

Supplementary On-Line Appendix for “International Institutions  
and Domestic Politics: Can Preferential Trading Agreements Help  
Leaders Promote Economic Reform?”

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Leonardo Baccini

Johannes Urpelainen

London School of Economics

Columbia University

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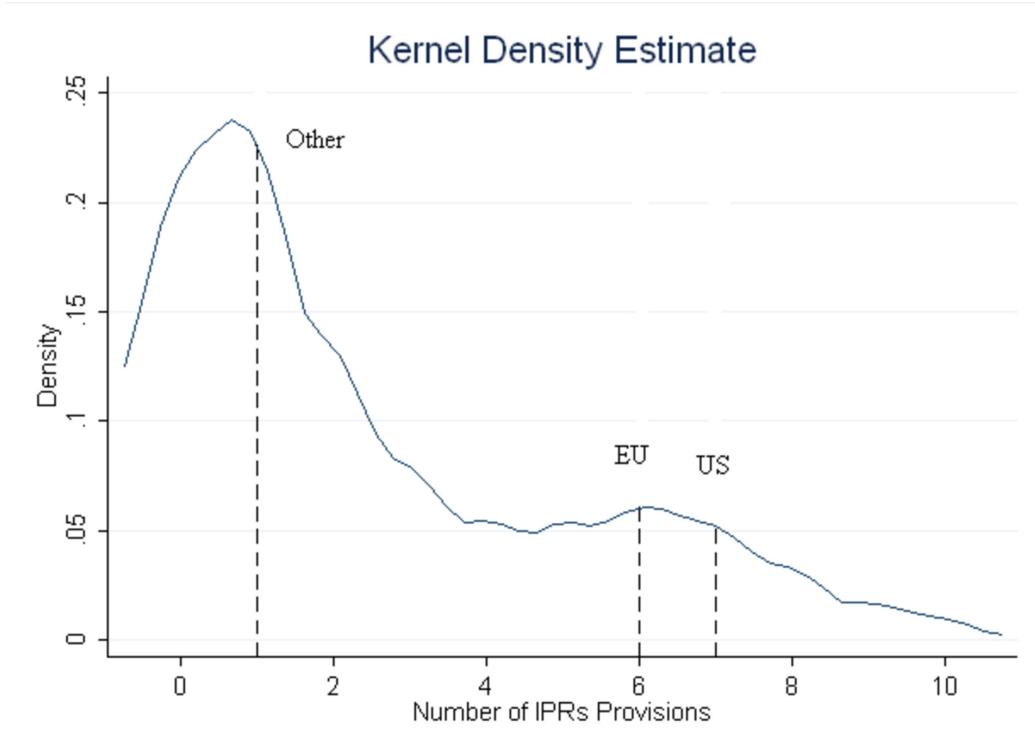


Figure A1: Median number of IPR provisions in EU, US, and other PTAs.

## A1 Additional Tables and Figures

This section contains tables and figures that were excluded from the manuscript due to space constraints.

Figure A1 shows the median number of IPR provisions in EU, US, and other PTAs.

Table A1 provides the descriptive statistics for the regression analysis of PTA negotiations.

**Table A2 lists the PTAs included in the analysis.**

Table A3 shows the effect of leader change and democratization on the initiation of PTA negotiations, using a probit model. Marginal effects from these estimations are used for Figure 1 in the main text.

Figure A2 shows the Kaplan-Meier survival estimates with and without leader change under democratization for model (1) in the main results table. The upper curve shows the probability that a democratizing country without leader change ‘survives’ a given amount of time without signing a PTA. The lower curve shows this probability for a democratizing country with leader change. When the confidence intervals do not overlap, the difference is statistically distinguishable at the 90-percent confidence level.

Table A4 summarizes 108 additional empirical models for the regression analysis of PTA negotiations.

Variable	Mean	Std. Dev.	Min	Max	No. of Obs.	Source
PTA Negotiation	0.02	0.12	0	1	4460	Authors
LeaderChange	0.14	0.34	0	1	4460	Archigos (2009)
Democratization	0.10	0.30	0	1	4460	Cheibub et al (2010)
LeaderChange*Democratization	0.02	0.15	0	1	4460	—
GDPpc	2.58	4.10	0.03	32.79	4460	IMF 2009
GDP	2.32	1.58	0.10	7.89	4460	WDI 2009
GDPGrowth	3.17	7.43	-52.6	80.7	4460	Armed Conflict Dataset
Trade	8.16	5.28	0	16.58	4460	IMF 2009
Regime	0.43	0.50	0	1	4460	Polity IV
Tenure	7.67	8.86	0	47	4460	DPI (2007)
Alliance	0.39	0.49	0	1	4460	COW
Distance	8.85	0.54	6.58	9.70	4460	CEPII 2005
Diffusion	3.97	4.53	0	19	4460	Authors
XCONS	4.12	2.06	1	7	3815	Polity IV
PolStab	-0.34	0.93	-3.30	1.96	4460	WGI 2010
Aid	14.05	5.65	0	18.41	3720	WDI 2009
IMF	0.13	0.34	0	1	3756	Vreeland 2007
WB	1.84	2.54	0	19	3724	Dreher et al 2009

Table A1: Descriptive statistics for the regression analysis.

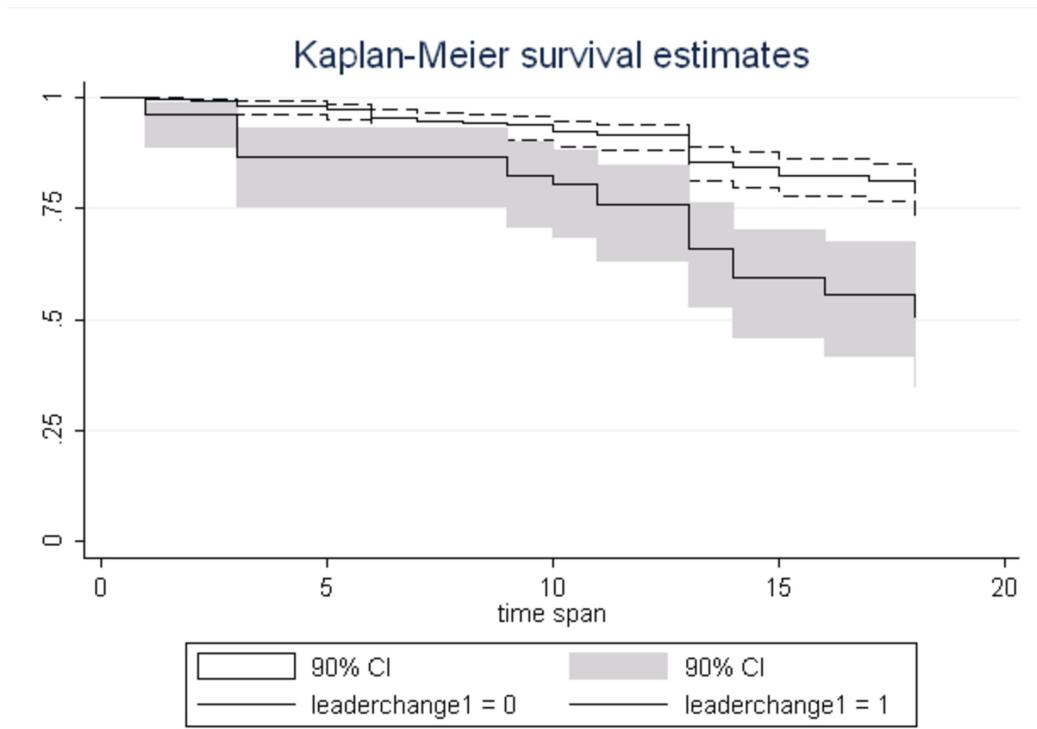


Figure A2: Kaplan-Meier survival estimates with and without leader change under democratization. Region fixed effects are excluded due to collinearity with explanatory variables.

<b>Major Power</b>	<b>Developing Country</b>	<b>Negotiation</b>	<b>Signature</b>
EU	Albania	2002	2006
EU	Algeria	1996	2001
EU	Bosnia	2005	2008
EU	Bulgaria	1992	1993
EU	Central America	2007	—
EU	Chile	2000	2002
EU	Croatia	2000	2001
EU	Czech Rep.	1990	1992
EU	Egypt	1995	2001
EU	Estonia	1994	1995
EU	GCC	2002	—
EU	Hungary	1990	1992
EU	India	2007	—
EU	Jordan	1995	1997
EU	Korea	2007	2009
EU	Latvia	1994	1995
EU	Lebanon	1995	2002
EU	Lithuania	1994	1995
EU	Macedonia	2000	2001
EU	MERCOSUR	1999	—
EU	Mexico	1995	2000
EU	Morocco	1992	1995
EU	Poland	1990	1992
EU	Romania	1992	1993
EU	Slovakia	1990	1992
EU	Slovenia	1993	1997
EU	South Africa	1995	1999
EU	Syria	1997	2004
EU	Tunisia	1994	1995
EU	Turkey	1994	1995
EU	Ukraine	2007	—
US	Bahrain	2004	2004
US	Bolivia	2003	—
US	CAFTA-DR	2002	2004
US	Chile	2000	2003
US	Colombia	2003	2006
US	Ecuador	2003	—
US	Jordan	1999	2001
US	Korea	2000	2007
US	Malaysia	2006	—
US	Mexico	1990	1992
US	Morocco	2003	2004
US	Oman	2005	2006
US	Panama	2004	2007
US	Peru	2003	2006
US	SACU	2002	—
US	Singapore	2000	2002
US	Thailand	2004	—
US	United Arab Emirates	2004	—
US	Vietnam	1995	2000

Table A2: Preferential trading agreements.

VARIABLES	(1) Full	(2) Bilateral	(3) No Stable	(4) Not Ongoing
Democratization, no leader change	-0.01 (0.25)	0.19 (0.28)	-0.03 (0.26)	0.23 (0.29)
Leader change, no democratization	0.41*** (0.14)	0.45*** (0.16)	0.40** (0.18)	0.50*** (0.17)
<b>Leader change and democratization</b>	<b>0.72*** (0.23)</b>	<b>0.84*** (0.25)</b>	<b>0.69*** (0.26)</b>	<b>0.87*** (0.26)</b>
GDP per capita	0.03** (0.01)	0.01 (0.01)	0.04*** (0.01)	0.01 (0.01)
Trade	0.01 (0.01)	-0.01 (0.01)	-0.00 (0.01)	-0.02 (0.02)
Regime	-0.01 (0.14)	-0.08 (0.19)	0.01 (0.18)	-0.05 (0.20)
Alliance	-0.14 (0.14)	-0.20 (0.16)	-0.07 (0.18)	-0.14 (0.16)
Distance	-0.49*** (0.10)	-0.67*** (0.11)	-0.56*** (0.12)	-0.83*** (0.12)
GDP	0.17*** (0.04)	0.18*** (0.04)	0.13** (0.05)	0.18*** (0.05)
GDP growth	-0.01 (0.01)	-0.00 (0.01)	-0.01* (0.01)	-0.00 (0.01)
Previous leader's tenure	-0.01 (0.01)	-0.01 (0.01)	-0.01 (0.01)	-0.02 (0.01)
PTA diffusion	0.06*** (0.01)	0.04*** (0.01)	0.06*** (0.01)	0.03*** (0.01)
Constant	1.24 (0.93)	2.63** (1.12)	1.96* (1.14)	3.88*** (1.22)
Observations	4,458	4,563	3,247	4,271
Region FE	yes	yes	yes	yes
Negotiation onsets	71	46	47	43

Robust standard errors in parentheses

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

Table A3: The effect of leader change and democratization on the initiation of PTA negotiations (probit models used for marginal effects in Figure 1 in the main text).

### Full model

	3				5				7		Leader change
Chei	Polity	FH	Chei	Polity	FH	Chei	Polity	FH	Time frame		
12.94*** (7.06)	7.10*** (2.81)	6.84*** (2.84)	5.55*** (2.55)	3.97*** (1.40)	5.92*** (2.44)	4.52*** (2.16)	3.83*** (1.55)	7.50*** (2.83)			<i>t</i>
5.51*** (2.94)	3.97*** (1.41)	4.26*** (1.96)	3.10*** (1.18)	2.74*** (0.94)	3.73*** (1.64)	2.16* (0.87)	2.50** (0.94)	4.35*** (1.69)			<i>t, t - 1</i>
5.06*** (1.75)	3.66*** (1.07)	3.88*** (1.79)	3.09*** (1.06)	2.56*** (0.80)	2.97** (1.35)	1.88* (0.70)	2.19** (0.69)	3.34*** (1.41)			<i>t, t - 1, t - 2</i>

### Bilateral

	3				5				7		Leader change
Chei	Polity	FH	Chei	Polity	FH	Chei	Polity	FH	Time frame		
13.81*** (8.09)	7.54*** (3.35)	6.46*** (3.23)	6.81*** (3.65)	3.49*** (1.56)	5.87*** (2.67)	4.44*** (2.53)	3.36*** (1.48)	7.46*** (3.28)			<i>t</i>
12.49*** (6.42)	7.28*** (3.00)	6.18*** (2.92)	5.11*** (2.35)	4.90*** (2.05)	4.05*** (2.06)	3.03** (1.55)	3.46*** (1.54)	5.03*** (2.28)			<i>t, t - 1</i>
12.04*** (5.89)	7.31*** (2.74)	5.90*** (2.84)	5.86*** (2.90)	5.43*** (2.27)	3.86*** (1.99)	3.26*** (1.81)	3.99*** (1.78)	4.68*** (2.34)			<i>t, t - 1, t - 2</i>

### No stable

	3				5				7		Leader change
Chei	Polity	FH	Chei	Polity	FH	Chei	Polity	FH	Time frame		
12.63*** (7.73)	7.58*** (3.35)	6.17*** (3.10)	5.25*** (2.78)	2.71** (1.24)	4.73*** (2.45)	2.98* (1.73)	3.46*** (1.62)	6.18*** (2.97)			<i>t</i>
5.21*** (2.77)	4.20*** (1.78)	4.60*** (2.12)	2.53*** (1.24)	2.46** (1.06)	3.05** (1.70)	1.29 (0.68)	2.18 (1.08)	3.03** (1.55)			<i>t, t - 1</i>
4.84*** (2.42)	3.92*** (1.50)	3.95*** (2.04)	2.66*** (1.29)	2.42** (0.99)	2.50 (1.43)	1.22 (0.62)	2.23* (1.08)	2.47 (1.41)			<i>t, t - 1, t - 2</i>

### Not ongoing

	3				5				7		Leader change
Chei	Polity	FH	Chei	Polity	FH	Chei	Polity	FH	Time frame		
15.44*** (10.16)	8.85*** (4.41)	7.17*** (3.38)	4.09*** (4.83)	3.48*** (1.56)	4.91*** (2.51)	4.45* (3.69)	4.45*** (2.17)	7.75*** (3.90)			<i>t</i>
10.33*** (5.31)	7.24*** (3.14)	6.53*** (3.22)	5.09*** (1.04)	5.02*** (2.17)	3.69** (2.28)	3.40** (1.82)	4.59*** (2.31)	4.93*** (2.60)			<i>t, t - 1</i>
13.64*** (6.67)	8.44** (3.42)	7.49*** (3.82)	7.53*** (3.81)	6.71*** (2.87)	4.27** (2.54)	4.52*** (2.56)	5.86*** (2.85)	2.43*** (3.14)			<i>t, t - 1, t - 2</i>

Table A4: Additional models. The first subtable gives the full sample; the second subtable excludes multilateral PTA negotiations; the third subtable excludes stable democracies; and the fourth subtable excludes ongoing and failed negotiations. The column indicates the timeframe and data for the democratization; the row indicates the timeframe for leader change. Each cell gives the hazard ratio for *LeaderChange \* Democratization* along with the standard error. The coefficient is positive in all models, and statistically significant in 103 of the 108 models.

Table A5 summarizes all successful PTA negotiations in the sample, as well as selected negative cases.

**All countries listed experience at least one leader change under democratization**

<b>PTA negotiated</b>	<b>No PTA negotiated</b>
EU-Albania (2002, 2006)	Bangladesh
EU-Bulgaria (1992, 1993)	Benin
EU-Croatia (2000, 2001)	Burundi
EU-Estonia (1994, 1995)	Cape Verde
EU-Hungary (1990, 1992)	Congo, Republic of
EU-Latvia (1994, 1995)	Guinea-Bissau
EU-Lithuania (1994, 1995)	Indonesia
EU-Mexico (1995, 2000)	Kenya
EU-Poland (1990, 1992)	Madagascar
EU-Romania (1992, 1993)	Moldova
EU-Slovakia (1990, 1992)	Nepal
EU-Slovenia (1993, 1997)	Niger
EU-South Africa (1995, 1999)	Pakistan
US-Mexico (1990, 1992)	Suriname
US-Peru (2003, 2006)	Sri Lanka
	Taiwan

Table A5: Leader change under democratization and PTA negotiations: all successful negotiations and selected negative cases. A positive case is included if it meets the criteria for at least one democratization indicator, the 7-year time frame, and the 2-year leader change time frame. To limit the number of negative cases, we use the strict Cheibub, Gandhi, and Vreeland (2010) criterion for democratization and current leader change.

Figure A3 illustrates structural breaks in capital account liberalization in four developing countries.

Figure A4 illustrates structural breaks in privatization in four developing countries.

Figure A18 illustrates structural breaks in privatization in four developing countries.

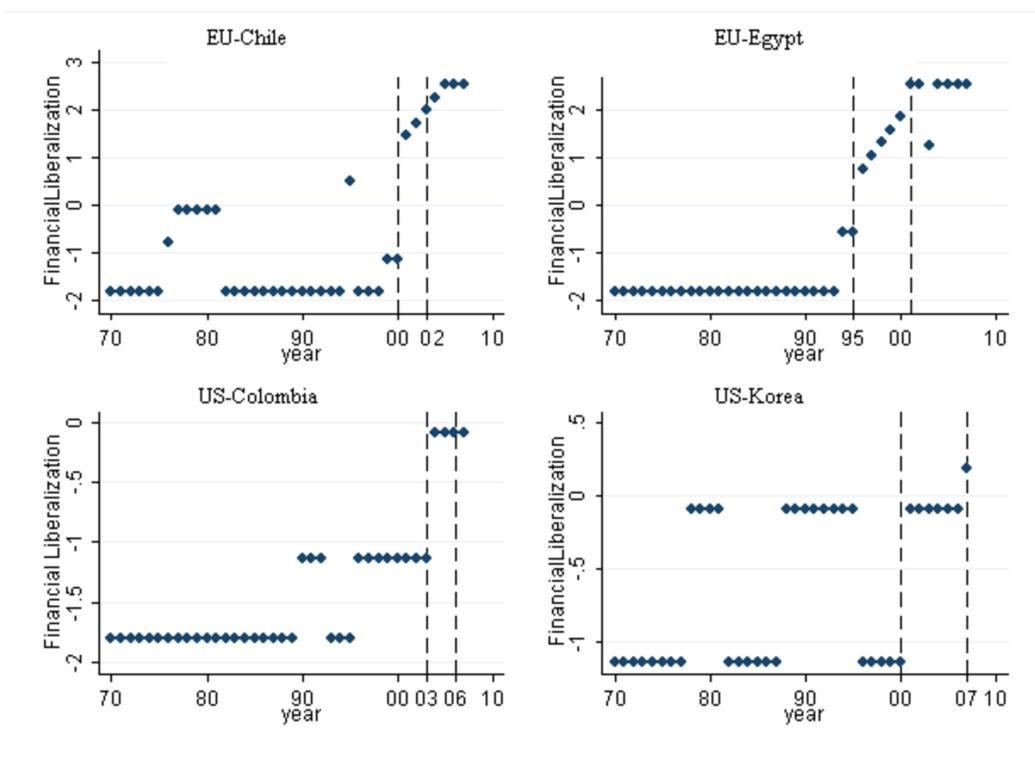


Figure A3: PTA formation and capital account liberalization in four developing countries.

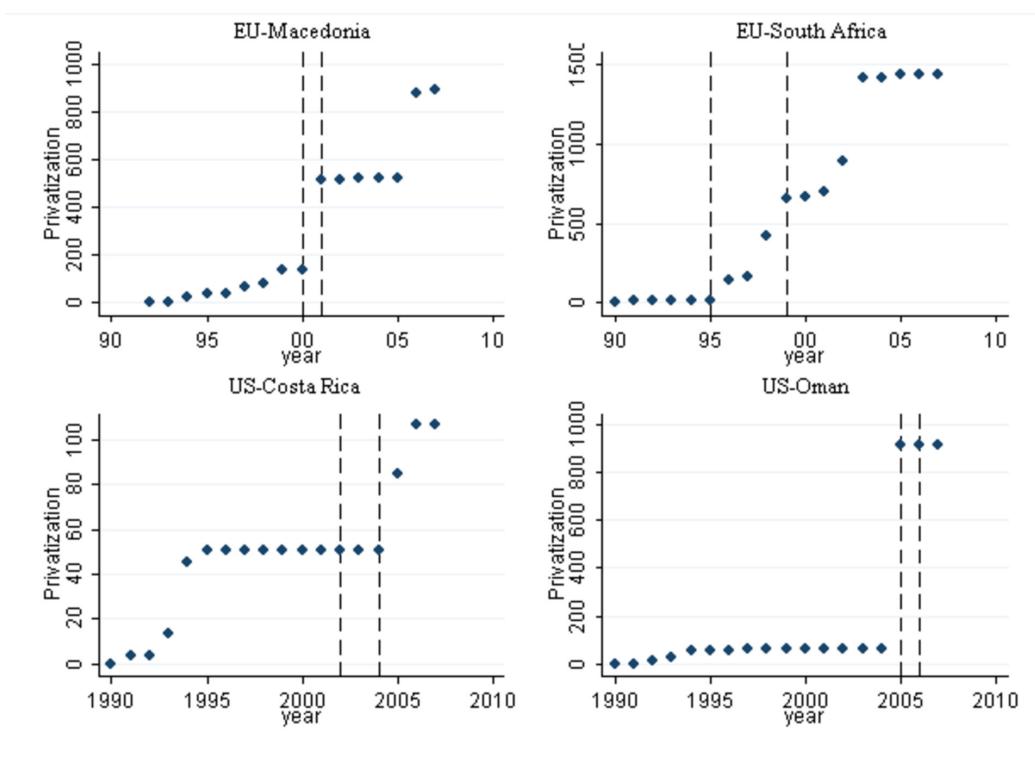


Figure A4: PTA formation and cumulative privatization revenue in four developing countries.

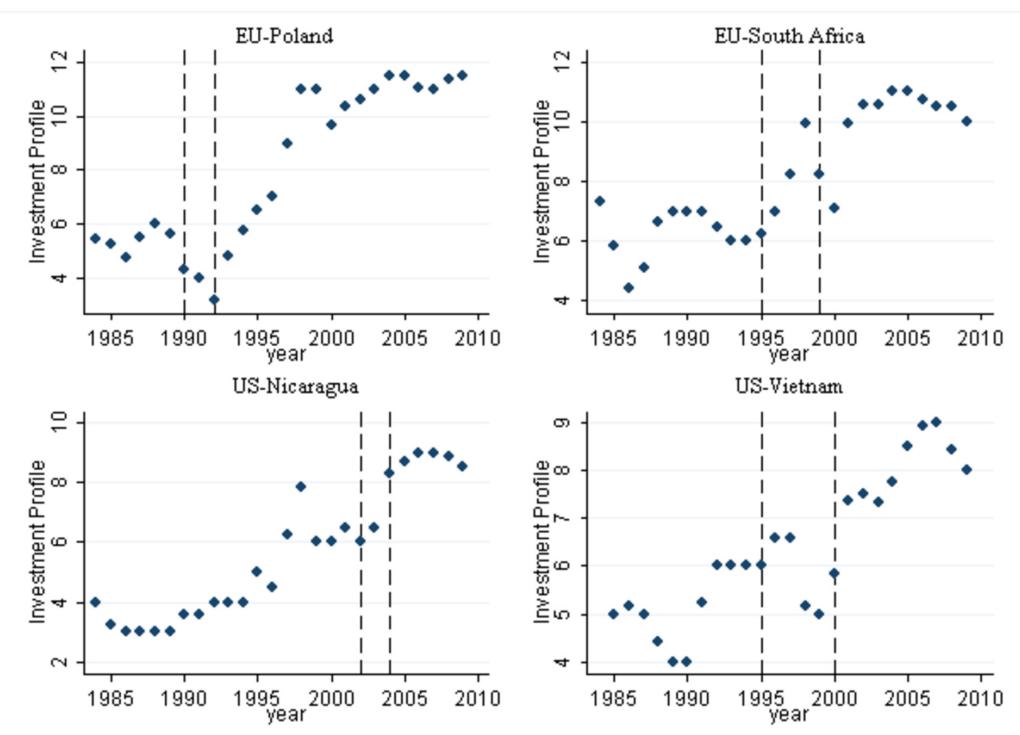


Figure A5: PTA formation and investment profile in four developing countries.

## A2 Defining Preferential Trading Agreements

The selection of PTAs is driven by our theoretical framework. Since our argument is that PTAs are an instrument of economic reform, we include into the analysis PTAs that have a wide scope and regulate not only trade issues, but also other economic issues. We exclude framework agreements or partial economic agreements from the analysis, since these treaties are usually quite shallow and mandate tariffs reductions in a very limited number of sectors. For instance, we do not include the Partnership and Co-operation Agreement (PCA) between the EU and Russia, as well as with other former Soviet countries, in 1994. This is a vague agreement that "provides a suitable framework for political dialogue and accompanies Russia transition to a market economy." Similarly, we exclude Interim Agreements between the EU and post-communist countries because they do not contain detailed provisions on economic reform. To give an example, the EU-Latvia Interim Agreement has only 16 pages whereas the Association Agreement has 239 pages. Most PTAs in our dataset were notified to the WTO. The only exceptions are developing countries that had yet to join the WTO at the time they signed a PTA with the EU or the US.

## A3 Additional Empirical Analyses

Here we provide a summary of the additional empirical analyses.

### A3.1 Trade Liberalization or Economic Reform?

New leaders should form PTAs to promote economic reform across different economic sectors, as opposed to simply focusing on trade liberalization. While we cannot directly test trade liberalization as an alternative explanation, one way to scrutinize it is to examine whether the combination of leader change and democratization has a positive effect on North-South PTA negotiations in general. If trade liberalization is the primary motivation for engaging in PTA negotiations, the combination of leader change and democratization should increase the likelihood that a developing country initiates PTA negotiations with other countries as well (not only the EU and the US).

In view of this hypothesis, we estimated our main model again but used all North-South PTAs instead of those with the EU and the US only. The technical details can be found below. In sum, we found that the combination of leader and democratization has a *negative* effect on the likelihood of PTA negotiations with other countries. This is exactly the opposite of what the trade liberalization theory would predict, so it seems improbable that the combination of leader change and democratization increases the likelihood of PTA negotiations with the EU or the US simply due to trade liberalization aims.

We include all the PTAs negotiated by Australia, Canada, Japan, New Zealand, and EFTA countries, i.e. Iceland, Norway, and Switzerland.<sup>1</sup> Although Iceland, Norway, and Switzerland do not have a common trade policy, we consider EFTA as a single actor. We do that since all the PTAs formed by these countries in the period under investigation are signed under the EFTA framework. There are only two exceptions: in 1992 both Norway and Switzerland individually signed a PTA with Faroe Islands, a country that is not a developing country and hence not in our dataset. We find 91 North-South PTAs that fit into our definition. Data on negotiations of these North-South PTAs were obtained from several websites: the Australian Department of Foreign Affairs and Trade, the Foreign Affairs International Trade Canada, the Minister of Foreign Affairs of Japan, and the New Zealand Ministry of Foreign Affairs and Trade. Data on EFTA negotiations are from the website <http://www.efta.int/free-trade.aspx>. Finally, missing negotiations were filled

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<sup>1</sup>Of EFTA members, we do not have data for Liechtenstein. We exclude the PTAs negotiated by Israel with developing countries since Israeli trade relations are heavily affected by foreign policy concerns. This is a conservative choice to test the competing hypothesis.

using the SICE dataset and the website <http://www.bilaterals.org/?lang=en>.

Table A6 shows that the joint effect of leader change and democratization is negative, substantively small, and not statistically significant. Thus, there is evidence that the EU and the US PTAs are specific agreements that serve purpose different from all the other North-South PTAs.

VARIABLES SAMPLE	(1) PTANeg North-South without the EU, US
Democratization	0.71 (0.31)
LeaderChange	1.23 (0.64)
<b>LeaderChange*Democratization</b>	0.86 (0.47)
GDPpc	1.07*** (0.01)
Trade	0.96 (0.07)
Regime	1.13** (0.06)
Alliance	0.86 (0.23)
Distance	0.24*** (0.04)
GDP	1.32*** (0.13)
GDPGrowth	0.95*** (0.01)
Tenure	1.00 (0.01)
Diffusion	0.93** (0.03)
EAsia	5.43*** (3.04)
EEuropeCAsia	2.03 (1.16)
LAmerica	3.52** (2.22)
Mena	7.34*** (4.88)
WEurope	1.17 (0.68)
Failures	91
Observations	11736

Robust standard errors in parentheses  
\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

Table A6: Effect of leader change and democratization on negotiations of other North-South PTAs.

### A3.2 Reform Consolidation

Our theory is based on the idea that PTAs can not only help leaders implement economic reforms, but also consolidate them. Given that reform reversals are a common occurrence, an important ancillary implication of our theory is that PTA formation should help leaders implement reforms that will not be reversed in the future. Of the data that we used, cumulative IPR legislation and privatization revenue are not suitable for investigating reform consolidation because they do not capture possible reversals. However, we can use data on capital account liberalization and investment profile to investigate the durability of economic reforms associated with a PTA.

Of the five PTAs associated with capital account liberalization, we found that the only one that saw a temporary reform reversal was EU-Egypt. After Egypt signed the PTA in 2000, the KA index temporarily decreased in 2002. However, it immediately rebounded back to the highest possible value in 2003. Thus, the stability of capital account liberalization associated with PTA formation is consistent with our focus on credible commitments. Structural breaks in the investment profile did not feature any reversals to previous levels, and only US-Mexico and US-Vietnam showed a conspicuous decrease in the investment profile at some point after PTA signature. Here is a detailed breakdown:

**Capital account openness.** EU-Chile (+), EU-Egypt (-), EU-Jordan (+), US-Colombia (+), US-Korea (+).

**Investment Profile.** EU-Algeria (+), EU-Bulgaria (+), EU-Chile (+), EU-Hungary (+), EU-Lebanon (+), EU-Mexico (-), EU-Morocco (+), EU-Poland (+), EU-Romania (+), EU-South Africa (+), US-Chile (+), US-El Salvador (+), US-Jordan (+), US-Nicaragua (+), US-Vietnam (-).

To further scrutinize the consolidation issue, we examined changes in other policy indicators that relate to IPR and privatization. For IPR, we used comparative patent protection data from Park (2008).<sup>2</sup> His national indicator measures patentability of innovation in key sectors, membership in multilateral IPR treaties, duration of patent protection, enforcement mechanisms, and restrictions on patentability. His data is measured only every five years, so we unfortunately cannot use it for structural breaks. However, it covers the time period 1960-2005 so we can see whether countries that sign PTAs with the EU and the US have managed to consolidate IPR reforms. Here, we found very strong evidence of consolidation: of the developing

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<sup>2</sup>The data are available on the author's website, <http://www1.american.edu/cas/econ/faculty/park.htm>. Accessed February 7, 2011.

countries with an EU or US PTA, a structural break in IPR data, and available patent protection data, not a single one had experienced a decline in the value of the indicator since signature. By contrast, of countries without an EU or US PTA many show considerable fluctuation over time.

### A3.3 Failed Negotiations

If our theoretical argument is valid, new leaders should have very strong incentives to successfully negotiate a PTA with the EU or the US. But some PTA negotiations fail. Our theory would predict that such failures are not associated with leader change under democratization. In our main model, none of the failed PTA negotiations featured both leader change and democratization. In the other models, the only case was EU-Ukraine, a negotiation that began as late as in 2007.

### A3.4 Economic Crisis as the Underlying Cause?

To verify that economic crisis is not the underlying cause of democratization, leader change, and PTA negotiation we conducted the following tests. First, we coded a *Crisis* variable that scores 1 if the economic growth of a country at time  $t$  was negative and 0 otherwise. We also tried a more strict criterion, limiting *Crisis* to the lowest 10 per cent of economic growth in the dataset: less than  $-3.5$  per cent. Second, we included it as a control variable and found that it has a negative, though not statistically significant, effect on the probability of PTA negotiations. This goes against the notion that *Crisis* is the underlying reason why countries engage in PTA negotiations. Fourth, since crises and leader change go hand in hand, we estimated a model in which we examined the interactive effect of democratization and crisis in the absence of a leader change.

These estimations are shown in Table . In Model (1), we simply control for crisis. In Model (2), we examine interactive effects between democratization and crisis (without leader change). In this model, the variables are exactly as in our main specifications except that *all* country-years featuring leader change are coded as 0 regardless of the occurrence of democratization and crisis. Thus, we are able to examine the interaction between crisis and democratization without leader change.

The table shows that crisis has a strong negative effect on PTA negotiations without democratization (hazard ratio 0.38, statistically significant), and zero effect under democratization (hazard ratio 1.86, not statistically significant). This indicates that in the absence of leader change, economic crises cannot explain PTA negotiations. Indeed, it turns out that there were *no* cases of democratization and crisis without a leader

VARIABLES	(1) PTANeg Full	(2) PTANeg Full
SAMPLE		
Democratization	1.03 (0.61)	
LeaderChange	2.32*** (0.67)	
<b>LeaderChange*Democratization</b>	5.81*** (2.69)	
<b>Crisis</b>	0.58 (0.22)	
Democratization (no leader change)		1.32 (0.46)
<b>Crisis (no leader change)</b>		0.38* (0.19)
<b>Democratization*Crisis (no leader change)</b>		1.86 (2.16)
GDPpc	1.05** (0.02)	1.05** (0.02)
Trade	1.02 (0.03)	1.02 (0.03)
Regime	0.99 (0.36)	1.10 (0.40)
Alliance	0.74 (0.23)	0.72 (0.23)
Distance	0.33*** (0.08)	0.33*** (0.08)
GDP	1.41*** (0.12)	1.41*** (0.13)
GDPGrowth	0.98 (0.02)	0.96** (0.02)
Tenure	0.97* (0.02)	0.97 (0.02)
Diffusion	1.07 (0.06)	1.07 (0.06)
EAsia	1.77 (1.18)	1.82 (1.22)
WEurope	3.32 (2.80)	5.11* (4.52)
EEuropeCAAsia	0.88 (0.62)	0.94 (0.67)
LAmerica	2.23 (1.39)	0.94 (1.52)
Mena	2.57 (2.17)	2.51 (2.13)
SAsia	0.64 (0.56)	0.69 (0.59)
Failures	70	70
Observations	4460	4460

Robust in parentheses

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

Table A7: Effect of economic crisis and democratization on PTA negotiations. Model (1) uses crisis as a control variable and model (2) examines the interactive effect of crisis and democratization in the absence of leader change.

change that would have induced PTA negotiations. By contrast, even if remove cases of PTA negotiations under a crisis, several cases of leader change and democratization remain.

### A3.5 Democratization and Autocratization

To ensure that our results were driven by democratization not political stability, we replaced our democratization measure by a measure of autocratization – the dismantling of competitive elections by a country, as reported by Cheibub, Gandhi, and Vreeland (2010). We found that the combination of leader change and autocratization has a very strong and statistically significant negative effect on PTA negotiations.

### A3.6 Matching

#### A3.6.1 On Leader Change and Democratization

It might be argued that our treatment variable, i.e. the interaction between leader change and democratization, is not randomly assigned. In other words, units receiving treatment and those excluded from treatment may differ not only in their treatment status but also in other characteristics. If these characteristics affect both the probability of experiencing jointly a leader change and democratization, as well as the probability of entering into a PTA negotiation with the EU and the US, our results might be biased by the presence of confounding factors. To avoid these biases, we implemented the coarsened exact matching (CEM) that “is a non-parametric method of controlling for some of or all the confounding influence of pre-treatment control variables in observational data” (Blackwell et al., 2009, 526). Matching drops observations from the data to achieve a better balance between the treated and the control groups, “meaning that the empirical distributions of the covariates ( $X_1, X_2, \dots, X_k$ ) in the groups are more similar” (Blackwell et al., 2009, 526). The technical details can be found below; suffice it to note here that our main findings remain unchanged.

Matching is an effective non-parametric way to control for the selection problem on the observables without imposing functional form assumptions. In particular, matching is better suited to deal with nonlinearity or complex interaction of the observed variables than parametric models. For instance, nonlinearity is a likely issue in the relationship between GDPpc and democratization and GDPpc and the formation of PTAs. However, matching does not help to solve a selection problem on the unobservables, i.e. a correlation between the dependent variable and the error term.

The main difference between CEM and approximate matching, e.g. Mahalanobis Distance Matching

	(1)
VARIABLES	PTANeg
SAMPLE	Full
<b>Autocr</b>	-31.74*** (0.49)
<b>LeaderChange</b>	0.92*** (0.26)
<b>LeaderChange*Autocr</b>	-31.91*** (0.67)
GDPpc	0.05** (0.02)
Trade	0.02 (0.03)
Regime	0.05 (0.35)
Alliance	-0.33 (0.31)
Distance	-1.08*** (0.23)
GDP	0.35*** (0.09)
GDPGrowth	-0.00 (0.01)
Tenure	-0.04* (0.02)
Diffusion	0.08 (0.06)
EAsia	0.55 (0.66)
WEurope	1.38* (0.82)
EEuropeCAAsia	-0.15 (0.70)
LAmerica	0.73 (0.61)
Mena	0.84 (0.81)
SAsia	-0.37 (0.84)
Failures	70
Observations	4460

Robust standard errors in parentheses  
\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

Table A8: Effect of autocratization and leader change on PTA negotiations. The table shows coefficient instead of hazard ratios because the negative substantive effects are very strong.

(MDM) and Propensity Score Matching (PSM), is that with the former method we do not have to control further for the covariates, since they are unrelated to the treatment variable. There are several reasons to prefer CEM to other matching methods. First, recent studies that employ simulations in real datasets show that CEM outperforms MDM and PSM (King et al., 2010). Moreover, CEM requires fewer assumptions and has more attractive statistical properties for many applications than the other two matching methods (Blackwell et al., 2009). Finally, CEM is fast and easy to implement.

We control the robustness of our main results in four steps. First, we select the covariates that we use to balance the treatment group and the control group. The selection of covariates must satisfy the so called conditional independence assumption or the unconfoundedness assumption (Holland, 1986; Rubin, 1974). In our case, this choice is difficult. Theoretically, every covariate that explains the formation of a PTA between two countries explain also the probability of a country democratizing and/or experiencing a leader change. For instance, variables capturing the economic development of a LDC, the relevance of a LDC for the EU and the US, the amount of trade between the a LDC and the EU and the US, the tenure of a leader in an LDC, and the presence of an alliance between an LDC and the EU and the US are all important drivers in predicting the probability of democratization (Wright, 2009; Teorell, 2010). Similarly, Licht (2010) include all the aforementioned variables, or similar proxies, as crucial determinants of leader change. In matching on these pre-treatment variables, which directly affect the treatment, our identification strategy addresses the issue of confounding factors reducing the bias of our estimates.<sup>3</sup> We exclude the region fixed effects since their inclusion would produce very few matches, i.e. around 400, and only four PTA negotiations would be left into the sample.

Second, we conservatively choose the coarsening of these covariates at their median value. This choice is mainly based on practical reasons. By balancing the treatment and control group with all the covariates, we would lose a large number of observations and more importantly, more than half of the PTAs, which is already a rare event. Thus, we are unable to coarse at more than one value and to coarse at the values in which outliers lay, e.g. first quantile, as we do when we use PTA as treatment. If we chose the coarsening at more detailed levels, e.g. at the first or third quantile values, we would lose the large majority of PTAs and so our estimations would not usually converge. When they do, results are similar to the ones showed below.

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<sup>3</sup>In a recent article, Clarke, Kenkel, and Rueda (2011) show that the standard practice of including all available pre-treatment variables is not always optimal in reducing bias. However, as thoroughly explained in this section, in choosing our covariates we did “rely on theory, judgment, and common sense,” as suggested by Clarke, Kenkel, and Rueda (2011, 1).

Third, we identify these observations that contain at least one treated and one control unit and we drop all the others.<sup>4</sup> As said, we lose more than half of the observations and 31 PTA negotiations. Figure A6 shows the reduce unbalanced for each covariates looking both at the difference between the means and the ratio of the variances. While few covariates show a small reduction of the unbalance, for the large majority of the covariates the reduction of the unbalance is striking. The variance of GDP is the only one that increases after matching, but the mean of GDP decreases substantively after matching. All in all it seems that the our selection of covariates and our choices of coarsening make a good job in reducing unbalance between the treatment and the control group.

Fourth, we run again the estimation on this subsample including as explanatory variables *LeaderChange*, *Democratization*, and *LeaderChange\*Democratization*, and the region fixed effects. In addition, since with coarsening some imbalance remains in the matched data, we include also the covariates that we used to balance the treatment group and the control group (Blackwell et al., 2009, 537). Note that since weights change across country panels (ID groups), we are unable to conduct a survival analysis. Therefore we opt for a probit with cubic polynomial (not reported).<sup>5</sup>

The list of positive observations (onset of PTA negotiations) can be found in Table A9. We report the results for the full sample, bilateral agreements, without stable democracies, and excluding ongoing negotiations in Table A10. Our main findings remain unchanged.<sup>6</sup>

Finally, we control for another type of bias. It might be argued that democratization causes leader change and/or that leader change causes democratization. To investigate this possibility, we run the previous matching experiment using *LeaderChange* and *Democratization* as treatments. Specifically, we balance the two groups, treatment and control, with respect to these two variables, but *not* with respect to the interaction term. As in the previous case, we use all the control variables from the main model excluding the region fixed effects. In this case we, lose very few observations and we are able to explain almost the entire sample of PTA negotiations. Even in these cases, our main results are very similar to the ones reported above and are available upon request. All in all, the matching methods implemented in this section indicate that the causation runs in the direction suggested by our theory.

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<sup>4</sup>We used the CEM command in STATA.

<sup>5</sup>The results are similar if we use cubic splines.

<sup>6</sup>We do not report results for the expanded model because as we add new covariates to the matching stage, we lose more and more observations. Thus, we cannot match on an unlimited number of covariates without dramatically reducing the size of our dataset.

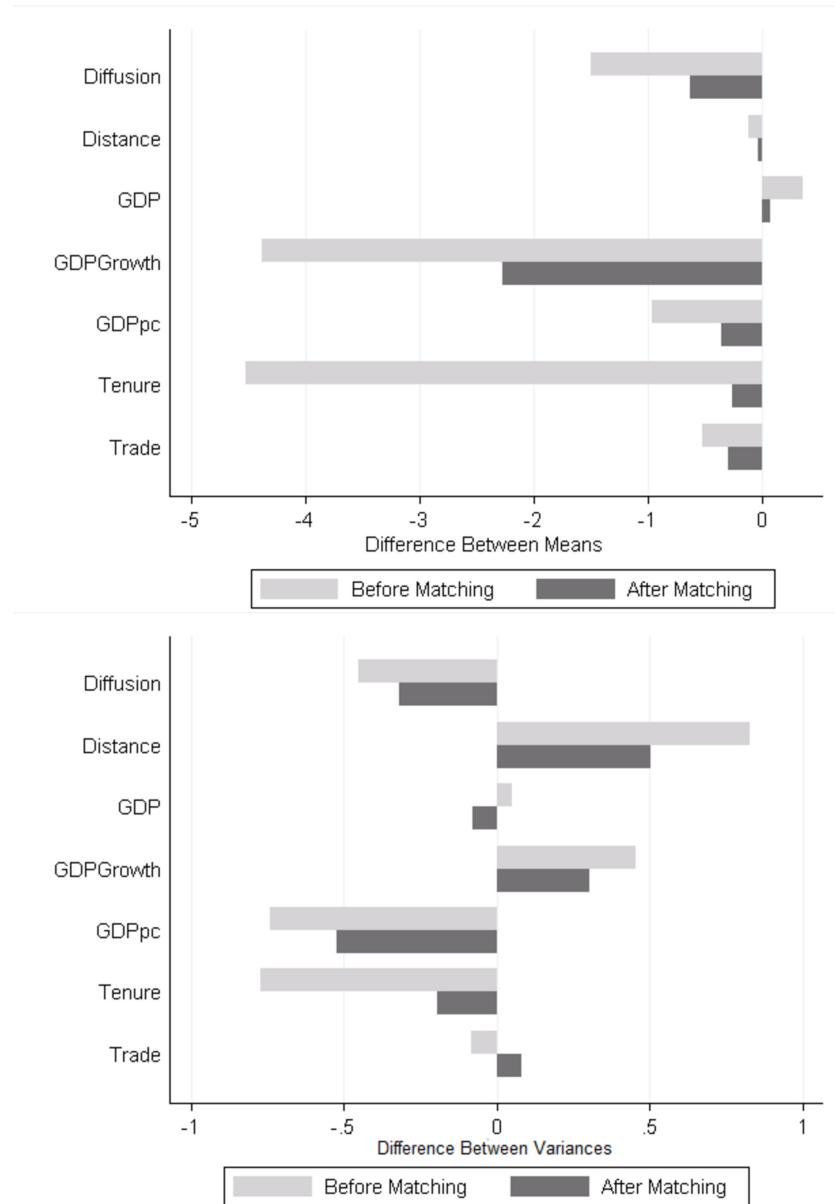


Figure A6: Balance of covariates (mean, variance) for PTA negotiation onset before and after matching on the interaction term.

Major Power	Developing Country	Negotiation	Signature	Matching on PTANeg	Matching on IV
EU	Albania	2002	2006		
EU	Algeria	1996	2001	YES	
EU	Bosnia	2005	2008		
EU	Bulgaria	1992	1993		YES
EU	Central America	2007	–	YES	YES
EU	Chile	2000	2002	YES	
EU	Croatia	2000	2001		
EU	Czech Rep.	1990	1992		
EU	Egypt	1995	2001		
EU	Estonia	1994	1995	YES	YES
EU	GCC	2002	–		
EU	Hungary	1990	1992	YES	YES
EU	India	2007	–	YES	YES
EU	Jordan	1995	1997		
EU	Korea	2007	2009	YES	
EU	Latvia	1994	1995	YES	YES
EU	Lebanon	1995	2002		
EU	Lithuania	1994	1995		
EU	Macedonia	2000	2001		
EU	MERCOSUR	1999	–	YES	YES
EU	Mexico	1995	2000		YES
EU	Morocco	1992	1995	YES	
EU	Poland	1990	1992	YES	YES
EU	Romania	1992	1993	YES	YES
EU	Slovakia	1990	1992	YES	
EU	Slovenia	1993	1997	YES	YES
EU	South Africa	1995	1999	YES	YES
EU	Syria	1997	2004		
EU	Tunisia	1994	1995	YES	
EU	Turkey	1994	1995		
EU	Ukraine	2007	–		
US	Bahrain	2004	2004		
US	Bolivia	2003	–		
US	CAFTA-DR	2002	2004	YES	YES
US	Chile	2000	2003		
US	Colombia	2004	2006	YES	YES
US	Ecuador	2003	–	YES	YES
US	Jordan	1999	2001		YES
US	Korea	2000	2007		YES
US	Malaysia	2006	–	YES	YES
US	Mexico	1990	1992		
US	Morocco	2003	2004	YES	
US	Oman	2005	2006		
US	Panama	2004	2007	YES	YES
US	Peru	2003	2006	YES	
US	SACU	2003	–	YES	YES
US	Singapore	2000	2002		
US	Thailand	2004	–		
US	United Arab Emirates	2004	–		
US	Vietnam	1995	2000		

Table A9: Negotiation onsets in the matched dataset. For the multilateral PTAs, the table indicates YES if at least one member country is included in the matched dataset.

VARIABLES	(1) PTANeg <i>LeaderChange * Democratization</i>	(2) PTANeg <i>LeaderChange</i>	(3) PTANeg <i>Democratization</i>
MATCHING			
LeaderChange	0.41 (0.26)	0.45*** (0.15)	0.22 (0.27)
Democr	0.28 (0.41)	-0.04 (0.36)	0.11 (0.27)
<b>LeaderChange*Democr</b>	1.08*** (0.24)	0.83*** (0.26)	0.84*** (0.27)
GDPpc	0.01 (0.03)	0.04** (0.02)	-0.02 (0.03)
Trade	-0.04 (0.02)	0.02 (0.01)	-0.03 (0.02)
Alliance	-0.39* (0.21)	-0.20 (0.18)	0.06 (0.17)
Distance	-0.82*** (0.22)	-0.61*** (0.14)	-0.60*** (0.17)
GDP	0.28*** (0.09)	0.16*** (0.05)	0.20*** (0.06)
GDPGrowth	-0.00 (0.01)	-0.00 (0.01)	0.00 (0.01)
Tenure	-0.07** (0.03)	-0.02** (0.01)	-0.02 (0.02)
Diffusion	0.01 (0.04)	0.04* (0.02)	0.07** (0.03)
EAsia	-0.04 (0.52)	0.05 (0.39)	1.36*** (0.47)
WEurope	0.02 (0.48)	0.40 (0.54)	0.86* (0.50)
EEuropeCAAsia	-0.26 (0.52)	-0.24 (0.37)	0.25 (0.45)
LAmerica	0.32 (0.46)	0.12 (0.35)	0.98** (0.40)
Mena	0.04 (0.85)	0.06 (0.37)	0.90 (0.55)
SAsia	-0.06 (0.41)	-0.55* (0.33)	0.68 (0.45)
Constant	3.96** (1.89)	2.16* (1.22)	1.58 (1.53)
Observations	1723	3627	2703
Failures	23	61	39

Robust standard errors in parentheses

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

Table A10: Matching estimation results. Model (1) uses data matched on *LeaderChange \* Democratization*, (2) uses data matched on *LeaderChange*, and (3) uses data matched on *Democratization*. Note that since we present probit models, the table contains coefficients instead of hazard ratios. Positive (negative) values indicate a positive (negative) effect.

### A3.6.2 On PTA Negotiations

It might be argued that there are characteristics that lead countries to both enter into a negotiation with the EU and the US and reform. In other words, the issue of confounding factors affects also the second stage of our analysis in which *PTANegotiation* is the treatment variable. To tackle this issue, we use (again) a matching technique. All the aforementioned caveats on what matching can or cannot do hold also for this analysis.

As said before, the key is to match on the right characteristics to balance the treatment group and the control group. In this case, the obvious matching variables are the covariates that were statistically significant in the first stage. Specifically, we select LeaderChange, Democratization, GDPpc, GDP, Distance, and Diffusion. There are important reasons to believe that the size and the level of development of countries affect their probability of forming a PTA (Baier and Bergstrand, 2004). Similarly, Distance is usually the strongest predictor of the formation of PTAs. Furthermore, previous studies have showed that spatial interdependence is a crucial driver of the proliferation of PTAs in the last two decades (Mansfield (1998); Manger (2005); Baccini and Dür (2012)). The tenure of a leader is another matter. A direct relationship between the number of years that a leader stays in power and those factors that have a causal impact on reform seems very unlikely, so we do not match on Tenure. Indeed, Tenure is also not included in any models that explain the formation of PTAs.

We choose the coarsening of these covariates looking at their distributions. Specifically, GDPpc is heavily skewed toward the right and so we choose the mean and a standard deviation above the mean. GDP and Distance are roughly normal and so we choose the value of the first quartile, the mean, and the value of the third quartile. Diffusion has a distribution with four peaks and so we pick the mean of each peak. Figure A7 show the distribution of these four variables. The dummy variables could not be coarsened any further.

Finally, we identify these observations that contain at least one treated and one control unit and we drop all the others. Figure A8 shows the reduce unbalance for each covariates looking both at the difference between the means and the ratio of the variances. As is evident from comparing the mean and variance before and after matching, the reduction of the unbalance is substantive for the majority of the covariates, and no covariate is more unbalanced after matching than before matching. This confirms the validity of our matching strategy.

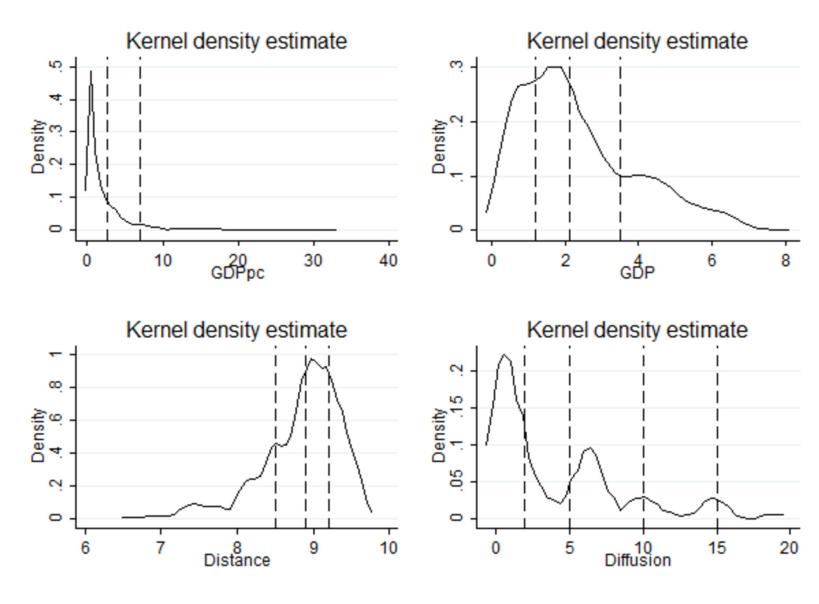


Figure A7: Coarsening of variables for matching on PTA negotiations. The vertical dashed lines indicate the coarsening of the continuous variables.

We lose only two dyads for which a rolling regressions could be implemented. The only cases we lose are EU-Slovenia (2 structural breaks) and US-Peru (0 structural breaks). Thus, the frequency and mean of structural breaks actually increases with matching.<sup>7</sup>

### A3.7 Democratization and Economic Reform

An ancillary implication of our theory is that democratizing countries should engage in economic reform. While we are not in a position to fully analyze this issue within the confines of this manuscript, we have already noted in the theory section that the extant literature on democratization and economic reform offers ample empirical evidence in support of this notion. In a recent review, Milner and Mukherjee (2009) evaluate the effect of democratization on trade liberalization and capital account openness. In regard to trade liberalization, they conclude that “most studies report that democratization or higher levels of democracy has a statistically positive effect on trade openness” while “large- $n$  empirical evidence for the positive or negative effect impact of trade openness on democracy is relatively weak” (167, 171). In regard to capital account openness, they write that “statistical tests ... show that democratization and higher levels of democracy clearly have a positive impact on capital account liberalization in developing countries since the

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<sup>7</sup>The matched dataset also excludes Czech Republic and Slovakia. This is not due to matching but because they began negotiations as Czechoslovakia.

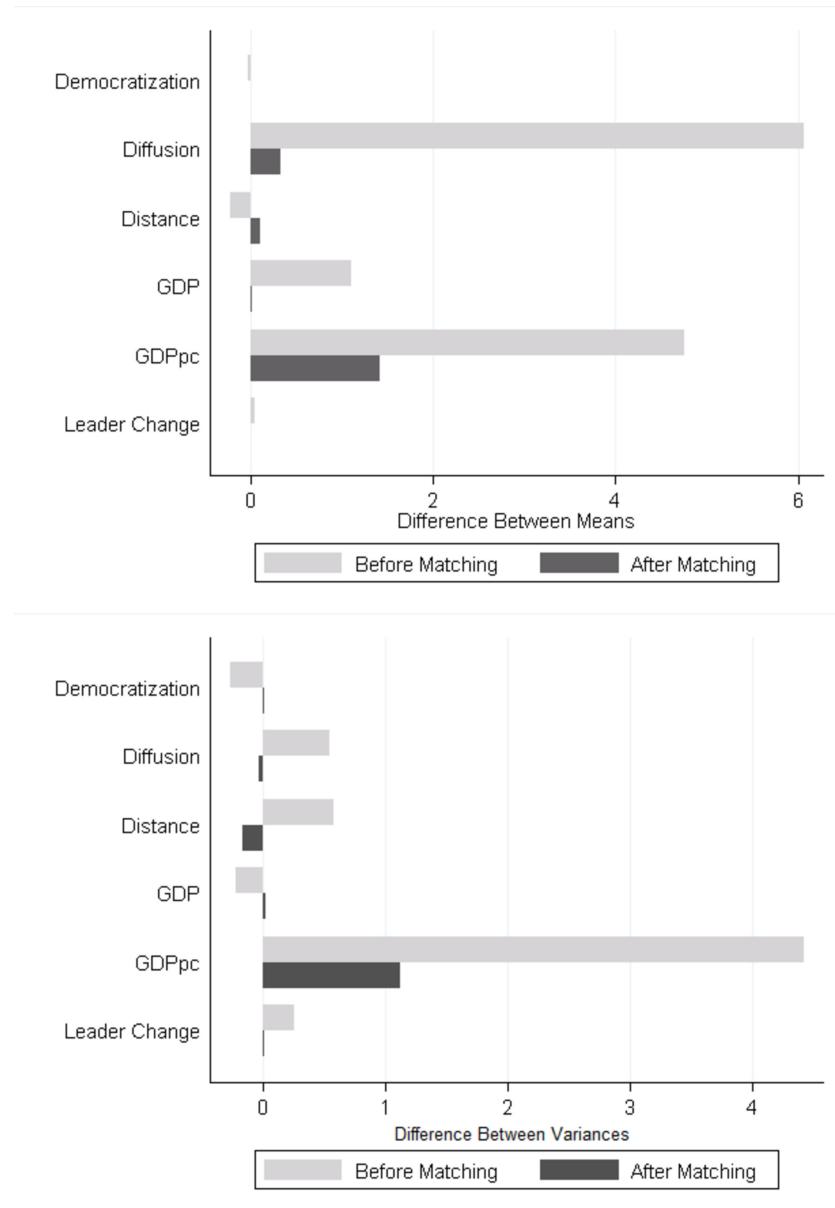


Figure A8: Balance of covariates (mean, variance) for the structural breaks before and after matching on PTA negotiation onset.

mid-1970s” while there is little evidence for the effect of capital account liberalization on democracy (174).

The evidence in regard to privatization and IPRs is scarce. However, the few studies that do exist generally indicate a positive association between democratization and these economic reforms. For example, Biglaiser and Danis (2002, 83) analyze panel data on privatization in 76 developing countries, 1987-1994, and conclude that “democracies privatize more than authoritarian regimes.” Similarly, Piquero and Piquero (2006) use data on software piracy in 82 countries, 1995-2000, and find that democracies achieve lower piracy rates than autocracies. While these results are preliminary and additional research is needed, it is notable how well they accord with our basic thesis.

In our dataset, democratization is also associated with economic reform policies. To avoid comparing apples with oranges, we used the previously introduced matching algorithm using the Cheibub, Gandhi, and Vreeland (2010) democratization treatment and examined graphically whether democratizing countries tend to implement economic reforms. Of the 43 democratization events for which we had data on IPR legislation, 24 showed an increase in IPR legislation within two years. Of the 30 similar democratization events, 14 showed an increase in capital account liberalization. Finally, of the 43 democratization events with data for privatization, 30 showed evidence of privatization. While not a systematic hypothesis test, these observations are consistent with a key assumption of our theory: democratization should be associated with economic reform.

The association between democratization and economic reform is characterized in Table A11. To limit the number of observations, we use here the stringent Cheibub, Gandhi, and Vreeland (2010) criterion: a developing country must have established competitive elections in the past five years. In the last three columns, cell entry is coded as 1 if the value of the relevant reform indicator increased within two years of democratization.

### A3.8 Leader Change Under Democratization

Our theoretical argument depends on the assumption that new leaders find it difficult to govern. This assumption is stronger if the new leader is elected through genuine political competition, as opposed to being selected by the previous incumbent as a successor. To examine this issue, we investigated the logic of leader change in all 13 cases of leader change under democratization that did lead to PTA negotiations according to at least one of our models. In eight cases (EU-Bulgaria, EU-Estonia, EU-Latvia, EU-Lithuania, EU-

<b>Country</b>	<b>Democratization</b>	<b>IPR</b>	<b>KAO</b>	<b>Priv</b>
Albania	1992-96	1	0	1
Armenia	1994	0	1	1
Burundi	2007	0	0	0
Benin	1993-94	0	0	1
Brazil	1990	0	1	0
Central African Republic	1995-1998	0	0	0
Chile	1993-1995	0	0	0
Czech Republic	1994	1	NA	1
Estonia	1995-96	1	NA	1
Georgia	2005-07	0	0	1
Ghana	1994-98	1	1	1
Guinea-Bissau	2995	0	0	1
Guatemala	1990-91	1	1	0
Croatia	1992-96	1	NA	1
Hungary	1993-95	1	NA	1
Indonesia	2001	1	1	1
Kenya	1999	1	0	1
Kyrgyzstan	2006-07	1	1	0
Korea	1990-93	1	1	0
Sri Lanka	1990-94	0	1	1
Lithuania	1992-94	1	NA	1
Latvia	1995-96	1	NA	1
Moldova	1995	1	NA	1
Madagascar	1996-98	0	1	1
Mexico	2004-05	NA	NA	NA
Macedonia	1995-96	0	1	1
Mali	1995-97	0	0	1
Malawi	1995-99	0	1	1
Niger	1996-05	0	0	1
Nigeria	2003-04	0	1	1
Pakistan	1990-93	0	0	1
Panama	1990-91	0	0	0
Peru	2002-06	1	0	0
Philippines	1990-91	1	1	1
Poland	1993-94	1	NA	1
Paraguay	1991-93	1	1	1
Romania	1991-95	1	NA	0
Senegal	2001-02	0	0	1
Suriname	1990,1996	0	1	0
Slovakia	1995-96	1	NA	1
Slovenia	1996-97	1	NA	0
Thailand	1997	1	0	1
Uruguay	1990	1	0	0
Serbia	2002-04	1	NA	1
<b>Total</b>	<b>44</b>	<b>24/43</b>	<b>14/30</b>	<b>30/43</b>

Table A11: Democratization and economic reform.

Hungary, EU-Poland, EU-Romania, EU-Slovenia), a new post-communist government was elected through competitive elections. In four cases (EU-Croatia, EU-South Africa, EU-Turkey, US-Peru), the new leader was of a different political party than the previous ruler. In the EU-Albania case, the new leader was of the same party as the previous one but leader turnover had been rapid in past years. In the EU-Mexico and US-Mexico cases, the new leader was of the ruling Institutional Revolutionary Party. Elections were held, though they can only be regarded as partially fair and competitive. In sum, however, these cases accord with the assumptions of our theoretical model.

### **A3.9 Middle East and North Africa**

Middle East and North Africa are regions of unusual geopolitical importance, both because they are major oil producers and due to the ongoing war on terror. We replicated our regression analysis of PTA negotiations while excluding all countries from this area. The results are given in Table A12.

### **A3.10 Foreign Aid for Economic Reform**

Our theoretical argument is based on the idea that the government of a developing country uses a PTA to advance economic reforms that are also profitable for the EU and the US. In other research, we have examined the effect of PTA formation on foreign aid given by the EU and the US to a developing country. In that research, we showed that forming a PTA with the EU or the US has a very large temporary effect on foreign aid inflows. Additionally, we used sectoral foreign aid data from the AidData project to verify that the effect of PTA formation on foreign aid inflows is by far the largest in sectors that hold considerable potential for economic reform.<sup>8</sup> For example, very large foreign aid effects can be seen in banking services and trade adjustment assistance. These findings are consistent with our theoretical argument here, as they indicate that the EU and the US can use foreign aid to advance economic reforms associated with PTA formation.

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<sup>8</sup>See <http://www.aiddata.org>.

VARIABLES	(1) PTANeg Full	(2) PTANeg Bilateral	(3) PTANeg No stable	(4) PTANeg Not ongoing	(5) PTANeg Full	(6) PTANeg Full
SAMPLE						
Democr	1.07 (0.64)	0.00*** (0.00)	1.10 (0.70)	1.77 (1.30)	1.04 (0.58)	2.35 (1.40)
LeaderChange	2.95*** (0.95)	2.30 (1.20)	3.93*** (1.75)	3.26*** (1.42)	2.06** (0.68)	2.05* (0.76)
<b>LeaderChange*Democratization</b>	<b>5.16***</b> (2.57)	<b>5.71***</b> (3.42)	<b>5.78***</b> (3.68)	<b>7.69***</b> (5.37)	<b>5.67***</b> (3.02)	<b>9.82***</b> (6.95)
GDPpc	1.04 (0.04)	1.06 (0.04)	1.14*** (0.05)	1.06 (0.05)	1.09** (0.04)	1.10 (0.07)
Trade	1.00 (0.03)	0.96 (0.05)	0.98 (0.05)	0.96 (0.05)	1.00 (0.03)	0.97 (0.04)
Regime	0.85 (0.31)	0.68 (0.35)	0.76 (0.36)	0.60 (0.36)	0.42** (0.18)	0.18*** (0.09)
Alliance	0.64 (0.20)	0.53 (0.21)	0.75 (0.33)	0.66 (0.25)	0.59* (0.19)	0.37*** (0.13)
Distance	0.37*** (0.10)	0.22*** (0.07)	0.35*** (0.12)	0.17*** (0.06)	0.34*** (0.09)	0.24*** (0.07)
GDP	1.52*** (0.14)	1.72*** (0.24)	1.64*** (0.26)	1.60*** (0.24)	1.41*** (0.15)	1.46** (0.22)
GDPGrowth	0.99 (0.02)	0.98 (0.02)	0.96* (0.02)	0.99 (0.02)	0.98 (0.02)	1.00 (0.02)
Tenure	0.90*** (0.04)	0.93* (0.04)	0.91*** (0.03)	0.87*** (0.05)	0.93** (0.03)	0.97 (0.04)
Diffusion	1.10 (0.08)	1.04 (0.09)	1.22 (0.15)	1.07 (0.10)	1.11 (0.09)	1.19* (0.12)
XCONS					1.55*** (0.24)	1.64** (0.32)
PoliticalStability					1.22 (0.24)	1.51 (0.44)
Aid						1.01 (0.02)
IMF						3.85*** (1.46)
WB						1.05 (0.08)
EAsia	1.33 (0.90)	3.14 (2.97)	0.68 (0.60)	8.04* (9.92)	1.31 (0.82)	1.34 (1.07)
EEuropeCAsia	0.83 (0.68)	1.64 (1.96)	0.24 (0.29)	1.78 (2.49)	0.47 (0.38)	0.33 (0.28)
LAmerica	1.80 (1.32)	1.86 (2.11)	1.36 (1.27)	5.23 (6.60)	1.61 (1.10)	2.11 (1.30)
WEurope	2.36 (1.99)	5.21 (5.31)	1.19 (1.10)	4.56 (6.03)	1.03 (0.83)	
SAsia	0.50 (0.43)	1.41 (1.36)			0.66 (0.52)	
Failures	52	32	29	31	51	39
Observations	4021	4103	3029	4090	3427	2851

Robust in parentheses

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

Table A12: PTA negotiations without the Middle East and North Africa. The six models correspond to those given in the main results table of the manuscript.

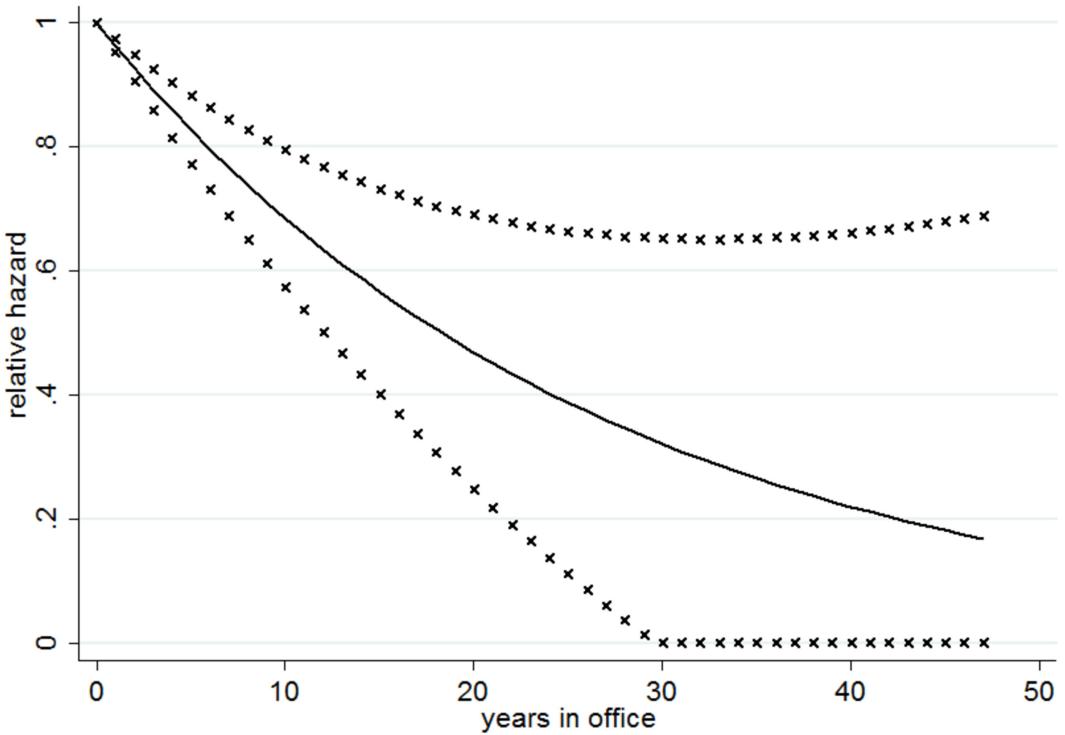


Figure A9: Hazard rate for losing power as a function of time in office. The starred curves indicate 95% confidence intervals.

## A4 Testing the Assumptions of the Theoretical Model

This section summarizes the empirical tests of the assumptions of our theoretical model.

### A4.1 New Leaders, Democratization, and Political Survival

A key assumption of our model is that new leaders find it particularly difficult to survive in office, and thus credibly commit to reform policies, under democratization. Figure A9 shows the hazard rate for the political survival of a leader as a function of time (Cox model). As expected, it decreases rapidly over time. Figure A10 shows it for a split sample with and without a democratization event (Cox model). Figure A11 shows the Kaplan-Meier survival rates for a leader as a function of democratization over time (Cox model). As expected, democratization increases the probability of losing office at any given time. In the data, the average time in office for leaders without democratization is 8.7 years while leaders who experience democratization only survive for 3.7 years.

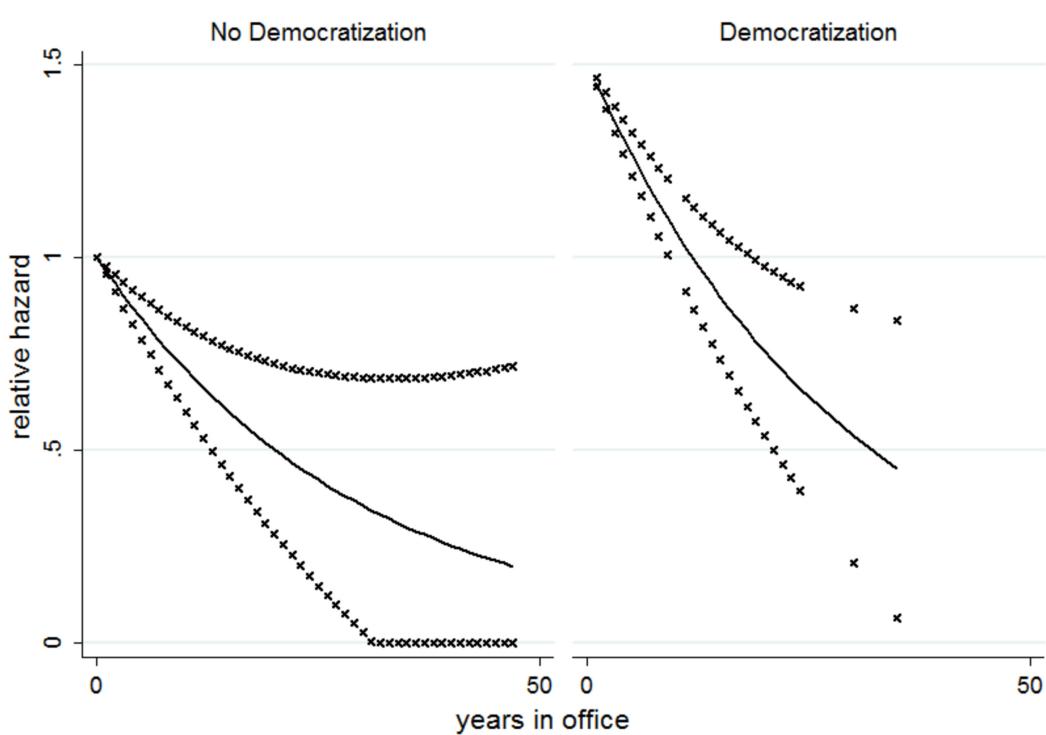


Figure A10: Hazard rate for losing power as a function of time in office, separately for leaders with and without democratization. The starred curves indicate 95% confidence intervals.

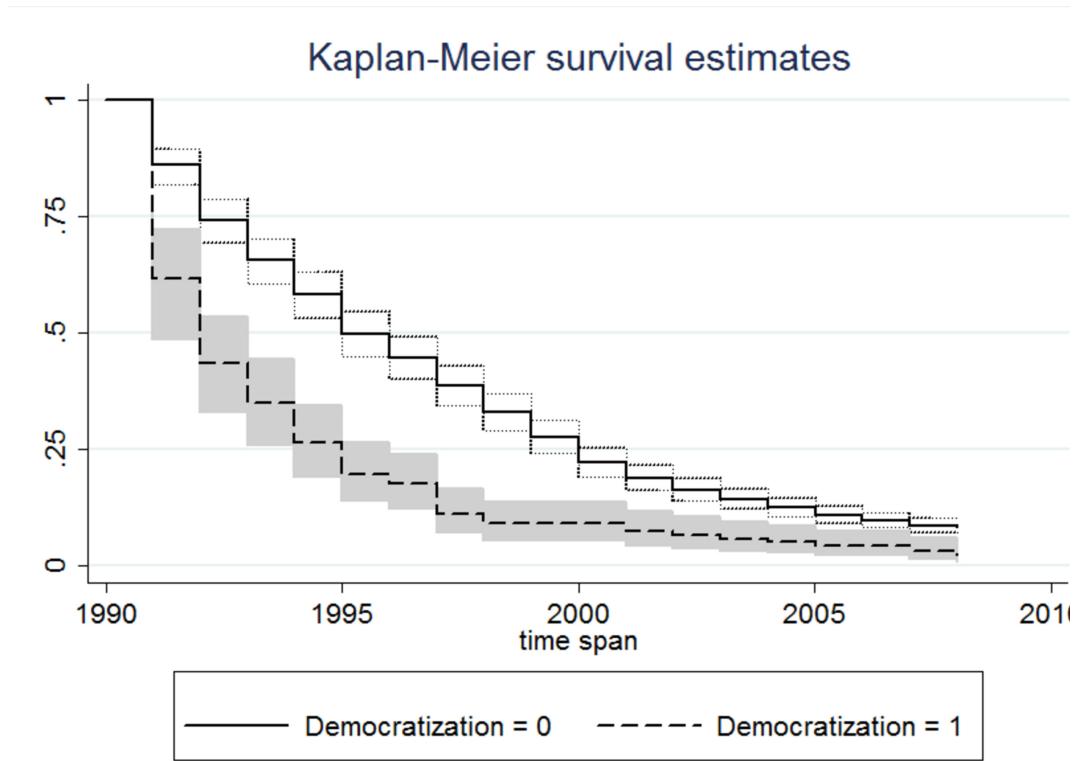


Figure A11: Effect of democratization on political survival over time. The starred curves indicate 95% confidence intervals.

## A5 PTA Negotiations: Data

In this section, we describe our data sources, provide a list of stable democracies, and offer additional diagnostics on our data.

### A5.1 Data Sources

The negotiations data were found using the following sources. For every negotiation instance, we required a credible indication that official negotiations had begun at that time. Where possible, we used original sources. For some agreements, however, we had to rely on secondary sources.

1. EU-Albania

[http://idmalbania.org/publications/en/Albania\\_EU\\_Relations\\_VURMO.pdf](http://idmalbania.org/publications/en/Albania_EU_Relations_VURMO.pdf).

2. EU-Algeria

[http://trade.ec.europa.eu/doclib/docs/2004/january/tradoc\\_115432.pdf](http://trade.ec.europa.eu/doclib/docs/2004/january/tradoc_115432.pdf).

3. EU-Bosnia

<http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/08/459&type=HTML>.

4. EU-Bulgaria

[http://www.bulgarianembassy-london.org/index.php?option=com\\_content&task=view&id=37&Itemid=105](http://www.bulgarianembassy-london.org/index.php?option=com_content&task=view&id=37&Itemid=105)

5. EU-Central America

[http://eeas.europa.eu/ca/index\\_en.htm](http://eeas.europa.eu/ca/index_en.htm)

6. EU-Chile

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:32002D0979:EN:NOT>

7. EU-Croatia

[http://ec.europa.eu/enlargement/enlargement\\_process/acccession\\_process/how\\_does\\_a\\_country\\_join\\_the\\_eu/sap/history\\_en.htm](http://ec.europa.eu/enlargement/enlargement_process/acccession_process/how_does_a_country_join_the_eu/sap/history_en.htm)

8. EU-Czech Rep

<http://dosfan.lib.uic.edu/ERC/bgnotes/igos/ec9301.html>

9. EU-Egypt

“Egypt EU Relations” at <http://embassyofegypt.be>

10. EU-Estonia

[http://web-static.vm.ee/static/failid/052/Estonias\\_way\\_into\\_the\\_EU.pdf](http://web-static.vm.ee/static/failid/052/Estonias_way_into_the_EU.pdf)

11. EU-GCC <http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/regions/gulf-region>

12. EU-Hungary

<http://www.oeue.net/papers/hungary-theeuropeanisationofth.pdf>

13. EU-India

[http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/countries/india/index\\_en.htm](http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/countries/india/index_en.htm)

14. EU-Jordan  
The Middle East and North Africa, Routledge, 2003
15. EU-Korea  
<http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/countries/korea>
16. EU-Latvia [http://web-static.vm.ee/static/failid/052/Estonias\\_way\\_into\\_the\\_EU.pdf](http://web-static.vm.ee/static/failid/052/Estonias_way_into_the_EU.pdf)
17. EU-Lebanon [http://www.bilaterals.org/IMG/pdf/EU-LB\\_FTA-2.pdf](http://www.bilaterals.org/IMG/pdf/EU-LB_FTA-2.pdf)
18. EU-Lithuania  
[http://web-static.vm.ee/static/failid/052/Estonias\\_way\\_into\\_the\\_EU.pdf](http://web-static.vm.ee/static/failid/052/Estonias_way_into_the_EU.pdf)
19. EU-Macedonia  
[http://www.delmkd.ec.europa.eu/en/eu\\_and\\_fyrom/agreements.htm](http://www.delmkd.ec.europa.eu/en/eu_and_fyrom/agreements.htm)
20. EU-MERCOSUR  
[http://eeas.europa.eu/mercosur/index\\_en.htm](http://eeas.europa.eu/mercosur/index_en.htm)
21. EU-Mexico  
<http://www.fas.org/sgp/crs/row/R40784.pdf>
22. EU-Morocco  
The Middle East and North Africa, Routledge, 2003
23. EU-Poland  
<http://www.poland.gov.pl/Polands,way,to,UE,458.html>
24. EU-Romania  
[http://aei.pitt.edu/1506/01/ENARPRI\\_WP3.pdf](http://aei.pitt.edu/1506/01/ENARPRI_WP3.pdf)
25. EU-Slovakia  
<http://www.slovak-republic.org/eu>
26. EU-Slovenia  
[http://dosfan.lib.uic.edu/ERC/economics/trade\\_reports/1993/Slovenia.html](http://dosfan.lib.uic.edu/ERC/economics/trade_reports/1993/Slovenia.html)
27. EU-Syria  
[http://www.napcsyr.org/dwnld-files/divisions/tpd/pubs/pol\\_brf/en/03\\_pol\\_brf\\_issa\\_en.pdf](http://www.napcsyr.org/dwnld-files/divisions/tpd/pubs/pol_brf/en/03_pol_brf_issa_en.pdf)
28. EU-South Africa  
<http://www.iss.europa.eu/uploads/media/cp072.pdf>
29. EU-Tunisia  
The Middle East and North Africa, Routledge, 2003
30. EU-Turkey  
<http://www.etuc.org/a/241>
31. EU-Ukraine  
[http://ec.europa.eu/external\\_relations/ukraine/docs/assoc\\_agreement\\_3rd\\_joint\\_progress\\_report.pdf](http://ec.europa.eu/external_relations/ukraine/docs/assoc_agreement_3rd_joint_progress_report.pdf)
32. US-Bahrain  
<http://www.export.gov/FTA/bahrain/index.asp>

33. US-Bolivia  
Andean-U.S. Free-Trade Agreement Negotiations, CRS 2006
34. US-CAFTA-DR  
<http://guatemala.usembassy.gov/uploads/OF/3g/OF3gKazpPKpoHYP2pQ664Q/crsCAFTAE.pdf>
35. US-Chile  
[http://www.sice.oas.org/TPD/CHL\\_USA/Studies/lessons\\_e.pdf](http://www.sice.oas.org/TPD/CHL_USA/Studies/lessons_e.pdf)
36. US-Colombia  
<http://www.ustr.gov/about-us/press-office/press-releases/archives/2006/february/united-states-and-colombia-conclude>
37. US-Ecuador  
CRS (2006) - Andean-U.S. Free-Trade Agreement Negotiations
38. US-Jordan  
<http://www.umich.edu/~ipolicy/Policy%20Papers/jordanusfta.pdf>
39. US-Malaysia  
<http://www.ustr.gov/trade-agreements/other-agreements/malaysia-fta>
40. US-Mexico  
[http://www.cbp.gov/linkhandler/cgov/trade/trade\\_programs/international\\_agreements/free\\_trade/nafta/public\\_law\\_leg\\_history/pub\\_law103\\_182\\_act.ctt/pub\\_law103\\_182\\_act.doc](http://www.cbp.gov/linkhandler/cgov/trade/trade_programs/international_agreements/free_trade/nafta/public_law_leg_history/pub_law103_182_act.ctt/pub_law103_182_act.doc)
41. US-Morocco  
<http://www.fas.org/sgp/crs/mideast/RS21464.pdf>
42. US-Oman  
[http://www.sice.oas.org/TPD/USA\\_OMN/USA\\_OMN\\_e.ASP](http://www.sice.oas.org/TPD/USA_OMN/USA_OMN_e.ASP)
43. US-Panama  
<http://www.ustr.gov/about-us/press-office/press-releases/archives/2004/march/us-and-p panama-begin-fta-negotiations-a>
44. US-Peru  
<http://www.nationalaglawcenter.org/assets/crs/RL32770.pdf>
45. US-SACU  
<http://fpc.state.gov/documents/organization/109530.pdf>
46. US-Singapore  
[http://www.sice.oas.org/TPD/USA\\_SGP/USA\\_SGP\\_e.ASP](http://www.sice.oas.org/TPD/USA_SGP/USA_SGP_e.ASP)
47. US-Thailand  
<http://www.us-asean.org/us-thai-fta/RL32314.pdf>
48. US-Arab United Emirates  
[http://ustraderep.gov/Trade\\_Agreements/Bilateral/UAE/Section\\_Index.html](http://ustraderep.gov/Trade_Agreements/Bilateral/UAE/Section_Index.html)
49. US-Vietnam  
<http://www.jstor.org/pss/2589792>

## A5.2 Subsample of Stable Democracies

Table A13 provides a list of stable democracies, measured using the Cheibub, Gandhi, and Vreeland (2010) criterion, in the data.

Year	Country	Year	Country
2002	Albania	2001	Sri Lanka
1992	Argentina	2001	Lesotho
2001	Armenia	2001	Lithuania
2002	Benin	2001	Latvia
1995	Bangladesh	2001	Moldova
2001	Bulgaria	2004	Madagascar
1990	Bahamas	2001	Macedonia
1990	Belize	2003	Mali
1991	Bolivia	2001	Mongolia
1994	Brazil	1990	Mauritius
1990	Barbados	2006	Malawi
2001	Chile	1993	Nicaragua
1990	Colombia	2000	Panama
2001	Cape Verde	1995	Philippines
1990	Costa Rica	1990	Papa New Guinea
2001	Czech Republic	2000	Poland
1990	Dominica	2000	Paraguay
1990	Dominica Rep.	2001	Romania
2001	Estonia	1994	El Salvador
2003	Ghana	2002	Suriname
1990	Granada	2001	Slovakia
1995	Guatemala	2001	Slovenia
1995	Guyana	2004	Thailand
1991	Honduras	1990	Trinidad and Tobago
2001	Croatia	1991	Turkey
2001	Hungary	2002	Ukraine
1990	India	1995	Uruguay
1990	Jamaica	1990	Venezuela
1997	South Korea		

Table A13: Stable democracies, including the first year of stability (one decade since democratization).

## A5.3 Diagnostics

In the main model, we presented a Cox proportional hazard model. We now present our findings regarding alternative estimations. Table A14 shows the results of a Schoenfeld residuals test. Table A15 below shows the results of the baseline model using the exponential model (1), a Weibull distribution (2), and a Gompertz distribution (3). The table also shows models with observations stratified by the EU and the US to allow different baseline properties (4), year fixed effects (5), and fixed effects for the EU and the US (6). We also estimated the main model using random effects by developing countries and dyads, and the results continue to hold. Finally, we estimated the Cox model with splines for each of the time-varying covariates (Keele,

2010), and again our results continue to hold.

<b>Covariates</b>	$\rho$	$\chi^2$	<b>df</b>	<b>Prob&gt;<math>\chi^2</math></b>
LeaderChange	0.09	0.53	1	0.47
Democr	-0.12	1.05	1	0.31
LeaderChange*Democr	-0.16	0.92	1	0.31
GDPpc	0.05	0.20	1	0.65
Trade	-0.05	0.26	1	0.61
Regime	0.06	0.46	1	0.50
Alliance	-0.09	0.86	1	0.33
Distance	0.22	3.90	1	0.05
GDP	-0.13	0.13	1	0.22
GDPGrowth	-0.01	0.00	1	0.96
Tenure	-0.07	0.76	1	0.38
Diffusion	-0.07	0.57	1	0.45
<b>Global test</b>		20.13	18	0.33

Table A14: The Schoenfeld residuals test. Regional fixed effects omitted; they do not violate the proportionality assumption.

VARIABLES ESTIMATION	(1) PTANeg Exponential	(2) PTANeg Weibull	(3) PTANeg Gompertz	(4) PTANeg Stratified	(5) PTANeg EU, US FE	(6) PTANeg Year FE
Democr	1.04 (0.64)	1.35 (0.84)	1.38 (0.86)	1.16 (0.65)	1.03 (0.61)	1.03 (0.56)
LeaderChange	2.40*** (0.70)	2.38*** (0.69)	2.45*** (0.71)	2.15** (0.64)	2.22*** (0.66)	2.02** (0.59)
<b>LeaderChange*Democr</b>	4.44*** (1.95)	7.41*** (3.41)	6.67*** (2.96)	4.83*** (2.34)	5.17*** (2.45)	4.99*** (2.28)
GDPpc	1.05** (0.02)	1.05** (0.02)	1.05** (0.02)	1.06*** (0.02)	1.05** (0.02)	1.05** (0.02)
Trade	1.01 (0.03)	1.00 (0.03)	1.00 (0.03)	0.99 (0.04)	0.96 (0.04)	1.02 (0.03)
Regime	1.06 (0.39)	0.94 (0.35)	0.96 (0.35)	1.01 (0.36)	1.05 (0.39)	0.97 (0.34)
Alliance	0.70 (0.22)	0.68 (0.21)	0.65 (0.20)	0.81 (0.25)	0.77 (0.23)	0.74 (0.23)
Distance	0.33*** (0.08)	0.31*** (0.07)	0.30*** (0.07)	0.38*** (0.08)	0.34*** (0.08)	0.34*** (0.08)
GDP	1.42*** (0.13)	1.42*** (0.13)	1.41*** (0.13)	1.42*** (0.12)	1.46*** (0.13)	1.41*** (0.12)
GDPGrowth	0.99 (0.01)	0.98 (0.01)	0.98* (0.01)	1.00 (0.01)	1.00 (0.01)	1.01 (0.01)
Tenure	0.97* (0.02)	0.97* (0.02)	0.96* (0.02)	0.97* (0.02)	0.97* (0.02)	0.97* (0.02)
Diffusion	1.13*** (0.03)	1.06* (0.03)	1.01 (0.05)	1.06 (0.06)	1.07 (0.06)	1.04 (0.06)
EAsia	1.63 (1.09)	1.56 (1.07)	1.58 (1.08)	1.55 (1.07)	1.60 (1.10)	1.70 (1.10)
WEurope	2.49 (1.88)	3.23 (2.97)	3.64 (3.38)	3.15 (2.21)	2.61 (2.05)	4.59* (4.21)
EEuropeCAsia	0.55 (0.30)	0.92 (0.56)	1.33 (0.95)	1.00 (0.71)	0.84 (0.59)	1.59 (1.48)
LAmerica	1.72 (0.89)	2.53* (1.40)	3.22* (2.04)	2.49 (1.58)	2.37 (1.47)	2.82* (1.68)
Mena	1.69 (1.08)	2.87 (2.06)	4.47* (3.77)	2.92 (2.51)	2.66 (2.29)	3.27 (2.73)
SAsia	0.59 (0.53)	0.61 (0.55)	0.56 (0.50)	0.63 (0.54)	0.62 (0.53)	0.64 (0.55)
Constant	31.78 (69.47)	10.42 (24.07)	21.39 (47.42)			
Failures	71	71	71	71	71	71
Observations	4460	4460	4460	4460	4460	4460

Robust standard errors in parentheses

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

Table A15: Alternative statistical specifications: effect of leader change on the initiation of PTA negotiations.

## A6 PTA Negotiations: Robustness

In this section, we provide the results for additional robustness analyses that we conducted, using different measures of leader change democratization, as well as time frames. The results for the competitive elections measure can be found in the main text.

### A6.1 Measuring Leader Change

All our findings hold if we only allow leader changes in the years  $t - 1$  and  $t$ , instead of only using year  $t$ . This is also true of also allowing  $t - 2$ .

We also replaced binary leader change with a continuous variable that measures the number of years in office for the new leader. We use the natural logarithm of this variable to avoid overestimating outliers, i.e. these few leaders that have an unusually long tenure. The table and the figure below show that our results hold also by using this different operationalization. In particular, the probability of negotiating a PTA with the EU and the US decreases as the number of years in office increases. This negative effect is statistically significant only in the early years of being in power, as shown in Figure A12.<sup>9</sup>

### A6.2 Polity IV

Table A16 reports statistical results on the Polity IV democratization measure with a five-year interval.

The results are also robust to different timeframes. First, we used a 3-year timeframe for democratization. Second, we used a 7-year timeframe. All results continue to hold.

### A6.3 Freedom House

Table A17 reports statistical results on the Polity IV democratization measure with a five-year interval.

The results are also robust to different timeframes. First, we used a 3-year timeframe for democratization. Second, we used a 7-year timeframe. All results continue to hold.

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<sup>9</sup>We use the exponential model instead of a Cox model because the proportionality assumption is violated for *LeaderChange \* Democratization*, our main explanatory variable. Both the Akaike and Bayesian Information Criteria support the use of an exponential model.

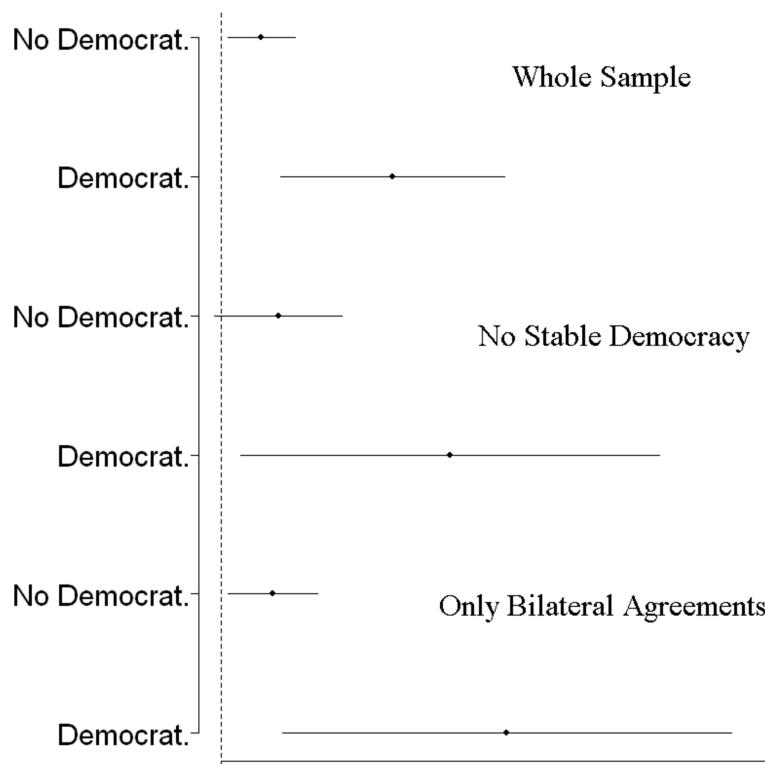


Figure A12: Marginal effect of democratization on PTA Negotiation as tenure increases.

VARIABLES SAMPLE	(1) PTANeg Full	(2) PTANeg Bilateral	(3) PTANeg No stable	(4) PTANeg Not ongoing	(5) PTANeg Full	(6) PTANeg Full
Democr	0.77 (0.34)	1.26 (0.62)	0.79 (0.35)	1.58 (0.76)	0.60 (0.28)	0.82 (0.43)
LeaderChange	1.80* (0.57)	1.24 (0.51)	2.13* (0.92)	1.79 (0.80)	1.59 (0.53)	1.59 (0.57)
<b>LeaderChange*Democr</b>	<b>3.97*** (1.40)</b>	<b>5.00*** (2.24)</b>	<b>3.87*** (1.67)</b>	<b>5.59*** (2.50)</b>	<b>3.38*** (1.29)</b>	<b>3.87* (1.72)</b>
GDPpc	1.08*** (0.02)	1.05 (0.03)	1.09*** (0.02)	1.07* (0.03)	1.07*** (0.03)	1.07*** (0.03)
Trade	1.01 (0.03)	0.96 (0.04)	1.00 (0.04)	0.94 (0.04)	1.01 (0.03)	0.99 (0.03)
Regime	1.23 (0.42)	1.05 (0.44)	1.14 (0.44)	1.14 (0.55)	0.55 (0.22)	0.32*** (0.13)
Alliance	0.75 (0.23)	0.61 (0.22)	0.91 (0.37)	0.82 (0.30)	0.68 (0.21)	0.52* (0.18)
Distance	0.30*** (0.07)	0.21*** (0.06)	0.28*** (0.08)	0.15*** (0.05)	0.29*** (0.07)	0.21*** (0.05)
GDP	1.29*** (0.12)	1.41*** (0.17)	1.40** (0.19)	1.35** (0.18)	1.33*** (0.13)	1.31** (0.17)
GDPGrowth	1.00 (0.01)	1.00 (0.01)	0.99 (0.01)	1.00 (0.02)	0.99 (0.02)	1.00 (0.02)
Tenure	0.97* (0.02)	0.97 (0.03)	0.97* (0.02)	0.96 (0.03)	0.97 (0.02)	0.99 (0.02)
Diffusion	1.08 (0.06)	1.03 (0.06)	1.10 (0.07)	1.06 (0.08)	1.05 (0.05)	1.11* (0.07)
XCONS					1.47*** (0.18)	1.51*** (0.21)
PoliticalStability					1.28 (0.20)	1.54** (0.31)
Aid						1.01 (0.02)
IMF						3.59*** (1.22)
WB						1.09 (0.06)
EAsia	1.97 (1.37)	6.81** (6.41)	1.32 (1.10)	14.58** (17.93)	1.54 (1.01)	1.48 (1.14)
EEuropeCAsia	0.74 (0.49)	2.16 (2.13)	0.41 (0.32)	1.81 (2.28)	0.63 (0.40)	0.39 (0.26)
LAmerica	2.70 (1.68)	3.17 (2.99)	2.52 (1.69)	7.72* (8.85)	2.27 (1.31)	2.27 (1.25)
Mena	2.27 (1.83)	6.44* (6.83)	1.51 (1.29)	9.95* (13.44)	4.36* (3.68)	3.09 (2.90)
WEurope	2.92 (2.34)	6.64* (6.86)	1.90 (1.48)	7.14 (8.76)	1.51 (1.19)	
SAsia	0.81 (0.73)	2.35 (2.51)			0.68 (0.55)	
Failures	70	46	46	43	68	56
Observations	4145	4248	3353	4244	3828	3216

Robust standard errors in parentheses

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

Table A16: Polity IV with a five-year democratization interval.

VARIABLES SAMPLE	(1) PTANeg Full	(2) PTANeg Bilateral	(3) PTANeg No stable	(4) PTANeg Not ongoing	(5) PTANeg Full	(6) PTANeg Full
Democr	0.33 (0.34)	0.53 (0.58)	0.37 (0.40)	0.43 (0.49)	0.34 (0.36)	0.38 (0.41)
LeaderChange	2.01** (0.59)	2.18** (0.81)	2.28** (0.89)	2.10* (0.81)	1.69* (0.49)	1.84** (0.56)
<b>LeaderChange*Democr</b>	<b>5.92***</b> (2.44)	<b>7.36***</b> (3.30)	<b>4.78***</b> (2.50)	<b>4.92***</b> (2.53)	<b>6.87***</b> (3.29)	<b>3.31*</b> (2.13)
GDPpc	1.05** (0.02)	1.04 (0.03)	1.09*** (0.02)	1.04 (0.04)	1.08*** (0.03)	1.07** (0.03)
Trade	1.02 (0.03)	0.96 (0.04)	1.00 (0.04)	0.95 (0.04)	1.02 (0.03)	0.99 (0.03)
Regime	1.21 (0.41)	1.15 (0.48)	1.22 (0.47)	1.17 (0.56)	0.68 (0.28)	0.36** (0.17)
Alliance	0.68 (0.22)	0.54* (0.19)	0.82 (0.33)	0.71 (0.27)	0.69 (0.22)	0.51* (0.18)
Distance	0.33*** (0.08)	0.23*** (0.06)	0.27*** (0.07)	0.17*** (0.05)	0.30*** (0.07)	0.21*** (0.06)
GDP	1.41*** (0.12)	1.49*** (0.17)	1.40** (0.19)	1.46*** (0.19)	1.29*** (0.12)	1.29* (0.17)
GDPGrowth	1.00 (0.01)	1.00 (0.01)	0.99 (0.01)	1.00 (0.01)	0.99 (0.02)	1.00 (0.02)
Tenure	0.97* (0.02)	0.98 (0.03)	0.97* (0.02)	0.96 (0.03)	0.97 (0.02)	0.99 (0.02)
Diffusion	1.08 (0.06)	1.04 (0.07)	1.11 (0.08)	1.05 (0.07)	1.06 (0.05)	1.14** (0.07)
XCONS					1.43*** (0.17)	1.51*** (0.21)
PoliticalStability						1.31 (0.22)
Aid						1.01 (0.02)
IMF						3.45*** (1.16)
WB						1.08 (0.07)
EAsia	1.68 (1.11)	5.11* (4.72)	1.32 (1.09)	11.06** (13.37)	1.69 (1.11)	1.59 (1.23)
EEuropeCAsia	0.88 (0.63)	2.02 (2.07)	0.39 (0.35)	2.49 (3.22)	0.59 (0.39)	0.36 (0.26)
LAmerica	2.04 (1.26)	1.95 (1.80)	2.30 (1.60)	5.67 (6.31)	2.08 (1.18)	1.91 (1.05)
Mena	2.36 (1.92)	5.56 (6.03)	1.38 (1.26)	10.65* (14.29)	3.93 (3.41)	2.60 (2.55)
WEurope	1.97 (1.61)	3.65 (3.70)	1.26 (1.12)	5.60 (7.10)	0.71 (0.54)	
SAsia	0.62 (0.52)	1.62 (1.66)			0.75 (0.60)	
Failures	71	46	47	43	68	56
Observations	4464	4567	3466	4563	3822	3210

Robust standard errors in parentheses

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

Table A17: Freedom House with a five-year democratization interval.

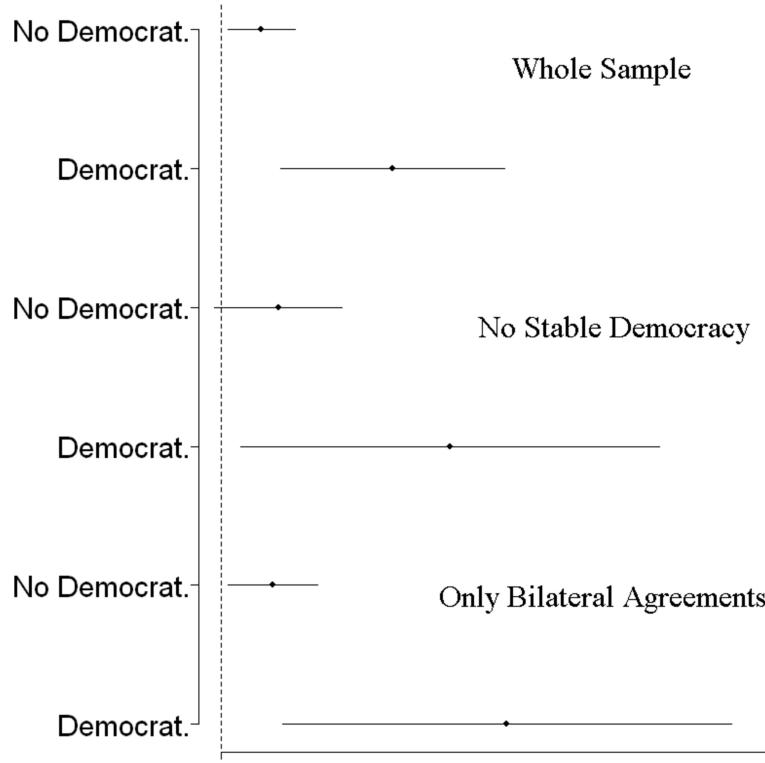


Figure A13: The effect (hazard ratio) of leader change, democratization, and both on PTA negotiations in the four samples using Freedom House as the democratization measure. The confidence intervals are for the 95 per cent significance level.

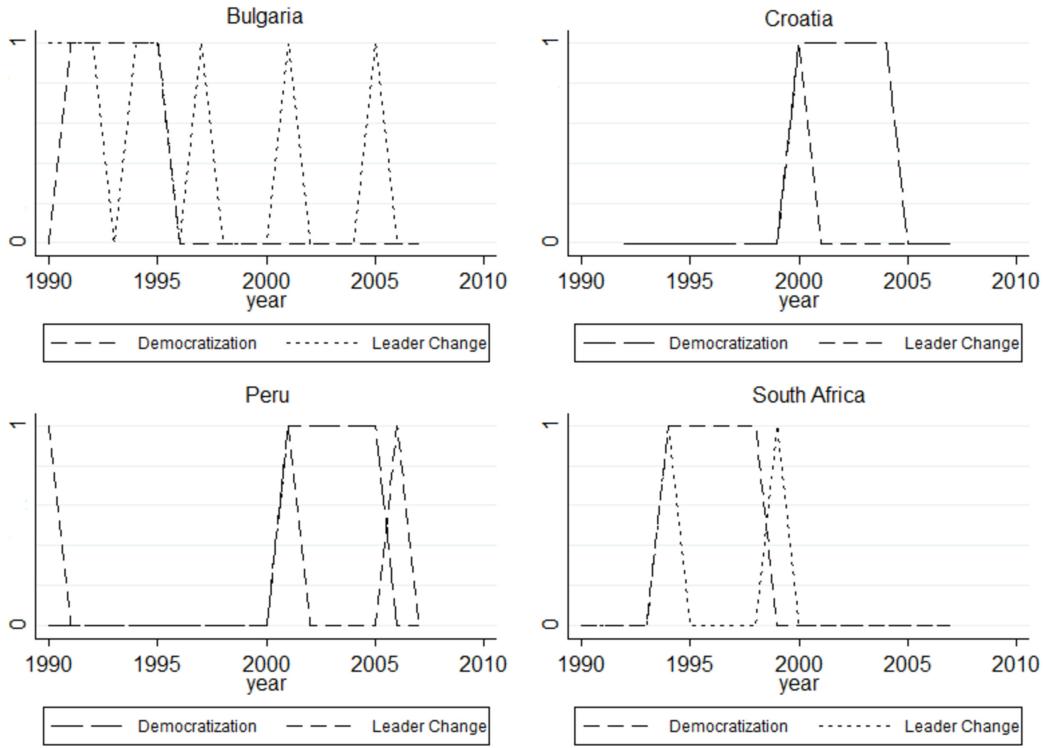


Figure A14: Sequence of leader change and democratization. Democratization scores one if regime type becomes more democratic, as defined in the main text, over the previous five years. Data on regime type come from the Polity IV project.

#### A6.4 Sequencing of Leader Change and Democratization

Leader change and democratization are admittedly correlated events. There are three scenarios that describe the sequence of leader change and democratization. First, leader change might occur *before* democratization. Such a scenario arises because the previous autocratic leader starts a process of democratization, like in Ghana.

Second, some countries have only a leader change during democratization and such a change occurs in the *same* country in which democratization occurs. Figure A14 shows that this was the case for Croatia, Peru, and South Africa. Stjepan (Stipe) Mesić and Nelson Rolihlahla Mandela came into power at the beginning of the democratization process and remained in power across the 5-year window.

Third, more than a leader change arises during the 5-year window of democratization. This is the case of Bulgaria, as shown in Figure A14. In a few years there were several prime ministers: Dimitar Iliev Popov, Philip Dimitrov, and Zhan Videnov.

## A6.5 Founding vs. Subsequent Leader Change

It might be argued that not all leader changes during democratization have equal effects. As said, since we code democratization over a 5-year period, a leader change can arise at the beginning of democratization and in the following years after the first leader change. We label *founding leader change* the first leader change during democratization and *subsequent leader changes* during democratization.

Although our theory does not make different predictions on the effect of founding vs. subsequent leader change (during democratization) on the likelihood of PTA negotiations, this distinction remains important. For instance, an argument can be advanced that founding leader change is less likely to increase the probability of entering into a PTA negotiation with the EU and the US than subsequent leader change. If the founding leader's efforts are mainly channeled to domestic affairs and the consolidation of democratic institutions, there is leaving little room for time-consuming and potentially controversial negotiations.

As Table A18 shows, we test this argument in two ways. First, we interact founding leader change with democratization using the three measures of regime type, i.e. (Cheibub, Gandhi, and Vreeland, 2010), Polity, and Freedom House. The coefficient of the interaction term is positive in all of the estimations and statistically significant at the conventional level with Polity and Freedom House. We note that there are very few founding leader changes in our sample. Thus, it is not surprising that the level of significance weakens. What is reassuring for us is that the coefficient remains positive.

Second, we include the interaction term of both founding leader change and subsequent leader change in the same regression. We do that for the three measures of democratization. The coefficient of the two interaction terms are both positive as expected by our theory. Clearly, the effect of subsequent leader change is larger than the effect of founding leader change. However, the coefficients of the two interaction terms are *not* statistically different one from another, except in the model using the Polity democratization measure. In sum, while our data suggest that there are differences between “type” of leader changes during democratization, such differences do not seem to drive our results.

VARIABLES	(1) Cheibub et al.	(2) Polity	(3) FH	(4)	(5)	(6)
Democratization, no founding leader change	2.07* (0.79)	1.17 (0.40)	1.18 (0.60)	1.13 (0.67)	0.90 (0.34)	0.33 (0.35)
Founding leader change, no democratization	2.20*** (0.65)	2.07** (0.62)	2.05** (0.61)	2.24*** (0.67)	3.01*** (1.28)	2.01** (0.60)
<b>Founding leader change and democratization</b>	<b>1.73</b> (1.61)	<b>2.69**</b> (1.27)	<b>3.07*</b> (2.02)	<b>1.67</b> (1.54)	<b>2.18</b> (1.12)	<b>3.42**</b> (2.03)
Subsequent leader Change, no democratization					0.64 (0.29)	
<b>Subsequent leader change and democratization</b>				<b>14.20***</b> (11.40)	<b>6.61***</b> (3.51)	<b>40.23***</b> (44.79)
GDP per capita	1.05** (0.02)	1.08*** (0.02)	1.05** (0.02)	1.05** (0.02)	1.08*** (0.02)	1.05** (0.02)
Trade	1.02 (0.03)	1.01 (0.03)	1.02 (0.03)	1.02 (0.03)	1.01 (0.03)	1.02 (0.03)
Regime	1.04 (0.38)	1.39 (0.48)	1.22 (0.42)	1.04 (0.39)	1.31 (0.45)	1.20 (0.43)
Alliance	0.72 (0.22)	0.77 (0.23)	0.72 (0.22)	0.68 (0.21)	0.76 (0.23)	0.66 (0.21)
Distance	0.35*** (0.08)	0.30*** (0.07)	0.35*** (0.08)	0.35*** (0.08)	0.30*** (0.07)	0.35*** (0.08)
GDP	1.41*** (0.12)	1.28*** (0.12)	1.41*** (0.12)	1.43*** (0.12)	1.31*** (0.12)	1.41*** (0.12)
GDP growth	0.99 (0.01)	0.99 (0.01)	0.99 (0.01)	1.00 (0.01)	0.99 (0.01)	1.00 (0.01)
Tenure	0.97 (0.02)	0.98 (0.02)	0.97 (0.02)	0.98 (0.02)	0.98 (0.02)	0.98 (0.02)
PTA diffusion	1.08 (0.06)	1.09 (0.06)	1.09 (0.06)	1.08 (0.06)	1.08 (0.06)	1.09 (0.06)
East Asia	1.84 (1.22)	2.15 (1.49)	1.77 (1.16)	1.64 (1.10)	1.95 (1.38)	1.68 (1.11)
West Europe	5.55** (4.70)	5.44* (4.77)	5.49* (5.10)	1.66 (1.40)	2.31 (1.97)	1.31 (1.09)
E. Europe and C. Asia	0.95 (0.67)	0.77 (0.50)	0.88 (0.60)	0.89 (0.64)	0.80 (0.54)	0.86 (0.62)
Latin America	2.39 (1.49)	2.61 (1.61)	2.07 (1.24)	2.36 (1.48)	2.71 (1.71)	2.04 (1.24)
M. East and N. Africa	2.65 (2.19)	2.34 (1.85)	2.55 (2.01)	2.52 (2.13)	2.47 (2.04)	2.16 (1.78)
South Asia	0.74 (0.64)	0.92 (0.84)	0.67 (0.57)	0.61 (0.54)	0.83 (0.76)	0.63 (0.54)
Wald test ITs				3.32	1.85	3.83
$Prob \geq \chi^2$				0.07*	0.17	0.05**
Negotiation onsets	71	71	71	71	71	71
Observations	4,458	4,143	4,462	4,458	4,143	4,462

Robust standard errors in parentheses

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

Table A18: Founding vs. Subsequent Leader Change.

## A7 Rolling Regression

Summary statistics for the rolling regression are provided in Table A19. The idea of the rolling regression is described in the main text. To identify structural breaks, we need explicit and rigorous *ex ante* criteria. First, our technical indicators for a structural break at time  $t$  are the mean squared error  $MSE$  and model fit  $R^2$ , as they best capture the idea that the last year in the 11-year sample is different from the first ten years. Thus, we require that at least one of these tests indicates the presence of a structural break. Technically, we first estimate the  $MSE$  and the  $R^2$  for the entire sample of consecutive predictions and then compare whether the observation of interest at time  $t$  has such a high  $MSE$  or low  $R^2$  that it is statistically distinguishable from the sample statistics at the conventional  $p = 0.05$  level. Second, we obviously require that the structural break is an upward jump, as a downward jump would indicate reform reversal. Thus, every time we identify a structural break, we verify graphically that it consists of a significant increase in the value of the reform indicator. Third, if the rolling regression indicates multiple consecutive structural breaks, we only use the first one, as a reform effort may continue for multiple years. Thus, we avoid the possibility that we incorrectly associate PTA negotiations or signature with reform efforts that began already prior to the beginning of the negotiations.

As a robustness check, we estimate a differences-in-differences model. We interact our trend variable year with a treatment variable that scores one from the beginning of the negotiation ongoing. In doing so, we can show that the pre-treatment period, i.e. the trend *before* negotiating a PTA, and the post-treatment period, the trend *after* negotiating a PTA, differ significantly one from the other. Put simply, we expect the slope of the post-treatment period being statistically significantly higher than the slope of the pre-treatment period. This *difference* is the impact of a PTA upon reform.

How can we compare countries that engage in PTA negotiations with others? In the section on “Matching on PTA Negotiations” above, we introduce a matching method that we used to ensure that the non-negotiating countries are as similar as possible in view of the key covariates, such as regime type and GDP per capita. After excluding non-comparable countries using this matching method, we examined structural breaks in the data for the three reform indicators as follows. First, given that the average time period from the onset of negotiations to signature is approximately two years, and we also include the five years following signature, we randomly selected a 7-year period between 1990 and 2005 for all these countries. We

<b>Developing Country</b>	<b>IPR</b>	<b>Financial</b>	<b>Privatization</b>	<b>Investment</b>	<b>Notes</b>
Albania	1990-2007		1988-2007	1984-2009	
Algeria	1970-2007	1970-2007	1988-2007	1984-2009	
Bahrain	1970-2007	1970-2007	1988-2007	1984-2009	
Bosnia	1970-2007		1988-2007		
Bulgaria				1984-2009	
CAFTA-DR	1980-2007	1970-2007	1988-2007	1984-2009	
Chile	1970-2007	1970-2007	1988-2007	1984-2009	
Colombia	1970-2007	1970-2007	1988-2007	1984-2009	
Croatia	1970-2007		1988-2007		
Czech Rep.	1970-2003				
Egypt	1990-2007	1970-2007	1988-2007	1984-2009	
Hungary	1970-2003			1984-2009	
Jordan	1990-2007	1970-2007	1988-2007	1984-2009	
Korea	1970-2007	1970-2007		1984-2009	EU PTA omitted
Lebanon	1990-2003	1970-2007	1988-2007	1984-2009	
Macedonia			1988-2007		
Mexico	1970-2007	1970-2007		1984-2009	
Morocco	1970-2007	1970-2007	1988-2007	1984-2009	
Oman	1990-2007	1970-2007	1988-2007	1984-2009	
Panama	1980-2007	1970-2007	1988-2007	1984-2009	
Peru	1990-2007	1970-2007	1988-2007	1984-2009	
Poland	1970-2003			1984-2009	
Romania				1984-2009	
Singapore	1970-2007	1970-2007	1988-2007	1984-2009	
Slovakia	1970-2003				
Slovenia	1970-2003	1996-2003	1988-2007		
Syria	1990-2007	1970-2007	1988-2007	1984-2009	
South Africa	1970-2007	1970-2007	1988-2007	1984-2009	
Tunisia		1970-2007	1988-2007	1984-2009	
Turkey	1980-2007	1970-2007	1988-2007	1984-2009	
United Arab Emirates	1990-2007			1984-2009	EU PTA omitted
Vietnam	1970-2007	1970-2007	1990-2007	1984-2009	

#### **Ongoing negotiations**

Bolivia  
 Central America  
 Ecuador  
 India  
 Kuwait  
 Malaysia  
 MERCOSUR  
 SACU  
 Thailand  
 Ukraine

#### **No data**

Estonia  
 Latvia  
 Lithuania

Table A19: Descriptive statistics for the rolling regression.

exclude the years 2006 and 2007 because the probability of a structural break at the very end of the time series is very low, and thus would bias the results in favor of not finding a structural break (as our theory would indicate). We then conducted the rolling regression and identified structural breaks.

To give an idea of the uncertainty around the estimation of each break, we have also reported the sequence of coefficient estimates with standard error bands for our main regressor, which is the time trend. High coefficient estimates indicate a large increase in our outcome variables capturing reforms. If the standard error bounds do not cross the zero, it means that such a large increase is statistically significant at the conventional level. The results were the following:

- 5/38 countries showed a structural break in the IPR data;
- 11/35 countries showed a structural break in the privatization data;
- 1/23 countries showed a structural break in the capital account liberalization data;
- 9/27 countries showed a structural break in the investment profile data;

In total, only 20/42 countries showed a structural break in at least one of these indicators. By contrast, 30/40 countries engaged in PTA negotiations showed a structural break. Clearly, structural breaks were much less frequent among non-negotiating countries for the randomly chosen 7-year time frame than for countries that were engaged in negotiations or had recently signed.

We verify the robustness of our results and the stability of the rolling model by using 15-year and 20-year estimation samples instead of the 10-year one. We also record whether a developing country has acceded to the WTO, as these two events function as obvious alternative actions that may be associated with economic reform. Similarly, we examined the overlap between IMF programs and structural breaks. We also conducted a differences-in-differences estimation, as described in the main text, finding that the structural breaks identified by the rolling regression were also identified using the differences-in-differences estimation.

Next, we offer several illustrations of the rolling analysis. First, consider IPR legislation in Figure A15. The rolling regression shows a structural break, as the  $R^2$  falls clearly below the threshold to a local minimum and the  $MSE$  raises above it by the year 2000 (horizontal lines). The estimates of the time coefficient tells a similar story. Estimates increase in 2000 and such an increase is statistically significant

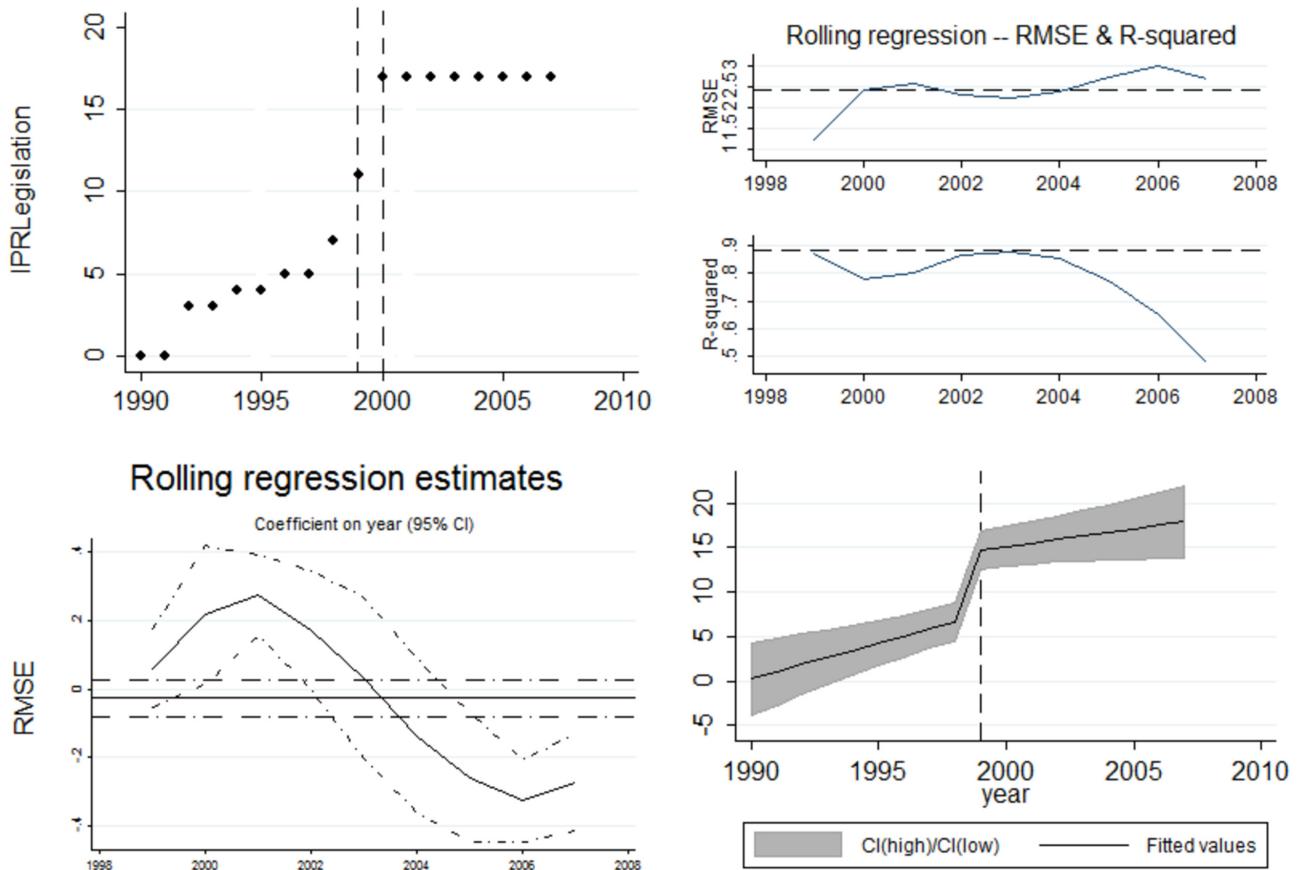


Figure A15: A rolling analysis of IPR legislation in Jordan. The actual time series is shown in the top-left corner, while the results from rolling regression is shown in the top-right corner. The uncertainty around the estimate is illustrated in the bottom-left corner, and the differences-in-differences estimation is shown in the lower right corner.

at 95 percent level in 2001, one year later the signature of Jordan-US PTA (year of ratification). The figure also shows the differences-in-differences estimation as a robustness check.

Second, consider capital account liberalization in Figure A16. Again, to locate the break is graphically straightforward. Additionally, the *MSE* of the rolling regression reaches the critical level by the year 2002. Strikingly, the estimates of the time coefficient shows an increase since 2000 and such an increase becomes statistically significant at the conventional level since 2003, year of the signature of the Chile-US PTA. However, on balance, the evidence for capital account liberalization is weaker than for IPR legislation or privatization revenue, as discussed in the main text.

Third, consider privatization in Figure A17. The figure shows major privatization efforts both during

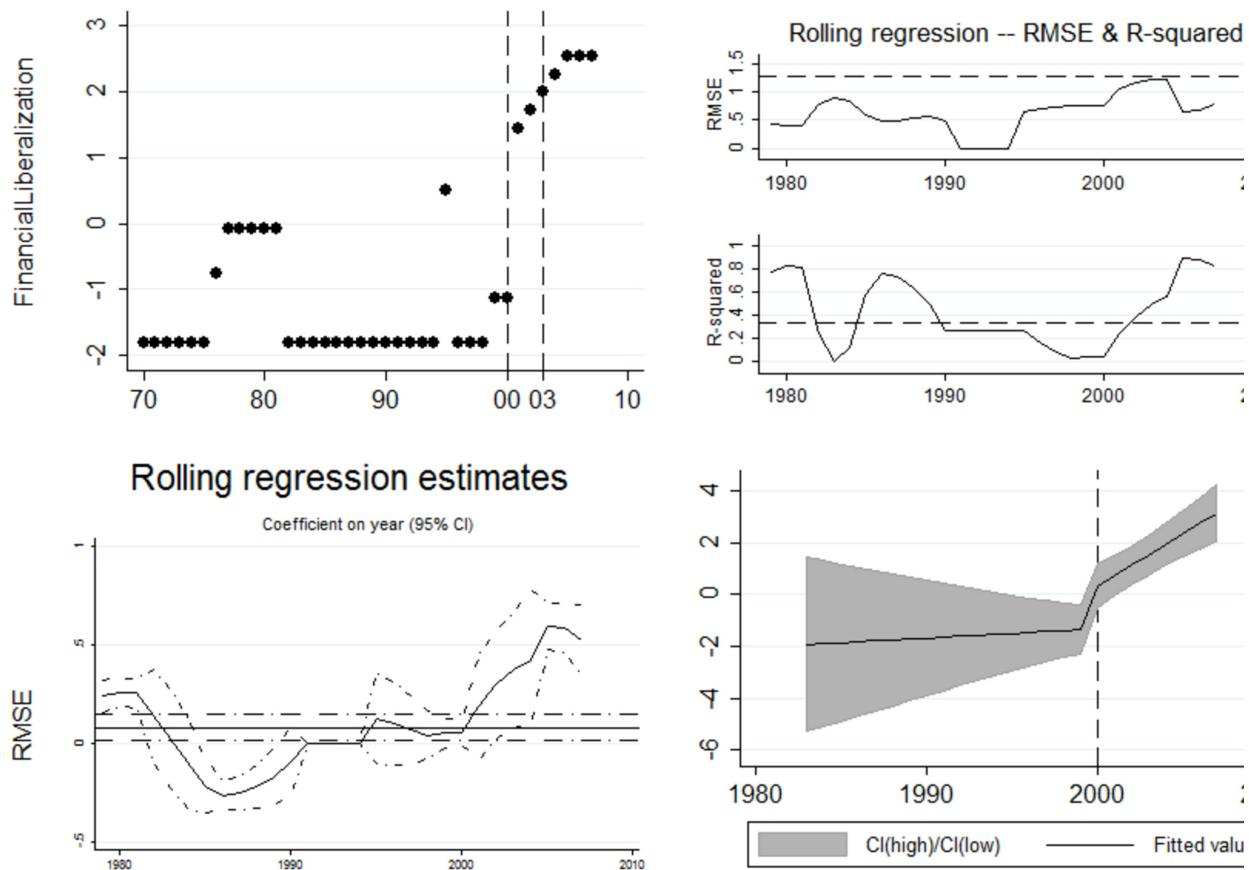


Figure A16: A rolling analysis of capital account liberalization in Chile.

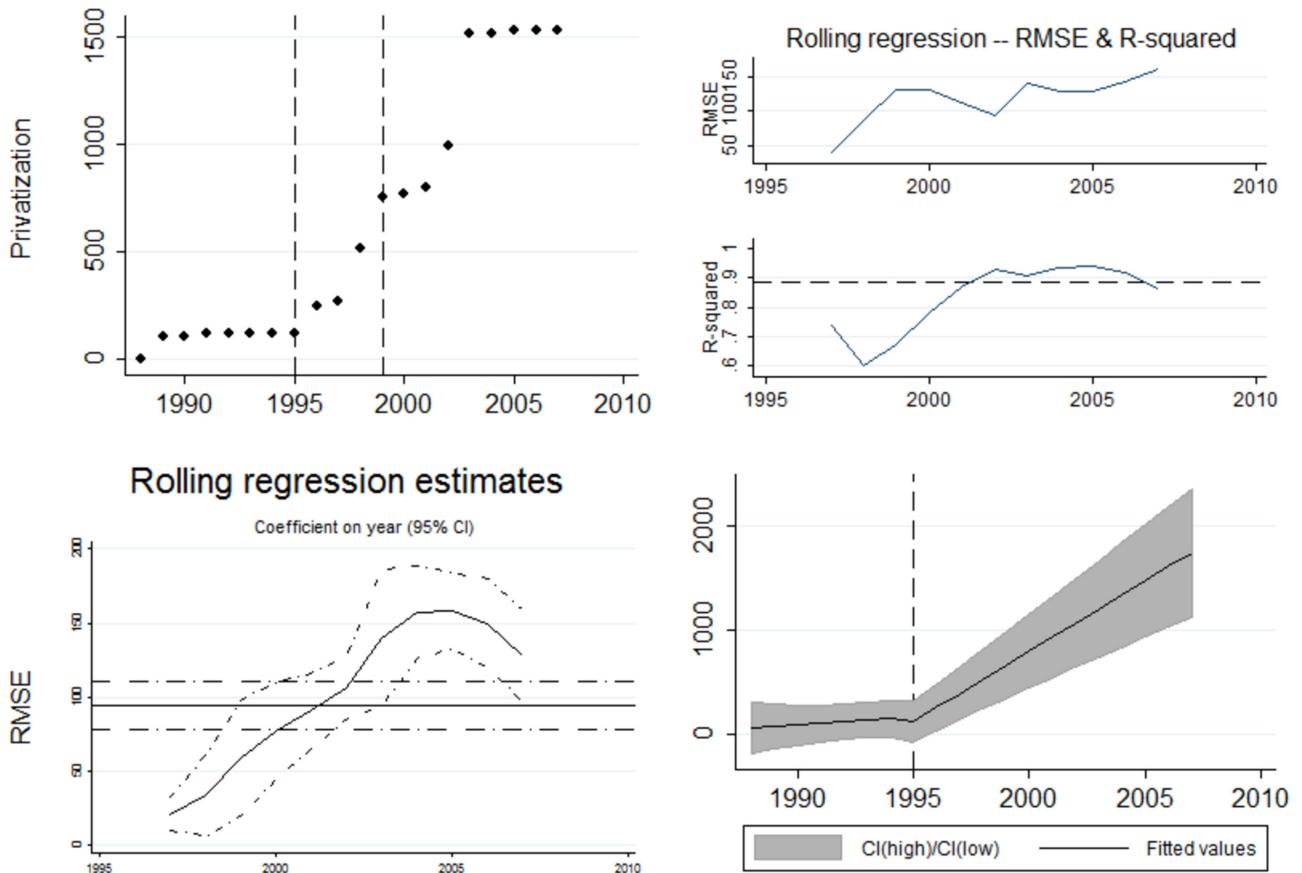


Figure A17: A rolling analysis of privatization in South Africa.

negotiations and soon after the signature. Estimates of the time coefficient shows a similar pattern.

Finally, consider the investment profile of South Africa in Figure A18.

## A8 Structural Breaks

In this section, we characterize every upward structural break that we found in the data. For each dyad, we give the negotiation and signature years in parentheses. In addition to leader change, with and without democratization (based on the Cheibub, Gandhi, and Vreeland (2010) criterion) we also report WTO accessions and IMF programs during negotiations or within five years from signature. The values of democratization and leader change can be found in Table 2 of the article. If we were unable to conduct the rolling analysis due to data limitations, we report is as “data missing.” We also indicate the PTAs that were excluded because the negotiations began in 2006 or 2007. Similarly, we note cases of suspended negotiations.

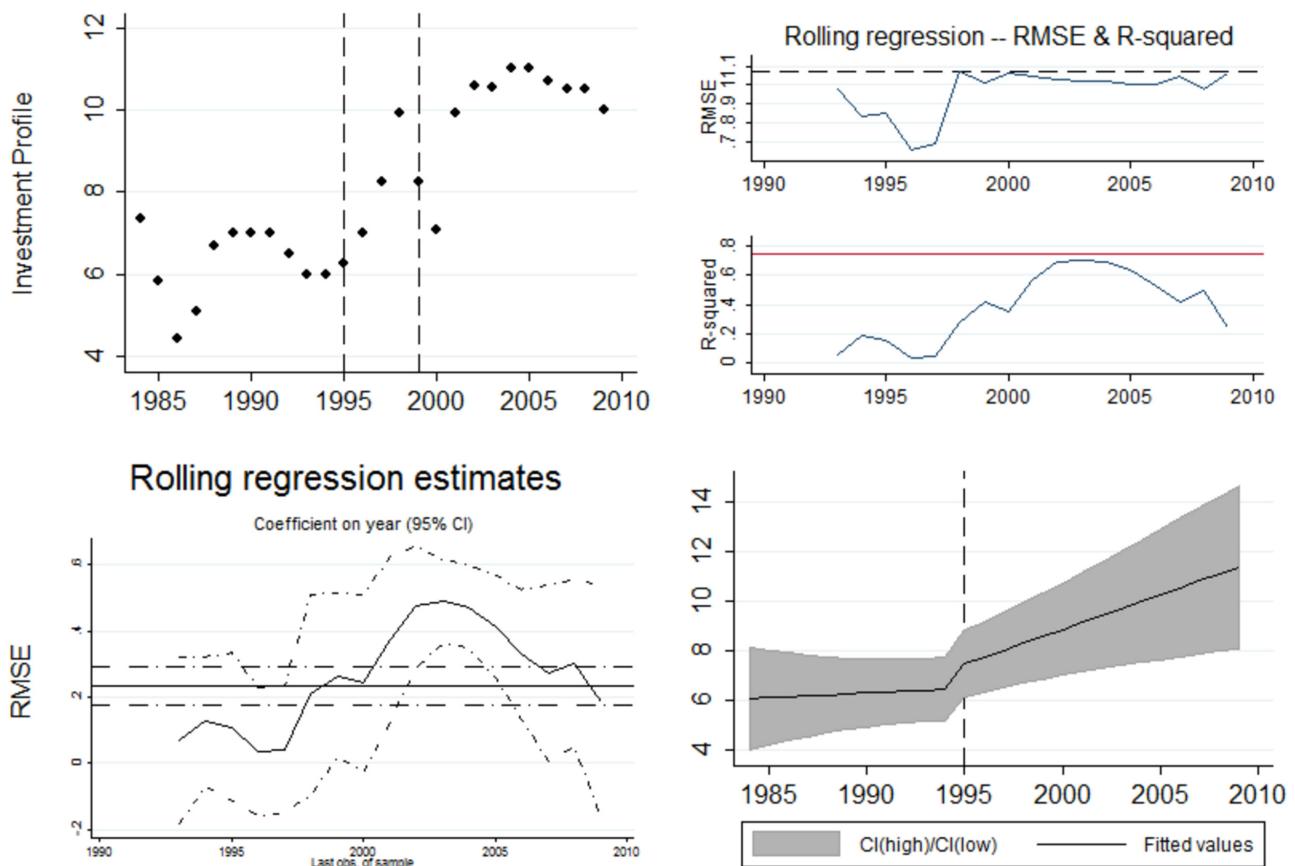


Figure A18: A rolling analysis of investment profile in South Africa.

## A8.1 Summary of Data and Results

1. EU-Albania (2002, 2006): No structural break (data missing for KAO).
  - Leader change without democratization, IMF program.
2. EU-Algeria (1996, 2001): Structural breaks in IPR (signature), privatization (negotiation), and investment profile (negotiation).
3. EU-Bosnia (2005, 2008): Structural break in privatization (negotiation). Data missing for investment profile.
  - Leader change without democratization, WTO accession, missing data on IMF.
4. EU-Bulgaria (1992, 1993): Structural break in investment profile (signature). Data missing for IPR, KAO, and privatization.
  - Leader change under democratization, IMF program.
5. EU-Chile (2000, 2002): Structural break in IPR (negotiation), KAO (negotiation), privatization (signature), and investment profile (negotiation).
  - Leader change without democratization.
6. EU-Croatia (2000, 2001): No structural break (data missing for KAO and investment profile).
  - Leader change without democratization, WTO accession and IMF program.
7. EU-Czech Republic (1990, 1992): No structural break (data missing for KAO, privatization, and investment profile).
  - IMF program.
8. EU-Egypt (1995, 2001): Structural break in IPR (signature), KAO (negotiation), and privatization (signature).
  - WTO accession and IMF program.
9. EU-Estonia (1994, 1995): Missing data on IPR, KAO, privatization, and investment profile.
  - IMF program.
10. EU-Hungary (1990, 1992): Structural break for investment profile (signature). Data missing for KAO and privatization.
  - Leader change without democratization, IMF program.
11. EU-Jordan (1995, 1997): Structural break in IPR (signature), KAO (negotiation), and privatization (signature).
  - IMF program.
12. EU-Latvia (1994, 1995): Missing data on IPR, KAO, privatization, and investment profile.
  - IMF program.

13. EU-Lebanon (1995, 2002): Structural break in IPR (negotiation), privatization (signature), and investment profile (negotiation).
14. EU-Lithuania (1994, 1995): Missing data on IPR, KAO, privatization, and investment profile.
  - IMF program.
15. EU-Macedonia (2000, 2001): Structural break in privatization (negotiation). Data missing for IPR.
  - IMF program.
16. EU-Mexico (2000, 2001): Structural break for investment profile (negotiation). Missing data for privatization.
  - IMF program.
17. EU-Morocco (1992, 1995): Structural break for investment profile (signature). Missing data for privatization.
  - IMF program.
18. EU-Poland (1990, 1992): Structural break in IPR (signature) and investment profile (signature). Mmissing data for KAO and privatization.
  - Leader change under democratization, IMF program.
19. EU-Romania (1992, 1993): Structural break in investment profile (signature). Missing data on IPR, KAO, and privatization.
  - Leader change under democratization, IMF program.
20. EU-Slovakia (1990, 1992): Structural break in IPR (negotiation). Mmissing data for KAO, privatization, and investment profile.
  - IMF program.
21. EU-Slovenia (1993, 1997): Structural break in IPR (signature) and privatization (negotiation). Missing data for KAO and investment profile.
  - WTO accession.
22. EU-South Africa (1995, 1999): Structural break in privatization (negotiation) and investment profile (negotiation).
  - IMF program.
23. EU-Syria (1997, 2004): Structural break in privatization (negotiation).
  - WTO accession.
24. EU-Tunisia (1994, 1995): Structural break in privatization (signature) (missing data for IPR).
  - WTO accession.

25. EU-Turkey (1994, 1995): Structural break in IPR (signature).
  - WTO accession and IMF program.
26. US-Bahrain (2004, 2004): No structural break.
27. US-Chile (2000, 2003): Structural break in IPR (negotiation) and privatization (negotiation).
  - Leader change without democratization, IMF program.
28. US-Colombia (2004, 2006): Structural break in KAO (negotiation) and privatization (negotiation).
  - IMF program.
29. US-Costa Rica (2002, 2004): Structural break in privatization (signature).
  - Leader change without democratization.
30. US-Dominican Republic (2002, 2004): No structural break.
  - IMF program.
31. US-El Salvador (2002, 2004): Structural break in IPR (signature) and privatization (negotiation).
32. US-Guatemala (2002, 2004): No structural break.
  - IMF program.
33. US-Honduras (2002, 2004): Structural break in privatization (signature).
  - Leader change without democratization, IMF program.
34. US-Jordan (2002, 2004): Structural break in IPR (negotiation) and privatization (negotiation).
  - WTO accession and IMF program.
35. US-Korea (2000, 2007): Structural break in IPR (negotiation) and KAO (negotiation).
36. US-Mexico (1990, 1992): No structural break.
  - IMF program.
37. US-Morocco (2003, 2004): Structural break in privatization (signature).
38. US-Nicaragua (2002, 2004): Structural break in IPR (signature).
  - Leader change without democratization, IMF program.
39. US-Oman (2005, 2006): Structural break in privatization (negotiation).
40. US-Panama (2004, 2007): No structural break (missing data for KAO).
41. US-Peru (2004, 2006): No structural break.

- IMF program.
42. US-Singapore (2000, 2002): No structural break.
  43. US-United Arab Emirates (2004, on): Structural break in IPR (negotiation) (missing data for KAO).
  44. US-Vietnam (1995, 2000): Structural break in IPR (negotiation) and privatization (signature).
    - Leader change without democratization, IMF program.

## A8.2 Ongoing Negotiations

1. EU-Central America (2007)
2. EU-GCC (2002)
3. EU-MERCOSUR (1999)
4. EU-India (2007)
5. EU-Ukraine (2007)
6. US-Bolivia (2004)
7. US-Ecuador (2004)
8. US-Malaysia (2006)
9. US-SACU (2003)
10. US-Thailand (2004)

## A9 Differences-in-Differences

The previous section has demonstrated that structural breaks in our reform indicators are more frequent during years of PTA negotiations or following signature. The difference in the frequency of structural breaks is statistically significant at the conventional level. While the previous analysis performs a test on each country individually, this section will implement a differences-in-differences analysis on all our matched cases. We exclude observations that are unmatched, so as to mitigate bias from nonlinear and heterogeneous PTA effects, as explained in the matching section.

Our dependent variables are the four reform indicators. The main independent variables are two dummies and their interaction. Specifically, we use a treatment variable that scores one for countries that negotiate a PTA at some point in time and zero otherwise. For instance, Chile is in our treatment group since it started negotiating a PTA with the EU and the US in 2000. Conversely, Angola is not in our treatment group since it negotiated no PTA between 1990 and 2007. Moreover, we include a dummy, referred to as the period variable, that score one from the year in which a country starts negotiating a PTA with the EU or the US and zero in the previous years. The analysis is also replicated so that the period variable scores one only upon signature. For instance, for Chile the period variable scores zero between 1990 and 1999 and scores one since 2000. Finally, we interact these two dummies to obtain (i) a dummy that scores one if a country is treated and the period variable is zero; (ii) a dummy that scores one if a country is treated and the period variable is one. We label the former variable PRE and the former variable POST.

We also include few control variables that are likely to affect the probability of reforming. Specifically, we include GDP, GDPpc, Regime, and membership in the WTO. These variables have been already discussed in previous analyses. Moreover, we include year fixed effects to account for general temporal trends. Finally, since we are interested in estimating the effects of PTAs on reform, we use the country-year as unit of analysis, rather than the dyad-year. This is a conservative choice. In doing so, we avoid duplicating observations in the control group, since countries that do not sign a PTA would appear twice in a dyadic setting, e.g. EU-Angola-1990 and US-Angola-1990 and so on. In any case, it turns out that our results are very similar if we use dyad-years.

IPRs is estimated with a negative binomial because the dependent variable is an overdispersed count variable, whereas the other reform indicators are estimated with OLS. Results are reported in Table A20

below. The POST coefficient is always statistically significantly larger than the PRE coefficient except for Capital Openness. This is true both if we look at the post-negotiation period and at the post-signature period. These findings square with those from the rolling regression and further validate our effort to link the presence of a PTA with the EU and the US with the probability of implementing reform.

	IPRs	Privatization	Kaopen	Investment	IPRs	Privatization	Kaopen	Investment
	Negotiation				Signature			
Pre	0.38*** (0.08)	0.10 (0.15)	0.03 (0.09)	0.44*** (0.13)	0.34*** (0.07)	0.09 (0.15)	-0.01 (0.08)	0.50*** (0.13)
Post	0.56*** (0.07)	0.93*** (0.16)	-0.08 (0.01)	0.93*** (0.14)	0.69*** (0.08)	1.21*** (0.15)	-0.04 (0.11)	0.99*** (0.14)
PRE ≠ POST	7.44***	33.9***	1.36	17.5***	33.4***	75.9***	0.10	19.6***
Controls	yes	yes	yes	yes	yes	yes	yes	yes
Year FE	yes	yes	yes	yes	yes	yes	yes	yes
R <sup>2</sup>		0.67	0.34	0.50		0.68	0.34	0.50
Observations	1868	1651	1673	1444	1868	1651	1673	1444

95 percent confidence interval in parentheses

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

Table A20: Differences-in-differences. IPRs is estimated with a negative binomial, whereas the other reform indicators are estimated with OLS. We report robust standard errors. The model includes GDP, GDPpc, Regime, and th WTO. PRE ≠ POST shows the Wald test, i.e.  $Prob > \chi^2$ . The null hypothesis is that PRE and POST are *not* statistically different from one another.

## **Supplementary Appendix: References**

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