

Gridlock and Opportunism: The Domestic Politics of Compliance in WTO Disputes

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Abstract

The World Trade Organization (WTO) dispute settlement system is widely recognized as one of the most successful innovations of the multilateral trade regime. Yet it remains unclear whether it effectively restores trade cooperation, partly because once a legal verdict is delivered by a WTO panel, it enters the “black box” of domestic politics. The defendant government bears responsibility to enact policy reforms to comply and report progress; plaintiffs bear the burden of enforcement, should those reforms fall short. Many disputes are settled without a clear legal record of whether the contested trade barriers were removed. This paper evaluates the domestic political process of compliance for approximately 150 WTO disputes with adverse legal rulings. I build a novel dataset using official government records, local news outlets and primary documents in several languages. I determine whether and when the defendant government complied based on the legislative or administrative measures it used to do so. The data show compliance problems are both widespread and systematically linked to domestic politics. Across the WTO disputes, domestic political divisions—measured by veto players—hinder compliance. When an adverse ruling can be implemented by administrative rules alone, domestic leaders are not significantly constrained by other political actors and are more successful in complying. However, when legislation is required, disagreements over compliance, which often fall along partisan lines, are common and compliance is far less likely. Examining the compliance process, I show that domestic political constraints can limit the effectiveness of the WTO dispute resolution system.

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As the World Trade Organization Dispute Settlement System, a central institution of the multilateral trade regime, passes two decades of operation, the question remains: has it successfully resolved international trade disputes? When the dispute settlement body finds a government guilty of violating WTO rules, do governments correct their policies to restore trade cooperation?

The question of this institution's effectiveness in eliciting international cooperation is—or perhaps should be—of interest beyond the confines of international trade scholars. Polit-

conomic conditions worsen or political circumstance shift, governments may be more amenable to meeting their demands. This can lead governments to sometimes breach their WTO commitments (Rickard, 2010).

It is under these conditions that WTO disputes often arise. Complainant governments, concerned that another country's trade barriers will damage their own economy, lodge their grievances through the dispute settlement system. This activates a formal legal process that yields a ruling on the merits. The vast majority of rulings determine the respondent government had imposed barriers to trade that violate WTO treaty terms, an *adverse ruling*. In these instances, the losing respondent is required to adjust its trade policy to comply with the ruling. Yet trade policy can be difficult to adjust. Once governments allocate certain advantages to domestic groups, reversing those protections may invite resistance. Complying with adverse WTO rulings can be an onerous task. Governments that aim to revoke trade protection are met with resistance; the same domestic groups that benefited from WTO-inconsistent measures are not likely to give them up without a fight.

This paper evaluates the efficacy of the WTO Dispute Settlement System (DSS) through the lens of compliance. Several influential studies have gauged the DSS by using trade flows to measure the *economic* impact of rulings (Bown and Reynolds, 2015; Chaudoin, Kucik, and Pelc, 2016; Bechtel and Sattler, 2015). Complementing these contributions, this study focuses on the *policy* impact of rulings. Whether or not governments adjust their policies to comply with unfavorable WTO legal verdicts in the context of escalating conflict provides insight into the DSS. I argue that its success is conditional: there is a consistent link between domestic politics and compliance with adverse WTO rulings. Governments vary in structure, making their decisions more or less sensitive to the diverse demands of constituencies. The more political constraints a government has, the more likely it is that domestic groups that oppose compliance will find a sympathetic ear among politicians and succeed in obstructing policy reform. Nearly every WTO ruling is met with opposition from at least one domestic group. Thus on average, countries with more domestic constraints—institutional checks and

partisan divisions— are less likely to implement policies to comply with an adverse WTO ruling.

The theory is tested using a novel data set that evaluates compliance with approximately 150 WTO disputes with adverse rulings. For each dispute, I identify the specific policy reforms that were adopted to bring the respondent government into compliance and examine the associated political process. Drawing on hundreds of primary government documents such as executive orders, regulatory reforms, legislative votes and debates, as well as secondary documents including industry publications and press releases, I assess the timing, quality, and form of compliance. The result is one of the most detailed databases on WTO disputes to date.³ An analysis of these data, and various features of the domestic political process, provides strong support for the theory. Domestic political constraints within respondent governments hinder the ability of the WTO to restore cooperative trade relations between countries in the wake of a dispute.

Building on the domestic political mechanism, I also offer a broader assessment of compliance in the WTO. This paper suggests that domestic political constraints are not merely introducing institutional inertia. Governments sometimes exploit features of WTO's dispute settlement system to balance competing pressures from international and domestic sources. While facing international pressure to promptly comply and the threat of retaliation, defendant governments can prolong legal proceedings and delay compliance without penalty. When defendant governments have divisive domestic politics, and particularly when political power is tenuous, they are more likely to extend the duration of WTO disputes through additional legal proceedings. In this respect, gridlock is opportunism: political leaders use flexibility in the WTO system to manage the domestic politics of trade disputes with concessions to both domestic industries that demand protection and pro-liberalization constituencies. The conclusion offered is that while the WTO dispute settlement system has effectively contributed a stable multilateral trade regime, it remains systematically constrained by

³“Database on Compliance in WTO Disputes,” available from author.

the domestic political dynamics within member governments and is unlikely—or unable—to engage in the type of judicial overreach that its critics fear.

The following section discusses previous literature on the politics of international dispute settlement at the World Trade Organization and presents a theory on the domestic politics of compliance. The third section illustrates the mechanisms through a series of examples. The fourth section introduces the data, a key contribution of this project. The remaining sections present the results of the statistical analysis, discuss implications and conclude.

WTO Disputes and the Domestic Politics of Compliance

The World Trade Organization's Dispute Settlement System is a cornerstone of the multi-lateral trade regime. It provides a legalized venue for governments to resolve trade disputes and enforce the terms of liberalization under which a large portion of the global economy functions. Over five hundred disputes have been brought to the WTO; they span a broad range of trade rules and industries while implicating dozens of countries. About half of the formal disputes are resolved early through bilateral negotiations while the remainder go to litigation.⁴ In the litigation process, a WTO dispute settlement panel is formed to substantively evaluate each government's position. The panel rules on each of the legal claims to determine whether the respondent government is in violation of its legal obligations under WTO treaties. When the panel ruling finds the respondent to be in violation of its WTO obligations, it issues an adverse ruling. The vast majority of WTO rulings are adverse, favoring the complainant over the respondent government on at least some legal claims.

When governments face adverse WTO rulings, they are required to implement new policies or remove the problematic ones in order to comply. Discriminatory tariffs may need to be adjusted, subsidies revoked, tax codes revised, or other trade policies modified. Because governments enact trade policy through different instruments, sometimes regulatory

⁴Governments bargain in the “shadow of the law” (Busch and Reinhardt, 2000), i.e. their negotiations reflect the potential binding force of rulings. Rulings cast a “shadow” because they shape subsequent outcomes for complainant and respondent governments.

and other times statutory, there is also variation in the process of compliance. Compliance measures can be broadly categorized as administrative or legislative. Where only an administrative measure or an executive act is needed to enact a compliant trade policy, the process may be relatively simple. Administrative agencies like a government's department of commerce or ministry of trade can, sometimes acting under the direction of the executive branch, adjust regulations to bring the government into compliance with a WTO ruling. In other instances, compliance cannot be achieved with administrative measures alone; rather, governments have to pass new legislation to implement the ruling. This complicates the process, requiring coordination among multiple members of parliament or congress. The difficulties a government faces in complying with adverse WTO rulings therefore varies with the form of trade policy and its internal political process.

The dispute settlement process is far from simple. There are many avenues through which governments can side-step adverse rulings (Reinhardt, 2001). First, rulings are frequently appealed, often by both complainant and respondent. This activates another stage of legal proceedings in which an appellate panel is formed and reevaluates the ruling in light of new arguments presented by the disputants. This can add a year or more to the process. Second, the deadline for compliance—which is normally less than 15 months from the ruling—is often renegotiated, sometimes with the assistance of arbitration. In WTO parlance, this is the “reasonable period of time” (RPT) for compliance. Disputants may extend the implementation deadline several times, over multiple years. Third, if the deadline passes and the respondent has not demonstrated compliance, the complainant can begin another legal stage, compliance proceedings. This commences an extended panel process and a verdict is issued. Only after these avenues have been exhausted and the respondent continues to maintain a policy that violates WTO rules can the complainant seek remedies in the form of monetary compensation or temporary countermeasures (i.e. retaliation). Brewster (2011) has noted that this process leaves a “remedy gap” in the WTO system. Because it lacks retroactive penalties, respondents can maintain trade barriers that benefit their own do-

mestic industry at the expense of foreign competitors throughout this lengthy legal process with minimal consequences. In effect, obstinate respondents enjoy a period of protectionism without negative repercussions.

Despite the seeming inefficiency, it would be misguided to dismiss these institutional features as a mere nuisance in the multilateral trade regime. Rather, they infuse flexibility in the WTO dispute settlement system. International trade agreements are designed to have flexibility mechanisms that promote their durability (Milner and Rosendorff, 1996; Rosendorff and Milner, 2001). These mechanisms enable governments to sometimes breach their free-trade commitments to alleviate domestic political pressure without being forced to abandon the international agreement altogether. Flexibility measures take various forms (Kucik and Reinhardt, 2008; Pelc, 2009, 2011). Under World Trade Organization rules, for instance, governments are permitted to enact safeguards, temporary trade barriers when there is an import surge that threatens a particular industry. Other research has highlighted how the WTO's dispute settlement mechanism itself provides institutional flexibility, enabling a degree of tolerated temporary noncompliance which helps to promote long-term stability of the multilateral trade regime (Rosendorff, 2005). Features of the DSS that enable governments to prolong legal proceedings, delay compliance, or engage in post-adjudication settlements similarly supply flexibility that preserves member state participation. These features help disputant governments juggle competing domestic political pressures and remain participants in the multilateral trade regime.

Trade policy is widely understood to have domestic distributive consequences. Some stylized models distinguish between producers, who might benefit from the competitive boost of targeted trade protection, and consumers who benefit from the lower prices that are thought to accompany trade liberalization. This logic has been applied to compliance with WTO rules. Rickard (2010) showed that among democracies, compliance with WTO agreements varies by electoral system. Governments with single member districts may be more sensitive to the protectionist demands of organized special interest groups than those with propor-

tional representation, which tend to be more sensitive to diversified interests of, for example, voters as consumers. This leads governments with single member districts to more frequently breach their WTO obligations. Among producers, there may also be divergent preferences: competing interests between owners of scarce and the owners of abundant factor endowments.⁵ When trade policy is liberalized or protection policies are put in place, one domestic group's gain is another's loss. In this respect, adjustments to trade policy activate or exacerbate divergent preferences among different sectors, industries, regions, or political parties, fueling controversy.

As WTO disputes heighten domestic political conflict, these avenues for flexibility in the WTO DSS become particularly useful. Political pressure from influential domestic industries can create demand for violations of trade agreements. Leaders that are especially beholden to these domestic pressures may be tempted to commit trade violations. The presence of a dispute settlement system provides flexibility that allows leaders to sometimes succumb to this pressure and then compensate trading partners, if a ruling from the dispute settlement body finds they have breached obligations (Johns and Rosendorff, 2009). At the same time, those leaders can garner support from domestic groups that support trade liberalization by resolving to remain a member of the WTO despite the temporary breach of trade obligations.⁶ WTO disputes thus activate divergent domestic preferences from targeted industries that benefit from temporary trade protection and others that benefit from consistent compliance with WTO rules. In short, while WTO disputes can activate domestic distributive conflict, their impact on policy outcomes depends on politics.

Countries vary in the degree to which political authority is concentrated within government. Where divisions are substantial, it is harder to change existing policies because more political actors can block change. In part, the divisions arise from institutions. Checks and balances make policy change difficult. Divisions also arise from the partisan composition of the government. When the legislature features a relatively strong opposition party or

⁵See Stolper-Samuelson model and variations thereon.

⁶See: Dai (2005); Simmons (2009).

many opposition parties, there are significant obstacles to policy change. Taken together, domestic institutional and partisan divisions form *veto points* in government. For example, if one branch of government is held by a first party and another branch is dominated by a second party, the government has many veto points. As veto points increase, political authority becomes more fragmented and policy is more difficult to change (Tsebelis, 1995; Henisz, 2000; Tsebelis, 2003).

Veto points determine how responsive governments are to shifts in preferences and power. When a government has few veto points, only a few political actors must coordinate and it is relatively easy to change policies. Conversely, when government has many veto points policy change is quite difficult because it requires coordination among many political actors. Only major shifts in industry preferences or political power can alter policy. It is well-established that domestic veto players and political divisions often impede the adoption of international treaties, particularly trade liberalizing agreements (Milner and Rosendorff, 1997; Martin, 2000; Mansfield, Milner, and Pevehouse, 2007). Similarly, when respondent governments have violated their WTO obligations, those same domestic constraints can inhibit the policy reforms needed to *comply* with the ruling.

Faced with an adverse ruling, respondent governments must decide whether and when to comply. This decision is shaped by short-term economic conditions and long-term institutional constraints. Leaders who face acute exogenous shocks have little short-term *incentive* to comply with rulings. Leaders who face more domestic veto points experience greater institutional and partisan political *obstacles* to complying. Conditional on going to trial and losing the case, governments with more veto points at home and thus high obstacles to compliance are more likely to violate the agreement until the political or economic conditions change. This leads to the first hypothesis. *H1: The more veto players in the respondent government, the less likely it is to comply with an adverse WTO ruling, all else equal.*

Since a more complicated compliance process can also open avenues for domestic political obstruction, the second hypothesis is: *H2: Respondent governments are more likely to comply*

with an adverse WTO ruling when administrative measures are required than when legislative measures are required.

Finally, flexibility in the WTO dispute settlement system – including delays and tolerated noncompliance – makes domestic divisions especially salient. This may take the form of simple inertia: defendant governments delay in implementing compliant policies, prolonging the timeline of the dispute. This may also take the form of active engagement in the WTO legal system: governments with multiple veto players are more likely to file appeals, negotiate extensions of the implementation deadline, enter noncompliance proceedings, and be the target of remedies requests. The third hypothesis is: *H3: All else equal, the more domestic veto players in the respondent government: (a) the longer the duration of the dispute and (b) the more legal stages undertaken.*

The proposed mechanisms are first illustrated through a series of examples and then evaluated systematically using a novel data set of approximately 150 WTO disputes.

Illustrations of the Domestic Constraints Mechanism

The theory proposes that domestic political constraints impede compliance. These constraints arise from multiple sources. Institutional checks and balances hinder policy reforms since it raises the likelihood that at least one veto player will block them. Divisions among political parties can also generate constraints because strong opposition parties may block proposed reforms. The following examples demonstrate how these sources of political constraints can hinder compliance with WTO rulings.

First, institutional checks introduce multiple veto points that obstruct the adoption of new policy including reforms to comply with WTO rulings. A clear example of this can be found in a dispute over the United States' labeling requirements that appeared in its 2008 Farm Bill. Canada and Mexico, the complainants, argued that country-of-origin labeling (COOL) rules formed a technical barrier to trade that encouraged consumers to favor do-

mestic products—especially meats— over comparable imported ones. A complicated legal battle ensued in which a WTO panel and appellate body found the US to be in violation of several WTO provisions. To assuage the plaintiffs, right before the implementation deadline in May 2013, the United States Department of Agriculture (USDA) issued a modification to the COOL provision through its administrative process.⁷

Mexico and Canada were not satisfied: they argued that the changes were actually more restrictive and caused further harm to their own exporters. They challenged the US again through compliance proceedings. The WTO panel determined the US COOL measures continued to violate WTO obligations. In the US, domestic groups were divided over the issue. While the farm lobby had initially urged the US government to stand firm, other domestic groups, aware that the plaintiffs would retaliate, pressed for compliance.⁸ The standoff within the US persisted and the plaintiffs sought compensation. Mexico was authorized to retaliate over \$227 million per year; Canada over one billion US dollars per year. Under this heightened pressure, the US House of Representatives agriculture committee passed a bill that would appeal the COOL statute but this legislation failed in the Senate.⁹ Bicameralism introduced an additional veto point that hindered US compliance. It was not until many months later that the Senate approved a modified bill and the USDA rules were finalized to bring the US into compliance.¹⁰ In summary, institutional constraints in the respondent government hindered compliance. Because legislative measures were required, these institutional constraints were especially troublesome and the respondent government prolonged the dispute through multiple legal stages including appeal, compliance proceedings, and retaliation.

Institutional constraints are exacerbated by decentralized authority: federalism can make it more difficult for governments to comply with adverse WTO rulings. For example, a dis-

⁷U.S. 78 Fed. Reg. 31367

⁸In a letter of 14 May 2016 the “COOL Reform Coalition,” which comprised over 100 firms and industry groups, sent a letter to the US Senate demanding legislation to repeal the COOL provisions and bring the US into compliance.

⁹S. Amdt 2920. June 2015

¹⁰81 Fed. Reg. 10755; “Consolidated Appropriations Act 2016,” Pub. L. 114-115.

pute between Japan and Canada highlights how federal governments face additional hurdles to compliance.¹¹ This dispute concerned Canadian policy relating to domestic content requirements in Ontario's feed-in tariff program (the "FIT Program") as part of a provincial-level Green Energy Act. The measures in question particularly favored renewable energy production facilities in Ontario.¹² Japan sued, arguing the program violated multiple WTO rules on subsidies and government procurement.

The WTO panel ruled the FIT program to be a violation of WTO obligations, provoking outcry from the Government of Ontario. Within Ontario, support for the program fell along party lines: initially the Liberal government defended the initiative, promising it would create 50,000 jobs in the province while critics from the opposition urged repeal, blaming it for rising power costs.¹³ Controversy at the national level further magnified compliance problems. Ontario's Energy Minister denounced the WTO ruling and industry groups pressed Ottawa to appeal, noting that "in formal terms, the WTO decision is not binding on Ontario."¹⁴ After losing the appeal, the Canadian government pressed Ontario to comply before the deadline of June 2014. The Ontario government proposed a new bill to modify the FIT Program.¹⁵ The bill was dropped when Parliament dissolved for general elections but renewed and passed in July 2014 when the newly-elected legislature convened. The Ontario Power Authority belatedly complied with the WTO ruling by terminating contracts to large domestic suppliers and revising the domestic content requirements. Although the Canadian

¹¹Another example can be found in the dispute between Canada and Australia over salmon import inspection rules (DS 18). While the Australian federal government claimed to comply with the adverse WTO ruling, there was domestic opposition from Tasmanian fishers and within the state, the import ban remains in place.

¹²DS 412- Japan v. Canada – FIT Program. Japan, joined by the European Union and the United States, alleged that by boosting renewable energy generation facilities using local equipment, Canada had granted a subsidy to domestic suppliers, imposed a quantitative restriction on foreign goods, and violated its investment and government procurement obligations under WTO treaties. This was the first time Canada faced a WTO challenge over legislation formed at the provincial level.

¹³"Ruling threatens Ontario green energy jobs," *The Toronto Star*, May 7, 2013; "Final appeal fails forcing Ontario to plan for Green Energy Act changes," *The Globe and Mail*, May 7, 2013.

¹⁴"Canada loses WTO appeal regarding Ontario's FIT program" *Canadian Energy Law*, Editorial by Stikeman Elliot LLP, May 7, 2013.

¹⁵On December 11, 2013, the Ontario government introduced Bill 153, *Complying with the International Trade Obligations Act, 2013 (Bill 153)* to remove domestic content requirements for the construction of future renewable energy generation projects from the *Electricity Act, 1998*.

government ultimately complied, the process was complicated and prolonged by dissent from provincial government and the local legislative process.

Partisan divisions can introduce additional political constraints that stall policy reforms. Examples of partisan dissent surrounding WTO disputes are plentiful¹⁶ and a noteworthy one can be found in the longstanding clash over Japan's Liquor Tax Law.¹⁷ Reviving an unresolved dispute under the WTO's predecessor, the General Agreement on Tariffs and Trade, the European Union, Canada, and the United States sued Japan in 1995. The plaintiffs argued that Japan's taxes on alcoholic beverages discriminated against imported products by imposing a lower tax on domestic shochu.¹⁸ The WTO ruled against Japan, ordering it to reform. At the time, Japan had many veto points. The 38-year dominance by the Liberal Democratic Party (LDP) had ended, leading to "rampant party realignment" and a "massive overhaul" of the Japanese party system (Pempel 1997, p.333). In 1994, a new electoral system for the Lower House was introduced, further increasing uncertainty, fragmentation of political power, and sensitivity to local politics. With these substantial obstacles, Japan did not comply. Industry leaders in the EU attacked the Japanese government for "dragging its feet on the implementation of [the] WTO ruling...over as long a period as they think they can get away with."¹⁹ Despite a compliance deadline of February 1998, Japan decided to "gradually increase the tax on shochu...[through] October 2001."²⁰ Ultimately, the disputants reached a compromise including short-term compensation and long-term policy reform.²¹ This agreement included an amendment to Japan's Liquor Tax Law which was eventually passed by a small margin.²² Here, multiple political parties imposed additional veto points

¹⁶E.g. DS 31: US v. Canada – Periodicals; DS 50 and 79: US and EU v. India – Patents; DS 108: EU v. US – Foreign Sales Corporations; DS 265, 266, and 283: Australia, Brazil and Thailand v. EU – Export Subsidies on Sugar, etc.

¹⁷DS 8, 10, and 11: EU, Canada and US v. Japan Customs Duties, Taxes, and Labeling Practices on Imported Wines and Alcoholic Beverages.

¹⁸GATT Report of the Panel, November 10, 1987 (L/6216).

¹⁹"Japan fails to remove whiskey tax," *The Scotsman*, Scotland, November 23, 1996.

²⁰"WTO Ruling Pushes Shochu Makers to Reinvent Product" *The Nikkei Weekly*, Japan, March 31, 1997.

²¹WTO Document No. 97-0558, February 14, 1997.

²²Within the House of Councilors, the LDP, Heisei-kai, Social Democrats, Democrats/New Green Wind parties favored the amendment while the Communist and New Socialists/Peace Union parties opposed the amendment.

making it difficult for the respondent government to comply by passing new legislation.

In summary, institutional checks and partisan conflict together create domestic political constraints. They can stall or completely obstruct compliance with adverse WTO rulings, particularly when legislative reforms are required.

Data

As the preceding examples have suggested, governments have difficulty of enacting policy reforms need to bring a government into compliance with an adverse ruling. There is substantial variation across disputes arising from the policy reform process and political constraints within respondent governments. This section describe my approach to systematically measuring compliance with adverse WTO rulings and assessing the domestic difficulties governments encounter.

The WTO dispute settlement system is relatively decentralized (Johns, 2011; Phelan, 2015; Carrubba and Gabel, 2015). It relies on community enforcement: a complainant must initiate a lawsuit and pursue a legal ruling. Once a panel has issued its verdict, the complainant must continue to monitor the respondent government to determine whether a ruling has been correctly implemented. The WTO dispute settlement system requests the respondent provide status reports, but does not require details, nor does it verify that any policy reforms made by the respondent are sufficient to achieve compliance. The disputants bear that responsibility.

As a result of this decentralized system, disputes may be left unresolved without the respondent implementing the required policy changes. There are sometimes disparities between what the WTO reports in its legal records and what happens within respondent governments. Do respondents really revise their policies in a timely manner to comply with adverse WTO rulings? Or do they ignore the ruling and hope the complainant will tire of the legal battle, abandoning it as futile? Given the political incentives complainants have to file

WTO disputes to curry favor from domestic audiences (Davis, 2012; Chaudoin, 2014), this wait and see strategy might be quite successful for obstinate respondents. Neither the complainant's persistence nor institutional monitoring are adequate sources of information about compliance with adverse rulings. In short, scholars cannot rely on the legal record to reveal whether or not the respondent has complied.²³ To determine whether or not a respondent government complied with an adverse ruling, one must look directly at the policies.

I created a novel database of all the WTO disputes initiated between 1995 and 2012 that resulted in an adverse ruling.²⁴ In each dispute, I evaluated the respondent government's policy reforms to comply with the ruling, characterizing them as legislative or administrative (or both), and identified the timing of those measures. Bilateral settlements are also coded. I looked for evidence of partisan divisions over compliance and in several cases was able to link it to industry interests. The result is a detailed account of 153 WTO disputes based on evaluation of the legal record, and multiple primary and secondary sources. Primary documents include the government's administrative or legislative measures, parliamentary debates, press releases, etc. This information is supplemented with secondary sources including industry publications, newspaper articles, and case reports from lawyers or legal scholars. The database spans 37 complainant countries, 21 respondent countries, and draws on evidence in six languages.²⁵ The data are summarized in Table 1.

[Table 1 here.]

In many WTO disputes with adverse rulings, the respondent government complies. It removes the trade barriers that constitute a violation of WTO rules by modifying its trade policy. Compliance may entail passing new legislation. For example, when the United States

²³The WTO has little incentive to close the information gap between what is officially reported and what actual policy reforms respondent governments enact. International institutions have a delicate sense of legitimacy; when their rulings are frequently defied and publicly documented as noncompliance, their authority may be undermined. Future respondents may take the rulings as mere suggestions; leading to devolving influence. So one cannot assume that the WTO records systematically identify all instances of noncompliance.

²⁴Because each dispute can last several years, I truncate the sample in 2012 in order to allow five years to elapse before assessing outcomes.

²⁵Arabic, Chinese, Korean, Japanese, Portuguese, Spanish.

sued Canada over grain exports, the WTO panel determined that Canada had discriminated against foreign producers and thereby breached its trade commitments.²⁶ Canada was ordered to amend the Canada Grain Act to ensure equal treatment between domestic and foreign producers. It promptly amended the legislation to comply before the deadline.²⁷ Sometimes the defendant is required to take administrative action in order to comply. In another dispute, the European Union and Japan challenged Canada's motor vehicles tariffs which granted preferential treatment to automobile manufacturers in the US.²⁸ The WTO panel ruled against Canada and ordered reform.²⁹ Despite resistance from major auto manufacturers over the WTO decision, Canada complied when the Minister of Finance repealed the tariff order right before the deadline. Slightly fewer than half of WTO disputes with adverse rulings are resolved through complete and timely compliance.

In some disputes, respondent governments adopt partial measures that are insufficient or significantly delayed. The WTO system relies on persistent plaintiffs to highlight these cases. They might accuse the respondent of insufficient measures or monitor progress. But because some cases of partial compliance go unchallenged when, for instance, the plaintiff views further concessions to be unlikely, persistence is an imperfect measure. To evaluate these instances, I reviewed the actual reforms the respondent enacted and compared them to substantive terms in the WTO recommendations. For example, when the United States prevailed a complaint against Argentina over tariffs on textiles,³⁰ Argentina complied only partially at first. The ministry of economy, public works, and services passed a resolution that reduced import duties before the compliance deadline.³¹ It was not until months later, under heightened pressure from and negotiations with the US, that Argentina further enacted an

²⁶DS 276: US v. Canada - Measures Relating to Exports of Wheat and Treatment of Imported Grain.

²⁷The reasonable period of time to comply expired August 1, 2005 and Bill C-40 quickly passed through both houses of parliament to take effect May 19, 2005.

²⁸DS 139 and 142: Japan and EU v. Canada - Autos. This dispute concerned the US-Canada Auto Pact that permitted the US duty-free import privileges for automobiles while other foreign countries were subjected to a 6.1% duty.

²⁹To be in compliance, Canada needed to repeal the Motor Vehicles Tariff Order of 1998 and its provisions for Special Remission Orders and the deadline was February 19, 2001.

³⁰DS56: US v. Argentina - Textiles and Apparel.

³¹Resolution 806/98 went into effect October 3, 1998 before the January 1999 deadline.

executive order to resolve the dispute.³² To evaluate delayed compliance, I compared the date at which the respondent revised or revoked policies in question to the compliance deadline, the expiration of the “reasonable period of time.” Delays may be fairly brief or span many years.³³

There are also many clear cases of noncompliance. There are two types of scenarios that I code as noncompliance. The first scenario is when the complainant prevails in noncompliance proceedings under Article 21.5 or succeeds in securing remedies under Article 22. An example of this can be found in the dispute in which the US and many Latin America nations sued the European Union over import duties on bananas. After determining the Europeans had not complied with the initial ruling, a WTO compliance panel authorized retaliations equivalent to approximately \$200 million per year. It was not until thirteen years later that the parties negotiated a compromise which preserved some aspects of the original discriminatory trade policy.³⁴ The second scenario is when the plaintiff initiates compliance proceedings but does not pursue further recourse and there is no evidence that the respondent complied. One noteworthy example of this is a dispute between Indonesia and Korea which remains unresolved: Korea issues periodic *pro forma* updates to the WTO with no change in status and Indonesia has not pressed for further legal remedies.³⁵ Following these criteria, identified persistent and unambiguous noncompliance in approximately 23% of disputes.

³²President Menem Executive Decree 109/99 entered into force May 30, 1999.

³³An example of a brief delay can be found in DS 332: EU v. Brazil – Retreaded Tires. The WTO found that a Brazilian ban on retreaded tires—which it argued was justified on the basis of health and safety—was in impermissible barrier to trade. It was ordered to revoke the ban by December 2008. Ultimately following an executive request, the Secretate of Foreign Trade and the Ministry of Development, Industry and International Commerce, as well as a ruling from Brazil’s highest court, brought the government into compliance in August 2009. Note that this was the only WTO dispute in which I found evidence that the judiciary played a role, but it appears to be a mere formality.

³⁴DS27: Ecuador; Guatemala; Honduras; Mexico; US v. European Communities (Union) – Bananas. The WTO authorized sanctions in 1999 and increased their value in 2000. The Geneva Agreement on Trade in Bananas was negotiated in 2008-2009, finalized in December 2009, and approved by the European Parliament on 3 Feb. 2011 and by the European Council on 7 March 2011. US was not a party to the agreement and signed a separate agreement. All parties finally agreed the case was settled on November 8, 2012.

³⁵DS 312: Indonesia v. Korea – Paper. This dispute began in 2004. In 2008, the WTO compliance panel found that Korea had failed to correct the initial violations. The Korean Trade Commission expressed its resistance and refused to adjust its anti-dumping decision (2003-No.23) and Indonesian officials expressed dissatisfaction with this outcome. The last mention of the dispute in WTO records occurs in late 2009.

The last category of cases includes those resolved through a formal compromise, a “mutually agreed solution” between the disputant governments. In these instances, governments reach a settlement with some form of concessions. While the bilateral agreements are notified to the WTO, the specific terms of settlement are not always disclosed. In this data collection effort, I determined that the official settlement agreements are usually quite brief and vague, alluding to more substantive terms. I located information on the substantive terms whenever possible.³⁶

The first explanatory variable is domestic veto players in the respondent government (Tsebelis, 1995, 2003; Henisz, 2000). Veto points are produced by institutional checks and partisan divisions. I measure this as VETO POINTS using the Political Constraints Index (Henisz, 2002). It accounts for the number of independent branches of government, federalism, the extent of partisan alignment across branches of government, and preference heterogeneity within each legislative body. Partisan alignment accounts for party composition and left or right preference which change over time. VETO POINTS range from zero (least constrained) to one (most constrained). This metric is useful because it covers diverse governments and is widely-accepted among political scientists, and provides a unified summary of domestic obstacles.

There are two versions of the veto points metric, similar except that the second VETO POINTS II accounts for an independent judiciary whereas the first VETO POINTS I does not. Domestic veto points are assessed at two times, the year in which the dispute (start) was initiated and the compliance deadline (RPT). When the European Union is the defendant, I use the weighted average with membership updated by year. The weights are given by each

³⁶One example is a lengthy dispute between Vietnam and the United States over the latter’s anti-dumping duties on shrimp. After the US was found to be in violation of WTO obligations, bowing to industry pressures (Southern Shrimp Alliance), it adopted only partial measures to comply. Vietnam sued again and prevailed. Ultimately the governments settled. According to the settlement, the US agreeing to exempt one prominent Vietnamese exporter (Minh Phu) and refund of duties it previously paid but maintained the AD duties on other Vietnamese producers. As part of the settlement, the exempted firm has to certify that it is the sole producer and that other exporters are not circumventing the AD order (United States Trade Representative press release 18 July 2016). These settlement terms were not part of the official WTO record.

member state's vote share in the Council of the European Union ³⁷

While the veto points variable has clear benefits—its breadth of coverage and frequent use in related studies (e.g. Mansfield and Milner (2012); Henisz and Mansfield (2006))—there are also limitations. First, in measuring the joint impact of institutional checks and partisan divisions, this variable might obscure two separate processes that give rise to noncompliance in WTO disputes. To address this concern, I investigate a number of related indicators drawn from the Database of Political Institutions. Second, the veto points variable captures government-wide obstacles to policy reform, some of which may be irrelevant in the domain of trade policy. In response to this latter concern, I bring in an additional analysis that accounts for ACCESS POINTS (Ehrlich, 2011) in order to capture opportunities for commercial influence over trade policy. Both extensions are discussed below.

The second explanatory is the difficulty of the policy reforms. This is measured as two indicator variables denoting whether compliance entailed an ADMINISTRATIVE MEASURE and/or a LEGISLATIVE MEASURE. As noted above, administrative measures include executive orders, regulatory reforms from government agencies such as a ministry of trade, department of commerce, etc. Legislative measures are laws and amendments that require congressional or parliamentary consent. Compliance is expected to be most difficult when both administrative and legislative measures are required, moderately difficult when only legislative reform is needed, and relatively easy when only administrative measures are concerned.

Several economic factors are likely to affect compliance. Defendant governments with larger economies may be better able to resist WTO rulings. I control for RESPONDENT GDP in the year the dispute was initiated. The GDP data come from the World Bank and are log transformed. To control for the complainant's economic clout, I account for the COMPLAINANT GDP in the year the dispute was initiated because complainants with larger economies have a greater capacity to penalize respondents that defy a WTO ruling.

³⁷Some WTO disputes address EU-wide policies so the weighted average will tend to understate effective obstacles to compliance.

Trade disputes differ widely in their economic scale. Some concern a wide array of products and large trade volumes; others address niche industries and small trade volumes. I control for bilateral product-level trade flows in each dispute. The trade flows are measured as IMPORTS from the complainant into the respondent government for only disputed products, identified by the six- or four- digit HS codes.³⁸ Narrow trade disputes that involve lower trade values might be more likely to lead to compliance, since respondent governments may be willing to capitulate.

I control for legal attributes of the WTO. The % ADVERSE RULING measures the percentage of legal claims found in favor of the complainant (Horn and Mavroidis, 2008). If the governments appeal the ruling, I count the claims that were sustained. I also control for the number of THIRD PARTY countries, coded from WTO records. 11 disputes have no third parties, 72 disputes have between one and five, and the remaining 70 have many third parties. Due to the skewed distribution, this enters as a log transformation.³⁹

Finally, I include a dummy variable for the 24 cases where the European Union is the respondent, EU RESPONDENT and another dummy variable for lawsuits against FEDERAL RESPONDENT governments, since either could pose further obstacles to policy reform.⁴⁰

Results

To estimate the impact of domestic political constraints on compliance with WTO rulings, I fit a series of probit and ordered probit regression models. The binary probit model is most appropriate for the analysis of whether a respondent government complied with the WTO ruling—measured as “Ever Comply” and “Comply Before Deadline”. The ordered probit model is appropriate for the analysis of whether a respondent complied completely, partially,

³⁸Some of the trade data come from Kucik and Pelc’s database and the remainder is from United Nations (2013). If specific disputed products were not identified in the original WTO complaint, then I searched the WTO panel report to determine the products. In 16 disputes, there was no information about specific products or goods were not implicated, e.g. gambling restrictions. Results are robust to the inclusion of these cases without controlling for bilateral trade.

³⁹The main results are the same using a simple count.

⁴⁰For simplicity, the EU is coded as federal.

or not at all. The following analysis examines the full sample of disputes, a restricted sample of disputes in which the respondent is a democracy, and the sample excluding the European Union. All models report clustered standard errors by related disputes.⁴¹

The analysis below shows that defendant governments with more domestic veto points are much less likely to comply with adverse WTO rulings. When compliance requires administrative action, governments are more likely to comply. When legislative action is required, governments are far less likely to comply.

Eventual Compliance

First, I use a lenient interpretation of compliance, looking at whether respondent government ever complied with the ruling (including after a lengthy delay). I consider the veto points of the respondent government at two points: the year in which the dispute began and the year of the compliance deadline, when the “reasonable period of time” expired. I check this for both versions of the veto players metric; the original VETO POINTS I score and the alternative one that accounts for judicial independence, VETO POINTS II. The results of the probit analysis are presented in Table 2.

[Table 2 here.]

The first veto points measure shows consistent and statistically significant results (models 1–3). The first model considers all WTO disputes with adverse rulings, initiated in years 1995-2012. The second model looks only at the subset of cases in which the respondent government was a democracy (i.e. eliminating 18 WTO disputes against China, Indonesia, etc.); here the effect is strengthened. This is to be expected, despite the smaller sample, because it is in democracies that industry or other interest groups are best able to seek leverage over representatives in government. The third model repeats the analysis, but instead uses domestic veto points the year of the implementation deadline (RPT), typically

⁴¹For example, eight related complaints were filed against the United States regarding its 2002 steel tariffs.

2-3 years after the initial legal complaint was filed. The estimated effect of domestic veto players on compliance is again significant.

The remaining models (4–6) use a second measure of veto points, which accounts for an independent judiciary as a check on legislative and/or executive power. In few if any jurisdictions is judicial action required to implement WTO rulings; the judiciary is an irrelevant veto player. Accordingly, it is unsurprising that the second measure of veto points has a negative but statistically negligible effect on compliance.

When administrative measures are required to implement the ruling, compliance is far more likely. At the same time, respondent governments with large economies are less likely to comply. Third party governments participating in the dispute are associated with lower compliance rates but the causal pathway is unclear. Third parties could complicate legal proceedings, voicing additional concerns and encouraging panel judges to issue more stringent rulings that respondents struggle to implement. Or, disputes over the most wide-reaching and controversial trade policies that respondents are least willing to amend may attract more third party participation (e.g. the US “zeroing” disputes). Bilateral trade in the disputed products, measured as the respondent’s imports from the complainant, are not a significant predictor of compliance, nor is the extent of the adverse ruling. I also checked the ratio between the complainant and respondent GDPs to assess the relative economic clout but found no significant association.

Timely Compliance

Next, I adopt a time-dependent measure of compliance, looking specifically at whether defendant governments complied in a timely manner, before the WTO’s deadline. This approach is more stringent because it considers only policy adjustments made before the “reasonable period of time” expired. In other words, delayed compliance is discounted. To guard against reverse-causality concerns, in these models I consider only the veto points in the respondent government during the initial year of the dispute. Again, I consider both

versions of the veto players metric. Table 3 presents results of this probit analysis.

[Table 3 here.]

Using the `VETO_POINTS I` measure, Table 3(1) shows strong support for the theory. Domestic political constraints diminish the probability of timely compliance with adverse rulings. The effect is weaker when only democratic countries are considered—the coefficient in model 2 is not statistically significant at conventional levels. Viewed alongside the results in Table 2, this suggests that delays in compliance can be primarily attributable to democratic institutions (i.e. the contrast between democracy and autocracy) while eventual compliance is explained by the constellation of political constraints within democracies. In other words, autocracies tend to act quickly in response to adverse WTO rulings, adjusting policy, and democracies delay. When they delay, the degree of domestic political constraints tends to dictate whether or not compliance is eventually achieved. Additional analysis (not shown) indicates that the second measure of domestic veto points, which accounts for the role of the judiciary, is not significantly linked to timely compliance.

One potential objection is that the result concerning democracies may reflect bias in coding the dependent variable. It is more difficult to find reliable information about compliance by non-democracies. If these governments provide misleading information about their trade policies, we may erroneously code them as compliant. As a result, this analysis could accidentally attribute to domestic political constraints an effect that is actually due to policy transparency practices. There are two reasons that this is unlikely to be a concern. First, in coding the dependent variables, I accounted for (but did not completely rely upon) many different sources including the *complainant* government's assessment of the respondent's compliance measures. Complainants are vigilant and not easily deceived; their domestic audiences (industry groups within the complainant country) will help to discern whether the respondent's policy reforms are sufficient. Second, Peritz (2017) found a similar pattern using an economic measure of compliance based on trade flows and this latter measurement approach is not vulnerable to the same transparency issues.

The theory suggests that a falling number of veto points would be associated with greater likelihood of timely compliance. In an additional analysis, I considered whether rising, falling or stable number of veto points in government affects probability of compliance. Results are suggestive that *rising* veto points is associated with lower probability and declining veto points is associated with greater probability of timely compliance but the estimates are not statistically significant. Note that the calculation of rising and falling was between the dispute initiation and the expiration of the reasonable period of time for compliance.

Partial Compliance

Next, setting the timeliness issues aside, I distinguish between complete, partial and noncompliance. Because the dependent variable is ordinal, I use an ordered probit model and the results are presented in Table 4. Models 1 and 4 use the two measures of veto points and the full sample of observations, showing that accounting for partial measures, domestic political constraints are systematically diminishing the adoption of partially and completely WTO-compliant policies. Again, the first measure of veto points yields stronger support than the second measure that accounts for the judiciary. This same pattern holds for the subset of WTO disputes in which the respondent was a democracy (Model 2 and 5). To show that the results are not driven by the EU – which has many veto points and a generally poor compliance record – I also repeated the analysis excluding EU cases (Models 3 and 6). The estimated effect of veto points on compliance is negative and statistically significant for the first measure only.

[Table 4 here.]

Opportunism

Is this simply a collective action problem highlighting government inertia? In this section, I offer preliminary evidence that governments use gridlock opportunistically. The more domestic political constraints respondent governments face at home, the more they prolong

the legal dispute process in order to reap the political benefits of catering to those constituencies while staving off retaliation. Two empirical observations support this line of argument. First, the more domestic veto points in the respondent government, the longer the dispute lasts, measured as the number of months between the initial complaint and compliance (if ever). Second, the more access industry groups or other domestic interests have to influence politicians, the more legal stages are undertaken. Respondent governments are more willing to appeal an adverse ruling, request an extension of the implementation deadline, or fight noncompliance accusations through legal means. If simple inertia were to blame, governments might not be expected to engage in additional legal procedures before the dispute is resolved.

Evidence for the first point is presented in Table 5. It shows the results of a survival analysis using a Cox proportional hazard model where the “event” is compliance with the WTO ruling.⁴² The estimated coefficients indicate the risk of compliance: a positive coefficient indicates a higher risk, meaning the variable is associated with prompt compliance while a negative coefficient indicates a lower risk, meaning the variable is associated with prolonged noncompliance. Data are censored at January 2016; disputes in which the respondent never complies are modeled as surviving past the censor date.

[Table 5 here.]

The survival analysis shows that respondent governments with more veto players engage in significantly prolonged disputes. The duration of this period of noncompliance cannot be attributed to frictions within the complainant government: complainant veto points have little bearing on the persistence of the dispute. This helps to rule out concerns that obstinate plaintiffs are to blame. At the same time, the involvement of more third party governments is associated with prolonged noncompliance. For the subset of disputes in which both the respondent and the complainant are democracies (model 3) the larger their economies, the

⁴²In an extension to the analysis, I will examine these cases alongside disputes that were settled early, without a panel ruling.

more prolonged the dispute.

The effect size is quite large. Suppose two disputes began in 1995, both between pairs of democratic states. In the first dispute, the respondent has only modest political constraints (0.11) while in the second, the respondent has many domestic constraints (0.69). Within ten years, the former has almost certainly complied; its predicted probability of survival is merely one in ten. The latter, by contrast, has a predicted probability of about one in two: the dispute is just as likely to remain in a persistent state of noncompliance as it is to be resolved. These predicted effects are displayed in Figure 1. Estimates are from model 5(3) using only the subset of disputes between pairs of democratic governments. Results are similar for the full sample.

[Figure 1 here.]

Not only do respondents with many domestic constraints engage in longer-lasting disputes, they undertake more stages in the legal process before reaching a resolution.⁴³ A preliminary analysis (Poisson model) reveals that respondents with more domestic veto players appeal initial panel decisions, negotiate extensions of the RPT, and resort to noncompliance proceedings more often. And at least for the subset of respondents that comprise the OECD countries Ehrlich (2011), multiple legal stages are also associated with more access points for special interest groups. With more avenues for industry influence, these governments appear to exploit multiple legal stages in the WTO dispute process to delay compliance. In this sense, respondent governments with the *incentive* to delay may opportunistically use the WTO's remedy gap to their advantage.

[I am updating the data on legal stages and access points to cover recent years and all disputant countries. I need to push the “remedy gap as flexibility” argument further. Comments especially welcome.]

⁴³Judges on WTO panels sometimes consider for the respondent's political circumstances when crating a ruling and may account the difficulty of passing legislation or politically-charged issues (Creamer, 2017; Busch and Pelc, 2016).

Discussion

The World Trade Organization's dispute settlement system is widely recognized as an effective form for governments to resolve trade disputes through legal means and stave off costly trade wars. In part, it is thought to help insulate governments from the pressures of domestic industry groups and related political struggles in order to facilitate settlements. Yet once the WTO panel renders a verdict, the responsibility lies with the disputant governments to elicit cooperation from domestic groups to implement that ruling. When respondent governments lose WTO rulings and must reverse protectionist policies, they are frequently met with resistance at home. That resistance is borne out through the political process, and the more political constraints a respondent government has, the less likely it is to comply with an adverse ruling. At the same time, the more likely that government is to prolong the legal dispute, possibly to buy time with domestic audiences while abiding by WTO rules. In this respect, respondent governments can take advantage of flexibility within the WTO DSS to manage domestic political constraints alongside international pressure to cooperate.

The argument and findings presented here have several implications. First, when appraising the success of the WTO in promoting multilateral trade liberalization one must account for conditional effectiveness of the dispute settlement system. Patterns of compliance with adverse WTO rulings offers a glimpse into the influence of the organization. Among governments that have relatively unified authority, adverse rulings can prompt substantive policy reforms that reinforce cooperation according to the obligations set forth under the WTO treaties. This effect is particularly pronounced for democracies, presumably since it is in these countries that competing interest groups can vie for influence over trade policy. Second, the findings contribute to a growing literature that considers the bounds of domestic political influence on international cooperation. Previous work has emphasized how domestic constituencies can facilitate compliance with international agreements and how domestic veto players can make a government's international commitments more credible. The results presented here suggest that when domestic distributive issues are at stake, governments may

tend to face the highest barriers to international cooperation. Finally, the seeming inefficiencies of the disputes settlement system may actually supply flexibility that helps to stabilize the multilateral trade regime. If losing respondent governments can use dispute settlement procedures to manage their domestic political constraints and buy time with domestic interest groups, then they may be less likely to reject an international legal system altogether. These sources of flexibility suggest that a key institution of the multilateral trade regime is not apt to encroach on sovereignty of member states, as critics of the institution suggest.

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Table 1: Summary of WTO Disputes with Adverse Ruling

DISPUTE OUTCOME						
<i>Policy Reform</i>	COMPLIANCE			NON-COMPLIANCE		MAS [†]
Administrative	107			28		26
Legislative	26			13		7
Both	24			13		7
<i>Outcome Details</i>	Timely	Delayed	Partial	Resolved	Unresolved*	
Number	71	30	16	24	12	31
Percentage	46.4	19.6	10.4	15.7	7.8	20.3

Note: [†]Seventeen disputes with MAS eventually ended with compliance. *Ongoing, dropped or outcome unknown. Data cover 153 disputes with rulings against defendant.

Table 2: Effect of Respondent's Domestic Veto Points on Compliance in WTO Disputes

	<i>Did Respondent Ever Comply? (1/0)</i>					
	(1)	(2)	(3)	(4)	(5)	(6)
Veto Points I <i>Start</i>	-4.284*** (1.495)	-8.891*** (2.896)				
Veto Points I <i>RPT</i>			-3.650** (1.467)			
Veto Points II <i>Start</i>				-1.237 (0.801)	-0.486 (1.370)	
Veto Points II <i>RPT</i>						-1.338 (0.853)
Administrative Measure	1.752*** (0.468)	1.646*** (0.524)	1.546*** (0.438)	1.557*** (0.433)	1.220*** (0.465)	1.550*** (0.433)
Legislative Measure	-0.208 (0.396)	-0.155 (0.431)	-0.334 (0.380)	-0.400 (0.372)	-0.440 (0.387)	-0.400 (0.372)
Complainant GDP [†]	0.036 (0.101)	0.052 (0.115)	0.024 (0.096)	0.026 (0.094)	-0.031 (0.099)	0.020 (0.094)
Respondent GDP [†]	-0.325** (0.147)	-0.323** (0.149)	-0.248* (0.137)	-0.250* (0.140)	-0.173 (0.129)	-0.254* (0.141)
Imports [†]	0.041 (0.051)	0.037 (0.053)	0.036 (0.050)	0.053 (0.049)	0.063 (0.051)	0.054 (0.049)
% Adverse	0.468 (0.576)	0.676 (0.585)	0.485 (0.567)	0.630 (0.555)	0.862 (0.568)	0.622 (0.556)
Third Parties [†]	-0.724*** (0.226)	-0.718*** (0.234)	-0.792*** (0.241)	-0.658*** (0.227)	-0.646*** (0.236)	-0.661*** (0.227)
Federal Respondent	0.704 (0.470)		0.667 (0.452)	0.644 (0.508)		0.666 (0.516)
Democratic Subset?	No	Yes	No	No	Yes	No
Observations	137	117	137	137	117	137
Log Likelihood	-46.538	-41.653	-48.355	-50.787	-48.074	-50.750
Akaike Inf. Crit.	113.076	101.305	116.709	121.575	114.148	121.500

Note: * $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$. [†] Log units. Probit models estimated with R. Imports are bilateral trade flows from complainant to respondent for disputed products in year dispute was initiated. Intercepts not shown.

Table 3: Effect of Respondent's Domestic Veto Points on Compliance in WTO Disputes

	<i>Did Respondent Comply By Deadline? (1/0)</i>	
	(1)	(2)
Veto Points I <i>Start</i>	-2.584*** (0.907)	-2.375 (1.560)
Administrative Measure	1.061** (0.421)	0.631 (0.447)
Legislative	-0.539* (0.298)	-0.689** (0.319)
Complainant GDP [†]	0.054 (0.074)	0.009 (0.081)
Respondent GDP [†]	-0.124 (0.087)	-0.164* (0.091)
Imports [†]	0.038 (0.043)	0.047 (0.044)
% Adverse	0.458 (0.489)	0.355 (0.516)
Third Parties [†]	0.011 (0.161)	0.015 (0.168)
Democratic Subset?	No	Yes
Observations	135	117
Log Likelihood	-80	-74
Akaike Inf. Crit.	179	166

Note: *p<0.1; **p<0.05; ***p<0.01. [†] Log units. Probit models estimated with R. Imports are bilateral trade flows from complainant to respondent for disputed products in year dispute was initiated. Intercepts not shown.

Table 4: Effect of Respondent's Domestic Veto Points on Complete, Partial and Non- Compliance in WTO Disputes

	<i>Did Respondent Comply?</i> <i>(Completely, Partially, No)</i>					
	(1)	(2)	(3)	(4)	(5)	(6)
Veto Points I <i>Start</i>	-2.851*** (1.066)	-3.247** (1.656)	-2.804*** (1.065)			
Veto Points II <i>Start</i>				-0.952* (0.562)	-0.325 (1.004)	-0.876 (0.561)
Administrative Measure	1.270*** (0.385)	0.957** (0.426)	1.048** (0.416)	1.161*** (0.375)	0.827** (0.419)	0.944** (0.405)
Legislative Measure	0.149 (0.332)	0.124 (0.341)	0.480 (0.400)	0.089 (0.327)	0.023 (0.332)	0.339 (0.378)
Complainant GDP [†]	0.042 (0.076)	0.026 (0.085)	0.066 (0.080)	0.023 (0.074)	-0.029 (0.080)	0.044 (0.077)
Respondent GDP [†]	0.016 (0.094)	0.018 (0.098)	0.054 (0.095)	0.087 (0.102)	0.060 (0.114)	0.109 (0.103)
Imports [†]	0.022 (0.042)	0.032 (0.043)	-0.002 (0.045)	0.027 (0.042)	0.042 (0.043)	0.006 (0.045)
% Adverse	0.274 (0.481)	0.465 (0.499)	0.405 (0.551)	0.293 (0.471)	0.563 (0.495)	0.394 (0.538)
Third Parties [†]	-0.533*** (0.183)	-0.516*** (0.186)	-0.233 (0.206)	-0.504*** (0.184)	-0.468*** (0.186)	-0.215 (0.207)
EU Respondent	-0.626* (0.358)	-0.622* (0.360)		-0.919*** (0.349)	-0.847** (0.362)	
Democratic Subset?	No	Yes	No	No	Yes	No
Subset Excludes EU?	No	No	Yes	No	No	Yes
Observations	135	117	111	135	117	111

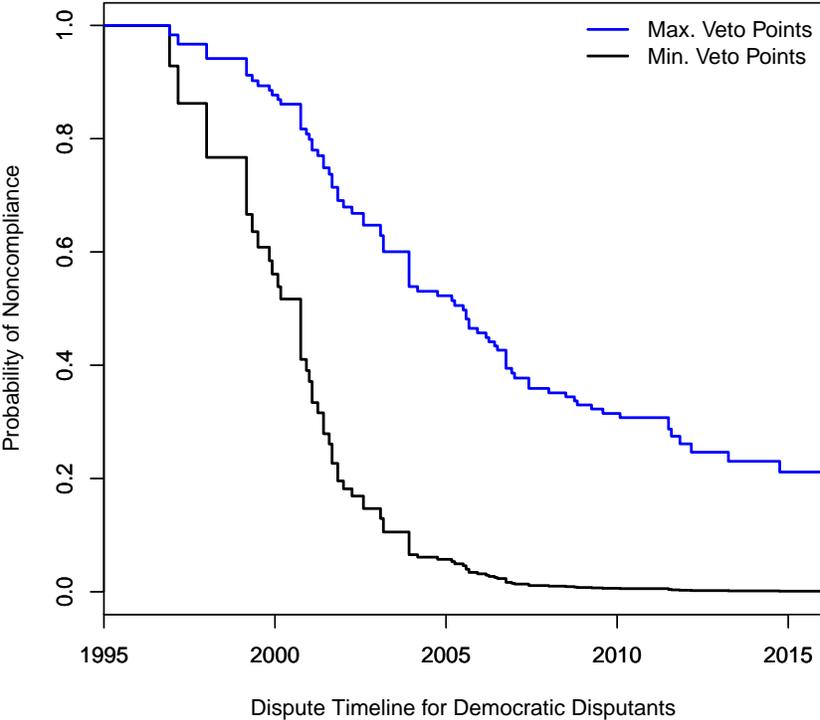
Note: *p<0.1; **p<0.05; ***p<0.01. † Log units. Ordered probit models estimated with R. Imports are bilateral trade flows from complainant to respondent for disputed products in year dispute was initiated. Intercepts not shown.

Table 5: Effect of Respondent's Domestic Veto Points on Duration and Legal Stages in WTO Disputes

	<i>Compliance "Hazard"</i>			<i>Number of Legal Stages</i>		
	(1)	(2)	(3)	(4)	(5)	(6)
Respondent Veto Points I	-2.088*** (0.644)	-2.169*** (0.701)	-3.104** (1.294)			
Complainant Veto Points I	-1.085 (0.696)	0.009 (0.791)	-0.753 (1.009)			
Legislative Measure		-0.172 (0.269)	-0.253 (0.301)			
Complainant GDP [†]		-0.105 (0.066)	-0.168** (0.081)			
Respondent GDP [†]		-0.082 (0.076)	-0.181** (0.092)			
Imports [†]		0.004 (0.036)	0.047 (0.042)			
% Adverse		0.501 (0.414)	0.282 (0.468)			
Third Parties [†]		-0.652*** (0.175)	-0.687*** (0.196)			
Democratic Subset?	No	No	Yes			
Observations	154	136	108			
Compliance Events	117	108	83			
Model	CPH	CPH	CPH	Count	Count	Count
R ²	0.068	0.203	0.250			

Note: *p<0.1; **p<0.05; ***p<0.01. [†] Log units. Covariates measured in year dispute was initiated. Imports are bilateral trade flows from complainant to respondent for disputed products only. Includes cases where verdict was reversed on appeal.

Figure 1: Predicted “Hazard” of Compliance in WTO Disputes Against Respondents with Few and Many Domestic Veto Players



Note: All predicted probabilities are calculated with Cox proportional hazard ratios from model 5(3) with democratic disputant governments.