My first-year paper is interested in the political motivations of leaders in developing countries to negotiate a particular type of international treaty with developed countries, the South-North preferential trade agreement. Under what conditions will leaders be motivated to do so? I hope this study can shed some new lights on exploring how leaders can use trade agreement as a political instrument to consolidate their power at home.

In 1994, South Africa took an opportunity to negotiate a preferential trade agreement with its most important economic partner in history, the European Union (EU). The same year also featured a prominent leadership change: the victory of Nelson Mandela and African National Congress from the first universal suffrage elections ended decades of Apartheid regime. However, the new transitioning democratic regime was measured as one of the most extremely unstable and insecure ones immediately when Mandela started his tenure. Mandela’s government wanted to conduct substantial privatization and further economic reforms to restore the collapsing economies due to decades of isolations. However, this new government’s initiatives were challenged by the other influential domestic political players that strongly opposed privatization and foreign investment. Mandela immediately approached the EU to start the process of Preferential Trade Agreement negotiation. After five years of negotiations, the preferential trade agreement with the EU put in force in 2000 helped South Africa to undergo its transitioning economies smoothly. The government was fully prepared to adjust its trade policy by moving away from import substitution industrialization towards a competitive trade liberalization. Finally, the reforms have successfully rebuilt the confidence of the foreign investors not only from the EU but also from other countries.

South Africa’s experience is a successful case for developing countries to pursue its reform-oriented trade strategy in the negotiation of PTAs with the major trade powers. Economic reforms usually provoke controversy and organized opposition domestically, so often times the ability of leaders to implement such liberal economic reforms is limited (Baccini & Urpelainen, 2014). A credible and binding international trade agreement with the leading economies has the potential to help facilitate this process. PTAs provide member governments with a mandate to make policy changes, while they supply material benefits and mechanisms to reward and punish members’ behaviours.

My research question is: Recognizing the preferential trade agreement with provisions of economic reforms is a binding and costly commitment, some leaders in the developing countries chose to negotiate it with the major trade powers, while some did not. Why and when will leaders in the developing countries negotiate South-North preferential trade agreements with provisions of economic reforms?

This paper is interested in explaining what motivates a leader from the developing countries to negotiate this particular deep and demanding international treaty. One reason is the popularity of this type of preferential trade agreement. The bilateral preferential trade agreement is a rapidly growing international institution that governs economic markets of the member states. Leaders are more interested in building bilateral trade agreements because it is easier to realize both parties' initiatives to achieve agreements when the participants are limited during the negotiations. South-North and South-South agreements from the 1990s onward comprise two-thirds of the total PTAs in force (World Trade Organization, 2011). Interestingly, PTA tend to have deeper and deeper integration, a trend especially prominent in the South-North PTA. They tend to go beyond tariff reductions but include provisions on regulatory policy areas such as foreign investment, intellectual property rights and human rights issues. This paper focuses on the PTA with the provisions on competition policy as a stringent requirement imposed on contracting countries to ensure the institutional economic reforms. The provision includes but is not limited to the privatization of the state-owned firms and regulation on monopolies and cartels. In other words, these PTAs are designed to change the domestic economic structures and reset the rules of the game for the contracting states who have not met the standards yet. This specific type of South-North PTAs this paper focuses on is one of the most costly and deepest ones because it requires the states to change their policies, conduct structural economic reforms and open its domestic markets for competition.

This paper also intends to focus only on the leaders from the South and their rationales of initiating a negotiation with the North. I assume the leaders from the developing countries are fully aware of the costs of complying with these international agreements, yet they still choose to do so. The power imbalances between the contracting parties is particularly stark in the arena of South-North PTAs negotiations, reflecting the different potential costs for them. When leaders in the developing countries negotiate with the major liberal powers, the leaders in the developing countries may bargain specific provisions but have little room to change the whole package (Baccini & Urpelainen, 2014). The main feature of the PTAs with the leading liberal economies, for instance, E.U., U.S., Japan, Australia, include a wide range of reform provisions in their agreement packages. Most of these deep PTAs generally require structural economic reforms in the partner countries. In contrast, when developing countries negotiate a PTA with an emerging trade power, China or India, they will not anticipate this type of power partner to demand such liberalizing reforms to a large extent. Both the leaders in the South and North voluntarily participate in the negotiation. However, I anticipate developing countries make larger concession to play the rules of the game mainly set by the major players. In other words, when they approach these major powers to negotiate a PTA, they more or less anticipate they have chosen the deepest PTAs by design. To understand the puzzle, why and when a leader in the developing country will opt in such a costly treaty, motivates this paper.

**Context and Rationale**

Preferential trade agreements (hereafter PTAs) are binding international treaties that help states to foster trade and economic integration among member-states. Current literature on the PTA mainly focuses on the effects of this institution. Scholars examine to what extent the PTAs have achieved their desired economic purposes: lowering tariffs, facilitating trade and increasing the welfare of the states in the long term. In parallel with studying the effects of the PTAs, emerging political economy literature has offered explanations for why states form the PTAs. Notice that the motivations of the leaders in the developing countries to opt into such costly trade treaties are currently understudied. Yet, to understand when and why a leader of developing countries commits to such treaty is important because economic reforms will have immense consequences for the citizens of that country and beyond.

This article is in line with the argument proposed by Mansfield and Milner (2012): “governments sign PTAs for domestic political reasons” (p. 23). They argue democratic countries are more likely to join a PTA than nondemocratic countries because these governments can send a positive signal of their commitment of liberal trade policies to the median voters (Mansfield & Milner, 2012; Mansfield, Milner, & Rosendorff, 2002). Grossman and Helpman (1995) also focus on the interest groups who benefit from the expanding market promised by the PTAs. The pro-free trade beneficiary groups lobby the incumbent governments to sign such agreement to serve their political objectives. On the other hand, trade policy affects groups in society differently. Some private sectors benefit from the protectionist policy. Over time, they will expand too much, create rents and inefficiencies to distort the economy. Governments make international commitments in the free trade international agreements to tie their hands to avoid making an excessive concession to those sectors in the expectation of protection and subsidies in the future (Staiger & Tabellini, 1999). All of these theoretical frameworks capture the interaction between a government and its domestic audience: median voters, interest groups or private sectors. Leaders generally use the international trade agreements to signal the domestic audience of their welfare-enhancing economic policy for the purpose of retaining office.

To advance the literature on understanding PTA formation, this paper focuses on the strategic behaviours of leaders to negotiate such deep PTAs to consolidate their power vis-à-vis the opposition. In this story, opposition matters. The focus here has shifted to understand PTA negotiation because there might be leadership change between years of treaty negotiation and signatory. I argue PTA negotiation is a deliberate choice that a leader makes to commit to the binding and stringent policy changes in the treaty package.