** (0.024)		0.072** (0.031)	
changeDEMAUT	0.0281 (0.028)	0.047* (0.028)	0.039 (0.033)	0.058* (0.033)
INT		-0.009*** (0.003)		-0.010*** (0.004)
EU	0.155 (0.251)	0.094 (0.261)	0.241 (0.344)	0.163 (0.356)
Cairns	-0.254 (0.240)	-0.267 (0.243)	-0.034 (0.280)	-0.052 (0.282)
RTA	0.533 (0.366)	0.531 (0.366)	0.392 (0.364)	0.385 (0.363)
Log *Trade/GDP*	0.335 (0.221)	0.355 (0.223)	0.539** (0.245)	0.566** (0.246)
Ecogrowth	-0.006 (0.005)	-0.005 (0.005)	-0.014** (0.006)	-0.013** (0.006)
KA Open	0.018 (0.065)	0.023 (0.067)	-0.056 (0.084)	-0.045 (0.085)
Constant	-1.868* (0.962)	-1.156 (0.934)	-2.727** (1.074)	-2.047** (1.014)
Observations	88	87	88	87
R^2	0.758	0.759	0.693	0.696

Notes: Robust standard errors in parentheses. ***: significant at 1%; **: at 5%; *: at 10%.

IV. Conclusions

Trade in services generally and, even more so, determinants of openness/protection or of stances in international negotiations in this area remain an under-explored matter. The purpose of this paper was to draw from the various strands of the literature on determinants of international cooperation/protection to account for variations in levels of commitments undertaken under the GATS. The results presented above show strong support for the hypotheses derived from our theoretical discussion. The key explanatory variables, relating to democracy, power, endowments and the accessions process, proved to exercise a significant impact on the level of GATS commitments. The results proved robust to the introduction of various control variables and of alternative measures for key variables. By extending the analysis to services trade, this research therefore builds upon existing literature with respect to the impact on trade policies of, respectively, democracy, power

configurations, and endowments/interest groups. Among other things, it shows that democracy has an impact on services commitments and suggests how relative gains concerns and relative endowments may affect international cooperation on trade in services.

The research also highlights the importance of taking 'political' factors into account in the study of international trade relations and international cooperation, as well as the relevance of building on - and combining - approaches focusing on different aspects or levels of analysis, e.g., regime type, international distribution of power, the influence of pressure groups whose interests are derived from countries' relative endowments.

First, the results provide support for the argument that the more powerful states undertook more GATS commitments. This is consistent with the argument that countries have relative gains concerns in the context of international trade relations. From this perspective, countries would prefer to free ride and let others take commitments, but the reaction from other Members limits free riding; the greater the relative power of a state, the greater the relative gains concerns and the more other members will react to ensure that it undertakes consequent commitments. The opposite is true for a smaller state, which provokes less relative gains concerns: its ability to free ride is not impeded as much by a reaction from other actors of the system. Further, larger states can be expected to have had significant influence over the creation of the regime and hence be more prone to contribute to it.

Second, countries abundant in human capital tend to take more GATS commitments. Since services are intensive in human capital, those countries relatively well-endowed in human capital will have a comparative advantage in services and will tend to export the product (services) that use the inputs that are relatively abundant. Countries that are abundant in human capital will tend to favour services negotiations and undertake more commitments because their services firms will lobby their government so as to obtain more liberal and predictable market access conditions abroad.

Third, domestic political regimes impact upon trade negotiations since democracies are more likely to undertake GATS commitments. This effect may be even stronger in the case of services trade. We argued that democracies may favour undertaking commitments more than autocracies because 1) commitments limit the scope for discretion and future rent seeking policies; 2) democracies attach more value to commitments' locking-in effect; and 3) democracies are more familiar with the legal implications of undertaking commitments, in particular the adjudication of disputes through independent 'judicial' proceedings.

Democracy also positively impacts upon the undertaking of commitments when interacting with countries' level of economic development. The median-voter model suggests that poorer countries would generally favour free trade more than rich ones because the factor used more abundantly (i.e. labour in poorer countries) would get greater returns from free trade, according to the H-O-S model. Such general support for free trade in poorer countries can, in democracies, encourage governments to undertake more binding international commitments on services. In contrast, we only found limited support for the argument that change in the fundamental characteristics of political regimes affected the propensity to take commitments.

Fourth, not surprisingly, the markedly different negotiating process for acceding countries and original WTO Members has a strong impact on commitments, with the former tending to undertake, other things being equal, more GATS commitments.

Other factors, such as prior participation in regional trade agreements, the level of openness of the capital account, or membership in such negotiating coalition as the Cairns group did not prove influential. Two others, the rate of economic growth (negative impact) and general openness to trade as measured ratio of exports and imports to GDP (positive impact) are only significant in certain specifications.

This paper should encourage more research on the determinants of cooperation and international commitments, as opposed to solely applied levels of protection. Similar approaches could be used for other areas of international trade negotiations, be it goods trade, procurement, or intellectual property rights. On the other hand, more research needs to be conducted on determinants of applied restrictions in services, even though factors explaining such protection may be different from those accounting for international commitments, and although efforts to build up the information base in this area need to be further pursued.

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