

Why Do Trade Negotiations Take So Long?

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Motivation

The Doha round – like most negotiations on trade liberalization – seems to be taking forever. Why? It would be problematic to generalize from the small number of observations on global (GATT/WTO) rounds of trade talks; instead, this column studies the factors that determine the length of trade negotiations for regional trade agreements (RTAs).

Introduction

There is widespread agreement among economists that trade liberalization is best conducted at the multilateral level. Indeed, facilitating multilateral negotiations is one of the primary objectives of the World Trade Organization (WTO), as it was with its predecessor the General Agreement on Tariffs and Trade (GATT). By way of contrast, regional trade agreements (RTAs) may create some trade, but they also have the potential to harmfully divert it.

Still, the global approach to multilateral trade liberalization seems moribund. The Doha round sponsored by the WTO has just “celebrated” its tenth birthday, with no end in sight. The duration of GATT/WTO trade liberalization rounds – the length of time between the start of negotiations and their completion – has grown consistently with the number of participants. The 23 participants of the first (Geneva) round of GATT negotiations took only six months to conclude a deal that reduced 45,000 tariffs. But there are now over 150 members of the WTO, a number that makes negotiations considerably more difficult.

This column examines the economic determinants of the duration of RTA negotiations. While it would be problematic to generalize from a handful of global (GATT/WTO) rounds of trade talks, regional trade negotiations appear to be a good testing ground. They are numerous and similar in nature to their GATT/WTO analogues. In a recent paper, Moser and Rose (2012) find that negotiations are more protracted when there are more countries at the negotiation table, and when the

countries are not from the same region. We find that negotiations between more open and richer countries are also finished more quickly.

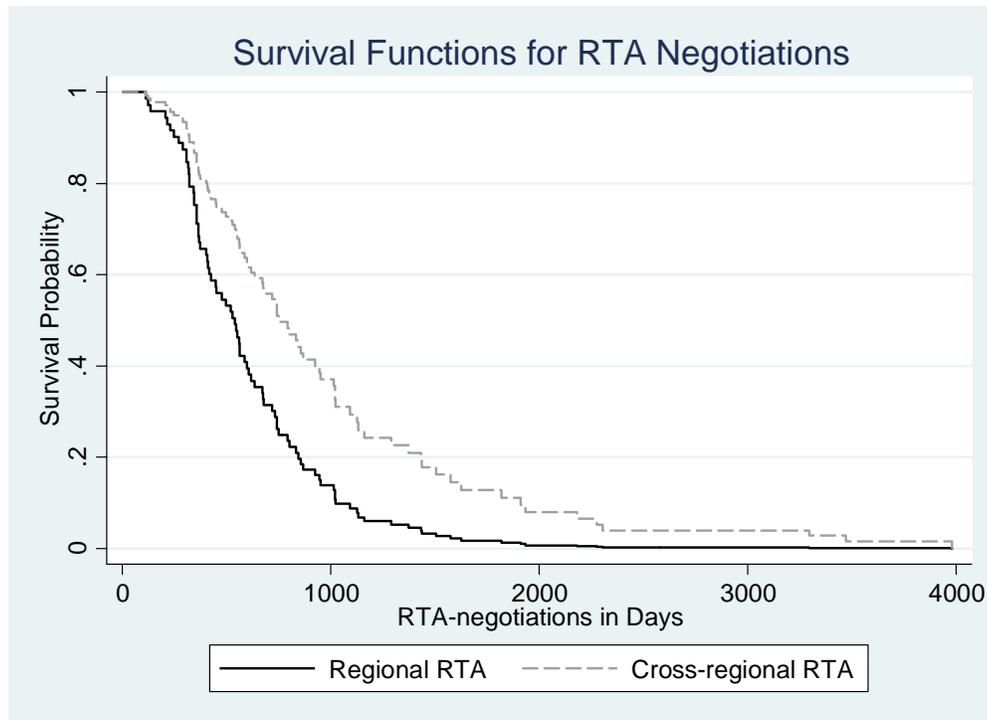
Data and Methodology

It is not straightforward to measure the length of negotiations. We build on the exact announcement dates of the start and conclusion of RTAs as identified through a full-text search in LexisNexis (see Moser and Rose, 2011, for more details on data set). More precisely, we define the duration of RTA negotiations as the elapsed time from the day when it was officially announced that negotiations on a RTA will commence at some future date to the day that agreement on the RTA was actually reached. Such announcements are typically made by important policy makers of the affected countries. Our data sample covers 88 RTAs from 1988 to 2009. On average, trade negotiations take 28 months, but there is large variation in the length of negotiations.

Moser and Rose (2012) estimate a standard Cox proportional hazards model that links the duration of RTA trade negotiations to a number of economic determinants (Cox, 1972). In particular, the model asks: what effect does the complexity of trade negotiations have on the duration of those negotiations?

Findings

We find that negotiations take significantly longer when they involve more countries, especially if the countries are spread across different regions. The latter finding is also reflected in the Figure 1. It shows the survival functions for Regional and Cross-regional RTAs, with other control variables held at their average values.



We also find somehow weaker results for two other economic variables: RTA partners that are more open to trade and richer tend to conclude their agreements more quickly. We also found many negative results. Among those candidates for which we could *not* identify a measurable effect on the length of negotiations are RTA-export importance or intra-RTA income divergence. Moelders (2012) has recently confirmed that bilateral trade agreements tend to be hammered out more quickly. Beyond that, he shows that political factors seem to matter as well.

Conclusions

These results lead us to be pessimistic about the prospects for future global trade talks. The membership of the WTO continues to grow as the few remaining outsider countries (like Russia) join. As the number of participants and the diversity of their preferences grow, it becomes increasingly difficult to imagine a successful conclusion to the Doha round, let alone future liberalization rounds engineered under the auspices of the WTO. While multilateral liberalization has many advantages over regional trade liberalization, feasibility does not appear to be among them.

References

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