

Racism By Design: The Role of Race and Ethnicity in the Design of International Trade  
Agreements

Vanessa E. Quince

A dissertation

submitted in partial fulfillment of the  
requirements for the degree of

Doctor of Philosophy

University of Washington

2018

Reading Committee:

Elizabeth Kier, Chair

Caitlin Ainsley

Zoltán Buzas

Jonathan Mercer

Program Authorized to Offer Degree:

Political Science

©Copyright 2018  
Vanessa E. Quince

University of Washington

**Abstract**

Racism By Design: The Role of Race and Ethnicity in the Design of International Trade Agreements

Vanessa E. Quince

Chair of the Supervisory Committee: Elizabeth Kier  
Department of Political Science

What are the determinants of institutional flexibility? While traditional scholarship has argued that institutional flexibility is good for cooperation, I suggest that flexibility may actually have adverse effects on the gains from trade in allowing states to legally restrict market access and therefore, have negative implications on development. In this project, I argue that states' racialized identity will influence the types of agreements they design with one another. I hypothesize that states will design less flexible agreements with states' part of their racialized in-groups than racialized out-groups due to particularized trust. I test my hypotheses in a cross-national study of over 600 preferential trade agreements and two different measures of a state's racial identity from 1947 – 2013. I find partial support for my hypotheses. My project contributes to the institutional design and globalization literature to understand the role of race in international commerce.



## Introduction

Imagine the following scenario,

You are an official of a highly developed, democratic Country A and you have agreements with the following two developing states:

**Figure i.1 A Tale of Two Countries**

	<b>GDP Per Capita</b>	<b>Polity</b>	<b>Exports</b>
<i>Country B</i>	6,045.65	9	Gold, copper, zinc
<i>Country C</i>	2,185.73	6	Steel, coal

Standard economic theory would predict that Country A would design a more favorable agreement with Country B because of the size of their markets and stable democratic infrastructure. However, the data shows that this is not true. In the example above, Country A is the European Free Trade Area (EFTA), which includes Iceland, Liechtenstein, Norway and Switzerland. Country B is Peru and Country C is Ukraine. The EFTA agreement with Ukraine includes less provisions regulating trade than the agreement with Peru. What accounts for these differences? I suggest that incorporating race may provide insights that existing theory cannot.

Contemporary international political economy (IPE) scholarship ignores how the institutionalization of neoliberal policies through trade agreements—which uniformly liberalize, privatize public assets, and deregulate state services—create and maintain racially disparate outcomes. Neoliberalism disregards racialized state identity by instituting *one-size-fits-all* policies—based on private market principles—that call for universally desirable forms of economic development; this approach ignores the living history of colonization and imperialism.<sup>1</sup> Not only has the near universal adoption of neoliberal trade agreements maintained racialized wealth inequality *within* states, my work suggests these trade agreements also maintain racialized wealth inequality *between* states.<sup>2</sup> The lasting legacies of imperialism and colonization

---

<sup>1</sup> Duggan 2003; Wrenn 2014

<sup>2</sup> Milanovic 2010 argues that China and India are the only countries that have closed the gap between Western countries.

still determine how trade agreements are made (and the outcomes), which continues to exacerbate racial inequalities.

I argue that powerful states will design more favorable trade agreements with states they perceive as part of their racial in-group. I test my argument on the flexibility of these agreements, which refers to how institutional rules and procedures accommodate new circumstances. Higher levels of flexibility allow powerful states the option to opt-out of the terms of trade without being in breach of the agreement itself. Therefore, powerful states will include more opt-out provisions in agreements with racial out-group states, due to higher expectations concerning the need to renege on the terms of the agreement and close their markets to foreign goods. Trust underpins these agreements, and because officials expect in-group states to share their basic values, and be more reliable, truthful, and fair, states will be more vulnerable and accept risk in the form of market access in agreements with in-group states. Trust between racial in-groups will lead to higher expectations about true cooperation.

I test my hypothesis using a cross-national analysis of over six hundred preferential trade agreements from 1947–2014, as well as a qualitative case study of European trade agreements. I collect data on race and ethnicity to create an in-group variable that corresponds to over 300 racial and ethnic groups for 200 countries. First, I test for the role of race in the design of international trade agreements using geographic region as a proxy for race. Then, using a Euclidean distance measure to capture similarities across ethnic groups, I test the role of ethnicity in the design of international trade agreements. Ethnic groups are often racialized, and this process of racialization should have similar implications for how trade agreements are designed within racial groups.

In addition to a large-N quantitative analysis, I use qualitative to test the mechanisms of racial bias underlying these agreements. I review the speeches of leaders within the European Commission to demonstrate how EU leaders differentiate between in-group and out-group states. This language is evidence of how the salience of their group identities underpins existing agreements. The qualitative evidence serves as a means to complement my findings from my quantitative chapter.

The differences in agreements have varying implications for out-group states. First, as powerful states create more options for escape in agreements with racialized out-groups, out-groups states are less likely to receive the gains of trade, which come from states lowering trade

barriers for the free movement of goods. Second, as powerful out-group states design rigid agreements that reflect their interests, less powerful out-group states are placed at a disadvantage because they do not have the freedom to change the terms of trade. This is particularly important, given smaller states' susceptibility to market forces, and they may also be required to liberalize in a way that may not be feasible. Both of these constraints can affect the ability of small states to raise revenue for social protections that come from the welfare state. Race is an important indicator of in-group and out-group status and the implications of institutional design are particularly important for non-white states, since the most powerful states in the international system have predominantly white populations.

### **Main Questions**

My first question is, what are the determinants of institutional design? In their seminal work, Koremenos and colleagues introduce a framework for understanding institutional design.<sup>3</sup> Their framework includes five components: membership rules, scope of issues covered, centralization of tasks, rules for control, and flexibility. Since then, there has been an explosion of this research agenda, where scholars study the determinants of institutional design from trade agreements to environmental agreements. While all aspects of institutional design are important, institutional flexibility has been at the heart of this research agenda because most agreements have at least one flexibility provision.<sup>4</sup>

While existing explanations either center the role of information, the mobilization of domestic interest groups, or institutional capacity, I examine the role of identity to understand how states design international trade agreements. In particular, how beliefs about another states' racial and ethnic identity influences how leaders make economic decisions. Related to this point, I center the role of state officials themselves, who under particular circumstances have similar preferences as the general population.<sup>5</sup> Since previous literature has shown that individuals have trade predilections rooted in sociotropic beliefs such as ethnocentrism and racism, I expect leaders, who are also individual citizens to be just as susceptible to these preferences.<sup>6</sup>

---

<sup>3</sup> Koremenos et al. 2001

<sup>4</sup> Rosendorff and Milner 2001

<sup>5</sup> Hafner-Burton et al. 2014

<sup>6</sup> Mutz and Kim 2017

For example, when an official says the following,

“It is very much in the interest of the United States that we have the strongest possible Europe as a partner, outwardly facing, capable of *working together* with us to pursue our *shared interests and values*. That is certainly true in the economic arena; it is equally true across a range of issues.

- U.S. Trade Ambassador Michael Froman on Transatlantic Trade and Investment Partnership

“It would put the entire region on notice that the rules based system is here to stay, defended by the United States and other like-minded countries. And it would show the world that *higher standards, standards that reflect US interest and US values* are where the global economy is heading.”

- U.S. Trade Ambassador Michael Froman on Trans-Pacific Partnership

I ask how these different perceptions of the states’ party to the agreement, influences the design of these agreements. Unlike lobbyists and interest groups whom might influence policy, officials are actually the ones who draft and negotiate national policy.<sup>7</sup>

The next research question asks, what is the role of race in the international political economy? Most importantly my research investigates the relationship between race and underdevelopment. Despite the growth of the neoliberal policies in the form of trade agreements, inequality still persists between and within states. Eleven of the twenty (55 percent) of the world’s richest countries are predominantly white, while nineteen (45 percent) of the world’s poorest countries are predominantly black. These patterns are similar in the context of the United States, where the wealth of white Americans is almost ten times that of black Americans. The relationship between race and underdevelopment may be a function of the kinds of agreements signed with out-group states, which can exacerbate inequalities by making it more difficult for leaders to protect their constituents from the negative consequences of globalization through enacting certain policies.

### *Racial Projects in International Relations*

Race is at the center of my analysis of group identification, and in turn, state behavior. When I refer to race, I do not mean race as a static, biological construct but rather *racial formations*, which refer to the sociohistorical process by which racial identities are created,

---

<sup>7</sup> Bayram 2017

lived out, transformed and destroyed.<sup>8</sup> Stemming from racial formations is the process of *racialization*, which refers to the extension of racial meaning to a previously racially unclassified relationship, social practice or group.<sup>9</sup> Both racial formations and racialization are components of *racial projects*, which are the interpretation, representation or explanation of racial identities and meanings in an effort to organize and redistribute resources (economic, political and cultural) along particular lines.<sup>10</sup> Racial projects give meaning to race and structure. For example, the reason why certain countries remain underdeveloped are connected to the characteristics of that particular country, rather than the result of a historical legacy of backwards institutions to generate wealth for a particular group of people. Incorporating racial formations, racialization and racial projects into our understanding of international relations, will disrupt and reorganize the static nature that we study interstate relations. How states engage with one another today, is the product of how they have interacted with each other in the past. This past includes a history of racial differentiation based on geography, phenotype, culture and language to justify exploitation. Racialization permit us to understand how the Irish and Italian become white. This is because whiteness (i.e. Christianity, modernity, rationality) is always defined in relationship to otherness and can accommodate different groups at different times.<sup>11</sup> Power is at the heart of this differentiation.

Race is strong predictor of whether or not individuals see themselves belonging to a group.<sup>12</sup> As early as 1600, Europeans saw Blacks as their moral, social, intellectual, and economic inferiors.<sup>13</sup> Due to these beliefs, they interpreted their actions as irrational and barbaric, unlike their European counterparts.<sup>14</sup> The trans-Atlantic slave trade, conquest, colonization, and imperialism exported the ideas of a racial hierarchy into the non-white world. The process of racialization, was extended into the New World, where elites bought into ideas and norms espoused by colonizers.<sup>15</sup> This is not to say that ethnic conflict did not precede

---

<sup>8</sup> Omi and Winant 2014

<sup>9</sup> Ibid., 111

<sup>10</sup> Ibid., 125

<sup>11</sup> Bhattacharyya et al, 2016

<sup>12</sup> Simpson et al, 2007; Karlan 2005; Barr 2004

<sup>13</sup> Thompson 1976

<sup>14</sup> Volpp 2002

<sup>15</sup> Ikenberry and Kupchan 1990

European engagement with the New World; rather, European colonization brought with it new ways and justifications of differential treatment based on phenotypical differences.

Before colonizing missions in the New World, Germany, France, and England engaged in a process of racialization within Europe itself. Prior to colonization, the most prominent racial distinction was between tall blonds and poor brunettes.<sup>16</sup> Scandinavia and Northern Germany used their economic and political superiority as a way to justify the inferiority of Southern Europeans.<sup>17</sup> The racial hierarchy within Europe was further used to justify colonialism because “pale perfection” was used to explain the inability of the Mediterranean to industrialize and colonize darker peoples in the New World.<sup>18</sup> The process of colonization simultaneously heightened and decreased racial distinctions among European states. Once colonialism began in the New World, racial inquiry became increasingly devoted to explaining differences between European peoples and the people of the New World. Race is not static; it changes across time and space. Anglo-Saxons placed themselves at the top of the racial hierarchy, followed by darker Europeans, and then the darker peoples in the New World.

Race and ethnicity in the developing world operate both similarly and differently than they do in developed nations. In both cases, whiteness tends to be associated with economic and political opportunity and superiority. The most significant difference in these processes is the power differentials. The difference in the distribution of wealth between predominantly white countries and non-white countries make in-group discrimination more problematic than even deliberate competition for scarce resources. Nonetheless, race and ethnicity have problematic consequences in the developing world as well.

In Latin America, elites embraced white supremacy to maintain a system where whites were at the top, and indigenous and Afro-Latinos were placed at the bottom.<sup>19</sup> After WWII, Argentina, Uruguay, Costa Rica, and Chile adopted pro-European policies to differentiate themselves from their neighbors with darker populations.<sup>20</sup> In India, the caste system, although officially abolished in 1950, has racialized consequences as “untouchables” (who often have darker skin) remain economically and politically disadvantaged.<sup>21</sup> In China, minority populations

---

<sup>16</sup> McMahan 2016

<sup>17</sup> McMahan 2013

<sup>18</sup> McMahan 2013

<sup>19</sup> Golash-Boza and Bonilla-Silva 2013

<sup>20</sup> Christian 2013

<sup>21</sup> Thorat and Neuman 2012

with darker skin such as the Tibetans and other non-Han routinely face discrimination.<sup>22</sup> During the Holocaust, though Judaism is a religion, stereotypes about Jewish people—such as having big noses and darker features—were used to differentiate them from the general population. In Russia, Chechens were subject to racial profiling because they were darker.<sup>23</sup> In the Middle East, the small Berber minority are subject to discrimination and isolation partially because they have been racialized as a darker skin group.<sup>24</sup> These illustrations serve to show the permeation of racialization and how the implications of prejudice are felt everywhere.<sup>25</sup>

Race influences group identification for individuals and at the state-level, as well. The nation represents a form of identity, which states can use for group identification at the international level. How states identify one another at the international levels creates opportunities for shared understandings and expectations of one another's behavior.<sup>26</sup> The democratic peace theory (DPT) is one of the most prominent theories in international relations where the identity of states will determine behavior. For example, some scholars have argued that, as a collective-community states, democracies are less likely to fight one another due to shared values and norms, and these norms cause states to have reciprocal behavior toward one another.<sup>27</sup> Some scholars have argued that DPT is mirrored in racial bias itself, however. For example, the British and Americans understood that both countries are democracies, yet their ontology was not based on the type of regime—it was race, in the sense that white supremacy was at the heart of their democratic institutions.<sup>28</sup> Another critique of this ideology focuses on the rights of citizens in non-democratic countries. A tacit assumption in the democratic peace theory is that a crucial first step in maintaining world peace takes place in the white democratic world, while peace in the rest of the world is a secondary enterprise.<sup>29</sup> Nevertheless, I extend the relationship of identity and behavior to a state's racialized identity at the international level. Though a phenotypical attribute, race has and continues to be a

---

<sup>22</sup> Tuttle 2015

<sup>23</sup> Glass, I. (2017) *The Other President*. [podcast] This American Life. Available at: <https://thisamericanlife.org/radio-archives/episode/614/transcript>

<sup>24</sup> Hoffman 2010

<sup>25</sup> These examples also serve to show agency in the non-white world. They are not just victims, they are often willing participants in the process.

<sup>26</sup> Wendt 1992

<sup>27</sup> Doyle 1986; Adler and Barnett 1998

<sup>28</sup> Vucetic 2011

<sup>29</sup> Bell 2014

major signifier to differentiate among individuals *and* states.<sup>30</sup> We should expect these distinctions to matter at the international level as well.

Although largely understudied in international relations literature, there is evidence to suggest that race influences how states will cooperate with one another. First, the development of international relations theory was predicated on justifying white supremacy and how Western states acted toward non-western states. These actions became cloaked in language about democracy and power, which were used to demonstrate their superiority toward non-white states and differential treatment.<sup>31</sup> In international security, race shapes collective security organizations because of notions of a shared community for some states and not others.<sup>32</sup> Additionally, race shapes the perception of threat, which influences the kinds of security agreements states design with one another.<sup>33</sup> Race has also played a factor in how and when states intervene in conflict, such as the conflict in Rwanda.<sup>34</sup> In international law, predominantly Western states used and developed law to rationalize conquest and the subjugation of non-white people.<sup>35</sup>

In IPE, the limited research on race has focused on the role of the individual and how race shapes decision-making for economic policies such as trade and foreign aid. Individuals with higher levels of out-group prejudice exhibit lower levels of support for free trade.<sup>36</sup> This relationship was echoed during the presidential election in the United States, where Trump supporters were more likely to see free trade as a negative outcome.<sup>37</sup> Race influences economic decision-making, which deviates from making rational economic choices; for example, Americans will choose policies that hurt the out-group over policies that benefit the in-group.

Race also shapes preferences for foreign aid. One survey suggests that Americans are more likely to support foreign aid to predominantly Black countries over similarly situated

---

<sup>30</sup> Omi and Winant 2014 113

<sup>31</sup> Hobson 2012; Henderson 2013

<sup>32</sup> Hemmer and Katzenstein 2002

<sup>33</sup> Buzas 2013

<sup>34</sup> Vaught 2007; Vitalis 2005; Easterly 2005; Herbst 1990

<sup>35</sup> Merry 1991

<sup>36</sup> Mansfield and Mutz 2009

<sup>37</sup> Republicans, especially Trump supporters, see free trade deals as bad for the U.S.

<http://www.pewresearch.org/fact-tank/2016/03/31/republicans-especially-trump-supporters-see-free-trade-deals-as-bad-for-u-s/>.

predominantly white countries over a sense of “paternalism.”<sup>38</sup> Meaning that Americans will perceive similarly situated white countries will have more agency and can get themselves out of the poverty trap, whereas predominantly black countries are in greater need of rescuing through donor aid. While the situations above describe the United States, the significance of race in decision-making is prevalent in other countries as well. In the EU, scholars find varying levels of national and European attachment can explain decisions for and against Turkish accession into the EU, for example.<sup>39</sup> The limited research focused on the role of race is currently overshadowed by the study of individual preferences, which may or may not influence politicians who create policy at the international level. Socio-tropic preferences also permeate upward to politicians who are responsible for policy. By incorporating a group-level analysis to help explain economic decision-making, we can better understand how prejudices can influence state behavior.

## **Implications**

The two questions and their answers have both theoretical and policy implications. First, this project contributes to the growing behavioral revolution in international political economy. This is due to the fact that after decades of research, individuals rarely hold values that are rooted in their place in the international political economy but rather, socio-tropic preferences rooted in bias towards members of their in-group.<sup>40</sup> I contribute to this literature in incorporating one of the oldest socio-tropic beliefs, racism into understanding the behavior of states.

Next, this project challenges contemporary neoliberal discourse by showing how race has been, and continues to be, an important factor for interstate commerce. Contemporary racism is obscured by a language of colorblindness. By historicizing race, I show how de-racialized language is in fact, racial. White, male scholars, dominate contemporary IR scholarship and this is partially why the absence of race is so prevalent (and problematic) in

---

<sup>38</sup> Baker 2015

<sup>39</sup> Curley 2009. This is not to say that this is the only reason, only that notions of shared identity play a role. Recent developments in Turkey and the curtail of political and social rights do play a prominent role in the halting of Turkey joining the European Union.

<sup>40</sup> Hafner-Burton et al. 2017

mainstream scholarship.<sup>41</sup> This project represents an attempt to push the needle forward by taking a step back through history to understand the behavior of states.

My project contributes to the globalization literature through incorporating the literature of institutional design. While most agreements reduce government autonomy to some degree, certain states be subject to more constraints than others. I argue that this is a function of in-group and out-group relationships. Because trustworthiness is an in-group characteristic, and states are more likely to cooperate with those they trust, the racialized identity of a state will influence how international trade agreements are designed. If identity has bearing on how states are incorporated into the world economy, we can uncover biases that can discriminate, hinder development, and increase inequality.

Last, this project problematizes our current conceptualization of cooperation in international politics. While scholars argue the inclusion of flexibility provisions helps to facilitate cooperation through allowing states to sign onto agreements, I theorize flexibility as “*intentional mistranslation*”, which occurs when officials deliberately formulate laws that imperfectly reflect norms.<sup>42</sup> The variation in flexibility suggests that some agreements require more intentional mistranslation than others. In the case of the international trade regime, that means allowing more room for closing borders and negating liberalization efforts in agreements with some states over others. As I show, this variation is dependent on the racialized identities of the other states party to the agreement.

This study has important implications for understanding the relationship between race and trade. If certain institutional arrangements facilitate more gains from trade than others, we can better understand what kinds of institutions states should develop in order to alleviate the worst forms of poverty.

---

<sup>41</sup> Lake 2016

<sup>42</sup> Búzás, 2018

## **Plan of this project**

This book uses a variety of methods to address the two questions I pose above. I study the design of international trade agreements both theoretically and empirically.

Chapter 1 develops a behavioral theory of institutional design. The theory explores the role of the group in understanding individual behavior. Much like rational-choice extends the expected utility individual to understand state behavior, I extend the individual (officials) who has socio-tropic preferences to understand state behavior. I expect individuals will trust in-group states more than out-group states because of the expected similarities from in-group states.

Chapter 2 tests my theory of institutional design on one form of racialization, geographic region. Using the United Nations geographic regions index, I test the role of race on the design of international trade agreements for two forms of institutional flexibility. I find support for my hypotheses that states will design more favorable agreements with states that are part of their racialized in-group than states part of their racialized out-group.

Chapter 3 tests my theory on another form of racialization, the census. Scholars note that the census is a racial project, where governments count populations on their own terms.<sup>43</sup> For the purposes of this project, census data captures the both racial and ethnic groups of a state in a way that geographic region does not. Using a Euclidean distance measure, I find partial support for my hypotheses that in-group states will design different agreements with one another.

Chapter 4 moves away from the quantitative analysis to explore the mechanisms underlying in-group trust. Using speeches from officials in the EU Commission, I show how EU officials discuss central and eastern European states differently than African, Caribbean and Pacific states (ACP). Although preliminary and exploratory, I do find consistent patterns in how officials refer to the different states.

Chapter 5 summarizes and concludes my analysis. While I test my theory in the context of international trade agreements, I argue we can extend the analysis group identification to other areas of international relations. Understanding how states are incorporated into institutions (or not) can help us to further understand international inequality.

---

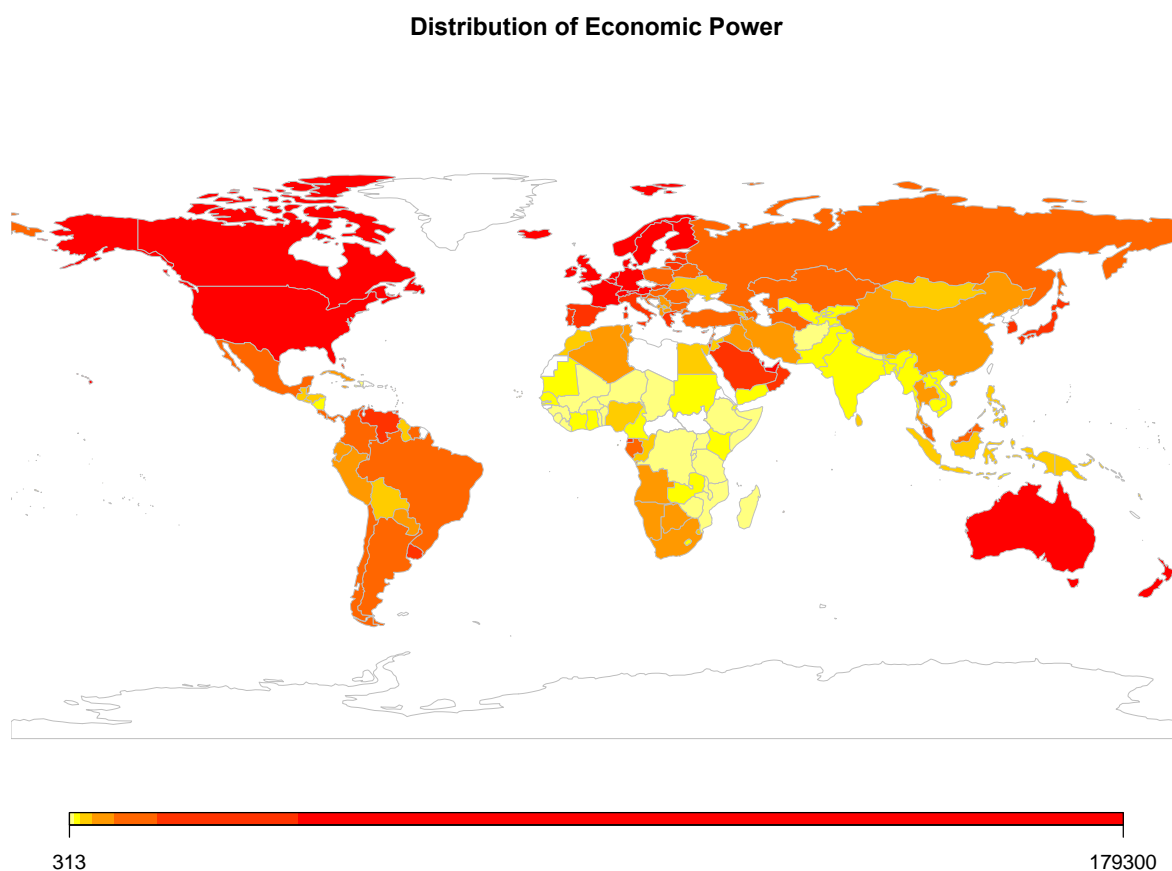
<sup>43</sup> Posel 2001

## Chapter 1: Race, Identity, and Trust

THE PROBLEM of the twentieth century is the problem of the color-line,—the relation of the darker to the lighter races of men in Asia and Africa, in America and the islands of the sea.<sup>44</sup>

The quote above is from the second chapter of one of the most influential books in sociology, *Souls of Black Folk*, from W.E.B DuBois in 1903. In this quote, DuBois refers to the global colour line where the distribution of power is concentrated in European and western countries, at the expense of other regions in the world.

Figure 1.1 2014 GDP per Capita



Fast forward to 2014 (the latest year in my dataset) the global colour line still persists. For example, 60% of the countries on the UN Security Council (the United States, the United Kingdom and France) represent 17% of the world's population.<sup>45</sup> And as we can see in Figure

<sup>44</sup> DuBois 1903

<sup>45</sup> United Nations Population Division. <https://esa.un.org/unpd/wpp/>

1.1, economic power is still distributed unequally. The countries in red have the highest GDP per capita in 2014, and the yellow countries have the lowest GDP per capita.<sup>46</sup> The richest states are concentrated in Western Europe and North America, while the poorest states are concentrated in Africa and parts of Asia. What accounts for these differences? I argue that the enduring relationship between race and underdevelopment between states, and in some cases within states may be the result of the discriminatory agreements that states design with one another.

Currently, the most convincing testimonial about the growth of inequality and the erosion of the welfare state exists in comparative politics; naturally, the literature emphasizes the role of domestic politics.<sup>47</sup> I offer another possible explanation that can explain this divergence that incorporates international factors. Namely, the varying ability of governments in OECD and LDCs to compensate losers has to do with international factors; specifically, trade agreements that powerful states sign with states that are part of their in-group differ in significant ways when compared to the agreements they design with states that are part of their out-group. The types of agreements that powerful states design with other states influences how much market access they receive, and in turn, how much the other states in the agreement can hope to gain from liberalization efforts. In general, states use the revenue from greater market access to redistribute to those who routinely suffer in the age of globalization. When powerful states limit access to racialized out-groups by including more flexibility provisions, this influences the degree to which some states can effectively “develop”. Therefore, interstate inequality may also play a role in intrastate inequality.

In this chapter, I introduce a behavioral theory of international trade agreements. Rather than centering on economic factors such as sectoral interests and state capacity, I focus on the role of identity to understand how states design international trade agreements. I argue that states will design less flexible agreements with in-group states due to a greater willingness to accept vulnerability and risk.

---

<sup>46</sup> World Bank Data. <https://data.worldbank.org/indicator/NY.GDP.PCAP.CD>

<sup>47</sup> A notable exception to this is Wibbels (2006), where he argues that developing countries are more constrained by international factors than their OECD counterparts, which influences government expenditures.

### ***A New Explanation: The Design of International Trade Agreements***

The World Trade Organization (WTO) is the international organization that is responsible for the maintenance of international trade. One of the key principles of the WTO is the gradual opening of borders, which includes lowering trade barriers.<sup>48</sup> While the WTO oversees international trade, countries implement and conduct trade with one another by signing trade agreements. A preferential trade agreement (PTA) is one example of an agreement that states sign with one another. A PTA helps to set the terms of trade for countries trying to get preferential access into each other's markets. While the principle of non-discrimination underpins the existing trade regime, PTAs grant discrimination by allowing for preferential access to state markets. PTAs reinforce existing terms of globalization by further opening borders to goods and services. Therefore, I look at how international factors, in the form of trade agreements, can account for the divergence in welfare-state provision and inequality for LDCs.

Developing countries are more vulnerable to the international trade regime and have more to lose if they renege on the terms of the agreement.<sup>49</sup> Therefore, the implications of these agreements are two-fold. First, labor groups in LDCs less likely to mobilize for protections in the first place for fear of job security. Second, governments in LDCs have less incentive to redistribute wealth to the poorer segments of the population because they are more dependent on the larger countries and want to maintain market access.<sup>50</sup>

### ***Building My Theory of Institutional Design***

Higher levels of trust among racially comparable states cause racial in-groups to be more vulnerable with one another in order to receive the gains from trade. The design of these agreements can constrain governments in how they remedy the losers of trade, however, because it places limits on how governments can liberalize as well as how much access they get into larger markets. In their seminal work, Koremenos and colleagues introduce a framework for understanding institutional design. Their framework includes five components: membership rules, scope of issues covered, centralization of tasks, rules for

---

<sup>48</sup> WTO. What we Stand For. [https://www.wto.org/english/thewto\\_e/whatis\\_e/what\\_stand\\_for\\_e.htm](https://www.wto.org/english/thewto_e/whatis_e/what_stand_for_e.htm)

<sup>49</sup> Mosley 2003

<sup>50</sup> O'Brien 2011

control, and flexibility.<sup>51</sup> Each aspect of institutional design is important for how states achieve their goals.

### ***Social Identity Theory***

I deduce my hypotheses from social identity theory (SIT), an analysis of the role of the self-conception in group membership, group processes, and intergroup relationships.<sup>52</sup> Social identity theorists examine how groups help individuals to see and understand the world around them, and in turn shapes behavior. Most broadly, social identity is an individuals' knowledge that he belongs to certain social groups together with an emotional and value significance to him of his group membership.<sup>53</sup> Therefore, individual decision-making is the result of their social identities.

Individuals strive to achieve or maintain positive social identity and positive social identity. The development of this social identity is based to a large extent on the favorable comparisons that can be made between the group, and the in-group must be perceived as positively differentiated from the outgroup.<sup>54</sup> The greater the differentiation between groups, the more solidified the group identity. The aim of the differentiation is to maintain or achieve superiority over an out-group on some dimensions. SIT helps explain different in-group and out-group sentiments such in-group bias, prejudice, discrimination, ethnocentrism, stereotyping, inter-group conflict, and group cohesiveness among other things. The theory helps describe why individuals treat perceived in-group members differently than out-group members and how people tend to discriminate in favor of their own group.<sup>55</sup>

SIT is an ideal theory for my analysis because it allows cross-national comparisons across different countries. A key component of social identity theory is that individuals create these identities in relation to another group. Groups create and solidify their identities by also defining what the other group is not. Below, I review a few of the implications—in-group bias, ethnocentrism, and stereotyping—because these are particularly important to understanding interstate interaction.

---

<sup>51</sup> Koremenos, Lipson and Snidal (2001). *The Design of International Institutions*

<sup>52</sup> Hogg 2006 111

<sup>53</sup> Hogg et al, 2004

<sup>54</sup> Tajfel and Turner, 1979

<sup>55</sup> Hogg 2006; Brown 2000; Fiske 2000; Brewer 1999; Tajfel 1982; Tajfel et.al,1971; Tajfel and Turner 1986

***In-group Bias:*** In-group bias is the preference of your group relative to other groups.<sup>56</sup> In-group bias is necessary for strengthening the cohesiveness of a group, and in fact it is a characteristic feature of human beings.<sup>57</sup> While a feature of the minimal group paradigm (MDG), SIT can explain why individuals prefer to maximize relative differences between groups even at the expense of in-group gain and feel good about that discrimination.<sup>58</sup> Several studies have explored the mechanisms behind in-group bias. First, the process of placing individuals into groups helps individuals to classify and order the world around them.<sup>59</sup> Another factor of SIT emphasizes the need for an individual's positive self-esteem, which becomes reinforced through identification of a group.<sup>60</sup> Lastly, once individuals place themselves into groups they are more likely to see other out-groups as homogenous and conversely, become increasingly aware of the distinct features of their groups.<sup>61</sup> The presumed prestige of the in-group has important implications on the group members in terms of how they will behave toward those in other groups.<sup>62</sup> The preference that in-group members have toward one another will make them treat in-group members more favorably. This favorability will often lead to discriminatory behavior toward out-group members.

***Ethno-centrism:*** Ethno-centrism describes behaviors where one's group is placed at the center of analysis and understanding, while all others are scaled and rated with reference to it.<sup>63</sup> Placing one's group at the center of the analysis usually leads individuals to view their own group as superior and viewing other groups negatively.<sup>64</sup> In ethnocentrism, the group of interest is the nation and recently, scholars have pointed to the fact that consumers might prefer domestic goods being that helps towards the well-being of their country.<sup>65</sup> This example helps to illustrate the willingness to accept risk on behalf of in-group members. This finding highlights the role of the group in decision-making, even if buying domestic goods may be more expensive. Ethnocentrism has a strong cultural

---

<sup>56</sup> Brewer 2008; Tajfel, 1979

<sup>57</sup> Muellen, Brown and Smith 1992

<sup>58</sup> Brown 2002

<sup>59</sup> Doise, 1978

<sup>60</sup> Tajel and Turner 1986

<sup>61</sup> Muellen 1983; 1987

<sup>62</sup> Muellen, Brown and Smith 1992

<sup>63</sup> Hammond and Axelrod 2006

<sup>64</sup> Lantz and Loeb 1996

<sup>65</sup> Balabanis and Diamantopolous 2008

component, where the presumption that group members share norms and obligations help to regulate their good behavior.<sup>66</sup>

***Stereotyping:*** To engage in stereotyping means to attribute a particular set of characteristics to members of certain groups and to develop theories regarding how and why certain groups behave the way they do.<sup>67</sup> Widespread examples of this include that Africans are lazy, Latinos are thieves, Muslims are terrorists, and Asian Americans are unassimilable. These stereotypes function as expectations toward members of an out-group. As a result of these expectations, motives and actions are not judged based on individual actions but rather on how people think the individual should behave given their group identity. An observable implication is that members are more likely to attribute negative in-group behavior to the situation at hand and negative out-group behavior to stable group identity.<sup>68</sup>

In-group bias, ethno-centrism, and stereotyping are important implications of group identification. Individuals connect with members of their in-group because they strive to maintain positive perceptions of themselves. These positive feelings are largely derived from favorable comparisons between the in-group and out-group members.<sup>69</sup> Group identification happens when the “We” manifests itself into the “I.” Then the characteristics of the “I” becomes the characteristics of the “We.” These concepts and characteristics are mutually reinforcing. These positive attributes can include fairness and goodness. This group identification tends to lead to feelings of positively valued distinctiveness and feelings of superiority.<sup>70</sup> An observable implication of this group identification is that individuals tend to expect “good” behavior from in-group members and “bad” behavior from out-group members. These perceptions and feelings toward in-group members will lead to higher levels of trust which will influence levels or cooperation.

I define trust as a psychological state comprising of the intention to accept vulnerability based upon feeling of optimism in the intentions or behavior of another.<sup>71</sup> Because in-

---

<sup>66</sup> Kramer et al, 2001

<sup>67</sup> Hilton and Von Hippel, 1996

<sup>68</sup> Kramer et al, 2001 181

<sup>69</sup> Tajfel 1979; Brown 2000

<sup>70</sup> Hewstone, Rubin and Willis 2002

<sup>71</sup> Rousseau et al, 1998

group states are more likely to trust one another, they will be more willing to take risks. In the case of trade agreements, this trust comes in the form of opening markets to foreign products, which leaves domestic populations vulnerable to competition. This definition of trust suggests that leaders of a state are willing to take a risk because they view the other party as more favorable. Therefore, we should expect to see trade agreements with in-group states to be less flexible, this has the effect of allowing for the import of foreign goods at the expense of their domestic population. The collective identity of the group, is enhanced when smaller states achieve favorable terms of trade, and a better chance to develop. This runs contrary to a rational-based trust, which relies on information in a cost-benefit analysis in order to make a decision.<sup>72</sup>

In this project, I explore *particularized trust*—a trust in others who are like us, based on a shared race, language, or ethnicity—and how it influences the design of international trade agreements. Particularized trust creates and reinforces trust within groups because it helps to establish faith in one's own kind while, others are perceived to be untrustworthy and suspicious.<sup>73</sup> I assume that particularized trust operates at the interstate-level where policy-makers will be more willing to cooperate with those in their racialized in-groups than their racialized out-groups.

The relationship between trust and cooperation is well documented in existing literature. Trust is necessary to alleviate the prisoners' dilemma game in international institutions. Trust helps people to manage uncertainty and risk while distrust, impedes cooperation.<sup>74</sup> While institutions can help facilitate trust, initial trust can make the formation of the institution easier, as well.<sup>75</sup> Trust can help reduce uncertainty, and in-group identification allows for general good feelings about behavior, which will shape how much states will be willing to cooperate with one another. These positive feelings exist because individuals identify with members of their group, who they perceive as sharing similar values, and it helps to reinforce positive feelings of themselves. Unlike in-groups, when someone identifies another as a member of an out-group, this becomes a source of uncertainty because out-group states are perceived to be unlike them. Because group-

---

<sup>72</sup> Rathburn 2011

<sup>73</sup> Ulsaner 2013

<sup>74</sup> Tanghe et al, 2010

<sup>75</sup> Rathburn 2011

identification is relative, out-group's members are more likely perceived as *worse than* in-group members. Race is the strongest determinant of group identification because it phenotypical differences prescribe meaning to people.<sup>76</sup> Therefore, we should expect the implications of SIT with regard to racial identification to be the strongest.

The implications of group identifications are as follows, if an individual identifies with a group, then the individual has high self-esteem and emotional value as the result of their knowledge of being part of that group. Therefore, they will act to maintain the self-esteem and emotional value. We should expect in-group members to trust each other more relative to out-group members because they are governed by similar principles and values which regulate good behavior and bring them together to live by a certain moral conduct. This moral conduct is a source of their cohesion and the willingness of groups to engage in that trust is further strengthened when their group identity is made more salient.

### ***Constructivism***

Before delving into my argument and research design, it is worthwhile to discuss why I chose one theoretical framework over another, namely constructivism. In mainstream IR theory, constructivism is the framework that seriously takes into account the role of identity. Constructivists emphasize the role of norms, standards of appropriate behavior toward actors within a given *identity*, and the process by which norms matter for behavior.<sup>77</sup> One of the implications is that people (and states) are going to treat friends differently than their enemies. Constructivists also acknowledge that states themselves have different kinds of identities, such as democratic, status-quo, or rogue states. If we incorporate constructivism with SIT, we should expect members of a certain identity to have different standards of behavior toward states depending on their different identities. However, unlike SIT, constructivists do not have clear prescriptions or mechanisms for how states will interact as a result of group identification. Constructivists are primarily concerned with the process and change in international relations rather than clear implications of group identification. Constructivists also have more optimistic notions on the implications of group identification because the process of norm diffusion should

---

<sup>76</sup> Williams 2001

<sup>77</sup> Wendt 1992

lead states to change their behavior, usually for the better.<sup>78</sup> This project argues that the racial identity of nation-states will lead to different expectations of appropriate behavior that will shape trust—which is clearly outlined in existing SIT scholarship. I use these clear predictions to understand how states will design trade agreements. Using SIT allows me to make cross-country comparisons across different groups.

## Argument

### Table 1.1 Summary of My Argument

Table 1.1 is the summary of my argument. I expect a states' racialized identity to matter for how states design international trade agreements. I argue that powerful states will design less flexible agreements with in-group states because of particularized trust. Powerful states are more likely to trust in-group states, thus making their domestic groups more vulnerable to foreign goods in their domestic markets. The willingness to accept risk on behalf of their in-group states at the expense of out-group states will help in the development of in-group members through better incorporating them into the world economy.

Group Identification	Flexibility	Why?
<b>In-group</b>	Less Flexible	<b>Higher levels of trust:</b> Powerful in-groups willing to accept more risk and vulnerability and will include less options for escape (less escape clauses), and defer to the rules of multilateral institutions (less bilateral rigidity), which do not directly reflect their interests
<b>Out-Group</b>	More Flexible	<b>Lower levels of trust:</b> Powerful out-group less likely to accept risks and will include more options for escape (more escape clauses) and include rules that are <i>different</i> than multilateral institutions (more bilateral rigidity), which are more likely to reflect their interests.

### *Alternate Explanations*

I pit my explanation against two existing accounts of international trade: rationalists expect information to determine institutional design, while liberals expect that competing sectors,

<sup>78</sup> Finnemore and Sikkink 1998; Simmons 2009

economic power, domestic interests and institutional capacity will influence institutional design. For example, existing explanations would predict that the EU would have higher levels of cooperation with states such as Chile, South Korea, and South Africa because of the stability of those countries institutions and their economic power. As I argue, however, these agreements are quite flexible and reflect lower levels of willingness to cooperate and more provisions regulating trade such as the inclusion of rules that allow for restrictions to liberalization, since the interests of the powerful states are more represented in the agreement itself.<sup>79</sup> On the other hand, EU agreements with Croatia, Georgia, and the Czech Republic—states with less stable institutions and smaller markets—are less flexible and reflect a willingness to truly liberalize and open borders to goods.

### ***Rationalism and Uncertainty***

According to rationalists, states design institutions to pursue their interests. Institutions provide information, lower transaction costs, and reduce uncertainty.<sup>80</sup> States design institutions with these goals in mind. The variation in agreements reflects how and to what extent these goals can be achieved. States also will design institutions to help facilitate compliance. Rationalists contend that there is institutional variation because states know what they want from these institutions and design institutions accordingly. For rationalists, preferences are exogenously given.

A rationalist explanation emphasizes the role of uncertainty and information in agreements. If the rationalist argument is correct, we would expect joint and/or overlapping membership in international organizations and institutions to influence various aspects of institutional design. As states gain more information about others through joint membership, it helps reduce uncertainty and increase expectations of compliance.<sup>81</sup> Joint membership in international institutions should lead to less flexible trade agreements because of reduced uncertainty. Therefore states should be more willing to truly liberalize and not include additional provisions governing trade. Following this argument, when states receive information about each other through existing institutions, this will affect institutional design, regardless of identity. Much depends on the kind of information received.

---

<sup>79</sup> This is an assumption that I make throughout. Trade agreements reflect the interests of the powerful state.

<sup>80</sup> Keohane 1984

<sup>81</sup> Gray 2009; Checkel 2005

### *Liberalism: Domestic Politics and Institutional Capacity*

Liberal explanations of institutional design focus on sector interests and state capacity. The first set of liberal explanations focus on the role of domestic politics in the design of trade agreements. International trade impacts sectors and industries differently. Trade groups will mobilize for governments to sign agreements in general and lobby for agreements that offer sectorial protections. Import and export competing sectors play a significant role in how states design trade agreements. Import-competing sectors will prefer more flexibility in trade agreements because they want to be protected from exogenous shocks in the international market. Export-competing firms lobby against flexibility because it allows other states to discriminate against their goods in the case of an exogenous shock. This impacts their ability to compete in the international markets.

Existing literature finds that if import-competing lobbies dominate, then one should expect flexible agreements, and if export-competing firms dominate, then we should expect more rigid agreements.<sup>82</sup> Due to competing interests, liberals focus on domestic politics to explain institutional variation.

Other liberal explanations expect the presence of strong institutions to matter for how states design international institutions. Strong property rights are a form of institutional capacity because they stipulate the rules and procedures of economic exchange. Secure property rights also serve as a credible signal of sufficient state capacity to follow the terms of the agreement. While on average, democratic institutions have stronger and more secure property rights, there are authoritarian regimes with strong property rights such as China; simply measuring levels of democracy does not suffice.

I use the quality of government institute dataset to measure institutional strength in terms of property rights. Country A will have lower expectations to fully liberalize if Country B weaker property rights, which should lead to more flexible agreements. If Country B has stronger property rights, higher expectations to fully liberalize, which should lead to less flexible agreements. Institutional capacity will influence how vulnerable states are willing to be. In Table 1.2, I summarize my theoretical predictions in addition to competing explanations.

---

<sup>82</sup> Baccini and Durr 2011

**Table 1.2 Summary of Hypotheses**

<i><b>Institutional Design</b></i>	<i><b>Social Identity Theory</b></i>	<i><b>Rationalist Explanation</b></i>	<i><b>Liberal Explanations</b></i>	<i><b>Institutional Strength</b></i>
	In-group/Out-group Trust	Joint Membership in Organization	Import versus Export-Competing	<b>Strength of Property Rights</b>
<b>Flexibility</b>	In-group: less flexible	Joint membership high: less flexibility	Export Dominant: Less flexible	<b>Weak: More Flexible</b>
	<b>Out-group: more flexible</b>	<b>Joint membership low: more flexibility</b>	<b>Import dominant: More flexible</b>	<b>Strong: Less Flexible</b>

***Research Design***

I use a large-N analysis of over 600 preferential trade agreements to understand the role of race and identity in institutional design. I construct an in-group variable measure with 200 countries and over 300 corresponding race and ethnicity categories. I build on the Design of Trade Agreements (DESTA) database created by Leonardo Baccini, Andreas Dur, Mansfred Elsig and Karolina Milewicz to construct my in-group variable measure.<sup>83</sup> This dataset covers a variety of preferential trade agreements between 1947 and 2013. The authors code the content of the agreements along several dimensions, such as technical barriers to trade, intellectual property rights and competition. They also code for the institutional design variables of depth and flexibility. I use treaty dyads to construct my in-group/out-group variable. I complement my large N analysis with a qualitative case study of trade agreements in the European Union.

***Dependent Variable: Institutional Flexibility***

I use institutional flexibility as a way to measure differences in institutional design. Flexibility is arguably one of the most researched aspects of institutional design, ranging from trade agreements to environmental agreements. Flexibility refers to how the institution can accommodate new rules and procedures. I expect preferential trade agreements with in-

<sup>83</sup> The Design of Trade Agreements (DESTA) Database  
<http://www.designoftradeagreements.org/www.designoftradeagreements.org/index.htm>

group members will be less flexible because they will include fewer options for escape. This is because they reflect a true willingness to cooperate in terms of how much states want to liberalize. The literature has not reached a consensus in terms of the optimum levels of flexibility. On the one hand, greater flexibility can help facilitate economic growth because it can better accommodate the changing nature of the trade regime.<sup>84</sup> For example, early modern European institutions that could accommodate change benefited from new commercial opportunities, which led to growth.<sup>85</sup> On the other hand, too much flexibility can lead to adverse consequences because states are not constrained in their behavior.<sup>86</sup> I conceptualize flexibility as intentional miscalculation. If the international trade regime is about ensuring that states open their borders to foreign goods and services, then flexibility mechanisms allow states' to renege on the terms of those agreements. Rather than thinking about flexibility being used in times of emergency, I argue they reflect expectations of cooperation. Depending on the identity of the states, they will need more options for escape than others.<sup>87</sup> Therefore, I suggest what it means to cooperate for the sake of signing the agreement may actually hamper cooperation for the actual terms of trade.

I distinguish between two kinds of flexibility mechanisms to test how racialized trust influences the design of preferential trade agreements. The first kind of flexibility I test is adaptive flexibility, which is best captured by the *number* of escape clauses that an agreement has. Adaptive flexibility allows members to respond to exogenous shocks or special circumstances, while still preserving the terms of the initial agreement.<sup>88</sup> The more escape mechanisms included within an agreement, the more autonomy states have to suspend the terms of their agreements without the risk of losing market access with the states party to the agreement. States that breach the terms of agreements that do not contain these escape clauses are considered to be in violation of the agreement. Below, I briefly explain what these provisions are and how they can be significant for how states interact with one another through economic exchange.

---

<sup>84</sup> Davis 2010

<sup>85</sup> Grief 2006

<sup>86</sup> Pelc 2016

<sup>87</sup> *Ibid.*, 16

<sup>88</sup> Koremenos et al, 2003

1. *Suspension of Tariffs for Balance of Payment Problems*

Balance of payment difficulties arise when a country imports more goods, services, and capital than it exports. As a result of balance of payment problems, states can potentially go into debt because governments must borrow to pay for their imports. This debt can curb economic growth because states may have to make payments to their debtors instead of investing or developing domestic industries to help development. In 1994, the General Agreement on Tariffs and Trade (GATT) allowed for states to apply import restrictions if they are facing balance of payment problems. By placing restrictions on imports, states can attempt to curb a portion of their existing debts.

2. *General Safeguard Provision*

According to the WTO, safeguard provisions are emergency actions with respect to increased imports of particular products where the imports have caused or threatened to cause serious injuries to the importing members' domestic industries.<sup>89</sup> These measures can take the form of import restrictions or an increase in tariffs. Essentially, these safeguard provisions allow governments to protect their domestic constituents in the event of an unfair increase in particular imports from a state, which hurt domestic sectors.

3. *Imposition of countervailing duties*

Under WTO rules, if an importing state can prove that another state has subsidized exports, which make goods cheaper than they actually are, the importing state may retaliate by enacting tariffs on the country's goods. The importing state must prove both that the subsidies are causing injury to a domestic industry and the causal link between the imported industry and the injured domestic industry in order to enact the duties.<sup>90</sup>

4. *Imposition of Anti-Dumping Duties*

Dumping is a situation where the price of a product sold in the importing country is less than the price of the product that is being exported by the other country.<sup>91</sup> Anti-dumping duties are meant to stop the flooding of domestic markets with cheap international goods. In 1994, the GATT authorized an imposition of a specific anti-dumping duty on imports in the case of causing harm to domestic industries.

While the presence of certain escape clauses within the agreement, interpretive flexibility is a measurement that actually captures the content of the flexibility itself. It is an additive measure of certain kinds of provisions which capture the precision of flexibility. It is a measurement of how precise the provisions are when compared to the mandated flexibility already included in the GATT/WTO. The design of preferential trade agreements happens within the existing GATT/WTO regime, which states sign onto. The inclusion of these provisions is

---

<sup>89</sup> WTO Agreement on Safeguards. [https://www.wto.org/english/tratop\\_e/safeg\\_e/safeint.htm](https://www.wto.org/english/tratop_e/safeg_e/safeint.htm)

<sup>90</sup> WTO Agreement on Subsidies and Countervailing Measures ("SCM Agreement"). [https://www.wto.org/english/tratop\\_e/scm\\_e/subs\\_e.htm](https://www.wto.org/english/tratop_e/scm_e/subs_e.htm)

<sup>91</sup> Technical Information on Anti-Dumping. [https://www.wto.org/english/tratop\\_e/adp\\_e/adp\\_info\\_e.htm](https://www.wto.org/english/tratop_e/adp_e/adp_info_e.htm)

*different* than those of the GATT/WTO, which may or may not be less precise because importing sectors have to prove harm. In addition, safeguard levels are determined by the GATT/WTO, which also include special provisions for least-developed and developed countries; these may or may not be included in agreement safeguards. I do not make an argument as to whether or not these provisions are better or worse than those required by the WTO, but rather that their presence means that they are different than the WTO.

Interpretive flexibility measures how precise the agreement is. It measures the parameters of safeguard measures. Preferential trade agreements are designed within the existing WTO rules; therefore, when states design these provisions into their trade agreements, they are including another layer on the institutional design of these agreements. When states include these provision in their agreements, they create and introduce more precise terms (i.e. less flexibility) than those required by the WTO. That is, that these variables are qualitatively then those in the GATT/WTO. It is a count of the following provisions: whether parties agreed on GATT/WTO provision of safeguards; a provision calling for a duration of a safeguard that is different from the GATT/WTO; provision allowing for safeguards during a transition period; provision allowing for safeguard measures on products up to most-favored nation (MFN) duty; the temporary suspension of a duty reduction; a provision on dumping margin that is different than the WTO; and a provision on whether parties developed a common policy on subsidies.

1. *Whether parties agreed on GATT/WTO provision of safeguards;*

Recall from the previous discussion of safeguard provisions that the GATT/WTO allows for general safeguard provisions given that the importing country can prove harm to their own domestic industries. If an agreement includes this kind of provision and a dispute arises, then states must take the disputes to the WTO and leave it up to the dispute mechanism body within the WTO to solve the issues and review the information submitted by the importing state. This provision was included to ensure states do not include grey area measures which restrict liberalization.<sup>92</sup>

2. *A provision calling for a duration of a safeguard that is different from the GATT/WTO;*  
Currently, the WTO states that the maximum duration of any safeguard measure is four years, unless it is extended consistent with the agreements provisions.<sup>93</sup> These terms can only be extended given certain circumstances. The WTO also requires a mid-term review

---

<sup>92</sup> Upon further review, I actually think this corresponds to more flexibility rather than less because this provision was included to stop states from implementing the other provisions. Given the structure of the data, I cannot disaggregate which of these provisions an agreement actually has. For now, I collapse it with the other ones but need to investigate further.

<sup>93</sup> Agreement on Safeguards. [https://www.wto.org/english/tratop\\_e/safeg\\_e/safeint.htm](https://www.wto.org/english/tratop_e/safeg_e/safeint.htm)

for any durations that extend further than three years. By including this provision within trade agreements, the safeguard measure can be fixed because states do not have a third-party arbitrator to determine if the provisions can be extended, thus making it less flexible.

3. *Provision allowing for safeguards during a transition period;*

This provision refers to the presence or absence of transition measures of liberalization efforts that are present within the agreement. Longer transition periods give states more time to adopt different liberalization efforts to put into force (more flexible). Transition measures are particularly important for developing countries because it takes governments more time to implement the terms of the agreement. After the Uruguay round of negotiations, states were given a period of 180 days to adopt the necessary measures; in 2001, eight member states were given an eight-year extension on adopting the terms of the agreement.<sup>94</sup> Otherwise, there are no strict transition measures existing within the institution itself. States are given discretion in applying transitory measures, unless included in the agreement itself.

4. *Provision allowing for safeguard measures on products up to MFN duty;*

The presence of this provision means that states are allowed to discriminate against the goods included in the agreement so long as they meet MFN status. Part of the safeguard measures included in the WTO ensures that states are able to protect their importing sectors by imposing non-discriminatory tariffs on goods coming from other countries.<sup>95</sup> In other words, to be in compliance of MFN status, states must apply special duties and taxes on the imports of *all* countries and not be discriminatory. This provision in the preferential trade agreement means that states have not negotiated terms aside from what is already stipulated by the GATT and WTO and are subject to the same restrictions as other states. The point of having a preferential trade agreement is to have special access to one another's market, and this provision allows for non-discriminatory exclusion of the markets including the states party to the agreement.

5. *The temporary suspension of a duty reduction;*

Another safeguard measure allowed by the WTO is that states may increase imports tariffs, but there are no bounds or guidance as to how the terms can be set.<sup>96</sup> Therefore, when states include these provisions in their agreements they create and introduce more precise terms (less flexible) than those required by the WTO.

6. *A provision on dumping margin that is different than the WTO;*

The WTO does not pass judgment on when states that engage in dumping; instead, the WTO passes laws on how governments can react to dumping. This is called the anti-dumping agreement, where states are allowed to violate two aspects of the GATT/WTO, the first of which is a binding tariff and the second which is not discriminating against trading partners. Anti-dumping means that states can add duties to a particular product for

---

<sup>94</sup> Agreement on Trade Related Investment Measures. [https://www.wto.org/english/tratop\\_e/invest\\_e/invest\\_info\\_e.htm](https://www.wto.org/english/tratop_e/invest_e/invest_info_e.htm)

<sup>95</sup> Technical Information on Safeguard Principles. [https://www.wto.org/english/tratop\\_e/safeg\\_e/safeg\\_info\\_e.htm](https://www.wto.org/english/tratop_e/safeg_e/safeg_info_e.htm)

<sup>96</sup> Technical Information on Safeguard Principles. [https://www.wto.org/english/tratop\\_e/safeg\\_e/safeg\\_info\\_e.htm](https://www.wto.org/english/tratop_e/safeg_e/safeg_info_e.htm)

the exporting country that is engaging in the dumping.<sup>97</sup> The allowable dumping margin instituted by the WTO is 2 percent of the export price of the product; the WTO considers this to be extremely small and insignificant. Once again by including this provision in the agreement, it is more precise (less flexible) than the expectations of the WTO.

7. *Provision on whether parties developed a common policy on subsidies.*

The WTO prohibits the use of subsidies because they can be used to distort the market. The WTO also only covers some goods and not others. While the WTO prohibits subsidies, they recognize the importance of subsidies for the development of industries. The poorest countries, those with a GDP per capita less than 1,000, are exempt from disciplines in increasing subsidies.<sup>98</sup> Developing a common policy on subsidies does not allow for the same degree of variance that the WTO grants, rendering it less flexible.

Institutional flexibility gives governments discretion to amend the terms of the agreement without being considered in breach of the agreement itself. In the case of preferential trade agreements, flexibility means the ability to levy tariffs on goods. As states liberalize their domestic markets, they must pay attention to the needs of their importing sector that can lose from the flow of cheap goods into their markets.

In this project, I explore two kinds of flexibility: First, the number of escape clauses that states can use when faced with exogenous shocks. This measurement merely takes into account the presence of certain provisions; Next, I consider how precise (less flexible) clauses actually are. The WTO itself allows for flexibility as part of the institution itself but the WTO places the burden of proof onto the states to prove that there has been harm to their domestic industries; if this occurs, the WTO decides the appropriate actions.

The WTO also places limits on some of the counter-measures but once again, if the importing state can show harm, it is able to extend the terms of the agreement. By having certain provisions in the agreement, states make the provisions more precise (and thus less flexible), and subject to less open to interpretation by a third party. This is similar to studies that find that large, powerful states prefer to sign bilateral agreements, rather than multilateral ones, because it gives powerful states more discretion.<sup>99</sup> While beyond the scope of this project, it might be interesting to see the different impacts of WTO safeguards versus bilateral safeguards.

---

<sup>97</sup> Anti-dumping, subsidies, safeguards: contingencies, etc.

[https://www.wto.org/english/thewto\\_e/whatis\\_e/tif\\_e/agrm8\\_e.htm](https://www.wto.org/english/thewto_e/whatis_e/tif_e/agrm8_e.htm)

<sup>98</sup> Anti-dumping, subsidies, safeguards: contingencies, etc.

[https://www.wto.org/english/thewto\\_e/whatis\\_e/tif\\_e/agrm8\\_e.htm](https://www.wto.org/english/thewto_e/whatis_e/tif_e/agrm8_e.htm)

<sup>99</sup> Martin 1992

### ***Independent Variable: Group Identification***

My independent variable is a measurement of the extent states share a racial and ethnic identity.<sup>100</sup> I measure group identification in two ways and each analysis corresponds to a different quantitative analysis (chapters 3 and 4). My first in-group variable is a binary variable measurement of whether states party to the agreement share a racialized identity. I use regional data from the United Nations geographic regions classifications.<sup>101</sup> Much like racial and ethnic groups are clustered together within borders, I extend this to the international-level for regions. That is, I expect racial and ethnic groups to be clustered within different geographic regions across state borders. To be as thorough as possible, I go down to the sub-regional level of analysis for a total of twenty-two different regional categories. The two largest regions are West Asia and Eastern Africa, while the smallest region is the Australia New Zealand group. My in-group measure does not categorize countries as “white” or “black” but rather, is a measure of if states belong to the same regional group (hence, in-group).

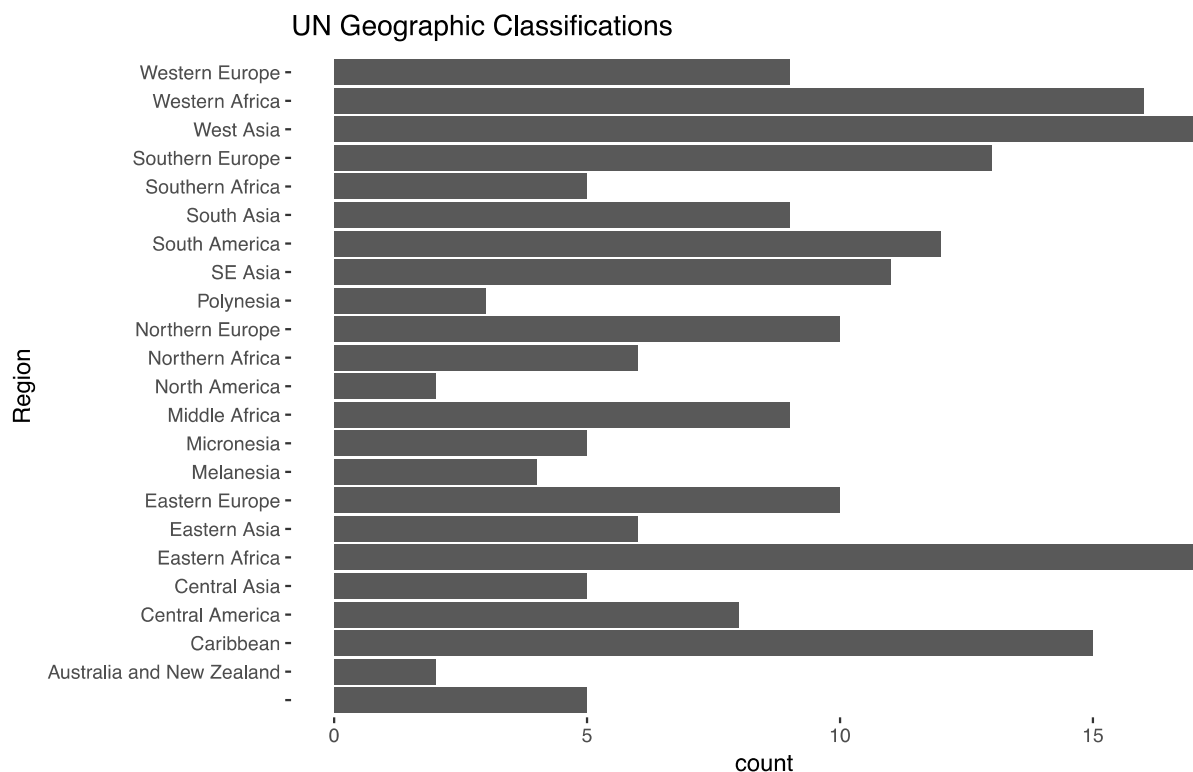
I do collapse some groups into one. For example, while Australia, the United States, France and Great Britain are in different regions (Australia-New Zealand group, Northern America, Western Europe, and Northern Europe respectively), if they share an agreement I code it as an in-group agreement because existing literature categorizes these countries as *white colonial or settler colonial states*.<sup>102</sup> While I acknowledge the limitations and problems of categorizing states along racial lines, I use the rich existing literature to help guide my classifications. An important thing to note is that the observed differences in institutional flexibility of this study between in-groups and out-groups may underestimate the role that race actually plays in economic institutions, a state’s racialized identity may determine whether or not states sign onto an agreement in the first place.

---

<sup>100</sup> I treat race and ethnicity as synonymous because I am primarily interested in the process of racialization.

<sup>101</sup> United Nations Statistics Division. <https://unstats.un.org/unsd/methodology/m49/>

<sup>102</sup> McMachon 2016; Thompson 2012; Silverman et al, 2002

**Figure 1.2 Distribution of United Nations Geographic Regions**

To determine if an agreement is an in-group agreement or an out-group agreement, I take into account the distribution of power among the states that are party to the agreement and dichotomize it. The richer country (or countries), in terms of GDP per capita, will racialize the other countries that are part of the agreement. For example, an agreement between the European Community and Moldova would be coded as an in-group agreement where the EU has the greater bargaining power and Moldova is the racialized state located in Southern Europe. When European states sign onto an agreement with one another, I code it as in-group agreement because many of these agreements serve as a way to enlarge the European Union.<sup>103</sup> Most of the multi-state trade agreements are between already existing regional trade blocs and another state, which makes it easier to dichotomize the states. For example, an agreement between the Association of Southeast Asian countries (ASEAN) and Korea is dichotomized to be an out-group variable because Korea and the countries in ASEAN (Brunei, Cambodia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam) are categorized as belonging to South Eastern Asia; they do not share a geographic region with Korea, which is located in Eastern Asia.

<sup>103</sup> For future projects, I want to argue that EU enlargement is part of a consolidation of international whiteness.

It is important to note why I code the EU and Moldova agreement as an in-group, and the ASEAN and Korea agreement as an out-group. My decisions to code agreements as an in-group or out-groups are not only informed by the regional classifications, but also qualitative evidence. I conceptualize the consolidation and expansion of the European Union as an expansion of an international white identity. Much like Irish and Italians have become white in the United States, precisely because of the power attributed to and with whiteness, I theorize the expansion of Europe in the same way. Certain states are given the opportunity to join the EU and enjoy the power that comes with joining such an institution. A crucial aspect of European identity is its whiteness.<sup>104</sup> This is not to discredit the complexities between European nations, but rather to say that there is a power associated with whiteness unlike any other racial and ethnic group that come together in international institutions.

My second measure of group identification comes in the form of an Euclidean distance measure. Using data from the CIA factbook, I collected data on the race and ethnicity of all countries for the latest year of data in the dataset, which is 2013.<sup>105</sup> Census categories are not static and reflect the contestation between groups and states over time.<sup>106</sup> As a first step, using the most recent year of data underestimates findings because census categories have expanded rather than consolidated over time. If we want to capture the similarity measure between Netherlands and Belgium for example, it would look like this:

$$\begin{aligned} (Netherlands, Belgium) &= \\ \sqrt{(Netherlands_{Dutch} - Belgium_{Dutch})^2 + (Belgium_{Western} - \\ Netherlands_{Western})^2} & \\ \sqrt{(.83 - .01)^2 + (.94 - .08)^2} & \\ \sqrt{1.4} &= 1.18 \end{aligned}$$

Since it is a similarity measure, smaller values mean that states are more similar, while higher values mean that states are less similar (and more dissimilar).

### *Control Variables*

My key independent variables are based on the extent literature on the factors that determine institutional flexibility. First, I log GDP per capita from the World Bank indicators to take into account the economic strength of the countries in the agreement. Next, using polity, I

---

<sup>104</sup> Strath, 2002

<sup>105</sup> In revisions, I will include temporal variation.

<sup>106</sup> Thompson, 2016

include a 12-point scale for measuring the strength of democracy in the countries of the agreement. Then, I use the quality of government (QOG) basic dataset to account for property rights institutions because they signal a credible commitment for economic behavior. Lastly, using Correlations of War (COW), I control for bilateral trade among member states because that influences the importance of states to one another's economy.

### ***Existing Explanations***

In addition to control variables, I run a model that includes measurements of existing explanations. This allows me to test my theory against other explanations that have been established in the literature. I include a measurement for the depth in the trade agreement because studies have shown that there is a positive relationship between flexibility and depth; that is, the more flexible an agreement, the more depth it will have in order help to facilitate cooperation.<sup>107</sup> To measure depth, I include the DESTA database measure of how many issue areas are covered within a specific agreement.<sup>108</sup> Next, using the KOH index of globalization, I include a measure of political globalization. This measurement captures how many international organizations states belong to it as well as the number of international treaties. This measurement captures rational choice explanations that feature the role of information. The more political institutions a state is party to, the more information other states have to reduce uncertainty. International institutions provide the necessary information for states to make their decisions. Lastly, I include a measurement of imports as the percentage of GDP, as studies have shown that different competing sectors will lobby their governments for different terms of trade.

For my analysis, I aggregate over the variables for those agreements that include multiple members; for example, the GDP per capita included in the models are the average GDP of all the members of the agreement. I aggregate over member states to account for the market power of the states included in the agreement. I use similar methods with my other control variables as well. Each measurement is an average— for example, the average number of democracies included in an agreement, and so forth. While most studies used a weighted measure, I do not, because in most cases all states party to the agreements receive similar terms of trade.<sup>109</sup>

---

<sup>107</sup> Baccini et. al, 2011

<sup>108</sup> I include an interaction term between in-group and depth to find if there is a relationship that exists there; where I do not find any significance for the interaction term and therefore, it is not included in overall model

<sup>109</sup> There are some notable exceptions, such as the Lome Convention, where certain states (primarily former colonies in the Caribbean) received preferential treatment.

### *Qualitative Analysis*

In addition to my quantitative analysis, I include a descriptive qualitative analysis of European leaders responsible for trade in the European Union. For my preliminary analysis, I collect fifty speeches from officials in the commission and compare the language used to talk about central and eastern European countries, to the language used to talk about African, Caribbean and Pacific (ACP) countries whom have been part of a series of agreements with the EU since the Yaoundé agreement in 1974. I use the qualitative evidence to explore the underlying mechanisms of in-group trust, which rests depends on the differentiation between groups. Therefore, I expect EU officials to emphasize and accentuate the similarities between central and eastern European and themselves on the one hand, while differentiating themselves from ACP states on the other. My qualitative analysis includes a strong historical component to show demonstrate how presumably de-racialized language in the age of colorblindness is in fact, highly racial.

### **Conclusion**

In negotiating trade agreements, states gauge trustworthiness based on the racialized identities of other states, which shapes the willingness to accept risk that will lead to disparate levels of flexibility. In an era defined by open borders, these agreements exacerbate economic inequalities by limiting a state's capacity to enact social welfare policies that compensate the losers of international trade. I expect powerful states will design more flexible agreements with other states part of their racialized in-group than those with states part of their racialized out-group. My work problematizes the assumption among many international relations scholars that neoliberalism is ahistorical, post-racial, market-driven, and efficient. My work shows how race—given meaning through historical processes such as imperialism, slavery, and colonization—shapes contemporary economic policy in ways that maintain racial hierarchy.

With an introduction of a critical race analysis, we as political scientists can better understand why states interact the way they do in international politics. We can also better understand the relationship between race and poverty because of the different constraints international institutions place on member states. Race is a crucial component of identity because it situates individuals, groups, and countries in relation to each one another and phenotypical differences are highly salient both in terms of race and ethnicity. Domestically and internationally, non-white peoples' disproportionality fall at the lower end of the socioeconomic spectrum. I argue that we can see the persistent role of race in the institutional design of trade

agreements. While trade flows are influenced through a variety of factors, studying institutional design better captures state expectations concerning the overall nature of trade. In Chapter 2, using geographic region as a proxy for race, I quantitatively test my argument.

## Chapter 2: The Role of Race in the Design of International Trade Agreements

Racism influences the design of contemporary agreements and perpetuates international inequality. In this study, I demonstrate how states are prone to design fundamentally different trade agreements with other states that are part of their racialized in-groups, rather than states identified as racialized out-groups. These differences have important implications; the most powerful states in the international system have predominantly white populations. When states discriminate in favor of their in-groups, participation in the international political economy (IPE) is determined. The degree to which a state is incorporated into the worldwide economy ultimately affects its approach to the alleviation of poverty.

Financial institutions and agreements have become a common feature of our international society, largely taken for granted. It is important, therefore, to understand how and why these institutions are designed as they are. The determinants of institutional design have been part of a growing research agenda within the social sciences since the seminal *Rational Design of International Institutions* article.<sup>110</sup> While there are many different explanations and arguments for institutional design, *institutional flexibility* has been at the forefront of this research, in particular for the design of international trade agreements.

Flexibility refers to how institutional rules and procedures accommodate new circumstances.<sup>111</sup> Flexibility can come in the form of trade tariffs, anti-dumping mechanisms, and countervailing duties, which serve to restrict the number of goods coming into a country. Existing literature suggests that institutional flexibility is a net good that helps to facilitate cooperation to allow states wiggle room for unforeseen circumstances to help with the initial signing of the agreement.<sup>112</sup> I conceptualize institutional flexibility as intentional mistranslation, where lawmakers intentionally convey laws which imperfectly reflect norms.<sup>113</sup> All else held equal, states should prefer flexibility in all agreements, but the variation in institutional flexibility suggests that some agreements require more intentional mistranslation than others to facilitate cooperation. The greater the number of flexibility provisions in the agreement, the greater the signal that states could renege on the agreement and erect barriers to trade—without withdrawing from the treaty itself. The terms of cooperation are particularly important for poor states that

---

<sup>110</sup> Koremenos et al, 2001

<sup>111</sup> Ibid

<sup>112</sup> Pelc 2013

<sup>113</sup> Buzas, 2018

want long-term and consistent access to larger markets. The ability of small states to develop depends on their ability to export their goods cheaply on the international market.

Institutional flexibility is a zero-sum game that benefits the larger states in the agreement and disadvantages the smaller states. For example, as larger states erect barriers to trade, less powerful states are closed off from these markets and are unable to sell their goods for revenue. Larger states want legal options of exit through flexibility provisions to keep cheap foreign goods out of their country, for fear of domestic reprieve. While domestic populations may mobilize for protectionist policies for all trade, and in some cases, trade from certain countries (such as labor groups during the ratification of NAFTA), ultimately government officials decide which agreements they have more autonomy to escape from. Therefore, while states design preferential trade agreements for other states to have favorable access to their markets, more flexibility in agreements with out-groups may make the agreement not so preferential after all, especially since higher levels of flexibility can undermine the effectiveness of the agreement to increase trade.<sup>114</sup>

Institutional flexibility reflects expectations concerning the nature of long-term cooperation.<sup>115</sup> The inclusion of flexibility demonstrates the degree to which states expect to close their borders and negate liberalization efforts. This project suggests what can happen members of in-group and out-group states when lawmakers include flexibility in the name of cooperation. For example, when US poultry manufacturers lobby the government for farming subsidies for protection against the unpredictability of market prices, what does this mean for poultry manufacturers abroad?<sup>116</sup> In my argument, that depends on the perceived similarities and differences of the other states party to the agreement and the willingness of leaders to include flexibility provisions in those agreements.

I argue that race is a crucial, yet ignored, factor that shapes expectations of cooperation. The degree of *particularized trust* is key to explaining that relationship. Particularized trust is a higher level of trust granted to in-group members because of shared or similar beliefs and values.<sup>117</sup> Drawing from social psychology and behavioral economics, I argue that certain beliefs

---

<sup>114</sup> Bearce et al, 2016

<sup>115</sup> Pelc 2016. Arguing against conventional wisdom, Pelc suggests that the inclusion of flexibility provisions signals to other the states in the agreement the overall nature of cooperation, rather than an intention to use them in emergencies.

<sup>116</sup> Kucik 2012

<sup>117</sup> Ulsaner 2013

and perceptions formed by the states party to the agreement influence the flexibility of international trade agreements.

States are more likely to trust members of their in-group, and this trust causes states to be more willing to *truly cooperate* with in-group states in terms of liberalization, relative to out-group members.<sup>118</sup> Trust is the intention to accept vulnerability based upon feelings of optimism in the intentions or behavior of another.<sup>119</sup> Because positivity is more likely to be attributed to in-group members, they are more likely to be trusted.

This study builds on the growing literature of the role of identity on economic preferences. Scholars of IPE are paying more attention to the role that *socio-tropic* perceptions and beliefs play in interstate commerce; socio-tropic perceptions and beliefs refers to those beliefs and perceptions that come from considering one's collective identity, rather than centering on the individual. This contrasts with rational-based explanations, which studies show cannot adequately explain human economic behavior.<sup>120</sup> While many explanations in IPE focus on individual-level preferences, there is no reason to believe perceptions about the group cannot also explain interstate behavior. In a recent issue of *International Organization*, scholars stress the need to move from individual to collective decision-making.<sup>121</sup>

It is important to understand how collective-level sentiments such as ethno-centricism, prejudice, sexism, and racism influence behavior at the international level. Politicians have their own biases, which can provide valuable insight into understanding economic policy. For example, in the year 2016, consider the statement made by then-presidential candidate Donald J. Trump:

What can be simpler or more accurately stated? The Mexican Government is forcing their most unwanted people into the United States. They are, in many cases, criminals, drug dealers, rapists.<sup>122</sup>

Politicians are susceptible to the same beliefs and perceptions that inform decision-making as the average citizen.<sup>123</sup> An important, yet largely understudied distinction is that politicians write,

---

<sup>118</sup> By truly cooperate, I mean changing underlying preferences regarding market access. Flexibility provisions actually allow states to sustain preferences while also coordinating policy.

<sup>119</sup> Rousseau Sitkin, Burt and Camerer 1998

<sup>120</sup> Thaler 2017

<sup>121</sup> Hafner-Burton et. (al) 2017

<sup>122</sup> Donald J. Trump just released an epic statement. <http://www.businessinsider.com/donald-trumps-epic-statement-on-mexico-2015-7#ixzz3fF897EIH>

<sup>123</sup> Sheffer et.(al) 2017

draft and prescribe policy. How might the persistence of racist perceptions and ideologies among these politicians influence the design of trade agreements?

I test for the role of race in the design of over six hundred preferential trade agreements from 1947–2014. Building on the Design of Trade Agreements Database (DESTA),<sup>124</sup> I create a treaty-level in-group variable that captures whether states party to preferential trade agreements share a racialized identity; using that data, I distinguish between two forms of institutional flexibility. I find support for my hypotheses that states design more favorable agreements with other states that are part of their racialized in-groups, rather than states that are part of their racialized out-groups. My findings suggest that states expect more consistent and long-term liberalization with states that are part of their racialized in-groups. Trade agreements with in-group states are less flexible and include less opt-out mechanisms for powerful states to renege on the terms of the agreement and erect barriers to trade. Agreements with in-groups also reflect a willingness to work within existing rules of multilateral institutions (e.g., GATT/WTO) instead of including rigid and precise bilateral provisions where powerful states are better able to leverage their power and interests. Powerful states are willing to cooperate long-term with racialized out-groups in so far as they can erect multiple barriers and include precise provisions that reflect their interests.

This project contributes to the existing literature in several ways:

First, differences in institutional design can help us to understand the persistent relationship between race and underdevelopment. States that occupy the “powerful” and “less powerful” categories are often racialized. As powerful states design more flexible agreements with racialized out-groups, they can easily discriminate against their goods, and thus, make it harder for out-group states to receive the gains of trade in strong markets. While scholars recognize that trade agreements can constrain or permit policies that protect domestic constituents from open markets, this literature does not adequately explore the implications of these constraints for development. My work suggests that constraints in the form of institutional flexibility limit how much revenue *some states* (and especially poor black states) can collect from liberalization efforts, which in turn influences whether or not governments can compensate the losers of international trade through the provision of social services.

---

<sup>124</sup> Dur et. al 2014

Second, this project forces scholars to question neoliberal policies that we take as inevitable and natural. Neoliberal discourse around international trade presumes ahistorical, post-racial, market-driven, and efficient policies without acknowledging how these policies came to be in the first place. We ignore how biases and prejudices created our current economic system and the resulting distribution of economic power within it. This project demonstrates how the notion of race—which derived from the historical processes of slavery, colonization, and imperialism—continues to shape interstate commerce by setting the terms of trade.<sup>125</sup> This project re-historicizes our current international system by using ideologies from the past to help explain our current moment.

Lastly, these findings have important implications for understanding the relationship between trade and development. Institutional design matters insofar as it helps us to explain some phenomena we care about. If certain kinds of agreements facilitate greater gains from trade for racialized in-group states, we can shift our focus to more normative and policy-oriented questions such as what institutions we should design in order to help alleviate the highest levels of poverty, especially for non-white states at the bottom of the international power distribution.<sup>126</sup>

### **Trade and Development**

International trade is seen as a cornerstone to development. In 2000, the United Nations passed a set of goals—Millennium Goals—with the purpose of alleviating poverty by the end of 2015. The World Trade Organization (WTO) as an international organization has played a crucial role by helping to set favorable terms of trade in order to better incorporate states into the international political economy. To do as such, one of the key principles of the WTO is the gradual opening of borders, which includes lowering trade barriers.<sup>127</sup> Not only did the WTO grant developing countries preferential term of trade, the WTO also encouraged larger states to form preferential trade agreements with smaller states for preferential market access because of their inferior position in the international political economy and their vulnerability to international markets and shocks. The Lomé Convention(s) are an example of these agreements, where the European Union signed with former colonies in Africa, the Caribbean, and the Pacific

---

<sup>125</sup> Smedley, 1998

<sup>126</sup> Wendt, 2001

<sup>127</sup> WTO. What we Stand For. [https://www.wto.org/english/thewto\\_e/whatis\\_e/what\\_stand\\_for\\_e.htm](https://www.wto.org/english/thewto_e/whatis_e/what_stand_for_e.htm)

after the move for independence.<sup>128</sup> In addition to growth of North-South agreements, there has also been an explosion of South-by-South agreements for smaller states who want to have a greater bargaining leverage with other states in the global North.

Despite the commitment by larger states to bring the least developed states out of poverty, there still exists great disparities in the different development trajectories in the developing world. We have great success stories in China, and to growing extent, India. We have not seen these benefits extend to other parts of the world such as Africa and parts of Central America, however. While much of these differences in development can and should be attributed to domestic factors and weak domestic infrastructures, the ways states incorporate other states is a crucial aspect of development. After all, without the large market for their exports, the Chinese miracle would not be possible. Therefore, it is important to understand how states incorporate others into the world economy. If international trade is seen as the key to development, it requires that other states allow for the free movement of goods and services across borders. It also requires that powerful states do not exploit power differentials to have agreements reflect their interests. For international trade to work, larger states must become vulnerable by opening borders to foreign goods and that vulnerability has not been extended equally, as development rates suggest. The neoliberal trade regime requires states to implement one-size-fits all policies, which call for austerity and less government regulation in order for market principles to take hold as a means of efficiency. The implications of these policies on the developing world are felt two-fold: First, smaller states are encouraged to implement policies that hurt their domestic constituents by the flooding of cheap goods into their markets, such as farmers who rely on their domestic markets for consumption of their goods. These policies also influence the ability of governments to redistribute wealth as tariffs are the primary source of revenue for states in the developing world.<sup>129</sup> Second, power differentials can enable some states to better protect their constituents from the pressures of liberalization. For example, while all states are encouraged to take place in liberalization efforts, the presence of the welfare state in the developed world, accompanied by strong domestic opposition, means developed countries have more option for escape. These pressures always exist, yet states can choose when they will include options for escape in the types of agreements they design with one another.

---

<sup>128</sup> Elgstrom 2000

<sup>129</sup> Rudra 2015

Existing explanations center the role of information and domestic politics on whether or not states include options for escape in the agreements they design with one another. I attribute these differences to racialized identities, however. States make themselves more vulnerable to liberalization based on the identities of other states, and cooperation between states plays out differently due to varying levels of trust.

### **A Behavioral Theory of Institutional Flexibility**

Although largely ignored in international political economy scholarship, a growing body of research recognizes the role of beliefs and preferences to understand trade policy.<sup>130</sup> Unlike neoclassical assumptions, which generally suggest that individuals act in their own self-interest to maximize utility, behavioral economics uses insights from psychology and how people actually are to understand behavior.<sup>131</sup> This is because evidence suggests that individuals have predispositions with regards to trade that are rooted in ethnocentrism and racism. This casts doubt on the assumption that the rational, self-interested individual can, even with complete information, explain all economic decision-making.<sup>132</sup> Much like rationalists extend the rational-individual model to help explain state behavior, I extend the individual who has socio-tropic beliefs, preferences, and a collective-identity to understand state-behavior. Using social-identity theory, I argue that states will design different trade agreements with states that are part of their racialized in-group.

#### *Social Identity Theory*

Social identity theory (SIT) is an analysis of the self-conception in group membership, group processes, and intergroup relations.<sup>133</sup> That is, social identity theory connects the individual to the group. Unlike neoclassical models, SIT can explain why individuals will choose policies which benefit the in-group over the out-group even at the expense of in-group gain. Individuals identify themselves along racial, ethnic, and gender lines, among other salient identities, which help to develop a group consciousness. SIT helps to explain intergroup behavior and why individuals tend to act in favor of their in-group.<sup>134</sup> The theory explains different in-group and out-group phenomena such as in-group favoritism and out-group prejudice, discrimination,

---

<sup>130</sup> Mutz and Mansfield 2009; Bayram 2017; Sabet 2014; Guisinger 2014

<sup>131</sup> Thaler 2016

<sup>132</sup> Kahnman and Tversky 1978; Haftner-Burton et al, 2017

<sup>133</sup> Tajfel and Turner 1986; Hogg 2006

<sup>134</sup> Brewer 1999; Tajfel 1982; Tajfel and Turner 1986

ethnocentrism, and stereotyping that can lead to inter-group conflict. Stereotypes that stem from group identification include: Africans are lazy; Latinos are thieves; Muslims are terrorists; and Asian Americans are unassimilable. An implication from group identification is that individuals tend to associate positive and favorable characteristics to in-group members and negative characteristics to out-group members.<sup>135</sup> The need to see in-group members more favorably is caused by the individual trying to develop and strengthen their own self-esteem.

Individuals identify along social groups but can develop feelings and attachments to a state as well. “State borders are intended to mark the limits of the state as an institutional complex and the primary community of belonging, the nation”.<sup>136</sup> The state is the ultimate form of belonging for the group, and the basis of a collective identity. As Migdal writes, people create barriers through accepting common manners of acting. Race is also an important conceptualization of the nation because without the racialization of alien, there can be no national kin.<sup>137</sup> This speaks to the relative nature of group identification and how understanding the characteristics of the in-group is partially determined by the characteristics of the out-group. If one considers someone of a different race to be an “outsider,” it reveals what race is considered to be an “insider.” Citizens of different states develop these notions of identity through individual existing beliefs, as well as the socio-cultural context around them.

In the case of the United States, what does it mean to identify as an American and what does that mean for how Americans identify with other states? This identification as an American can be hard to define, as studies have shown that racial and ethnic minorities have and continue to feel like outsiders within the United States, which can influence group identification.<sup>138</sup> However, when assessing American institutions, policies, and the distribution of wealth, the United States is a white country.<sup>139</sup> Furthermore, one can argue that the election of Donald J. Trump is a testament to how persistent and strong the identity of the United States as a white nation is.<sup>140</sup> This discussion is to merely suggest that citizens can develop a sense of attachment to the state, much like they can form an attachment and affinity with social groups. Borders represent a

---

<sup>135</sup> Abrams and Hogg, 2006

<sup>136</sup> Migdal 2004; 16

<sup>137</sup> Manzo 1998

<sup>138</sup> Kim, 2003; Muhammed 2010

<sup>139</sup> Thompson 2016

<sup>140</sup> While Trump may have lost the popular vote, the electoral college, an American institution, created a condition where votes from small rural states with predominantly white populations count more than urban areas with higher concentrations of people of color

collective identity and how different collective identities interact with one another is at the heart of international relations. Additionally, existing studies highlight how states identify with one another through a common sense of meaning, and these collaborations shape collective security organizations and the structure of agreements, especially in the white, Western world.<sup>141</sup> These meanings help to solidify intragroup- identity in addition to creating meanings for those not within the group.

A behavioral approach to IPE helps better explain why things happen, rather than how things *should* happen. We know that the strict conditions for the economic man are rarely upheld for an individual, much less at the international level where states are constantly negotiating with one another.<sup>142</sup> The decision-making of groups and individuals is influenced by a range of factors, such as incomplete information, expectations, trust, and emotions.

#### *Trust and Institutional Flexibility*

Agreements with racialized in-groups will reflect a willingness for long-term cooperation because in-groups are more likely to trust one another. Once again, I define trust as, a psychological state comprising of the intention to accept vulnerability based upon positive expectations of the intentions or behavior of another.<sup>143</sup> This definition of trust suggests that leaders of a state are willing to take a risk because they view the other party as more favorable. This runs contrary to a rational-based trust, which relies on information to make a decision.<sup>144</sup> In this project, I explore particularized trust—a trust in others who are like us, based on a shared race, language, or ethnicity—and how it influences the design of international trade agreements. Particularized trust creates and reinforces trust within groups because it helps to establish faith in one's own kind, while others are perceived to be untrustworthy and suspicious.<sup>145</sup> I argue that particularized trust operates at the interstate-level where policy-makers will be more willing to cooperate with those in their racialized in-groups than their racialized out-groups and leaders will include fewer opt-out mechanisms in agreements with racial in-group states, in turn less likely to leverage power asymmetries in the agreements they design with their racialized in-groups.

---

<sup>141</sup> DeConde, 1992; Buzas 2013; Hunt 2009

<sup>142</sup> Elms, 2008

<sup>143</sup> Rousseau, Sitkin, Burt and Camerer, 1998

<sup>144</sup> Rathburn 2011

<sup>145</sup> Ulsaner 2013

The relationship between trust and cooperation is well documented in existing literature. Trust is necessary, for instance, to alleviate the *prisoners' dilemma game* in international institutions. Trust helps people to manage uncertainty and risk, while distrust impedes cooperation.<sup>146</sup> While institutions can help to facilitate trust, initial trust can make the formation of the institution easier as well.<sup>147</sup> Trust can help to reduce uncertainty and group-identification allows for general good feelings about behavior, which will shape how much states will be willing to cooperate with one another. For example, because I *feel good* about this person (who is like me), I am more likely to trust them. These positive feelings exist because individuals identify with members of their group, who they perceive as sharing similar values, and this process helps to reinforce positive feelings of themselves. Unlike in-groups, when someone identifies another as a member of an out-group, this becomes a source of uncertainty because out-group states are perceived to be unlike them. Because group-identification is relative, out-group members are more likely perceived as *worse than* in-group members. Race is the strongest determinant of group-identification, so we should expect race to influence levels of trust.<sup>148</sup>

## Methods

I test my theory on the role of race and identity in the design of international trade agreements by building on the DESTA database created by Leonardo Baccini, Andreas Dur, Mansfred Elsig, and Karolina Milewicz.<sup>149</sup> This dataset covers a variety of preferential trade agreements between 1947 and 2013. They cover over 600 preferential trade agreements for both trade and non-trade issues. Preferential trade agreements have blossomed over time and have been increasingly used to explore the determinants of institutional design as they give preferential market access to those states included in the agreement.<sup>150</sup> I assume that these agreements reflect the interests of the more powerful state, since flexibility mechanisms benefit the larger states in the agreements, while hurting those of the smaller states party to the agreement.<sup>151</sup> Powerful states are more likely to invoke escape clauses because of domestic pressures, and additionally, leverage these

---

<sup>146</sup> Tanghe et.al, 2010

<sup>147</sup> Rathburn 2011

<sup>148</sup> Williams 2001

<sup>149</sup> The Design of Trade Agreements (DESTA) Database

<http://www.designoftradeagreements.org/www.designoftradeagreements.org/index.html>

<sup>150</sup> Pelc 2016; Baccini et.al, 2014; Kucik 2012

<sup>151</sup> Sandberg et. al, 2006. The authors argue that the reason why CARICOM has not been able to pursue economic cooperation is because they are more concerned with remaining open for their European counterparts.

clauses without retaliation.<sup>152</sup> I test for the role of race on two different types of flexibility: adaptive and interpretive flexibility.

*Dependent Variable: Institutional Flexibility*

Flexibility refers to the ability of states to suspend the terms of trade without being in breach of the agreement itself.<sup>153</sup> The primary function of trade agreements is to open up borders to trade and flexibility allows states to legally close their borders under the trading regime. Following existing work on multilateral environmental regimes, this project distinguishes between adaptive and interpretive flexibility. Most of the trade literature focuses on the determinants of adaptive flexibility, which is a count of the number of escape clauses.

Nearly all trade agreements include at least one form of escape clause.<sup>154</sup> These clauses allow members to respond to unanticipated shocks or circumstances, with the goal of isolating a specific problem.<sup>155</sup> Whereas adaptive flexibility refers to unforeseen events, interpretive flexibility grants states discretion in implementing and interpreting agreement rules and commitments.<sup>156</sup> In other words, interpretive flexibility captures how restrictive (i.e. less flexible) the agreement is in terms of which goods are included in agreement as well as how long and when states can invoke safeguard measures to limit trade.

I argue that less flexible agreements mean that states intend to *truly cooperate* in terms of liberalization of trade, instead of invoking escape clauses in order to suspend the terms of trade and restrict market access. States will do whatever they need to in times of emergency, regardless of the rules of institution.<sup>157</sup> The inclusion of safeguards is more about expectations of the nature of cooperation, rather than a concern with times of abnormality. States that intend to fully cooperate with one another should include less opt-out provisions, which make it acceptable to legally cheat and hinder cooperation.

---

<sup>152</sup> Pelc 2009; Mansfield and Busch 1995

<sup>153</sup> Kucik and Reinhardt 2008

<sup>154</sup> Rosendorff and Milner, 2001

<sup>155</sup> Koremenos et al, 2001

<sup>156</sup> Marcoux 2009

<sup>157</sup> Pelc 2016

### *Adaptive Flexibility*

Adaptive flexibility usually comes in the form of escape clauses. Escape clauses are meant to protect the interests of the importing sector as cheaper goods enter markets as a result of the liberalization of trade. As one scholar notes, however, the most widely used form of flexibility, escape clauses are often a blunt measure of flexibility. This suggests a need to examine different forms of flexibility.<sup>158</sup> Escape clauses generally address three areas; general safeguard provisions, anti-dumping provisions, and countervailing duties.<sup>159</sup> Adaptive flexibility is a measurement of the presence of one or more of these escape clauses. I measure adaptive flexibility as a count of the presence of the following four provisions:

- a provision allowing for the suspension of tariff cuts in case of balance of payment problems
- a general safeguard provision
- a provision allowing for the imposition of countervailing duties
- a provision allowing for the imposition of anti-dumping duties

The most flexible agreements will have four escape clauses, while the least flexible agreements will have zero. Because escape clauses present an option for states to escape the terms of the agreement, higher numbers of escape clauses reflect greater options for escape (opt-out) and lower levels of cooperation with the other states party to the agreement.

### *Interpretive Flexibility*

While adaptive flexibility is a count of the number of escape clauses in an agreement, interpretive flexibility is a measure of how restrictive flexibility is, in terms of how precise safeguard measures are. More precise agreements are *less flexible*. Interpretive flexibility captures how precise (i.e. less flexible) provisions are when compared to the mandated flexibility of the GATT/WTO because the design of preferential trade agreements takes place within the existing GATT/WTO regime. The GATT/WTO already has flexibility provisions that can be modified if the importing sector can prove that harm has been done to its industries. These provisions include transition periods, dumping margins, and subsidy polices are different than

---

<sup>158</sup> Marcoux 2009

<sup>159</sup> Kucik 2012

those of the GATT/WTO and in most cases, are qualitatively different than those required by the WTO.

Multilateral institutions are more likely to have institutional arrangements which include non-discrimination and diffuse reciprocity.<sup>160</sup> Multilateral institutions require that powerful states sacrifice a great level of decision-making in order to prioritize long-term cooperation.<sup>161</sup> In the international trade regime, the WTO has prioritized the development of smaller, economically disadvantaged states to become better incorporated into the world economy.<sup>162</sup> The institutional arrangements of multilateral institutions may be different from bilateral agreements, where dominant states can use power differentials to ensure the agreement reflects their interests.<sup>163</sup> For example, in the EU-Vietnam agreement, the EU tariff schedule is 680 pages and the tariff schedule for Vietnam is 197 pages. This suggests that the EU has included a wide number of regulations for a large number of goods. In the case of preferential trade agreements, I am referring to flexibility provisions that dictate how and when states can exercise their autonomy on the terms of trade.

The Canada-Peru free trade agreement is one of the most restrictive preferential trade agreements. Of seven possible provisions, this agreement includes all seven and therefore is a good example of interpretive flexibility. After the Uruguay round of WTO negotiations in 1994—which centered on intellectual property rights (TRIPS)—states had 180 days to apply the new measures. Least-developed states were allowed eight-year transition periods to apply the new liberalization efforts. Developed countries had two years to establish the intellectual property liberalization. Aside from TRIPS obligations, the WTO allowed states discretion in applying transition measures unless these measures were already prescribed within the agreement. In the case of the Peru-Canada agreement, a transitory period is defined as seven years.<sup>164</sup> In this agreement, emergency measures, such as countervailing duties and import taxes, may not be used past this period. These restrictive (less flexible) time measures may cause greater problems for Peru given that lesser developed countries are more susceptible to shocks from the

---

<sup>160</sup> Ruggie 1992

<sup>161</sup> Martin 1992; Ruggie 1992

<sup>162</sup> Burkitbeyera and Kerr, 2015

<sup>163</sup> Kapstein 1992; argues that the United States frustration with the international banking community led them to seek bilateral agreements that would better reflect their interests.

<sup>164</sup> Canada-Peru Free Trade Agreement. <http://international.gc.ca/trade-commerce/trade-agreements-accords-commerciaux/agr-acc/peru-perou/fta-ale/07.aspx?lang=eng>

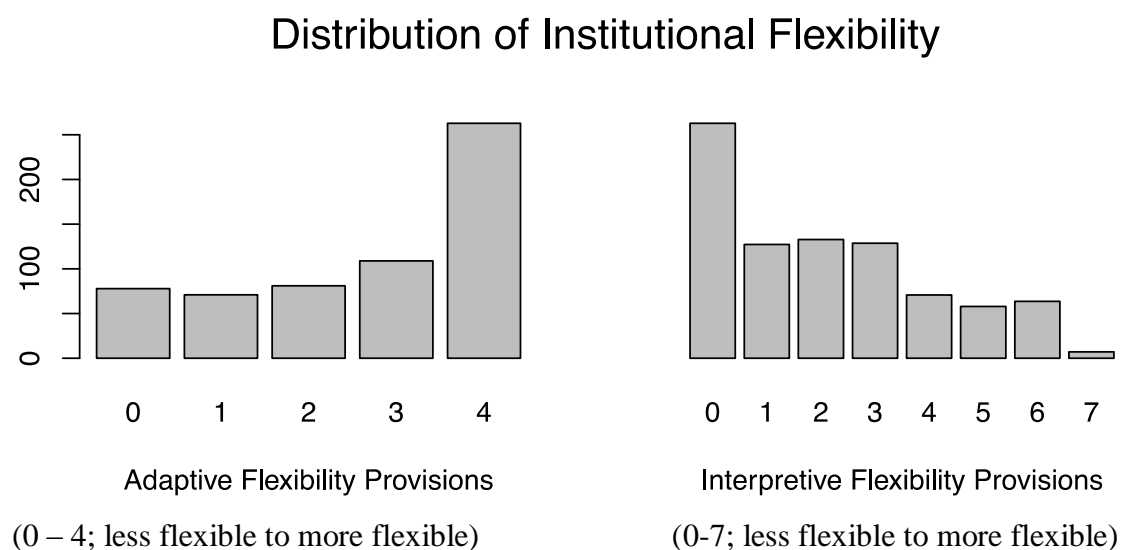
international market and may need to enact protectionist measures in the future.<sup>165</sup> In this case, the precision of the agreement restricts government autonomy in Peru.

I measure interpretive flexibility as a count of the presence of the following seven provisions:

- whether parties agreed on GATT/WTO provision of safeguards
- a provision calling for a duration of a safeguard that is different from the GATT/WTO
- provision allowing for safeguards during a transition period
- provision allowing for safeguard measures on products up to MFN duty
- the temporary suspension of a duty reduction
- a provision on dumping margin that is different than the WTO
- a provision on whether parties developed a common policy on subsidies

By including more of these provisions, states are less likely to defer to the rules of the institution that reflect diffuse reciprocity and will be more restrictive in terms of liberalization, making them less flexible. The greater the number of provisions included in the agreement, the more restrictive institutional flexibility. The variable ranges from 0 to 8 (agreements containing all the restrictions to not having any restrictions at all). For each measure of flexibility, higher values correspond to greater provisions regulating trade (i.e. less flexible to more flexible).

**Figure 2.1 Institutional Flexibility**



<sup>165</sup> Wibbels and Alquist 2011

Figure 2.1 illustrates the distribution of institutional flexibility for over 600 preferential trade agreements from 1947–2013. In both cases, the majority of trade agreements are highly flexible. This suggests that cooperation is tenuous at best, because states maintain their levels of autonomy by the degree they plan to cooperate with the agreement. The correlation coefficient between both sets of agreements is .55, which suggests that both kinds of flexibility move in the same direction, but with considerable variation. This to further emphasize the need to test different kinds of flexibility rather than treating one as a robustness check for one another.

*Independent Variable: In-group*

Individuals create their identities along several dimensions, but in this study, I place the role of race at the center. Following Omi and Winant, I define race as it relates to the existing system, rather than focusing on racist ideas and/or feelings that are not systemic. My emphasis is on the process of racial formation, where social, economic, and political forces determine the content and importance of racial categories.<sup>166</sup>

Race has meaning insofar as it confers to how society is structured. I conceptualize the international system and international institutions as racist because their normal operation results in the distribution of psychological, social, and economic benefits to one racial group over others.<sup>167</sup> The normal operation of our international system is one where Western, white countries continue to benefit at the expense of other countries. When others do so (such as China), it is viewed with suspicion. As W.E.B. DuBois famously articulated, the greatest problem of the Twentieth Century, is the problem of global color line.<sup>168</sup> The processes of imperialism, colonization, and conquest justified the exploitation of non-white bodies for the advancement of white societies, and countries today still operate with those delineations.

The distribution of the economic, political, and social power of states in our economic system reflects a similar “within-states” racial hierarchy, where white (or phenotypically lighter) countries are placed at the top, while countries of color are placed at the bottom of the distribution. This distinction is particularly important when we consider the persistence of anti-

---

<sup>166</sup> Omi and Winant, 1986 pp. 13

<sup>167</sup> Omi and Winant, 1986

<sup>168</sup> DuBois 1903

blackness, since predominantly black states continue to be amongst the poorest nations in the world.

We use terms such as OECD/non-OECD and developed/developing countries, while the countries that correspond to these categories are often racialized. Scholars are quick to point to the success story of Asian countries but studies have shown that China and India are the only states that have closed the gap between developed and developing countries in terms of development.<sup>169</sup> Nevertheless, within-country inequality remains large. The only non-Western states that have a significant share of millionaires are Japan, China, and Korea.<sup>170</sup> Arguably, within Asia these three states form a racial hierarchy themselves, where Southeast Asians are understood to be inferior.<sup>171</sup> While largely ignored in mainstream IR literature, anthropologists, sociologists, and historians have interrogated the ways that race has shaped the international political economy, which continues to this day. A country's racialized identity shapes beliefs and perceptions that determine the level of interest in another state's development; if positive, they will offer true commitment to the other state, but if negative, at best they will sign onto agreements only to save face and reputation.

My in-group variable is a binary variable measurement of whether states party to the agreement share a racialized identity. I use regional data from the United Nations geographic regions classifications.<sup>172</sup> Much like racial and ethnic groups are clustered together within borders, I extend this to the international-level for regions. That is, I expect racial and ethnic groups to be clustered within different geographic regions across state borders. Geographers and anthropologists have long explored the relationship between race and place and how the two are inextricably linked.<sup>173</sup> For example, terms such as the "inner city" and "ghetto" are racialized in terms of who occupies those spaces. The most prominent example in international relations is the use of the term "global South", which has been used to justify differential treatment of people in non-Western regions.<sup>174</sup> Additionally, people from the Middle East, although a region with a multitude of religious groups, has been racialized—especially after 9/11 and the migrant crisis in

---

<sup>169</sup> Milanovic, 2010

<sup>170</sup> <https://inequality.org/facts/global-inequality/>

<sup>171</sup> Suzuki, 2003; Kaltman 2004

<sup>172</sup> United Nations Statistics Division. <https://unstats.un.org/unsd/methodology/m49/>

<sup>173</sup> Inwood and Yarbrough, 2009

<sup>174</sup> Mignolo, 2011

many parts of the region.<sup>175</sup> Geographic regions are often racialized to assign meaning to those groups that occupy the categories. This relationship between space and groups are further supported by the distribution of groups across borders. For example, qualitative evidence in Africa shows that ethnic groups such as the Bantu are spread across Burundi and Tanzania, both states in Eastern Africa.<sup>176</sup>

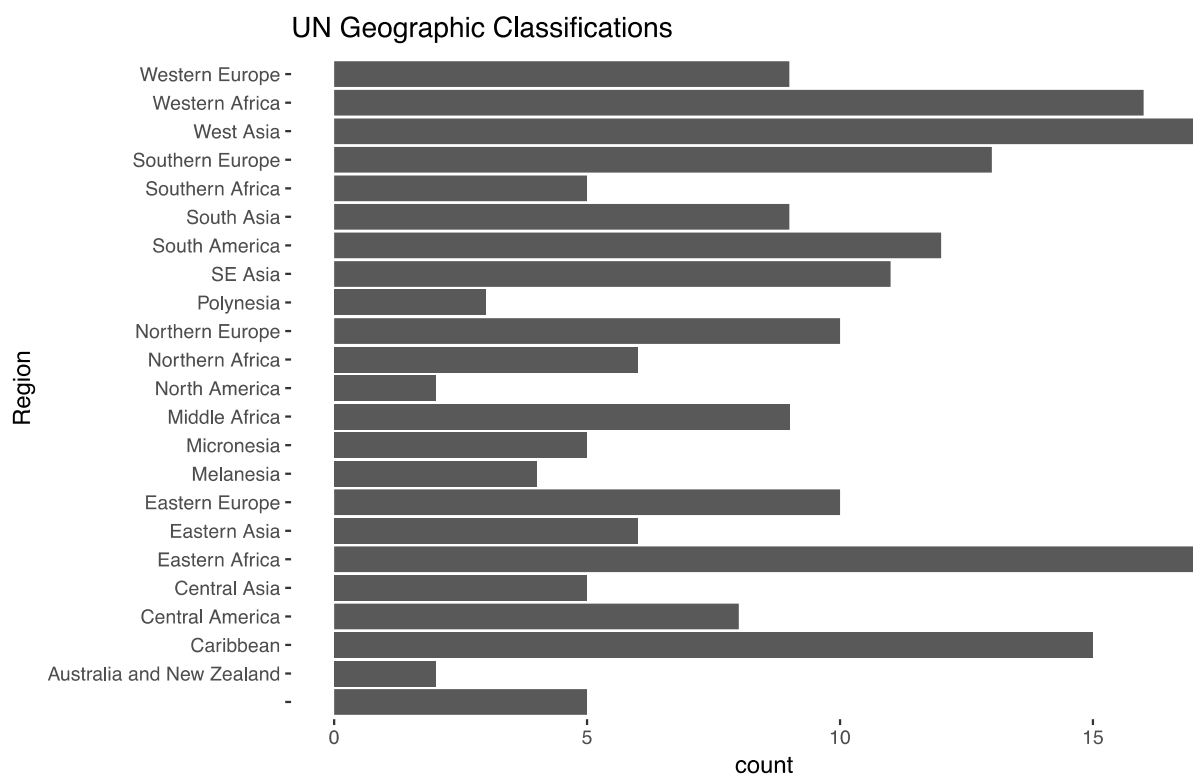
To be as thorough as possible, I go down to the sub-regional level of analysis for a total of twenty-two different regional categories. The two largest regions are West Asia and Eastern Africa, while the smallest region of the world is the Australia New Zealand group. My in-group measure does not categorize countries as “white” or “black” but rather, is a measure of if states belong to the same regional group (hence in-group). I do collapse some groups into one, for example, while Australia, the United States, France and Great Britain are in different regions (Australia-New Zealand group, Northern America, Western Europe and Northern Europe respectively), if they share an agreement I code it as an in-group agreement because existing literature categorizes these countries as white colonial or settler colonial states.<sup>177</sup> While I acknowledge the limitations and problems of categorizing states along racial lines, I use the rich, existing literature to help guide my classifications. Important to note is that the observed differences in institutional flexibility of this study between in-groups and out-groups may underestimate the role that race actually plays in economic institutions, for a state’s racialized identity may determine whether or not states sign onto an agreement in the first place.

---

<sup>175</sup> Volpp 2001

<sup>176</sup> I have also collected ethnicity data for 198 countries, which correspond to 298 different ethnic groups

<sup>177</sup> McMachon 2016; Thompson 2012; Silverman 2002

**Figure 2.2 United Nations Geographic Classifications**

To code an agreement as in-group or out-group, I take into account the distribution of power among the states that are party to the agreement and dichotomize it. The richer country (or countries), in terms of gross domestic product (GDP) per capita, will racialize the other countries that are part of the agreement. For example, an agreement between the European Community and Moldova would be coded as an in-group agreement where the EU has the greater bargaining power and Moldova is the racialized state located in Southern Europe. When European states sign onto an agreement with one another, I code it as in-group agreement because many of these agreements serve as a way to enlarge the European Union.<sup>178</sup> Most of the multi-state trade agreements are between already existing regional trade blocs and another state, which makes it easier to dichotomize the states. For example, an agreement between the Association of Southeast Asian countries (ASEAN) and Korea is dichotomized to be an out-group variable because Korea and the countries in ASEAN (Brunei, Cambodia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam) that are categorized as belonging to Southeastern Asia do not share a geographic region with Korea, which is located in Eastern Asia.

<sup>178</sup> In another chapter, I take into account ethnicity because ethnic groups become racialized as well. While all of Europe may share a racial distinction, ethnicities within the regions are highly contested as well.

It is important to note why I code the EU and Moldova agreement as an in-group, and the ASEAN and Korea agreement as an out-group. My decisions to code agreements as in-group or out-group are not only informed by the regional classifications, but qualitative evidence, as well. I conceptualize the consolidation and expansion of the European Union as an expansion of an international white identity. Much like Irish and Italians have become white in the United States, precisely because of the power attributed to and with whiteness, I theorize the expansion of Europe in the same way. Certain states are given the opportunity to join the EU and enjoy the power that comes with joining such an institution. A crucial aspect of European identity is its whiteness.<sup>179</sup> This is not to discredit the complexities among European nations, but rather to say that there is a power associated with whiteness unlike any other racial and ethnic group that come together in international institutions.

**Figure 2.3 In-Group Identification**

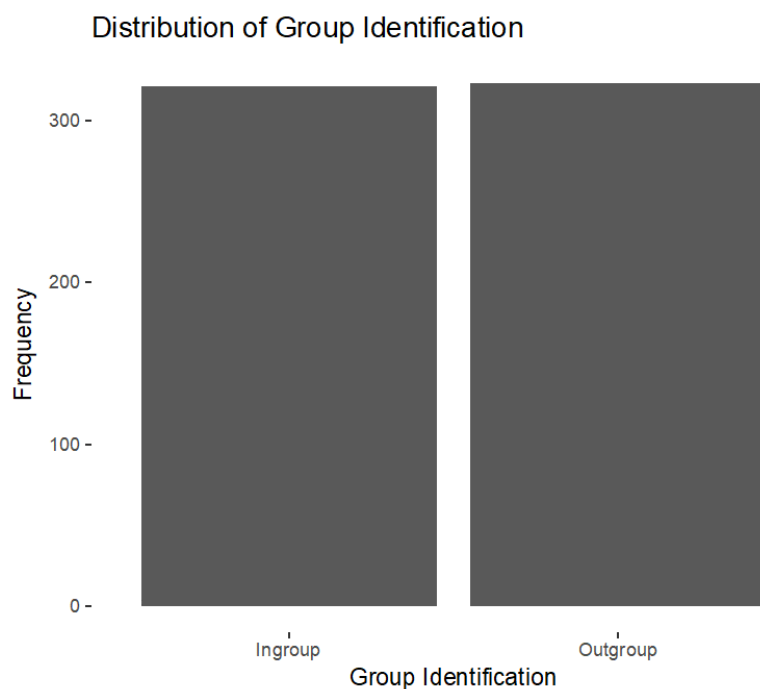


Figure 2.3 is the distribution of group identification after I code the different treaties of the agreement. To reiterate, this is a binary measure where zero corresponds to an out-group, while one corresponds to an in-group. Agreements between in-group and out-group states are equitably

---

<sup>179</sup> Strath, 2002

distributed. Of a total of 644 agreements, 321 are between in-group states and 323 are between out-group states.

### *Limitations*

Although I use geographic region as a proxy for race, there are some limitations to this approach. While I assume that neighboring states are more trusting of one another, there is evidence to suggest otherwise. For example, there is evidence to suggest that increased exposure and proximity to racial out-groups actually leads to higher levels of distrust rather than levels of trust.<sup>180</sup> This observation may be particularly relevant in the Middle East, where ethnic and religious differences actually increase the likelihood of conflict because of their proximity to one another. While this may be true, and garners a case-by-case analysis at the regional level (with the exception of Middle East), states are encouraged by larger trading partners (such as the EU) to form regional trade agreements to help promote cooperation and stability in the region, and not necessarily greater bargaining leverage in trade negotiations. It is argued that this is the case with the Caribbean Community (CARICOM), for instance. Another example is the Central European Free Trade Agreement (CEFTA), which includes Albania, Bosnia and Herzegovina, Moldova, Montenegro, Serbia, and Kosovo.<sup>181</sup> These states are potential candidates into the EU and regional integration amongst themselves are part of the candidacy requirements. The explosion of South-by-South agreements also suggests that states next to each other see more similarities than differences when it comes to economic cooperation.<sup>182</sup> Therefore, while groups that are close to each other might lead to more conflict for security, in the realm of trade, it often leads to more harmony.

### *Control Variables*

My key independent variables are based on the extent literature of factors that determine institutional flexibility.

### *GDP per capita*

---

<sup>180</sup> Dinesen and Sonderskov, 2013

<sup>181</sup> Central European Free Trade Agreement. <http://cefta.int/cefta-parties-2/>

<sup>182</sup> Future iterations will include a cross-reference with various scholars to make sure in-group and out-group categories are accurate.

I log GDP per capita from the World Bank indicators to take into account the economic strength of the countries in the agreement. This measurement is the GDP of the states in the agreement in the year that the agreement was signed. We should expect economic strength to influence the amount of opt-out options included in the agreements. States may want to offer more or less market access depending on the strength of the other states in the agreement.

### *Democracy*

Next, using polity, I include a 12-point scale for measuring the strength of democracy in the countries of the agreement. Higher levels correspond to a stronger quality of democratic institutions. Most literature suggests that democratic institutions are good for trade because they are more secure, stable and reliable than other political institutions. We should expect states to design less flexible agreements with democratic states.

### *Institutional Strength*

I use the quality of government (QOG) basic dataset to account for strength of property rights, because they signal a credible commitment for economic behavior. Stronger property rights should reduce the uncertainty that can impede economic exchange. We expect that states will be more vulnerable and trusting to states with stronger property rights and therefore, less flexible agreements.

### *Bilateral Trade*

Using Correlations of War (COW), I control for bilateral trade amongst member states. Existing trade flows should influence how states design agreements with one another. We should expect states will have less flexibility with states that comprise a larger part of their trade portfolio.

### *Existing Explanations*

In addition to control variables, I run a model that includes measurements of existing explanations. This tests my theory against other explanations that have been established in the literature. I expect race to complement existing explanations that highlight economic variables.

### *Institutional Depth*

I include a measurement for the depth in the trade agreement; studies have shown that there is a positive relationship between flexibility and depth. Therefore, we should expect to see that the more flexible an agreement, the more depth it will have in order help to facilitate cooperation. To measure depth, I include the DESTA database measure of how many issue areas are covered within a specific agreement. This value ranges from zero to seven. Seven represents the greatest levels of depth and zero corresponds to lower depth. We should expect agreements with higher depth to be more flexible.

### *Rational Choice*

Rational based explanations center the role of information. Due to missing data, I test this relationship in two ways. First, I collect COW data on the joint membership in international institutions of states included in the agreement. Higher levels correspond to more overlapping membership in regional or international organizations. Next, I insert a measure of political globalization using the KOH index of globalization. This measurement captures the number of international organizations and international treaties that states are members of. For both measurements, higher values should correspond to more information, leading to an increase in trust and vulnerability and less flexible agreements.

### *Sectoral Interests*

I include a measurement of imports as the percentage of GDP provided by the World Bank. Studies have shown that different competing sectors will lobby their governments for different terms of trade. We expect to see states with imports as a larger portion of GDP to have more flexible agreements because their domestic sectors are more likely to mobilize for policies which protect them from the shocks of the international market. States where imports comprise a smaller portion of GDP should have less flexible agreements.

In my analysis, I aggregate across the relevant variables in those agreements which include multiple members. For example, the GDP per capita included in the models are the average GDP of all the members of the agreement. For instance, the Agadir agreement is a free trade agreement between Egypt, Jordan, Morocco and Tunisia that was signed in 2004. I assume-

Tunisian leaders to have the most power when signing the agreement. The GDP of the Agadir agreement is the average GDP per capita of Morocco, Jordan and Egypt in that year. While most studies used a weighted measure, I do not; in most cases, all states party to the agreements receive similar terms of trade.<sup>183</sup>

**Table 2.1 Summary Statistics**

<i>Variable</i>	<i>Measurement</i>	<i>Source</i>
<b><i>Dependent Variable:</i></b>		
<i>In-Group Identification</i>	Binary (0,1)	UN Geographic Classification
<b><i>Control Variables:</i></b>		
<i>Gross Domestic Product (GDP) per capita (current USD)</i>	<i>Range: 71.59 to 98,397.97</i> <i>Mean: 11,032.19</i>	World Bank
<i>Democracy</i>	<i>Range: -10 to 10</i> <i>Mean: 3.73</i>	The Polity Project
<i>Property Rights</i>	<i>Range: 0 to 100</i> <i>Mean: 54.46</i>	Quality of Government Basic Dataset
<i>Bilateral Trade (current millions USD)</i>	<i>Range: 0 to 37,206.75</i> <i>Mean: 845.54</i>	Correlates of War (COW) Project
<b><i>Competing Explanations</i></b>		
<i>Rational (Koremenos et al, 2001)</i>	<i>Range: 0 to 108</i> <i>Mean: 22.6</i>	Correlates of War (COW) Project
<i>Joint Membership in Regional Organizations</i>		
<i>Sectoral Interests (Kucik 2012)</i>	<i>Range: .01 to 424.81</i> <i>Mean: 40.85</i>	The Polity Project
<i>Imports as % of GDP</i>		
<i>Institutional Depth, (Johns 2012)</i>	<i>Range: 0 to 7</i> <i>Mean: 2.14</i>	Design of International Trade Agreements (DESTA)

Using my data, I test my hypothesis that states will design more flexible agreements with their in-group states.

<sup>183</sup> My inclusion of the Bilateral Trade does take into account trade between states party to the agreement.

## Model

To test the role of race in the design of international trade agreements, I run a beta-binomial model for over six hundred preferential trade agreements from 1947 to 2014. I use the beta-binomial model because it does not assume independence of the different observations included in the analysis.

$$y_i \sim \text{Beta-Binomial}(\mu_i, \theta, M_i)$$

$$\mu_i = \text{logit}^{-1}(x_i\beta)$$

Where  $y_i$ : is the expected sum of flexibility provisions out of a total of grouped events (five possible events for adaptive flexibility and eight possible events for interpretive flexibility) and  $u_i$  are the prior known number of flexibility provisions. For example, the expected probability of an agreement having 3 escape clause depends on whether if the agreement contains two escape clauses.

Because I argue that there are systemic differences in the types of agreements between racialized in-group states and racialized out-group states, the beta-binomial distribution takes into account the interdependence of the different flexibility counts. I test use the beta-binomial to test two models, one with my main explanatory variable with relevant control variables and another model which includes existing explanations.

## Results

**Table 2.2: Determinants of Adaptive Flexibility**

	Estimate	Std. Error	z value	Pr(> z )
(Intercept):1	-1.67	1.11	-1.51	0.13
(Intercept):2	-2.30	0.54	-4.27	0.00
In-group	-0.84	0.25	-3.29	0.00
GDP Per Capita	0.36	0.19	1.93	0.05
Democracy	0.02	0.03	0.96	0.30
Property Rights	-0.01	0.01	-1.04	0.30
Bilateral Trade	-0.05	0.04	-1.07	0.20

**Table 2.3: Determinants of Adaptive Flexibility  
(Including Existing Explanations)**

	Estimate	Std. Error	z value	Pr(> z )
(Intercept):1	-0.46	1.17	-0.39	0.70
(Intercept):2	-2.65	0.70	-3.80	0.00
In-group	-0.67	0.26	-2.57	0.01
GDP Per Capita	0.28	0.19	1.45	0.15
Democracy	0.02	0.03	0.70	0.48
Property Rights	-0.01	0.01	-0.99	0.32
Bilateral Trade	-0.06	0.05	-1.22	0.20
Membership	-0.02	0.01	-2.07	0.04
Imports	-0.00	0.01	-0.40	0.69
Institutional Depth	0.27	0.11	2.48	0.01

Tables 2.2. and 2.3 are the results of my model for the role of race in adaptive flexibility. I include additional models with robustness checks in the appendix. In both models, I find support for my hypotheses that in-groups will design less flexible agreements with one another. We should interpret the coefficients as the *expected probability of a given flexibility provision*. The beta model tests the probability of a zero or one for a particular provision. Below, I explain my results for each of the relevant variables included in my analysis.

#### *In-Group*

In both models, an increase in in-group identification *decreases* the expected probability of a given flexibility provision. This result is statistically significant for both the models; the one with competing explanations and the one without competing explanations.

#### *GDP Per Capita*

In table 2.2, GDP per capita is significant in the positive direction. Meaning that an increase in GDP per capita increases the expected probability of a given flexibility provision (i.e. more flexible). This suggests that states are less willing to trust states with larger markets, which could be a possible explanation given that states may be less willing to open borders to states' with larger economies due to perceptions of threat.

### *Joint Membership in Organizations*

Joint membership in international organizations is also significant. An increase in joint membership in IO's decreases the expected probability of a given flexibility provision (i.e. less flexible). This is the expected outcome because more information through membership in regional organizations should lead to more information which should make states more willing to trust one another.

### *Institutional Depth*

An increase in institutional depth increases the expected probability of a given flexibility provision. Once again, this is consistent with existing literature that there is a positive relationship with depth and flexibility. As states design deeper, lasting agreements, they will seek more flexibility.

**Table 2.4: Determinants of Interpretive Flexibility**

	Estimate	Std. Error	z value	Pr(> z )
(Intercept):1	-2.64	1.01	-2.63	0.01
(Intercept):2	-2.63	0.48	-5.52	0.00
In-group	-0.62	0.23	-2.72	0.01
GDP Per Capita	0.32	0.17	1.92	0.06
Democracy	0.01	0.02	0.34	0.74
Property Rights	-0.01	0.01	-1.43	0.15
Bilateral Trade	0.04	0.04	1.19	0.23

**Table 2.5: Determinants of Adaptive Flexibility  
(Including Existing Explanations)**

	Estimate	Std. Error	z value	Pr(> z )
(Intercept):1	-1.60	0.98	-1.64	0.10
(Intercept):2	-4.09	1.46	-2.79	0.01
In-group	-0.47	0.22	-2.16	0.03
GDP Per Capita	0.08	0.16	0.50	0.62
Democracy	0.03	0.02	1.08	0.28
Property Rights	-0.01	0.01	-1.63	0.10
Bilateral Trade	-0.02	0.04	-0.49	0.62
Membership	-0.01	0.01	-0.69	0.49
Imports	0.01	0.00	1.80	0.07
Institutional Depth	0.34	0.08	4.21	0.00

Tables 2.4 and 2.5 are the results of my model for the role of race in interpretive flexibility. I include additional models with robustness checks in the appendix. In both models, I find support for my hypotheses that in-groups will design less flexible agreements with one another. We should interpret the coefficients as the expected probability of a given flexibility provision. The beta model tests the probability of a zero or one for a particular provisions. Below, I explain my results for each of the relevant variables included in my analysis.

### *In-Group*

In both models, an increase in in-group identification decreases the expected probability of a given flexibility provision. This result is statistically significant for both the models; the one with competing explanations and the one without competing explanations.

### *GDP Per Capita*

In table 2.4, GDP per capita is significant in the positive direction. Meaning that an increase in GDP per capita increases the expected probability of a given flexibility provision (i.e. more flexible). Once again, this finding suggests that states are less willing to trust states with larger markets, which could be a possible explanation given that states may be less willing to open borders to states' with larger economies due to perceptions of threat.

### *Joint Membership in Organizations*

Much like adaptive flexibility, joint membership in international organizations is also significant. An increase in joint membership in IO's decreases the expected probability of a given flexibility provision (i.e. less flexible). This is the expected outcome because more information through membership in regional organizations should lead to more information which should make states more willing to trust one another.

### *Imports*

An increase in imports as a percentage of GDP is significant in the expected direction. An increase in imports increases the expected probability of a given flexibility provision (i.e. more flexible). This is consistent with the literature which argues that import-competing sectors will mobilize for greater protections because of their vulnerability to international shocks.

### *Institutional Depth*

An increase in institutional depth increases the expected probability of a given flexibility provision. Once again, this is consistent with existing literature that there is a positive relationship with depth and flexibility. As states design deeper, lasting agreements, they will seek more flexibility.

My quantitative analysis provides strong support for my hypotheses. In-groups are more likely to design less adaptive agreements with one another and less likely to include provisions that are different from the GATT/WTO. My results show that there is a relationship between race and institutional flexibility. This analysis also suggests the need to aggregate amongst different kinds of institutional flexibility to understand the relationship between trust and institutional design. Future iterations will look into specifying the scope conditions under which different forms of trust will matter for group behavior.

## **Conclusion**

Building on an existing dataset of 647 preferential trade agreements from 1947 to 2014, I find that states will design different trade agreements with states they perceive as part of their racialized in-groups than those they perceive as part of their racialized out-groups. States will

include more opt-out mechanisms and less restrictive flexibility provisions in their agreements with racialized out-groups. These differences in flexibility can be attributed to particularized trust, where states are more likely to trust other states that are part of their racialized in-group, and that trust will in turn lead to higher levels of cooperation. These differences will have implications on development in terms of the increase in cooperation, as well as how states that need to remain competitive in international markets may compensate the losers of international trade due to a loss of revenue.

Using social identity theory, I incorporate a behavioral analysis into understanding international trade. This approach allows us to understand the behavior of states due to biases, rather than how they should act because of the presumed color-blind identities of states in the international system. In a literature dominated by a rational-choice framework, I show that group identification is a significant, yet often ignored, component of institutional design. Group identification influences states' economic behavior and may provide valuable insights for future research questions.

The implications of this project are particularly important concerning issues of development. If trade is to be genuinely understood as tool for development, it requires that powerful states make a true commitment to development by expanding interdependence, rather than exploiting dependence. If not, trade agreements are simply a means of paying lip service, while the poorest countries in the world continue to remain that way. Future research projects should focus on the effects of institutional design and how it may have adverse effects depending on the distribution of power amongst the states that are part of the agreement.

Scholars of race in IPE tend to treat racism as something that operates within the masses. This project shows how policymakers have preferences rooted in racism, too. This distinction is particularly important as we see a wave of economic nationalism in the wake of opposition to free trade. This may lead to the appointment of even more racist politicians who are more likely to have discriminatory policies that will disproportionately affect non-white states. If states are more likely to discriminate in favor of their in-groups in good times, how might these differences be further exacerbated during the bad times? This chapter focuses on one form of racial project, geographic region. In the next chapter, I look at census data to understand the role of race *and* ethnicity in the design of international trade agreements.

## Chapter 3

### Introduction

As I argue in Chapter 2, geographic regions are racialized and that leads to less flexible agreements between in-group states. In this chapter, I test another form of racialization, *ethnic groups*. While the previous chapter centers the nation as a form of collective identity through geographic region, this chapter demonstrates how collective identity extends across state borders. This distinction is important because as scholars note, ethnic conflict and violence throughout the world reveal how collective identities do not necessarily correspond to national borders.<sup>184</sup> Therefore, I test the degree to which states align along racial and ethnic categories influences institutional flexibility. Since most of the countries in the world collect census data in terms of ethnic groups and nationality rather than race, I use census data to explore the role of ethnicity in the design of international trade agreements.

Currently, scholars of international relations are often quick to differentiate between “race” and “ethnicity”. However, both racial and ethnic groups are subject to racialization, a process which uses difference to justify unequal treatment. Following existing literature, I define ethnicity as having several components:

- 1) A segment of the population is seen by others to have a different combination of the following characteristics (language, religion, race or ancestral homeland)
- 2) Members of particular ethnic groups also perceive themselves as belonging to these ethnic groups/communities
- 3) Members of these groups participate in shared activities around their (real) or mythical state.<sup>185</sup>

Both race and ethnicity are researched as a domestic phenomenon, but, unlike race, ethnicity is often tied to nation-hood. Much like the prominence of racial identity in American politics, comparative politics seriously contends with the role of ethnicity to further our understanding of the role of identity political science. In the following section, I briefly review the literature on ethnicity in international relations. I disaggregate between the state and international levels of analysis where ethnicity can explain behavior. I conclude with a discussion about the relationship between race and ethnicity and how one can be used to help

---

<sup>184</sup> Kertzer and Arel, 2002

<sup>185</sup> Yeoh 2001

understand the other<sup>186</sup>. I show how ethnic conflict and differences and, most importantly, the implications of these differences, are not reducible to strategic domestic interactions. Rather than remaining confined within the domestic sphere, the implications of racialization across ethnic groups are a persistent lived experience for groups each day within and beyond state borders. The different meanings attached to ethnic groups along racial lines within state borders translates internationally and can be seen through the ways states perceive their similarities with one another.

*Ethnicity and the Societal Level of Analysis*

In the comparative political economic world, ethnic conflict happens amongst rational groups in a two-by-two matrix where leaders manipulate ethnicity in order to get power. This is because ethnicity becomes a central point for mobilization for both leaders and individuals.<sup>187</sup> However, this model assumes that all groups have equal access to resources and that ethnic divisions are activated for instrumental purposes amongst politicians and citizens to help generate rents rather than an emotional attachment to one another.

*Ethnicity and the International Level of Analysis*

Scholars of international relations also interrogate the role of ethnicity and its relationship to conflict and recognizing that, at their core, states are also concerned with extraterritorial elements of identity.<sup>188</sup> In the context of the post-Cold War World, for example, we cannot understand the growth of states without understanding how ethnicity influences state behavior. Other research has concluded that the presence of ethnic groups within certain state formations affects the likelihood of conflict between states. For example, if two states share a majority group, they are less likely to experience conflict with one another.<sup>189</sup> Thus, the ethnic identity of states shape their interests, in turn impacting which states they enter into conflict with.

A study of diasporic movements provides perhaps the most prominent example of the role of ethnicity in the international political economy, but also how ethnic identities are significant across state borders. Transnational ethnic kin often provide financial and political resources for their groups within other states. This revenue is, at times, used to finance conflict

---

<sup>186</sup> For the sake of simplification, I incorporate literature on ethnicity and political economy rather than an overall discussion concerning ethnicity.

<sup>187</sup> Varshney 2003

<sup>188</sup> Stein, 2017

<sup>189</sup> Woodwell, 2004

and to provide support for rebel groups. In other contexts, these remittances are used to stabilize states by providing citizens with an alternative income stream when the economic conditions of the receiving country are dire. In Tajikistan, remittances account for over forty percent of the gross domestic product further demonstrating the transnational relationship between ethnicity and the economy. Furthermore, of the top 10 countries where remittances make a higher proportion of GDP are located in Sub-Saharan Africa, suggesting that both ethnicity and diaspora influence the sense of economic security felt by members of particular states.

Lastly, remittances can play an important role in changing the behavior of states, as diasporas' abroad offer social capital to those receiving states. An example of this would be the H1-B visas. Through this program the U.S. offers particular visas to foreign skilled workers, especially those emigrating from Asia. This visa program has markedly increased the number of Asians in the United States and has created a two-way relationship in terms of foreign direct investment (FDI) between India and the U.S. As more Indians immigrate to the United States and, through their hard work and determination, reflect notions of "good citizenship," more favorable attitudes develop towards India. These positive notions encourage companies to invest in India and Indian workers on "good faith" because they believe that they will receive returns on their investment.

There is ample evidence showing that ethnicity influences individual behavior and that this in turn influences state policy. However, much less work has been done to conceptualize ethnicity at the state level and the ways that ethnicity influences interstate economic behavior. This chapter aims to prove the latter; I test the role of ethnicity to determine in what ways states are aligned based on racial and ethnic composition, and how these ethnic relationships influence the types of agreements they design with one another. I engage with literature on race and ethnicity in order to argue that states will be more likely to develop favorable agreements with ethnically and racially similar states. As such, ethnic similarities and differences amongst states have important implications for development.

### *The Case For Race*

Since most people identify along ethnic and national lines, it is reasonable that ethnicity is a primary mode of identity for scholars. So then, how does incorporating a racial analysis into ethnicity help deepen our understanding of global economic processes? Simply put, it enables us

to see not only how differences in power emerged historically but also how differences in power persist. While ethnicity helps us to understand the cultural differences between groups, race helps us to understand hierarchy. A racial analysis can elucidate how power (social, political and economic) is used to assume the superiority and inferiority of certain groups. The differences in culture for ethnic groups matter insofar as they position groups in relation to one another; race and the process of racial formation perform a similar, yet distinct, function, which focuses on phenotypical differences rather than cultural ones (although these lines are not stark). Below, I discuss the concept of racialization and how it eliminates the unnecessary distinction that scholars make between race and ethnicity.

### *Racialization*

My analysis raises questions concerning the relationship between race and ethnicity and the components that connect the two. In order to understand this relationship, I use Omi and Winant's theory of racialization which argues that racialization is the extension of racial meaning to a previously unclassified relationship.<sup>190</sup> While language, culture or nationality may be the differentiating factor among ethnic groups, skin color plays differentiating factor in racial groups. Both, however, are equally used to justify unequal and discriminatory treatment from dominant groups. Thus, the implications of race and ethnicity in the making of international trade agreements should be the same regardless of the perceived fluidity between these groups.<sup>191</sup>

The process of racialization amongst ethnic groups is similar to that which takes place amongst racial groups. In both contexts a dominant group justifies discriminatory treatment by citing perceived differences. The similarities between these two processes are why I propose broadening our understanding of race within the concept of ethnicity. These perceived racialized differences amongst ethnic groups lead to different expectations concerning the nature of cooperation, and this is reflected in the design of international trade agreements.

---

<sup>190</sup> Omi and Winant 2014 111. In chapter three of the text, the scholar explores the relationship between race and nation. Once again further suggesting the need to bridge the concept of race, ethnicity and nation.

<sup>191</sup> I do not make a claim that one is more fluid than the other like most literature.

## Argument

Using social identity theory (SIT), I argue that states will design more favorable agreements with in-group states than out-group states. I hypothesize that agreements between in-group states will be less flexible (less opt-out clauses and less precise provisions) than those agreements between out-group states. This is because leaders are more trusting of in-group states than they are of out-group states. I define trust as a psychological state comprising of the intention to accept vulnerability based upon feeling of optimism in the intentions or behavior of another.<sup>192</sup> This definition of trust assumes that leaders are likely to discount alarming negative information about their in-group because they have favorable expectations towards those members, often giving them the benefit of the doubt. In the context of the international trade regime, this comes in the form of true liberalizations and resistance towards protectionist measures in the face of domestic opposition from competing sectors. Much like the ways rationalists extend the rational-individual model in order to understand state behavior at the international level, I investigate the role of the individual with socioeconomic beliefs rooted in group identity to understand how states design preferential trade agreements.

Although the causal mechanisms are not always clearly specified, there is ample evidence, both qualitative and quantitative, to suggest that ethnic groups are more likely to trust co-ethnics more than non-ethnics.<sup>193</sup> This is perhaps best seen in a study that shows that the primary mechanism underlying in-group trust is the expectation of reciprocity. That is, co-ethnics are more likely to trust one another because they believe that other members in their ethnic groups will also trust them more in the future, which in turn should lead to more favorable behavior.<sup>194</sup> Another recent study finds that uncertainty towards out-groups is the primary reason why in-groups are more likely to favor their in-groups over their out-groups.<sup>195</sup> Group identification helps to build trust amongst in-groups at the same time that it eliminates the uncertainty of negotiating with out-groups.

Ethnicity is an important aspect of identity which, I argue, is important for group identification. Ethnic groups are often not solely concentrated in one state. Rather, they move across state borders and this in turn influences how states identify with one another. I expect that the more

---

<sup>192</sup> Rousseau, Sitkin, Burt and Camerer, 1998

<sup>193</sup> Petrie 2003, Barr 2004, Karlan 2005

<sup>194</sup> Habiya 2007

<sup>195</sup> Fischer and Derham, 2016

that states align along racial and ethnic lines, the greater the levels of trust between them. This, then, leads to different expectations regarding the nature of cooperation.

### **Data and Methods**

To calculate the role of ethnicity in the design of international trade agreements, I use the CIA Fact Book from the most recent year in my dataset (2013) to examine how the presence of ethnic and racial groups determine the ways states relate to one another. In cases where the CIA Fact Book does not include statistics, I use Populstat.<sup>196</sup> Though a less reliable source, I found that Populstat included more fine grain measurements of race and ethnicities than other sources. The results are fairly comparable to those of CIA Factbook. For example, Populstat reports Gambia's population as 34% Madinka, 16% Wolof, 9%, Yola and 8% each Serahuli and Soinike. Meanwhile, CIA Factbook reports, 12.6% Wolof, 2.1% Manjaco, 1% Bambara and 6% non-Gambian. While there are some discrepancies, the counts of the largest populations are consistent.<sup>197</sup> I use the most recent year of data (2013) to keep it consistent across states. Another advantage of using the most recent year, is that I can better address the data collection bias against small states.<sup>198</sup> The more recent the year, the more likely it will cover greater numbers of countries.

Additionally, census categories change over time because taking a census is an inherently political act,<sup>199</sup> and as such there is considerable variation in terms of how and when states collect this data and using the most recent year helps to eliminate some of the variation.<sup>200</sup>

The categories included in the census change as groups mobilize for inclusion. For example, in the wake of the 2020 census in the United States, groups from Northern Africa and the Middle East have begun to consider mobilizing for their own category. While these groups had previously been included in the white census category, they are now advocating for their own category due to increased discrimination toward their groups. Since 9/11 people from the Middle East and Northern African have been subject to racial profiling from the police and other individuals from society.<sup>201</sup> As such, they are advocating for a Middle Eastern and North African

---

<sup>196</sup> <http://www.populstat.info/>

<sup>197</sup> I use an African country because they are least likely to be represented in CIA data.

<sup>198</sup> This also has racialized implications considering most of the countries that are dropped, have non-white populations.

<sup>199</sup> Thompson 2016

<sup>200</sup> I did collect census data, but the variation made it difficult to compare across states. Future iterations will attempt to reconcile both CIA Fact Book and the census data I collected.

<sup>201</sup> Volpp 2002

(MENA) census category, arguing that they are not afforded the privileges of whiteness. As such, they require a more appropriate form of representation and census categories are one way states can address such grievances. However, on the other hand, members of this same group have reservations about this census category. They fear that counting them may lead to higher levels of discrimination and increased vulnerability, from citizens and the state.<sup>202</sup>

While there are tangible benefits to using the most recent year of data, this data can, in some cases, lead to overestimations regarding similarities among states. For example, as people of non-white states migrate into white states for better employment and economic opportunities, they are counted in the data but are often still considered outsiders. At the same time, this data can also lead to underestimations regarding the ways states relate to one another. For example, as a result of migration, predominantly white states may seem more diverse and less related to one another. This concern is perhaps best exemplified in the European and U.S. contexts, where scholars have argued that increased immigration in the U.S. is threatening the shared whiteness of the nations.<sup>203</sup> I contend that despite the increased diversity that comes with immigration, recent events have shown the ways citizens on both sides of the Atlantic are committed to retaining the white identity of their states. Donald Trump's election to presidency and the decision of British voters to leave the European Union serve as examples of this commitment to white identity.

Finally, for the years included in the dataset, there is not much variation across years in the ethnic groups counted in the sample. It worth noting, though, that there are some exceptions to the rule. For example, Brazil's 2010 census marked the first time that the majority of Brazil's population did not select white on their census.<sup>204</sup> While following this census whites still comprised the largest ethnic group, they were no longer the *overall* majority.<sup>205</sup> Yet, while these differences within the state are large, they still account for little differences between states. Future iterations of datasets might develop a different approach to take into account the variation

---

<sup>202</sup> For some Americans of MENA Descent, Checking a Census Box is Complicated. <https://www.npr.org/sections/codeswitch/2017/03/11/519548276/for-some-arab-americans-checking-a-census-box-is-complicated>

<sup>203</sup> Dunn 2009

<sup>204</sup> Brazil 2010 Census Shows Changing Race Balance. <http://www.bbc.com/news/world-latin-america-15766840>

<sup>205</sup> The majority of people who identified as non-white – Black, Creole and Indigenous – together, was more than the number of people who identified as just white.

of categories over time, but, all in all, using the most current census data here allows me to use the most fine-grain and accurate statistics.

In all, I collect data from over 300 racial and ethnic groups across 200 different countries. This collection is composed of the percentages of the total population of the different racial and ethnic groups. My analysis also includes an “other” category which I use in my analysis to make sure overall country percentages equal one. Unlike my previous chapter where I impose group identifications, here I perform my analysis from already existing data. I let the data census statistics speak for themselves in the sense that some states take census in terms of racial groups, while others take these statistics in terms of ethnicity and nationality. For example, Western countries more frequently use racial groups while most other countries collect the data in terms of ethnicity or tribes. African states are the most diverse group of states in this analysis.

Of the countries included in the dataset, 16% (30 countries) include a white category. The second most present category is black at 15% (30 countries). Other prominent categories include Amerindian (16 countries)<sup>206</sup>, Asian (13 countries), and African (11 countries). The presence of consistent categories across different countries suggests that certain categories hold particular meanings over time and place. For example, while Asian states recognize different ethnicities amongst people of Asian descent, these distinctions matter less as people migrate and become racialized as Asian regardless of their ethnicity or nation of origin. The U.S. context provides a good example of this. Here, Asian-Americans are known as the “model minority” because of their academic and economic success. Internationally, we see similar trends with the growth of China as an economic power. These trends lend themselves to the idea that Asians are hardworking and have economic ambition. However, despite these successes, Asian people are still understood as outsiders within their respective countries and China is still viewed an outsider in the international system.<sup>207</sup> In the following section, I highlight several of these ethnic categories in Latin America, a region where despite the relationship between race and ethnicity being complex, many scholars center the process of racialization amongst the mixed races across the region.<sup>208</sup>

---

<sup>206</sup> Amerindian refers to groups which are native to South America and the Caribbean. After colonization and expansion, many of these population have become extinct but there are certain (fortunate) countries where they still constitute a large segment of the population such as Peru.

<sup>207</sup> Kim 1999; Frayling 2014

<sup>208</sup> Appelbaum et al, 2003

### *Creole*

There are many different ways to think about Creole identity. People often understand this identity by thinking about the hybrid cultural elements found in its food, music and language. Kreyol, the language spoken by Haitians, for example, is so named because it blends French with African dialects. For the sake of my coding, in this chapter Creole refers to groups of people who are of African and European descent.<sup>209</sup> The term “Creole” was primarily developed and used in Caribbean and Latin American countries where slave and European populations were often engaged in making and creating new types of identities. These groups of slaves and settlers were considered “of” but not “in” western dominant culture.<sup>210</sup> In this context, “Creole” marks the descendants of people who were brought to the New World as a result of the transatlantic slave trade. Although the term was primarily developed in the New World context, today the states with the largest portions of Creole populations are Cape Verde and the Dominican Republic. In both states over seventy percent of the population identifies as Creole.<sup>211</sup>

### *Mestizo*

While the term Creole refers to the mixing of African and European peoples, Mestizo refers to the mixing of Europeans and indigenous populations in the New World. While many indigenous groups were killed off early in the colonization process, some countries were more willing to intermarry and mix with the local populations. These countries did not typically import slaves from Africa and instead used the local populations to work the land. This pattern of colonization is most vividly demonstrated by the Spanish, and as such Mestizo populations are primarily concentrated in Latin America and in the Spanish Caribbean. The states with the largest Mestizo populations are Paraguay and Honduras at ninety and ninety-five percent respectively. In Latin America the Mestizo population is often racialized as *white*. In Ecuador, for example, white Mestizo elites have adopted this category as a marker of success and use it to differentiate themselves from the non-white Mestizo population.<sup>212</sup> Understanding the different makings of identity in the New World, as well as their relationships to European colonization, will help us

---

<sup>209</sup> Sheringham, 2016; Chandra 2006

<sup>210</sup> Gilroy, 1993

<sup>211</sup> In the Dominican Republic and other parts of Spanish-speaking America, the term mulatto is used to substitute Creole.

<sup>212</sup> Roitman and Oviedo, 2017

better understand how group dynamics in the Western hemisphere may play out differently than in other parts of the world.

### *Indigenous/Amerindian*

Unlike Creole and Mestizo, whose identities were a product of colonization, Indigenous and Amerindian populations refer to those groups that are native to the land. Although both Indigenous and Amerindian groups had contact with European colonizers, these groups are not considered descendants of them. In the United States this group is referred to as Native American, a category which collapses many different indigenous groups into one because, even when combined, they are a small part of the population. On the other hand, predominantly indigenous states such as Bolivia use census categories that capture different indigenous groups. Regardless of the size of the indigenous population within a state, they are often experience discrimination from the dominant group (often racialized as white group). However, in some places in Latin America indigenous groups are an intermediary between black and white populations.<sup>213</sup> Ultimately, due to mixing and death from diseases in the New World, the percentage of people throughout Latin American who identify as indigenous or Amerindian are much smaller when compared to the other racial and ethnic groups. The countries with the highest number of indigenous populations are Peru at forty-five percent and Mexico at thirty percent.

Creole, Mestizo and Indigenous are just three of hundreds of different ethnic and racial groups around the world but they are examples of census categories that states use to count their populations based on racial and ethnic difference. Yet, while existing datasets take into consideration how these categories acknowledge racial and ethnic difference within certain states, they fail to take into account how groups relate to one another across state borders. Racial and ethnic groups do not operate in isolation, but rather these various categories derive from histories of colonization, diaspora, and migration, historical processes which attach meaning to these differences.

### *Limits of Census Data*

I use census data because the census plays an important role in the political process. They define national and group identities and legitimate power.<sup>214</sup> The collection and dissemination of census

---

<sup>213</sup> Hooker 2005

<sup>214</sup> Leeman 2004

data have become more globalized it ever since international institutions such as the United Nations began using this type of data to address the socio-economic disadvantages experienced by racial and ethnic groups.<sup>215</sup> While the use of census data has many strengths, it is important to also note the limitations of this method.

For one, census categories and collections are inherently political acts. Different groups mobilize for representation, and then governments respond to either capture these groups or to deny them representation. For example, after years of the Colombian state failing to count Afro-Colombians as a census population, this group successfully mobilized for representation in the wake of the Durban Conference against racism in the 1980s.<sup>216</sup> And, although in the Colombian context the state grew more willing to collect data on these groups, in other parts of the world states have been reluctant to count their black populations. For example, Spain and Brazil have intentionally underrepresented their black populations.<sup>217</sup> Additionally, Uruguay and Paraguay have underrepresented their black populations in order to distinguish themselves from their “darker” neighbors.<sup>218</sup> These patterns are not merely confined to racial groups in the western world. For example, states in the Balkans also experienced turmoil when census collection began defining citizenship.<sup>219</sup> These examples all suggest that census categories may not be an accurate representation of the racial and ethnic groups within a country, and instead they reflect intense negotiations that occur in very particular political contexts.

Along with the politics inherent to the collection of census data, the ways in which states collect this data may also influence my estimates. Once again, while states in the Western hemisphere collect data in terms of race, other states may collect these numbers in terms of ethnicity or nationality. For example, while some states use the term “Black” to reflect their populations of African descent, other states use the term “African”. In the context of my analysis these states would not be counted as similar states. This distinction also matters in the differentiation between nationhood and ethnicity. The term “Yugoslav,” for example, does not differentiate between Bosnians, Serbians and Croats, and similarities will not be detected for those states that

---

<sup>215</sup> Demographic and Social Statistics. <https://unstats.un.org/unsd/demographic-social/census/>

<sup>216</sup> Paschel, 2016

<sup>217</sup> Loveman, 2009

<sup>218</sup> Golash – Boza and Bonilla - Silva, 2013

<sup>219</sup> Visoka and Gjevori, 2013

disaggregate between these different groups. Future work may pay attention to how different categories may or may not relate to one another.

*Independent Variable: Distance Measure*

Despite the limitations of using census-data, census statistics still capture and reflect a uniform notion of identity, which many states have adopted over time and space. Using this data, I compute how much states relate to one another along racial and ethnic groups. To do this I perform a Euclidean distance measure to produce bilateral estimates that show how states relate to one another and aggregate over the agreement. Euclidean distances are typically used to measure the distance between two points on a geographical dimension space. I am applying a similar logic to measure the distance between different states in terms of their ethnic and racial compositions.

**Figure 3.1 Sample Cluster Diagram**

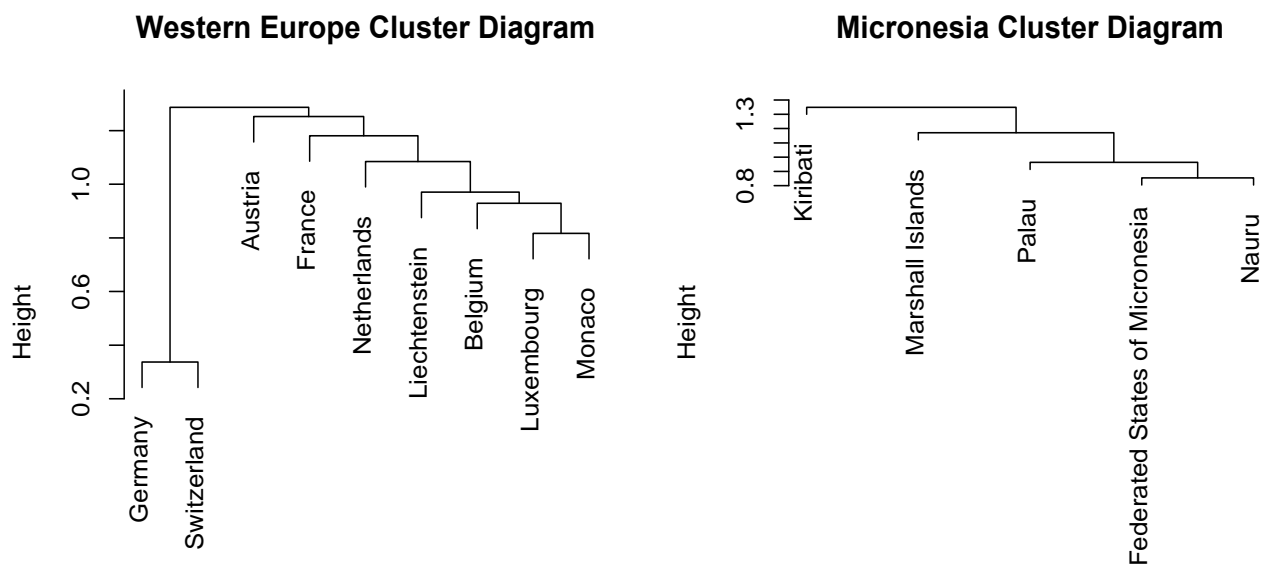


Figure 3.1 is a visual representation of the computation of the distance measure, which calculates the similarities between states based on their racial and ethnic percentages. I use countries in Western Europe and Micronesia because both clusters illustrate different relationships between the countries in the region. Cluster dendrograms link similar data together in nodes to visualize relationships between the data; in this case, it visualizes the relationship between countries. The

y-axis represents the degree of difference between the countries within each cluster. The greater the distance between nodes, the less similarity between the countries. This figure shows that there is slightly more heterogeneity in Western Europe than in Micronesia. In the Western European cluster diagram, we see that Germany and Switzerland form a cluster that is much further away than from the other clusters of Western European countries. This is because both Germany and Switzerland have large German populations (91% and 65% respectively), unlike the other European countries where Germans do not constitute a large part of their population. By comparison, the clusters in Micronesia are much closer together, suggesting there is less difference in their racial and ethnic compositions.

*Dependent Variable: Institutional Flexibility*

While there are many different aspects to institutional design, I focus on institutional flexibility using the Design of International Trade Agreements (DESTA) database which codes the design of over 600 preferential trade agreements from 1947 – 2014.<sup>220</sup> Institutional flexibility refers to how new rules and procedures accommodate new circumstances.<sup>221</sup> I conceptualize institutional flexibility as intentional mistranslation because the inclusion of flexibility mechanisms goes against the fundamental idea behind the free trade regime, namely to lower barriers to trade.

Flexibility mechanisms make it legal to adjust the terms of trade without breaching the agreement itself. Institutional flexibility reflects expectations on the nature of cooperation, and as such lower levels of trust towards out-groups should impact how much intentional mistranslation is necessary to facilitate cooperation.<sup>222</sup> I expect states will include more intentional mistranslation mechanisms in agreements with out-group states because they will be less willing to truly liberalize and show vulnerability. These differences have implications on how much autonomy states have in suspending the terms of trade, and this can help those who have the most to lose in terms of trade liberalization.

To test the role of ethnicity in the design of international trade agreements, I distinguish between two kinds of institutional flexibility, adaptive and interpretive flexibility. Adaptive flexibility refers to the amount of escape clauses included in the agreement. Escape clauses are

---

<sup>220</sup> Baccini et. al, 2014

<sup>221</sup> Koremenos, et.al, 2001

<sup>222</sup> Pelc, 2016

often a blunt flexibility provision and most agreements include at least one kind of flexibility mechanism.<sup>223</sup> Escape clauses are meant to protect domestic industries from the vulnerability they face as cheap goods enter their market. Adaptive flexibility is measured by counting the presence of four escape clauses, where four represents the most flexible agreements, and zero represents the least flexible agreements.

The next and less studied form of institutional flexibility is interpretive flexibility. Based on provisions from multilateral environmental trade agreements, interpretive flexibility grants individual members leeway in interpreting and implementing institutional rules and procedures.<sup>224</sup> In the international trade regime the World Trade Organization (WTO) is responsible for maintaining international trade, and interpretive flexibility allows us to understand how the rules of these trade agreements are similar or different to the WTO's rules. As a multilateral trade regime, we expect the WTO to reflect rules of diffuse power and reciprocity.<sup>225</sup> However, when states include more of these provisions in the agreements they design with one another, it often reflects the interests of the more powerful state and these decisions are less likely to be scrutinized by a multilateral entity such as the WTO's dispute settlement court. Like adaptive flexibility, interpretive flexibility also counts the presence of a number of provisions. For each measure of flexibility, higher values correspond to greater provisions regulating trade (i.e. less flexible to more flexible).

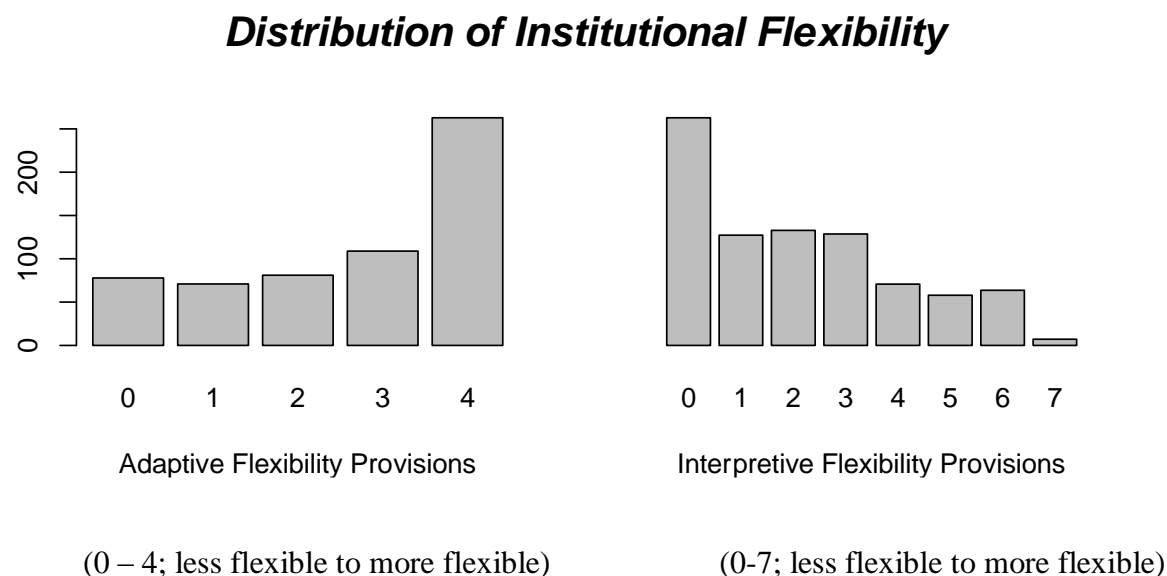
---

<sup>223</sup> Kucik , 2012

<sup>224</sup> Marcoux, 2009

<sup>225</sup> Martin, 1992

**Figure 3.2 Institutional Flexibility**



In Figure 3.2, we can see that most trade agreements are flexible. The correlation between both kinds of flexibility is .55 which means that they are highly correlated, but have some degree of variation. I expect particularized trust to shape both adaptive and interpretive flexibility. Particularized trust is defined as the tendency of having higher levels of trust towards members of the in-group than towards members of the out-group.<sup>226</sup> Higher levels of trust should lead to a greater willingness to accept vulnerabilities, which should lead to less intentional mistranslation provisions in agreements made between in-group states. This is because in-group states will be more likely to take risks based on the perceived good values of in-group members.

### *Methodology*

To test the role of ethnicity in the design of international trade agreements I run a beta-binomial model. A beta-binomial is the appropriate model for my analysis as it takes into account the interdependence of the observations in the models. It assumes that the presence of one flexibility mechanism is associated with the other kinds of flexibility mechanisms, that they are not independent of one another, and that there is a systematic relationship between the observations.

The distribution of distances between the states party to the agreement after merging the various datasets looks as follows:

---

<sup>226</sup> Ulsaner 2002

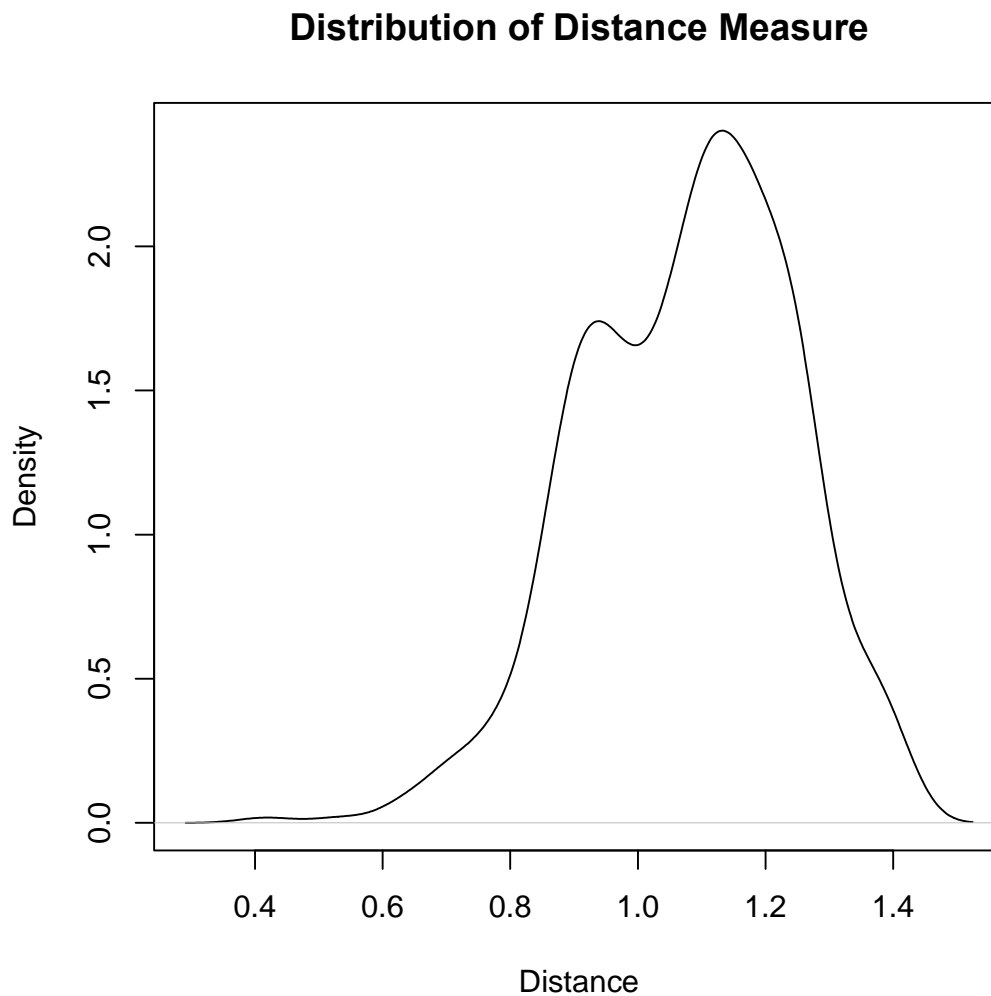
**Figure 3.3 Group Identification**

Figure 3.3 shows the distribution of distance measures between the states included in the dataset. Lower values mean less distance (more similarity) and higher values mean more distance (less similarity). Because most distances are in the middle of the distribution rather than the tails, the distances between the states are evenly distributed. Meaning that I do not have outliers which skew my results in either direction. I test my theory on the role of ethnicity for the design of international trade agreements using control variables and competing explanations, according to the literature.

### *Control Variables*

My key independent variables are based on the extent literature of factors that determine institutional flexibility.

### *GDP per capita*

I log GDP per capita from the World Bank indicators to take into account the economic strength of the countries in the agreement. This measurement is the GDP of the states in the agreement in the year that the agreement was signed. We should expect economic strength to influence the amount of opt-out options included in the agreements. States may want to offer more or less market access depending on the strength of the other states in the agreement.

### *Democracy*

Next, using polity, I include a 12-point scale for measuring the strength of democracy in the countries of the agreement. Higher levels correspond to a stronger quality of democratic institutions. Most literature suggests that democratic institutions are good for trade because they are more secure, stable and reliable than other political institutions. We should expect states to design less flexible agreements with democratic states.

### *Institutional Strength*

I use the quality of government (QOG) basic dataset to account for strength of property rights, because they signal a credible commitment for economic behavior. Stronger property rights should reduce the uncertainty that can impede economic exchange. We expect that states will be more vulnerable and trusting to states with stronger property rights and therefore, less flexible agreements.

### *Bilateral Trade*

Using Correlations of War (COW), I control for bilateral trade amongst member states. Existing trade flows should influence how states design agreements with one another. We should expect states will have less flexibility with states that comprise a larger part of their trade portfolio.

### *Existing Explanations*

In addition to control variables, I run a model that includes measurements of existing explanations. This tests my theory against other explanations that are well established in the literature. I expect race to complement existing explanations that highlight economic variables.

### *Institutional Depth*

I include a measurement for the depth in the trade agreement; studies have shown that there is a positive relationship between flexibility and depth. Therefore, we should expect to see that the more flexible an agreement, the more depth it will have in order help to facilitate cooperation. To measure depth, I include the DESTA database measure of how many issue areas are covered within a specific agreement. This value ranges from zero to seven. Seven represents the greatest levels of depth and zero corresponds to lower depth. We should expect agreements with higher depth to be more flexible.

### *Rational Choice*

Rational based explanations center the role of information. Due to missing data, I test this relationship in two ways. First, I collect COW data on the joint membership in international institutions of states included in the agreement. Higher levels correspond to more overlapping membership in regional or international organizations. Next, I insert a measure of political globalization using the KOH index of globalization because the COW data is only available until 2005. This measurement captures the number of international organizations and international treaties that states are members of. For both measurements, higher values should correspond to more information, leading to an increase in trust and vulnerability and less flexible agreements.

### *Sectoral Interests*

I include a measurement of imports as the percentage of GDP provided by the World Bank. Studies have shown that different competing sectors will lobby their governments for different terms of trade. We expect to see states with imports as a larger portion of GDP to have more flexible agreements because their domestic sectors are more likely to mobilize for policies which protect them from the shocks of the international market. States where imports comprise a smaller portion of GDP should have less flexible agreements.

In my analysis, I aggregate across the relevant variables in those agreements which include multiple members. For example, the GDP per capita included in the models are the average GDP of all the members of the agreement. For instance, the Agadir agreement is a free trade agreement between Egypt, Jordan, Morocco and Tunisia that was signed in 2004. I assume-Tunisian leaders to have the most power when signing the agreement. The GDP of the Agadir agreement is the average GDP per capita of Morocco, Jordan and Egypt in that year. While most studies used a weighted measure, I do not; in most cases, all states party to the agreements receive similar terms of trade.<sup>227</sup>

---

<sup>227</sup> My inclusion of the Bilateral Trade does take into account trade between states party to the agreement.

Table 3.1 Summary Statistics

<i>Variable</i>	<i>Measurement</i>	<i>Source</i>
<b><i>Dependent Variable:</i></b>		
<i>In-Group Identification</i>	<i>Range: 0.41 to 1.40</i> <i>Mean: 1.09</i>	CIA Factbook
<b><i>Control Variables:</i></b>		
<i>Gross Domestic Product (GDP) per capita (current USD)</i>	<i>Range: 166.2 to 98,397.97</i> <i>Mean: 11,032.19</i>	World Bank
<i>Democracy</i>	<i>Range: -10 to 10</i> <i>Mean: 3.73</i>	The Polity Project
<i>Property Rights</i>	<i>Range: 0 to 100</i> <i>Mean: 54.46</i>	Quality of Government Basic Dataset
<i>Bilateral Trade (current millions USD)</i>	<i>Range: 0 to 37,206.75</i> <i>Mean: 836.77</i>	Correlates of War (COW) Project
<b><i>Competing Explanations</i></b>		
<i>Rational (Koremenos et al, 2001)</i>	<i>Range: 0 to 93.57</i> <i>Mean: 69.15</i>	Correlates of War (COW) Project
<i>Political Globalization</i>		
<i>Sectoral Interests (Kucik 2012)</i>	<i>Range: 6.33 to 210.40</i> <i>Mean: 40.85</i>	The Polity Project
<i>Institutional Depth, (Johns 2012)</i>	<i>Range: 0 to 7</i> <i>Mean: 2.19</i>	Design of International Trade Agreements (DESTA)

## Model

To test the role of race in the design of international trade agreements, I run a beta-binomial model for over six hundred preferential trade agreements from 1947 to 2014. I use the beta-binomial model because it does not assume independence of the different observations included in the analysis.

$$y_i \sim \text{Beta-Binomial}(\mu_i, \theta, M_i)$$

$$\mu_i = \text{logit}^{-1}(x_i\beta)$$

Where  $y_i$  is the expected sum of flexibility provisions out of a total of grouped events (five possible events for adaptive flexibility and eight possible events for interpretive flexibility) and  $u_i$  are the prior known number of flexibility provisions. For example, the expected probability of an agreement containing 3 escape clauses depends on whether the agreement contains two escape clauses. Because I argue that there are systemic differences in the types of agreements between racialized in-group states and racialized out-group states, the beta-binomial distribution takes into account the interdependence of the different flexibility counts. I test use the beta-binomial to test two models, one with my main explanatory variable with relevant control variables and another model which includes existing explanations.

## Results

**Table 3.2: Determinants of Adaptive Flexibility**

	Estimate	Std. Error	z value	Pr(> z )
(Intercept):1	-1.61	1.15	-1.40	0.16
(Intercept):2	-4.24	2.39	-1.78	0.08
Distance	0.31	0.65	0.48	0.63
GDP Per Capita	0.22	0.15	1.47	0.14
Democracy	0.00	0.03	0.08	0.94
Property Rights	-0.02	0.01	-2.01	0.04
Bilateral Trade	-2.78	22.40	-0.12	0.90
Organizations	0.01	0.01	0.77	0.44
Imports	0.01	0.00	1.44	0.15
Institutional Depth	0.07	0.07	1.00	0.32

Table 3.2 is the results for my test on the role of ethnicity on adaptive flexibility. I include additional models with robustness checks in the appendix. For adaptive flexibility, I fail to reject the null hypothesis. In other words, group identification does not influence institutional flexibility. While controlling for important variables and taking into account existing explanations, I find that group identification does not play a role in institutional design. To reiterate, higher values are associated with more adaptive flexibility. We should interpret the coefficients as the expected probability of a given flexibility provision. The beta model tests the probability of a zero or one for a particular provision. Below, I explain my results for the only significant variable in my analysis, *property rights*.

### *Property Rights*

In Table 3.2, property rights is significant in the negative direction. This means that an increase in property rights decreases the expected probability of a given flexibility provision (i.e. less flexible). This finding suggests that states will design less flexible agreements with states that have a greater respect for property rights. This is plausible because as property rights provide a credible commitment for economic exchange, we should expect states to be more trusting and vulnerable.

While the results for adaptive flexibility are inconclusive, the results for interpretive flexibility yield some interesting results.

**Table 3.3: Determinants of Interpretive Flexibility**

	Estimate	Std. Error	z value	Pr(> z )
(Intercept):1	-1.20	1.06	-1.13	0.26
(Intercept):2	-2.33	0.35	-6.65	0.00
Distance	-1.14	0.57	-1.99	0.05
GDP Per Capita	0.33	0.13	2.47	0.01
Democracy	-0.04	0.02	-1.53	0.13
Property Rights	-0.01	0.01	-1.89	0.06
Bilateral Trade	21.03	19.13	1.10	0.27

**Table 3.4: Determinants of Interpretive Flexibility  
(Including Existing Explanations)**

	Estimate	Std. Error	z value	Pr(> z )
(Intercept):1	-1.62	1.00	-1.63	0.10
(Intercept):2	-3.85	1.05	-3.65	0.00
Distance	-0.53	0.54	-0.98	0.33
GDP Per Capita	-0.03	0.13	-0.24	0.81
Democracy	0.02	0.02	0.80	0.42
Property Rights	-0.02	0.01	-2.56	0.01
Bilateral Trade	-4.09	17.14	-0.24	0.81
Organizations	0.02	0.01	2.71	0.01
Imports	0.01	0.00	4.31	0.00
Institutional Depth	0.19	0.05	3.57	0.00

Tables 3.3 and 3.4 are the results of my model for the role of ethnicity in interpretive flexibility. Once again, I include additional models with robustness checks in the appendix. I find partial support for my overall hypotheses that states will design different agreements with states that are part of their racialized in-groups. The results of my analysis suggest that I need to better specify under what conditions group identity will influence institutional design. We should interpret the coefficients as the expected probability of a given flexibility provision. The beta model tests the probability of a zero or one for a particular provision. Below, I explain my results for each of the relevant variables included in my analysis.

#### *Distance*

My primary explanatory variable, distance is only statistically significant in Table 3.3, the model that does not include competing explanations. Remember, the greater the distance, the more *dissimilar* states are in terms of racial and ethnic make-up. In the model, I find that an increase in distance, *decreases* the expected probability of a given flexibility provision (less flexible). This runs contrary to my hypotheses that states will design less flexible agreements with in-group states.

#### *GDP Per Capita*

In Table 3.3, GDP per capita is significant in the positive direction. Meaning that an increase in GDP per capita increases the expected probability of a given flexibility provision (i.e. more flexible). This suggests that states are less willing to trust states with larger markets, which one again suggests that threat perception may reduce the likelihood of states permitting market access.

#### *Property Rights*

In both tables 3.3 and 3.4, property rights are significant in the negative direction, similar to the results for adaptive flexibility. This means that an increase in property rights decreases the expected probability of a given flexibility provision (i.e. less flexible). These finding suggests that states will design less flexible agreements with states that have a greater respect for property rights. This is plausible because as property rights provide a credible commitment for economic

exchange, we should expect states to be more trusting and vulnerable and design therefore, design less flexible agreements.

### *Joint Membership in Organizations*

Table 3.4 shows that membership in international organizations is also significant.<sup>228</sup> Unlike the joint membership variable, this variable fails to consider the exposure that groups have with one another in international institutions. Although one could still expect that greater membership in IO's still provides relevant information to states. An increase in membership in IO's increases the expected probability of a given flexibility provision (i.e. more flexible). This finding yields the unexpected result, whereas we would expect higher levels of joint membership to make states more willing to cooperate and include less flexibility provisions (i.e. less flexible)

### *Imports*

An increase in imports as a percentage of GDP is significant in the expected direction. An increase in imports increases the expected probability of a given flexibility provision (i.e. more flexible). This is consistent with the literature which argues that import-competing sectors will mobilize for greater protections because of their vulnerability to international shocks.

### *Institutional Depth*

An increase in institutional depth increases the expected probability of a given flexibility provision. Once again, this is consistent with existing literature that there is a positive relationship with depth and flexibility. As states design deeper, lasting agreements, they will seek more flexibility.

To summarize, in testing the role of ethnicity for institutional flexibility I do not find support for my hypothesis that states will design less flexible agreements with their in-group states due to higher levels of trust. In my model without competing explanations, the relationship between group identity and flexibility is significant in the unexpected direction. When I include the relevant competing explanations, the initial relationship disappears.

---

<sup>228</sup> Because of missing data, I use political globalization and not joint membership in this model.

## Discussion

**Table 3.5 Summary of Results**

	<b>Geographic Region</b>	<b>Census Data</b>
<b>Adaptive Flexibility</b>	<b>In-groups will design agreements with <i>fewer adaptive escape clauses</i>.</b>	<b>Fail to reject the null</b>
<b>Interpretive Flexibility</b>	<b>In-groups will design agreements with <i>fewer bilateral provisions (i.e. less flexible)</i></b>	<b>In-groups will design agreements with <i>more bilateral provisions (more flexible)</i>.</b>

Table 3.5 summarizes the results of my analyses thus far. I find support for my hypothesis for my analysis of race through geographic region and do not find support for my hypothesis for my analysis of ethnicity captured through census data. Below, I discuss potential measurement and theoretical explanations for these different results.

### *Measurement*

The differences in results could be attributed to measurement error. First, while the CIA Factbook does begin with the collection of census data, ultimately the results come down to the availability of data, assessment, and methods protocol.<sup>229</sup> Meaning that in order to streamline the results and process, CIA Factbook takes some methodological discretion. One could imagine how this process could create bias estimates where the collection and dissemination of data for some countries would be more accurate than others.

<sup>229</sup> CIA Factbook. <https://www.cia.gov/library/publications/the-world-factbook/docs/faqs.html>

Another measurement error is the relationship between the different categories in census data. As previously stated, “African” and “black” are considered distinct categories and may underestimate the similarities between groups. This is particularly important given that leaders of African and Caribbean countries see themselves as forming a collective identity and that would not be captured in the current analysis.

Lastly, the model may need to be adjusted. As I write in Chapter 1, identity may influence the likelihood of states signing onto an agreement in the first place. Studies which do not account for the selection (whether or not states sign onto a treaty) produce inaccurate estimates because we are omitting the factors which influence state behavior. In fact, these inaccuracies can lead to directional changes, much like what I experience in my analysis.<sup>230</sup> In the future, I will run a Heckman-selection model, which can help correct for these errors. The first step of this model will use the traditional predictors (i.e. gdp per capita, bilateral trade, Democracy) to determine whether or not states sign onto an agreement in the first place and then the second step tests the role of group identity on institutional flexibility. So in essence, this model would ask, conditional on signing onto an agreement, what is the role of race and identity on institutional design?

### *Theoretical*

In addition to measurement error, there may be theoretical reasons for these differences. First, I recognize that the methods I use to measure race (geographic region) and ethnicity (census) may in fact be capturing different things. This, in turn, might account for the differences between my analyses. Geographic region can be might actually be capturing the relationship between race and geography, which includes spillover or increased contact. This is contrary to census data, which might be capturing perceived differences and similarities through quantitative data rather than proximity or spatial relations.

Next, even though I do not find complete support for my analysis, I do find more support than not, that identity will influence the kinds of agreements states design with one another. Although not included in this project, I find that for both measurements of identity, that in-groups will sign

---

<sup>230</sup> Wyszynski and Marra, 2017

agreements with greater depth. Therefore, race and ethnicity do in fact influence institutional design, and in the future, I will need to better specify the scope conditions.

### *What If I am Wrong?*

Although I recognize some measurement error, it could be the fact that my results are in fact correct and shared ethnicity actually leads to more flexible agreements. In that case, I think it would have implications on how I conceptualize particularized trust. Particularized trust may have more to do with expectations of the other rather than the willingness to except vulnerability. For example, if states trust out-group states less and expect them to cheat more, they may create less flexible agreements with them to bind them to the agreement. In this definition, it is the case that, both trust and flexibility are operating differently. Flexibility in this example is used to constrain the behavior of other states rather than permitting behavior of your state. These findings also complicate my conceptualization of flexibility and its relationship to development. Although an increasing body of literature recognizes how too much flexibility may be an impediment to trade.<sup>231</sup> This finding helps to support my hypotheses that too much flexibility can have negative implications on the expected gains from trade.

### **Conclusion**

In this chapter, I test the role of ethnicity in the design of preferential trade agreements. I center the process of racialization to show that, much like racial groups, differentiations between ethnic groups are used to justify unequal treatment. In distinguishing between two forms of institutional flexibility, I find that group identification does not influence adaptive flexibility. It does, however, influence interpretive flexibility, but in the unexpected direction. Unlike my previous chapter, the findings in the chapter do not support my hypothesis, but they do, nonetheless, offer some suggestions for institutional design.

First, my findings suggest the need to disaggregate amongst different types of flexibility. Rather than having one type of flexibility function as a check for the other, adaptive and interpretive flexibility can help us better understand why states design the different types of flexibility they do.

---

<sup>231</sup> Pelc 2013; Bearce 2016

I find partial support for my hypothesis that states will design less flexible agreements with their in-groups when they are more susceptible to vulnerability and risk. I find more convincing support for the argument that states will design different agreements with states that are part of their in-groups than with those from their out-groups. While the results of this quantitative analysis are mixed at best, it does provide a strong starting point for understanding the role of group identification in the making of international agreements. In the future, I hope to better specify the conditions under which group identification will influence institutional design. In the following chapter I depart from generalizations and use qualitative evidence to explore the relationship between group identification and trust. Using the language of leaders from the European Union, I demonstrate how in-group trust, underpins these agreements.

## Chapter 4: Racialized Beliefs, Values and Perceptions

### Introduction

My results from Chapters 2 and 3 suggest different implications for the role of group identification on state behavior. The findings from Chapter 3 suggest that in-group states will design *less flexible* agreements with one another, yet the findings from Chapter 3 suggest that in-groups will design *more flexible* agreements with one another. However, I suggest the findings from Chapter 3 are tenuous at best. This chapter is an attempt to reconcile the two and explores the mechanisms underlying the varying levels of trust, which stem from group identification. States are more likely to trust in-groups relative to out-group states because of the perceived similarities of the (good) values and beliefs of in-group members. Using speeches from leaders in the European Commission, I compare language used to discuss in-group states to the language used to discuss out-groups. I expect that leaders will invoke language that emphasizes their similarities with in-group states and invoke language that emphasizes their differences between out-group states. These differences are important because the willingness of individuals to engage in trusting behavior is dependent on the salience of the identity with other group members.<sup>232</sup> Therefore, we should expect leaders to discuss their similarities with in-group states to help facilitate group cohesion, and in turn, higher levels of trust.

This chapter is arranged as follows: first, I summarize the literature on group identification and trust. Unlike my previous chapters, I specifically tease out the causal mechanisms between the two. Next, I discuss the evolution of the relationship between the EU and the African, Caribbean and Pacific (ACP) states, and centering the role of race in that history. It is important to historicize race within and outside of the EU because it can help provide context and meaning to the words that politicians use. Because contemporary politicians are less likely to use explicitly racist language towards countries today (with the exception of a few, such as Marine Le Pen in France and Geert Wilders of the Netherlands), we can use history to trace how racist language has evolved over time in the age of political correctness.

After my introductory and historical discussion, I delve into my case selection where I compare the language of officials when deliberating about EU candidate states, namely the Balkan states and of ACP states, whom have been part of a series of agreements with the EU since 1963. While EU enlargement may be one of the most over-determined processes, it is

---

<sup>232</sup> Kramer et al, 2014

nonetheless an informative case to understand how the EU approaches development differently based on the identity of different states (i.e. those they consider European and those they do not). I test my argument and competing explanations using speeches from officials in the European Commission from 1989 – 2013. This analysis is preliminary at best, and I conclude with a discussion on future steps.

### **In-Group Identification and Trust: Understanding the Mechanisms**

The willingness of individuals to engage in trust behavior in situations requiring collective action is tied to the salience and strength of their identification with their group and its members.<sup>233</sup> The salience of group identification is one of the primary mechanisms underlying in-group trust. The more the individual identifies with the group, the more likely they will make decisions for the benefit of the group, rather than personal gain. An observable implication is that the greater the salience of group identification, the more willing group members will be to take accept risk. This risk-acceptant behavior is the result of the positive feelings between in-group members.

The willingness to accept risk or vulnerability for in-group members is not exclusively for the benefit of the group but rather, how the individual feels about themselves is ultimately tied to the success of their group. The relationship between group success and self-esteem are mutually constitutive. As previous chapters suggest, in an effort to develop a positive sense of self, individuals will perceive their own groups to have superior values and beliefs when compared to those of the out-group. Rather than acknowledging the differences across groups, SIT suggests individuals will evaluate these differences *relative* to their own. For example, during colonization, Europeans saw Native American conceptions of shared, public property as irrational and inferior to their ideas of private property. Colonists justified the expulsion of Native Americans off their land as a result of these negative perceptions.<sup>234</sup> The significance of these meanings have implications across racial and ethnic groups.

#### *Group Values And Beliefs*

Another mechanism underlying group identification and trust is reciprocity. This reciprocity is the result of the shared values and beliefs of group members, that ultimately set the foundation

---

<sup>233</sup> Ibid, 175

<sup>234</sup> Harris 1993

for shared norms which regulate behavior amongst group members.<sup>235</sup> These norms, values and beliefs between in-groups helps to create and maintain group cohesion.

Group beliefs refer to the idea that members of your own group share similar qualities. Group beliefs help to facilitate group cohesion because they become a source of common knowledge for group members.<sup>236</sup> The most fundamental group belief is the conviction that “we are a group”. Once an individual identifies themselves as belonging to a group, so starts the process of identifying what group membership constitutes. An example would be the belief in a higher power. For those who identify with a particular religion, this belief forms the foundation of common knowledge, such as the origins of man and ultimately shape behavior.

Values are a form of belief which underlies group identification. Values are an enduring belief in a specific mode of conduct in order to achieve an end-state of existence.<sup>237</sup> The difference between values and beliefs are that values such as freedom and equality are ideals that groups members may aspire to, whereas beliefs are a somewhat agreed upon basis of knowledge which are more deterministic in defining what a group is. Values such as white supremacy may help to define the group belief that non-whites are inferior but that does not necessarily have to be the case.

Related to group beliefs and values is the role of confidence. Confidence in the values and beliefs of the group that distinguish them from out-group members, is essential to reducing uncertainty. The categorization process (putting people into different groups) is an important component of group identification. Without confidence, difficulties arise for the preservation of group cohesion because the very ideas that bring the group together are suddenly called into question.

Race and ethnicity are two categories which can stem from group identification. Racial and ethnic groups can share fundamental values and beliefs that help to shape their worlds and permissible actions. For the dominant group, the belief that they are superior to other groups can make members sense that others should be excluded from particular rights and privileges. We can see this in debates throughout Europe in excluding Muslim refugees from social safety

---

<sup>235</sup> Hekman et al, 2009

<sup>236</sup> D Bar Tal, 1998

<sup>237</sup> Rokeach, 1973. The author differentiates between an terminal value (i.e. happiness) and instrumental value (i.e. cheerful). Instrumental values form the mode of conduct to achieve a terminal value.

programs.<sup>238</sup> For members of the minority group, unequal treatment can lead to a belief that they have a common fate, which can shape political behavior. Through political mobilization, groups can attempt to remedy some of the injustices that they face. An example of this would be middle-class African-Americans who continue to vote for Democrats, due to a belief in linked-fate, that your success is ultimately tied to the success of members within your group.<sup>239</sup>

The belief that members of your group share similarities, including common beliefs and values form the basis of trust. In this project, I explore particularized trust – trusting others who are like you based on a shared race (or ethnicity), due to the perceived similarities of those belonging to the in-group. This form of discriminate trust influences the willingness to accept risk for fear of exploitation.<sup>240</sup> In-group identification helps to reduce uncertainty in complex environments.<sup>241</sup> However, this reduction in uncertainty is different than the rational-choice uncertainty where leaders presumably update their information to make a decision. This is also different than generalized trust, which is a basic belief of the goodwill of all people.<sup>242</sup> In this case, uncertainty is reduced because you generally expect good things from others. You decrease the realm of possibilities because you typically expect one kind of (good) behavior as a result of group identification.

Race and ethnicity are two persistent forms of group identification. The significance of these categories matter for both people within and outside these groups. Understanding the importance of these groups and identification only matters insofar as we can contextualize it within a historical context. Racial and ethnic categories are not fixed and who is considered in-group and out-group varies over time and space. As we move from colonization to our contemporary moment and from an overtly racialized society to an implicitly racialized society, we need understand how history changes the ways in which people display discrimination. In this project, I test the role of group identification on the trade agreements of the European Union. I argue that we should expect EU leaders to speak differently about in-group states, such as those in Central and Eastern Europe (CEEC) than ACP states, which constitute an out-group. Since in-group trust is contingent on the salience of group identification, we should expect EU leaders to

---

<sup>238</sup> Phillips 2006

<sup>239</sup> Dawson 1994

<sup>240</sup> Molm 2000 et al. 2000

<sup>241</sup> Derham and Fischer 2016

<sup>242</sup> Rathburn 2011

consistently make reference to the similarities that they share with CEEC states. On the other hand, we should expect that leaders will discuss the differences between them and the ACP states. To understand how these differences are racialized, we need to take a closer look at history.

### **What is European Identity**

**Figure 4.1 The European Commission's Political Leadership**



243

Notice anything in the figure above?

After the horrors and atrocities of World War II, there was a sense of the need to develop institutions that would discourage European states from fighting one another. Following the logic of the Kantian Triangle, which connects international organizations, economic interdependence and democracy as essential for the maintenance of peace, the European Union was born. This approach was a success considering European states have failed to go to war ever since. The following section provides a brief history of the European Union, and more importantly, the role of identity in its consolidation. Using existing literature, I review the conceptualizations of European identity and discuss the role of race in that process. The racialization of European identity is important to understanding why and how certain states receive preferential treatment in terms of trade.

---

<sup>243</sup> Source: [https://ec.europa.eu/commission/commissioners/2014-2019\\_en](https://ec.europa.eu/commission/commissioners/2014-2019_en)

The EU is regarded as one of the most powerful economic institutions, which heralds the free movement of goods, services and people as a crucial part of their cooperation. The EU began as the European Coal and Steel Community (ECSC) in 1951, with six-member states -- Belgium, France, Germany, Italy, Luxembourg and the Netherlands. Since the initial agreement, the EU has gone through three different enlargement periods, growing to also include states from central and southern Europe. Currently, the EU includes 28 - member states.<sup>244</sup> In addition to economic and political cooperation, EU officials also encouraged the development of a European identity to help further consolidate the European project and avoid war.<sup>245</sup> Much like feelings of attachment are necessary for nation-states, elites tried to extend this logic to the EU.<sup>246</sup>

So, what is European identity? In this project, the content of European identities are important because they help us to understand how politicians use them to distinguish between Europe and the other. Particularly, how they use these differences to justify differential treatment due to perceptions of the inferiority of the other. There are several different ways to conceptualize European identity. First, Europe as a community of values, embedded in geography, history and culture. Second, Europe as part of the Western community based on liberal democracy and social market economy. And last, European values rooted in Christianity and strong social obligations.<sup>247</sup> While at face value these ideas appear to be race-neutral, taking a closer look at history demonstrates how these notions are mired in racial-bias. Throughout history, these European values were used to justify differential treatment and to subject people of color to violence and exploitation.

### *Race and Ethnicity and European Identity*

*European integration is, in fact, the first "velvet revolution" of the 20th century. It overturns concepts and attitudes that had characterized centuries of European history.*

*Romano Prodi, President of European Commission*

European politicians often point to the history of war as a driving force for European consolidation. For centuries, Europeans fought amongst themselves for political, economic and religious reasons both within and outside the continent. The memory of this history has

---

<sup>244</sup> Austria, Belgium, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom

<sup>245</sup> Checkel and Katzenstein, 2009

<sup>246</sup> Anderson 1983

<sup>247</sup> Cowles et al 2001

influenced economic decision-making for European states in creating customs unions and free trade areas. There is another European history, one of conquest, exploitation and racial difference that European leaders are less willing to remember. I center that history; one of racism, imperialism and colonization to understand the economic behavior of European states.

Pale perfection and racial differentiation have always been at the heart of a European identity that proclaims democratic values and rights of individuals at its core. As European states gradually dominated the international system, it justified their perceived superiority. “We rule the world because we are superior and we are superior because we rule the world”.<sup>248</sup> The development of freedoms and rights within Europe coincided with designating certain geographical spaces as backwards, uncivilized and unfree.<sup>249</sup> Therefore, these peoples were denied access to these same rights as Europeans. Existing literature in political theory has recognized the relationship between liberal democracy and racism. While the main idea of democracy is government for the people, by the people, throughout history democracies have always excluded a segment of the population.<sup>250</sup> Colonial labor relations on the plantations in the Americas were the conditions of possibility for European philosophers to think the new universality of human freedom was predicated upon increases in wealth derived from the availability of cheap/free labor. While on the other hand, much of the freedom for colonized peoples were foreclosed.<sup>251</sup>

Beyond the historical exclusion of particular groups in the democratic processes of European states, race played a role in the creation of a European identity by defining “the other”. Understanding what Europe is, simultaneously establishes what Europe is not. By relegating certain groups as lazy, irrational and uncivilized – Europeans became hard-working, rational and civilized. These theories served to establish Europe’s superiority and justified exploitation and conquest.<sup>252</sup> Excluding and defining peoples into certain categories is indeed the European way. European identity is intrinsically tied to its whiteness. This whiteness was used to differentiate between groups within Europe and then extended outside of Europe. The consolidation of the

---

<sup>248</sup> Mills 2017

<sup>249</sup> Lowe 2015

<sup>250</sup> This is not to say that democracy is bad, just that we need to consider the history of democratization in the West and its implications on certain groups in the population.

<sup>251</sup> Lowe 2015

<sup>252</sup> Said 1978

European Union is a means to consolidate that whiteness through strength in numbers but also conferring the benefits of whiteness to other states throughout Europe.

If you not convinced by the significance of race in European identity from the discussion above, take the following statement made by Frans Andriessen in 1993, at the time, European Commissioner for External Relations and Trade:

*For many years, since I first visited your country, I have reflected on the degree to which you in New Zealand are in fact Europeans. I say that not only as a European, but more particularly as a Dutchman, who knows what part my compatriots played in the discovery and development of this part of the world.*

New Zealand is not part of Europe geographically, yet Andriessen alludes to the possibility of New Zealand being part of Europe. We cannot understand this quote without considering the history of New Zealand, which involves settler colonialism. Settler colonialism is yet another process where people were excluded and expelled of because of physical differences.<sup>253</sup>

My analysis above serves to contextualize the role of race in what is considered to be European identity. A note of caution, I do not mean to suggest that every time European leaders use language on values and similarities that it alludes to race. Rather, I present the notion that race is an important factor that shapes our understanding of Europe. Officials are subject to the same racial biases as their citizens, which in turn shapes policy. When European leaders invoke certain language, they are highlighting the differences between us and them, and most importantly that those differences make Europeans better. In the following section, I show how this relationship functions in the context of EU/ACP relations.

### **EU Relationship With African, Caribbean and Pacific Countries**

The EU's relationship with their former colonies is often regarded as one of the earliest and most comprehensive commitments between developed and developing countries.<sup>254</sup> Initially, these agreements went beyond provisions of the GATT/WTO in offering preferential access to the markets of the larger states European states. While the EU/ACP relationship has arguably set the framework of the EU's development policy, ACP states no longer occupy a privileged position in the EU development agenda because of the changing nature of the international

---

<sup>253</sup> Coombes 2006

<sup>254</sup> Smith 2004

system since the 1960s.<sup>255</sup> This rise of other export-oriented countries in Latin America, Asia and other parts of Europe has had the result of displacing the relative importance of ACP states.

In this section, I trace the development of the ACP/EU relationship from the Yaoundé Agreement signed in 1964 through the current Cotonou agreement, which was ratified in 2000.<sup>256</sup> The role of the racialized identity plays a significant role in the drafting of these agreements because it reflects the changing nature of the colonized and colonizer relationship. Imperialism created a highly racialized international hierarchy, and the ideas of racial superiority developed during that time period still matter for how states conduct trade because they influence whose preferences are reflected in the agreement.

After the wave of decolonization movements in Africa, European states were both worried about losing market access to their former colonies and driven by a historical obligation to help in the incorporation of their former territories into the international system. This was especially true in the case of France. These considerations led to the ratification of the Yaoundé agreements, one ratified in 1963 and the other in 1969. This agreement was between the EU and newly independent African states. One of the most important components of this agreement was the acknowledgment of the independence of African states and a commitment to developing a partnership of equality. However, scholars argue that these agreements continued a post-colonial relationship that allowed for duty free access of African goods into European markets and created an association between EEC states and their former colonies.<sup>257</sup> The continuation of the single commodity, export-oriented economies in Africa has and continues to keep African countries susceptible to fluctuations in market prices.<sup>258</sup> Europe set the terms of trade, which African states had to oblige. Much like during colonization, territories were aligned with European states and African goods entered European markets freely. An important caveat is that goods covered in the EU's Common Agricultural policy were not included in duty free access goods.<sup>259</sup> This demonstrates how the EU prioritized development amongst themselves at the expense of African states who were dependent on their markets. Ultimately, trade between the

---

<sup>255</sup> Smith 2004 60

<sup>256</sup> This agreement remains in effect until 2020.

<sup>257</sup> Cosgrove, 1969

<sup>258</sup> Ellis 2006. Although the recent rise of China is changing the nature of this tenuous fact.

<sup>259</sup> Gruhn, 1976

EEC and African states fell during that period and thus, the two groups of states realized a need to cultivate a different kind institutional arrangement.

Following the Yaoundé agreements, the Lomé agreements structured trade between EU/ACP states. There were four different Lomé agreements (1976, 1981, 1985, 1990), each with five-year intervals.<sup>260</sup> The agreements grew to include additional states on both sides, EU enlargement on one hand, and ACP states coming together as one unified voice on the other. These agreements set the terms of trade and aid between EU/ACP states for a period of twenty-five years. One of the primary provisions of these agreements was non-reciprocal duty-free access of ACP goods into European markets.

Granting preferential access did not take place without any reservations. Other states such as Germany, the Netherlands and Great Britain were suspicious of French power during these negotiations and large presence of Francophone countries.<sup>261</sup> More specifically, there was a worry that EU funds were unevenly distributed to serve France's interests. The differences amongst states became even more complex once the United Kingdom joined the Union and brought with them several English-speaking Caribbean countries. While several states shared these reservations, they were nonetheless able to craft these agreements with considerable adjustments over time.

ACP states were best able to leverage their power in the first convention. This is because it reflected the New International Economic Order (NIEO) where newly independent states were experiencing moderate growth rates.<sup>262</sup> With the exception of Marshall Plan, European states were largely cut off from the rest of the world and other economies. They needed and wanted to keep some form of market access to remain competitive in the new economy.

Each subsequent Lomé Convention resulted in the ACP states had less bargaining power than the previous one. Changes in the distribution of power in the international system were the primary driving force. First, the false promise of neoliberalism did not work for much of these countries, especially those in Africa. Weak domestic infrastructures made it difficult for these states to absorb the increased interconnectedness and vulnerability to exogenous shocks that resulted from the free trade regime. This effectively reversed the small economic gains of the

---

<sup>260</sup> Lome IV was for a period of ten years

<sup>261</sup> Lord Chelwood, 1975

<sup>262</sup> Hunt, 2003

1970's. Additionally, the 1980s also marked the rise of the Washington consensus where state and government officials saw free markets, capitalism and austerity as the most appropriate way to facilitate development. These standards created a system where states were encouraged to adopt similar policies, regardless of the existing institutional apparatus. Next, an increase in competition from other regions such as Asia, Latin America and the Middle East, diminished the importance of ACP states to Europe.<sup>263</sup>

The single most important event, which changed the nature of the EU/ACP relationship, was the collapse of the Soviet Union and the dissolution of communist states in central and eastern Europe (CEEC). The collapse created the desire to unite all of Europe in an effort to keep peace on the continent.<sup>264</sup> Furthermore, there was a shift in policy where EU development funds were redirected to promote stability within and between CEEC states. Because of geographic proximity, the United States replaced the EU as the Caribbean's primary trading partner, but states in Africa and the Pacific were largely left to dry both in terms of trade and aid. For example, ACP exports to the EU declined by four percent from 1976 to 1994 and ACP countries received 44% of the aid that eastern European countries received around that time.<sup>265</sup>

The current trade agreement between the EU and ACP countries, the Cotonou agreement, was ratified in 2000 but did not go into effect until 2002. The current agreement varies from its predecessors along several dimensions. First, Cotonou is an economic partnership agreement (EPA), whose purpose is meant to establish an economic free trade area between the regions rather than a non-reciprocal trading partnership. Next, the EU encouraged ACP states to sign onto regional trade agreements with one another to increase cooperation amongst themselves. However, the biggest difference was the introduction of conditionality. That is, ACP states were required to meet certain standards such as good governance and respect for human rights before receiving EU funding. ACP leaders criticized Cotonou because they did not receive adequate time to provide input during the drafting of the agreement. They also argued that the agreement was forced on them rather than being representative of a true economic partnership.<sup>266</sup> The persistent inequities between the two groups of states, puts ACP states at an unequal playing

---

<sup>263</sup> Smith 2004

<sup>264</sup> Ashbrook 2010

<sup>265</sup> European Commission, Green Paper on Relations between the European Union and the ACP; Lister 2002

<sup>266</sup> Carbone 2013

field once they get to the negotiating table. This asymmetrical relationship and the resulting trade agreements are the by-products of a historical legacy of racism.

### *Historical Institutionalism*

To investigate the design of contemporary trade agreements, I take seriously the history of racial differentiation in Europe to justify economic behavior. Although not a central focus of this project, I contend that a brief discussion of historical institutionalism (HI) is valid because it considers the role of history in institutions today. HI theorists are concerned with three broad questions, how institutions are created, reproduced and changed.<sup>267</sup> In both the cases of EU formation and enlargement and the EU/ACP relationship, history is a driving force in why racial inequalities are embedded in contemporary institutions. In the case of EU/ACP it was the history of colonization, which created the specific institutional arrangements. In the case of the EU, it is a history of war, which can explain current institutional arrangements. Introducing history into our analysis of international institutions allows us to scrutinize the relationship between race and power and in turn, the kinds of institutions which emerge.

So what role does race play in the design of contemporary international institutions? I suggest that these agreements still reflect a situation where powerful European states dictate the terms of trade, and unequal power distributions restrict the leverage that other states can exercise. What international political economy is missing, and what history provides us with, is an understanding of the relationship between race and economic power. The relationship between race and power is two-fold. First, perceived racial superiority was used to justify exploitation and subjugation for certain Europeans to amass wealth. Second, this accumulation of wealth was used as evidence of racial superiority.<sup>268</sup> While there was a racial hierarchy within Europe, where western Europeans saw themselves as better than southern and eastern Europeans (whom were less likely to have overseas colonies), they were nonetheless considered Europeans and better than the non-Europeans of the new world.<sup>269</sup> The distribution of power results in the EU having an advantage in the trade agreements they sign with most states. How EU officials perceive the other states they sign onto agreements with should have important implications for the content of

---

<sup>267</sup> Thelen, 1999

<sup>268</sup> McMahan 2009

<sup>269</sup> McMahan 2016

the agreement itself. Racial group identification may shape these assessments. In the following section, I discuss reiterate my argument and expectations.

### **Argument**

In-group states will design less flexible agreements with one another due to trust. In-group trust is built on the perception that in-group states share similarities, and therefore more willing to accept risk and vulnerability from other in-group members. Below, I outline the expectations of my theory, in addition to the expectations from competing explanations.

#### *Group Identification*

Because it is difficult to actually gauge levels of trust, I test the presence of the *mechanisms* that should lead to higher levels of trust. As stated previously, in-group trust depends on the strength and salience of identification with group members. Differentiation between in-group and out-groups is a key factor in facilitating in-group trust. The more leaders differentiate between “us” against “them”, the greater the salience of their identities and in turn, the greater the levels of trust. There are several observable implications of this differentiation.

First, we should expect to see leaders emphasize the similarities between in-group members and differences between out-group members. Next, we should expect leaders to talk about members of the out-group as a single category rather than an individual.<sup>270</sup> This is the essence of stereotyping, where individuals who have a stronger sense of group identification are more likely to stereotype or feel stereotyped against.<sup>271</sup> If we extend this to European leaders, then we should expect to see leaders to differentiate between the different the CEEC countries while treating ACP countries as one monolithic unit. Lastly and related to this point, leaders should be more willing to attribute bad behavior from in-group members as situational and bad behavior from out-groups states as dispositional.<sup>272</sup> This is because of the certainty and confidence that underlie group identification.

---

<sup>270</sup> Tajfel and Turner 1986; Jetten et. al 2004; Hornsey 2008

<sup>271</sup> Kaiser and Wilkins 2010

<sup>272</sup> Hewstone 1990

*Rational Choice*

For rationalists, information and expected utility should influence the types of agreements states design with one another. Therefore, we should expect leaders to discuss a state's participation in the international institutions in addition to the benefits of signing onto the agreement. The language should come in the form of the others states' involvement in international institutions as well as the expected benefit of signing onto the agreement such as market share and the potential gains from trade.

*Import Competing*

According to explanations that center domestic politics, we should expect sectoral interests to influence the design of trade agreements. Therefore, we should expect leaders to talk about domestic politics, agriculture and the desire to protect their constituents from cheap goods.

*Institutional Capacity*

Institutional capacity serve as a credible commitment for economic exchange and should influence the design of trade agreements. We should expect leaders to refer to the strength of democratic institutions or property rights when discussing other states. Table 4.1 summarizes the different theoretical explanations.

**Table 4.1 Summary of Expectations**

EXPLANATION	MECHANISM	EXPECTATIONS IN LANGUAGE
GROUP IDENTIFICATION	Particularized Trust	In-group: Similarities, situational Out-group: Differences, dispositional
RATIONAL CHOICE	Self-utility, Maximizing	Market size, gains from trade
IMPORT COMPETING	Domestic Politics	Domestic interests, agriculture, subsidies
INSTITUTIONAL CAPACITY	Stability	Democracy, Property Rights

**Case Selection: The European Union**

I test my hypothesis on the role of group identification in design of international trade agreements by using speeches from officials in the European Union from 1989 – 2014. I compare the language used by the European officials to talk about countries ascending into the European Union versus the language used to discuss African, Caribbean and Pacific (ACP) countries who have been part of the Yaoundé, Lomé and Cotonou agreements. I assemble data from the European Union Commission Library and Press Release Database. I complement that data with speeches collected from the European Commission library located in Brussels, Belgium which were not available on the online database. The earlier speeches allow me the opportunity to incorporate more overtly racist language leaders invoke but are also less edited and candid than the speeches that are available on-line today. In all, I review fifty speeches in total.

The European Commission is the primary legislative apparatus of the European Union.<sup>273</sup> The Commission is responsible for drafting legislation in addition to implementing the rules of Parliament and the European Council. Because of their prominent role in the legislative process, the EU Commission is the ideal institution to analyze the socio-tropic beliefs of the officials who

<sup>273</sup> [https://europa.eu/european-union/about-eu/institutions-bodies/european-commission\\_en#overview](https://europa.eu/european-union/about-eu/institutions-bodies/european-commission_en#overview)

are involved in decision-making. In this section, I justify my case selection before discussing research design.

The European Union and their trade agreements make it both the best and worst case for understanding the role of identity institutional design. First, the enlargement of the European Union is one of the most over-determined processes in history. Since after World War II and the distribution of aid during the Marshall Plan, EU consolidation was meant to fostering security within Europe to avoid the atrocities of another war. The fall of the Soviet Union and other socialist regimes in Central and Eastern Europe further justified the need for consolidating security within Europe. Second, EU officials cite developing states weak infrastructure and poor economic performance to justify unequal treatment. After all, there is a relationship between underdevelopment and race so therefore, non-white states “deserve” the criticism they receive from other states. However, I hope I was able to demonstrate above how problematic this logic is if we incorporate the role of history. Finally, as some have argued, EU consolidation is a top down process.<sup>274</sup> Therefore, elites have incentives to over-emphasize the similarities and good values of the CEEC states and analyzing officials’ language would capture that bias.

However, the European Union makes the perfect case for other reasons. First, in the dataset that I use, the EU has signed the greatest number of preferential trade agreements. EU agreements account for 90 of the 600 (15%) agreements included in the analysis. Therefore, we should expect a wide variation in how leaders talk about different states. Next, racial differentiation began in Europe. To understand the role of identity, we should start at the source. One prominent scholar notes that racial capitalism actually began in Europe because the process of racial differentiation was solidified by the time colonization began because serfs and peasants were already racialized subjects.<sup>275</sup> The phenotypical differences associated with race, was not a necessary condition for the relationship between race and capital accumulation. Last, there is no denying that identity plays a role in European consolidation and enlargement.<sup>276</sup> Having the most obvious case where the function of identity is present, makes it an ideal comparison to analyze across cases and explore mechanisms for examples where identity is different.

---

<sup>274</sup> Pridham 2002

<sup>275</sup> Robinson, 1983

<sup>276</sup> Trenz 2010

## Data and Methods

To test for the role of identity in how states design international trade agreements, I document the language of EU leaders when negotiating the agreements. The language that leaders use during the ratifying process should reflect the sentiments of the officials involved in the process, which I argue, translates into policy. While the person speaking may not represent the opinions of everyone within the Commission, they more likely than not, to speak for the opinions of the majority because they were elected into these positions in first place.

For each agreement, I collect speeches for a span of three years. This interval includes language during the tensest periods of negotiation. For example, if an agreement was signed in 2001, I use language from 1999 – 2001. This includes the two years prior to signing the agreement and the year the agreement was ratified. I expect the conversations closest to ratification to be most telling of the sentiments that politicians are feeling during the negotiation process. The primary purpose of this chapter is to be a descriptive and exploratory endeavor. I hope to discover patterns in language, which will help strengthen my underlying argument between group identification and institutional design. In other words, uncovering patterns to establish causation rather than correlation.

### *Methods*

To test my argument, I create a dataset of speeches of European leaders from the European Commission. To date, I have a total of fifty-five speeches. The variables in the dataset include:

- Names of the country(ies) that are referenced in the speech,
- Date the speech was made,
- Official whom made the speech,
- Official's country of origin
- Official's position of the official,
- Theoretical Explanation (Group Identification, Rational Choice, Import-Competing, Institutional Capacity)
- Speech language that helps to justify the classification
- Hyperlink

This dataset will grow to include older language to help demonstrate change overtime. Much like it is critical to historicize race and economic power, it is equally important to

historicize the evolution in language surrounding in-groups and out-groups. Currently, this dataset only includes contemporary language from 1990 – 2003 (the latest EU enlargement). In the following section, I briefly discuss the significance of the variables included in the dataset.

### *State*

As previously noted, I am interested in the ways that leaders talk about and discuss ACP states and comparing that language to those of countries who are ascending to the EU or countries who aspire to join the EU. In this project, I am referring the Balkan countries – Albania, Croatia, Bosnia Herzegovina, Serbia, Montenegro, Bulgaria and Macedonia. Within these states, there are considerable differences, Bulgaria and Croatia are a part of the EU and the other countries are not. Nonetheless, the EU has preferential trade agreements with all these states and some are more comprehensive than others. While I expect to see some differences in how leaders discuss the various Balkan states, overall, I expect the language to be more favorable when compared to ACP states.

My comparison group includes ACP states. Much like the Balkan states, there is considerable variation amongst the ACP states as well. I expect EU officials to favor Caribbean states to be more favored over African and Pacific states. This is because Caribbean nations have a unique relationship with Europe, in the sense that the trans-Atlantic slave trade created transnational identities in this region, unlike Africa and the Pacific.<sup>277</sup> Also, several Caribbean nations are still nominally part of Europe such as Martinique, French Guiana and Guadeloupe. Additionally, the Caribbean countries are amongst the most successful states in terms of development – for example, in 2016, Trinidad and Tobago had a GDP per capita of about \$16,000.00, placing the country in the middle-income category. In my research thus far, I find that Pacific states are less important to European leaders and they rarely discuss or visit nations from that group. Finally, African countries are the poorest states from the three groups of countries and that may further bias the language officials' use (the relationship between race and underdevelopment).

---

<sup>277</sup> Beckles, 1997

### *Leaders*

I record leaders' names, positions and the country they represent. Within the EU Commission, there are 28 different officials including the presidents and the vice presidents. I collect speeches from five positions:

- The President
- The Commissioner for European Neighborhood Policy and Enlargement Negotiations
- The Commissioner for trade
- The Commissioner for International Cooperation and Development
- The Commissioner for Social Affairs and Skills and Labour Mobility

When assessing relevant speeches concerning the different member states, the commissioners in the categories above routinely appear. While the other commissioners probably do speak about different member states, issues of trade are probably less salient

I also report information on the country of origin of the leaders. This distinction is important because given their history, some states may exhibit preferential treatment towards different states. For example, French politicians displayed preference for their former colonies, while German politicians demonstrated preference for countries in central and eastern Europe.<sup>278</sup> Additionally, the nationalities of leaders may lead them to think about different states in their respective categories. For example, while *Caribbean* may make a British politician think of Barbados or Jamaica, a French politician may be thinking about Haiti. These examples serve to illustrate that while European officials represent the institutions as a whole, they still bring their national identities to the positions they occupy.

### *Location*

I also record the location of where the speech takes place. This is important because we should expect to see some variation depending on the audience. For example, we might expect leaders to use different language when they are talking amongst themselves and other officials in Brussels, versus when they are talking to representatives from other countries. The established common knowledge among group members may cause leaders to use different kinds of language to help center certain ideas. Lastly, there is the issue of tact, as politicians, there is language that

---

<sup>278</sup> Schieder et. al 2011

is unacceptable to use when talking to other government officials and this may bias my analysis in either direction.

### *Theory*

This category is what I code to test my hypotheses. I read the speeches to determine which theoretical framework best captures the language of the leaders. In future iterations of this project, I hope to include a text-analysis to complement my subjective analysis of the different speeches.

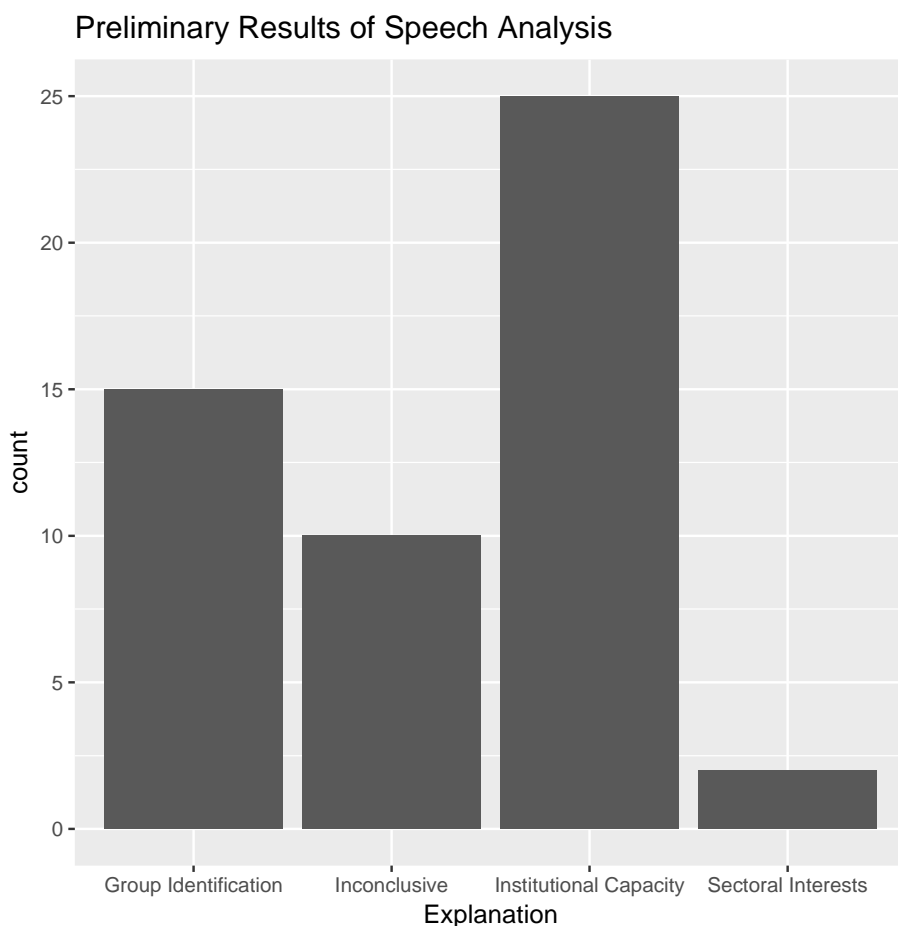
**Table 4.2 EU Official Characteristics**

Official	Position	Origin	# of Speeches
<b>Han Van Den Broek</b>	Foreign Affairs	Dutch	1
<b>Anna Diamantopoulou</b>	Employment and Social Affairs	Greek	1
<b>Pascal Lamy</b>	Trade	French	7
<b>Jose Manuel Barroso</b>	President	Portuguese	1
<b>Manuel Marin</b>	Vice President	Spanish	3
<b>Poul Nielson</b>	Cooperation and Development	Danish	9
<b>Joao de deus Pinheiro</b>	ACP Relations	Portuguese	1
<b>Romano Prodi</b>	President	Italian	4
<b>Chris Patten</b>	External Relations	Great Britain	17
<b>Viviane Reding</b>	Education and Culture	Luxembourg	1
<b>Olli Rehn</b>	Enlargement	Finnish	5
<b>Gunter Verheugen</b>	Enlargement	German	2

Table 4.2 provides a summary of the data collection. The majority of speeches thus far, were delivered by Chris Patten, a British official who was the EU commissioner for External Affairs from 1999 – 2004. These were the years that Croatia was attempting to join the European Union and Patten played a prominent role in that process.

### *Coding Scheme*

I code the speeches as *group identification*, *import competing*, *institutional capacity* and *rational choice*

**Table 4.1 Distribution of EU Speeches**

My preliminary analysis suggests that EU leaders most often invoke language about institutional capacity. That is, they seem to be concerned with democratic institutions and economic institutions when discussing trade. Second most common category is group identification, where leaders invoke language about differentiation. The third most prevalent category is inconclusive, meaning that I was able unable to code the speech with confidence. In the speeches thus far, I do not find support for the rational choice expectations. Considering the size and economic apparatus for both CEEC states and ACP states, it should come as no surprise that rational explanations cannot account for the agreements between these two groups of countries. Next, I include examples of each category and justify my coding decision.

### *Group Identification*

Greater levels of differentiation between the in-group and out-group should lead to higher levels of trust.

I am especially glad to be in Kenya at this particular point in time. The tragic events which the world recently suffered clearly demonstrate, if this was further needed, that close links between *North and South, between the developed and developing worlds*, are essential to ensure the stability of the international system. In this context, I came here in part to demonstrate that the partnership between *developing countries and the developed* world can effectively work and deliver results, *despite all the differences between our countries*. I hope that this partnership will set an example and thereby help to establish a more stable and peaceful world. The alternative, in my view, is not pretty. The temptation for some to go down the bilateral route will not play to your advantage. In the WTO, its one member, one vote and the potential to build alliances and coalitions to defend your interests is considerable. If US and Asia were to switch to bilateral deals, your leverage would be very limited. At tomorrow's meeting with my ACP counterparts I will look to listen and understand your concerns. I will also set out my firm belief that, like a bicycle, either we pedal or we fall off. We have everything to win through a launch and much to lose if we do not.

Pascal Lamy. October 1<sup>st</sup>, 2001 Nairobi, Kenya

The speech above was delivered by the EU Trade Commissioner Pascal Lamy in Nairobi, Kenya, one the year after states signed the Cotonou agreement. As previously stated, this agreement was unlike any of the previous agreements between the sets of states. It adopted conditionality and created reciprocal terms for market access. Many of the leaders of the ACP states, and in particular African leaders, were reluctant to sign onto this agreement. Leaders felt they were rushed into signing onto the agreement, in addition to having an overall distaste for conditionality.<sup>279</sup> I code this agreement as supporting group identification because of the different times Lamy differentiates between developed and developing as well as North and South. As Chapter 2 shows, geography is one form of racial project. The greater the levels of differentiation between in-group and out-group, should lead to lower levels of trust. The ACP states constitute an out-group. Consider the following quote where the leaders discuss an state I call an in-group state.

---

<sup>279</sup> Udombana 2004

Nowhere has the challenge on the security side been greater than in South East Europe. As freedom advanced across Central and Eastern Europe, tragedy descended on the Balkans. We tried to staunch the blood letting, to bandage the wounds. We tried, but for too long we failed to halt the violence. ***But we never gave up, we never lost faith with that part of our continent, we never accepted the notion that the occasional descent into barbarism was merely a facet of Balkan life.*** Today, we have greater grounds for optimism in South East Europe than for a generation. Our policy of patiently, steadily working to build increasingly strong and increasingly stable democracies initially around Serbia, but now happily including Serbia is paying off. I am the first to acknowledge that we are not completely out of the woods. But we can at last begin to glimpse the edge of the forest. We no longer face a serious prospect of war breaking out imminently in any part of the region.

*Chris Patten. November 2nd, 2000 Vienna, Austria*

Chris Patten, a British official who was the commissioner for External Affairs delivered the speech above. The speech was made approximately a year before Croatia joined the EU. This speech was made in Vienna, Austria to other commission officials and the leaders of several Balkans states. The quote provides support for the group identification hypothesis and I code the Balkans as an in-group. After the dissolution of Yugoslavia and the fall of the Soviet Union, Europe was confronted with the possibility of insecurity at its borders. I code the speech above as group identification because despite the numerous amount of conflicts in the region, EU officials gave the people of these regions the benefit of in attributing conflicts in the region as situational. This is not necessarily a negative thing but the example above helps illustrate how consistency and stability is an important source of group cohesion. Through situational attribution, members of the in-group retain the confidence of the good qualities that hold them together.

#### *Institutional Capacity*

For evidence of institutional capacity, I expect to see leaders discuss the strength of political and economic institutions. Similar to the quote below.

***The strategy for Angola is a challenge for the future, especially when it comes to the issue of reforms, governance, respect for human rights and democratisation, all of which are crucial to reducing poverty.*** We are with you in this process. After winning the battle for peace and national unity it is now the time to fight for reconciliation and to win the war against poverty. This is what the people of Angola has for so long been waiting for. I am confident that, together we will meet this challenge, and that we can reduce poverty in Angola, ***based on a process of sustainable development*** and building on our long standing close and warm relationship.

*Poul Nielson, January 28, 2003 Luanda, Angola*

EU Commissioner for Development and Humanitarian Aid delivered the speech above at the EU-Angola summit. I code this speech as institutional capacity because Nielson discusses the

strength of political and economic institutions. The quote above is an excerpt but countless times during the speech, Nielson discusses the governance and respect for democracy as necessary conditions for development for Angola.

### *Sectoral Interests*

I find very little support for the sectoral interest's hypothesis.

***Reform is hard, but European taxpayers are digging deep in their pockets to help smooth the way. The European Commission alone is spending over €800 million, over a billion and a half DM, this year in the Balkans. When I tell you we are spending some €90m in India this year population 1 billion it gives you an idea of the scale of our effort in this region. The money is justified. It is a wise investment in your peace and security, and ours. But every euro or DM that is spent in this region is money that cannot be spent on other deserving countries, or in hospitals or schools in EU Member States; it has to be justified to our taxpayers, w. o, not unreasonably, want to see it producing results.*** So I warmly welcome the Action Plan for Regional Economic Co-operation being adopted by this Summit, especially its emphasis on encouraging direct investment, promoting transparency, and cracking down on corruption and organised crime. That is why the barbaric, cowardly attack on a bus full of Serb women and children so outraged friends of Kosovo. That is the message from this meeting: that the road to Europe is open to all the peoples of this region, and now, at last, the overwhelming majority are taking it.

*Chris Patten. February 23, 2001 Balkans: South European Co-operation and Process Summit*

I code the quote above as sectoral interests. While it does not refer to specifically to trade, Patten does discuss the interests of the domestic population in terms of money being distributed to the Balkan states. Overall, Eurobarometer suggests that EU citizens support the enlargement of the EU.<sup>280</sup> And although this does not capture import interests, it does capture and reflect a concern for domestic populations, which lobby to shape policy.

### ***Discussion***

The remainder of the dataset, I code as inconclusive. This is because I could not find sufficient support for any of the explanations.

Overall, I am unable to make any causal claims because of the preliminary and exploratory nature of my analysis. There are several different approaches I plan to take to strengthen my analysis. First, I must collect more speeches both during the contemporary period and over a longer historical periods. Once I collect more speeches, I plan to use a text as data approach which should allow me to truly uncover patterns, which are less subject to my loose

---

<sup>280</sup> [http://ec.europa.eu/commfrontoffice/publicopinion/archives/ebs/ebs\\_255\\_en.pdf](http://ec.europa.eu/commfrontoffice/publicopinion/archives/ebs/ebs_255_en.pdf)

interpretation of the speeches. Another benefit of the textual data approach is that it allows me to uncover language patterns over time. A temporal element can help to test process of racialization and how who and what constitutes and in-group can change over time.

Next, I may want to collect other kinds of speeches, which can help to reveal the true intentions of leaders rather than public speeches that may be altered for a particular audience. Although not included in this analysis, I collected minutes from the Lord of Commons in Britain and lords were franker about the ACP countries and their sentiments towards them than in any of the contemporary agreements I have coded thus far. Parliamentary meetings and negotiations may better shed light on the sentiments of EU officials. My concluding chapter summarizes the results of my analysis and outlines future steps.

## Chapter 5: Conclusion

This project explores the role of race and ethnicity in the design of international trade agreements. This project began with two broad questions, but to be honest, I leave this project with more questions than answers. In this concluding chapter, I respond to the two questions I set out to answer in the introduction and I conclude with outlining my next steps.

### *Question 1: What are the determinants of institutional design?*

While traditional explanations center economic variables and the role of information, I suggest that identity may influence how states design agreements with one another.

In Chapter 2, I outline a behavioral theory of institutional design where socio-tropic preferences shape the levels of flexibility that states include in their preferential trade agreements. I argue that states will design less flexible agreements with in-group states based on particularized trust. Particularized trust will affect the willingness of leaders to accept vulnerability and risk. More flexible agreements signal a reluctance to accept risk, whereas less flexible agreements signal a greater willingness to accept risk.

In Chapter 3, I find strong support for my hypotheses. Using geographic region as a proxy for race, I find that for both measures of institutional flexibility, in-group states will design less flexible agreements with one another. These less flexible agreements grant smaller in-group states greater market access, while discriminating against the goods of smaller out-group states through limiting market access.

In Chapter 4, I find partial support for my hypotheses. Using census data to capture ethnicity, my results show that states will design different agreements with states that are part of their in-group than states part of their out-group. However, these findings are significant in the unexpected direction and only for interpretive flexibility. The significance of group identification disappears once I include competing explanations. I conclude that chapter with potential theoretical and methodological reasons for these differences.

In Chapter 5, I conduct a preliminary qualitative analysis on the speeches of EU officials and identify observable implications for my theory. I also describe observable implications for the competing explanations (rational choice, sectoral interests and institutional capacity.) Thus far, I find the strongest support for institutional capacity, however there is ample evidence to

suggest that EU leaders are in fact concerned with identity when they differentiate amongst states.

I conclude that identity is an important, yet neglected factor in institutional design. Identity can help us to understand foreign policy decisions that do not follow strict rational predictions. People see themselves part of a collective identity and positive group association with in-group states influences how states design international trade agreements.

In addition to incorporating identity into institutional design, this project makes significant contributions to the study of institutional flexibility. My research explores the determinants but also *the effects of flexibility*. I ask what are implications of powerful states including flexibility provisions? I suggest that one potential implication is losing market access. Lastly, I disaggregate between the different kinds of flexibility. Whereas adaptive flexibility is a blunt measure, my conceptualization of interpretive flexibility suggests that some kinds of flexibility (i.e. those found in preferential trade agreements) may cancel out others (those allotted by the WTO). Therefore, we as scholars should pay more attention to the potential effects of the different kinds flexibility because they may have different implications on the states party to the agreement.

*Question 2: What is the role of race in the international political economy?*

My answer to Question 2, is more complicated than my answer to Question 1. This entire project was motivated by one idea: how can I understand the persistent relationship between race and underdevelopment? My answer to both questions based on the findings of this project suggest that it is still complicated. The findings of my analyses suggest race is working in multiple directions. Power is at the center of any analysis in political science and the distribution of power is highly racialized. Below, I suggest some answers to some of the most pertinent issues underlying the discrepancies in my findings.

*Is Race Unique?*

SIT centers group identification and it lends itself to the question of whether or not my theory of institutional design could apply to all types of identities. My answer to this question is yes. We should expect states to accept risk and vulnerability along any dimension of group identification.

Another category I could potentially see my project applying to is state religion, where we might expect to differences in institutional flexibility along religious alignment.

While I do believe that my theory can apply to other cases, I also believe that race is in fact unique. The process of racialization justifies discrimination on features that one can see. This is why race is such a significant determinant of in-group identification because differences in phenotype is the first thing people notice about another person.<sup>281</sup> Second, I believe race is unique because of the persistence of anti-blackness. In almost every nation, there is a population of people of African descent who are subjugated to unequal treatment. In the United States, it is African-Americans – who are lumped into the same group regardless of being born in the United States, countries in the Caribbean, or countries in Africa. In the wake of the refugee crisis, African migrants are killed at sea while trying to leave extreme conditions in their countries of origin. Even more-so overt is the Israeli president Netanyahu’s prioritizing the expulsion of African immigrants.<sup>282</sup> So while certain groups ethnic groups may be able to assimilate to becoming part of the dominant group (i.e. Irish and Italian), the process of assimilation is less viable for those who look phenotypically different.

### *Race and Power?*

While I am motivated to understanding the relationship between race and power, it simultaneously presents my greatest challenge. In Chapter 2, I control for economic power in my quantitative models, and the significance of racialized identity still holds. Yet, the reason I historicize race so much because of its relationship to power. I contend that the two are intrinsically linked together especially as it relates to countries in Africa. Asian countries present the most compelling case around this logic. Several studies show evidence of Anglo-European bias towards Asian countries, where the logic of the weak state does not hold.<sup>283</sup> I cannot definitively conclude if the causal arrow is race or power, but I can say that race is tied to power.

Overall, I am optimistic about the future of this research project. I set out to test the role of race and ethnicity in the design of international trade agreements and find preliminary evidence to

---

<sup>281</sup> Omi and Winant 1986

<sup>282</sup> Israel Moves to Expel Africans. Critics Say That’s Not Jewish.

<https://www.nytimes.com/2018/02/02/world/middleeast/israel-migrants-african.html>

<sup>283</sup> Dower 1986; Buzas 2013

support my hypotheses. Methodologically, I plan to use better data, such as actual census data and develop techniques to harmonize the breath of census data available across states. Second, I plan to collect more and maybe different qualitative data to test my underlying mechanisms. While geographic region and census data serve as useful proxies for race, my qualitative analysis actually teases out the necessary mechanisms underlying group identification that cannot be determined in a large-N study.

Theoretically, I plan to explore the social-psychology literature even more to better test my hypotheses. While I focus on out-group bias in the project, my primary explanation may actually concentrate around in-group trust. Regional trade agreements are among the least flexible agreements in the dataset and my results could be tapping into in-group relations rather than out-group ones. Lastly, out-group distrust should vary depending on different contexts. EU leaders may distrust Asian states due to threat perception and whereas I doubt threat perception exists for ACP states.

Understanding the relationship between race and the international political economy poses important questions for development in considering how and who becomes incorporated into the world economy. The process of racialization and power is complicated and this project is the result of my first step.

## Bibliography

- Adler, Emanuel, and Michael Barnett, eds. *Security communities*. Vol. 62. Cambridge University Press, 1998.
- Anderson, Benedict. *Imagined communities: Reflections on the origin and spread of nationalism*. Verso Books, 2006.
- Anwar, Amar, and Mazhar Mughal. "The role of diaspora in attracting Indian outward FDI." *International Journal of Social Economics* 40, no. 11 (2013): 944-955.
- Appelbaum, Nancy P., Anne S. Macpherson, and Karin Alejandra Roseblatt, eds. *Race and nation in modern Latin America*. Univ of North Carolina Press, 2003.
- Ashbrook, John E. "Croatia, euroskepticism, and the identity politics of EU enlargement." *Problems of Post-communism* 57, no. 3 (2010): 23-39.
- Baccini, L., Dür, A., Elsig, M., & Milewicz, K. (2011, November). The Politics of Trade Agreement Design: Depth, Scope and Flexibility. In *International Political Economy Society Meeting* (pp. 11-12).
- Baccini, Leonardo, Andreas Dür, Manfred Elsig, and Karolina Milewicz. *The design of preferential trade agreements: A new dataset in the making*. No. ERSD-2011-10. WTO Staff Working Paper, 2011.
- Balabanis, George, and Adamantios Diamantopoulos. "Brand origin identification by consumers: A classification perspective." *Journal of International Marketing* 16, no. 1 (2008): 39-71.
- Baker, Andy. "Race, paternalism, and foreign aid: Evidence from US public opinion." *American Political Science Review* 109, no. 1 (2015): 93-109.
- Barr, Abigail. "Kinship, familiarity, and trust: An experimental investigation." *Foundations of human sociality: Economic experiments and ethnographic evidence from fifteen small-scale societies* (2004): 305-334.
- Bayram, A. B. (2017). Cues for Integration: Foreign Policy Beliefs and German Parliamentarians' Support for European Integration. *German Politics and Society*, 35(1), 19-41.
- Beckles, Hilary. "Capitalism, slavery and Caribbean modernity." *Callaloo* 20, no. 4 (1997): 777-789.
- Bell, Duncan. "Before the democratic peace: Racial utopianism, empire and the abolition of war." *European Journal of International Relations* 20, no. 3 (2014): 647-670.
- Brown, Rupert. "Social identity theory: Past achievements, current problems and future

- challenges." *European journal of social psychology* 30, no. 6 (2000): 745-778.
- Burkitbayeva, S., & Kerr, W. A. (2013). *The Accession of Kazakhstan, Russia and Ukraine to the WTO: What Will It Mean for the World Trade in Wheat?* (No. 158891). Canadian Agricultural Trade Policy Research Network.
- Búzás, Zoltán I. "Is the Good News About Law Compliance Good News About Norm Compliance? The Case of Racial Equality." *International Organization* (2018): 1-35.
- Búzás, Z. I. (2013). The Color of Threat: Race, Threat Perception, and the Demise of the Anglo-Japanese Alliance (1902–1923). *Security Studies*, 22(4), 573-606.
- Carbone, Maurizio. "Rethinking Acp-Eu Relations After Cotonou: Tensions, Contradictions, Prospects." *Journal of International Development* 25, no. 5 (2013): 742-756.
- Checkel, Jeffrey T., and Peter J. Katzenstein, eds. *European identity*. Cambridge University Press, 2009.
- Checkel, Jeffrey T. "International institutions and socialization in Europe: Introduction and framework." *International organization* 59, no. 4 (2005): 801-826.
- Chandra, Kanchan. "What is ethnic identity and does it matter?." *Annu. Rev. Polit. Sci.* 9 (2006): 397-424.
- Christian, Michelle. "... Latin America without the downside': racial exceptionalism and global tourism in Costa Rica." *Ethnic and Racial Studies* 36, no. 10 (2013): 1599-1618.
- Coombes, Annie E., ed. *Rethinking settler colonialism: history and memory in Australia, Canada, New Zealand and South Africa*. Manchester University Press, 2006.
- Cowles, Maria Green, and Thomas Risse. "Transforming Europe: Conclusions." *Transforming Europe. Europeanization and Domestic Change* (2001): 217-37.
- Curley, Tyler M. "Social identity theory and EU expansion." *International Studies Quarterly* 53, no. 3 (2009): 649-668.
- Davis, Lewis S. "Institutional flexibility and economic growth." *Journal of Comparative Economics* 38, no. 3 (2010): 306-320.
- DeConde, A. (1992). *Ethnicity, race, and American foreign policy: A history*. UPNE.
- Doyle, Michael W. "Liberalism and world politics." *American political science review* 80, no. 4 (1986): 1151-1169.
- Dreher, A. (2006). KOF index of globalization. *Zürich: Konjunkturforschungsstelle ETH Zürich*.

- Dower, J.W., 2000. *Embracing defeat: Japan in the wake of World War II*. WW Norton & Company.
- DuBois, W. E. B. (1903). *The Souls of Black Folk*. New York: New American Library.
- Duggan, Lisa. *The twilight of equality?: Neoliberalism, cultural politics, and the attack on democracy*. Beacon Press, 2003.
- Dunn, David Hastings. "Assessing the debate, assessing the damage: transatlantic relations after Bush." *The British Journal of Politics & International Relations* 11, no. 1 (2009): 4-24.
- Dür, A., Baccini, L., & Elsig, M. (2014). The design of international trade agreements: Introducing a new dataset. *The Review of International Organizations*, 9(3), 353-375.
- Easterly, William. "National policies and economic growth: a reappraisal." *Handbook of economic growth* 1 (2005): 1015-1059.
- Elms, D. K. (2008). New directions for IPE: Drawing from behavioral economics. *International Studies Review*, 10(2), 239-265.
- Estes, A. C. (2011, May 18). Cornel West's Continuing Feud with Barack Obama. Retrieved January 05, 2018, from <https://www.theatlantic.com/national/archive/2011/05/cornel-wests-continuing-feud-barack-obama/350794/>
- Fearon, James D., and David D. Laitin. "Ethnicity, insurgency, and civil war." *American political science review* 97, no. 1 (2003): 75-90.
- Finnemore, Martha, and Kathryn Sikkink. "International norm dynamics and political change." *International organization* 52, no. 4 (1998): 887-917.
- Fischer, Ronald, and Crysta Derham. "Is in-group bias culture-dependent? A meta-analysis across 18 societies." *SpringerPlus* 5, no. 1 (2016): 70.
- Fransen, Sonja, and Valentina Mazzucato. "Remittances and household wealth after conflict: A case study on urban Burundi." *World Development* 60 (2014): 57-68.
- Frayling, Christopher. *The Yellow Peril: Dr. Fu Manchu and the Rise of Chinaphobia*. Thames & Hudson, 2014.
- Freeman, Michael. "The sources of terrorist financing: theory and typology." *Studies in Conflict & Terrorism* 34, no. 6 (2011): 461-475.
- Gilroy, Paul. *The black Atlantic: Modernity and double consciousness*. Harvard University Press, 1993.

- Glass, Ira. *This American Life*. Podcast transcript, <https://thisamericanlife.org/radio.org/radio-archives/episode/614/transcript>
- Global Inequality. (n.d.). Retrieved January 06, 2018, from <https://inequality.org/facts/global-inequality/>
- Golash-Boza, Tanya, and Eduardo Bonilla-Silva. "Rethinking race, racism, identity and ideology in Latin America." *Ethnic and racial studies* 36, no. 10 (2013): 1485-1489.
- Gray, Julia. "International organization as a seal of approval: European union accession and investor risk." *American Journal of Political Science* 53, no. 4 (2009): 931-949.
- Grief, Avner. "Institutions and the Path to the Modern Economy: Lessons from Medieval Trade Cambridge University Press." *Cambridge UK* (2006).
- Grosfoguel, Ramón. "Race and ethnicity or racialized ethnicities? Identities within global coloniality." *Ethnicities* 4, no. 3 (2004): 315-336.
- Guisinger, A. (2014). Racial Diversity and Redistribution: Explaining (White) Americans' Continued Support for Trade Protection. In *Annual Meeting of the American Political Science Association, August, Washington DC*.
- Habyarimana, James, Macartan Humphreys, Daniel N. Posner, and Jeremy M. Weinstein. "Why does ethnic diversity undermine public goods provision?." *American Political Science Review* 101, no. 4 (2007): 709-725.
- Hafner-Burton, E. M., Haggard, S., Lake, D. A., & Victor, D. G. (2017). The Behavioral Revolution and International Relations. *International Organization*, 71(S1), S1-S31.
- Hafner-Burton, Emilie M., Brad L. LeVeck, David G. Victor, and James H. Fowler. "Decision maker preferences for international legal cooperation." *International Organization* 68, no. 4 (2014): 845-876.
- Hammond, Ross A., and Robert Axelrod. "The evolution of ethnocentrism." *Journal of conflict resolution* 50, no. 6 (2006): 926-936.
- Hemmer, Christopher, and Peter J. Katzenstein. "Why is there no NATO in Asia? Collective identity, regionalism, and the origins of multilateralism." *International organization* 56, no. 3 (2002): 575-607.
- Henderson, Errol A. "Hidden in plain sight: racism in international relations theory." *Cambridge Review of International Affairs* 26, no. 1 (2013): 71-92.
- Hewstone, Miles, Mark Rubin, and Hazel Willis. "Intergroup bias." *Annual review of psychology* 53, no. 1 (2002): 575-604.

- Hewstone, Miles. "The 'ultimate attribution error'? A review of the literature on intergroup causal attribution." *European Journal of Social Psychology* 20, no. 4 (1990): 311-335.
- Hilton, James L., and William Von Hippel. "Stereotypes." *Annual review of psychology* 47, no. 1 (1996): 237-271.
- Hobson, John M. *The Eurocentric conception of world politics: Western international theory, 1760-2010*. Cambridge University Press, 2012.
- Hoffman, Katherine E., and Susan Gilson Miller, eds. *Berbers and others: beyond tribe and nation in the Maghrib*. Indiana University Press, 2010.
- Hogg, Michael A., Dominic Abrams, Sabine Otten, and Steve Hinkle. "The social identity perspective: Intergroup relations, self-conception, and small groups." *Small group research* 35, no. 3 (2004): 246-276.
- Hooker, J., 2005. Indigenous inclusion/black exclusion: Race, ethnicity and multicultural citizenship in Latin America. *Journal of Latin American Studies*, 37(2), pp.285-310.
- Hornsey, Matthew J. "Social identity theory and self-categorization theory: A historical review." *Social and Personality Psychology Compass* 2, no. 1 (2008): 204-222.
- Hunt, M. H. (2009). *Ideology and US foreign policy*. Yale University Press.
- Ikenberry, G. John, and Charles A. Kupchan. "Socialization and hegemonic power." *International organization* 44, no. 3 (1990): 283-315.
- Jervis, R. (2017). *Perception and misperception in international politics*. Princeton University Press.
- Jetten, Jolanda, Russell Spears, and Tom Postmes. "Intergroup distinctiveness and differentiation: a meta-analytic integration." *Journal of personality and social psychology* 86, no. 6 (2004): 862.
- Joachim I. Krueger. *Rationality and Social Responsibility: Essays in Honor of Robyn Mason Dawes*. Modern Pioneers in Psychological Science: An APS-Psychology Press Series. Taylor and Francis, 2008.
- Johns, L. (2014). Depth versus rigidity in the design of international trade agreements. *Journal of Theoretical Politics*, 26(3), 468-495.
- Kahneman, D., & Tversky, A. (1978). Prospect theory: An analysis of decision under risk. In *HANDBOOK OF THE FUNDAMENTALS OF FINANCIAL DECISION MAKING: Part I*(pp. 99-127).
- Kaiser, Cheryl R., and Clara L. Wilkins. "Group identification and prejudice: Theoretical and empirical advances and implications." *Journal of Social Issues* 66, no. 3 (2010): 461-476.

- Kaltman, B. (2014). *Under the heel of the dragon: Islam, racism, crime, and the Uighur in China*. Ohio University Press.
- Kapstein, E. B. (1992). Between power and purpose: central bankers and the politics of regulatory convergence. *International Organization*, 46(1), 265-287.
- Karlan, Dean S. "Using experimental economics to measure social capital and predict financial decisions." *American Economic Review* 95, no. 5 (2005): 1688-1699.
- Keohane, Robert. "0.(1984) After Hegemony." *Cooperation and Discord in the World Political Economy*, Princeton (1984).
- Kertzer, David I., and Dominique Arel, eds. *Census and identity: The politics of race, ethnicity, and language in national censuses*. Vol. 1. Cambridge University Press, 2002.
- Kim, C. J. (2003). *Bitter fruit: The politics of black-Korean conflict in New York City*. Yale University Press.
- Koremenos, Barbara, and Duncan Snidal. "Moving forward, one step at a time." *International Organization* 57, no. 2 (2003): 431-444.
- Koremenos, B., Lipson, C., & Snidal, D. (2001). The rational design of international institutions. *International organization*, 55(4), 761-799.
- Kucik, J. (2012). The domestic politics of institutional design: producer preferences over trade agreement rules. *Economics & Politics*, 24(2), 95-118.
- Kucik, J., & Reinhardt, E. (2008). Does flexibility promote cooperation? An application to the global trade regime. *International Organization*, 62(3), 477-505.
- Lake, David A. "White Man's IR: An Intellectual Confession." *Perspectives on Politics* 14, no. 4 (2016): 1112-1122.
- Lantz, Garold, and Sandra Loeb. "Country of origin and ethnocentrism: an analysis of Canadian and American preferences using social identity theory." *ACR North American Advances* (1996).
- Loveman, Mara. "The Race to Progress: Census Taking and Nation Making in Brazil (1870–1920)." *Hispanic american historical review* 89, no. 3 (2009): 435-470.
- Lowe, Lisa. *The intimacies of four continents*. Duke University Press, 2015.
- Mansfield, E. D., & Mutz, D. C. (2009). Support for free trade: Self-interest, sociotropic politics, and out-group anxiety. *International Organization*, 63(3), 425-457.

- Marcoux, C. (2009). Institutional flexibility in the design of multilateral environmental agreements. *Conflict Management and Peace Science*, 26(2), 209-228.
- Martin, L. L. (1992). Interests, power, and multilateralism. *International Organization*, 46(4), 765-792.
- McMahon, R. (2016). *The Races of Europe: Construction of National Identities in the Social Sciences, 1839-1939*. Springer.
- Merry, Sally Engle. "Law and colonialism." (1991): 889-922.
- Migdal, J. S. (Ed.). (2004). *Boundaries and belonging: States and societies in the struggle to shape identities and local practices*. Cambridge University Press.
- Milanovic, Branko. *The Haves and the Have-Nots A Brief and Idiosyncratic History of Inequality Around the World*. New York, Basic Books, 2010.
- Mills, Charles W. *Black rights/white wrongs: the critique of racial liberalism*. Oxford University Press, 2017.
- Molm, L.D., Takahashi, N. and Peterson, G., 2000. Risk and trust in social exchange: An experimental test of a classical proposition. *American Journal of Sociology*, 105(5), pp.1396-1427.
- Mosley, Layna. *Global capital and national governments*. Cambridge University Press, 2003.
- Muhammad, K. G. (2011). *The condemnation of blackness*. Harvard University Press.
- Mullen, Brian, Rupert Brown, and Colleen Smith. "Ingroup bias as a function of salience, relevance, and status: An integration." *European Journal of Social Psychology* 22, no. 2 (1992): 103-122.
- Mutz, Diana C., and Eunji Kim. "The Impact of In-group Favoritism on Trade Preferences." *International Organization* 71, no. 4 (2017): 827-850.
- O'Brien, Derek. "CARICOM: Regional Integration in a Post-Colonial World." *European Law Journal* 17, no. 5 (2011): 630-648.
- Omi, M., & Winant, H. (1986). 1994. *Racial Formation in the United States: From the 1960s to the 1990s*, 2.
- Paschel, Tianna S. *Becoming black political subjects: Movements and ethno-racial rights in Colombia and Brazil*. Princeton University Press, 2016.
- Pelc, K. J. (2016). *Making and Bending International Rules: The Design of Exceptions and Escape Clauses in Trade Law*. Cambridge University Press.

- Pelc, Krzysztof J. J. "The Cost of Wiggle-Room: Looking at the Welfare Effects of Flexibility in Tariff Rates at the WTO." *International Studies Quarterly* 57, no. 1 (2013): 91-102.
- Petrie, Ragan. "Trusting appearances and reciprocating looks: Experimental evidence on gender and race preferences." *Atlanta, United States: Georgia State University. Manuscript*(2004).
- Phillips, Deborah. "Moving towards integration: the housing of asylum seekers and refugees in Britain." *Housing Studies* 21, no. 4 (2006): 539-553.
- Posel, Deborah. "What's in a name? Racial categorisations under apartheid and their afterlife." *TRANSFORMATION-DURBAN-* (2001): 50-74.
- Pridham, Geoffrey. "EU Enlargement and Consolidating Democracy in Post-Communist States—Formality and Reality." *JCMS: Journal of Common Market Studies* 40, no. 5 (2002): 953-973.
- Rathbun, B. C. (2011). Before hegemony: generalized trust and the creation and design of international security organizations. *International Organization*, 65(2), 243-273.
- Ratha, Dilip, Christian Eigen-Zucchi, and Sonia Plaza. *Migration and remittances Factbook 2016*. World Bank Publications, 2016.
- Robinson, Cedric J. *Black Marxism: The making of the Black radical tradition*. Univ of North Carolina Press, 1983.
- Rogowski, R. (1987). Political cleavages and changing exposure to trade. *American Political Science Review*, 81(4), 1121-1137.
- Roitman, Karem, and Alexis Oviedo. "Mestizo racism in Ecuador." *Ethnic and Racial Studies* 40, no. 15 (2017): 2768-2786.
- Rousseau, D. M., Sitkin, S. B., Burt, R. S., & Camerer, C. (1998). Not so different after all: A cross-discipline view of trust. *Academy of management review*, 23(3), 393-404.
- Rosendorff, B. P., & Milner, H. V. (2001). The optimal design of international trade institutions: Uncertainty and escape. *International Organization*, 55(4), 829-857.
- Rudra, Nita. "Social protection in the developing world: Challenges, continuity, and change." *Politics & Society* 43, no. 4 (2015): 463-470.
- Rudra, N. (2002). Globalization and the decline of the welfare state in less-developed countries. *International Organization*, 56(2), 411-445.

- Ruggie, J. G. (1992). Multilateralism: the anatomy of an institution. *International organization*, 46(3), 561-598.
- Sabet, S. (2014). Feelings first: non-material factors as moderators of economic self-interest effects on trade preferences. *Unpublished manuscript, Princeton University, Princeton, NJ*.
- Said, Edward. "Orientalism: Western representations of the Orient." *New York: Pantheon* (1978).
- Sandberg, H. M., Seale Jr, J. L., & Taylor, T. G. (2006). History, regionalism, and CARICOM trade: A gravity model analysis. *The Journal of Development Studies*, 42(5), 795-811.
- Schieder, S., Folz, R. and Musekamp, S., 2011. The social construction of European solidarity: Germany and France in the EU policy towards the states of Africa, the Caribbean, and the Pacific (ACP) and Central and Eastern European Countries (CEEC). *Journal of International Relations and Development*, 14(4), pp.469-505.
- SHEFFER, L., LOEWEN, P. J., SOROKA, S., WALGRAVE, S., & SHEAFER, T. (2017). Nonrepresentative Representatives: An Experimental Study of the Decision Making of Elected Politicians. *American Political Science Review*, 1-20.
- Sheringham, Olivia. "Markers of identity in Martinique: being French, black, Creole." *Ethnic and Racial Studies* 39, no. 2 (2016): 243-262.
- Silverman, Max, and Nira Yuval-Davis. "Jews, Arabs and the theorisation of racism in Britain and France." In *Thinking identities*, pp. 25-48. Palgrave Macmillan, London, 1999.
- Silverman, M. (2002). *Deconstructing the nation: Immigration, racism and citizenship in modern France*. Routledge.
- Simmons, Beth A. *Mobilizing for human rights: international law in domestic politics*. Cambridge University Press, 2009.
- Simpson, Brent, Tucker McGrimmon, and Kyle Irwin. "Are blacks really less trusting than whites? Revisiting the race and trust question." *Social Forces* 86, no. 2 (2007): 525-552.
- Smedley, A. (1998). "Race" and the construction of human identity. *American Anthropologist*, 100(3), 690-702.
- Smith, Michael Eugene. *Europe's foreign and security policy: the institutionalization of cooperation*. Cambridge: Cambridge University Press, 2004.
- Stråth, B. (2002). A European identity: To the historical limits of a concept. *European Journal of Social Theory*, 5(4), 387-401.
- Suzuki, K. (2003). *The State and Racialization: The Case of Koreans in Japan*.

- Stein, Arthur A. "Ethnicity, extraterritoriality, and international conflict." *Ethnic and Racial Studies* 40, no. 12 (2017): 2020-2038.
- Tajfel, Henri. "SOCIAL IDENTITY AND INTERGROUP BEHAVIOR." *Social Science Information/Information Sur Les Sciences Sociales* 13, no. 2 (1974): 65-93.
- Tanghe, J., Wisse, B., & Van Der Flier, H. (2010). The role of group member affect in the relationship between trust and cooperation. *British Journal of Management*, 21(2), 359-374.
- Teorell, J., Dahlberg, S., Holmberg, S., Rothstein, B., Hartmann, F., & Svensson, R. (2015). The quality of government standard dataset, version jan15. *University of Gothenburg: The Quality of Government Institute*.
- Thaler, R. H. (2016). Behavioral economics: Past, present and future. *Browser Download This Paper*.
- Thelen, Kathleen. "Historical institutionalism in comparative politics." *Annual review of political science* 2, no. 1 (1999): 369-404.
- Thompson, Alvin O. "Race and Colour Prejudices and the Origin of the Trans-Atlantic Slave Trade." *Caribbean Studies* 16, no. 3/4 (1976): 29-59.
- Thompson, D. (2016). *The Schematic State: Race, Transnationalism, and the Politics of the Census*. Cambridge University Press.
- Thompson, D. (2012). Making (mixed-) race: census politics and the emergence of multiracial multiculturalism in the United States, Great Britain and Canada. *Ethnic and Racial Studies*, 35(8), 1409-1426.
- Thorat, Sukhadeo, and Katherine S. Neuman. *Blocked by caste: economic discrimination in modern India*. Oxford University Press, 2012.
- Trenz, H.J., 2010. In search of the popular subject: identity formation, constitution-making and the democratic consolidation of the EU. *European Review*, 18(1), pp.93-115.
- Turner, Marlene E. *Groups at work: Theory and research*. Psychology Press, 2014.
- Tuttle, G. (2015). *China's Race Problem*. [online] Foreign Affairs. Available at: <https://www.foreignaffairs.com/articles/china/2015-04-20/china-s-race-problem> [Accessed 7 May 2018].
- Udombana, Nsongurua J. "Back to Basics: The ACP-EU Cotonou Trade Agreement and Challenges for the African Union." *Tex. Int'l LJ* 40 (2004): 59.

- Uslaner, Eric M. "Trust and corruption revisited: how and why trust and corruption shape each other." *Quality & Quantity* 47, no. 6 (2013): 3603-3608.
- Uslaner, E. M. (2013). Trust as an Alternative to Risk. *Public Choice*, 157(3-4), 629-639.
- Uslaner, Eric M. *The moral foundations of trust*. Cambridge University Press, 2002.
- Vaught, Seneca. "Why the Rwandan genocide seemed like a drive-by shooting: The crisis of race, culture, and policy in the African diaspora." *The Journal of Pan African Studies* 1, no. 10 (2007): 113-134.
- Visoka, Gëzim, and Elvin Gjevori. "Census politics and ethnicity in the Western Balkans." *East European Politics* 29, no. 4 (2013): 479-498.
- Vitalis, Robert. "Birth of a Discipline." *Imperialism and internationalism in the discipline of international relations* 161 (2005).
- Volpp, Leti. "The citizen and the terrorist." *Immigr. & Nat'lity L. Rev.* 23 (2002): 561.
- Vucetic, Srdjan. *The Anglosphere: A genealogy of a racialized identity in international relations*. Stanford University Press, 2011.
- Wendt, Alexander. "Anarchy is what states make of it: the social construction of power politics." *International organization* 46, no. 2 (1992): 391-425.
- Wibbels, E., & Ahlquist, J. S. (2011). Development, trade, and social insurance. *International Studies Quarterly*, 55(1), 125-149.
- Walker, H. (2015, July 06). Donald Trump just released an epic statement raging against Mexican immigrants and 'disease'. Retrieved January 05, 2018, from <http://www.businessinsider.com/donald-trumps-epic-statement-on-mexico-2015-7#ixzz3fF897EIH>
- Wendt, Alexander. "Driving with the rearview mirror: on the rational science of institutional design." *International Organization* 55, no. 4 (2001): 1019-1049.
- Williams, M. (2001). In whom we trust: Group membership as an affective context for trust development. *Academy of management review*, 26(3), 377-396.
- Woodwell, Douglas. "Unwelcome neighbors: shared ethnicity and international conflict during the Cold War." *International Studies Quarterly* 48, no. 1 (2004): 197-223.
- Wrenn, Mary V. "Unveiling and deconstructing the enabling myths of neoliberalism through immanent critique." *Journal of Economic Issues* 48, no. 2 (2014): 477-484.

Wyszynski, Karol, and Giampiero Marra. "Sample selection models for count data in R." *Computational Statistics* (2017): 1-28.

Yeoh, Emile Kok-Kheng. "Towards an index of ethnic fractionalization." (2001).

Zhou, Min. "Ethnicity as social capital: community-based institutions and embedded networks of social relations." *Ethnicity, social mobility and public policy: comparing the US and UK* (2005): 131-159.

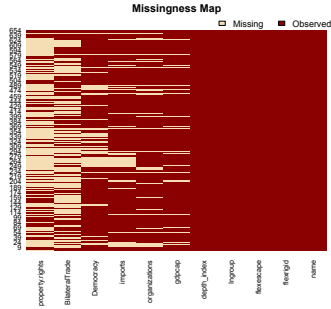


Figure 1: Joint Membership Missingness

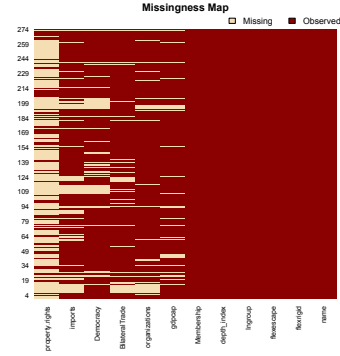


Figure 2: Political Globalization Missingness

## 1 Determinants of Adaptive Flexibility

This appendix includes additional models from my quantitative analysis. I include both the Akaike information criterion (AIC) and the Bayesian information(BIC) estimates below each of the models. I use the AIC and BIC as goodness of fit (Gof) measures for model selection. Lower values suggest the better model. The main models I include in my analysis have GoF statistics between 210 - 265 for all the models. Therefore, while I include the most restrictive analysis in my overall project, the GoF measures below suggest that my model was a better fit, but most importantly, my results remain consistent across the different datasets. Because of the missing values in my data, I impute the missing values across my dataset.

Table 1: Imputed Dataset

	Estimate	Std. Error	z value	Pr(> z )
(Intercept):1	-0.77	0.54	-1.44	0.15
(Intercept):2	-1.94	0.24	-8.21	0.00
Ingroup	-0.52	0.16	-3.36	0.00
GDP Per Capita	0.14	0.08	1.80	0.07
Democracy	0.06	0.01	4.81	0.00
Property	-0.01	0.01	-2.02	0.04
Bilateral Trade	-0.07	0.04	-1.54	0.12
Membership	-0.01	0.01	-1.23	0.22
Imports	0.00	0.00	1.02	0.31
Institutional Depth	0.23	0.05	4.20	0.00

**AIC: 870.9924**

**BIC: 906.8274**

Table 1 represents my results for Adaptive flexibility for my imputed dataset. The results are consistent, where an increase in group identification *decreases* the likelihood of a given flexibility provision. In the imputed datasets, several control variables are significant such as GDP per capita.

Table 2: Linear Model

	Estimate	Std. Error	t value	Pr(> t )
(Intercept)	0.8207	0.5774	1.42	0.1564
Ingroup	-0.6297	0.1795	-3.51	0.0005
GDP Per Capita	0.1188	0.0959	1.24	0.2166
Democracy	0.0620	0.0158	3.94	0.0001
Property Rights	-0.0096	0.0056	-1.71	0.0882
Bilateral Trade	-0.1175	0.0496	-2.37	0.0186
Organizations	0.0103	0.0055	1.88	0.0616
Imports	0.0088	0.0043	2.06	0.0401
Institutional Depth	0.2518	0.0605	4.16	0.0000

**AIC: 937.7974**

**BIC: 962.8819**

Table 2 represents my results for adaptive flexibility for my a linear model. Unlike the beta-binomial, the coefficients of the linear model are easier to interpret. A unit increase in In-group is associated with a .62 unit decrease in adaptive flexibility. Still consistent with my previous model.

## 2 Determinants of Interpretive Flexibility

Table 3: Imputed Dataset

	Estimate	Std. Error	z value	Pr(> z )
(Intercept):1	-3.64	0.63	-5.76	0.00
(Intercept):2	-2.49	0.26	-9.43	0.00
Ingroup	-0.59	0.16	-3.65	0.00
GDP Per Capita	0.32	0.09	3.44	0.00
Democracy	0.04	0.01	3.07	0.00
Property Rights	-0.03	0.01	-4.81	0.00
BilateralvTrade	-0.02	0.04	-0.51	0.61
Membership	0.00	0.01	0.51	0.61
Imports	0.01	0.00	2.27	0.02
Institutional Depth	0.32	0.05	6.40	0.00

**AIC: 762.7971**

**BIC: 798.6321**

Table 4: Linear Model

	Estimate	Std. Error	t value	Pr(> t )
(Intercept)	-0.7164	0.5410	-1.32	0.1866
Ingroup	-0.6875	0.1682	-4.09	0.0001
GDP Per Capita	0.2228	0.0898	2.48	0.0138
Democracy	0.0210	0.0148	1.42	0.1559
Property Rights	-0.0249	0.0053	-4.73	0.0000
Bilateral Trade	-0.0202	0.0465	-0.44	0.6637
Organizations	0.0149	0.0051	2.91	0.0039
Imports	0.0123	0.0040	3.07	0.0024
Institutional Depth	0.4052	0.0567	7.15	0.0000

**AIC: 883.9131**

**BIC: 919.7481**

Both tables 3 and 4 provide support for my hypothesis that in-group states will design less flexible agreements with another. That is, a increase in group identification *decreases* the expected probability of a given flexibility provision. This finding is consistent with existing literature

### 3 Determinants of Interpretive Flexibility: Distance Measure

Because I failed to reject the null hypotheses for the relationship between ethnicity and institutional flexibility, I do not include alternative models and below only present my results for interpretive flexibility.

Table 5: Imputed Model

	Estimate	Std. Error	z value	Pr(> z )
(Intercept):1	-2.61	0.53	-4.90	0.00
(Intercept):2	-1.68	0.12	-13.93	0.00
Distance	-1.29	0.33	-3.86	0.00
GDP Per Capita	0.37	0.06	6.22	0.00
Democracy	0.04	0.01	3.32	0.00
Property Rights	-0.01	0.00	-2.67	0.01
Bilateral Trade	0.04	0.01	3.05	0.00

**AIC: 1829.255**

**BIC: 1858.978**

Table 6: Imputed Model Including Competing Explanations

	Estimate	Std. Error	z value	Pr(> z )
(Intercept):1	-4.15	0.52	-7.97	0.00
(Intercept):2	-2.45	0.18	-13.88	0.00
Distance	-0.62	0.31	-1.98	0.05
GDP Per Capita	0.17	0.06	2.80	0.01
Democracy	0.02	0.01	2.13	0.03
Property Rights	-0.02	0.00	-5.18	0.00
Bilateral Trade	0.00	0.00	0.12	0.91
Organizations	0.03	0.00	7.16	0.00
Imports	0.02	0.00	6.77	0.00
Institutional Depth	0.22	0.03	7.54	0.00

**AIC: 1634.849**

**BIC: 1677.29**

Both Tables 5 and 6 are the results of ethnicity on insitutional design. Table 5 includes control variables and Table 6 includes competing explanations. In the imputed model, distance still remains significant when including competing explanations. This result was not consistent in my primary model. Once

again, the relationship is significant in the unexpected direction. An increase in distance, *decreases* the expected probability of a given flexibility provision.

Table 7: Imputed Model With Interaction Term

	Estimate	Std. Error	z value	Pr(> z )
(Intercept):1	-4.45	0.71	-6.24	0.00
(Intercept):2	-2.45	0.18	-13.88	0.00
Distance	-0.35	0.53	-0.66	0.51
GDP Per Capita	0.17	0.06	2.85	0.00
Democracy	0.02	0.01	2.18	0.03
Property Rights	-0.02	0.00	-5.20	0.00
Bilateral Trade	0.00	0.00	0.14	0.89
Organizations	0.03	0.00	7.10	0.00
Imports	0.02	0.00	6.78	0.00
Institutional Depth	0.32	0.15	2.07	0.04
Distance:Institutional Depth	-0.09	0.15	-0.62	0.54

**AIC: 1636.471**

**BIC: 1683.157**

Last, Table 6 shows the results of the determinants of institutional design including an interaction term. The inclusion of an interaction term is to determine if a relationship between your explanatory variables influences the outcome of interest. In this model, I interact institutional institutional depth and distance to see if the relationship between the two effects distance. Table 6 shows there is no unique relationship between ethnicity and depth which influence the institutional flexibility. Institutional depth still remains significant predictor of institutional flexibility. An increase in institutional depth, *increases* the expected probability of a given flexibility provision. This finding is consistent with existing literature