Trade negotiations and global relations: emerging players and actors (II)

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TRADE NEGOTIATIONSAND GLOBAL RELATIONS: EMERGING PLAYERS AND ACTORS

The financial markets appeared to have weathered recent storms which dominated the financial landscapes in 2019 – namely trade wars, which spanned from retaliatory tariffs to currency devaluations – as well as impending imposition of digital sales taxes which even threatened to escalate retaliatory tariff wars even further. Reductions in interest and federal funds rates – unprecedented and surprising moves by the Federal Reserve, as first instigated in August 2019 to address anticipated global uncertainties – the first federal rate cuts since 2008, had left investors in a divided state of opinions. Partly because the rate adjustments had been considered unjustified.

However as 2020 has revealed and demonstrated, the financial markets are yet to experience greater levels of uncertainty and volatility in the light of the corona virus (COVID-19) outbreak – as it increasingly becomes evident that the real impact – and even the true extent of the cases remains, to a larger extent, unknown. A clearer picture of the real costs and possible impending consequences of the outbreak (as well as failures to disclose real figures of underlying cases) will revealed, it appears, in the second half of 2020.

By then, the progress made in respect of addressing the outbreak – particularly in those strategic economic sectors which have impacted global trade and growth could be more reasonably evaluated. Even though it is fair to say that an effective cure cannot be diagnosed for a problem – about which little or limited information is known, it is also fair to say that serious problems of disclosure and transparency about the real figures, potential threats have also contributed to the levels of uncertainty which have destabilized global financial markets. Thus it is also fair to say that a reason why financial markets are particularly sensitive to news about the corona virus, relates to the current levels of uncertainty, data, knowledge and information about the potential spread and effects of the virus.

Whether the outbreak has reached its peak – or more importantly, when and how it will do so, remains an unanswered question. From recent reports, the COVID 19 has generated far reaching economic repercussions in the least unexpected areas – in terms of geographical location from the outbreak sources. With the exception of the Antarctica, every other continent now has a confirmed case – the most recent being Brazil (South America).

Hence the impending challenges become even clearer. Not only is this a global problem – but also an issue of how respective regions and countries will be able to address and contain the risks

emanating from contagion – as well as the availability of resources and facilities to address such risks.

The financial markets have regained grounds following losses in recent weeks. However the current global outlook remains largely uncertain. The decision of the Federal Reserve to announce its emergency rate cut on the 3rd March 2020, the first since the Financial Crisis, sent shock waves amongst investors with the Dow tumbling nearly 1,000 points following what was regarded as the "surprising" announcement . Even though stocks have fluctuated in recent weeks, stock markets have rebound since the Tuesday announcement.

Recent events have demonstrated the importance of engaging technologies and techniques to address matters of global significance – particularly those which impact economically, socially and environmentally, in a holistic and futuristic manner – taking into account the interests of future generations.

Humanity and global relationships are shaped and defined, not just through the manner in which global issues are addressed, but the techniques and responsibilities towards others, at a global level also, in deploying such techniques.

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CONFLICT FRAMING, MULTILATERAL LEADERSHIP, AND COALITION FORMATION IN INTERNATIONAL TRADE DISPUTES, 1995-2011

ABSTRACT

We examine how conflict framing and multilateral leadership influence coalition formation among World Trade Organization (WTO) member nations. We hypothesize that complainants' framing of alleged violations and leadership in global governance affects WTO members' propensity to form coalitions by joining disputes as third parties. After introducing new measures for quantifying framing and leadership, we analyze 308 product-related trade disputes (1995-2011). We find economically significant effects for framing and leadership on the likelihood that trading partners join disputes and on the chances of reaching negotiated or litigated settlements. We discuss scholarly, managerial, and policy implications for forming coalitions and resolving disputes.

Keywords: dispute resolution; trade flows; governance; framing; coalitions

INTRODUCTION

The production of goods in the global economy is increasingly characterized by the geographic dispersion of business activities within and across multinational enterprises (MNEs) (Buckley & Hashai, 2004; Luo, 2007; Rugman & Verbeke, 2004). While the geographic distribution of research and development (R&D) units and manufacturing operations enables MNEs to utilize unique local resources, it also heightens MNEs' exposure to country-specific risks (Czinkota & Ronkainen, 2005; Miller, 1993). Thus, for MNE managers, understanding the external factors that influence strategic risk management is paramount for sustaining competitive advantage and improving firm performance (Miller, 1992). Recent unexpected events such as the impending "Brexit" withdrawal of the UK from the European Union (EU), the collapse of the proposed Trans-Pacific Partnership (TPP), and the rapid escalation of US tariffs on products from China, reflect a growing public backlash and a major shift in government policies against the forces of globalization (Akhter, 2004). In particular, there appears to be rising economic uncertainty about the possible expansion of free trade agreements and polarizing political tensions over the appropriate role of national and supranational institutions in resolving trade disputes (Kandogan & Hiller, 2018). In this context, MNEs face a remarkably unpredictable and unsettling environment for making strategic decisions. Amidst this environmental turbulence, the functioning of the World Trade Organization (WTO) as a global multilateral institution faces greater questioning and scrutiny by its member nations (Doh, McGuire, & Ozaki, 2015). Our study is based on the premise that countries' participation in the WTO as disputants or third parties provides MNEs with critical information for potentially reducing uncertainty and mitigating risks.

Resolving trade disputes is a core activity of the WTO, and the organization manages one of the most active dispute settlement mechanisms in the world. Since 1995, WTO members initiated over 500 disputes, with over 350 rulings issued.[1] The administration of disputes is entrusted to the Dispute Settlement Body (DSB), whose representatives span all 164 WTO member nations. The WTO DSB

[1] See https://www.wto.org/english/tratop_e/dispu_e/dispu_e.htm

operates under two distinct foundational principles.[2] First, although international trade is conducted mainly at the firm level, trade dispute resolution is performed only at the country level between complainant and respondent countries. Second, although disputes typically involve bilateral trade relationships, *third parties* (countries other than the complainant and respondent), may also join disputes to offer their own input on economic impacts and interests. Thus, for MNEs, whether it affects inter-firm exports or imports, or the intra-firm flow of goods, an unresolved trade dispute may be problematic and disruptive. We argue that, in these situations, the WTO may be a source of meaningful predictive data about which member countries beyond the complainant and the respondent are likely to become involved in a given dispute. Transparent public disclosure of this information by the WTO may enable MNEs to anticipate, plan, and adapt to the occurrence of trade disputes by making decisions and taking actions that mitigate the perceived risks of these disputes (Melin, 1992).

Unlike prior research on the WTO DSB, which examines member nations' propensity for initiating or settling disputes as complainants or respondents (Bown, 2005; A. Guzman & Simmons, 2002; Horn, Mavroidis, & Nordström, 1999; Reinhardt, 2000), our study explores members' propensity to join these disputes as third parties. Given the increasing geographic dispersion of inter- and intra-firm production networks, it is essential for MNE managers to evaluate the full range of countries and coalitions that may be involved in and affected by a dispute (Boddewyn, 2016). For example, as explained in the excerpt below, conflict framing is an essential part of trade dispute negotiations and may help disputants form useful temporary coalitions with interested third parties (Odell & Sell, 2006).

> *"In a world of bounded rationality, much of the negotiation process is a contest of partisans trying to establish the dominant frame of reference. The more a weak-state coalition can do to prevail in this subjective contest, the larger its gains are likely to be … But generally which arguments will prove to be persuasive, under which conditions?"* (Odell & Sell, 2006: 23-24)

The public information embedded in the complainant's official framing of the conflict within the WTO may be a useful tool for MNE managers as they consider ways to handle the risks arising out of a

[2] See https://www.wto.org/english/tratop_e/dispu_e/dispu_body_e.htm

trade dispute, even if the ultimate outcome of the dispute is uncertain in its timing and the result. Our study aims to address this gap in the existing literature on conflict framing and coalition formation among trading partners by contributing new theory, methods, and empirical findings. Our investigation of WTO members' propensity to join disputes as third parties is based on the idea that building coalitions is a critical element of resolving disputes. We posit two key mechanisms that may influence WTO members' propensity to join disputes as third parties: *conflict framing* and *multilateral leadership*. We hypothesize about how complainants' framing of the nature of respondents' alleged violations of WTO policies, and the perceived importance, risk, and urgency of disputes affects members' propensity to join disputes as third parties. We also hypothesize about how members' engagement in the general global governance activities of the WTO and in the existing negotiating coalitions within the WTO affects members' propensity to join disputes as third parties.

Our research contributes to the literature on international trade dispute resolution, global governance, multilateral organizations, and its implications for MNE risk management strategies, in three main ways. First, we extend existing theory on bilateral trade relations to account for temporary coalition formation as part of the dispute negotiation process. Unlike prior research, which examines *dyads* of complainant and respondent countries, we explore potential and actual *triads* of third party trading partner, complainant, and respondent countries. By establishing a theoretical basis for predicting the formation of these triads, our research provides scholars, MNE managers, and policymakers with an approach for evaluating the wider impact of the dispute and for formulating new strategies and tactics in response. Second, based on our proposed extension to existing theory, we hypothesize and empirically test conflict framing and multilateral leadership as two possible mechanisms that affect coalition formation in trade disputes. We believe that our research may be among the first large-scale analyses of the entire at-risk set of trading partner countries that may seek to join product-related trade disputes. We introduce new measures to systematically capture and quantify various observable dimensions of conflict framing and multilateral leadership and demonstrate their use in our research design. The ability to estimate the probability that the countries associated with specific products will join a WTO dispute, may

be useful for MNE managers to incorporate in their predictive analytics for strategic risk management. Third, our findings indicate that critical aspects of conflict framing and multilateral leadership have economically significant effects on the likelihood that a trading partner joins a dispute. Our *post hoc* analyses indicate that framing and leadership also have economically significant effects on the outcomes of disputes in terms of remaining in consultations or negotiating or litigating a settlement.

WTO DEFINITIONS, CONCEPTS, AND AN EXAMPLE

In contrast to civil litigation, the design of the WTO DSB encourages disputant countries to discuss their problems and settle their disputes by themselves. The WTO DSB stipulates a minimum 15-day period of private negotiation between the trade partners, before the complainant may request to enter the consultation phase (for a detailed explanation of the entire process, see Kim (1999)). There are three types of participants in WTO trade disputes: complainants, respondents, and third parties. The *complainant* initiates a dispute based on the occurrence of an alleged violation of a trade agreement.[3] The complainant frames the nature of the conflict by filing a request for consultation (RFC) or official brief describing the dispute. The *respondent* country is the alleged violator against whom the complaint is filed. *Third parties* are other WTO member countries, such as the respondent's trading partners, that have economic interests in the dispute. Once in the consultation phase, the *complainant* may unilaterally request, after a minimum of 60 days, for a *panel to be formed*. Before making this request, and within the first within 10 days of the consultation phase, other WTO member countries have the option of joining the dispute as *third parties*. Any member of the WTO may request to join a dispute as a third-party, subject to the approval of the respondent. In nearly all cases, respondents allow affected countries to join as third parties, since this potentially prevents the filing of additional, separate disputes by the third parties against the same respondent. Thus, permitting interested WTO members to join as third parties may be a means for the respondent to consolidate their defensive effort and resources instead of having to

[3] If a member discovers that its market access rights were violated by another member, it may initiate a dispute by requesting bilateral consultations under Article 4 of the Dispute Settlement Understanding (DSU).

battle multiple members on similar disputes concurrently. Third parties have the opportunity to submit to the DSB panel written comments that are considered in the panel's final report adjudicating the dispute.

A complainant's decision to request a panel is a critical point as it marks an escalation of the dispute. This has the effect of increasing the direct cost of administering the proceedings as well as the opportunity cost of using legal resources. From the perspective of MNE managers, when disputes reach this stage, there may be potential repercussions for the locations where the MNE operates. Since panels typically conclude within 6 months after the complainants request their formation,[4] the progression of a dispute to the panel stage may increase time pressure on MNEs to handle the strategic risks associated with the dispute. Frequent dispute escalation may harm the reputation of participant countries, particularly the name-and-shame effect of a WTO-adjudicated outcome relative to a settlement of inconsistencies when negotiated between the countries (Schwartz & Sykes, 2002). Even though third parties are presumably more likely to join disputes when the expected benefits exceed the expected litigation costs, there exists considerable heterogeneity in WTO members' willingness to join disputes (Bown, 2005).

For example, we refer to dispute (DS 202) titled *United States – Safeguard on Circular Welded Pipe from Korea*.[5] The complainant, South Korea, alleged that the respondent, the US, implemented a WTO-inconsistent safeguard policy that unfairly restricted the trading of welded pipes. The EU and Japan joined as third parties. However, other trading partners, such as South Africa, Turkey, and Venezuela, decided not to participate. This raises the key question of whether there are systematic reasons and observable characteristics of disputes and disputants that may reliably predict the likelihood of trading partners joining a dispute. In this example, MNEs operating as global factories (Buckley, 2009; 2011, 2015) in the production of steel pipes may experience greater environmental uncertainty after the decision of the EU and Japan to join the dispute. Hence, managers of steel producers face the challenge of managing the worldwide risks arising from the initiation and escalation of a bilateral dispute.

THEORY AND HYPOTHESES

[4] See https://www.wto.org/english/thewto_e/whatis_e/tif_e/disp1_e.htm
[5] See https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds202_e.htm

While recent literature suggests that there is no effect of country size on the likelihood of filing disputes (Horn, et al., 1999), prior work suggests that countries lacking in legal infrastructure and litigation capabilities are less likely to file disputes (A. T. Guzman & Simmons, 2005). Democracies are more likely to initiate and be targets of disputes (Reinhardt, 2000). WTO members are less likely to file disputes when they fear retaliation by trading partners, especially in highly interdependent bilateral relationships (Blonigen & Bown, 2003). There is initial evidence that large exporters are more likely to initiate as well as join dispute consultations as third parties (Bown, 2005).

Beyond identifying *ex-ante* factors that drive dispute initiation, prior research examines members' propensity to settle (which is the preferred outcome in the design of the WTO DSB). An important insight from this stream of work is the emphasis on the positioning of the complainant's dispute. The key idea is that complainants that are more successful in negotiating settlements with respondents appear to leverage the pre-panel consultation stage of the WTO to create credible threats against respondents (Busch & Reinhardt, 2003). Here, the threat of an adverse ruling against the respondent, rather than the ruling itself, is often the most effective lever for reaching a negotiated settlement (Reinhardt, 2001). However, since a negotiated settlement requires significant give and take, complainants tend to frame disputes broadly with extensive claims as bargaining leverage (A. T. Guzman & Simmons, 2005).

From our evaluation of earlier studies on WTO members' propensity to settle, we identify two types of predictors: the nature of the dispute itself and the nature of the disputants. Our central premise is that the formation of temporary coalitions with third parties may enhance complainants' credibility in establishing the relevance of the dispute to the WTO as a whole and thereby increase the threat of adverse rulings against respondents. We now elaborate on the characteristics of disputes (conflict framing) and disputants (multilateral leadership) as predictors of the likelihood of a trading partner joining a dispute.

Conflict Framing

We assume that complainants attempt to frame trade conflicts in ways that enhance their leverage in obtaining favorable outcomes. We identify several factors that may be critical in determining trading partners' decisions to join disputes. We focus on the *allegation*, *importance*, *risk*, and *urgency* of the

dispute. Legal scholars argue that prevailing in a dispute is a matter of "telling a good story" (Verheij & Bex, 2009). A good story is one where the narrator's arguments are anchored in plausible evidence (Wagenaar, Van Koppen, & Crombag, 1993), and clearly convey the alleged violations. Thus, the complainant's framing of the dispute narrative may fundamentally influence how much the complainant may need to engage in the WTO DSB. Dispute characteristics that are more relevant to the respondent's other trading partners are more likely to attract third parties to join the dispute. The conflict narrative is equally important for MNEs as it allows managers the first opportunity to evaluate the uncertainty generated by the dispute and orchestrate a response (Tihanyi, Devinney, Pedersen, & Venzin, 2014).

Alleged New Import Restriction

The complainant's framing of a dispute, in terms of specifying the alleged import restrictions, shapes how the respondent's trading partners perceive the relevance of the dispute. If the complainant's allegations focus on a new import violation that deviates from recent trade agreements, then the respondent's other trading partners may also fear the imposition of similar restrictions on their exports. This may also influence MNE managers to delay making major risk management decisions by adopting a wait-and-see approach, in case favorable outcomes are possible in the future (Reuer & Leiblein, 2000). WTO members that are direct trading partners of the respondent have the opportunity to form a temporary coalition with the complainant by joining the dispute and offering complementary information assets (Rothaermel & Boeker, 2008) to enhance the impact of the dispute.

For example, in a dispute (DS 110) *Chile – Taxes on Alcoholic Beverages,* a complaint lodged by the EU against Chile for imposing higher taxes on imported alcohol, the EU alleged that Chile imposed a new import restriction.[6] Four third parties joined the dispute: Canada, Peru, the US, and Mexico. The EU ultimately requested panel formation and the dispute was settled by arbitration. In another example, in a dispute (DS 74) *Philippines – Measures Affecting Pork and Poultry*, the US complained against the Philippines' practice of both delaying permits to access in-quota amounts of imported pork as well as the

[6] See https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds110_e.htm

practice of granting such permits.[7] The case was settled by mutual negotiation. In the RFC filed, the US did not allege that the Philippines imposed new import restrictions and no members joined as third party participants. Based on the preceding logic and examples, we propose H1:

> ***Hypothesis 1 (H1)***. *A* ***trading partner*** *is* ***more likely*** *to join dispute consultations as a third party if the complainant alleges that the respondent applied a new import restriction.*

Alleged Most Favored Nation (MFN) Policy Change

The MFN principle is the cornerstone of the WTO's multilateral trading system. The premise is that market access is not determined by economic clout, but with the guarantees of a rules-based framework (Bown, 2002). The main idea is that the best market access conditions that are conceded to one country must automatically be extended to all participants in the system. This prevents large countries from leveraging their negotiating power to tilt away from maintaining a level playing field (Bagwell & Staiger, 2002). That said, the WTO allows member countries to adjust market entry and participation to sector-specific objectives and constraints that are credible, subject to six specific restrictions laid out in the provisions by WTO. Members are also allowed commitments and tariff concessions with trading partners, if these are justified and meet the restrictions required as laid out in Articles XI, XII, and XIV of the WTO.[8] Thus, if an MFN policy change inconsistently or selectively applies national treatment conditions to certain countries, it is less likely to be impactful and relevant for all of the respondent's trading partners, who, in turn, are less likely to join the dispute. However, if the complainant claims that the respondent globally applied the policy change to all of its trading partners, then WTO members are more likely to join the dispute as third parties. For MNEs, a dispute framed around an MFN policy change could result in costly modifications to operations in foreign markets, including reversing previous decisions, in response to not achieving strategic goals (Clarke & Liesch, 2017).

In *EC – Regime for the Importation of Bananas* (DS 361), Colombia alleged that the EU unfairly levied a tariff only on bananas imported from Colombia.[9] Because the complainant claimed that the

[7] See https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds74_e.htm
[8] See https://www.wto.org/english/thewto_e/whatis_e/tif_e/fact2_e.htm
[9] See https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds361_e.htm

respondent partially or selectively applied the policy change only to Colombia, no other WTO members joined the dispute as third parties. In contrast, in *EC – Export Subsidies on Sugar* (DS 283), Thailand alleged that the EU inconsistently applied import restrictions in ways that would affect all sugar exporters.[10] Here, because the complainant claimed that the respondent globally applied the policy change to all of its trading partners, 25 different third party countries joined the dispute, including several developing countries and the US. Based on the above rationale and examples, we propose H2:

> ***Hypothesis 2 (H2)**. A **trading partner** is **less likely** to join dispute consultations as a third party if the complainant alleges that the respondent applied an MFN policy change.*

Dispute Importance

Complainants that are highly dependent on international trade are more likely to request panel formation, in anticipation of preferring a clear ruling for the dispute matter, rather than attempting a negotiated settlement (A. Guzman & Simmons, 2002). The impact of disputes on complainants and respondents increases with increasing interdependence of the countries. When the dispute is framed as one of high importance, the attention on resolving the dispute may be heightened because of the increased economic damage that the respondent's alleged violations may cause. For MNEs, increased dispute importance amplifies the uncertainty that the organization must now manage. This may create instability in production networks that reduces performance (Dhanaraj & Parkhe, 2006).

In an example of a dispute (DS 296) *US – Countervailing Duty Investigation on Dynamic Random Access Memory Semiconductors*, South Korea filed a complaint against the US about the imposition of countervailing duties on DRAM memory chip imports into the US. Semiconductor manufacturing is a major industry in South Korea, which is highly dependent on the US as its largest market.[11] The case moved on through the panel process to be settled in arbitration (DS 296). Four major trading partners of the US —— China, Chinese Taipei (Taiwan), the EU and Japan —— which are all global major exporters of DRAM memory chips, joined the dispute. Hence, we propose H3:

[10] See https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds283_e.htm
[11] See https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds296_e.htm

***Hypothesis 3 (H3)**. The greater the perceived importance of the dispute to a **trading partner**, the **more likely** the partner is to join consultations as a third party.*

Dispute Risk

Dispute risk is the idea that a dispute will result in economic losses for the complainant. Disputes with high perceived levels of risk are more likely to cause significant economic damage to complainants if not resolved in their favor (Ashenfelter, Currie, Farber, & Spiegel, 1990). For the MNE, as dispute risk increases, the political hazards of operating in a country increase (Henisz, 2000). In these situations, MNEs may need to consider the trade-offs in exiting the location versus continuing to operate through a local partner. If the matter of the dispute is of particular national importance, a complainant that is expecting a favorable ruling by a panel is more likely to escalate to the WTO DSB and unlikely to enter into negotiation with the respondent, which may require some give and take. If the respondent's other trading partners, who also have an interest in the dispute, similarly anticipate a favorable outcome for the complainant, these partners of the respondent are more likely to join the dispute.

For instance, in the dispute *US – Large Civil Aircraft* (DS 353) the EU complained that the US government was providing subsidies to producers of large civil aircraft.[12] Five interested trading partners of the US —– Australia, Brazil, Canada, Japan, and South Korea —– joined the dispute. Since aircraft production is a matter of national interest to the US and the EU (France), the EU, as the complainant, moved to request panel formation and a ruling was delivered in its favor. Hence, we propose H4:

***Hypothesis 4 (H4)**. The greater the perceived risk of the dispute to a **trading partner**, the **more likely** the partner is to join consultations as a third party.*

Dispute Urgency

Temporal focus is based on the notion that people differ in their perceptions of the value of time and these differences drive individual, team and organizational performance outcomes (Gevers, Mohammed, & Baytalskaya, 2015; Nadkarni & Chen, 2014). In resolving trade disputes, expressing a sense of urgency in the exposition of the RFC document, may enable a complainant to trigger articles that

[12] See https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds353_e.htm

escalate the dispute to demand immediate action through the WTO DSB. Since the premise of requesting a panel, as opposed to negotiating a settlement, is the expectation of an outright favorable judgement for the complainant, trading partners of the respondent are likely to join the dispute. MNEs in industries with perishable goods are more likely to be sensitive to such disputes. In affected locations, MNEs may have few alternatives to incurring significant losses if exiting is infeasible.

As an example, in a dispute (DS 22) *Brazil – Measures Affecting Desiccated Coconut,* the Philippines filed a complaint against Brazil for its decision to impose countervailing duties on imports of desiccated coconuts.[13] The high urgency of the dispute is based on the perishable nature of the product. Five of Brazil's trading partners —– Canada, the EU, Indonesia, Sri Lanka, and the US —– all joined the dispute. The complainant then requested panel formation, and ultimately the respondent was required to adopt the measures recommended by the appellate body. Thus, we propose H5:

> ***Hypothesis 5 (H5)****. The greater the perceived urgency of the dispute to a* ***trading partner****, the* ***more likely*** *the partner is to join consultations as a third party.*

Multilateral Leadership

Because countries have to coexist and engage in trade with each other long after a dispute is over, reputation is an important resource for dispute participants. Prior research in organizational theory suggests that reputation is a key resource that impacts performance (Rindova, Williamson, Petkova, & Sever, 2005). Several mechanisms for reputation are identified as predictors of alliance formation, including: status arising from network centrality (Stuart, 1998), trustworthiness (Stuart, 1998), and familiarity from serving similar markets (Coff, 1999). Reputation may also aid organizations that operate in volatile environments (Gao, Zuzul, Jones, & Khanna, 2017). When the emergence of trade disputes adversely affects the reputations of disputant countries, MNE managers may choose to de-integrate their operations from these countries to protect their firms until the uncertainty is resolved (Zhao, 2006).

[13] See https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds22_e.htm

Trading partners. Third parties may shape the impact and relevance of a given dispute, by providing pertinent information to inform a panel in arriving at their judgement. To the extent that trading partners engage in the general global governance activities of the WTO and in the existing negotiating coalitions within the WTO, we argue that these partners are more likely to join disputes as third parties. Serving in a WTO leadership capacity provides countries with greater power and influence. Participating in WTO negotiating groups also helps countries align their economic and geopolitical interests in formal coalitions with like-minded countries. Both of these aspects of multilateral leadership may enhance a country's reputation within the WTO. We contend that WTO member countries with stronger reputations for multilateral leadership, are more likely to be perceived as credible sources of information regarding disputes and are therefore more likely to join these disputes. Hence, we propose H6a:

> ***Hypothesis 6a (H6a)****. The greater a* ***trading partner's*** *involvement in multilateral leadership in the WTO, the* ***more likely*** *it is to join dispute consultations as a third party.*

Complainants. Within the WTO DSB, panels are required to make objective assessments of the matters before them, including the essential facts and the applicability of and conformity with pertinent agreements (Bown, 2002). Panels aim to present findings in the dispute that help the DSB conclusively adjudicate the dispute. Complainants that serve in leadership positions and participate in negotiation groups in the WTO, may enjoy higher status, and be viewed more favorably by WTO members than countries that are less involved in multilateral leadership. In such situations, there is a powerful *incentive* for the trading partners of the respondent to leverage the complainant's status to obtain an outcome that decreases the likelihood of the trading partner encountering a similar issue with the respondent. Thus, trading partners are more likely to join disputes featuring complainants that are involved in multilateral leadership within the WTO. Hence, we propose H6b:

> ***Hypothesis 6b (H6b)****. The greater the* ***complainant's*** *involvement in multilateral leadership in the WTO, the* ***more likely*** *a trading partner is to join dispute consultations as a third party.*

Respondents. Respondents that serve in leadership positions and participate in negotiation groups in the WTO may also enjoy higher status, and be viewed more favorably by WTO members than

countries that are less involved in multilateral leadership, However, in such situations, there is a powerful *disincentive* for the respondent's trading partners to support the complainants' claims and join the dispute. Here, the respondent's trading partners may experience a fear of possible retaliation by the respondent in future disputes or WTO activities (Blonigen & Bown, 2003). Thus, trading partners are less likely to join disputes when respondents are involved in multilateral leadership in the WTO. Hence, we propose H6c:

> ***Hypothesis 6c (H6c)***. *The greater the* ***respondent's*** *involvement in multilateral leadership in the WTO, the* ***less likely*** *a trading partner is to join dispute consultations as a third party.*

DATA AND METHODS

Data Sources and Collection Procedures

Our primary data source is the official repository of public records maintained by the WTO on its online dispute settlement gateway website.[14] This archive of WTO trade disputes, which we refer to as the HM dataset, was originally compiled by Horn and Mavroidis (2011) as part of a World Bank-sponsored study (Horn & Mavroidis, 2011).[15] From the WTO website, we also download the complete records for all 426 disputes initiated from the inception of the WTO on January 1, 1995 until August 11, 2011.

From the HM dataset and the WTO website, we extract data on the 308 out of 426 disputes (72% of the total) that are product-related and initiated during 1995-2011. We focus only on these product-related disputes, since these situations involve tangible goods that may require geographically dispersed production or R&D activities that may impact MNEs' risk management strategies. In contrast to trade in manufactured products, trade in services is typically a function of national policies on employee mobility and immigration, and is beyond the scope of this study. We augment the HM dataset with additional economic estimates from the Trade Flow and Trade Disputes (TFTD) database (Bown & Reynolds, 2014). We also incorporate country-level time series data from the World Bank (WB), International Monetary Fund (IMF), United Nations (UN), and the KOF Swiss Economic Institute (KOF).

Variables

[14] See https://www.wto.org/english/tratop_e/dispu_e/dispu_e.htm
[15] See https://www.wto.org/english/tratop_e/dispu_e/find_dispu_cases_e.htm

We use the WTO, HM, TFTD, WB, IMF, UN, and KOF databases to construct and compute the following dependent, explanatory, and control variables, as described below.

Dependent variables. To analyze trading partners' likelihood of joining dispute consultations as third parties, we construct the binary variable *Join* using the WTO, HM, and TFTD databases. *Join* equals 1 if the prospective trading partner joins dispute consultations and equals 0 if the partner does not join. Formal requests to *Join* must be submitted to the WTO within 10 days after the RFC is initiated. To ascertain the eventual outcome of the disputes in our sample, we use the HM and WTO databases to code the categorical variable *Outcome*. This variable equals 0 if the dispute remains in consultations, 1 if the dispute is resolved through a negotiated settlement by the complainant and respondent, and 2 if the dispute is resolved through a litigated settlement adjudicated by a WTO panel. (Note that all of our proposed hypotheses pertain only to the likelihood of trading partners joining dispute consultations (*Join*), and we use the *Outcome* variable to facilitate further *post hoc* exploratory analyses).

Explanatory variables. We categorize our explanatory variables into two main groups: dispute-level, and country-level. Our dispute-level variables are the strategic decision parameters that reflect the complainant's framing of a dispute. Our country-level variables are observable dimensions of the multilateral leadership of complainants, partners, and respondents within the WTO, which are a matter of public record and known when the RFC is initiated.[16] All of the disputes in our sample have only one complainant, one respondent, and two or more partners as possible third parties. The TFTD database compiles annual product-related bilateral trade flows reported by UN members to its Conference on Trade and Development (UNCTAD). The TFTD further filters these trade flows to isolate the total value of the specific product(s) in each dispute. Since all of the trade disputes in our sample are product-related, the TFTD database enables us to construct the at-risk set of potential WTO member trading partners that may seek to *Join* a particular dispute. Hence, our at-risk set consists of all countries eligible to form a temporary coalition at the time that the complainant filed the RFC document to initiate the dispute.

[16] See https://academic.oup.com/qje/article-abstract/112/4/1251/1911732?redirectedFrom=fulltext

To capture the complainant's framing of the legal basis of the dispute, we define the following variables using the WTO, HM, and TFTD databases. *Alleged New Import Restriction* is a binary variable, which equals 1 if the complainant claims that the respondent applied a new import restriction and equals 0 if the complainant claims that the respondent failed to reform an existing import restriction. *Alleged MFN Policy Change* is a binary variable, which equals 1 if the complainant claims that the respondent selectively applied the policy change only to MFN trading partners and equals 0 if the complainant claims that the respondent globally applied the policy change to all of its trading partners.

Dispute Importance is a continuous 0 to 100 index computed using the product-specific bilateral trade data in the TFTD database. *Dispute Importance* is each trading partner's relative market share of the respondent's imports aggregated across all of the products associated with the dispute. To avoid partial year effects, the market share is the average of the two full years immediately prior to the complainant's claim of the date when the first alleged violation by the respondent occurred. Note that there is often a lag of years between the initial alleged violation by the respondent and the subsequent filing of the RFC by the complainant. By using the violation date instead of the RFC date, we are able to estimate the respondent's dependence on importing the disputed products from the trading partner *before* any policy changes were allegedly applied. A higher value of *Dispute Importance* is associated with a dispute having a greater economic value for both the respondent and the trading partner.

Dispute Risk is the percentage of words in the complainant's formal RFC document that are associated with risk. We obtain this continuous measure (0 to 100 index) using the Linguistic Inquiry and Word Count (LIWC) 2015 software, which analyzes the language used in written and spoken texts (Pennebaker, Boyd, Jordan, & Blackburn, 2015; Pennebaker, Francis, & Booth, 2001). *Dispute Risk* represents the complainant's framing of the potential level of risk generated by the respondent's alleged violations. A higher *Dispute Risk* score conveys that the complainant views the dispute as having a higher perceived risk for the involved parties. We also use LIWC to compute the variable *Dispute Urgency*, which is the percentage of words in the complainant's RFC that are associated with time. For this

continuous measure (0 to 100 index), a higher score reflects a greater perceived sense of urgency by the complainant in resolving the dispute.

Next, we use the WTO's historical records of its organizational structure to construct six additional variables associated with the multilateral leadership of trading partners, complainants, and respondents. *Partner WTO Leadership* is a binary indicator variable that equals 1 in a given year, if a representative from the trading partner country in an observation serves in an elected position in the WTO Secretariat or as a committee head in a council, committee, or working group of the WTO. Otherwise, the variable equals 0. Similarly, we construct the binary variables *Complainant WTO Leadership* and *Respondent WTO Leadership*. Within the WTO, there are 25 declared groups representing formal coalitions of countries actively involved in trade negotiations. Some groups such as the African Group or the Association of Southeast Asian Nations (ASEAN) are aligned around regional issues, while others such G-33 (Agriculture) or TRIPS (Intellectual Property) are organized around specific products or topics.[17] For each year in our sample time period, 1995-2011, we construct a network of WTO member countries and their membership in any WTO negotiation groups in existence during that year.[18] Each country is a node in the network and we add a link between nodes corresponding to each negotiation group that the countries share in common. We compute the degree centrality for WTO member countries by year (Freeman, 1978). We use these values to generate the non-zero integer variables *Partner Links to WTO Groups*, *Complainant Links to WTO Groups*, and *Respondent Links to WTO Groups*. Note that our time-varying country-level leadership variables capture two distinct aspects of multilateral leadership in the WTO. The *Partner WTO Leadership*, *Complainant WTO Leadership*, and *Respondent WTO Leadership* variables estimate these countries' involvement in the general global governance activities of the WTO. In contrast, the *Partner Links to WTO Groups*, *Complainant Links to WTO Groups*, and *Respondent Links to WTO Groups* estimate these countries' participation in specific negotiating coalitions within the WTO. Both sets of measures estimate a country's power and influence among WTO members.

[17] See https://www.wto.org/english/tratop_e/dda_e/negotiating_groups_e.htm
[18] See https://www.wto.org/english/tratop_e/dda_e/groups_e.pdf

Control Variables. For each observation in our sample, we code the following control variables. First, we compute three binary indicator variables: *Partner EU Member*, *Complainant EU Member*, and *Respondent EU Member*. These variables equal 1 if the respective country in a dispute is an EU member, and equal 0 otherwise. The EU as a whole and the individual EU countries are members of the WTO. The EU Trade Commissioner and the European Commission represent the interests of the EU in the decision-making bodies of the WTO.[19] In other words, EU member countries are part of a large European multilateral organization that is itself part of a larger global multilateral organization, namely the WTO. Thus, we explicitly account for EU membership among dispute participant countries.

Next, we use the broad composite measure KOF Globalization (0 to 100 index) to approximate the economic, social, and political dimensions of globalization in a particular country in a given year.[20] *Partner Globalization*, *Complainant Globalization*, and *Respondent Globalization,* respectively, are the values of the KOF Globalization Index of the countries in each observation record. A higher level of globalization is associated with greater participation and engagement in international trade activities and global governance systems. We also construct continuous control variables (0 to 100 index) for the ethnolinguistic fractionalization index of a particular country in a given year.[21] We call these variables *Partner Fractionalization*, *Complainant Fractionalization*, and *Respondent Fractionalization*. To control for the possible effects of geographic distance on the parties in a dispute, we obtain the latitude and longitude coordinates of each country's national capital from the UN database. We use the coordinates to compute three great circle distances: *Complainant-Respondent Distance*, *Complainant-Partner Distance*, and *Partner-Respondent Distance*. We compute the base 10 logarithm of these distances in kilometers.

Then, for each observation in our sample, we estimate the following dispute-level control variables. *Product Breadth* is the base 10 logarithm of the total number of 6-digit Harmonization Standard (HS) product codes specified in the complainant's RFC. This measure represents the number of product categories associated with a dispute. *Product Depth* is the base 10 logarithm of the average number of

[19] See http://ec.europa.eu/trade/policy/eu-and-wto/
[20] See https://www.tandfonline.com/doi/abs/10.1080/00036840500392078
[21] See https://www.nber.org/papers/w9411

digits of all HS product codes specified in the complainant's RFC. A larger number of HS digits reflects a narrower degree of specialization of the products in a dispute. *Number of Agreements* is the non-zero integer value of the total number of agreements cited in the complainant's RFC. A larger *Number of Agreements* is associated with a more complex dispute. *Number of Articles* is the non-zero integer value of the total number of articles referenced within the agreements cited in the complainant's RFC. A larger *Number of Articles* is associated with a greater number of legal claims made by the complainant. We control for the *Word Count* of the RFC using the count obtained by LIWC. A longer RFC is associated with a more detailed description of a dispute, which may affect the framing of the dispute. As a final step, we incorporate dummy variables for the year in which the dispute RFC is initiated.

Model Specification

We employ maximum likelihood estimation (MLE) methods and specify a binary logit model as shown in Equations 1 and 2 below. For a binary outcome variable, $\boldsymbol{Y_i}$, the variable $p_i(\boldsymbol{X_i})$ represents the probability that the i^{th} observation of the vector of m predictors, $\boldsymbol{X_i}$, equals 1.

$$\boldsymbol{Y_i} = \begin{cases} 1, & \beta_0 + \beta_1 x_{1,i} + \beta_2 x_{2,i} + \cdots + \beta_m x_{m,i} + \varepsilon > 0 \\ 0. & \text{otherwise} \end{cases} \quad (1)$$

$$logit\big(p_i(\boldsymbol{X}_i)\big) = ln\left(\frac{p_i(\boldsymbol{X}_i)}{1 - p_i(\boldsymbol{X}_i)}\right) = \beta \cdot \boldsymbol{X}_i = \beta_0 + \beta_1 x_{1,i} + \beta_2 x_{2,i} + \cdots + \beta_m x_{m,i} \quad (2)$$

Our data consists of multiple observations for each of the 308 product-related disputes initiated during 1995-2011. An observation consists of one record for an individual trading partner country from the at-risk set of the respondent's officially reported trading partners that were WTO members, and thus were eligible to join consultations when complainant filed the RFC. The structure of these observations is a potential partner-complainant-respondent triad. Our dependent variable, $\boldsymbol{Y_i}$, is *Join.* Our explanatory variables are a vector, $\boldsymbol{X_i}$, of the previously defined measures related to: (1) *Alleged New Import Restriction*, *Alleged MFN Policy Change*, *Dispute Importance, Dispute Risk, and Dispute Urgency* for the complainant's framing of the dispute; and (2) *WTO Leadership* and *Links to WTO Groups* for the partner, complainant, and respondent country. The vector $\boldsymbol{X_i}$ also includes our control variables for the measures related to: (1) *EU Membership*, *Globalization*, and *Fractionalization* for the partner, complainant, and

respondent country; (2) the geographic *Distance* between the three possible country dyads among the partner, complainant, and respondent, and (3) the *Product Depth*, *Product Breadth, Number of Agreements*, *Number of Articles*, and *Word Count* associated with the dispute RFC document.

RESULTS

Descriptive Statistics and Correlations

Our sample consists of a total of 23,190 observations for 308 product-related trade disputes during 1995-2011. The mean number of possible trading partners across all disputes is 74.4 countries, in the range from 2 to 145 countries. Table 1 lists the descriptive statistics and correlations. In terms of *Outcome,* about 19% of disputes remain in consultations, 15% of disputes are resolved via negotiated settlement outside the WTO, and 66% of disputes are resolved via litigated settlement within the WTO panel adjudication process. The mean value for *Join* is 0.14, indicating that about 14% of the prospective trading partners join dispute consultations.

In terms of framing the dispute, in 76% of disputes, complainants claim that the respondent applied an *Alleged New Import Restriction.* In 50% of disputes, complainants claim that the respondent applied an *Alleged MFN Policy Change*. The mean values for *Dispute Importance*, *Dispute Risk*, and *Dispute Urgency* are 0.94, 0.31, and 2.93, respectively. In terms of multilateral leadership, the mean values of *Partner WTO Leadership*, *Complainant WTO Leadership*, and *Respondent WTO Leadership* respectively indicate that 6% of trading partners, 52% of complainants, and 67% of respondents have a representative serving in an official leadership capacity within the WTO when a dispute is initiated. The mean values for *Partner Links to WTO Groups*, *Complainant Links to WTO Groups*, and *Respondent Links to WTO Groups* are 4.50, 4.51, and 4.41, respectively, which indicates the average strength of partner, complainant, and respondent participation in WTO negotiation groups.

< INSERT TABLE 1 ABOUT HERE >

As shown in Table 1 above, the largest significant correlation appears to be -0.70, which is between the variables *Respondent Globalization (0-100 index)* and *Respondent Links to WTO Groups*. This is expected, since respondents with greater engagement in international trade and global governance

are more likely to participate in WTO negotiation groups. We check multi-collinearity diagnostics across all models and find that the average variance inflation factor (VIF) for our variables is 1.77 and no variable exceeds 2.99, indicating that multi-collinearity is not a concern in any of our models.

Analyses for Join Consultations

We report the results from the logit models of our analyses of conflict framing and multilateral leadership in Table 2 and 3 below. Table 2 reports the coefficients. For ease of interpretation, Table 3 reports the odds ratios and average marginal effects. Model 1 in Tables 2 and 3 is the controls-only model. As we move from left to right in both tables, we add explanatory variables to Models 2-4 for testing our hypotheses H1 through H6. Model 5 in Table 3 estimates the average marginal effects. Across all of our models in Tables 2 and 3, we observe that the coefficients for a number of control variables are significant, and all appear to be consistent in the expected direction.

< INSERT TABLE 2 AND TABLE 3 ABOUT HERE >

As shown in the conflict framing plus controls model in Tables 2 and 3 above, an *Alleged New Import Restriction* is associated with 88% *higher* odds (Model 2: β=0.631, p=0.000) of a trading partner joining a dispute consultation. In the full model in both tables above, an *Alleged New Import Restriction* is associated with 98% *higher* odds (Model 4: β=0.681, p=0.000) of a partner joining a consultation. Taken together, these results fully support H1. An *Alleged MFN Policy Change* is associated with 55% (Model 2: β=-0.802, p=0.000) to 61% *lower* odds (Model 4: β=-0.935, p=0.000) of a trading partner joining a consultation, which fully supports H2.

A 1-unit increase in the *Dispute Importance* index is associated with about 6% (Model 4: β=-0.058, p=0.000) to 7% (Model 2: β=-0.067, p=0.000) *higher* odds of a trading partner joining a consultation, which fully supports H3. A 1-unit increase in the *Dispute Risk* index is associated with about 45% (Model 2: β=0.372, p=0.000) to 48% (Model 4: β=0.389, p=0.000) *higher* odds of a trading partner joining a consultation, which fully supports H4. For a 1-unit increase in the *Dispute Urgency* index, the coefficients are positive, which is the expected direction, but are not significant (Model 2: β=0.040, p=0.184 and Model 4: β=0.040, p=0.179). Thus, we do not find support for H5.

As shown in the multilateral leadership plus controls model in Tables 2 and 3 above, *Partner WTO Leadership* is associated with 436% *higher* odds (Model 3: β=1.678, p=0.000) of a trading partner joining a dispute consultation. In the full model in both tables above, *Partner WTO Leadership* is associated with 374% *higher* odds (Model 4: β=1.555, p=0.000) of a partner joining a consultation. A 1-unit increase in the number of *Partner Links to WTO Groups* is associated with 33% (Model 4: β=0.282, p=0.000) to 34% (Model 3: β=0.294, p=0.000) *higher* odds of a partner joining. The results for *Partner WTO Leadership* and *Partner Links to WTO Groups* presented in Models 3 and 4 fully support H6a.

Complainant WTO Leadership is associated with 52% (Model 3: β=0.417, p=0.000) to 58% *higher* odds (Model 4: β=0.459, p=0.000) of a trading partner joining a consultation. However, a 1-unit increase in the number of *Complainant Links to WTO Groups* is not significant in Model 3 or 4 (Model 3: β=0.000, p=0.996 and Model 4: β=-0.049, p=0.170). These results partially support H6b.

Respondent WTO Leadership is associated with 14% (Model 3: β=0.132, p=0.056) to 59% *higher* odds (Model 4: β=0.462, p=0.000) of a trading partner joining a consultation. These results are significant but are in the opposite direction as H6c. A 1-unit increase in the number of *Respondent Links to WTO Groups* is negative and significant in Model 3 (β=-0.098, p=0.006), but not in Model 4 (β=-0.040, p=0.286). Thus, we do not find support for H6c.

Overall, we claim empirical support for four out of our five conflict framing hypotheses on the expected effects of *Alleged New Import Restriction* (H1), *Alleged MFN Policy Change* (H2), *Dispute Importance* (H3), and *Dispute Risk* (H4) on the likelihood of a trading partner joining dispute consultations. We do not find support for our hypothesis on the expected effect of *Dispute Urgency* (H5). We also claim empirical support for one out of our three multilateral leadership hypotheses. For trading partners, we find support for the positive effects of *Partner WTO Leadership* and *Partner Links to WTO Groups* (H6a). For complainants, we claim partial support only for the positive effect of *Complainant WTO Leadership* (H6b). We do not find support for the expected positive effect of *Complainant Links to WTO Groups.* For respondents, we do not find support for our hypothesis for the negative effects of *Respondent WTO Leadership* and *Respondent Links to WTO Groups* (H6c). Counter to our expectations,

we find that *Respondent WTO Leadership* is positive and significant. In line with our expectations, we find that *Respondent Links to WTO Groups* is negative. However, this is not significant in the full model. In sum, a total of five out of our eight hypotheses are fully supported, one is partially supported, and two are not supported by our empirical results.

Economic Significance

For easier interpretation of our results, we analyze the average marginal effects, report the predicted probability values as Model 5 in Table 3, and plot these values in Figure 1 below.

< INSERT FIGURE 1 ABOUT HERE >

As shown in Model 5 in Table 3 and plotted in Figure 1, across all trading partners in our sample, an *Alleged New Import Restriction* is associated with about a 4% *higher* predicted probability of the partner country joining a dispute consultation. An *Alleged MFN Policy Change* is associated with about a 6% *lower* predicted probability of the partner joining a consultation. Recall that a 1-unit increase in the *Dispute Importance* index corresponds to a 1-percentage point increase in the trading partner's relative market share of the respondent's imports aggregated for the products associated with the dispute. We find that a 1-unit increase in *Dispute Importance* is associated with a 0.3% higher predicted probability of the partner joining a consultation. Also, recall that a 1-unit increase in the *Dispute Risk* index corresponds to 1-percentage point increase the number of risk-related words used by the complainant in composing the RFC. We find that a 1-unit increase in *Dispute Risk* is associated with a 2% higher predicted probability of the partner joining a consultation. The effect of *Dispute Risk* appears to be an order of magnitude greater than the effect of *Dispute Importance*, but comparable in magnitude to the effects of an *Alleged New Import Restriction* and an *Alleged MFN Policy Change*.

Partner WTO Leadership is associated with about an 11% *higher* predicted probability of the partner country joining a dispute consultation. A 1-unit increase in the number of *Partner Links to WTO Groups* is associated with a 2% *higher* predicted probability of the partner joining a consultation. *Complainant WTO Leadership* and *Respondent WTO Leadership* are both associated with about a 3% higher predicted probability of a trading partner joining a consultation. Among the explanatory variables

hypothesized to have an effect on the likelihood of trading partners joining dispute consultations, *Partner WTO Leadership* appears to have the largest overall impact.

***Post hoc* Exploratory Analyses**

Our empirical results and interpretation of their economic significance prompted us to explore the potential effects of conflict framing and multilateral leadership on the eventual outcomes of disputes. We envision that these additional analyses may be helpful for scholars, MNE managers, and policymakers to use in anticipating trade dispute outcomes. First, we returned to our original sample of 23,190 observations for 308 product-related trade disputes. We generated individual observations for every realized partner-complainant-respondent triad and every complainant-respondent dyad in which no partner joined the consultation. This restricted our sample to 3,207 observations.[22] We constructed a new variable called the *Number of Third Parties*, which is the integer count of the total number of trading partners that joined the consultations for a given dispute. The mean number of trading partners joining disputes is 6.2 partner countries, ranging from 0 to 18 countries. We replace our previous binary dependent variable *Join* with the categorical dependent variable *Outcome*. We retain all of our previous explanatory variables. We also incorporate the *Number of Third Parties* as an additional dispute-level control variable. We then conduct our analyses using an MLE multinomial logit model. We report the results of these models in Table 4 below.

< INSERT TABLE 4 AND FIGURE 2 ABOUT HERE >

Table 4 lists the coefficients, relative risk ratios, and average marginal effects for the full models. The outcomes are 0=*In Consultations*, 1=*Negotiated Settlement*, and 2=*Litigated Settlement*. Model 3 in Table 4 lists the average marginal effects for two comparisons of the outcomes 0 vs. 1 (*In Consultations* vs. *Negotiated Settlement*) and 2 vs. 1 (*Litigated Settlement* vs. *Negotiated Settlement*). For ease of interpretation, we plot these predicted probability values from Model 3 in Figure 2 above. In terms of the

[22] The number of observations is 3,207 because we account for situations in which multiple countries within the EU either initiate an RFC through the European Commission or join consultations as trading partners. Since 19% of complainants and 20% of trading partners are EU members, this increases the number of observations required to fully represent each complainant-respondent dyad and each partner-complainant-respondent triad.

predicted probability of remaining in consultations versus reaching a negotiated settlement, the economic significance of conflict framing is as follows: *Alleged New Import Restriction* (+11%, p=0.000), *Alleged MFN Policy Change* (+6%, p=0.000), *Dispute Risk* (+3%, p=0.085), and *Dispute Urgency* (+1%, p=0.051). The economic significance of multilateral leadership is as follows: *Partner Links to WTO Groups* (4%, p=0.003), *Complainant WTO Leadership* (-4%, p=0.025), *Respondent WTO Leadership* (-9%, p=0.000), and *Respondent Links to WTO Groups* (-4%, p=0.000).

In terms of the predicted probability of reaching a litigated versus a negotiated settlement, the economic significance of conflict framing is as follows: *Alleged New Import Restriction* (-6%, p=0.002), *Alleged MFN Policy Change* (+6%, p=0.001), and *Dispute Urgency* (+3%, p=0.002). The economic significance of multilateral leadership is as follows: *Partner WTO Leadership* (+6%, p=0.081), *Partner Links to WTO Groups* (-3%, p=0.088), *Complainant WTO Leadership* (9%, p=0.000), *Complainant Links to WTO Groups* (3%, p=0.001). *Respondent WTO Leadership* (12%, p=0.000), and *Respondent Links to WTO Groups* (6%, p=0.000). Overall, our *post hoc* exploratory analyses of the eventual outcomes of disputes indicate that conflict framing and multilateral leadership have economically significant effects on the predicted probability of remaining in consultations, reaching a negotiated settlement, or reaching a litigated settlement. We note that although a 1-unit increase in *Dispute Urgency* does not appear to have a significant effect on the likelihood that a partner joins a consultation, it does appear to have significant effects on dispute outcomes. The effects of *WTO Leadership* and *Links to WTO Groups* appear to vary considerably across partners, complainants, and respondents. Our results suggest that conflict framing and multilateral leadership may have meaningful effects not only on who joins product-related trade disputes, but also on how these disputes are resolved.

DISCUSSION AND CONCLUSION

As stated at the outset of our study, we explore WTO members' propensity to participate as third parties in disputes and thereby form temporary coalitions with other nations. We identify conflict framing and multilateral leadership as two sets of meaningful predictors of the likelihood of a trading partner joining dispute consultations. MNE managers may seek to use these predictors to guide their decision-

making regarding strategic risk management activities. Such activities may mitigate MNEs' uncertainty about the specific countries that are likely involved in and affected by trade disputes. Knowledge about countries' participation in disputes may help MNE managers evaluate and prioritize critical decisions about potentially shifting and possibly reconfiguring the locations where production and R&D take place.

Regarding the framing of the underlying conflict that is the legal basis of the dispute, the WTO DSB's processes give the complainant the opportunity to shape WTO members' perceptions of the respondent's alleged violations of trade policies. We find that *Alleged New Import Restriction* is associated with about a 4% *higher* predicted probability of the partner country joining a dispute consultation, while an *Alleged MFN Policy Change* is associated with about a 6% *lower* predicted probability of the partner joining consultations. We find positive and significant, but smaller effects for unit increases in our measures of *Dispute Importance* (+0.3%) and *Dispute Risk* (+2%) on the predicted probability of the partner joining consultations. *Partner WTO Leadership* appears to have the largest overall impact (+11%) on the predicted probability of the partner country joining a dispute consultation, while a unit increase in the number of *Partner Links to WTO Groups* (+2%) also has a positive and significant effect. On the whole, our findings suggest that there are observable dimensions of disputes and disputants that are significant predictors of WTO members' propensity to join dispute consultations.

Contributions and Implications

Our research contributes to the literature on international trade dispute resolution, global governance, and multilateral organizations in terms of theory, methods, and empirical findings. Our study has implications for the strategic risk management decisions of MNE managers. We directly address a critical gap in the literature by accounting for coalition formation as a key element of the dispute resolution process. We go beyond prior research, which almost exclusively examines bilateral complainant-respondent dyads, and investigate multilateral trading partner-complainant-respondent triads. Our research design introduces and utilizes several new measures for estimating and quantifying conflict framing and multilateral leadership within the WTO. We conduct a large-scale empirical test to demonstrate the effectiveness of our methodology. Our analyses may be among the first to include the

entire at-risk set of potential and actual triads of participants in product-related trade disputes. Our findings reveal the economic significance of the effects of conflict framing and multilateral leadership on the likelihood that a trading partner joins a dispute. Our *post hoc* exploratory analyses indicate that framing and leadership also have economically significant effects on eventual dispute outcomes and the likelihood of remaining in consultations or negotiating or litigating a settlement.

For scholars, our research implies that delving more deeply into the process of coalition formation in multilateral organizations such as the WTO may yield useful insights on the strategic consequences of members' engagement in core activities such as dispute resolution. Our research also suggests that analyzing the construction and composition of legal narratives in dispute documents such as RFCs may be a viable approach for uncovering how complainants shape WTO members' perceptions of the impact and relevance of disputes.

For managers of MNEs involved in exporting and importing, our research implies that focusing on the complainant's description of the type of alleged violations committed by the respondent is helpful in understanding the potential participation of various countries in the dispute. To the extent that managers are seeking to export to and/or import from the respondent country and its known trading partners, predicting the participation of these countries in trade disputes may help guide strategic planning efforts and help mitigate operational risks.

For policymakers evaluating, designing, and implementing new trade policies, our measures and methodology facilitate the development of tools for evidence-based counterfactual policy analyses. Our findings suggest that there may be considerable value in systematically analyzing the content of the WTO archives to generate predictive analytics about the perceptions, participants, and outcomes of disputes.

Limitations and Future Directions

Like all studies, our study has limitations that provide opportunities for future research. Although the WTO DSB often serves as a benchmark for best practices in global governance and indirectly influences the administration of other major institutions such as the UN and the EU, the generalizability of our findings to dispute resolution processes within other multilateral organizations is limited. Our

study also focuses on only one type of trade dispute (product-related) during 1995-2011. After 2012, a shift occurred in which WTO disputes about non-tariff measures (NTMs) and trade in services markedly increased. "The range of NTMs is vast, complex, driven by multiple policy motives, and ever-changing ... Transparency is a major issue with regard to both NTMs and services measures. Despite recent efforts aimed at filling the information gap in this area, data remain sparse."[23] We encourage follow-on comparative studies on dispute resolution processes across different multilateral organizations and different types of disputes. For example, investigating the mechanisms within the EU for trade in services dispute resolution in comparison to the WTO may be an interesting new area for further exploration.

In addition, we conduct our research at the country level and our unit of analysis is the country-product. Hence, we do not evaluate the composition and characteristics of the teams negotiating and litigating on behalf of the complainants, respondents, and prospective third parties in each dispute. We are unable to make inferences about the effectiveness of various team-based negotiation and litigation strategies for resolving trade disputes. We believe that future research should pursue improvements in these areas. Understanding how the participation of third parties at the country level in international trade disputes affects the worldwide risk management strategies of MNEs at the firm level, might be an especially promising avenue for further scholarly inquiry. We believe that in an era of greater uncertainty and unpredictability about the economic and geopolitical interactions among nations, investigating conflict framing and multilateral leadership in a variety of forms will be a worthwhile research endeavor.

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[23] See https://www.wto.org/english/res_e/booksp_e/anrep_e/world_trade_report12_e.pdf

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Table 1. Descriptive Statistics and Correlations

Variable	Mean	S.D.	Min	Max	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.
Dependent Variables																	
1. Outcome	1.18	0.87	0.00	2.00	1.00												
2. Join	0.14	0.35	0.00	1.00	**0.15**	1.00											
Explanatory Variables																	
Conflict Framing																	
3. Alleged New Import Restriction	0.76	0.43	0.00	1.00	**0.00**	**0.07**	1.00										
4. Alleged MFN Policy Change	0.50	0.50	0.00	1.00	**-0.12**	**0.01**	**0.31**	1.00									
5. Dispute Importance (0-100 index)	0.94	4.66	0.00	100.00	**-0.01**	**0.14**	**0.00**	**0.01**	1.00								
6. Dispute Risk (0-100 index)	0.31	0.42	0.00	3.89	**0.11**	**0.09**	**0.24**	**0.35**	**0.00**	1.00							
7. Dispute Urgency (0-100 index)	2.93	1.13	0.37	7.33	**0.02**	**-0.03**	**-0.08**	**0.13**	0.01	**-0.27**	1.00						
Multilateral Leadership																	
8. Partner WTO Leadership	0.06	0.24	0.00	1.00	**-0.02**	**0.02**	0.00	**0.01**	**0.11**	0.00	**0.01**	1.00					
9. Complainant WTO Leadership	0.52	0.50	0.00	1.00	-0.01	0.03	**-0.14**	**-0.11**	**-0.01**	**-0.02**	**0.06**	-0.01	1.00				
10. Respondent WTO Leadership	0.67	0.47	0.00	1.00	**0.09**	**-0.07**	**-0.06**	**0.19**	**-0.04**	**0.02**	**0.07**	**-0.04**	**-0.08**	1.00			
11. Partner Links to WTO Groups	4.50	1.66	1.00	9.00	0.00	**-0.23**	-0.04	-0.02	-0.03	-0.02	0.00	**0.06**	0.03	**0.03**	1.00		
12. Complainant Links to WTO Groups	4.51	1.30	1.00	8.00	**0.05**	**-0.05**	**0.19**	**0.16**	-0.01	**0.02**	0.00	-0.01	**-0.52**	**0.12**	-0.01	1.00	
13. Respondent Links to WTO Groups	4.41	1.30	1.00	8.00	**-0.06**	**0.08**	**-0.16**	**-0.13**	**0.03**	**-0.06**	**-0.08**	**0.04**	**0.10**	**-0.54**	-0.01	**-0.11**	1.00
Control Variables																	
14. Partner EU Member	0.19	0.39	0.00	1.00	**-0.02**	**0.55**	**0.02**	**0.01**	**0.09**	**0.02**	0.01	**-0.13**	**-0.03**	**-0.06**	**-0.44**	-0.01	**0.03**
15. Complainant EU Member	0.20	0.40	0.00	1.00	**-0.07**	**0.11**	**-0.11**	**-0.07**	0.02	**0.06**	**-0.02**	0.01	**0.49**	**-0.10**	0.00	**-0.59**	**0.18**
16. Respondent EU Member	0.22	0.41	0.00	1.00	**-0.04**	**-0.15**	**0.02**	**-0.01**	**-0.02**	**-0.06**	**-0.06**	**-0.02**	**-0.08**	**0.37**	0.01	**0.16**	**-0.57**
17. Partner Globalization (0-100 index)	60.84	17.68	21.24	92.63	**-0.03**	**0.41**	**0.09**	**0.06**	**0.14**	**0.07**	0.00	**0.04**	**-0.07**	**-0.10**	**-0.53**	**0.02**	**0.06**
18. Complainant Globalization (0-100 index)	70.02	13.28	35.67	91.09	0.01	**0.04**	**-0.16**	**-0.23**	0.00	**0.06**	**-0.06**	0.00	**0.45**	**-0.03**	0.01	**-0.69**	**0.07**
19. Respondent Globalization (0-100 index)	70.25	12.77	41.91	91.94	**0.12**	**-0.04**	**0.21**	**0.23**	**-0.02**	**0.08**	**0.12**	**-0.03**	**-0.14**	**0.43**	0.00	**0.22**	**-0.70**
20. Partner Fractionalization (0-100 index)	33.72	25.30	0.02	89.55	0.01	**-0.15**	0.00	0.00	**-0.05**	0.00	**-0.02**	**-0.04**	**0.01**	**0.04**	**0.19**	0.00	**-0.02**
21. Complainant Fractionalization (0-100 index)	29.80	21.13	0.30	81.03	**-0.04**	**-0.02**	**0.09**	**0.02**	-0.01	0.00	**-0.05**	-0.01	**0.09**	**-0.06**	0.00	**0.08**	**-0.07**
22. Respondent Fractionalization (0-100 index)	31.34	20.28	0.30	81.03	**0.06**	0.01	**-0.06**	**-0.15**	**-0.03**	**-0.04**	**-0.04**	**-0.02**	**0.13**	0.01	0.00	**-0.16**	**0.17**
23. Complainant-Respondent Distance in km (log)	3.77	0.37	2.21	4.28	**0.07**	0.01	**-0.19**	**-0.10**	**0.01**	**-0.17**	**0.10**	**-0.01**	**0.11**	**0.13**	0.02	**0.17**	**0.11**
24. Complainant-Partner Distance in km (log)	3.82	0.35	2.21	4.30	**0.06**	**-0.25**	0.00	**-0.01**	**-0.09**	**-0.03**	0.01	**0.05**	**-0.14**	**0.12**	**0.20**	**0.29**	**-0.06**
25. Partner-Respondent Distance in km (log)	3.80	0.34	1.75	4.30	**0.03**	**0.05**	**-0.07**	**-0.03**	**-0.13**	**0.02**	-0.01	**0.06**	**0.05**	**-0.08**	**0.21**	**-0.03**	**0.25**
26. Product Breadth (log)	0.92	0.69	0.30	3.35	**0.10**	0.02	**-0.16**	**-0.19**	**-0.02**	**0.05**	**-0.07**	**-0.03**	**0.03**	**0.11**	0.02	**-0.09**	**0.06**
27. Product Depth (log)	0.77	0.17	0.48	1.04	**0.11**	**0.08**	**-0.02**	**0.11**	**0.02**	**0.21**	-0.01	0.00	**-0.14**	**0.13**	-0.03	**0.21**	**-0.12**
28. Number of Agreements	2.35	1.06	1.00	6.00	**-0.07**	0.01	**-0.08**	**-0.18**	**-0.02**	**-0.02**	**-0.34**	**-0.02**	**0.06**	**0.05**	0.01	**-0.01**	**0.02**
29. Number of Articles	10.15	7.94	1.00	40.00	**0.05**	**0.05**	**0.24**	**0.35**	-0.01	**0.39**	**-0.24**	-0.01	**-0.09**	**0.03**	-0.02	**0.16**	**-0.06**
30. Word Count of RFC (log)	2.85	0.31	2.25	4.04	**0.13**	**0.12**	**0.17**	**0.18**	-0.01	**0.31**	**-0.20**	**-0.02**	-0.01	**0.11**	-0.02	**-0.03**	**-0.06**

Table 1. (*Continued*)

Variable	14.	15.	16.	17.	18.	19.	20.	21.	22.	23.	24.	25.	26.	27.	28.	29.	30.
Control Variables (Continued)																	
14. Partner EU Member	1.00																
15. Complainant EU Member	-0.01	1.00															
16. Respondent EU Member	**-0.03**	**-0.26**	1.00														
17. Partner Globalization (0-100 index)	**0.63**	-0.02	**-0.06**	1.00													
18. Complainant Globalization (0-100 index)	-0.01	**0.49**	**-0.11**	**-0.02**	1.00												
19. Respondent Globalization (0-100 index)	-0.02	**-0.17**	**0.52**	-0.02	**-0.16**	1.00											
20. Partner Fractionalization (0-100 index)	**-0.20**	0.00	**0.02**	**-0.24**	0.01	**0.02**	1.00										
21. Complainant Fractionalization (0-100 index)	0.00	**-0.13**	**0.08**	**-0.01**	**-0.10**	**0.02**	-0.01	1.00									
22. Respondent Fractionalization (0-100 index)	**-0.02**	**0.16**	**-0.19**	**-0.05**	**0.15**	**-0.30**	**0.03**	**-0.05**	1.00								
23. Complainant-Respondent Distance in km (log)	**-0.05**	**0.12**	**0.08**	**-0.07**	**-0.14**	**-0.05**	**0.01**	**-0.03**	**0.12**	1.00							
24. Complainant-Partner Distance in km (log)	**-0.21**	**-0.30**	**0.09**	**-0.19**	**-0.21**	**0.08**	**0.13**	**-0.01**	**-0.01**	**0.09**	1.00						
25. Partner-Respondent Distance in km (log)	**-0.20**	**0.11**	**-0.29**	**-0.17**	**0.06**	**-0.17**	**0.13**	**-0.02**	0.02	**0.06**	**0.12**	1.00					
26. Product Breadth (log)	**-0.04**	**0.16**	**-0.22**	**-0.08**	**0.20**	**-0.31**	**0.02**	**-0.06**	**0.37**	**0.13**	0.00	**0.10**	1.00				
27. Product Depth (log)	**0.07**	**-0.03**	**0.12**	**0.11**	-0.03	**0.09**	**-0.01**	**-0.11**	**0.09**	**0.03**	**0.02**	**-0.05**	**0.36**	1.00			
28. Number of Agreements	**-0.02**	**0.03**	0.00	**-0.04**	**0.10**	**-0.02**	**0.02**	**0.10**	**0.13**	**0.07**	**0.04**	**0.02**	**0.30**	**0.07**	1.00		
29. Number of Articles	**0.01**	**-0.07**	**0.09**	**0.05**	**-0.17**	**0.12**	0.01	**0.17**	**-0.05**	**-0.15**	**0.03**	**-0.03**	**0.04**	**0.17**	**0.38**	1.00	
30. Word Count of RFC (log)	**0.01**	**0.21**	0.00	**0.06**	-0.01	**0.16**	0.02	**-0.06**	**0.04**	**-0.04**	**-0.03**	**0.01**	**0.14**	**0.32**	**0.08**	**0.41**	1.00

N = 23,190; p<0.05 in bold

Table 2. Summary of Binary Logistic Regression Models

Hypothesis Tested	Model 1 (Controls Only) Coefficients	Model 2 H1-H5 Coefficients	Model 3 H6a-H6c Coefficients	Model 4 H1-H6 Coefficients
Dependent Variable	Join Consultations	Join Consultations	Join Consultations	Join Consultations
Explanatory Variables				
Conflict Framing				
Alleged New Import Restriction		0.631		0.681
		(0.087)		(0.089)
		0.000		0.000
Alleged MFN Policy Change		-0.802		-0.935
		(0.071)		(0.076)
		0.000		0.000
Dispute Importance (0-100 index)		0.067		0.058
		(0.007)		(0.007)
		0.000		0.000
Dispute Risk (0-100 index)		0.372		0.389
		(0.080)		(0.080)
		0.000		0.000
Dispute Urgency (0-100 index)		0.040		0.040
		(0.030)		(0.029)
		0.184		0.179
Multilateral Leadership				
Partner WTO Leadership			1.678	1.555
			(0.106)	(0.110)
			0.000	0.000
Complainant WTO Leadership			0.417	0.459
			(0.081)	(0.084)
			0.000	0.000
Respondent WTO Leadership			0.132	0.462
			(0.069)	(0.075)
			0.056	0.000
Partner Links to WTO Groups			0.294	0.282
			(0.020)	(0.021)
			0.000	0.000
Complainant Links to WTO Groups			0.000	-0.049
			(0.035)	(0.036)
			0.996	0.170
Respondent Links to WTO Groups			-0.098	-0.040
			(0.036)	(0.037)
			0.006	0.286
Control Variables				
Partner EU Member	2.691	2.861	3.441	3.568
	(0.081)	(0.083)	(0.093)	(0.096)
	0.000	0.000	0.000	0.000
Complainant EU Member	0.476	0.463	0.332	0.304
	(0.086)	(0.090)	(0.098)	(0.101)
	0.000	0.000	0.001	0.003
Respondent EU Member	-1.382	-1.437	-1.659	-1.766
	(0.148)	(0.144)	(0.146)	(0.145)
	0.000	0.000	0.000	0.000
Partner Globalization (0-100 index)	0.036	0.034	0.040	0.038
	(0.002)	(0.002)	(0.003)	(0.003)
	0.000	0.000	0.000	0.000
Complainant Globalization (0-100 index)	-0.003	-0.005	-0.009	-0.015
	(0.003)	(0.003)	(0.003)	(0.004)
	0.332	0.098	0.008	0.000
Respondent Globalization (0-100 index)	0.015	0.022	0.010	0.015
	(0.003)	(0.003)	(0.003)	(0.003)
	0.000	0.000	0.002	0.000

Table 2. (*Continued*)

Hypothesis Tested	**Model 1 (Controls Only) Coefficients**	**Model 2 H1-H5 Coefficients**	**Model 3 H6a-H6c Coefficients**	**Model 4 H1-H6 Coefficients**
Dependent Variable	Join Consultations	Join Consultations	Join Consultations	Join Consultations
Control Variables (Continued)				
Partner Fractionalization (0-100 index)	-0.014	-0.014	-0.014	-0.014
	(0.001)	(0.001)	(0.001)	(0.001)
	0.000	0.000	0.000	0.000
Complainant Fractionalization (0-100 index)	-0.003	-0.005	-0.004	-0.005
	(0.001)	(0.001)	(0.001)	(0.001)
	0.041	0.000	0.002	0.000
Respondent Fractionalization (0-100 index)	-0.005	-0.006	-0.007	-0.008
	(0.001)	(0.001)	(0.001)	(0.001)
	0.000	0.000	0.000	0.000
Complainant-Respondent Distance in km (log)	0.763	0.828	0.803	0.847
	(0.081)	(0.083)	(0.090)	(0.093)
	0.000	0.000	0.000	0.000
Complainant-Partner Distance in km (log)	-1.213	-1.278	-1.450	-1.500
	(0.080)	(0.081)	(0.083)	(0.084)
	0.000	0.000	0.000	0.000
Partner-Respondent Distance in km (log)	1.482	1.814	1.440	1.721
	(0.135)	(0.135)	(0.137)	(0.139)
	0.000	0.000	0.000	0.000
Product Breadth (log)	-0.108	-0.182	-0.090	-0.204
	(0.049)	(0.053)	(0.051)	(0.055)
	0.027	0.001	0.074	0.000
Product Depth (log)	-0.072	0.280	-0.111	0.436
	(0.193)	(0.208)	(0.201)	(0.219)
	0.711	0.177	0.582	0.047
Number of Agreements	0.076	0.036	0.078	0.031
	(0.030)	(0.033)	(0.031)	(0.034)
	0.012	0.284	0.011	0.368
Number of Articles	0.007	0.016	0.008	0.019
	(0.004)	(0.005)	(0.005)	(0.005)
	0.143	0.002	0.095	0.000
Word Count of RFC (log)	0.451	0.658	0.420	0.512
	(0.114)	(0.125)	(0.119)	(0.128)
	0.000	0.000	0.000	0.000
Year Fixed Effects	Included	Included	Included	Included
Constant	-9.654	-12.456	-9.453	-11.487
	(0.847)	(0.930)	(0.875)	(0.946)
	0.000	0.000	0.000	0.000
Observations	23,190	23,190	23,190	23,190
McFadden's Pseudo R-squared	0.448	0.470	0.474	0.493
Degree of freedom	33	38	39	44
Chi square	4206	4091	4326	4219
Log Likelihood	-5144	-4941	-4897	-4718

Note: *** p<0.01, ** p<0.05, * p<0.1; Standardized Coefficients and p-values are reported; Robust Standard errors in parentheses

Table 3. Summary of Binary Logistic Regression Models

Hypothesis Tested	Model 1 (Controls Only)	Model 2 H1-H5	Model 3 H6a-H6c	Model 4 H1-H6	Model 5 H1-H6
	Odds Ratios	Odds Ratios	Odds Ratios	Odds Ratios	Average Marginal Effects
Dependent Variable	Join Consultations	Join Consultations	Join Consultations	Join Consultations	Join Consultations
Explanatory Variables					
Conflict Framing					
Alleged New Import Restriction		1.880		1.975	0.038
		(0.164)		(0.176)	(0.005)
		0.000		0.000	0.000
Alleged MFN Policy Change		0.448		0.392	-0.056
		(0.032)		(0.030)	(0.005)
		0.000		0.000	0.000
Dispute Importance (0-100 index)		1.070		1.060	0.003
		(0.008)		(0.008)	(0.000)
		0.000		0.000	0.000
Dispute Risk (0-100 index)		1.451		1.476	0.023
		(0.116)		(0.117)	(0.005)
		0.000		0.000	0.000
Dispute Urgency (0-100 index)		1.040		1.040	0.002
		(0.031)		(0.031)	(0.002)
		0.184		0.179	0.178
Multilateral Leadership					
Partner WTO Leadership			5.355	4.737	0.113
			(0.565)	(0.521)	(0.009)
			0.000	0.000	0.000
Complainant WTO Leadership			1.517	1.583	0.027
			(0.123)	(0.133)	(0.005)
			0.000	0.000	0.000
Respondent WTO Leadership			1.141	1.588	0.027
			(0.079)	(0.118)	(0.004)
			0.056	0.000	0.000
Partner Links to WTO Groups			1.342	1.325	0.017
			(0.027)	(0.028)	(0.001)
			0.000	0.000	0.000
Complainant Links to WTO Groups			1.000	0.952	-0.003
			(0.035)	(0.034)	(0.002)
			0.996	0.170	0.170
Respondent Links to WTO Groups			0.907	0.961	-0.002
			(0.032)	(0.036)	(0.002)
			0.006	0.286	0.285
Control Variables					
Partner EU Member	14.751	17.472	31.213	35.461	0.372
	(1.190)	(1.457)	(2.909)	(3.404)	(0.012)
	0.000	0.000	0.000	0.000	0.000
Complainant EU Member	1.610	1.589	1.394	1.356	0.019
	(0.139)	(0.143)	(0.136)	(0.137)	(0.006)
	0.000	0.000	0.001	0.003	0.003
Respondent EU Member	0.251	0.238	0.190	0.171	-0.093
	(0.037)	(0.034)	(0.028)	(0.025)	(0.006)
	0.000	0.000	0.000	0.000	0.000
Partner Globalization (0-100 index)	1.037	1.035	1.041	1.039	0.002
	(0.002)	(0.002)	(0.003)	(0.003)	(0.000)
	0.000	0.000	0.000	0.000	0.000
Complainant Globalization (0-100 index)	0.997	0.995	0.991	0.985	-0.001
	(0.003)	(0.003)	(0.003)	(0.004)	(0.000)
	0.332	0.098	0.008	0.000	0.000
Respondent Globalization (0-100 index)	1.016	1.022	1.010	1.015	0.001
	(0.003)	(0.003)	(0.003)	(0.003)	(0.000)
	0.000	0.000	0.002	0.000	0.000

Table 3. (*Continued*)

Hypothesis Tested	Model 1 (Controls Only) Odds Ratios	Model 2 H1-H5 Odds Ratios	Model 3 H6a-H6c Odds Ratios	Model 4 H1-H6 Odds Ratios	Model 5 H1-H6 Average Marginal Effects
Dependent Variable	Join Consultations	Join Consultations	Join Consultations	Join Consultations	Join Consultations
Control Variables (Continued)					
Partner Fractionalization (0-100 index)	0.986	0.986	0.986	0.986	-0.001
	(0.001)	(0.001)	(0.001)	(0.001)	(0.000)
	0.000	0.000	0.000	0.000	0.000
Complainant Fractionalization (0-100 index)	0.997	0.995	0.996	0.995	-0.000
	(0.001)	(0.001)	(0.001)	(0.001)	(0.000)
	0.041	0.000	0.002	0.000	0.000
Respondent Fractionalization (0-100 index)	0.995	0.994	0.994	0.992	-0.000
	(0.001)	(0.001)	(0.001)	(0.001)	(0.000)
	0.000	0.000	0.000	0.000	0.000
Complainant-Respondent Distance in km (log)	2.144	2.288	2.231	2.332	0.050
	(0.173)	(0.190)	(0.201)	(0.216)	(0.005)
	0.000	0.000	0.000	0.000	0.000
Complainant-Partner Distance in km (log)	0.297	0.279	0.234	0.223	-0.089
	(0.024)	(0.022)	(0.019)	(0.019)	(0.005)
	0.000	0.000	0.000	0.000	0.000
Partner-Respondent Distance in km (log)	4.400	6.138	4.222	5.590	0.103
	(0.595)	(0.829)	(0.579)	(0.776)	(0.008)
	0.000	0.000	0.000	0.000	0.000
Product Breadth (log)	0.897	0.834	0.914	0.815	-0.012
	(0.044)	(0.044)	(0.046)	(0.045)	(0.003)
	0.027	0.001	0.074	0.000	0.000
Product Depth (log)	0.931	1.324	0.895	1.546	0.026
	(0.180)	(0.275)	(0.180)	(0.339)	(0.013)
	0.711	0.177	0.582	0.047	0.047
Number of Agreements	1.079	1.036	1.081	1.031	0.002
	(0.033)	(0.035)	(0.033)	(0.035)	(0.002)
	0.012	0.284	0.011	0.368	0.368
Number of Articles	1.007	1.016	1.008	1.020	0.001
	(0.005)	(0.005)	(0.005)	(0.005)	(0.000)
	0.143	0.002	0.095	0.000	0.000
Word Count of RFC (log)	1.569	1.930	1.522	1.669	0.031
	(0.179)	(0.240)	(0.182)	(0.214)	(0.008)
	0.000	0.000	0.000	0.000	0.000
Year Fixed Effects	Included	Included	Included	Included	Included
Constant	0.000	0.000	0.000	0.000	
	(0.000)	(0.000)	(0.000)	(0.000)	
	0.000	0.000	0.000	0.000	
Observations	23,190	23,190	23,190	23,190	23,190
McFadden's Pseudo R-squared	0.448	0.470	0.474	0.493	
Degree of freedom	33	38	39	44	
Chi square	4206	4091	4326	4219	
Log Likelihood	-5144	-4941	-4897	-4718	

Note: *** p<0.01, ** p<0.05, * p<0.1; Coefficients reported as Odds Ratios and Average Marginal Effects; p-values are reported; Robust Standard errors and Delta-method standard errors in parentheses

Table 4. Summary of Multinomial Logistic Regression Models

Hypothesis Tested	Model 1 H1-H6 Coefficients		Model 2 H1-H6 Relative-Risk Ratios		Model 3 H1-H6 Average Marginal Effects	
Dependent Variable	In Consultations	Litigated Settlement	In Consultations	Litigated Settlement	In Consultations	Litigated Settlement
Explanatory Variables						
Conflict Framing						
Alleged New Import Restriction	1.587	0.172	4.891	1.188	0.113	-0.062
	(0.225)	(0.187)	(1.101)	(0.222)	(0.011)	(0.020)
	0.000	0.357	0.000	0.357	0.000	0.002
Alleged MFN Policy Change	1.478	1.133	4.383	3.105	0.058	0.062
	(0.218)	(0.196)	(0.953)	(0.609)	(0.013)	(0.019)
	0.000	0.000	0.000	0.000	0.000	0.001
Dispute Importance (0-100 index)	0.014	0.006	1.014	1.006	0.001	-0.000
	(0.011)	(0.011)	(0.011)	(0.011)	(0.001)	(0.001)
	0.199	0.582	0.199	0.582	0.128	0.967
Dispute Risk (0-100 index)	0.563	0.344	1.755	1.410	0.029	0.011
	(0.307)	(0.264)	(0.540)	(0.372)	(0.017)	(0.023)
	0.067	0.192	0.067	0.192	0.085	0.632
Dispute Urgency (0-100 index)	0.411	0.370	1.509	1.447	0.013	0.025
	(0.093)	(0.074)	(0.140)	(0.107)	(0.007)	(0.008)
	0.000	0.000	0.000	0.000	0.051	0.002
Multilateral Leadership						
Partner WTO Leadership	0.368	0.619	1.444	1.857	-0.010	0.059
	(0.407)	(0.334)	(0.588)	(0.620)	(0.028)	(0.034)
	0.366	0.064	0.366	0.064	0.733	0.081
Complainant WTO Leadership	-0.053	0.581	0.948	1.787	-0.043	0.085
	(0.239)	(0.167)	(0.226)	(0.299)	(0.019)	(0.021)
	0.823	0.001	0.823	0.001	0.025	0.000
Respondent WTO Leadership	-0.571	0.568	0.565	1.765	-0.093	0.121
	(0.206)	(0.160)	(0.116)	(0.282)	(0.016)	(0.018)
	0.006	0.000	0.006	0.000	0.000	0.000
Partner Links to WTO Groups	0.410	0.001	1.506	1.001	0.038	-0.027
	(0.179)	(0.145)	(0.269)	(0.145)	(0.013)	(0.016)
	0.022	0.995	0.022	0.995	0.003	0.088
Complainant Links to WTO Groups	0.234	0.340	1.263	1.405	-0.001	0.033
	(0.104)	(0.074)	(0.132)	(0.104)	(0.009)	(0.010)
	0.025	0.000	0.025	0.000	0.872	0.001
Respondent Links to WTO Groups	-0.155	0.348	0.856	1.416	-0.038	0.060
	(0.084)	(0.066)	(0.072)	(0.094)	(0.006)	(0.008)
	0.066	0.000	0.066	0.000	0.000	0.000
Control Variables						
Partner EU Member	0.436	0.007	1.547	1.007	0.038	-0.027
	(0.446)	(0.363)	(0.690)	(0.366)	(0.031)	(0.041)
	0.328	0.984	0.328	0.984	0.208	0.506
Complainant EU Member	0.907	-0.084	2.476	0.919	0.100	-0.081
	(0.318)	(0.252)	(0.788)	(0.232)	(0.030)	(0.032)
	0.004	0.739	0.004	0.739	0.001	0.011
Respondent EU Member	-0.372	-1.456	0.689	0.233	0.058	-0.201
	(0.480)	(0.331)	(0.330)	(0.077)	(0.050)	(0.049)
	0.437	0.000	0.437	0.000	0.250	0.000
Number of Third Parties	-0.185	0.301	0.831	1.351	-0.037	0.055
	(0.032)	(0.029)	(0.027)	(0.039)	(0.002)	(0.002)
	0.000	0.000	0.000	0.000	0.000	0.000

Table 4. (*Continued*)

Hypothesis Tested	Model 1 H1-H6 Coefficients		Model 2 H1-H6 Relative-Risk Ratios		Model 3 H1-H6 Average Marginal Effects	
Dependent Variable	In Consultations	Litigated Settlement	In Consultations	Litigated Settlement	In Consultations	Litigated Settlement
Control Variables (Continued)						
Partner Globalization (0-100 index)	0.019	-0.001	1.019	0.999	0.002	-0.001
	(0.011)	(0.009)	(0.012)	(0.009)	(0.001)	(0.001)
	0.094	0.892	0.094	0.892	0.028	0.148
Complainant Globalization (0-100 index)	0.065	0.061	1.067	1.062	0.002	0.004
	(0.009)	(0.008)	(0.009)	(0.009)	(0.001)	(0.001)
	0.000	0.000	0.000	0.000	0.000	0.000
Respondent Globalization (0-100 index)	-0.037	0.001	0.964	1.001	-0.003	0.003
	(0.012)	(0.009)	(0.011)	(0.009)	(0.001)	(0.001)
	0.002	0.944	0.002	0.944	0.000	0.014
Partner Fractionalization (0-100 index)	0.004	0.004	1.004	1.004	0.000	0.000
	(0.005)	(0.004)	(0.005)	(0.004)	(0.000)	(0.000)
	0.420	0.281	0.420	0.281	0.811	0.453
Complainant Fractionalization (0-100 index)	0.020	0.015	1.020	1.015	0.001	0.001
	(0.004)	(0.003)	(0.004)	(0.003)	(0.000)	(0.000)
	0.000	0.000	0.000	0.000	0.006	0.045
Respondent Fractionalization (0-100 index)	-0.001	-0.001	0.999	0.999	-0.000	-0.000
	(0.004)	(0.003)	(0.004)	(0.003)	(0.000)	(0.000)
	0.764	0.729	0.764	0.729	0.902	0.818
Complainant-Respondent Distance in km (log)	-0.435	-0.164	0.647	0.849	-0.029	0.006
	(0.239)	(0.191)	(0.154)	(0.162)	(0.017)	(0.021)
	0.068	0.391	0.068	0.391	0.085	0.776
Complainant-Partner Distance in km (log)	-0.307	-0.072	0.736	0.931	-0.023	0.010
	(0.242)	(0.218)	(0.178)	(0.203)	(0.016)	(0.022)
	0.205	0.742	0.205	0.742	0.132	0.643
Partner-Respondent Distance in km (log)	-0.690	-0.412	0.502	0.662	-0.036	-0.012
	(0.434)	(0.368)	(0.218)	(0.244)	(0.028)	(0.037)
	0.112	0.263	0.112	0.263	0.198	0.742
Product Breadth (log)	0.397	0.490	1.488	1.632	0.004	0.043
	(0.174)	(0.147)	(0.260)	(0.240)	(0.010)	(0.014)
	0.023	0.001	0.023	0.001	0.724	0.002
Product Depth (log)	-1.015	-2.768	0.363	0.063	0.093	-0.325
	(0.652)	(0.445)	(0.236)	(0.028)	(0.050)	(0.055)
	0.120	0.000	0.120	0.000	0.065	0.000
Number of Agreements	0.063	-0.750	1.066	0.472	0.056	-0.111
	(0.119)	(0.085)	(0.127)	(0.040)	(0.008)	(0.009)
	0.593	0.000	0.593	0.000	0.000	0.000
Number of Articles	-0.045	0.076	0.956	1.079	-0.009	0.014
	(0.017)	(0.014)	(0.016)	(0.015)	(0.001)	(0.001)
	0.009	0.000	0.009	0.000	0.000	0.000
Word Count of RFC (log)	1.179	-0.936	3.250	0.392	0.171	-0.212
	(0.389)	(0.323)	(1.264)	(0.127)	(0.024)	(0.031)
	0.002	0.004	0.002	0.004	0.000	0.000
Year Fixed Effects	Included	Included	Included	Included	Included	Included
Constant	-6.027	-2.382	0.002	0.092		
	(2.352)	(1.942)	(0.006)	(0.179)		
	0.010	0.220	0.010	0.220		
Observations	3,207	3,207	3,207	3,207	3,207	3,207
McFadden's Pseudo R-squared	0.318	0.318	0.318	0.318		
Degree of freedom	58	58	58	58		
Chi square	1617	1617	1617	1617		
Log Likelihood	-1872	-1872	-1872	-1872		

Note: *** p<0.01, ** p<0.05, * p<0.1; The base outcome is Negotiated Settlement; Standardized Coefficients, Relative-Risk Ratios, Average Marginal Effects, and p-values are reported; Robust Standard errors and Delta-method standard errors in parentheses

Figure 1. Trading Partner Joining Consultations

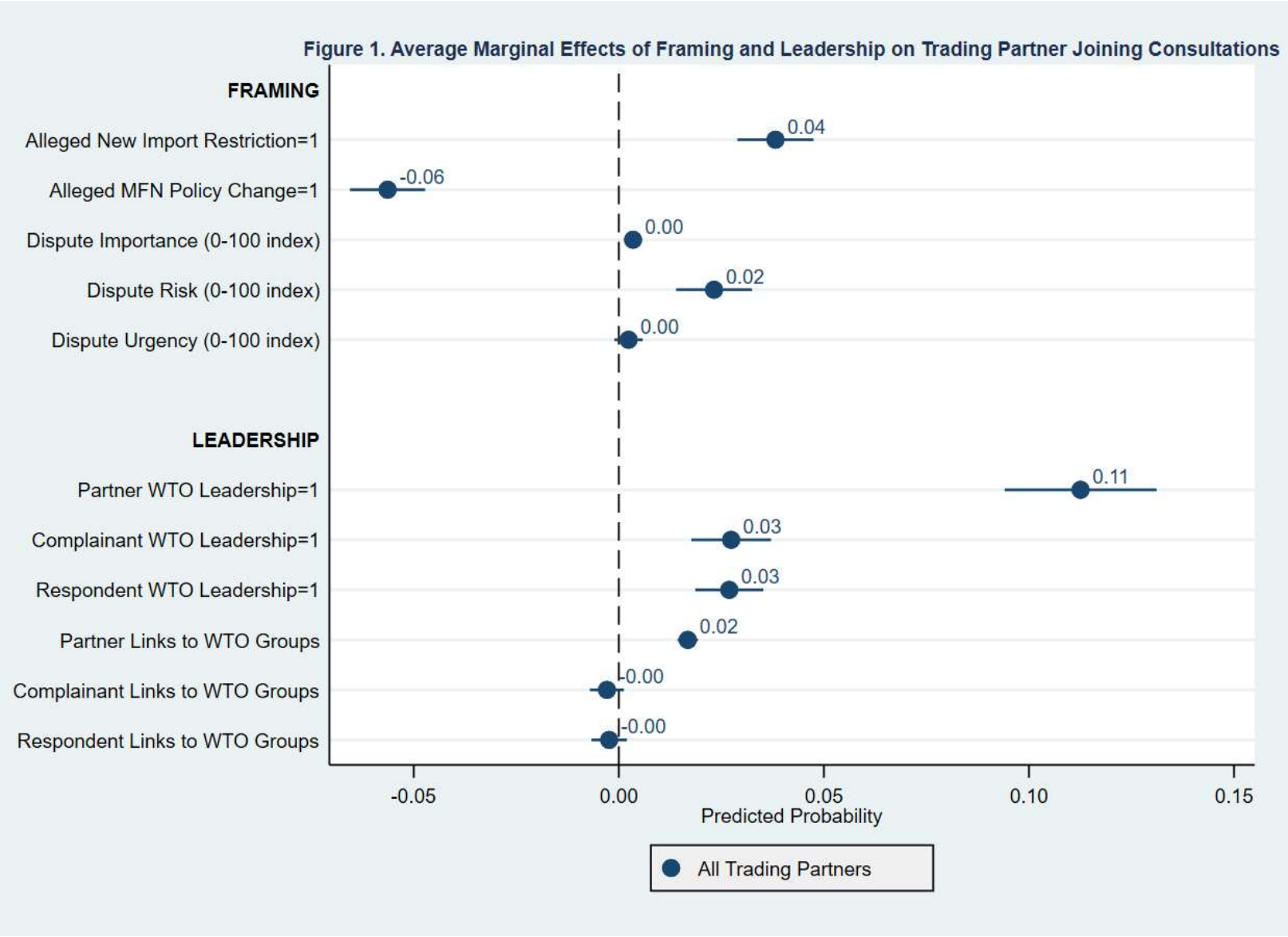

Figure 2. Dispute Outcome