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Agree to Disagree: The Spillover of Trade Policy into United Nations General Assembly Voting

Abstract

Cooperation among nations is most often negotiated or imposed. The impact on commercial policy is direct, but does it affect other policy decisions? We know trade agreement implementation results in higher bilateral trade and other positive economic results for both countries. It might also be expected to have impacts on each country's economic policies with non-member countries. But we show that there is one further step: common trade policy spills over into voting convergence in the United Nations General Assembly. Using a pairwise approach, we show that signing an RTA introduces voting synchronization between member countries. RTA membership increases overall agreement by 4 percent, agreement by 1 to 2 percent, and disagreement by 3 to 5 percent, with deeper forms of RTAs leading to higher synchronization. This suggests that the benefits of trade agreements are understated in the literature that only measures economic impact.

Key words: regional trade agreements, foreign policy, united nations general assembly, regional integration, voting

UNITED NATIONS

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Introduction

Trade agreements are not just about trade. They have become increasingly popular, and increasingly complex. They have moved from conventional tariff negotiations to include provisions on labour, development, environment, gender and ecommerce among others.

Has this increase in complexity and frequency made the world more cooperative or more competitive? A cursory look does not reveal any obvious patterns. The United States of America and Canada, for example, have been bound together by trade agreements since 1988. Yet the Softwood Lumber dispute in the WTO has simmered since 2002 and continues today.[1] At the same time, the United States and Canada regularly vote together in non-economic matters.

To explore this question, we turn to the highest level of foreign policy – the United Nations General Assembly (UNGA). As all countries receive a single vote in the UNGA, voting offers a clear signal of foreign policy positions, and alignment of interests can be directly measured.

In this paper we show that there are clear political spillovers from trade cooperation. Using a dataset from United Nations General Assembly votes, we illustrate that countries that cooperate in trade, also cooperate in politics.

Our analysis tilts the balance towards trade agreements as a tool for political cooperation. UNGA voting patterns between trading partners change when a trade agreement is enacted. Overall, regional trade agreements (RTAs) make countries 4 percent more likely to register the same vote in UNGA resolutions.

Alignment of voting in the UNGA is not cheap. It is costly for countries to prepare resolutions, conduct plurilateral consultations and lobby. The presence of these preparations increases both the absolute and relative costs of "disagree" votes and makes them relatively rare. Yet, RTAs effects on voting are more pronounced in these "disagree" situations. RTA partners vote in against motions together in an additional 7 percent of votes. This nuance provides further significance to the relationship we find.

Another dimension of the argument is that deeper forms of RTAs have greater impacts on voting synchronization. This result is strongest for Customs Unions, where overall voting synchronization increases by 11 percent among the RTA members, and by 22 percent for the disagree votes.

This paper is organized as follows: Section 2 discusses the question that we are interested in, Section 3 presents the data and the voting similarity index used for the empirical estimations in Section 4. Section 5 concludes.

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1 The United States -Canada softwood lumber disputes is one of the longest standing disputes. The United States allegations are that Canada subsidizes this type of timber which then keeps the price artificially low when exported to the United States.

1. High versus Low foreign policy

The debate that underpins this paper is about the relationship between foreign policy and economic policy. In which direction does this influence go? Most often, economic policy is assumed to be an extension of foreign policy. In this case, we disagree.

Voting in the United Nations General Assembly (UNGA) is one venue for foreign policy. Foreign policy enacted in this venue is often referred to as "high" policy. This type of policy is generally tied to the preferences of the ruling political coalition and can change when the ruling coalition or its leader changes (Mates et al, 2015; Smith, 2016).

In some circumstances, economic policy may be used as a form of foreign policy. The United States -Jordan Free Trade Agreement (FTA) includes provisions on promotion of "higher labor standards … and strengthening their cooperation on labor matters" and promotion of "environmental and labor law" which depicts significant internal policy improvements and their recognition by the United States[2].. Because economic policy in this framework is an extension or enactment of a state's foreign policy, it is often seen as "low" policy. Yet unlike political horizons, trade agreements tend to be negotiated over many years before signature and enactment.

Using the publicly available data on UNGA voting outcomes, this paper suggests that this relationship may often go in the opposite direction. That is, foreign policy is impacted by economic policy. The intuition behind this result is straightforward – countries that have an RTA are more likely to cooperate in "high" foreign policy because during the negotiation process, countries build links that increase social understanding that impacts issues beyond RTAs. This can influence country's stance on questions related to the overall wellbeing of humanity and development (Deutsch, 1952; Deutsch 1965).

The Politics of Political Cooperation

Political cooperation has long been studied. The political cooperation literature is divided into two segments. The first looks at negotiated cooperation, including negotiations that happen in UNGA. Countries may cooperate to signify their unity (constructivist approach) or to increase their collective bargaining power (rationalist approach).

A second type of cooperation is imposed. Domestic constraints of the voting country – say, a lack of financial capacity – limits the ability of countries to develop their own independent position in some questions, and hence they can engage in "vote buying" with a relatively more frequent position shift (Brazys and Panke, 2017. In that regard, foreign policy has been frequently cited as an important contributor to the voting results of countries in the UNGA. One of the examples is the use of foreign aid in "vote buying" by the United States (Carter and Stone, 2015). The influence of financial constraints and obligations is also found when taking into account that IMF programs and World Bank lending are found to align the voting positions of recipients with the average G-7 country's voting position (Dreher and Sturm, 2012).

The Politics of Trade Cooperation

We know that trade is also used as a political tool. Among others, the European Union has implemented the "everything but arms" initiative, and most high-income countries offer trade access to Least Developed Countries through the Generalized System of Preferences (GSP). This reflects both negotiated and imposed3 cooperation.

Trade agreements achieve higher levels of economic activity among the signatories and hence – in general – reciprocal economic gains. Entering into a trade agreement has the capacity to affect the position of the government both economically and politically.

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[2] The White House Briefing Room Archives "United States and Jordan Sign Historic Free Trade
Agreement" for the text of agreement; analysis of the Jordanian policies change in labour and environment
laws can be found in New York Times article: https://www.nytimes.com/2000/10/20/world/dual-purpose-
of-a-us-jordan-trade-pact.html
3 Imposed in this context refers to unilateral concessions being "one-sided" and hence not involving negotiation effort from
the other side as in case of, for example, Free Trade Agreements.

Previous research has shown that FTAs can be used as an internal political stabilization tool as it brings higher robustness of economic links between countries (Rotunno, 2016). This robustness transcends the effect of political leader turnover of the country and the ruling party since it shapes a long-term economic relationship. RTAs signify a long-term economic commitment between countries, and the presence of their convergence effects on the UNGA voting behaviour will imply that there is a spillover from the "low" foreign policy – including appropriate economic policies such as signing a trade agreement – into "high" foreign policy.

Our hypothesis of voting synchronization resulting from RTA participation does not stand in isolation. There is evidence that trade agreements serve as a soft policy tool for improving members' human rights for example, by providing the instruments and resources to change actors' incentives to promote reforms that would not otherwise be implemented (Hafner-Burton, 2005).

This has a twofold implication for international policy. First, under certain conditions, trade policy – such as RTAs - can stabilize foreign policy. – implying the higher unanimity of adoption of UNGA resolutions. Second, by signing trade agreements, countries – while giving up some sovereignty - can achieve better bargaining positions via "resource coalitions." Gaining a more "common" voice in the UNGA is specifically notable in case of the developing countries: their quantitative majority in UNGA and the "one state – one vote" system can enable their coalitions to have a decisive role in passing resolutions regardless of their current economic or financial capability.

2. Data

Voting Data

The UNGA is one of the six principal organs of the United Nations, established in 1945 and governed by Chapter IV of the United Nations Charter. UNGA members meet each year in sessions that start in September. While sessions were originally meant to finish within one month, now they sometimes last until almost before the next annual session begins.

Because the UNGA votes are transparent and easy to access, they have been a common source of academic work on cooperation in international relations and political science. Some studies follow a set of countries over a long period of annual sessions[4], others look into the overall effect of macroeconomic assistance (Dreher and Sturm, 2012; Carter and Stone, 2015).

Our main data source is the publicly available United Nations General Assembly (UNGA) voting data from 1990-2015. While there are approximately 250-300 resolutions that come from UNGA every session, most do not go to a vote, and only about a third of resolutions are voted on. Only the resolutions which were voted on are of interest, and the overall breakdown is presented in Figure 1.

While some of the literature has focused only on "key" votes[5] – suggesting that countries put more effort into developing positions in these particular cases - another strand of research has suggested that for most countries, their true preferences are uncovered only in the "non-key" votes (e.g. Andersen et al., 2006). This discrepancy depends on the particular question asked and the empirical methodologies, hence this paper encompasses the full sample of the roll-call resolutions.

For the purpose of this paper, we categorize a set of nine broad question areas covering all votes at the UNGA. These broad topics have been covered consistently over the years, as shown in Figure 2.

- peace and security;
- budgetary and operational concerns of the United Nations;
- colonization issues;
- disarmament;
- the use of nuclear power and weapons;
- direct economic assistance to countries;
- Israel-State of Palestine;
- human rights

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[4] For example, the European Union (Luif ,2003; Hoesli, van Kampen, Meijerink and Tennis, 2010; Young and Rees, 2005), group of 77 (Iida, 1988) or African countries (Meyers, 1966)
[5] For example European Union votes on human rights issues (Smith, 2006)

- ocean and maritime.

There are four types of vote outcomes in the UNGA: agree, disagree, abstain, and absent. 'Agree' when in favour of the resolution, 'disagree' when in opposition to the resolution, or 'abstain' when a country neither chooses 'agree' or 'disagree' but is still present at the General Assembly. While 'abstain' is a vote outcome that is not counted into the calculation of the decision over resolution, it requires the country to be present, participate in the actual voting and go on record with their decision on the vote, so we consider it as a part of our estimation.[6]

There is also an option of not attending the session – 'absent' from the vote. This can be deliberate or non-deliberate. While sometimes countries miss certain votes on purpose and report their position later, we treat such cases as missing observations[7].

For the resolution to be accepted, it usually requires a simple majority of the voting members (implying exclusion from calculation of the non-voting countries and abstaining countries) (United Nations, 2006, pp. 23, Rule 86). The other typical voting rule is a supermajority, which requires 2/3 of voting members for a resolution to pass. The questions that require supermajority are usually related to the issues of peace and security.

There is a bimodal trend in distribution of votes (see Figure 3) which shows the distribution of the share of "Agree" votes in overall voting results since 1990). About 30% of resolutions reach approximately 100% support, and about 20% get approximately 66% support. This makes sense from the standpoint of a lobbying diplomat: when a resolution does not secure unanimous support, the next "institutional" threshold is 2/3 – 66% of votes – which will still guarantee the resolution to pass.

Figure 4 illustrates this trend over time. As the UNGA membership has expanded, more countries need to vote 'agree' to pass the resolution with the supermajority. The interquartile range of 'agree' votes is greater than the minimum necessary number of votes to pass the resolution, which means that despite the variance, at least 75% of resolutions have 2/3 of the countries voting in favour. The relative rarity of negative votes ('abstain' votes outnumber 'disagree' votes by at least a factor of 2) makes negative voting synchronization more revealing of the political stance of a country. In this study we consider that both 'abstain' and 'disagree' vote outcomes are signs of not accepting a resolution, but as only 'disagree' counts into the final decision, it is a more sound indication of political position of the country.

Trade and Regional Data

RTA-based trade has been expanding over the last decades both in number of relationships and value (see Figure 5), and there is a vast literature[8] that looks on the formation and evolution of RTAs. We use Bergtrand & Baier's RTA dataset[9] for the information on regional trade agreements. In the basic identification, we use all trade agreements recorded in the database[10] without differentiating between the types of agreements. As one of the robustness checks, we check whether there is a different effect of "deeper" agreements and use the database classification as presented in Table 1.

Trade values come from COMTRADE, other controls are from World Bank's WDI and CEPII's gravity dataset in relevant years.

Voting Similarity Index

Our hypothesis in this paper is that engaging into regional trade policy through participating in RTAs for any pair of countries will result in a higher similarity of UNGA voting patterns. RTAs are – most commonly – a multilateral occurrence, going beyond a bilateral relationship. Nevertheless, investigating an effect on an average country we need to first look at the effect on the average bilateral country pair. We acknowledge the need to develop also an aggregate assessment of the UNGA voting synchronization effect of RTAs, which we leave for the further research.

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[6] Such methodology is common, see Voeten (2000), Birnberg (2009).

[7] Voeten (2000) also used such approach.

[8] Among many Frankel et al. (1996), Freund and Ornelas (2010), Steiger and Bagwell (1999) and Vicard (2009)

[9] Available at https://www3.nd.edu/~jbergstr/

[10] For the full information on the classification regard Bergstrand, Baier and Clance (2017)

While there exist a variety of ways to record voting cohesion, they usually involve multiple countries and different "points" assignment to a vote. For example, 'disagree' vote getting "-1" point, 'agree' vote getting "1", and 'abstain' being assigned "0". While we acknowledge the existence and applicability of these measure to various questions, in our investigation we refrain from this and are interested in the general occurrences of the similar votes between a country pair. Hence, our dependent variable is a simple non-weighted index of voting similarity between two countries. We calculate this index as a simple share of similar votes between two countries i and j (time index omitted for brevity):

$$SI_v{}^{i,j} = \frac{\sum_v \left[1 | V_v^j = V_v^i\right]}{\sum_{v \ni (v_i \cap v_j)} V_v}$$

where the denominator $\sum_{v \ni (v_i \cap v_j)} V_v$ indicates the number of times the countries i and j voted at all (agree, disagree, or abstain). In alternative specifications we look at whether there are certain types of votes that drive the similarity - $V_v^j = \{Y_v^i, N_v^i, A_v^i\}$.

$$SI_v{}^{i,j} = [0, 1]$$

The similarity index takes values from zero to unity. $SI_v{}^{i,j} = 0$ implies that in all votes, countries i, j voted differently, $SI_v{}^{i,j} = 1$ implies that countries i, j voted the same in all votes. The benchmark measure does not differentiate between the types of votes cast and therefore shows the overall similarity of stance between the countries.

As types of vote matter, we look into similarity by the country pair i, j: $SI_Y{}^{i,j}$ for 'agree' votes, $SI_N{}^{i,j}$ for 'disagree' votes and $SI_A{}^{i,j}$ for 'abstain' votes. For example, if France and Hungary voted in 115 resolutions, where 57 times they both voted 'agree', 10 times both 'disagree' and 23 times both voted 'abstain', then the respective measures are: overall similarity $SI_v{}^{i,j} = \frac{57+10+23}{115} = \frac{90}{115} = 0.78$; same "agree" $SI_Y{}^{i,j} = \frac{57}{115} = 0.5$; same "disagree" $SI_N{}^{i,j} = \frac{10}{115} = 0.09$; same "abstain" $SI_A{}^{i,j} = \frac{23}{115} = 0.2$. Figure 6 and Figure 7 show an increase in the share of similar votes in UNGA between the countries that sign RTAs (note that only countries that sign RTAs are selected). But this increase is not attributed to the single year the RTA took effect. One explanation could be that RTAs are negotiated for many years prior to being enacted. Another explanation relates to the theory of "natural RTAs" (Frankel et al., 1996) that postulates that RTAs are being signed by the countries that trade a lot and are closer in geographical and institutional distance. The theory of "natural" RTAs does not contradict our finding. In fact, we show that even among "natural" RTA partners signing an RTA increases voting similarity.

Following classification of Baier and Bergstrand dataset (presented in Table 1), we find that the level of overall similarity increases when the RTA becomes deeper in type, as indicated by Figure 8 and Figure 9. The figures also indicate that volatility of pair similarity decreases between the country pairs when countries sign or deepen a trade agreement. This implies that countries that have an RTA exhibit an overall more stable position in UNGA voting, and in general this stability increases with the deepness of the RTA. This "stability" is composed of three observations from the following graphs: countries have a less volatile 'agree' similarity after they sign an RTA (Figure 10). Their level of similarity in their 'disagree' votes increases after they sign an RTA (Figure 11), and signing into a Customs Union seems to have the highest effect, while Economic Union appears to "bound in" the 'disagree' voting behaviour even from before the agreement is signed. In general, the 'abstain' similarity appears to not change extremely (Figure 12), but less volatile than compared to pre-RTA levels for all types of agreements.

Figure 13 indicates the dynamics of the similarity indices for selected country pairs. The "new European Union" countries – Estonia, Hungary, Slovenia - aligned closer to their "old European Union" countries – Germany, France, United Kingdom of Great Britain and Northern Ireland. From the respective graphs it is noticeable that this alignment was not only upon official European Union entry, but also when the bilateral deals were implemented[11]. This alignment is also far more pronounced in 'disagree' votes – despite on average being less frequent than 'agree' or 'abstain' as we argue these votes indicate more vividly a common foreign policy stance at UNGA. On the other hand, MERCOSUR countries (since 1995 including Brazil, Argentina, Paraguay, Uruguay, the Bolivarian Republic of Venezuela; since 2016 the Bolivarian Republic of Venezuela is suspended)

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11 The FTA between Estonia and European Union came in effect in 1998, European Union -Hungary in 1992, European Union -Slovenia in 1997.

exhibit high level of voting similarity among themselves but tend to hardly ever use 'disagree' votes, while their 'abstain' similarity is less consistent.

Notably, in line with other literature that studies UNGA voting (Dreher et al, 2008), we see that the United States of America voting has been in some way unique. First, the United States of America tends to 'disagree' much more frequently than other countries. Second, while observing alignment to its NAFTA partner Canada, it has seen little alignment (apart from 'agree' votes) with the other NAFTA member Mexico. This trend to disagree is one of the reasons we exclude the United States of America in some empirical specifications.

Nevertheless, looking at the correlations of average 'agree' and 'disagree' similarities in 2013-2015 with respect to all possible partners for selected countries in Figure 14, we see that RTA trading partners (colour-coded in red) tend to be distributed closer to the upper right part of the distribution. Developing countries tend to use their 'disagree' votes more rarely than developed, and, while it can be argued that it can be due to the fact that they 'agree', it may be opting for the "safer" choice of 'abstain'. As a result, they tend to vote more alike in 'agree' and 'abstain' votes with their RTA partners – due to the absence of the 'disagree' votes. This is specifically the case for African countries – as illustrated by the selected examples of Kenya and the United Republic of Tanzania, who exhibit higher similarity with their RTA partners, but extremely low propensity to vote 'disagree' in general.

These selected examples illustrate the general fact that the majority of votes in UNGA are 'agree' votes (by year breakdown available in Figure 3), which could be potentially influenced by the fact that there is a lengthy pre-UNGA preparation process by the parties when the resolution undergoes a process of bureaucratic screening and negotiations, including plurilateral consultations and lobbying. This results in the overall awareness of the subject of resolutions and high level of content between Member States on what comes to the UNGA. This is illustrated by the fact that 2/3 of the resolutions are unanimously adopted without being voted on.

In this regard, having a 'disagree' vote signifies a more profound political stance of the Member State regarding the issue. Thus, having a common 'disagree' vote signals a synchronization at a high level of policy, and not simple "default" synchronization on issues voted in UNGA. Thus, having a higher similarity index for 'disagree' votes is more important for international policy making as it indicates a more distinguished political stance of Member States in UNGA.

3. Methodology

For the benchmark estimation, we adopt a panel approach with multidimensional fixed effects that is common in international trade literature[12]:

$$SI_{v,t}{}^{i,j} = \beta_0 RTA^v{}_{ij,t} + FE_{ij} + FE_{it} + FE_{jt} + FE_t + \varepsilon_{ij,t}$$

The dependent variable is the similarity index as defined before (being either the overall similarity or separately one of the types of votes cast – 'agree', 'disagree' or 'abstain'). Through the addition of multiple fixed effects, we control for the possible unobserved factors that are time-variant country-invariant characteristics

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