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The Trans-Pacific Partnership Agreement and the Changing Face of Free Trade Agreements: The Resultant Social, Political, and Economic Consequences

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Walden University

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Abstract

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by

Joseph Randolph Heyliger

MA, Brooklyn College, CUNY, 2011

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LL.B, University of the West Indies, 1989

Dissertation Submitted in Partial Fulfillment

of the Requirements for the Degree of

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Public Policy and Administration

Walden University

June 2018

Abstract

Little is known about the impact of nontrade issues on developing countries entering trade agreements. The Trans-Pacific Partnership Agreement (TPPA) represents an attempt to set high-standard trade rules for participating countries in the Asian-Pacific region that require the inclusion of wide-ranging nontrade issues in the TPPA. This general qualitative study explored the economic, social, and political consequences for developing countries by including nontrade issues in Free Trade Agreements (FTAs). The overarching research question addressed whether nontrade issues in FTAs detract developing countries from achieving their trade goals. This study was guided by the theory of comparative advantage propounded by Ricardo and the focus on trade in goods and services. This general qualitative study used multiple sources of data collection including documentation-primary and secondary online and digital archival data, bibliographies, textbooks, and scholarly trade journals; researcher's notes; and interviews of 15 participants (13 economists and 2 trade unionists). All data were coded using open, selective, and axial coding followed by Braun and Clarke's thematic analysis procedure. Data analysis revealed 4 themes that crystallized the findings within the context of the research; the role, ramifications of nontrade issues, trade barriers, and the distraction of developing countries from achieving their goals-tariff reductions, market access, jobs, and economic growth. The key finding of this study was the interest of participants in wages, health, and safety of workers in FTAs. The implications for positive social change include recommendations for welfare enhancement gained by trade policymakers' understanding of the consequences of nontrade issues in FTAs.

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Dedication

To my dear wife Paula Haywood, who captained the family ship through turbulent seas while I was confined to the role of a mere passenger. With grit, determination, tremendous sacrifice, and skill, she guided the family ship safely to our destination; ably supported by a competent crew manned by my loving daughter and son Tushana and Randall, my mother Eileen, brother Terrence, sister Lavern, and grandchildren: Jotham, Atalia, Yannis and Shaya.

Success is not measured by the heights one attains but
by the obstacles one overcomes in its attainment.

Booker T. Washington

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I am thankful to Walden University for giving me the opportunity to pursue a Ph.D in Public Policy and Administration so that I can bring about positive social change within the community. I owe a depth of gratitude to the hard-working faculty members and the support staff at Walden University. Without the faculty advisors, library staff, research center, writing center, academic advising, student support, and other support groups I tormented, I would not have been able to successfully complete the dissertation. They are a remarkable group of people.

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Table of Contents

List of Figures.....	vi
Chapter 1: Introduction to the Study.....	1
Background of the Study	1
Problem Statement.....	3
Purpose and Significance of Study	6
Theoretical/Conceptual Framework.....	7
Research Question	11
Nature of the Study.....	12
Operational Definitions.....	13
Assumptions.....	14
Limitations	15
Delimitations.....	16
Expected Social Change	17
Summary and Transition.....	18
Chapter 2: Literature Review.....	21
Introduction.....	21
International Trade Theory	23
Viner’s Model	25
Extensions to Viner’s Model	27
General Equilibrium Models.....	28
Meade–Lipsey and Wonnacott–Wonnacott Models.....	28

Lloyd–Maclaren Model	31
Method of the New Trade Theory	32
GATT/WTO.....	34
Foundations of FTAs/FCNs/BITS	37
Bilateral Investment Treaties (BITs)	41
Free Trade Agreements (FTAs).....	41
The Role of Developing Countries in International Trade	46
Summary	53
Chapter 3: Research Method.....	54
Research Design.....	54
Research Question	55
Justification of Design	55
Methodology.....	56
Role of the Researcher	58
Data Collection	59
Data Analysis	62
Subjects, Participants, Population, and Sample	72
Ethical Considerations	75
Summary.....	78
Chapter 4: Results.....	79
Research Question	79
Context of the Study	79

Recruitment and Selection of Participants	80
Researcher Approach to Interview Process	81
Methodology: Coding and Analysis	82
Data Analysis	83
Question 1: Do you think nontrade issues should be included in FTAs?	84
Question 2: What do you think will be the ramifications of including nontrade issues in FTAs?	90
Question 3: What impact do you think nontrade issues will have on developing countries?	97
Question 4: What impact do you think nontrade issues will have on the world trading system in general and the WTO in particular?	105
Question 5: Why do you think the U.S. is increasing its use of nontrade issue in FTAs?	111
Question 6: Describe how you will defend or oppose the notion expressed by some U.S. trade partners that nontrade issues present new barriers to international trade?	117
Question 7: How could the current focus on ontrade issues detract developing countries from the goals they expect to achieve through international trade?	123
Research Findings	145
Summary and Transition	147
Chapter 5: Discussion, Conclusions, and Recommendations	149

Interpretation of Findings and Discussion	150
Findings 1.....	150
Findings 2.....	152
Findings 3.....	156
Findings 4.....	157
Theoretical Framework and Development of Trade Policy.....	159
Study Limitations.....	162
Recommendations.....	163
Recommendation 1	164
Recommendation 2	164
Recommendation 3	164
Recommendation 4	165
Recommendation 5	165
Recommendation 6	165
Recommendation 7	166
Recommendations for Further Research.....	166
Applications to Professional Practice	167
Implications for Positive Social Change.....	171
Reflection on the Researcher’s Experience	173
Conclusion	175
References.....	179
Appendix A: Interview Protocol.....	194

Appendix B: Invitation Letter to Participate in a Qualitative Research Study196

Appendix C: Coding Sheet----- 198

List of Figures

Figure 1. Viner's Model of Free Trade Agreement.	27
Figure 2. Meade-Lipsey model of a free trade agreement.	29
Figure 3. Wonnacott-Wonnacott model of free trade agreement with tariffs or transport costs on exports to the world.	31
Figure 4. Triangulation by method.	65
Figure 5. Braun & Clarke (2006) step-by-step analysis guidelines.	65
Figure 6. Articles/Sources from which data were collected	73

Chapter 1: Introduction to the Study

Background of the Study

In recent years, economists, politicians, policymakers, and social scientists have intensified the debate about the importance and content of free trade agreements (FTAs). Free trade is a system in which goods, capital, and labor flow freely between nations without barriers to impede the trade process (Brown & Stern, 2011). FTAs are arrangements among two or more countries under which they agree to liberalize trade by reducing or removing trade barriers, and increasing market access in goods and services among themselves (Cooper, 2014).

However, as much as free trade seemed to be a beneficial concept, it has become the lightning rod for criticism. Its detractors blame free trade for the loss of manufacturing jobs in the U.S., while others blame free trade for exposing some U.S. producers to foreign competition. Proponents of free trade argued that it has been one of the most important determinants of America's wealth and strength (Eiras, 2004; Friedman, 2005). Eiras (2004) asserted that free trade allows American workers to specialize in goods and services that they produce more efficiently than others, and then to exchange them for goods and services that other countries produce at a higher quality and lower cost (consistent with the Ricardian theory of comparative advantage).

Specialization makes U.S. more competitive and innovate which provide new technologies and a host of benefits, including increase in production, economic growth, cure for more diseases, improve education, better-paying jobs, and higher standards of living (Eiras, 2004). Proponents of free trade cited the need for more FTAs and urged the

U.S. Administration to lead negotiations in the World Trade Organization (WTO) to eliminate agricultural subsidies, antidumping measures, and other protectionist policies that benefit a few at the expense of many (Eiras, 2004).

Lawrence (1999) asserted that FTAs, not only enhance trade, but they also have dynamic welfare enhancing characteristics such as more economic integration than the elimination of tariffs; reduction in barriers to services trade, foreign investment, and other economic activities not covered by the GATT/WTO, as was the case with NAFTA.

Hudgins (1996) argued that while it may be preferable to liberalize trade multilaterally, countries should seize the opportunity to negotiate bilateral and regional FTAs, even if they lead to some trade diversion. Hudgins posited that FTAs can be more efficient vehicles for addressing difficult trade barriers than the WTO since compromise and consensus are easier to achieve with smaller groups rather than larger ones. This will provide momentum for WTO members to forge ahead with new trade rounds.

Opponents of free trade argued that it is responsible for most of the economic woes of the country, including job losses, a sagging manufacturing sector, increase in inequality and poverty (Stiglitz, 2012). Bhagwati (2000) and Krueger (2013) opposed FTAs by asserting that FTAs undermine the development of the multilateral trading system and act as a stumbling block to global trade liberalization. Bhagwati concluded that FTAs are discriminatory and therefore trade diverting.

Another group that includes labor unions, social actions groups, and environmentalists, opposes FTAs and trade liberalization. This group argued that trade liberalization unfairly affects workers by exporting jobs to countries with lower wages

and allowing companies to relocate to countries with less strict environmental laws and regulations (Cooper, 2014).

Despite all the negativities, bilateral and regional FTAs have flourished over the past decade, so much so that there has been the emergence of a new trend whereby more and more nontrade issues are included in FTAs. For example, under the proposed TPP, out of 30 chapters, only 6 chapters dealt with trade issues (Schott, Kotschwar, & Muir, 2013). This led many policymakers to question whether it was still appropriate to call such agreements trade agreements or some other appellation. The inclusion of nontrade issues in FTAs has not only changed their scope and purpose, but also changed the face of FTAs (Brown & Stern, 2011).

This topic has been the subject of concern and debate by economists, politicians, and policymakers in recent times. No researcher has addressed what has driven negotiators to include nontrade issues in FTAs, what has been the impact on developing countries that did not want nontrade issues to be included in FTAs, and what was the impact on the global free trade system. I addressed these questions and provide answers.

Problem Statement

A gap exists in the literature depicting the political and social impact of including nontrade issues in FTAs. The problem hinges on the content of FTAs which developing countries enter with developed countries without the benefit of an impact study on nontrade issues. The result is developing countries often agree to provisions within the FTAs not beneficial to their trade interests (Khor, 2007).

For the past 2 decades, the WTO has witnessed a rapid increase in the number of FTAs. In fact, as of June 2014, some 585 notifications of regional trade agreements (RTAs) were received by the GATT/WTO, of which 379 were in force (wto.org, 2014). While many economists differ as to what contributed to this phenomenon, they tend to support the notion countries are attracted to the enormous benefits from FTAs (Sohn & Lee, 2006). According to Brown and Stern (2011), economists are concerned about the changing face of FTAs as it relates to the current focus on the inclusion of nontrade issues in FTAs and their implications.

FTAs are considered by many governments and economists to be critical to the economic health of a country (Sohn & Lee, 2006). Many countries embraced the view that economic growth and development can be achieved by reducing or eliminating trade barriers, such as tariffs, quotas, and nontariff barriers between member countries (Brown & Stern, 2011). Coughlin (2002) argued that several studies show countries with open trade policies tend to grow faster than countries with restrictive or protective policies. Alston, Kearn, and Vaughan (1992) conducted a survey of economists employed in the United States that revealed 90% of the economists agreed with the proposition that tariffs and import quotas usually reduce general economic welfare.

However, Bhagwati (2000) and Krueger (2013) opposed FTAs by asserting they undermine the development of the multilateral trading system and act as a stumbling block to global trade liberalization. Bhagwati asserted FTAs are discriminatory and create trade diversions that have social, economic, and political implications especially for developing countries. Hur and Park (2009) conducted a study on economic growth in

FTAs. The results indicated an insignificant effect of FTA on total economic growth of the FTA.

Developing countries participate in FTAs to strengthen their political and economic influence in the international arena. Sometimes, they enter into FTAs reluctantly, and from fear of being left behind, they make concessions imprudent in the long-term (Trakman, 2008).

The U.S. contributed in a large measure to the explosion of FTAs by seeking after new goals and redefining its national interest. The U.S interest in market access has moved beyond the elimination or reduction of barriers to trade at the border to include access to service industries, such as telecommunications and finance as well as access for investment capital in general. Securing access to specific markets of interest was easier to realize through the negotiation of FTAs (Schott, Kotschwar, & Muir, 2013).

The changing landscape of FTAs moved from a focus on trade in goods only, as provided for under the rules of GATT, 1947; then there was a concentration on trade in goods and services under WTO 1994; then the focus shifted to the inclusion of nontrade issues some of which were not negotiated by the WTO.

Nontrade issues include, intellectual property rights (IPR), government procurement, labor standards, investment, environmental safeguards, competition policy and the treatment of state-owned enterprises (Schott et al., 2013). According to Stiglitz (2012) and Khatoon (2013), developing countries are placed at a disadvantage by the inclusion of nontrade issues in FTAs. This will allow multinational corporations to

dominate international trade; widening the gap between the haves and the have-nots. It will undermine the world trade system and frustrate the aims and objectives of the WTO.

Upon completion of this study, trade negotiators and policymakers of developing countries will have a better understanding of the risks and benefits of nontrade issues in FTAs. They will be better equipped to make informed decisions consistent with their trade goals. These goals include the elimination of trade barriers, increase market access, the preservation of most-favored-nation (MFN) status, and the creation of economic growth and development.

Purpose and Significance of Study

The purpose of this general qualitative study was to explore whether the recent focus on the nontrade issues in FTAs is detracting from the goals that developing countries are expecting to achieve through international trade. The aim was to conduct a comprehensive trade policy analysis using secondary documentary evidence and interviews to ascertain, among other things, the economic, political, and social implications of the changing face of FTAs and how it affects the world trade system.

This study is significant in that while there were many studies dealing with issues concerning free trade agreements, bilateral and regional trade, multilateralism, and other aspects of the world trading system, the question has not been addressed in a comprehensive study detailing the impact on developing countries by including nontrade issues in FTAs. This study provides policymakers, decision-makers, scholars, and public administrators useful analytical data from which they can promote a fairer trade policy, and implement welfare enhancing programs that seek to reduce or eliminate inequality

and poverty among states. By filling a gap in the literature, this study will add to the body of knowledge on the international trade system and will inspire scholar/practitioners to pursue further studies in this field.

Theoretical/Conceptual Framework

The aim of this section is to show how the theory is meaningful and to make it operational (Calabrese, 2009). While there are several economic models that are used to evaluate the impacts of FTAs, the challenge is to choose the most relevant and to evaluate outcomes of FTAs and at the same time be mindful of the strengths and weaknesses of each method (Plummer, Cheong, & Hamanaka, 2010).

The world trade environment has undergone changes since the eras of Adam Smith and David Ricardo. Smith popularized many ideas that undergird the school of thought that became known as classical economics. Smith (1776) posited that unrestricted trade and free international competition are more beneficial to a nation than the mercantilist economic policy that existed in many parts of Europe during the 18th century.

As a free market capitalist, Smith was the major proponent of laissez-faire economic policies which philosophy supports the minimization of the role of government intervention and taxation in the free markets, and the idea of the invisible hand metaphor that guides supply and demand. For Smith, the invisible hand guides everyone in their endeavors to create the greatest good for the greatest number of people, and generate economic growth.

According to Smith, for international trade to be beneficial countries must enjoy absolute difference in the cost of production of the commodity which they specialize.

Trade will not take place when the difference in cost is equal. In other words, there must be an absolute superiority in terms of cost, so that each country specializes in the production of goods based on absolute advantage. Smith saw the main cause of prosperity as increasing division of labor. For example, Smith used the case of the pin-maker to support his point about the division of labor. A small pin manufactory that employ 10 men only to make pins that sometimes require 18 distinct operations ranging from drawing out the wire, straightening the wire, cutting the wire, to grinding the head, and so on will produce different results with the application of division of labor as against each person working separately and independently. The person working separately and independently may not produce 20 pins in a day, sometimes not one pin in a day. However, with specialization where each of the 18 operations was assigned to a particular worker, then the 10 workers will make about 48 thousand pins in a day, with each worker making a tenth part of 48 thousand pins (Smith, 1776). Smith reasoned that the division of labor would cause a worker to maximize his time since he would not be moving from one task to another using different tools and methods. This would lead to increase productivity which, in turn, would increase the wealth of a particular society and increase the standard of living of the most poor (Smith, 1776).

Ricardo went further than Smith's theory of absolute advantage by arguing that even when a country has absolute advantage in the production of both commodities it is beneficial for that country to specialize in the production of that commodity in which it has a greater comparative advantage. According to Ricardo, the essence for international trade is not the absolute difference in cost but the comparative difference in cost.

Ricardo's (1817) theory of comparative advantage was first explained in his book in which he theorized that a country tends to specialize in and exports those commodities in the production of which it has maximum comparative cost advantage or minimum comparative disadvantage. Similarly, a country will import those goods for which it has relatively less comparative cost advantage or greater disadvantage.

In explaining the theory of the comparative advantage, Ricardo (1817) made a number of assumptions. There are two countries, two commodities, and a single input, labor. The two countries are England and Portugal. The commodities are cloth and wine. The quantity of wine which Portugal shall give in exchange for the cloth of England, is not determined by the respective quantities of labor devoted to the production of each, as it would be if both commodities were manufactured in England or Portugal. England, therefore, would find it in her interest to import wine, and purchase it by the exportation of cloth. To produce the wine in Portugal, might require only the labor of 80 men for 1 year, and to produce the cloth in the same country require the labor of 90 men for the same time. It would be advantageous for Portugal to export wine in exchange for cloth.

However, this exchange might even take place, notwithstanding that the cloth imported by Portugal could be produced in Portugal with less labor than in England giving her an absolute advantage. Though Portugal could make the cloth with the labor of 90 men, she would rather import it from a country where it requires the labor of 100 men to produce the cloth because it would be advantageous to Portugal to use her capital in the production of wine, for which she will obtain more cloth from England, than she can produce by diverting a portion of her capital from the cultivation of wines to the

manufacture of cloth. “England would give the produce of labor of 100 men for the produce of labor of 80” (Ricardo, 1817, p. 135).

Ricardo saw labor as homogeneous, that is, identical in efficiency, in a particular country. The average productivity level of 80 workers will be same regardless of whether they are skilled or unskilled. Ricardo believed that labor is perfectly mobile within a country but perfectly immobile between countries. But the supply of labor and hence international trade could be affected once labor is mobile between countries (Neary, 2004).

The cost of production is expressed in terms of labor, that is, value of commodity is measured in terms of labor hours/days required to produce it and not the greater or less compensation which is paid for that labor. Commodities are also exchange on the basis of labor content of each good. Smith expressed the cost of production as the toil and trouble a man endured in acquiring the commodity. According to Smith, there are two kinds of values; value in use and value in exchange. Smith posited that things that have the greatest value in use have frequently little or no value in exchange. For example, water and air are abundantly useful; they are indispensable to existence yet under ordinary circumstances, nothing can be obtained exchange for them. On the contrary, gold will exchange for a great quantity of other goods.

There is free trade, that is, the movement of goods between countries is not hindered by any restrictions. Here, the free movement of goods between countries are done under the barter system.

Another theory that is relevant to this study is the Heckscher- Ohlin (1977) theory. Heckscher-Ohlin argued that a country will export goods that the cost of production is low and import goods that the cost of product is high or it may not have the ability to produce at all. In other words, a country may be attracted to international trade based on the fact it enjoys a comparative advantage over another country in the production of a particular good. Heckscher-Ohlin posited that factor endowments such as land, labor, and capital determine a country's comparative advantage. A country is better off participating in international trade if it has an abundance of the factors of production. The theory also "assumes that factors such as skilled labor and capital do not move among nations" (pp.35-36). All these assumptions bear little relation, in most countries, to actual competition.

Research Question

The research question was a critical part of the study as it formed the basis for the appropriate research strategy that was used in the study (Calabrese, 2006). It was inextricably linked to the research problem and dictated the method used in the study thus creating a nexus between the question and the methodology (Maxwell, 2005; Miles & Huberman, 1994). A good research question must be distinctive, pertinent, understandable, and researchable (University of California, 2001). Based on these assertions, coupled with the careful review of literature which revealed a lack of study in this particular area, and the need to add value to my field of study, the researcher pose the following research question:

Is the recent focus on nontrade issues in FTAs detracting from the goals that developing countries expect to achieve through international trade?

I used the word *recent* to indicate the period after 2009, when the developed countries made a push to forge a new trade agenda driven by the demands of globalization and new practices in international trade. This was evident in the proposed TPP and the Transatlantic Trade and Investment Partnership (TTIP) where a host of nontrade issues formed the centerpiece of these Agreements.

The goals that developing countries expect to achieve through the WTO include ensuring that they are able to benefit from participating in international trade and from the multilateral trading system, secure a share in the growth in international trade consistent with the needs of their economic development, and support WTO's role to regulate the global rules of trade between nations. Its main function is to ensure trade flows as smoothly, predictably and freely as possible (wto.org, 2014).

This question is important since the trend of the new FTAs is to be broader in scope, design, and purpose, such as the proposed TPP, TTIP, and, the Regional Comprehensive Economic Partnership (RCEP), all of which may have political and social ramifications. I used the practical methods expounded by Plummer, Cheong, and Hamanaka (2010), to evaluate the potential political and social ramifications of nontrade issues that are included in FTAs.

Nature of the Study

This section of the study related to the design and method the researcher used to address the research question. This was a general qualitative study used to explore

whether the recent focus on nontrade issues in FTAs was detracting from the goals that developing countries expect to achieve through international trade. This study focused on what were the political and social ramifications for trade partners of U.S. that include nontrade issues in FTAs.

According to Plummer et al. (2010), practical methods do exist whereby policy makers and researchers can use to evaluate the potential economic, political, and social implications of preferential liberalization of trade within regional group of countries such as the TPP. The select models that undergird this study include Viner's (1950) model, general equilibrium models, gravity model, Grossman and Helpman's (1994) model, and Helpman and Krugman's (1985) model. Even though these trade models have the capability to deal with critical issues relative to the research question, they do not fulfill all the demands of the research inquiry. This study required a more comprehensive approach in order to make the study more meaningful and significant. In addition, I also focused on the examination of numerous documents in order to capture the full impact that the new regional FTAs has on the multilateral trading system and the WTO.

Operational Definitions

Nontrade issues: Those matters that are not directly associated to the actual trade in goods and services (Stern & Brown, 2011).

Free Trade Agreements (FTAs): Arrangements among two or more countries under which they agree to liberalize trade by reducing or removing trade barriers, and increasing market access in goods and services among themselves (Cooper 2014).

Epistemic community: Specialized group of people who are extremely knowledgeable, experienced, and skilled in a particular field of study and whose expertise may be sought to answer the research question. For this study, I referred to a group of experts in the field of international trade/FTAs (Haas, 1992).

Assumptions

In most research, assumptions are made that generally guide the inquiry and are basically speculative and untested (Calabrese, 2006). It was assumed that allowing free trade in an economy improves welfare for society overall. If free trade opens up a market to imports, then consumers will benefit from the low-priced imports more than producers are hurt by them. Similarly, if free trade opens up a market for exports, then producers will benefit from the new price to sell more than consumers are hurt by higher prices (Friedman, 1993).

I assumed that the use of assumption-laden methods such as the computable equilibrium (CGE) and the gravity model will provide a reasonable indication or prediction of the potential implications of including nontrade issues or externalities in FTAs. I assumed that multiple dynamic realities that are context-dependent. I valued participant's own interpretations of reality. These individual interpretations are deeply embedded in a rich contextual web that cannot be separated and generalized out to some mass population (Treise, 1999).

It was assumed that trustworthiness was a key criterion for this qualitative inquiry as opposed to the traditional notions of validity. This is so because critics argue that it is difficult to bestow merit to qualitative research since it do not achieve internal and

external validity. Internal validity has been defined as the extent to which a researcher's observations and measurements are true descriptions of a particular reality; while external validity has been defined as the degree to which such descriptions can be accurately compared with other groups (Denzin & Guba 1994).

The assumptions about trustworthiness can be achieved if a researcher take steps to ensure that the results are credible, transferable, dependable, and can be confirmed (Lincoln & Guba, 1985). For credibility, there must be prolonged engagement, persistent observation, triangulation (use of different sources, methods, theories and so on), peer debriefing, checking preliminary findings and interpretations with raw data. Research must provide the tools (data) for future researchers to determine whether or not transferability applies (Lincoln & Guba, 1985). Dependability and confirmability are mainly achieved through the use of audit trails wherein the auditor examines both the dependability of the process and confirmability of the product. Lincoln and Guba were careful to explain that the procedures outlined for achieving credibility, transferability, dependability, and confirmability are merely one way of achieving trustworthiness, but not the only way.

Limitations

The limitations of the study are those characteristics of design or methodology that impacted or influenced the application or interpretation of the results of the study (Simon & Goes, 2013). Limitations are matters and occurrences that arise in a study which are out of a researcher's control; they are the constraints on generalizability and utility of findings that are the result of the ways in which a researcher chose to design the

study. Limitations identify potential weaknesses or flaws in the study's research design or methodology that restricts the study scope (Murillo, 2005).

There are several limitations to this study. Because the data were drawn primarily from documentation on FTAs and from online (Internet) interviews with some experts in the field of international trade, it cannot be generalized to other groups or institutions. The paucity of literature on the impact of externalities or nontrade issues in FTAs coupled with the inability to probe the interviewees online could potentially make the result of the study deficient.

The measurement used to collect, analyze, and interpret data on FTAs has been successfully applied mainly to economic impact using the Viner's model, general computer equilibrium model, and the gravity model. These models were hardly applied in qualitative studies, albeit studies to determine the political and social ramifications of the inclusion of nontrade issues in FTAs. Perhaps, it might be worthwhile for future studies to be conducted on specifically the economic impact on developing countries by including nontrade issue in FTAs. There is a heavy reliance on the honesty and integrity of the participants, and the pressure on the researcher to exclude personal biases and idiosyncrasies in the interpretation of data, both of which are necessary for the trustworthiness of the findings of the study (Lincoln & Guba, 1985).

Delimitations

Delimitations refer to the self-imposed boundaries that the researcher used to delimit the scope of the study (Calabrese, 2006). Delimitations involve the conscious exclusionary and inclusionary decisions made during the development of study plan.

Unlike limitations which flow from implicit characteristics of method and design, delimitations results from the specific choices by are searcher (Simon & Goes, (2013). That is why, even though there are numerous issues or problems that bedeviled international trade policy and the global trading system, I addressed the pertinent concerns of economists and policymakers of nontrade issues in FTAs and their impact on U.S. trading partners. The purpose of this qualitative study was to explore the kind of political and social ramifications for the trade partners of the United States by including nontrade issues in FTAs.

The entire population of experts in international trade was not sampled, only a select number that that was directly relevant to the study participated. This is called purposeful sampling and participants were selected from universities, specialized institutions such as think tanks, trade departments, and international trade organizations. In the interest of costs and time-saving, I used online interviews instead of face-to-face interviews thereby reaching a wide cross-section of expert-participants who were expected to respond to a reasonable number of open-ended questions.

Expected Social Change

Some developing countries have the potential to benefit from specific nontrade issues such as labor rights that are included in the FTAs. They are required to follow strict labor laws as stipulated by the ILO including no child labor, improved wages, better working conditions, and the right to engage in collect bargaining. This will improve the standard of living of some categories of workers and bring about positive social change (e.g. Vietnam whose minimum wage is U.S. \$.025). However, some of the U.S. trading

partners expressed fears that many of the nontrade issues that are included in FTAs may not benefit their countries as a whole.

The results of this study have the potential to impact, organizations, communities, and change professional practice. Some developing countries, in their pursuit of FTAs, seek to protect social values including, labor and environmental standards, and human rights otherwise called nontrade issues. The hope is that such regulations will provide benefits for the environment, governments and the communities. NAFTA contained provisions that include environmental measures necessary to protect human, animal or plant life or health. NAFTA linked the regulation of social issues to trade obligations and establishing a template that has influenced almost every subsequent set of provisions on environmental and labor standards in regional trade agreements (Bartels, 2014).

These obligations required the parties to promote compliance with and the enforcement of domestic environmental and labor legislation subject to a responsible exercise of discretion. Complaints mechanisms were put in place to address citizens' concerns and submissions. A dispute settlement body was established to adjudicate over failures to enforce domestic environmental and labor laws such as occupational safety and health, child labor or minimum labor standards. Arbitral panels are empowered to award a monetary penalty for persistent pattern of behavior involving the failure to enforce domestic laws.

Summary and Transition

Chapter 1 included an explanation of the gap in the literature pertaining to international trade. There is a need to explore the social and political ramifications for

U.S. trade partners as a result of the inclusion of nontrade issues/externalities FTAs, and what were the implications for the WTO. Politicians, economists, policymakers, trade experts, and public administrations have begun to question the wisdom of including nontrade issues in FTAs, and this timely study should provide them with answers as to the impact of such policy decision.

Chapter 2 dealt with an in-depth analysis of peer-reviewed journals and international trade organizations research on FTAs and more specifically the inclusion of nontrade issues in FTAs and implication for the multilateral trading system. The literature review will I traced the history of FTAs dating back over 2 centuries ago and based primarily on the lead theories of eminent Smith and Ricardo. While Ricardian theory of comparative advantage remains a driving force for international trade, there has been dramatic changes trade theory over the years that certain aspects of the comparative advantage were challenged by some economists.

The early FTAs were confined to trade in goods only; later they expanded to include trade in goods and services. The FTAs were expanded further to include not only goods and services, but also nontrade issues. The literature review provides a series of known about FTAs and numerous studies focused mainly on evaluating the economic impact of FTAs. Little is known from the literature about what was the political and social impact of including nontrade issues in FTAs. This may constitute a significant gap in the literature.

Chapter 3 includes the nature of the study by focusing on the appropriate design and methodology that adequately address the research question. This was a qualitative

policy analysis to explore the impact that the new form of FTAs that focus more on nontrade issues has on developing countries and the pursuit of a broader and more effective world trading system.

Chapter 4 is the results from the study and a summarization of the data based on the analysis of data collected about the new forms of FTAs and their impact. Chapter 5 is the interpretation and implications of the results. This chapter allowed me to make significant conclusions about the results, such as the influence of the results on theory or praxis, and the strengths, weaknesses, and limitations of the study Bartness (1999). Recommendations were made for future research.

Chapter 2: Literature Review

Introduction

After a review of literature on FTAs, I was able to identify a gap in the literature. While there were numerous quantitative studies that assessed the economic impact of FTAs, there was a void in literature regarding qualitative studies that evaluate the political and social impact of nontrade issues in FTAs. As a result the research question that guided this study was:

Is the recent focus on nontrade issues in FTAs detracting from the goals that developing countries expect to achieve through international trade?

The strategy used by the researcher for the literature search involved accessing the Walden University library databases, including Business Science Complete, Political Science Complete, ProQuest Central, Sage Full-Text Collection, Lexis Nexis Academic, Dissertations and Theses, Ulrich's Periodicals Directory, EBSCO, and CQ Researcher. In addition, I used the Google Scholar search engine. These databases were selected for their credibility and reliability. Key research terms included *trade*, *international trade*, *free trade*, *free trade agreements*, *nontrade issue*, *trade creation*, *regional integration*, *custom union*, *economic union*, and *developing countries*. These terms were used to locate and identify scholarly, peer-reviewed articles relevant to the study topic. I had access to a personal library of texts on public policy, economic growth and development, the WTO, and the TPP.

The literature revealed that FTAs have been in existence for centuries where some countries seized the opportunity to trade in goods for which they have a comparative

advantage (Ricardo, 1917). Countries that were interested in trading at that time pursued bilateral trade agreements. However, since World War II, countries that participated in the international trading system focused primarily on multilateral trade negotiations even though some countries were inclined to pursue bilateral and regional FTAs during the same period. This was based on an exclusive commitment to globalism and the policy of non-discrimination and equal treatment of all trading partners known as the most-favored-nation (MFN) status (Chan, 2001) being the governing principles of first by the General Agreement on Tariffs and Trade (GATT, 1947) and then the World Trade Organization (WTO, 1995).

The economies of Europe and East Asia had been decimated by the violence of World War II which allowed American exporters to fill the huge global production vacuum that existed at that time (Oatley, 2010). According to Oatley (2010), in the aftermath of World War II, the United States and the United Kingdom led the way to strengthen international cooperation among nations by establishing concrete institutions such as the International Monetary Fund (IMF), the World Bank, and the General Agreement on Tariffs and Trade (GATT). The Bretton Woods Conference of 1944 provided the foundation for the formation of these vital institutions. U.S. saw multilateral trade agreements as a way to engage the world in accordance with the Marshall Plan and the Monroe Doctrine. This means that U.S. trade policy became an integral part of U.S. foreign policy (Oatley, 2010).

The exigencies of the Cold War had caused U.S to shift its policy toward multilateralism (Barfield, 2006). Realizing that the world economy needs rebuilding, U.S.

grasped at the opportunity to be the leader for economic reconstruction and to discourage the rest of the world from pursuing protectionist policies. The WTO which was established in 1995 was responsible for regulating world trade, not only in goods but also trade in services that was becoming increasingly popular among its members (Aggarwal & Lin, 2000). The primary focus of the WTO was to encourage the liberalization of trade by the elimination of barriers to trade such as tariffs, quotas, and subsidies, and equal treatment of all trading partners.

However, maybe for reasons more strategic than economic, the U.S. decided in the late 1980s and 1990s, to pursue a string of preferential trade agreements (Bhagwati, 1995) The United States pursuit of bilateral and regional free trade agreements represents a marked departure from its emphasis on multilateralism (Feinberg, 2003). The United States' goal was to optimize benefits from the vigorous pursuit of bilateral and regional free trade agreements with willing partners such as Israel, Qatar, NAFTA, and the Central American Free Trade Agreement (CAFTA-DR).

The problem with bilateral/and regional trade agreements was that they tend to skew trade toward member states rather than toward the most competitive and efficient producers. This is called trade diversion. It leads to imperfect competition and may have negative effects on free trade as envisioned by Ricardo. The question that arises is whether there a proliferation of bilateral and regional FTAs in the 90 and early 2000s.

International Trade Theory

Many trade theories have emerged since those of Smith and Ricardo, the most famous of which was propounded by Krugman (1990) who argued that the underlying

factor comparative advantage theories of trade are unrealistic in many countries. The standard theory assumes that there are no economies of scale, that technologies everywhere are identical, that products are undifferentiated, and that the pool of national factors is fixed. This trade model was referred to as the New Trade Theory (NTT).

According to Reinert, Rajan, Glass, and Davis, (2004), “some trade models dispense altogether with the notion of comparative advantage. They allow for increasing returns to scale, external economies, differentiated products, and the associated imperfectly competitive market structures” (p. 204). Krugman (1979) believed otherwise and sees comparative advantage as a vital part of the NTT, noting that trade can be beneficial and it provides a fundamental insight into globalization especially when increasing returns together with capital and labor migration and transport costs are factored into the model.

Many economists attempted to explain the key difference between comparative advantage and NTT by using the concepts of similar-similar trade, and dissimilar-dissimilar trade. Balassa (1966) and Grubel and Lloyd (1975) argued that dissimilar trade is trade in dissimilar goods between dissimilar countries. This kind of trade is akin to comparative advantage where countries trade to take advantage of their differences. For example, Britain, a densely populated nation with abundant capital but scarce land, exported manufactured goods and imported raw materials.

Helpman (1981) and Dixit-Norman (1980) argued that similar-similar trade is where similar countries had little comparative advantage with respect to each other so their trade was dominated by intra-industry trade caused by economies of scale. Each

country produced only part of the range of potential products within each industry, importing those goods it did not produce because specialization in narrow ranges of machinery and intermediate products will permit the exploitation of economies of scale through the lengthening of production runs (Balassa, 1996). The exchange of similar products between similar countries such as the massive two-way trade in automotive products between the United States and Canada fits into the category of similar-similar trade.

In relation to the assessment of the impact of FTAs, the theory propounded by Viner (1950) is considered by economists as a useful starting point. Viner theorized that a theoretical analysis of any FTA is based primarily on the concepts of trade creation and trade diversion. Trade creation occurs when a country replaces less efficient national production of a good with a more efficient production of a good by a partner country. Trade diversion occurs when a country replaces the more efficient production of a good from a nonpartner country with that of a less efficient production of a good from a partner country (Plummer, Cheong, & Hamanaka, 2010). For the purposes of this study, I have replicated the following illustrations of models as cited in Plummer et al. (2010, pp. 9-17).

Viner's Model

Figure 1 illustrates demand and supply of a certain good in the domestic market of a country that plans to join an FTA.

In this pre-FTA scenario, the home country imposes a tariff on all imports of the good regardless of the source. Thus, even the country that is more efficient in producing

the good at the lowest prices among other countries, is affected by the imposition of a tariff (Plummer et al., 2010). In this case, domestic producers supply QS_1 units of good, and local consumers purchase QD_1 units.

Conversely, after joining the FTA, and the removal of tariff on imports from member countries, domestic producers supply QS_2 and consumers purchase more of the good at QD_2 (Plummer et al., 2010). This means that both the domestic producers and the local consumers of the country benefit as a member of the FTA rather than being a non member. Viner argued that part of what drives a country to join a FTA is the trade creating effect.

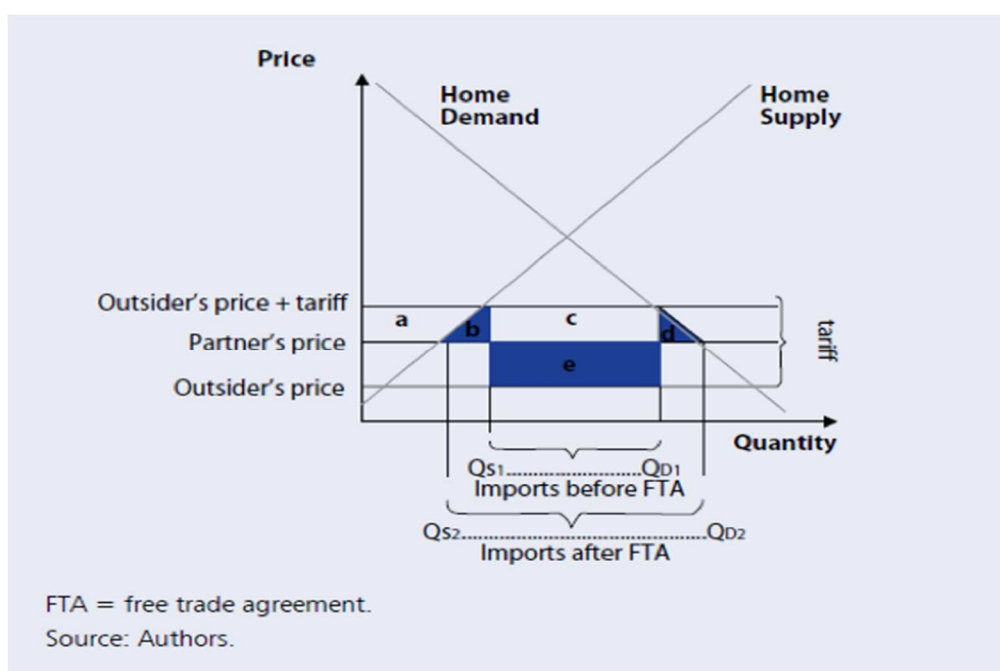


Figure 1. Viner's Model of Free Trade Agreement.

This figure was reproduced from Plummer et al. (2010).

The trade creation effect, as strictly defined by Viner, is the reduction of domestic production that is now met by more efficient imports, $QS1 - QS2$. As the FTA lowers the domestic price, there is a rise in consumption, $QD2 - QD1$, that is also satisfied by increased imports (Plummer et al., 2010).

The FTA also causes trade diversion because the imports previously sourced from the outsider, $QD1 - QS1$, are displaced by imports from the partner country. The country loses tariff revenue on this quantity of imports. To understand the welfare effects of an FTA on the home country, changes in producer surplus, consumer surplus, and tariff revenue must be viewed. Viner shows that the net welfare effect of an FTA on an importing country is ambiguous. (Plummer et al., 2010).

Extensions to Viner's Model

The Vinerian analysis above contains several assumptions, which are now relaxed in order to extend the model. There is the assumption that the lowest-cost source of imports is an outsider. The FTA would only have a trade creation effect because imports would come from that partner country before and after the FTA, that is, there would be no trade diversion. The FTA would be beneficial to the home country. The FTA would have the same effect as nondiscriminatory liberalization (Plummer et al., 2010).

There is the assumption that the home country imposes a nondiscriminatory tariff before the FTA. The model assumes that the importing country is small in an economic sense

and each foreign exporter's supply is at a single price. This assumption implies that a country always imports a good from only one foreign country and never from multiple countries. (Plummer et al., 2010).

General Equilibrium Models

Many other authors have contributed to the theory of FTAs since Viner's pioneering work. The Vinerian analysis now fits into a broader theory called the general theory of second best by Lipsey and Lancaster (1956). In the context of an FTA, this theory implies that reducing tariffs on a discriminatory basis may not improve welfare for individual countries or the world economy because some tariffs are maintained.

The important distinction here is that modern authors tended to study FTAs in the context of many goods, whereas the Viner's model concerns only a single good. This means that by focusing on the market for just one imported good, the Viner's model ignores any interaction with other goods' markets and changes in the terms of trade due to export price changes. The multiple-good models or general equilibrium models based on work by Meade (1955), Lipsey (1970), Wonnacott and Wonnacott (1982), and Lloyd and Maclaren (2004) produce a rich set of analytical results about the welfare consequences of regional trading agreements.

Meade-Lipsey and Wonnacott-Wonnacott Models

To simplify the analysis, consider only two goods: Good X and Good Y. Assuming trade is balanced, a country will export one good and import the other. The model will consider changes in the terms of trade due to both import demand and export supply. This is an important aspect of FTAs that is covered in general equilibrium models

but usually missing from Vinerian analyses. “Figure 1.2 also shows the effects of an FTA between the two countries. The new trade offer curves at point C. By comparing the FTA terms of trade with the world terms of trade, we can see that the terms of trade move in favor of country 1 and against country 2” (Plummer et al., 2010, p. 10).

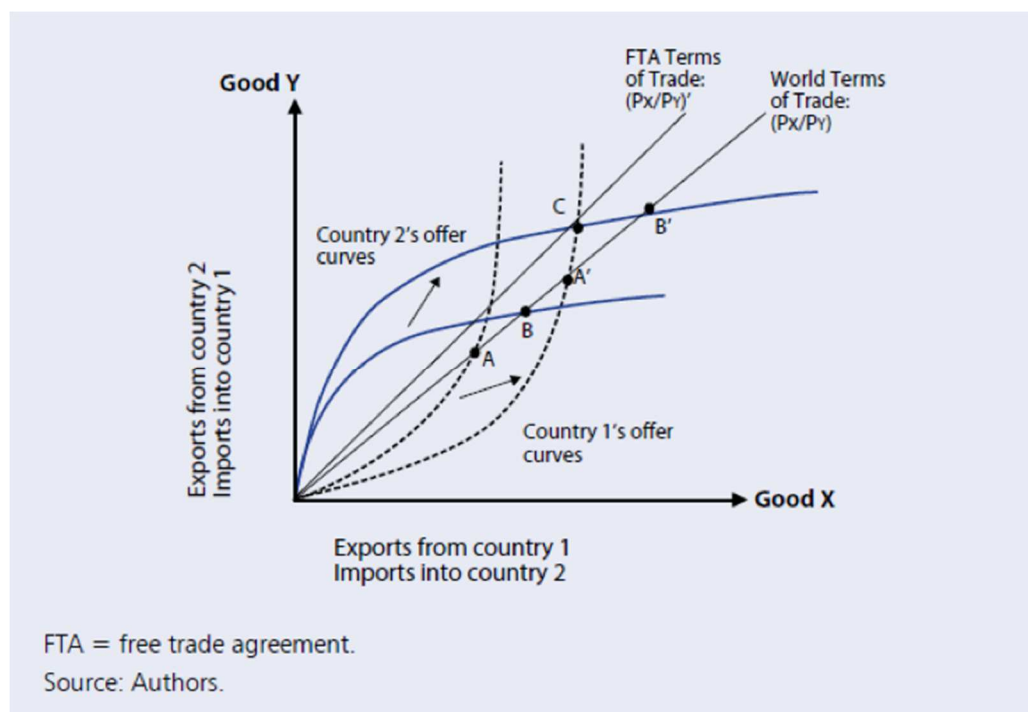


Figure 2. Meade-Lipsey model of a free trade agreement.

This figure was reproduced from Plummer et al. (2010).

The upward slope of the offer curve says that as the relative price of imports falls, the country is willing to export more for additional quantities of imports. This implies that the demand for imports is price elastic. This illustrates a fundamental problem in the creation of trading agreements, as a group, countries are better off unilaterally eliminating their tariffs instead of offering preferences.

However, Wonnacott and Wonnacott (1981) showed, if the world (i.e., outsiders) has import tariffs or there are transport costs on trade with the world, then an FTA may actually be the dominant strategy for both countries. Figure 3 shows The FTA may improve the welfare of both member countries and be a better strategy than unilaterally liberalizing trade because under a regime in which trade is liberalized unilaterally, the world may not reciprocate and may maintain trade barriers, causing additional trade between the world and the FTA members to be distorted (Plummer et al., 2010).

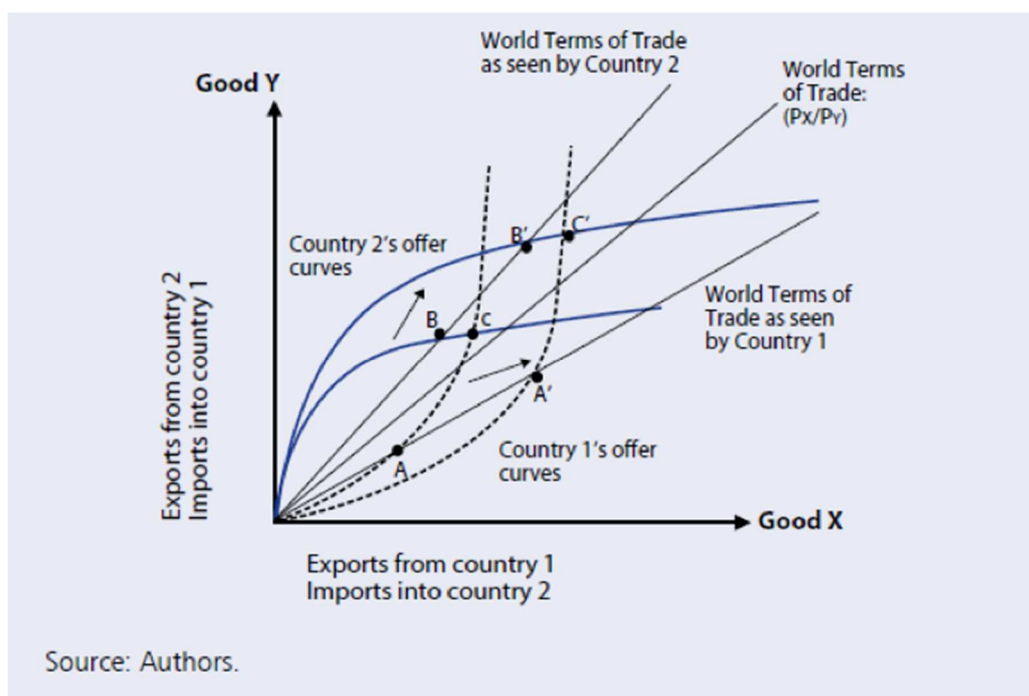


Figure 3. Wonnacott-Wonnacott model of free trade agreement with tariffs or transport costs on exports to the world.

This figure was reproduced from Plummer et al. (2010).

The main conclusion from this analysis is that a group of small countries may gain from an FTA rather than unilateral trade liberalization if outsiders have high trade barriers against them or the group faces high transport costs in exporting to outsiders. Thus, countries do not engage in FTAs simply to reduce their own tariffs but do it to have access to their partners' market (Plummer et al., 2010). An FTA produces gains for its members if access to a partner's market is relatively more valuable than access to non members' market (Plummer et al., 2010).

Lloyd-Maclaren Model

This theoretical model encompasses many details about the structure of production, consumption, and trade in an economy in order to provide very general and

rich analyses of trade policy. To quantify the welfare effects of an FTA, these models identify how much expenditure would be required following an FTA to restore the welfare of households to the level that existed before the FTA. If this amount is positive, then the FTA must have reduced welfare by that amount. If this amount is negative, that is, money needs to be taken away from households, then the FTA must have raised welfare by that amount (Plummer et al., 2010).

Although the models in the previous sections are useful if it is only necessary to predict the direction that a country's welfare will take following an FTA, they do not lend themselves readily to the practical estimation of the magnitude of changes in a country's welfare. For these reasons, modern quantitative analyses of the welfare effects of FTAs rely on theoretical models that have higher dimensions in terms of commodities and trading partners, and a general equilibrium framework (Plummer et al., 2010).

Method of the New Trade Theory

The NTT which developed in the 1980s and 1990s attempted to explain that the effects of preferential trade agreements are not limited to trade creation and diversion as defined by Viner's premise. Krugman (1991) sought to explain rising intra-industry trade in differentiated products among similar income levels on the basis of love for variety by consumers and product differentiation by firms operating under conditions of monopolistic competition and facing increasing returns to scale. Consumers' preference for variety and their willingness to pay premium for varieties is the key driver of trade in differentiated products between countries. This means that producers invest in developing

niche products in response to consumer's desire for variety and in doing so manage to obtain monopoly profits in the niche market.

NTT sees the outcomes of trade liberalization as having more varieties at lower prices for consumers and a larger market for producers. The effectiveness of trade liberalization is measured by the welfare enhancing capacity of the trade. However, when trade is liberalized, the most productive firms thrive and expand into foreign markets, while the least productive firms shrink and even exit the market when facing foreign competition. The result is that average productivity in the industry increases because market shares and resources are reallocated from the less- efficient firms to more efficient firms (Melitz, 2003).

It is apposite to note that NTT was also distinguished from the Ricardian model of comparative advantage in that it includes increasing returns, together with capital and labor migration and transportation costs. This model, even though considered too complex to explain by some economists, has become "the workhorse of economic geography and international trade" (Tabarrok, 2008). Krugman (1991) argued that to minimize transport costs, firms want to locate near consumers but consumers want to locate near work. There are multiple equilibria and at a tipping point the location decisions of a single firm or consumer can snowball into big effects.

Bear in mind that the theory of comparative trade was deemed too simplistic and narrow in scope in that each country focused on producing and exporting things it was most efficient in producing. The aim was to expand the volume of trade in products that were already being traded. What it overlooked was the possibility of a change in product

mixes, in particular, entries of new products, new markets and new firms in freer trade or trade liberalization sometimes referred to as extensive margin of trade.

Deardorff (2013) took issue with Viner's theory by pointing out that the Vinerian analysis missed two points: (a) with respect to the TPP, members and some nonmembers alike already share FTAs and their exports are subject to zero tariffs therefore trade creation and trade diversion cannot take place; and (b) some members of TPP already share FTAs with each other and their imports and exports are subject to zero tariffs, thus trade creation or trade diversion will not occur. Hence the importance of the use of other models such as CGE and the gravity models.

The two models (CGE and gravity) are commonly used to assess the impacts of trade policy, and the CGE, in particular, takes into account all important interactions between markets and can provide comprehensive answers to policy questions. The gravity model presupposes that economic, population size, geographical location, and GDP per capita, affect the possibility and desirability of FTA formation. In the main, economists normally focus more on information about welfare enhancement and efficiency gains at the macro level. (Petri, Plummer, & Zhai, 2012). These models, separately and collectively play a significant role in this study as well as their relationship to the GATT/WTO.

GATT/WTO

The operations of WTO are based on the principle of most favored nation (MFN) status. The MFN provision of GATT stipulates that

“any advantage, favor, privilege or immunity granted by any contracting party to any product originating in or destined for any other country shall be accorded immediately and unconditionally to the like product originating in or destined for the territories of all other contracting parties” (GATT, 1947, p. 2).

What the MFN principle means is that all member nations must be treated equally by each other. Bilateral and regional FTAs undercut that concept because countries that secure free trade with neighbors may be less motivated to seek broader based liberalization in its own right or to reduce their preferential ties with neighbors with whom they have an FTA. Bilateral and regional FTAs may encourage participating countries to exclude sensitive sectors whereas the WTO requires a single agreement with all sectors covered in order to force compromises on all issues (wto.org, 1995).

An important administrative tool of the WTO is that of the Dispute Settlement Mechanisms (DSM) which was established to settle trade disputes among member nations. The primary goal of the DSM was to serve the interest of all members by providing the kind of service that was intended to curb unilateralism. The DSM was one of the major results of the Uruguay Round of Multilateral trade Negotiations in 1995. It helps to prevent the detrimental effects of unresolved international trade conflicts and to mitigate the imbalance between stronger and weaker players by having their disputes settled on the basis of rules rather than having power determine the outcome (wto.org, 1995).

The DSM also addresses the particular status of developing country member of the WTO. The DSM special and differential treatment does not take the form of reducing

obligations, providing enhanced substantive rights or granting transition periods, instead it takes a procedural form, for instance, by making available to developing country members additional or privileged procedures, or longer or accelerated deadlines.

However, governance of the WTO (162-member country) is complicated. In the main, trade ministers from member nations are heard at the WTO just the same way that finance ministers are heard at the IMF. This may explain why little attention is paid to the concerns about the environment. Under the rules governing the WTO, each country has a single vote, and decisions are largely by consensus. But in practice, the U.S., Europe, and Japan have dominated in the past. Stiglitz (2003) argued that fundamental changes in governance of international institutions are needed such as increased openness and transparency in order to ensure that these institutions are more responsive to the poor, to the environment, and to the broader political and social concerns. Bergsten (2002) posited that the advent of scores of additional members has turned the WTO into an extremely unwieldy organization, pushing more and more countries to turn to regional and bilateral deals instead.

Aggarwal (2009) was not persuaded by the contention of Bergsten (2002) that the bureaucracy of the WTO has driven countries to pursue preferential agreements. On the contrary, Aggarwal argued that sidelining of the WTO misses the important role that this institution plays in containing disputes by providing a legal mechanism to deal with such issues. Aggarwal asserted that “the pursuit of bilateral accords to simply reduce trade barriers, while useful in the short-run for business, corrodes the painfully developed institutionalized cooperation developed through the GATT and WTO” (p. 18). It is ironic

that “in pursuing piecemeal liberalization in the name of free trade, governments, business, and their intellectual supporters have failed to see the bigger picture and understand the political economy of trade” (p. 18). Aggarwal revealed that the traditional approaches to looking at trade arrangements have failed to adequately characterize different types of trade agreements, thereby missing the very real political and economic forces driving types of trade accords.

Foundations of FTAs/FCNs/BITS

Throughout modern history, countries have sought to establish and deepen trade relations with other countries using various means, from colonial preferences, to FCNs to BITS to bilateral, regional and multilateral FTAs. These arrangements were far from clear-cut choices between regionalism and multilateralism which oftentimes overlapped and interacted thereby creating a global trade landscape that was a complex interplay, even competition among multiple trade regimes (World Trade Report, 2011).

According to the World Trade Report (2011), the evolution of this complex situation led to several discernible long-term trends. “International trade cooperation has generally become wider and more inclusive with more countries entering into binding agreements, and with more rules being consolidated in the increasingly ‘global’ architecture of the World Trade Organization” (p. 48). Trade agreements have stretched so deep and wide that they reached into new policies such as trade in services, intellectual property, foreign investment, government procurement, labor, and environment, all of which were once considered domestic, now signifying deepening integration of the world economy and growing globalization.

World trade has become progressively more open and less discriminatory over recent decades-with the paradoxical result that preferential bilateral and regional agreements continue to proliferate, even as the salience of preference is diminishing suggesting that countries have motives other than simply market access for entering into such arrangements. (p. 48)

Lin (2012) and Cao (2002) argued that the industrial revolution facilitated trade and the expansion of imperialism pushed it even further. The formation of the British, French, and Dutch East Indian Trading Companies were aimed at ensuring trade flourished and conducted in the best interest of the mother countries of the newly acquired colonies (Lin, 2012). These 17th century colonial trading companies were deemed the predecessors of the transnational corporations (TNCs) that currently dominate national and global economies by sharply influencing the spread, scope, and priorities of FTAs (Cao, 2002).

While the historical trend has been towards more openness and deeper rules in international trade agreements, there have been major set-backs and reversals along the way. The pressure to slip backwards into more protectionist and defensive trade arrangements has been strongest during periods of economic contraction, financial instability and geopolitical insecurity (World Trade Report, 2011). For example, the economic depression of the early 1870s effectively brought to an end the rapid expansion of Europe's network of bilateral trade treaties as was the case with the Great Depression of the early 1930s that helped to fuel the spread of defensive and hostile trade blocs in the inter-war period (World Trade Report, 2011).

Treaties of Friendship, Commerce and Navigation (FCNs)

There were other economic forces that were considered as the precursors to FTAs and of more than historical importance to the field of bilateral trade such as the treaties of friendship, commerce and navigation (FCNs). According to Coyle (2012) and Walker (1958), FCNs were also for centuries a staple of international diplomacy. The FCN required the host country to treat foreign private investments on the same level as investments from any other country, and also established the terms of trade and shipping between the parties, and the rights of foreigners to conduct business and own property in the host country (Coyle, 2012).

The FCN addressed a wide range of issues including human rights, right of establishment, inheritance, investment protection, intellectual property, consular notification, navigation, and foreign immunity, all contained in a single document (Coyle, 2012). FNC treaties always contain provisions that cover rights specifically protected by the United States Constitution. These provisions were included in the treaties not so much for the benefit of treaty nationals living and working in the United States, but for the benefit of U.S. citizens living and working overseas (Walker, 1958).

The United States entered into its first FCN treaty with France in 1778, followed by FCN treaties with the Netherlands, in 1782, Sweden in 1783, Prussia in 1785, and Great Britain in 1815 (Wilson, 1960). By 1968, the U.S. negotiated FCN treaties with a host of other countries including Japan, Germany, Thailand, and the Togolese Republic of which more than 40 of these agreements are currently in force. Part of U.S. primary

focus to forge these FCN agreements was to obtain economic and political support from other powerful countries.

The content of a typical FCN treaty was specifically important since it contained substantive rights such as navigation rights, trading rights, rights of entry and establishment, and human rights (Coyle, 2012). Navigation rights include the granting vessels the right to enter foreign waters and ports; such vessels shall receive preferential treatment with respect to the payment of tonnage duties and harbor fees; the exemption of cargo carried on foreign vessels from discriminatory customs duties (Piper, 1979). Under trading rights, the treaties dictate what customs duties to assess on goods imported from the territory of the treaty partner. The treaties negotiated after 1923 provide for unconditional most-favored-nation treatment for imported goods.

In relation to rights of entry and establishment, the treaties guarantee that nationals of each treaty partner country shall be permitted to enter and reside in the territory of the other for the purpose of engaging in business. The entry rights are granted through a special visa class. Having gained entry rights nationals are granted the right to establish themselves in the occupation of their choice. With respect to human rights, national were allowed to travel freely in the territory of the treaty partner country with the right to access the courts on the same terms as nationals. They were guaranteed the following rights: (a) right to bequeath their property to relatives living abroad when they die, (b) the right to practice their religion as they see fit and the right to be free from harassment by local authorities, (c) their property shall enjoy the most constant protection and security and it shall not be taken without prompt payment of just compensation , and

(d) If they are injured or killed in an industrial accident, they and their dependents are sometimes granted the right to receive worker's compensation benefits on the same terms of nationals.

Bilateral Investment Treaties (BITs)

Bilateral Investment Treaties (BITS) are agreements that seek to protect investment abroad in countries where investor rights are not already protected through existing agreements such as FCNs, and which adopt market-oriented domestic policies that treat private investment in an open, transparent, and non-discriminatory fashion (ustr, 2014). It is important to note that BITs and FCNs treaties are two very different kinds of agreements. BITs are used as a first step toward crafting an FTA, and are only meant to protect foreign investors, nothing more.

In the early 21st century, a flood of investment claims caused some states to take a closer scrutiny of BITs. "States began to discover that the early BIT approach of brevity and simplicity coupled with a focus on investment protection not only had certain benefits but also entailed significant risks" (Alschner, 2013, p. 21). BIT's simplicity made them prone to unpredictable and, at times even inconsistent interpretation and brevity gave rise to judicial activism in order to clarify vague treat language. As a result, states began to reconsider their approach to BITs.

Free Trade Agreements (FTAs)

According to McMahon (2006)," FTAs, many of which are bilateral, are arrangements in which countries give each other preferential treatment in trade , such as eliminating tariffs and other barriers on goods" (p.2). Each member-country does so

while continuing its trade policies, such as tariffs with countries outside the FTA. The United States completed its first FTA with Israel in 1985 under President Reagan. This FTA was seen by many analysts as a means of pursuing foreign policy objectives that were fashioned as a trade agreement. U.S. foreign policy interests in Israel and the Middle East region were much more significant than its economic interests (Rosen, 2004). U.S. had seen the need to strengthen its security and military relations with Israel due to the volatile situation that exists between Israel and Palestine and the potential for the eruption of violence at any moment. The FTA allowed for the elimination of all tariffs and quotas on industrial products within 10 years and both countries agreed to protect sensitive agricultural subsectors with non-tariff barriers including import bans, quotas, and fees (ustr.gov, 1985).

In 1988, US-Canada established an FTA. According to Aggarwal (2013), the decision to pursue an FTA with Canada was, in part, based on the troubles in GATT. The U.S. considered it prudent to conclude an agreement with its largest trading partner in order to increase its leverage in the GATT with the Europeans, while at the same time increasing access to the Canadian market. This coincided with the Canadians rethinking their commitment to multilateralism as the only path, with concern growing about U.S. protectionist measures in the early 1970s and 1980s. Moreover, the Canadian Administration at the time gave considerable credence to a group of economists that constituted an epistemic community that were opposed to protectionism and wanted better access to the U.S. market.

The U.S. wished to expand the GATT's agenda by concluding a GATT-plus accord with Canada that would include matters such as trade in services and progress in agricultural trade that had been stalled in discussions with the Europeans (Aggarwal, 2013). The most significant aspect of the U.S.-Canada FTA was the inclusion of business and financial services, a U.S. goal in the GATT as well as significantly greater access for the U.S. and Canada on investment. The U.S. ultimate goal was to strengthen trade relations with its neighbors.

As a result, in 1994, U.S., Canada, and Mexico established NAFTA which was mainly a trade and investment agreement. At that time, NAFTA was considered the world largest trilateral trade relationship with a massive combined market of 370 million people and an estimated gross domestic product of the U.S. \$6.2 trillion (Kehoe, 1995). This was compared to the European Community's 325 million people and an estimated gross domestic product of U.S. \$ 4 trillion (Kehoe, 1995). Beyond NAFTA, the U.S. is still hoping to negotiate a thirty four-nation Free Trade Agreement of the Americas (FTAA).

According to Hur and Pak (2009), countries desirous of participating in FTAs seek two objectives: trade promotion and an increase in economic growth. The trade promotion component was positively dealt with in a number of empirical studies conducted by Baier and Bergstrand (2007, 2009), Carrere (2006), Coulibay (2007), Eicher et al. (2008), and Magee (2008).

Skeptics such as Rodriguez and Rodrik (2000) found that there is little evidence that open trade policies with lower tariff and nontariff barriers to trade are significantly

associated with economic growth. However, these studies failed to find evidence of significant economic growth. Nevertheless, other studies conducted in the mid-1990s by Dollar (1992), Sachs and Warner (1995), Edwards (1998), and Frankel and Romer (1999) seemed to suggest that positive economic growth occurs with FTAs.

Lucas (1988) and Young (1991) focused on free trade that allows countries to specialize in industries with economies of scale which would likely see an increase in long-term economic growth. Openness to international trade tends to bolster economic growth. Mankiw (2007) asserted, “The overwhelming weight of the evidence from this body of research is that Adam Smith was right. Openness to international trade is good for economic growth” (p. 224).

According to the WTO (2006), RTAs can foster economic growth and development depending on several factors such as net trade-creation, an improved regulatory environment, enhanced investment flows and technology transfers, among other things. But the critical question is whether they are a building block to non-discrimination or a permanent feature of the trading landscape (Liu, 2014). Regardless of the answer, one thing is for sure, there has been a proliferation of RTAs especially since the 1990s driven mainly by the hopes of many countries for faster economic growth. “By 2010, every country except Mongolia is a party to at least one RTA, and the share of intra-RTA trade among the world total trade had increased from 28% in 1990 to 50.8% in 2008” (WTO 2011, p. 64).

Rodriguez and Rodrik (2000) found that in many cases “the indicators of ‘openness’ used by researchers are poor measures of trade barriers or are highly

correlated with other sources of bad economics” (p.1). They maintained that the methods used to verify the link between trade policy and growth was seriously flawed. After a review of the relevant literature, the authors concluded that there is a strong negative relationship in the data between trade barriers and economic growth.

Edwards (1997) took a different position to that of Rodriguez and Rodrik (2000) in relation to trade policy and economic performance. Edwards used comparative data set for 93 countries to analyze the impact of the relationship between openness and economic growth. Edwards used nine alternative indexes of trade policy to investigate whether the evidence supports the view that, *ceteris paribus*, growth is faster in more open economies. The result of the findings suggested that with the use of “openness indicator, estimation technique, time period and functional form, more open countries have indeed experienced faster productivity growth” (p. 1).

Markheim (2005) argued that FTAs are good for America since freeing trade stimulates economic growth, creates jobs, encourages, innovation, and improves living standards for millions of Americans. Markheim posited that countries that participate in free international trade and implement freer trade policies experience higher per capita growth than countries that maintain trade barriers.

From the standpoint of Europe, Mandelson (2006) argued that carefully constructed and ambitious bilateral agreements with carefully chosen partners can create new trade, improve the competitiveness of EU companies in key enlarging markets and prepare the ground for future liberalization by going

further in areas such as investment, competition and public procurement where WTO rules do not yet fully apply. (p. 1).

Mandelson (2006) insisted that FTAs will create rather than divert trade, and will complement instead of undermine the multilateral system. Bhagwati (2002) argued the U.S. is using FTAs to bully developing countries, which want access to the large American market, by insisting on tough labor standards and intellectual property rules far in excess of requirements of the WTO. Hudgins (1996) pointed out that even the most strident critics “usually concede that, in general, freer trade, including, bilateral and regional liberalization, improve the welfare of all countries by promoting wealth creation” (p. 233).

The Role of Developing Countries in International Trade

The United Nations Conference on Trade and Development (UNCTAD) was established in 1964 with the objectives of (a) to reduce and eventually eliminate the trade gap between developed and developing countries and (b) to accelerate the rate of economic growth of the developing world. Some of the functions of UNCTAD are to promote development-friendly integration of developing countries into the world economy, to promote international trade between developed and developing countries with a view to accelerate economic development, to formulate principles of and policies on international and related problems of economic development, and to negotiate trade agreements (unctad.org, 2004).

According to Read (2007), UNCTAD was considered as an alternative multilateral forum designed to address the special situation of developing countries.

Initially, UNCTAD failed to garner agreement to introduce a general system of unilateral tariff preferences by the industrialized economies on export of interest to developing countries. However, at the UNCTAD II Conference in 1968, the industrialized economies agreed to grant unilateral trade preferences to the developing countries that were both below MFN bound tariff rates and non-reciprocal. This agreement was known as the Generalized System of Preferences (GSP) and Special and Differential (S&D) Treatment for Developing Countries. Read (2007) argued that these preferences contravened the fundamental GATT principle of reciprocity, whereby members agree to make broadly equivalent tariff reductions simultaneously.

The GSP and S&D treatment for the exports of developing countries were incorporated into GATT as a result of the Kennedy and Tokyo Round of trade negotiations. Prior to this, some industrialized economies granted preferential market access to the exports of specific developing countries on a selective bilateral basis and they did not require the developing country beneficiaries to make reciprocal concessions (Read, 2007). GSP was operationalized within GATT by the 1971 Protocol on Trade Negotiations among Developing Countries, the Geneva Protocol.

The WTO agreements contain special provisions which give developing countries special rights whereby developed countries were expected to treat developing countries more favorably than other WTO members. These special provisions include:

- Longer time periods implementing agreements and commitments;
- Measures to increase trade opportunities for developing countries;

- Provisions requiring all WTO members to safeguard the trade interests of developing countries;
- Support to help developing countries build the capacity to carry out WTO work, handle disputes, and implement technical standards; and
- Provisions related to least- developed country (LCD) members (wto.org, 1997).

Least-developed countries (LDCs) are the poorest members of the world community. They comprise about 12% of the world's population, but account for less than 2% of world GDP and about 1% of global trade in goods. WTO members recognize that LDCs need special treatment and assistance to achieve their development objectives. WTO agreements include provisions aimed at increasing LDCs' trade opportunities and allowing LDCs flexibility in implementing WTO rules. The WTO together with other international agencies established special programs to support LDCs in enhancing their participation in the global trading system.

At the Bali Conference 2013, WTO members adopted several measures that will benefit LDCs including, the implementation of duty-free and quota-free market access for LDCs, preferential rules of origin for LDCs, the operationalization of the LDC services waiver, and trade and development assistance in the area of cotton.

According to the WTO, developing countries comprise a majority of its total membership of 160 (almost 4 to 1) as of June 2014 (wto.org, 2014). Developing countries are major players in world trade and the organization seeks to ensure that these countries are able to benefit from participating in international trade and from the multilateral

trading system (wto.org, 2014). During the period 1990- 2008, “the volume of exports from developing grew consistently faster than exports from developed countries or the world as a whole, as did the share of developing countries’ exports in the value of total world exports” (wto.org, 2014, p. 1). In trade between “developing countries, South-South trade, has also seen marked increase. The share of developing countries’ exports going to developing increased from 29 per cent in 1990 to 47 per cent in 2008” (p.1).

According to Chomo (2002) from the Office of Economics, U.S. International Trade Commission, developing countries are participating in bilateral and multilateral trade agreements in record numbers. “A developing country signing a trade agreement with an industrialized economy gains improved access to a larger market for products that match the developing country’s relative factor- abundance compared with the industrialized trading partner” (p. 2). Developing countries have the potential for more efficiency and welfare gains from implementing free trade agreements than their industrial partners due to high level of trade interventions and resulting in efficiencies observed in developing countries. For example, the NAFTA dispute resolution mechanism significantly improved access to legal services for Mexican producers and workers involved in trade disputes with other NAFTA members (Chomo, 2002). This means that trade liberalization provides gains for developing countries including improved efficiency in sectors previously protected by trade barriers and increased transparency for doing business (Chomo, 2002).

Khor (2006) posited that North-South FTAs usually bring more foreign direct investment (FDI) and technology transfer towards developing countries. Urata (2002)

argued that the increase in economic activities, in particular, in international trade and FDIs, have contributed to the pace of globalization. However, Urata noted that FTAs also have the investment diversion effect which tends to divert FDI away from nonmembers towards members. For instance, the destination of FDI in the textiles and electronics industries moved away from Southeast Asia to Mexico as a result of NAFTA.

Even though developing countries play a vital role in international trade, they are faced with certain fears and challenges as outlined by Reyes (2012, p. 213):

- It is evident that many developing countries specialize in the production of primary products, including agricultural goods, metals, and minerals. Primary-product producers claim they are exploited by buyers in the developed world due to the highly competitive and volatile nature of market conditions for these goods.
- Economic development typically is seen as synonymous with industrialization. As developing countries attempt to move into manufacturing and industry, the role played by export markets in the developed countries becomes vital. Those industries most likely to be viable in the early stages of industrialization, such as labor-intensive industries: textiles, apparel, and footwear. Those are the very ones that receive the strongest protection in industrialized countries, limiting the export markets available to nations struggling to industrialize.
- “Developing countries have limited resources to spend on the research and development that give to technological innovation.” In some cases,

governments are more concern with maintaining an elaborate military industry rather than making investment in education, infrastructure, science and technology.

- International organizations such as the World Bank, the IMF, WTO, and UNCTAD are concerned with the process of economic development. But a country's voting rights are determined by the country's economic size. "The developing countries claim that this voting system prevent s their voices from being heard even though they represent the majority of the world's population" (pp. 213-214).

According to Das (2001), one of the main fears of developing countries is that negotiations will be geared towards ensuring unrestrained entry and operation of developed- country investors in the developing countries. Any such agreement will inhibit the flexibility of "the developing countries in guiding and channeling foreign investments in the interests of attaining their development objectives" (p. 13).

Developing countries have a special relationship with the WTO. They are members of the only global international organization dealing with the rules of trade between nations. All decisions are made by member governments, and the rules are the outcome of negotiations among members (wto.org, 2014). Each country has one vote and all members may participate in all councils, committees, and so on except Appellate Body, Dispute Settlement panels, textiles Monitoring Body, and purilateral committees. The highest decision-making body in the WTO is the Ministerial conferences which meet

at least once every 2 years. The top day-to-day decision-making body is the General Council which meets regularly, normally in Geneva.

Das (2001) argued that even though the developing countries outnumbered the developed countries, decisions are made mainly through subject initiation and negotiation by developed countries leaving developing countries on the periphery. But recently, developing countries decided to change their approach to being more proactive in subject-matter negotiations that are more beneficial to their development objectives (Khor, 2007). For example, a major stumbling block emerged that prohibited any hopes of the Doha Round of talks from reaching an agreement. Developing countries such as Brazil, China, Russia, India, and South Africa were unwilling to cede to U.S. demands for greater market access to goods and services.

With respect to being successful in raising global living standards, eliminating tariffs and non-tariff barriers, and allowing markets to operate freely, Fandl (2007) asserted that

The U.S. should be concentrating its vast resources on concluding the Doha Round of negotiations at the WTO. The successful conclusion of this trade and development agenda will do far more for economic growth than any number of smaller agreements, and will do so without the potential for severe backlash among developing countries that threatens to derail all efforts to conclude a multilateral agreement. (p. 46)

Summary

In this literature review, I traced the history of FTAs with roots from over 2 centuries ago based primarily on the lead theories of eminent economists Smith and Ricardo that shaped the way international trade is currently being conducted. While Ricardian theory of comparative advantage remains a driving force for international trade, there has been dramatic changes trade theory over the years that certain aspects of the comparative advantage were challenged by some economists. The aim of the study was to examine the impact of the changing landscape of FTAs and the implications for the global trading system.

The literature review revealed that FTAs have undergone significant changes, including from FCNs, BITs, bilateral FTAs, to regional FTAs. The early FTAs were confined to trade in goods only; and later they expanded to include trade in goods and services. Then the FTAs were expanded further to include, not only goods and service but also non- trade issues. The literature review provided a series of known about FTAs and numerous studies focused mainly on evaluating the economic impact of FTAs. The political and social impact of including nontrade issues in FTAs remains unknown. The goal of this study was to fill this gap in the literature.

Chapter 3: Research Method

Research Design

The research design provided the glue that holds all the major elements of a research study together. It is used to structure the research, to show how all the key parts of the study, such as sampling plan, instrumentation, methods of assignment, coding scheme, data collection, data analysis and interpretation of the findings, work together to address the research question (Trochim, 2006). The design helps a researcher make strategic choices about which methods and sources might yield data that are the most appropriate for answering the research question (Mason, 2002).

The design for this study was general qualitative exploratory as the solutions to the issue under review could be clearly defined before this study was conducted. Exploratory studies are closely aligned to social constructivism where a researcher is the instrument and participants share their views through semi-structured interviews. I sought to assess the impact on developing countries by the inclusion of nontrade issues in FTAs and the effects on the world trade system.

The qualitative method was appropriate as I sought to find out what happened, why it happened, and in what context. The perspectives of stakeholders (trade ministers of developing countries, TPP member states, WTO, trade unions, and Chamber of Commerce) who have considerable experience in the field of international trade were solicited.

This general qualitative research included the collection of rich, thick data into the design via prolonged engagement, persistent observation, and other strategies (Lincoln &

Guba, 1985). One such strategy is the meta-policy approach which scope is macro and structural in nature. For instance, the U.S., like many other trading nations, is subject to both domestic laws and international laws, and institutions that affect trade policy. A key aspect of the meta-policy approach is to consider the political, economic and socio-cultural factors that influence the policy process.

Research Question

Is the recent focus on nontrade issues in FTAs detracting from the goals that developing countries expect to achieve through international trade?

Justification of Design

Creswell (2007) posited that “qualitative research begins with assumptions, worldview, the possible use to theoretical lens, and the study of research problems inquiring into the meaning individuals or groups ascribe to a social or human problem” (p. 37). This means that qualitative research embraces philosophical, theoretical, and ideological positions. All qualitative studies fit into one of five approaches: narrative, phenomenology, ground theory, ethnography, and case study.

For this study, I chose a general qualitative analysis to explore the impact that the new form of FTAs such as the TPP has on the pursuit of a broader and more effective world trading system. But more specifically, what will be the political and social ramifications for trade partners of U.S. such as developing countries that include nontrade issues in FTAs. This general qualitative study was exploratory in nature of a newly emerging field of interest that has not yet been extensively studied.

Qualitative research focuses on the effectiveness of trade public policy and what barriers exist that will affect the policy from achieving its objectives (Ritchie & Spencer, 1994). The goal of qualitative policy research is to inform future policy decisions. According to Ritchie and Spencer (1994), policy research falls under four categories: (a) contextual-identifying the form and nature of what exist; (b) diagnostic-examining the reasons for what exist; (c) evaluative-appraising the effectiveness of what exist; and (d) strategic-identifying new theories, policies, plans or actions. This study focused on the effectiveness of FTAs and the impact of including nontrade issues in FTAs. This approach is exploratory and aims at gaining a better understanding of the subject-matter and its consequences. In addition, policy research analysis allowed me to look at the problem not only from one lens, but from a variety of lenses using multiple sources.

According to Plummer et al. (2010), practical methods do exist whereby policy makers and researchers can use to evaluate the potential economic, political and social implications of preferential liberalization of trade within regional group of countries such as the TPP. One such strategy is the meta-policy approach which scope is macro and structural in nature. For instance, the U.S., like many other trading nations, is subject to both domestic laws and international laws, and institutions that affect trade policy. A key aspect of the meta-policy approach is to consider the political, economic and socio-cultural factors that influence the policy process.

Methodology

While some researchers used the terms *methodology* and *method* synonymously, it is important to note that there is a marked difference between the two terminologies.

Methodology is broader and envelops methods. It refers to understanding the socio-organizational context, philosophical assumptions, ethical principles, and political issues of the enterprise of researchers who use methods (Trochim, 2006). Methods are set of specific techniques for selecting cases measuring and observing aspects of social life, gathering and refining data, analyzing data, and reporting on results (Trochim, 2006).

For this study, I used a qualitative exploratory approach in order to get rich, contextual perspectives about the phenomenon, nontrade issues in FTAs. It involved obtaining the perceptions of the participants as to the impact of nontrade issues in FTAs and the implications on the world trade system. This methodological approach was closely aligned to the research problem and research question.

With respect to the method of data collection, I relied on documentation and the online research tool, Skype, to conduct semi-structured interviews with experts in the field of international trade. Skype was created in 2003 by Zennstrom (Sweden) and Friis (Denmark). Skype is a telecommunications application software that specializes in providing video chat (using webcam) and voice calls from computer, tablets, and other devices via the Internet.

Online interviews are becoming an increasingly viable method for collecting data (Saumure & Given, 2010). Markham (2008) suggested that with the use of the Internet for research, a researcher's reach is potentially global, data collection is economical, and transcribing is no more difficult than cutting and pasting (p. 255).

According to Saumure and Given (2010), researchers may derive many advantages by using Skype interviews such as the opportunity to conduct inexpensive,

synchronous online interviews; it is geographically flexible, allowing for long distance communication; it is user-friendly and easy to install/use as a software “it has an instant messaging function, which is a useful tool for managing data collection problems and sharing information among participants; ease of audio-recording is a key benefit, as researchers can easily record computer- computer and telephone conversations”(p. 2).

There are a number of challenges that a researcher may experience when using Skype, including, time lags in the conversation, which can break the flow of an interview; the researcher must ensure that the interviewer and interviewee can readily nonverbal cues; nonverbal communication is lost is set on audio-only mode; the technology itself can fail, resulting in disconnection problems and loss of data; the researcher must ensure that individuals’ are respected and everyone feels comfortable participating in the study (Saumure & Given, 2010).

Role of the Researcher

The role of the researcher is pivotal to the success of this study. A researcher is analogous to the artist who is the primary instrument in painting, whereas a researcher is the primary instrument in qualitative investigation (Denzin & Lincoln, 2000). As a qualitative researcher, I was the primary instrument for data collection and analysis (Merriam, 1991).

As a qualitative researcher, I had to identify and describe my perspective and recognize and deal with the biases I might hold on the subject. As researcher, I had to understand my role in order that I could convey to the reader a clear picture of what the research is about via description, analysis, and interpretation.

One pitfall to avoid is where the human element, complete with assumptions, biases, and blinders, can cause researchers to fail to observe data even though they are present (Wolcott, 1994). It was therefore, important for me as a researcher to conduct thorough and rigorous investigations so that the same theory, methods, and analysis can be replicated in other scholarly studies. The role of a researcher demands that he reaches a high threshold in the research process.

The role of the researcher is one of a collaborator in the process of reflecting on a participant's experience (Merriam, 1991). A researcher must fully disclose his/her role in the study in the dissertation and must identify any potential role conflicts that may affect the research setting and show how he/she took care not to impose bias or idiosyncrasies on the study (Kitchener, 2000). A researcher is expected to put aside his /her own ideas about the phenomenon and see the perspectives from the eyes of the person who has lived the experience. This process is called bracketing.

Data Collection

I gathered data by using Skype as an interview tool to conduct semi-structured interviews using open-ended questions so as to obtain thick, rich data required for qualitative inquiry (Creswell, 2007) and which provide the best means to adequately answer my research question. As a researcher, I delved into voluminous data, extract and analyze the relevant data, and interpret and synthesize the materials obtained from interviews in order to realize the purpose of this inquiry (Calabrese, 2009). I was not able to do so by merely using observation.

Observation is too limited in scope, thus it made my research deficient. Mere observation was not able to answer the research question fully as to why nontrade issues are included in FTAs and what are their implications. This required using an instrument that can undertake in-depth, rich study as against one that can only allow for peripheral inquiry. After the data had been collected, I was tasked with organizing, preparing, reading, and sorting the data. “The process of data analysis involves making sense out of text and image data” (Creswell, 2009, p. 183) It involved preparing the data collected and conducting different analyses so as to gain a deep understanding of what the data means. The process involved saving the data in a manner that it could be easily and readily retrieved for future analysis.

In addition to the use of documents, data were collected from Skype interviews conducted with select stakeholders who have considerable experience in the field of international trade and specialize in FTAs. The selectees were gender-neutral, which means that the interviewees comprised both men and women.

The participants comprised 13 economists from universities in the U.S.A., and 2 trade unionists. Together, these participants accounted for over 200 publications on trade and trade- related matters/FTAs. The aim was to select individuals for the study who can “purposefully inform an understanding of the research problem and the central phenomenon in the study” (Creswell, 2007, p. 127). The number of interviewees who participated in this general qualitative study were 15 participants. The average duration of each interview was 30 minutes.

The interviews were recorded (audio-visual) using a digital recorder. Open-ended questions were asked in the interviews in order to generate rich, in-depth data that will adequately answer the research question (see Appendix A for the interview questions).

Some of the keys questions that were asked in the interview included:

1. Do you think nontrade issues should be included in FTAs?
2. What do you think will be the ramifications of including nontrade issues in FTAs?
3. What impact do you think nontrade issues will have on developing countries?
4. What impact do you think nontrade issues will have on the world trading system in general and the WTO in particular?
5. Why do you think the U.S. is increasing its use of nontrade issue in FTAs?
6. Describe how you will defend or oppose the notion expressed by some U.S. trade partners that nontrade issues present new barriers to international trade.
7. How could the current focus on nontrade issues detract developing countries from the goals they expected to achieve through international trade?

In addition, during the interview, I took notes to ensure that all important points and nuances are captured that were used in the transcription, analysis, and interpretation of the data. The collected data were stored using the Nvivo software so that they can easily be retrieved and protected from damage or loss.

I was tasked with ensuring that all the participants were informed of the interview protocol, including, stating the nature and purpose of the study; respecting the dignity of the participants by ensuring their autonomy and confidentiality; minimizing all risks associated with the research; securing informed consent from the participants so that they understood what it meant to participate in this particular research study and can decide in a conscious and deliberate way whether they want to participate (participation was voluntary); sending invitation to participate letters via the Internet to those selected to participate in the research; and giving them assurance that they will share in the knowledge gained from the study. The participants were informed that in order to protect their identity, they needed to provide a pseudonym. Each participant was provided with a consent form and told that he/she might withdraw from the study at any point.

Data Analysis

The analysis commenced after I have transcribed all the interviews, documents, and notes. The process of transcribing allowed me to become acquainted with the data (Riessman, 1993). I created Microsoft Word files for the interviews, documents, and notes. All files were protected by setting a password and saved in my personal computer for which I only have access. I used the meaning of analysis context as the unit of analysis for coding and also look for description. This means that the data were not coded sentence by sentence, or paragraph by paragraph, but coded for meaning. I used coding to analyze, save, and manage the data. "Coding is the process of combing the data for theme, ideas, and categories and then marking similar passages of text with a code label

so that they can easily be retrieved at a later stage for further comparison and analysis” (Gibbs & Taylor, 2005, p. 1).

As a researcher, I based my coding on keywords, terms, phrases, ideas, concepts, themes and topics. Coding allows for the giving of meaningful names to chunks of text or passages thus making it easy to identify the issues contained in the data set. The interesting thing about coding is that it can start being descriptive then evolves into being analytical. In the past researchers tended to rely on hand coding of data using color code schemes and cut and paste them on note cards. Nowadays, researchers prefer to use computer software programs such as Nvivo to help code, organize and sort information. The benefit of using Nvivo was that it is an efficient means for storing and locating relevant data and it was faster than hand coding.

For this general qualitative study, the analysis began with themes emerging from the raw data, a process referred to as open coding (Strauss & Corbin, 1990). I only classified something as a theme when it cut across a preponderance of the data. During open coding, I identified and tentatively grouped key words, phrases, or events that appeared to be similar into the same category. The aim was to create descriptive, multidimensional categories which form a preliminary framework for analysis. Once these codes had been identified, I began to reduce the number of codes and to collect them together in a way that showed relationship among them using axial coding.

The next stage of analysis involved re-examination of the categories identified to determine how they are linked, a process called axial coding (Strauss & Corbin, 1990). The purpose of this form of coding was to acquire new understanding of the subject-

matter. This means that casual events contributing to the subject-matter, descriptive details of the subject-matter itself, and the ramifications of the subject-matter under study should be identified and explored. At this stage, I was able to assemble the big picture. During axial coding, I built a conceptual model to determine whether sufficient data exist to support that interpretation.

In the final stage, I translated the conceptual model into the story line that can be read by others. This research report will be a rich, tightly woven account that “closely approximates the reality it represents” (Strauss & Corbin, 1990, p.37). The analysis process involves the triangulation of the various forms of data that were collected in the study such as interviews, documents and researcher’s notes as illustrated by Figure 4.



Figure 4. Triangulation method.

The aim was to merge findings and generalize about the subject-matter under study. Triangulation was a means of corroboration, which allowed me to be more confident of the study conclusions.

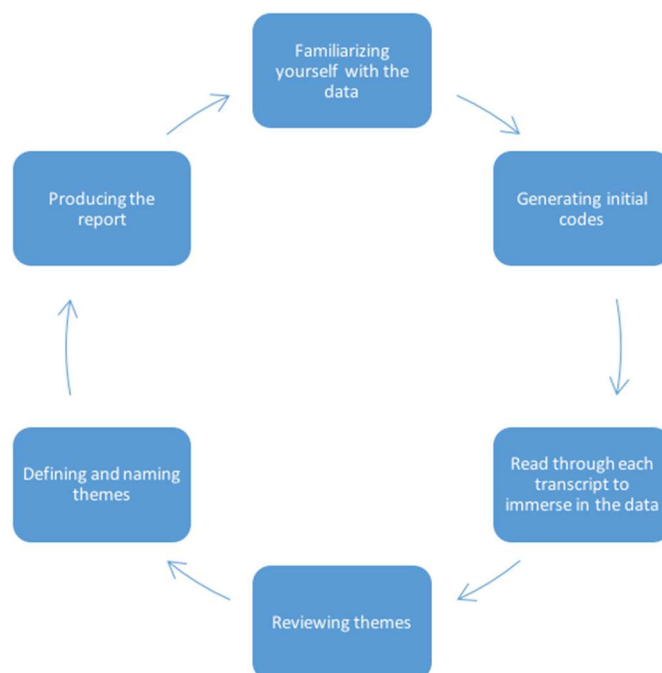


Figure 5. Braun & Clarke (2006) step-by-step analysis guidelines.

- Each transcript was read and re-read in order to obtain a general sense about the whole content.
- For each transcript, significant statements that pertained to the subject - matter under study were extracted. These statements were recorded on a separate sheet noting their pages and lines numbers.
- Meanings were formulated from these significant statements.

- The formulated meanings were sorted into categories, clusters of themes, and themes.
- The findings of the study were integrated into an exhaustive description of subject-matter under study.
- The fundamental structure of the subject-matter was described.
- Finally, validation (trustworthiness) of the findings was sought from the research participants to compare the researcher's descriptive results with their experiences.

In addition to the interviews, secondary sources were used to complement the findings of this study. These recent sources (2012-2016) act as a summary of the progress made or recent trends in the field of international trade/FTAs.

The following is a list of the some of the secondary sources used in this study:

- Deardorff, (2013). *Trade implications of the trans-pacific partnership for Asean and other Asian countries*. The TPP has addressed issues that have never, or hardly ever, been part of trade agreements, such as competition policy, regulatory coherence, and standards for labor and environment.
- Lin, (2012). *Is the 21st Century a century of the free trade agreement?* National Chengchi University.
- Reyes, G. (2012). *International trade conditions: Challenges for less developed countries*. Catholic University of Colombia.
- Sachs, J. (2014). *No to the TPP and the TAFTA trade treaties*. *Public Citizen's Global Trade Watch*. Sachs argued that there is growing evidence that a

mechanism in the deal represents a major power grant to corporations, one greatly disproportionate to the rights of all other domestic actors, including local governments, tribal governments, environmental organizations, citizens, and companies.

- Liu, X. (2014). Trade agreements and economic growth. *American Economic Journal*.
- Schott, F., Kotschwar, B., & Muir, J. (2013). *Understanding the trans-pacific partnership*. Washington, DC: Peterson Institute for International Economics.
- Bernstein, J. (2015). TPP not equal to free trade. On the Economy Jared Bernstein Blog.
- Aggarwal, V. (2013). U.S. free trade agreements and linkages. *International Negotiation*.
- Petri, P., Plummer, M., & Zhai, F. (2012). *The Trans-Pacific Partnership and Asia-Pacific integration: A quantitative assessment*. This study provided the first comprehensive quantitative analysis of the potential of the potential impact of the TPP on the region and the U.S. economy.
- WTO Annual Report (2016). *Support development and building trade capacity*.
- World Bank Report (2016) *Potential macroeconomic implications of the Trans-Pacific Partnership*. The TPP may accelerate structural shifts between industries based on comparative advantage and scale economies. This will benefit manufacturing especially in unskilled labor-intensive industries and some primary

production. This information was vital in assessing the impact on developing countries of nontrade issues in FTAs.

- UNCTAD Report (2016). *Exploring new trade frontiers: the political economy of the Tran-Pacific Partnership*. The authors presented an insight into the implications for the trading system caused by the TPP. They noted that it was a time of uncertainty for trade agreements and the mortality rate of trade negotiations was unusually high since the end of the Uruguay Round of negotiations. Developing countries stand to face slow trade growth as a result of the TPP. The data obtained from this report provided a better understanding of how the TPP impacts the trading system, hence strengthening the study.
- Trans-Pacific Partnership Agreement (2016). The negotiations were successfully concluded on October 4, 2015. Officials from each of the 12 participating nations signed the agreement on February 4, 2016. At that time, the countries that signed the agreement were: Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States, and Vietnam. Since that time, President Trump, on January 23, 2017 signed an executive order to withdraw the United States from the agreement.

It is imperative to assess a few chapters of the Agreement that containing nontrade issues so as to determine whether they detract from the goals developing countries expect to achieve through international trade.

Chapter 6: *Sanitary and Phytosanitary Measures*- The Parties agree to ensure transparent, non-discriminatory rules based on science, and reaffirmed their rights to protect human, animal or plant life in their countries.

Chapter 11: *Financial Services*-The Parties agree to provide important cross-border and investment access opportunities while ensuring that parties will retain the ability to regulate financial markets and institutions, and take emergency measures in the event of crisis.

Chapter 13: *Telecommunications*- The Parties agree to provide efficient and reliable telecommunications networks in their countries.

Chapter 14: *Electronic Commerce*-The Parties made a commitment to ensuring free flow of global information and data that drive the internet and digital economy, subject to legitimate public policy objectives such as personal information protection.

Chapter 15: *Government Procurement*-The Parties share an interest in accessing each other's large government procurement markets through transparent, predictable, and non-discriminatory rules.

Chapter 16: *Competition Policy*- The Parties agree to a framework of fair competition in the region through rules that require TPP parties to maintain legal regimes that prohibit anticompetitive conduct, as well as fraudulent and deceptive commercial activities that harm consumers.

Chapter 17: *State-Owned Enterprises (SOEs)* - The Parties agree to ensure that SOEs make commercial purchases on the basis of commercial considerations

except when doing so would be inconsistent with any mandate under which an SOE is operating that would require it to provide public services.

Chapter 18: *Intellectual Property (IP)* - IP covers patents, trademarks, copyrights, industrial designs, and trade secrets. The Parties agree to strong enforcement measures, including civil procedures, provisional measures border measures, and criminal procedures and penalties for commercial-scale trademark counterfeiting and copyright or related rights privacy.

Chapter 19: *Labour*- All Parties recognized the ILO 1998 Declaration namely, freedom of association, and right to collective bargaining, elimination of forced labour ; abolition of child labour and a prohibition on the worst forms of child labour ; and elimination of discrimination in employment. They also agree to have laws governing minimum wages, hours of work, and occupational safety and health.

Chapter 20: *Environment*- The Parties agree to address environmental challenges, such as pollution, illegal wildlife trafficking, illegal logging, illegal fishing; and protection of the marine environment.

Chapter 21: *Cooperation and Capacity Building*-The Parties recognize that the lesser developed countries may face particular challenges in implementing the Agreement, and in taking full advantage of the opportunities it creates. Thus, they agree to set up a Committee on Cooperation and Capacity Building help the lesser developed countries with capacity building.

Chapter 25: *Regulatory Coherence*-This seeks to ensure an open, fair, and predictable regulatory environment for business operating in TPP markets by encouraging transparency, impartiality, and coordination across each government to achieve a coherent regulatory approach.

Chapter 28: *Dispute Settlement*- This Agreement establishes an investor-state dispute settlement (ISDS) mechanism which grant investors the right to sue foreign governments for treaty violations. The effect of this chapter was that the special tribunal, tasked with settling disputes, operated outside the purview of the local courts system.

- Stiglitz (2015). *Rewriting the rules of the American economy: An agenda for growth and shared prosperity*. This Nobel Prize-winning economist lamented that under a provision of the TPP, corporations can sue the government of America and other TPP members for loss of profits as a result of the remissions regulations that restrict their ability to emit carbon emissions that lead to global warming. Furthermore, in a keynote address delivered at a Conference at the University of Ottawa, 2015, on the topic: “*Complex Trade Deal*” Stiglitz opined that the TPP may well be the worst trade agreement ever negotiated.
- Raj Bhala (2016). *TPP objectively: Law, economics, and national security of the history’s largest, longest free trade agreement*. Bhala argued that the Agreement does not free up trade as much as most people assume since about 15 percent of all goods and services produced in the member nations are not freed up.

- Cimino-Isaacs, & Schott, J. (2016). *TPP: An assessment (policy analyses in international economics)*. The authors provide policy analyses on the estimates of TPP's benefits and costs of a range of nontrade issues. A scholarly work on the agreement's merits and shortcomings.

These secondary sources were selected, not only because they provide recent information on international trade /FTAs, but also they provide context in the current narrative on the phenomenon under study. They addressed the research problem and provided answers to the research question.

Subjects, Participants, Population, and Sample

The key subjects in this study were policymakers, economists, trade unionists and stakeholders who specialize in international trade and FTAs. I used the Internet to establish a catalogue of experts on trade policy and international trade. I analyzed over 500 articles, journals, and textbooks on the subject-matter, a process that started during the literature review. This means I have used a literature-based sample that served both to address the research problem and answer the research question. The focus was on using mainly primary data even though useful secondary data were also considered. The aim was to move the field forward and add to the current knowledge base.

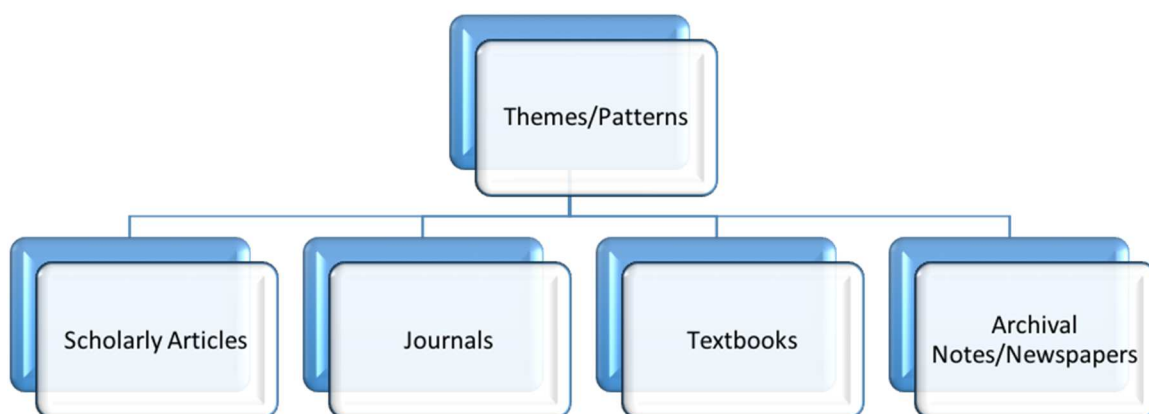


Figure 6. Articles/Sources from which data were collected.

Figure 6 accounted for one-half of the research study. I used various databases and search agents such as Business Source Complete, EBSCO eBooks, Political Science Complete, ProQuest Central and CQ Researcher, to access relevant data relating to international trade and FTAs.

Special attention was given to key issues, namely, the role of nontrade issues in FTAs, the ramifications for developing countries and the world trade system, and whether they detract developing countries from achieving their trade goals. This process involved grouping information for commonalities, then integrate the information so to identify the conclusions drawn from the data. The secondary source were important to the overall study because of how closely aligned it was to the findings of the interviews. Generally, there were major concerns with nontrade issues in FTAs and their impact on developing countries.

In relation to the participants, issues of gender, age, race, ethnicity, and socioeconomic standing were not in any way influenced the selection of the subjects. Consideration was only given to those individuals who have an abiding interest and experience in trade matters and were impacted by international trade and FTAs. The population is the group from which a sample is drawn. For example, the group of experts on trade policy and international trade including organizations was the population of my study called the epistemic community (Haas, 1989). The population of my study consisted of stakeholders, such as economists, trade unionists, representatives for the agriculture, labor and manufacturing sectors, representatives from government departments of trade and commerce, trade lawyers, policymakers, and academicians.

With regard to sampling strategy and sample size, Patton (2002) argued that it depends on “prior decisions about the appropriate unit of analysis to study” (p. 228). The main focus of data collection was what individuals were doing in a particular setting or how they were affected by the setting. Different units of analysis will cause different scenarios, such different kind of data collection, different data analysis and different findings and conclusions. Patton provided an outline of sampling strategies that are useful for the collection of data in a research, mainly (a) random probability sampling and (b) purposeful sampling.

Random probability sampling was based on representativeness where sample size was a function of population size and desired confidence level. A simple random sample permits generalization from sample to the population it represents whereas stratified random and cluster samples increase confidence in making generalizations to particular

subgroup. “Purposeful sampling focuses on selecting information-rich cases whose study will illuminate the questions under study” (Patton, 2002, p. 230). Random probability sampling is commonly associated with quantitative studies while purposeful sampling is popular with qualitative studies. Purposeful sampling consists of numerous sampling types such as: Extreme or deviant case sampling, intensity sampling, maximum variation sampling, homogeneous sampling, critical case sampling, snowball sampling, criterion sampling, and theory-based sampling.

After a careful study of the literature, I decided that a purposeful sample was appropriate for my inquiry. However, Patton (2002) posited

There are no rules for sample size in qualitative inquiry. Sample size depended on what you want to know, the purpose of the inquiry, what’s at stake, what will be useful, what will be credible, and what can be done with available time and resources. (p. 244)

With respect to general qualitative studies, Creswell (1998) recommended 5-25 participants while Morse (1994) suggested at least six participants. In view of this, I selected 15 participants representing the viable final sample size for this research study.

Ethical Considerations

A researcher can be easily influenced by his personal biases and idiosyncrasies. In addition, limitation is primarily in the interpretive nature of the method. It is often characterized as lacking scientific rigor and is subject to researcher bias by design. Rigor is a means by which we demonstrate integrity and competence (Aroni et al., 1999) a way of demonstrating the legitimacy of the research process. Without rigor, there was a

danger that the research may become fictional journalism, worthless as contributing to knowledge (Morse & Richards 2002). To address the problem, rigor, subjectivity, and creativity were incorporated in the research and bias was avoided. I approached this research with an open-mind, keeping personal views to myself by using bracketing to avoid undue influence of my preconceived notions on participants responses (Creswell, 2008).

Put simply, bracketing is the act of isolating, suspending, and dissecting data in order to establish the true and untampered meaning (Patton, 2002).

Threats to quality is a real problem and Rudestam and Newton (2002) suggested some ways to address the problem including:

Spending sufficient time with participants to check for distortions, exploring the participant's experience in sufficient detail, videotaping interviews for comparison with recorded data, clarifying tentative findings with the participants, revising working hypotheses as more data become available, and checking multiple sources of data such as other investigators, written records, diaries, field notes, and so on. (p. 113).

To establish the trustworthiness of a study, Lincoln and Guba (1985) used unique terms such as *credibility*, *authenticity*, *transferability*, *dependability*, and *confirmability* as the equivalents for validation and reliability. "To operationalize these new terms, they propose techniques such as prolonged engagement in the field and the triangulation of data of sources, methods, and investigators to establish credibility" (Creswell, 2007, pp. 202-204).

I addressed these issues by adopting a range of strategies including, (a) the use of multiple data sources and multiple perspectives that allowed for sufficient exploration of the phenomenon under study, (b) examined previous research to frame findings, (c) the use of background data to establish context and description of problem in question to allow for comparisons to be made, (d) the use of methodological description to allow study to be repeated, and (e) the use of bracketing to avoid bias and prejudice from tainting the findings.

Another effective consideration for quality is to have peer-review of the data so as to provide some measure of impartiality and objectivity. I allowed an independent auditor who was unattached to the research, to perform an evaluation on the data and process. It was required that I observe certain code of ethics or protocols as they relate to the collection of data and interviews. I ensured that approval or informed consent is given by Walden University to conduct interviews for my research. I sought and obtained approval from the Institutional Review Board (IRB) which confirming that the potential risks of the study did not outweigh the potential benefits; and determined that procedures were in compliance with federal regulations and university policies.

I obtained signed consent forms from all the interviewees by e-mail, after which I scheduled interview dates based on the availability and convenience of each participant. At the interview, I explained to the interviewees the purpose for the interview, my role in the interview, and the duration of the interview. I made it clear to the interviewees that the interview was voluntary and that he/she was free to end it at any time without consequences. He/she was also free to answer or not to answer any questions. I sought

the permission of the interviewees to record and make notes of the interviews. At the end of the interview, I thanked the interviewee in appreciation for the time spent in the interview. Each interviewee was provided with a copy of the transcript so that he/she was able to check it for accuracy

According to Berg (2001), in constructing the interview questions, certain words must be avoided so as not to pose problems: Affective words that carry negative connotations, double-barreled questions, complex questions, and questions sequencing that begins with difficult and sensitive questions.

Summary

In this chapter, I addressed the research design and method, research question, justification of design and method, role of the researcher, data collection, data analysis, method of the new trade theory, subjects, participants, population, and sample, and ethical considerations. This chapter dealt with the role of the researcher, ethical issues and threats to quality by examining, rigors, trustworthiness and credibility of the research. In relation to the collection of data, the study used such instruments as Skype interviews and documentation. Purposeful sampling was done to select 15 interviewees. In addition, secondary sources were analyzed with a view to supplement the research findings.

Chapter 4: Results

This chapter is a presentation of the findings of this study. The purpose of this qualitative study was to explore whether the recent focus on the nontrade issues in FTAs was detracting from the goals that developing countries were expecting to achieve through international trade. The aim was to conduct a comprehensive trade policy analysis using primarily documentary evidence and interviews to ascertain, among other things, the economic, political, and social implications of the changing face of FTAs and how it affects the world trading system. This chapter includes research question, context of the study, recruitment and selection of participants, researcher's approach to interview process, methodology-coding and analysis, data analysis, results of the study, and summary.

Research Question

Is the recent focus on nontrade issues in FTAs detracting from the goals that developing countries expect to achieve through international trade?

Context of the Study

In this study, the general qualitative exploratory approach was used as the most suitable method to provide in-depth and rich contextual perspectives on the subject. The findings in this chapter consist of analysis of three sets of data: documents, researcher's notes and interviews (triangulation). The use triangulation as a strategy substantially increase the credibility of research findings (Johnson & Christenson, 2014). With respect to the interviews, Skype technology was used because of the advantages it afforded for the collection of data. Some of the advantages included the opportunity to conduct

inexpensive, synchronous online interviews; it is geographically flexible, thus allowing for long distance communication; it is convenient and allows the interviewee to participate at his/ her own time, setting and comfort; it allows for instant, live communication, and easy audio-recording (Hanna, 2012).

I conducted semistructured interviews of participants, using open-ended questions (Merriam, 1998), to gain perspectives from experts in the field of international trade on the potential impact of including nontrade issues in FTAs. I conducted interviews on 15 participants (13 economists and 2 trade unionists). The sample size initially proposed was 20; but, after experiencing difficulties in recruiting participants, I sought and obtained approval from the IRB to reduce number of participants to 10. I decided to interview 15 participants. I used bracketing to ensure an unbiased and clear understanding of participant responses (Creswell, 2007). The average duration of the interviews was 30 minutes.

Recruitment and Selection of Participants

Participants for this study were drawn from an epistemic community of specialists in the field of international trade and whose expertise were most suited to answer the research question. Participants had to meet certain inclusion criteria before they were recruited to participate in this study. The inclusion criteria were:

- Adult- 21years and over.
- Representative of a trade organization that specializes in international trade matters/agreements including representatives of trade ministries in developing

countries, TPP member states, WTO, trade unions, and Chamber of Commerce.

Participants consisted of both men and women and were selected from variety of stakeholders, including economists from universities in the U.S.A., trade unionists, all of whom brought special skills-set to this study. I contacted over 180 potential participants; but, I only received 15 positive responses, 20 declinations, and 145 chose not to respond.

While it took several years to gather data from documents, the recruitment, selection, and interview process for participants required about 4 weeks to complete after been given Approval Number 08-26-15-0256184 by the IRB to proceed with data collect for this study. The recruitment process required repeated e-mails and telephone calls to potential participants so as to achieve a sufficient number of them to agree to the proposed interviews and a convenient schedule. Invitation letters and consent forms, which specified the background of the study, procedures, risks and benefits in the study, compensation, confidentiality, contacts and questions, were dispatched to participants.

Researcher Approach to Interview Process

Upon receipt of the signed consent form, I proceeded to schedule the Skype interviews, making sure that the proposed dates and times were convenient and acceptable to each participant. Once the interviews began, I first expressed appreciation to the participant for agreeing to contribute to the study. I then reassured the participant of his intent to fully comply with the terms and conditions of the consent form. The research reminded the participant that participation was voluntary and he/she can withdraw at any time during the process. In the interest of anonymity, the participant

agreed to provide a pseudonym for the interview and all data remained confidential. The participant agreed to the audio-taping of the interview and for me to take hand-written notes.

The interview questions (Appendix A) were crafted to generate in-depth discussions for addressing the research question. I proceeded to outline the purpose of the study and goal of furthering dialogue in the subject area. I expressed deep appreciation for the participant's willingness to share his/her personal knowledge and professional experiences in the field of international trade.

I used bracketing to gain a clear understanding of participant perspectives and to avoid undue influence of my preconceived notions on participant responses (Creswell, 2008). The process of bracketing was considered essential to maintain objectivity, credibility, and reliability of the data and subsequent analysis. As the interview proceeded, I was able to obtain rich, thick, open, candid and dependable responses to address the research question, and also to confirm findings and enhance validity through follow-up communications with participants (Merriam, 1998). After 12 interviews, saturation was achieved where nothing new was forthcoming on the issue under investigation (Glaser & Strauss, 1967). The interviews were recorded using a digital voice recorder and transcribed verbatim making them suitable for use in the next phase of the process, methodology: coding and analysis.

Methodology: Coding and Analysis

The information and data collected were arranged first in accordance with the interview questions, and later organized specifically to relate to the research question. I

used the constant comparative analysis method to observe similarities and differences in the data derived from responses (Merriam, 1998). Key words and phrases were identified for the purposes to provide meaning and context and to label, sort, categorize, and summarize the data for subsequent interpretations into categories (Denzin & Lincoln 1994).

I used three types of coding, namely, open, axial, and selective coding. I then followed closely the coding stages that were outlined in Chapter 3. The aim was to create numerous descriptive categories that form a preliminary framework for analysis which ultimately leads to a better understanding of the subject-matter under study (see appendix C: Coding Sheet).

Data Analysis

The analysis involved triangulation of the various forms of data collected in the study such as, documents researcher's notes, and interviews. Triangulation was a means of corroboration which allowed the researcher to be more confident of the study conclusions. For cross-theme analysis, I used a combination of Braun and Clarke, (2006, 2012); and Joffe's (2011) step-by-step guidelines.

This entailed me scrutinizing the transcript repeatedly until I gained the gist of the respondents' perspectives of the subject-matter. Finally, through compartmentalization, categorization, and themes, I established meanings and drew conclusions.

The interview questions elicited the responses that enabled the researcher to answer the research question that guided this study. The following represents the responses provided by the respondents (R) to the interview questions and analysis.

Question 1: Do you think nontrade issues should be included in FTAs?

R-1 noted, first of all, we have to explain what we mean by nontrade issues. What is a trade issue? and What is a nontrade issue? If you think about it broadly enough, every domestic policy has an impact on trade, so it just becomes difficult to carve out trade issues from nontrade issues.

My view on this is, we can distinguish between government actions that are protectionist in terms of trying to give advantage to domestic industry, from government actions that are not protectionist. Both of them will affect trade, and to me, it is like you have intentional discrimination against foreigners in favor of domestic industries; that is a problem. With that in mind, what should be in FTAs? In my view, tariffs are inherently protectionist, even though they might have other purposes, but we also want to include domestic regulations that we should use for protectionist purposes. What I would say for agreements generally, if it is WTO or FTAs, we should focus on tariffs and protectionist measures, and everything else should be out. There is some debate as to which policy falls on which side of the line. For example, for me, environment rules, labor rules, these are all not issues of protectionism. Fundamentally, governments should decide on whether they want to operate internationally, outside of trade agreements. For me, FTAs should focus on lowering tariffs so far as similar protectionist barriers to trade in goods and services. We have this for a general principle, but you have to go case by case to flush that out.

R-2 remarked, I prefer not to have nontrade issues in FTAs. The U.S. has a disproportionate amount of power in negotiating trade agreements with other countries. It has the biggest economy than any of them. If it is just trade issues, we have a template for an agreement that in some sense treat everybody fairly. It is for free trade and trade among its partners and you know what that means, that is not necessarily bias in favor or against any particular party. But when we introduce nontrade issues, those we do not have a template for, or if we do, we do not have an objective and a neutral one, as a result, my impression is that U.S., pushes these issues as far as it can in what it perceives to be in its own interests. Some of these interests I agree with and some I don't agree with, but what bothers me is that the countries that we negotiate with, whatever their views are, will be pushed as far as they are willing to go without giving up on the whole agreement and it seems to me it is done with symmetry and power of the queen. With the different negotiations, the result is that the United States gets what it wants, and the other countries hopefully agree to some things that are beneficial but presumably they give away some of the things they would like to have. That is the thing that bothers me. Now, there are arguments that go the other way, of course, with nontrade issues, the U.S., like to include them in these agreements that arguably beneficial to all concerned. And, therefore, it will be nice if we had some way to get them addressed at international negotiations and trade agreements at the higher level because that the only place at the economic sphere where international agreements have any strength. And so, it is understandable that those

who wish to push for, example environmental issues, would like to do it in the context of trade agreements, and is, at best, a plus for them. In addition, on some of these things, it is likely, it is my perception that some of the countries we negotiate with, the interest of government and for good reasons, do not like to tie their own hands, and to get progress in these issues, push forward on their own for such agreements, in some cases, these trade agreements are ways to accomplish that and, in some cases, welcome the nontrade issues in trade agreements. So as always in issues of trade there are arguments on both sides. But generally speaking, I argue against including nontrade issues in FTAs. Of course, nobody pays attention to me. So that been my view on that.

R-3 (Trade unionist) explained, sometimes in FTAs in might be necessary to include issues that are important to domestic regulations that are democratic. In a democracy, we have apparatus to make decisions say on consumer safety or environment safety or major barriers; and it is my view that we should try to avoid entering into trade agreements that will undermine our ability to make democratic decisions with respect to domestic regulations. However, there are certain limitations in some areas, if you make initial commitments by definition to cede a little sovereignty, for example, countries make commitments to the ILO to respect internationally recognized labor rights that will have nontrade impact. If we say for example, you are a party to an agreement that requires freedom of association, the right to bargain collectively then I would think that is a good way of raising standards and harmonizing efforts. One of the big questions is whether

you have regulatory provisions down the lowest standards to the highest. I have to support nontrade issues in FTAs, especially strict labor standards and environmental protections. It is a long answer to the question of nontrade issues in FTAs.

R-4 stated, I think definitely, one of the fundamental parts of ensuring a free trade agreement, is having fair trade because with most FTAs, you have specifications in relation to shifts of business services across borders. I would also think, you want to include some aspects of the environmental impact, labor market standards, requirement for the things you purchase or trading; also, any set of clauses for potential negative consequences for the FTA. For example, one of the things that is quite common in small states is if you enter in the FTA, it may have negative consequences on your balance of payments, so that there should be a clause in there that allows the smaller states to utilize some barriers in case it has some negative impact on the balance of payments of the country. I guess from my perspective, I would probably focus a lot more on the environmental side; because those are the issues I am more concerned about, and definitely yes, there is a role for nontrade issues in FTAs.

R-5 exclaimed, yes! In this global economy, nontrade issues are necessary to expand trading amongst countries.

R-6 (Trade unionist) noted, I am agnostic on this issue. If nontrade issues are to be included in FTAs, then they are to raise everyone up to a higher standard. In practice, I see, in terms of consistency across countries, with respect to regulatory

environment, that often goes down to the lowest common denominator. The history of labor protections that have been included in trade agreements, that instead of raising the bar up, I see the lowering of the bar. In general, I feel agnostic over the issue, and I feel it wouldn't raise standards across the board, but end up lowering them.

R-7 argued, the answer is yes but these nontrade issues like labor relations and intellectual property rights may cause undue burden on emerging economies because of the weakness in their state regulatory agencies. For example, the U.S. government made what many called a troubling decision to grant the government of Guatemala four additional months to come into compliance with the Mutually Agreed Enforcement Action Plan the two countries signed a year earlier. The plan was enacted in response to a 2008 complaint filed by the AFL-CIO and six Guatemalan trade unions under the labor provisions of CAFTA, the trade pact that binds the U.S. with five Central American nations and the Dominican Republic.

R-8 posited, generally, I support having nontrade issues in FTAs, but not all nontrade issues are beneficial to many countries that signed trade agreements, notably the developing countries. For instance, labor rights, and environmental protections, should be part and parcel of every trade agreement, but may others to do great harm to lesser developed countries.

R-9 argued, as far as I know, there is no definitive meaning of the term 'nontrade issue' but it is one of those things that when you see it, you know it. Simply though, matters that are not direct related to trade in goods and services are

considered nontrade issues. In recent FTAs, nontrade issue became a big deal in trade agreements. For example, The TPP contains 24 chapters on nontrade issues from a total of 30 chapters. So nontrade issues are important and should be included in FTAs.

R-10 explained, outside of human rights and labor issues, no other nontrade issue should be included in FTAs. I hold the view that a trade agreement should maintain its true form and meaning, and to do otherwise is to deprive the agreement of traditional outlook.

R-11 stated, my position is that nontrade issues that serve to level the playing field and make trade fairer, especially for developing countries, should be included in FTAs. So, I am comfortable with labor standards, environmental protections, and human rights provisions. The bulk of the other nontrade issues including, competition policy, state-owned enterprises, investor-state-dispute settlement, and government procurement should be excluded from trade agreements.

R-12 asserted, I would argue that some nontrade issues are indispensable to trade agreements such as labor rights and environmental protections. I do not care for the many other nontrade issues that only make agreements cumbersome and self-serving to special interest groups.

R-13 remarked, absolutely! I support including nontrade issues in FTAs. The deeper the trade deals are in terms of the number of regulations they harmonize,

and the greater the breath involving more industries and countries, the bigger the trade creation effects.

R-14 argued, nontrade issues exemplify the evolution of trade agreements and should be part of such agreements.

R-15 stated, central to any trade policy, is the idea of balancing winners and losers. The main consideration here is the thought that trade must be helpful and not harmful. Fairness is an important factor. My answer to your question is, I am in favor of having nontrade issue provisions in a trade agreement that seek to empower producers or workers and balance trade. I am entirely against those provisions that increase inequality, expand rights and power to global companies at the expense of the workers.

Based on the responses to this question, the majority of the respondents believed that some nontrade issues, such as labor rights, and environmental protection play a positive role, and should be included in future FTAs.

Question 2: What do you think will be the ramifications of including nontrade issues in FTAs?

R-1 explained, it does two parallel things: (1) it broadens the scope of the agreement. It brings in new supporters with interest as new business groups that are not necessarily focus on protectionism, property protection or investor rights, support for these other groups; and (2) at the same time, it can generate opposition, take for example, opposition groups that generally criticizes the policy. Those are examples of policies that are business-oriented, labor unions

and environmentalists, in practice haven't really done that but supported the TPP, even though it has those rules and attract opposition to them. It broadens the scope of these agreements and make them more controversial. It expands the debate since the 1960s, it just focus on tariffs, and broader global governance .It gives them more impact based on good and bad. It depends on what your policy preference is. If you think that there should be stronger property protection, then you will be happy with these rules. But if you do not think that there should be stronger property protection then you would not support the rules. It makes it a broader, messier agreement or it expands the scope of the agreement.

R-2 stated, well, given the issues that tend to be included in FTAs, presumably the intent will be, and to some extent the effect will be to improve labor standards, that the countries that are parties to the FTAs will, to some extent, improve the treatment of labor. My worry, of course, is that for some developing countries, the improvements will come at a heavy cost, in terms of what the industries in these countries are able to carry. It will, for certain, hurt some workers in developing countries and affect labor standards.

On environmental standards, the situation is very much the same. I worry a little bit more here than labor standards, since the developed countries will push the developing countries to incur greater costs to meet acceptable environment standards. Intellectual property has been classified as a trade issue; the WTO gave it that label as a related trade issue.

There are some cost appropriate to save the environment and so it is more related to trade than labor and environmental standards because of the subjects related to intellectual property. But there is a place that looks to me like intellectual property is part of the WTO and partnership agreements. Big corporations, for example, the entertainment industry are rich stockholders, in high income countries, and they operate at the expense of developing countries. I regret seeing those standards pushed into the trade agreements. I admit I felt this way twenty years ago. There has been so much cost to industries, for example, India, the cost was so high, it cause some industries to go bankrupt when nontrade issues are included in trade agreements.

R-3 stated, yes! The ramifications for including nontrade issues in FTAs could be a lot of things. One is that the country could be required to weaken or overturn a domestic protection that was democratically agreed on or could find that their scope for changing laws and regulations in the future is limited. If they want to put in place a new protection for consumers and the environment, they might be told, that is not consistent with your obligations under the trade agreement. That is why we think it is important that before our government enters into negotiations for a trade agreement that we could be aware that there is a limit to our flexibility. I will give you one example, the country of origin for the labeling of meat. In the United States consumers want to know which country the meat came from- whether they consider that safe or not safe but the WTO which is not a free trade agreement but a set of multilateral trade rules who recently said that our country

of origin labeling is non-compliant, that we either change the law which I believe Congress did or about to do or pay a fines or tariffs going forward. So that is an example where I don't think the American consumers were concern when we enter the WTO that our ability even to label our meat will be impinged by our membership in the WTO. One of the ramifications is that trade agreements become politically more difficult to enact because you have organizations like consumers organization and labor organizations who object to these trade agreements because they impinge on our domestic regulatory capacity.

R-4 remarked, I would more look at the potential benefits of it, including these nontrade issues in FTAs. For example, if I have inside the agreement, some environmental standards, I am importing a good from your country, I am assured that the good was produced to a certain environmental standard so that it would not destroy the environment in the source country. And that has a positive impact on environmental outcomes. Then that positive impact on environmental outcomes, can, not only win out to the benefit of the source country, but to the entire globe. It all depends on how far you push those trade agreements. In the Caribbean, issues surrounding the Caribbean Sea, impact on all countries. So if you have a single firm producing a good, and by doing so has a negative impact on the Caribbean Sea, that impacts on me as a user of the good produced from the Caribbean Sea, as well as certain schisms of the Caribbean. The result is that you have not only these countries benefiting but also externalities as well that can result from including nontrade issues in the agreement. As I mentioned earlier,

including these nontrade issues also help with fairness. I think fairness pops up a lot, in terms of the dispensation in free trade agreements because there is a natural tendency for FTAs to benefit individuals with greater capital so it reinforces the inequalities you have in the country. And one of the reasons for that is you are implicitly allowing business services to move across borders but you are not allowing other aspects of production to move across borders. Say, for example, your labor is not allowed to move freely across borders.

R-5 noted, the inclusion of nontrade issues in FTAs, will make the agreements much more difficult to negotiate. At various levels, the more you add to the agreements, the more difficult it is to achieve an agreement. But there is a need for some of these other provisions because the nature of the evolving interconnectedness between countries, requires additional policies to address some of the implications of that so that is why you need to include those nontrade issues.

R- 6 opined, in some instances, they impact certain important sovereignty issues and the capacity for governments to set farm and food policies that make sense to the countries. For instance, one pressing issue is the country of origin labelling which are not included in the FTAs or a WTO issue, but along those lines, the capacity for consumer-oriented laws that helps small producers which got undermined by FTA process. So, small scale farmers, family farmers don't necessarily have a significant foot at the table for trade negotiators. Thus, policies and regulations that are important to them often get traded away.

R-7 remarked, I would cite the inclusion of labor and environmental provisions that are subject to non-binding dispute settlement which allows parties to take unilateral measures in the event of perceived violations that would constitute antidumping duties based on environmental and social standards.

R-8 noted, on the positive side, the inclusion of nontrade issues such as, labor and environmental standards serve to benefit countries in many ways. You may have better working conditions and increase wages for workers, and also better workplace safety and health. On the hand, countries' economies could be harmed by government procurement policy and regulatory reforms.

R-9 stated, in this era of globalization, nontrade issues could present numerous benefits to all member countries in the FTA. The fact that FTAs now include provisions beyond just mere trade in goods, means that they take in account the changing nature of trade and the realities of a globalized world. Trade agreements now have to treat with more complex and costly issues in order to make positive strides in the trade environment. Nontrade issues tend to change the rules and regulations of trade which, in turn, push economic, social, and political reforms.

R-10 opined, nontrade issues could extend the time of negotiation and make it difficult to reach consensus on those matters that parties to the negotiation may feel are non-negotiable.

R-11 explained, first, nontrade issues changed the historical landscape of trade agreements. In the past, countries were concerned primarily about trade in goods and services. Parties to a trade agreement were hoping to gain access to a variety

of goods and services that their countries could not produce at all, or can produce at a high cost. Countries enjoyed a measure of shared benefits. Second, with the advent of nontrade issues, the multinational corporations dominate the agreements, and are positioned to reap tremendous benefits while the developing countries are left with mere pittance.

R-12 asserted, we can't ignore the fact that modern FTAs comprise developing and developed countries with different sizes and stages of economic development, and with diverging needs. Nontrade issues further compound matters by causing greater inequality where only the fittest shall survive. Globalization and technological developments have caused big companies to capitalize on the situation by incorporating measures and provisions in FTAs that will boost their profits and trade interests.

R-13 noted, nontrade issues are intended to increase competition between foreign and domestic producers. This enables the more productive business industries to expand to take more advantage of profitable new opportunities, to sell abroad and obtain costs savings from greater economies of scale. Also, this results in the reduction of trade diversion.

R-14 explained, one ramification of nontrade issues is the extent which countries are forced to consider new issues that ultimately could affect their trade interests under the guise of a modern trade

R-15 posited, nontrade issues could have both positive and negative consequences. However, the negative effect could be far more consequential to countries than the positive. They could result in deepening inequality and poverty. Most of the respondents to this question, felt that there are both positive and negative consequences of nontrade issues in FTAs. The majority of the respondents supported the view that nontrade issues broaden the scope of the agreements, makes them more controversial, and less likely to arrive at a consensus.

Question 3: What impact do you think nontrade issues will have on developing countries?

R-1 posited, we have to distinguish between three categories of countries: (a) poor countries (b) the middle- of- the- road countries, and (c) the advanced countries, maybe close to be considered developed countries. These trade agreements can have an impact on all of those groups. We in the developed countries really do not get help too much. If you look at the rules, it might give great help to say Rwanda but in practice nobody is pressing Rwanda to comply, thus it has no practical impact. But there are some countries for which the rules have great impact. Take the TPP where Vietnam is part of it and clearly the rules it was specifically designed to have an impact on Vietnam. The US insists that as part of a side unit, there will be rules allowing for the independence of trade unions and are prepared to enforce this which will have an impact on Vietnam. This will try to change the way Vietnam labor works; free and independent unions and lobby for labor rights and pay which will lead to the fundamental transformation of Vietnam. The impact of nontrade issues in FTAs will undoubtedly vary from the type of

country, organizations and a lot of carve outs and the WTO where some of the rules do not apply to the poorest countries. At the same time, there rules that are specifically designed to address issues and specific developing countries on trade issues. Taxes will vary a lot depending on the specific countries. In some of that you have the potential to be transparent. In practice you have things written on paper. You have trade agreements and rules that are not normally enforced. There is not much litigation so what does that mean? What impact does this have, and it is a difficult thing to quantify, and it is in the early stages to having these rules, certainly U.S. tries to enforce them but this has been limited. It has a wide-ranging impact on policy issues of developing countries.

R-2 stated, my concern about nontrade issues in FTAs is based entirely on the effects on developing countries. I suppose there will be some issues between the United States and the European Union but generally, I am more concerned about the impact on developing countries which I discussed earlier.

R-3 argued, sure! It is not a single answer because there are instances where developing countries could find that they have better access to markets of wealthy countries and that would be a welcome development, but it depends on the trade agreement and also depends on the particular circumstances of that country, if whether, it is in a position to take advantage of market access and to meet the standards of the other countries and so on. But it is also true that these trade agreements do, to some extent, limit the ability of developing countries to limit their policy space. But there are certain policies that will be put in play let say,

possibly requiring that a company hire a domestic scientist or manager in the factory and that is something that could be limited by a free trade agreement or if you have government purchasing preferences for a government contract, that is one of the things that is often limited by a free trade agreement so the United States may call it 'buy America' and another country may call it government purchasing preference for local or small business; those preferences could change by trade agreements. Sometimes, we see in principle developing countries getting better access the market of the wealthier country but there is still high unemployment and working conditions remain bad so the workers don't necessarily gets the benefit. It might be the local elites who are benefiting but the workers are not. For example, in Jordan after they signed a free trade agreement with the United States, the volume of trade did increase dramatically and yet the working conditions in the industrial zones were terrible. The companies were importing workers from abroad and treating them badly; they came from China, Pakistan, Bangladesh and those workers treated like indentured servants. They weren't allowed to leave the country and passports were confiscated. Thus you still had high unemployment in Jordan like 15 percent unemployment rate and Jordanians weren't getting the jobs and yet workers who were brought in were treated very poorly. So that is an example that even though free trade agreements may increase trade volume might increase foreign investment, it may not necessarily benefit the workers in that country. It is a mixed picture there may be some positive and some negative. We also seen Multinational Corporations write

the trade agreements. They write them for their own profits, flexibility, and benefits. So the results aren't uniformly good for developing countries.

R-4 explained, I think one of the biggest issues will be our labor; the labor market and individuals in the labor market because in a free trade area, capital tends to locate its production in the countries with the lowest wages and also the lowest labor standards. This is way I mentioned that we need to have that in any FTA because if capital is going to flow to the country with the lowest wages and the lowest labor standards, we will then have a real imbalance in terms of labor and not be competitive. It will then encourage the policymakers to adopt these lowest common denominators in labor standards and there can also be job losses, in particular markets, as well. Take, for example, agriculture in the Caribbean, it is a good example of things that can happen. For a long time, the Caribbean has been a major exporter of bananas and sugar, we were never able to produce those goods at a price that could compete with producers in South America. Now, when you enter into FTA which is the WTO, you cannot with your European partners maintain the same barriers on sugar and bananas from South America, as you used to do a couple of years ago, as a result the sugar industry and banana industry essentially disappeared in most Caribbean countries and that has a significant impact on the labor market in those OECS countries and the general Caribbean when you are talking about sugar. Trade agreements tend to have major impacts on these labor markets due to these sectoral shifts in the economy as well.

R-5 stated, what we have seen over the last twenty years is, depending on what we mean by the world trading system, say more broadly, the WTO and multilateral trade, the rise and endogenous growth of preferential trade agreements, has put the multilateral system, somewhat in the back seat. And, I think realistically that is going to continue. It is very difficult now given all these extra nontrade issues, even in WTO agreements, these are really hard agreements to negotiate. The implications are there will be the process of a whole variety of trade rules that exist for preferential trade will continue, and it is a problem for the multilateral system. There will be an increase in complexity. The same developing country and the same developed countries you can have different rules that apply to trade with one country versus another country. Take labor, for instance, if you have additional labor rules, a factory that is exporting to Japan, may have one set of labor rules and a factory that is exporting to U.S.A. may have a different set of labor rules.

R-6 remarked, I can't speak specifically for any developing country, but when you consider cohesion and regulatory environment, which oftentimes it plays out, the developed countries such as U.S. have such a strong hand, while other countries are aligned to our market place so there is not a lot power that happens in the trade negotiations. Things, like biotech approval, the U.S. carries a really big stick, and it is an important issue to agriculture. Countries have their own reasons for regulatory approval process and sovereignty issues but there is the positive side such as food safety issue. I think, if it is possible we form trade

agreements that lift food safety standards. In some instances, it gets worst it depends on how that trade agreement ends up. Generally, there are potentials for raising the bar and standards but, in oftentimes, my organization feels the bar is lowered tailored for certain industries.

R-7 argued, if strict labor standards are adopted in the developing countries, such as Vietnam, the workers will enjoy better working conditions and a higher minimum wage. They may even get to engage in collective bargaining. Similarly, with sound environmental measures, workers will benefit from better workplace safety and health conditions. This will enhance the well-being of workers.

R-8 stressed, in most cases, nontrade issues in FTAs are pushed mainly by big companies such as big pharma, for their own benefits and that of developed countries. Take, for example, intellectual property rights, where they control patents, trademarks, and copyright thus indirectly making drugs and other health facilities too expensive for developing countries. Developing countries such as Vietnam, however, will benefit indirectly from government procurement policies, especially in the areas of garment, textiles, and apparel, also infrastructure projects such as bridges, roads and freeway see a boost because of increase market opportunities. In sum, Vietnam will experience larger trade volume by trading with US and Japan, a competitive manufacturing environment, and tariff cuts of key export and import products.

R-9 stated, in the case of labor rights, developing countries with skilled and unskilled labor force, would benefit from high labor standards as stipulated by the

ILO core values, such as, freedom of association; the right to organize and bargain collectively; freedom from forced labor; effective abolition of child labor, and non-discrimination in employment. These values should be enforceable since in countries like Guatemala and Colombia, workers are fired, and in some cases killed for trying to organize. The concern that developing countries have in including nontrade issues in FTAs, is that they tend to increase income inequality. R-10 posited, since developing countries are eager to modernize and are entering into the developmental race, almost two centuries after the industrial revolution begun, more pressure would be put on poor nations to compromise on matters they feel are important to them. These poor nations, influenced by their history with imperious developed nations, may believe, compromising on nontrade issues maybe inimical to the very development they are seeking to achieve for their countries.

R- 11 argued, the implications are many, but I would only touch on a few. Politically, developing countries are pressured to convince the people and legislators that the trade agreement will serve their interests. It becomes more difficult when certain regulatory reforms have to be made so as to meet the requirements of the agreement. Additionally, developing countries don't have the capacity or the wherewithal to bring about the required changes. They simply cannot compete with the multinational corporations. The result is, trading is severely restricted thereby affecting growth and development. For instance, in the Caribbean, the new provisions in trade agreements have resulted in sectoral and

industrial shifts, affecting jobs and the collapse of once powerful cane sugar, banana, bauxite, rice and tourism industries.

R-12 argued, developing countries are in a very unfortunate position since the trading system operates in a manner that clearly favors the economically powerful countries. The developed countries set the rules of the 'game' and they ensure the best negotiators sit at the table that decides the form and content of the trade agreements. They ensure that the trade agenda of the big companies is vehemently pursued. They used nontrade issues as a tool to achieve their goals. Therefore, developing countries lack of a strong voice in the decision- making process, left them with the choice of either accepting the terms of the agreement that may not advance their trade interests or not being part of the agreement. In many cases, they chose the former.

R-13 argued, some develop countries, such as Vietnam stand to benefit immensely from nontrade issues, they will open the economy to new markets and a wide-range of products. The spinoffs will lead to better working conditions and increase wages for workers; infrastructural expansion-building of bridges, roads, and highways; boost in manufacturing-textiles, and apparel.

R-14 stated, developing countries cannot afford to keep pace with the demands of globalization. The absence of adequate human and technical capacity deprive them of grasping the opportunities derived from including nontrade issues in FTAs.

R-15 argued, developing countries are better off having such provisions as labor rights standards, and environmental protections included in FTAs. These provisions afford workers increase wages, and better working conditions, also a safe and healthy working environment. On the negative side, developing countries have a problem with intellectual property provision that lengthen the expiration period for patents, trademarks and copyrights that hinder innovation and creativity; and raise the cost of medicine.

According to the aforementioned responses, nontrade issues could have wide-ranging impact on policy issues of developing countries. Developing countries are expected to make regulatory reforms and rule adjustments so as to meet the requirements of trade agreements. These changes are sometimes difficult to enact locally, since they tend to affect the live styles of many people which, in turn, could create economic and political instability.

Question 4: What impact do you think nontrade issues will have on the world trading system in general and the WTO in particular?

R-1 argued, there is a lot of hand ringing, but I do not see that happening yet. We cannot have any agreements done, what about the bilateral agreements? How can we handle that? The problem is that with about 162 countries being members of the WTO, it is hard to get agreements on such contentious issues so you will do things on a bilateral level. India, for example, long objected to environmental rules as a means to keep goods from developed countries out. It is hard to see India changing its rules. And, if you like the rules or not it is hard to see them

taking over the WTO regimes. We continue on the same path where the WTO will work on multilateral agreements. For 15 years now, little progress has been made. It seems to me that efforts are being made to have these bilateral/region agreements passed and ratified. There must be a fundamental rethinking of what we are doing and where we are going. I have a hard time predicting where we will end up. I do not think what we are doing now with the bilateral and regional agreements will have an impact on the WTO. I do not see the size of WTO affected by these agreements.

R-2 stated, that is something that I have not thought about compare to the other issues. The future of the WTO based on the Doha round, some may say the WTO may have lost its relevance. I don't think that is true. I think that the dispute settlement system is so visceral and complicated and not about the nontrade issues but an alternative mechanism where the individual countries take their cases instead of the WTO. Would he nontrade issues impact the WTO? I guess, now that you asked me, they have the potentials to get people upset with the WTO, which may result in them making adverse decisions as to why people got upset with the cases of Tuna fishing and the effects on Dolphins. Those were things that excited them and created great of antipathy towards the WTO, and presumably, if they broaden-out to nontrade issues with their decisions going to upset even more people. So, I suppose it will be a problem for the WTO, I would not worry, I think they can handle it.

R-3 argued, I think it is interesting that the WTO is made up of 162 countries, and in principle, it is an organization that functions generally on consensus but many of the developing countries feel that their voices aren't really heard in the WTO. And often you have informal grouping of the wealthy and the large countries that get together to make a decision and then present it to developing countries as a *fait accompli*. Certainly, I have heard there have been frustrations by developing countries on whether their complaints are addressed in the context of the WTO. So, it is not even a country, it is not necessarily a developed country or a wealthy country has a single interest. There are workers in developed countries and wealthy people in poor countries. At the WTO, our experience has been that workers generally get the short end of the stick, whether they are in a developing country or a wealthy country. These trade rules are written for corporate elites; they are not written for working people, whether they come from a wealthy country or a poor country.

R-4 argued, bilateral FTAs are incorporated in the WTO. For a bilateral agreement to be annulled, it has to be WTO plus. First, we have to agree to the WTO principles, then it has to move on top of that. I don't think it is competing with the goals of the WTO, I think it enhances them, in other words, the international trading organization, and the reason for that is it has to be WTO plus. I don't think bilateral trade agreements will negatively impact the WTO. The only thing, I guess, could occur, those bilateral agreements tend to reinforce inequalities. Rather than inequalities at the national level, you have inequalities at

the global level. For example, if you have a trade agreement between all Western countries, and those countries agree to remove all tariff barriers between each other, you still have tariff barriers with other countries that will reduce the possibility for catching up by these emerging markets countries as well. The other thing that this can do as well, these bilateral trade agreements, they usually sign to have particular industry or company in your country, so if that isn't change, it will provide your country with no competitive punch, no competitive advantage. I think the U.S. utilized these bilateral agreements for the benefit of its firms. For example, if I am producing computers, the component for the computers could be produced in South Asia, from the bilateral agreement, at a very low price, and then exported to the rest of the world because the wages are lower in Eastern Asia, therefore allows the tech company or computer company to sell them at a lower price than if the bilateral did not exist. So, it is possible that they are utilized to promote global inequality. It depends on the countries that signs these large agreements, the way U.S. is involved then yes, that would have an impact on the world trading system but smaller Caribbean countries signing bilateral trade agreements will have little effect.

R-5 explained, what we have seen over the last twenty years is, depending on what we mean by the world trading system, say more broadly, the WTO and multilateral trade, the rise and endogenous growth of preferential trade agreements, has put the multilateral system, somewhat in the back seat. And, I

think realistically that is going to continue. It is very difficult now given all these extra nontrade issues, even in WTO agreements, these are really hard agreements to negotiate. The implications are there will be the process of a whole variety of trade rules that exist for preferential trade will continue, and it is a problem for the multilateral system. There will be an increase in complexity. The same developing country and the same developed countries you can have different rules that apply to trade with one country versus another country. Take labor, for instance, if you have additional labor rules, a factory that is exporting to Japan, may have one set of labor rules and a factory that is exporting to U.S.A. may have a different set of labor rules.

R-6 noted, this question is too broad for my input.

R-7 observed, the WTO has incorporated in its rules especially as a means to fair and equitable world trade in food and other agricultural commodities. The WTO rules give a country the right to decide how to use and preserve its natural resources. Each WTO member have the right to maintain an agricultural sector necessary for its peoples to pursue economic, social and cultural development.

R-8 remarked, the WTO, with its multilateral system, will be affected since some of the nontrade issues fall outside of the scope of the organization thus creating preferential treatment as opposed to the Favorable Nation Status principle.

Developed countries will be able to conduct trade in an unfair manner. The world trading system will get unwieldy with conflicting trade rules which will affect harmonization and the free flow of trade.

R-9 argued, certainly, nontrade issues will impact the world trading system since countries will be expected to make large scale regulatory reforms that impinge on the way trade is being conducted. These rules, some of which falls outside the purview of the WTO, call forth new obligations and responsibilities of participating countries. The result is that reforms could be too costly and far-reaching for developing countries and likely to make them uncompetitive, thus affecting the global trade system. WTO wants to see the expansion of trade not shrinking trade.

R-10 explained, the world trade system is a peculiar system, endowed with specialized characteristics governing trade. The WTO born out of GATT and encased in the rules of the Uruguay Round is itself an exhibition that is also steep in the traditional matters of trade. To burden the world trade system and the WTO with extrinsic, uncorrelated and contentious nontrade issues, could not only collapse trade negotiations but imperil initial discussions.

R-11 argued, the problem is that the majority of countries that make up the world trading system are developing countries. This means that new trade agreements will disproportionately affect those countries that find themselves at the periphery of the rules making body. They are not in a position to bargain for policies and programs that protect and advance their trade interests.

R-12 posited, depending on the nature and volume of nontrade issues that are included in FTAs, countries may have to effect significant changes in laws and

regulations which place a heavy burden on these countries to implement, thus disrupting the free flow of world trade.

R-13 argued, the world trading system will benefit from an expansion in global trade activities resulting in welfare enhancement.

R-14 noted, trade agreements will take longer to be finalized because of the many issues which have be negotiated. This may slow the expansion of world trade and the WTO may have to revise some of the trading rules in the light of new issues of trading.

R-15 asserted, nontrade issues would complicate trade deals and frustrate their conclusion and implementation. As a consequence, the progress of world trading would be impeded because many lesser developed countries could not participate more fully in trade.

The prevailing view, based on the responses to this question, is that nontrade issues in FTAs, would not have a significant impact on the world trading system even though they would create some anxious moments for the WTO because of the rise and endogenous growth of preferential trade agreements.

Question 5: Why do you think the U.S. is increasing its use of nontrade issue in FTAs?

R-1 questioned, why do a government takes a particular policy approach? It listens to a particular constituent, say lobbyist or interest groups and say what you want to see in trade agreements. It maybe labor groups, environmentalist, business groups will want stronger property protection. They look at and try to give what

the major interest groups want. It is really that simple, you do not have powerful groups saying we want lower tariffs, people saying it, the Cato group saying it but you are not the big lobbyists. Definitely, to a great degree, U.S. demands in trade agreements start from what the big lobbyists want. It evolves naturally from our political system. These groups make their demands and government tries to satisfy their demands even in pieces of trade legislations. That is one way of looking at it. It is based on principle and for the betterment of society. Some people believe that stronger labor rules are better for the world. If its interest groups, it is hard to qualify that and not having a greater impact.

R-2 noted, it is not a new phenomenon. Nontrade issues were used in NAFTA, the first big trade agreement. And, already there were discussions about the desire to include labor standards. They did not include it in NAFTA, but President Clinton negotiated labor standards as a side issue in that regard. On that particular issue, the strength of the Democratic Party in the United States placed a big role, pushing for both labor standards and environmental protection standards. To some extent, it included and intellectual property as a non-trade issue, with pressure coming from big Multinational Corporations that exert tremendous the politics power in the United States. Corporations, for two decades, have been pressuring the government in that direction, and with more agreements being signed, they keep pushing to include those nontrade issues in FTAs. I think that was to some extent true even under George W. Bush and the agreements he negotiated and inevitably will be more so under a Democratic President. So I guess, I think, that

is where it is coming from. Well, I think the inclusion of state- owned enterprises (SOEs) in the TTP is almost entirely with a view to the possibility that someday China might want to join. So they put in some rules that will discourage China from joining or get them to behave in ways acceptable if they do join the TPP. They are relevant to Vietnam and Malaysia but they are just small players so that wouldn't justify they put that in the agreement. I think, it is all towards targeting China and that's good reason. To the extent that the SOEs engage in trading, and they certainly do, they don't do it presumably in response to market forces the same way that private companies will do.

R-3 noted, generally, our experience with the United States is that in these trade venues it is in the multinational corporation interest that the United States is most energetic on behalf of Corporate's interest. Nontrade issues such as certain environmental or consumer protections, whether they are scientifically based, it is our experience that sometimes the standards are geared towards the corporation making more money as opposed to having the strongest possible consumer protection. Why the U.S. does that? We may have a different list as what is a nontrade issue because sometimes, I have been told that labor rights is a nontrade issue. But labor rights are an important issue for trade organizations to address, and I think environmental standards are important also. I think it does matter a little about your perspective, what you see about a nontrade issue and in some ways it looks like a short hand for saying that is the thing I don't want to talk about We, at least, try to make sure we are hearing the voices of the workers from

developing countries. We certainly hear from a lot of them that they want to see workers' rights addressed in the context of the WTO. A controversial issue might be a pharmaceutical protection, the copy right/patent protectives that keep the price of medicine very high in developing countries. That certainly been is something hotly contested in the context of trade discussions about whether we should be using trade agreements or the WTO to protect the profits and patents of the wealthiest companies in the world, i.e., the pharmaceutical companies. It is our view that we are not anti-intellectual property because we have a lot of members, whether they are writers or musicians who make a living who make a living from their intellectual property, but with respect to pharmaceutical products, we do think that we should go to extraordinary length to make sure that consumers in both rich and poor countries have access to affordable medicine. We don't want to see the trade agreements used to protect this extraordinary patents that will keep the price of medicine high.

R-4 admitted, I am not very familiar with America policy interest here so I cannot answer the question.

R-5 explained, there is a feeling in the U.S. whether fairly or unfairly, that some people, some groups feel that these agreements created problems for the U.S. workers, the environment, and, social policies, so these groups want to insist that these extra provisions are put in to try to level the playing field. It is not clear which economists agree with this view, but that the existing view.

R-6 posited, we shifted away from tariffs and other trade issues which we worked for several decades to eliminate concrete trade barriers. It is how trade been influenced largely now, and they think it is a priority for the U.S. to push for regulatory and nontrade issues.

R-7 noted, the U.S. sees it as a strategic and important role to write the rules for trade and investment as a means of projecting economic power over China in the Asia/pacific region.

R-8 stated, America wants to be a hegemonic force in trade and be responsible for writing the rules of trade. It is intended to blunt China's trade grip in the Asia/Pacific region, and to have reforms that will ensure U.S. Trade dominance.

R-9 noted, it is all about pursuing U.S. trade agenda and be a leader in making the trade rules that will enhance America's the national interest. America's push to have numerous nontrade issues included in FTAs is a calculated approach to further its trade interest. Additional, it also serves America's strategic by keeping a check on China's influence in the Asia/ Pacific region.

R-10 explained, the world has change significantly with the advent of globalization. Many countries are major players in the manufacturing sector. These countries are producing goods and services, which were once the province of the United States, cheaper within the economy of scale. International and multinational competition is breathing contempt for the developed nations. Notwithstanding that, however, everyone wants to sell their products to United States. The need to sell products in the US market has given the United States

home field advantage. With that advantage the US has an added incentive to include nontrade issues in FTAs.

R-11 argued, the problem is that the majority of countries that make up the world trading system are developing countries. This means that new trade agreements will disproportionately affect those countries that find themselves at the periphery of the rules making body. They are not in a position to bargain for policies and programs that protect and advance their trade interests.

R-12 stated, as I mentioned earlier, the world trading system is designed to provide the most benefits to those at the center of economic power. In pursuit of this hegemonic role, countries like the U.S. rely on nontrade issues in trade agreements to aggressively advance their trade interest.

R-13 argued, U.S. recognized the need to further a trade policy that encompasses the changing demands of world trade and to ensure that America remains an economic 'powerhouse.'

R-14 U.S. has the right to focus on issues that will enhance its trade agenda.

R-15 admitted, it is true that every country seeks to gain the maximum benefit from global trading. The best way to do this is by influencing trade rules. Nontrade issues in FTAs, allow America to prosecute its trade agenda and dominate world trade.

In short, the respondents felt that the trade policy of U.S. is influenced, in a large measure, by the trade lobby and special interest groups that advance the interests of the multinational corporations.

Question 6: Describe how you will defend or oppose the notion expressed by some U.S. trade partners that nontrade issues present new barriers to international trade?

R-1 argued, I think that is generally true, at least in some sense. When the U.S. is trying to include labor rules in some agreements, one certain outcome of that decision is that developing countries will have to meet certain standards or they will not be able to sell their product in the U.S. Again, you can make the argument that you will be better off with stricter labor policy. My view is that labor standards will be one way to achieving it rather than using the leverage of the market to coerce policy. I am sympathetic to the view that many of the nontrade issues are barriers to trade. There might be other ways to promote trade other than use the leverage of the agreement.

R-2 opined, well, I am sure that there are those who will argue that some of these nontrade issues, the things that are going on in countries will be addressed by putting them in the agreement. But those behaviors are, in substance, barriers to trade. Barriers to competition we would like to see in trade. I guess, I have trouble in agreeing with that. There are certainly many nontrade issues, maybe we are getting away from the things that I was talking about earlier. I am thinking about the regulations. These are always regarded as trade issues; you have technical standards as they are in the WTO because regulations do constrain trade. They are satisfied with the regulations in your own country but if you have to satisfy new regulations, or the same regulations from another country that is a change. These

are certainly barriers to trade. And facilitating getting regional recognition, or a single body for certifying compliance or a bunch of ways looking at it. Those are things that are placed more and more into trade agreements. This is true for the TPP and I know it is true for the TTIP. I think that is dealing with behind the borders barriers that are in fact barriers and always have been and deserve to be dealt with in trade agreements. I think that is one of the good things we are seeing coming into some of the recent agreements. I think if they can pull it off, it is going to make everybody better off. There will be cases where society will have views what regulations ought to be. Genetics modified organisms, for example, the U.S. government, like my wife, thinks they are fine and the Europeans do not. I don't know how they will resolve those issues but there is no fundamental difference in philosophy what is appropriate and what is not simply making it less costly to satisfy regulations and norms has got to be a good thing.

R-3 observed, that it is an interesting question. It is our view that we need to take countries seriously when they say it is an important question; you want protect good jobs in our country and you want to make sure that you are not flooded with cheap imports from workers who are not afforded their basic rights. Our first concern is going to be, how do we going to write agreements the trade rules, multilateral trade rules that are good for working people, empowering working people relative to corporations and government. And so I would not necessarily make the distinction between trade and nontrade, whether trade barriers are high or not high. We have a big argument with the U.S. government over the kinds of

trade agreements our governments have negotiated in the last couple of decades. We don't think they are good for the workers in the United States; we don't think they are good for workers in developing countries. It is not so much a trade or nontrade issue. We think that there should be labor and environmental protections in trade agreements. It's basic need that we to take care of the air and water; we need to make sure that companies are not producing a lot of products at the expense of the community like dumping their toxic waste right into the water or polluting the air or they are producing something unsafe. Every country should have its own democratic process in place to determine how they want to regulate consumer safety, workers health and safety, the environment and so on. And we think, to the extent possible, trade agreements should not impinge on democratic decision- making at the local level. Sometimes, it is inevitable that is you are going to have trade there will be competitive pressures and if countries choose to regulate the environment and consumer safety at the workplaces in different ways, there will be competitive advantages to lower the regulations. That is the case where you may want to agree to enter into a trade agreement, saying we are willing to take our trade barriers down to 0 over the course of 10 to 15 to 20 years, in exchange, we want you to tell us that you are going to take minimum steps to protect labor and the environment, I think that is the direction that we would like to go.

R-4 noted, yes! I think the areas that are always identified are: we have standards that the U.S. market call for when companies want to export to its market. If say,

Barbados wants to export oranges to the U.S., sanitary conditions are always mentioned, and they have best standards, always every aspect to the supply chain. They have standards to the pesticides you can use on the farm, standards as to how to package the goods, standards in terms of shipping. Those things can increase the cost of production for small factories. The result is that the smaller countries are not able to penetrate the market of larger countries like the U.S.A. Even though you have duty free access to the U.S.A., you still cannot export the good to the U.S.A. without meeting the sanitary standards.

R-5 remarked, they can certainly create new barriers to trade. Similarly, it raises the cost, partly because if you add the nontrade issues, either environmental, labor, safety standards, in other countries, the cost for partaking in the agreement grows for the other countries. That could effectively make it a nontrade barrier, and you cannot engage in the trade anymore because it is too expensive to satisfy these other rules. It could work out as an additional barrier to trade.

R-6 stated, yes, that is exactly what is driving U.S trade. The length of FTAs shows that there is need for nontrade issues so as to break down barriers while other countries may see such nontrade issues as barriers to trade.

R-7 argued, when certain rules and measures are put in place just to benefit only big companies, then trading becomes unfair for developing countries, and thus those measures could be deemed barriers to trade. Another is technical barrier to trade which is regulation that set out specific characteristics of a product before it

enters the market. This deals with size, shape, and design and even labeling and packaging that could be so restrictive that may be termed market entry barrier.

R-8 noted, if the inclusion of nontrade issues in FTAs will make trading more costly and cumbersome for developing countries, then they may be deemed as barriers to trade. Competition policy must be so designed that the playing field is leveled, and every country has a fair shake of the pie. The idea is to have a system where trade flows freely, reasonably, and fairly.

R-9 remarked, if I should take the view of some developing countries, is that the bulk of the nontrade issues are formulated and advanced by top negotiators from developed countries with little or no input from the developing countries. Thus issues that are affecting the developing countries agriculture sector are not even considered. Therefore, the standards set by America and other large markets, for imports from developing countries are, oftentimes, too high and costly to meet. Developed countries normally subsidize the agriculture producers so that the cost of production lower and their goods could be marketed at a lower price. This means that the producers from the developing countries could hardly compete against their counterparts in the developed countries. Therefore, this situation presents new barriers to trade, insofar as, developing countries are concerned.

R-10 argued, an important feature of a developing country's path to development is trade. Many underdeveloped and developing countries found their economic development stifled under the dictate of colonialism and burdened by colonialism's twin brother, imperialism. Globalization, to some extent, is leveling

the international playing field. Developing and underdeveloped countries do not wish to have nontrade issues interfere with their efforts to sell their goods and services to any country.

R-11 argued, the new provisions in trade agreements made it difficult for developing countries to implement the changes required by such agreements, and at the same time, compete with their counterparts, in the developed countries. For example, the rules governing competition policy may require certain labelling standards to be met before a product can be exported to the U.S. The question of cost becomes a factor that restricts access to U.S. market. These are clearly barriers to trade.

R-12 stated, broadly speaking, once there exist a situation where some countries such as the developing countries are unable to participate equally, freely and fully in trade, because the measures used to bring about such a scenario, are considered barriers to trade. In this case nontrade issues are deemed barriers to trade.

R-13 noted, the developed countries embrace nontrade issues in FTAs, mainly because of the tremendous opportunities to secure massive benefits. In this regard, nontrade issues are an asset to trade. Unlike the developing countries, nontrade issues can restrict trade activities as a result of unfair competition, therefore, they are seen as barriers to trade.

R-14 stated, even though the developed countries do not agree that nontrade issues are trade barriers, developing countries, being negatively impacted, view them as new barriers to trade.

R-15 explained, based on the negative impact of including nontrade issues in trade agreements, developing countries consider them as barriers to trade.

A majority of the respondents felt that developing countries view nontrade issues as new barriers to trade.

Question 7: How could the current focus on nontrade issues detract developing countries from the goals they expect to achieve through international trade?

R-1 noted, the main goals of the developing countries are to have greater access to markets for goods and services, lower tariffs, and reduction of agricultural subsidies. And if they spend all their time talking about other issues rather than making commitments on which market to sell their goods; that could hurt their market access goals. At the same time, there is the possibility of a grand bargain, we will tighten up environmental rules, if give you access to textiles. Ultimately, it will work well for them because textile trade is all year round. India might say, we might cave in to your labor demands but you have to reduce agricultural subsidy. My sense is that you have to compromise and U.S. and EU could agree to that but it is difficult to come up with some qualitative answer as to whether developing countries are better off with or without nontrade issues in FTAs. You can use nontrade measures and they will accept nontrade measures for market access, so in theory you can accept nontrade issues. I think everybody should sit down and get rid of all the tariffs. Maybe as part of a strategy, developing countries want to know how much they can get from nontrade issues.

R-2 remarked, well, it should not distract them from what their goals are. The question should be whether these are good distractions or bad distractions. Some of them will do some things that are in our best interest. My fear is that some of them will do the very opposite. I worry that some these things will be distractions from the legitimate goals that developing countries should have had and ultimately did have when they join the WTO.

In terms of the specifics of the TPP, to the extent that I am aware, I scanned the document and one thing I like about it apparently there is a lot more tariff reductions in it than we might have feared. It is a good thing. It is not an unambiguously good thing because there will be will be trade diversion away from outside countries that, given the size of the group, it seems to me that it is certainly a desirable thing.. And unfortunately, the sectors that are called sensitive sectors, and are sensitive precisely because of the fear that they will not be able to compete with imports, and is that which is provided for in the TPP. So, the more sensitive sectors are excluded from globalization, the more likely there will be a global agreement that will be beneficial. I think, maybe, there are a few sensitive sectors that I may be worried about but I am not sure about that yet.

There is one other thing that is good about it, but I am surprised about and pleased about, I was worried as it being negotiated as how there was a board, and I was told that the United States pushed for very restrictive rules of origin, with lot of domestic content and would have had a log of inputs from member TPP countries to count. And that is not the case, the rules of origin are cumulative across the

TPP countries and the percentage is much lower than say in the delta. To me as a trade economist, that is a big deal. I guess, those are the main things. I don't much like the investor state dispute mechanism. That is the thing they did with tobacco, but I don't think I will list that as a huge horrible thing.

R-3 asserted, I think trade agreements can detract from the ability of developing countries meeting their goals. Most countries want the same thing; they want to be able to attract investments, good jobs and wages, they want to let people out of poverty and they want a safe environment and safe consumer products and so on. In our view, trade agreements should be in service with that not the master. That is the difference, and I think a lot of time there are false promises about trade agreements. The notion that if you sign this trade agreement with the United States of America, you will get lots of jobs and wealth, and everything will be perfect. We often see that things don't work out that way. The corporations take advantage of the trade agreements and they use the investor-state dispute settlement provisions to sue governments for putting in place legitimate public health and safety regulations. The investor-state dispute settlement strategy is one of the dangers. It has far reaching consequences. A developing country may enter into an agreement thinking this may be good think but soon find out that U.S. corporations may have the right to sue them over a pipeline or a toxic spill or something else that is problematic. That is why we have strong objections to the investor-state dispute settlement provision that has been included in the trade agreement.

R-4 revealed, there are a couple of things and a simple one which I want to mention, that is, the capacity. Caribbean countries are having a difficult time keeping up with the WTO regulations. When you have to negotiate with, say with the European Union or the United States for bilateral agreement it stretches the resources of the country, and the countries are not aware of the opportunities available under these bilateral trade agreements thus they cannot benefit significantly from the bilateral arrangements. The other issue is the benefits from multilateral trade agreements tend to be a lot greater for the small states than the larger states thus with the advent of bilateral trade agreements, it limits the potential benefits that developing countries can obtain against a more enhanced multilateral trade system. If you look at it from a multiplier effect perspective, because Jamaica or Guyana, for example, are better able to access markets, they might be able to purchase more goods from Barbados, St. Vincent or St. Lucia. But because of the multilateral agreement, or bilateral agreement they cannot exploit the opportunities thus limiting their ability to engage in more trade with countries in the region. There are spin-over effects that are also important to consider especially when you are looking at developing countries. There is a lot of trade in the Caribbean with the U.S.A. and among the Caribbean countries as well. These bilateral trade agreements tend to have a negative impact on these multiplier effects that they would not expect. In general, one of the main concerns that small states of the Caribbean have is that free trade does not necessarily means fair trade. We have signed many free trade agreements in the Caribbean,

with North America, Europe and part of the EU but one of the fundamental things Caribbean countries always face is the fact that more developed countries can utilize, in part, subsidies. In the last couple of years, rum exporters in the Caribbean have been suffering because the U.S.A. has been subsidizing its rum producers in some of the overseas territories. And, as a result, the demand for rum exports to the U.S.A has declined significantly. You have a country utilizing its wealth to support the cycle of local manufacturers or its firm or companies even though they can purchase the good at a cheaper price from Caribbean companies. To me, I don't think that is necessarily fair because smaller states can never offer the same subsidies that U.S.A. or the EU can provide. And that is where free trade is not fair because of the subsidies. The same thing happens in relation to agriculture in both North America and Europe as well.

R-5 argued, the developing countries, as it turns out in the WTO, don't have as much bargaining power as they would like. It is one of the long term problems of the WTO, bargaining strength of the developed countries versus that of the developing countries. That has long been a problem for developing countries. As these provisions that maybe 25 years ago when they were joining the WTO, they did not anticipate this. So it becomes an unexpected cost engaging in trade.

R-6 explained, I really can't speak with much certainty on issues for developing countries. But what I know is that our expectations were not met or solved by the TPP. Part of that is because the framework the negotiators used in this Agreement, is going after the right objective. One of the major concerns is the

massive trade deficit that we are carrying half-a- trillion dollars last year, and even though we do well in agriculture with a surplus, the relativity of that surplus has been decreasing. We have concerns about negotiators going out and trying to pursue more trading whether in coming or outgoing. Then we have seen the WTO undermined a lot of what is critically important to our producers, the repeal of the Country of Origin Labeling (COOL) which allow the meat packers to really take advantage of the good practices of U.S. cow producers, the dishonest and destructive way of indicating the country of origin as U.S. when it was produced perhaps elsewhere. That is major concern of our producers and has soured a lot of our members relationship with the WTO and trade agreements overall. The COOL law was originally passed in 2002 but came into effect in 2008. It was immediately challenged by Canada and Mexico as being a barrier to trade. The WTO ruled in favor of them twice, so ultimately U.S. Congress repealed the provisions on beef and pork, but let the law exists for other commodities. COOL is a labeling law that requires retailers, such as full-line grocery stores, supermarkets and club warehouse stores, to notify their customers with information regarding the source of certain foods. Food products covered by law include muscle cut and ground meats: Lamb, goat, and chicken; wild and farm-raised fish and shellfish; fresh and frozen fruits and vegetables; peanuts, pecans, and macadamia nuts; and ginseng.

R-7 stated, there is real risk of spaghetti bowls of rules being a threat to the global trade system. This will cause hegemonic fight among leading countries.

Developing countries will be caught in the crossfire affecting them from benefiting from rules harmonization, hence detracting from the goals they expect to achieve through international trade

R-8 noted, the current focus on nontrade issues benefits developed countries and give them the opportunity to negotiate and make trade rules on behalf of the developing countries. Lack of capacity and technological know-how put the developing at a disadvantage with little hope of preferential treatment detract from the goals they expect to achieve through international trade.

R-9 argued, what is disconcerting to me about some developing countries, is that the current rush to fill trade agreements with nontrade issues benefits largely the architects such as developed countries and multinational corporations. Therefore, these issues do not level the playing field for all participating countries, thus the WTO's principle of most-favored-nation (MFN) status seems non-existent or irrelevant. Developing countries seek fair trade and the honoring of preferential treatment arrangements that the WTO stipulated for small and less developed countries. Further, developing countries are concerned about the tangle web of rules of origin which are sometimes operated to their disadvantage and hinder trade. Taking all this into account, I must say that the current focus on nontrade issues detract developing countries from the goals they expect to achieve through international trade.

R-10 asserted, these countries do not have the extensive expertise and unlimited resources in all areas as the developed nations do. More so, time is of the essence

for many of these underdeveloped and developing nations. Nontrade issues will only drag out the process and exhaust their limited resources. It is, in these countries' interest, therefore, to stick to matters of trade, that would not be an impediment on their road to development.

R-11 argued, my view is that nontrade issues tend to complicate trade deals. In many cases, developing countries are incapable of getting a fair deal from trade agreements that are stacked with nontrade issues. They are more concerned about nondiscriminatory measures, and free market access to a variety of products. They prefer to enter into trade deals that ensure every party can benefit. The focus on nontrade issues will surely detract developing countries from the goals they hope to achieve through international trade.

R-12 noted, if you should weigh the pros and cons of nontrade trade issues in FTAs, there is no escaping that the cons outweigh the pros, particularly for developing countries. Hence the focus on nontrade issues in FTAs, will detract developing countries from achieving their trade goals.

R-13 declared, inequality and unfair trade practices caused by nontrade issues in trade agreements, detract from the goals developing countries expect to achieve through international trade.

R-14 argued, developing countries are detracted from achieving their trade goals due to the nontrade issues in trade agreements.

R-15 opined, the wide-array of nontrade issues contained in the TPP, detract developing countries from focusing on the goals that inspired them to participate

in international trade. They are concerned about issues including, tariff reductions, trade creation and expansion, jobs, fair trade, and economic growth.

Based on the answers provided to this question, the respondents were unanimous in their conclusion that nontrade issues tend to detract developing countries from the goals they expect to achieve through international trade.

Thematic Analysis

Four themes relevant to research question emerged from the data analysis. The themes are as follows: (a) role of nontrade issues, (b) ramifications of nontrade issues in FTAs, (c) barrier to trade and (d) distraction of developing countries from achieving their goals.

According to Williams (2008), “emergent themes are a basic building block of inductive approaches to qualitative social science research and are derived from the lifeworlds of research participants through the process of coding.” (p. 248).

Thematic analysis is a qualitative data analysis method for identifying patterns across a data set and finding meaning through latent and manifest themes with a story around it (Braun & Clarke, 2006, 2012; Joffe, 2011). A theme was determined after a careful review of the corpus of data.

Theme 1: Role of nontrade issues

One of the nontrade issues that has been commonly found in trade agreements of the last five years is terrorism. This is an issue that has been highlighted in the literature as crucial for providing countries with escape outlets in the event of civil conflict and other unexpected events (Bandyopadhyay, Sandler, & Younas, 2016; Enders & Sandler,

2012; Gaibullov & Sandler, 2016). In my interviews, several experts agreed that this would be wise for inclusion in trade agreements (R-3, R-4, R-9, R-11, R-12, R-13, and R-15). However, others disagreed and felt these were outside the scope of a trade agreement (R-1, R-2, and R-6). Overall, due to the disruptive nature of terrorism, and its negative impact on trade, an overwhelming majority of experts concluded that combating terrorism should be included in trade agreements.

Terrorism affects trade in several ways including, (a) increasing uncertainty which raises the cost of trade goods, especially relative to similar goods produced in a terrorism-free country, (b) increasing the cost of doing business by raising both insurance premiums and security costs, which decreases the competitiveness of goods, (c) slowing the flow goods and resources through ports due to greater inspections and safeguards, (d) reducing trade as purchasing power drops from loss of income when production is disrupted, and (e) diverting government expenditures from more productive public investment to less productive security activities (Bandyopadhyay et al., 2016).

The challenge for many countries in combating terrorism is that it must be fought on two fronts: domestic and transnational. Bandyopadhyay et al. (2016) noted that the detrimental effects of transnational terrorism on various trade variables was almost double that of domestic terrorism. Furthermore, the contrasting effects of the two forms of terrorism were more pronounced for developing countries, which may be less able than their developed counterparts to alleviate transnational terrorism and its consequences due to weaker institutions. The authors argued that even though terrorism has a significant

negative impact on trade in all products, the manufacturing sector experienced the greatest harm from terrorism.

Additionally, in the past 5 years, there has been an intensification of efforts to include other nontrade issues, such as, labor rights and environmental protection in FTAs. These issues play a pivotal role in improving the well-being of workers by focusing on improved working conditions, better wages, better health and workplace safety (Aggarwal, 2013; Sachs, 2014; and Stiglitz, 2013). However, some experts felt that these nontrade issues should be excluded from trade agreements since workers, and the environment are better protected through public pressure on offending corporations (Bhagwati, 2013; Bhala, 2016; and Deardorff, 2013).

Developing countries, in particular, considered these two nontrade issues as critical components of any trade agreement (Aggarwal, 2013). However, they do not support many of the other nontrade issues that serve the interests of big corporations to the detriment of small and poor countries (Bhagwati, 2013; Bhala, 2016; and Deardorff, 2013). Furthermore, Sachs (2014) argued that the inclusion of so many nontrade issues in modern FTAs has changed the face and body parts of FTAs. Sachs asserted that FTAs are no longer trade treaties but agreements aimed at protecting investors.

In my interviews, many of the respondents felt that labor rights and environmental protection are indispensable to trade agreements especially since they tend to raise standards and make for fairer trade (R-3, R-4, R-8, R-9, R-11, R-12, R-13, and R-14). However, some respondents disagreed with that notion and suggested that there was no place for labor rights and environment protection in trade agreements (R-2 and R-6).

R-2 preferred not to have any non-trade issues in FTAs for the reason that the U.S. has a disproportionate amount of power in negotiating trade agreements. The result is that the U.S. gets what it wants, and the other countries have to settle for things that are not beneficial to their interests. R-6 was agnostic on the inclusion of non trade issues in FTAs because they do not raise the standards of everyone across the board. R-15 took a more extreme position by opposing any provisions that increase inequality, and expand rights and power to global companies at the expense of the workers.

In addition, pertinent information was garnered from the researcher's notes in relation to the role of nontrade issues in FTAs. The researcher's notes are important inferences made during the course of this study, drawn from a conclusion or an opinion formed from known facts or evidence that are relevant in answering the research question. In the international trade arena, the role of nontrade issues in FTAs is hotly debated.

My notes confirmed that nontrade issues such as terrorism, labor, and environmental protection are very popular, and remain vital to the free flow, stability, and expansion of trade and therefore, must be included in free trade agreements.

Theme 2: Ramifications of nontrade issues in FTAs

The recent focus on the inclusion of nontrade issues in FTAs has had serious, economic, social, and political ramifications for countries, and the world trading system (Petri et al., 2012; and Schott et al., 2013). However, these studies indicated that the negative consequences outweigh the positive when FTAs are loaded with a wide range of

nontrade issues, which in turn, drive countries to embrace only those nontrade issues that best advance their trade goals.

One key consequence of nontrade issues in trade agreements is the way they broaden the scope of agreements thus making them more complicated, controversial, and less likely to arrive at a consensus (R-3, R-4, R-8, and R-9). Even when an agreement is finally reached, the agreement becomes more difficult to enact because there are some organizations, like consumers' and labor organizations that object to these trade agreements because they impinge on the domestic regulatory capacity (R-3).

Another consequence of the inclusion of the nontrade issues in FTAs is the widening of the inequality gap between the developed and developing countries (Deardorff, 2013; World Bank Report, 2016). This means that the quest for a level playing field or fair trade by developing countries remains an elusive dream (R-3). Developing countries, sometimes, have to forgo benefits from narrowly defined trade interests and economic welfare, for wider benefits, such as, greater stability in both macroeconomic conditions, and political relations which placed them at a disadvantage vis-à-vis the developing countries (R-10).

Additionally, developing countries are at a distinctive disadvantage when they participate in trade agreements loaded with nontrade issues since the cost of effecting regulatory reforms and other related adjustments, as demanded by the agreements, proved to be too prohibitive for developing countries (Petri et al., 2012; and Schott et al., 2013).

Efforts to improve labor and environmental standards will come at a heavy cost to developing countries, in terms of what industries in these countries are able to carry the burden of reform (R-4).

Developing countries lack the human and institutional capacity to formulate effective FTA policies and adjustment policies brought about by the inclusion of a host of nontrade issues in FTAs (World Bank Report, 2016). This means that developing countries have to rely heavily on expertise from abroad including, human capacity and technology training sponsored by the WTO. As a result, developing countries experienced a slow rate of development since they are incapable of fully grasping the opportunities presented by international trade (R-9).

In relation to the impact on the world trading system, the new focus on nontrade issues would create new challenges to the world trading system and force the WTO to update its rules, particularly in areas such as electronic commerce, cloud computing, and environmental and labor standards, and terrorism (Bhala, 2014). Furthermore, any attempt to burden the WTO and the world trading system with extrinsic, uncorrelated, and contentious nontrade issues, could not only collapse trade negotiations, but also imperil world trade as we know it (R-10).

On the positive side, nontrade issues such as labor rights and environmental protection may have a significant impact on the well-being of workers in developing countries. For instance, in Vietnam, strict labor standard strict labor standards will result in workers enjoying better working conditions and higher minimum wage. Similarly,

with strong environmental protection measures, workers will benefit from better workplace safety and health conditions (Schott et al., 2013).

Vietnam may benefit indirectly from government procurement policies, especially in the areas of garment, textiles, and apparel, and infrastructure projects such as bridges, roads, freeways due to larger trade volume with the U.S. and Japan (R-8, R-13, R14, and R-15).

Overall, many experts felt that the inclusion of a host of nontrade issues in trade agreements could have dire economic, social, and political ramifications especially for developing countries. Hence developing countries are better off supporting a few specific nontrade issues including, labor rights, and environmental protection that serve to advance their trade goals.

Theme 3: Barrier to Trade

The current focus on nontrade issues raises concerns as to whether these provisions or measures in trade agreements do impede the free flow of trade, or place some countries at a disadvantage in competing against others, which constitutes a barrier to trade (UNCTAD Report, 2016). Put simply, trade barriers are measures that public authorities introduce to make imported goods and services less competitive than locally produced goods and services (Bhala, 2014). These include non-tariff barriers such as import quotas, subsidies, customs delay, pre-shipment inspection, and rules of origin.

Some nontrade issues tend to raise the cost of partaking in trade agreements since for developing countries, it may mean withdrawing from some aspects of trade because it is too expensive to satisfy the many rules and regulations (R-5, R-6). Also there are

technical barriers that set out specific characteristics of a product, such as, size, shape, design, labeling and packaging, before the product can enter the market (R-9, R-10).

The World Bank Report (2016) noted that developing countries are bedeviled with a host of problems including, structural, capacity and financial that they compete fairly with the world powers in terms of trade. Duty free access to large markets means nothing to these countries, if the standards required for products to enter the large markets are beyond the reach of the developing countries (R-4). This constitutes a trade barrier. Therefore, developing countries demand fair trade instead of free trade which would level the playing field, reduce inequality and present hopes for growth and development (R-4 and R-11).

Some experts asserted that, oftentimes, developed countries make the rules of negotiations and determine what provisions are contained in the agreement. Developing countries hoping to gain access to the market of larger countries, such as the U.S., normally face standards that are either too difficult to meet or too costly to defray. Thus, a major barrier to trade faced by developing countries is the standards that U.S. market required when companies want to export to its market.

R-4 argued that if a company from Barbados wants to export oranges to the U.S., sanitary conditions are always mentioned with best standards in every aspect of the supply chain. There are standards set for the pesticides you can use on the farm, standards as to how to pack the goods, standards in terms of shipping. Those things tend to increase the cost of production for small factories. The result is smaller countries are not able to

penetrate the market of larger countries such as the U.S. even though they have duty free access, because of the sanitary conditions they have to meet.

R-11 cited those non-tariff barriers that really affect developing countries from being competitive against their counterparts in the developed as including, import quotas, subsidies, customs delays, and import licensing. The agricultural sector in the Caribbean is severely hampered and outmatched by the subsidies granted to producers from the developed countries.

Based on the researcher's notes there are growing concerns among the developing countries that non-tariff barriers are used, more than ever before, as both protectionist and regulatory trade instruments to control the free flow of trade (UNCTAD Report, 2016). This coincide with the increased focus on nontrade issues in FTAs. Moreover, it is contrary to the standards set by the WTO including, the elimination of technical barriers to trade; facilitate and increase market access; improve the quality and safety of products and services; and to promote and disseminate know-how and technologies.

An important component of free trade is the concept that every country should have its own democratic process in place to determine how they want to regulate consumer safety, workers health, the environment, and labor rights (R-3). This means that developing countries should enter into trade agreements that contained provisions that prohibit companies from producing lots of products at the expense of the community, like dumping their toxic wastes right into the water or polluting the air (R-4). In short, from the literature and interviews, the experts concluded that nontrade issues, such as, labor rights and environmental protection measures, are not considered as

barriers to trade. However, those nontrade issues that are deemed barriers to trade include, government procurement, competition policy, intellectual property rights, investors-state dispute settlement, and state-owned enterprises, which are designed to promote the interests of multinational corporations, hinder trading by developing countries.

Theme 4: Distraction of developing countries from achieving their goals.

Developing countries main goals from partaking in international trade include, most favorable status (MFN) treatment, increase access to markets, reduction of tariffs and non-tariff barriers, increase jobs, and economic growth (Deardorff, 2013). However, the recent focus on nontrade issues in FTAs has impeded such efforts, and detracts developing countries from the goals they expect to achieve through the international trade (R-8, R-9, and R-14).

R-1 noted that the goals of countries are to have greater access to markets for goods and services, lower tariffs, and reduction of agricultural subsidies. And if they spend all their time talking about those other issues, and making commitments on other issues, rather than which market to sell their goods, surely that will hurt their market access goals.

R-2 and R-3, explained that most developing countries want to be able to attract investments, good jobs, and wages, they want to let people out of poverty, and they want a safe environment, and safe consumers products. Trade agreements should be in service with those issues rather than the master's.

Some of the nontrade issues, such as, the investor-state dispute settlement (ISDS) presents false promises to developing countries that everything will be good for them. The real danger is that the ISDS challenges developing countries sovereignty and even allow investor-states to sue governments for putting in place legitimate public health and safety regulations.

R-4 argued that the many nontrade issues in FTAs, do stretch the capacity of some Caribbean countries to keep up with the WTO regulations. When these countries enter negotiations with the U.S. or EU, their resources are stretched thin and are not able to benefit significantly from the bilateral arrangements. These Caribbean countries, including Guyana, Jamaica, and Trinidad and Tobago stand to enjoy greater benefits from the enhanced multilateral trade system. Free trade is not necessarily fair trade, especially since the U.S. and EU could subsidize agricultural production at a larger rate than Caribbean countries could afford.

Even the small farmers in the U.S. are affected by nontrade issues and certain regulations. Farmers are concerned about the repeal of the Country of Origin labeling (COOL) which allows the meat packers to really take advantage of the best practices of U.S. cow producers, and the dishonest and destructive way of identifying the country of origin as U.S., when, in fact, it was produced elsewhere. When the COOL law was passed in in 2002, Canada and Mexico challenged it on the ground that it posed a barrier to trade. The WTO ruled in favor them twice, so ultimately, U.S. Congress repealed the provisions on beef and pork, but let the law exists for other commodities.

R-10 and R-15 opined that the current rush to fill trade agreements with nontrade issues, largely benefit the architects, developed countries and multinational corporations. Developing countries are oftentimes left disillusioned, recognizing that the playing field is not leveled and the WTO's principle of most-favored-nation (MFN) status seems non-existent or irrelevant. Nontrade issues would only serve to extend the trade negotiation process, reduce the chances of reaching an agreement, and exhaust the limited resources of underdeveloped and developing countries. Therefore, some nontrade issues are not only barriers to trade, but also they detract developing countries from the goals they expect to achieve through international trade.

Developing countries have access to large markets which in theory should benefit both producers and consumers as a result of trade creation. The WTO provides preferential treatment to developing and underdeveloped countries, enabling them to meet the demands of trade agreements. This may range from extended time to lower tariffs, to human capacity and technical support training. However, nothing much would be accomplished once nontrade issues are added to the situation (Bhala, 2016).

With the current focus on nontrade issues in FTAs, which are designed primarily to benefit multinational corporations, the findings of the study suggested, that the developing countries are faced with discriminatory measures and unfair trade practices by developed countries UNCTAD Report (2016). This situation is antithetical to the trading environment that developing countries envisaged under the WTO, and which detract from achieving goals such as, increase trade, tariff reduction, more jobs, poverty reduction, and growth.

Even though the primary focus of this study was centered on the impact of nontrade issues on developing countries, there are some economists such as Sachs (2015), Stiglitz, (2015), and trade unionists who believed that the changing face of FTAs, will hurt U.S. in terms of the GDP, jobs, manufacturing, and agriculture.

After careful consideration of all the pertinent issues surrounding the research question including the analysis of the relevant themes, it is the consensus of the respondents of the interviews, and documentary evidence that nontrade issues detract developing countries from the goals they expect to achieve through international trade.

In sum, developing countries main goals from partaking in international trade include, most favorable status (MFN) treatment, increase access to markets, reduction of tariffs and non-tariff barriers, increase jobs, and economic growth. Hence the focus on nontrade issues in FTAs, serves to frustrate, hinder, and detract developing countries from attaining their trade goals.

Evidence of Trustworthiness

In this study, I used the strategy of triangulation (interviews, documentation, and researcher's notes) to describe or understand the phenomenon from the participant's eyes. Prolonged study of the data, supported by peer review, and chairman's review, gave the study credibility. Credibility means that the results of the qualitative research were believable from the perspectives of the participants in the research (Lincoln & Guba, 1985).

Transferability is the degree to which the results of the qualitative research can be generalized or transfer to other settings or contexts (Lincoln & Guba, 1985). In this study,

I enhanced transferability by doing a thorough job of describing the research context and the assumptions that were central to the research. The focus was on thick, rich description and variation in participant selection. For instance, I assumed the following: (a) allowing free trade in an economy, improves welfare for society overall-providing this assumption was debunked by evidence; and (b) using models, such as Viner's model and gravity model, to provide reasonable indication on the implications of including nontrade issues in FTAs.

Dependability emphasizes the need for the researcher to account for ever-changing context within which the research occurs (Lincoln & Guba, 1985). I took stock of the multiple dynamic realities that were context-dependent. Recent studies on issues on FTAs and perspectives from individuals knowledgeable in international trade were aggressively sought to garner their own interpretations of reality. This approach, made the findings of the research dependable.

Confirmability refers to the degree to which the results could be confirmed or corroborated by others (Lincoln & Guba, 1985). In this study, I used the strategy of documenting the procedures for checking and rechecking the data throughout the study. I actively searched for and described negative instances that contradict prior observations. After the study, I conducted data audit that examines the data collection and analysis procedures and makes judgments about potential for bias or distortion. This entails identifying and getting rid of misleading or exaggerated information that changed the true meaning of the findings.

While Merriam (2002) argued that the ultimate goal of all qualitative researchers is to “produce a valid and reliable knowledge in an ethical manner” (p. 22), Lincoln, and (1985) preferred the test of trustworthiness by using terms such as, credibility, dependability, transferability, and confirmability as indicators of quality for qualitative studies. However, the terms *validity* and *reliability* are used extensively in quantitative studies. Moreover, in analyzing the data, I was not only concerned about confirming emerging data but also discrepant data.

Discrepant data refer to cases that disconfirm or challenge the emerging findings of the study. According to Merriam (2002), such cases can strengthen the credibility of a qualitative study. A researcher actively searched for, recorded, analyzed, and reported non-confirming/ discrepant data in order to increase the credibility of the results reported in this study.

Research Findings

A summary of the research findings from the interviews and literature may be stated as follows:

- The majority of the respondents/experts believed that some nontrade issues should be included in FTAs. These nontrade issues include, terrorism, labor rights, and environmental protection. Terrorism has been a major current threat to the global economy. It affects trade in diverse ways including, increases uncertainty which raises the cost of traded goods; increases the cost of doing business by raising both insurance premiums and security costs, which decreases the competitiveness of goods; slows the

flow of goods and resources through ports due to greater inspections and safeguards; and diverts government expenditures from more productive public investment to less productive security activities. Labor rights and environmental protection play a vital role in providing better working conditions for workers and increase wages; and better health and workplace safety. A few respondents/authors felt that human rights should also be included in FTAs but the support numbers did not rise to the level of 'must' inclusion. Similarly, there were a few respondents/authors who argued that nontrade issues should not be included in FTAs since trade agreements must contain only trade matters.

- There are both positive and negative consequences for including nontrade issues in FTAs. However, this study revealed that the negative consequences vastly outweigh the positive. In fact, the benefits that can be derived from the abovementioned labor rights and environment protections remain a bright light of the study. Also the big corporations see considerable benefits in nontrade issues in FTAs. Some of the negatives for developing countries include, (a) too costly to make the necessary reforms and regulations as required by of the trade agreement (b) lack of human capacity and technology to meet the standards set by the agreement (c) nontrade issues widen the inequality gap between develop and developing countries (d) nontrade issues add complexity to trade negotiations and lengthened the required to reach an agreement (e) the

trade rules are set by the powerful developed countries so that the trade interests of developing countries are not given priority and (f) nontrade issues may cause shifts in certain sectors of developing countries resulting in slow growth or even the collapse of some firms.

- Some nontrade issues are deemed barriers to trade by developing countries. With the emphasis on trade liberalization, any government or institutional measure/action that affects the free flow of trade is considered a barrier to trade. In addition to tariffs, quotas, subsidies, and customs delays, barriers to trade include, nontrade issues such as, competition policy, state-owned enterprises, government procurement, and ISDS.
- Some nontrade issues in FTAs detract developing countries from the goals they expect to achieve through the international trade. They frustrate efforts to attain a level playing field, nondiscriminatory policies, increase market access, create more jobs, and economic growth.

Overall, this study revealed that there was consistency between the findings of the interviews and the preponderance of evidence of the literature (See Appendix D: Coding Sheet).

Summary and Transition

Chapter 4 presented the findings of this study focusing primarily based on the responses to interview questions and the literature. This chapter included numerous interrelated sections, including, research question, context of the study, recruitment and selection of participants, research researcher approach to interview process,

methodology-coding and analysis, thematic analysis evidence of trustworthiness, research findings, summary of political and economic implications, summary and transition. A summary of the findings of this study, revealed that the current focus on nontrade issues detract developing countries from the goals they expect to achieve through international trade. Chapter 5 is the analysis, interpretation and discussion of findings of the study, answer to researcher question, theoretical framework and development of trade policy, study limitations, recommendations, recommendations for further study, implications for positive social change, reflection on the researcher's experience, and conclusion.

Chapter 5: Discussion, Conclusions, and Recommendations

The purpose of this study was to explore and understand why the recent focus of nontrade issues in FTAs was detracting from the goals that developing countries expect to achieve through international trade. The study was qualitative in nature and aimed to conduct a comprehensive trade policy analysis using primarily documentary evidence, researcher's notes, and interviews to ascertain the economic, political, and social implications of the inclusion of nontrade issues in FTAs, and the effects on the world trade system.

I examined the perspectives on the changing face of FTAs by experts in the field of international trade and who were in a unique position to offer projections as to the potential impact of nontrade issues in FTAs especially to developing countries. This study was limited in the sense that nontrade issues in FTAs were a recent phenomenon and there were hardly sufficient quantitative data existed to fully grasp the effects of nontrade issues in FTAs.

The identified research problem was a gap in the literature with regard to a lack of qualitative studies that assess the political and social impact of including nontrade issues in FTAs, in spite of the fact that numerous quantitative studies were done that evaluated the economic impact of FTAs. The following research question guided this study.

Is the recent focus on nontrade issues in FTAs detracting from the goals that developing countries expect to achieve through international trade?

In order to fully address this research question, I relied on combining the findings of the interviews, documentation, and the researcher's notes. After the completion of this study, I was able to answer the research question.

Interpretation of Findings and Discussion

This section provides the meaning behind the findings while their relationship to the literature was explored.

Findings 1

The study revealed that a majority of respondents to the interviews and the literature believed that some nontrade issues have a positive role to play in FTAs. However, they felt strongly that not all nontrade issues should be included in FTAs. For instance, Sachs (2014) cited the ISDS clauses that give absolutely unjustified and dangerous powers to investors, vis-à-vis the state. Although many developing countries do not have strong economies, they are nevertheless in a position to determine whether it is in their best interest to participate in trade agreements that threatened their sovereignty as do the ISDS clauses. The domestic courts must have the right of judicial review to any ruling made by a special tribunal.

According to Stiglitz (2013), the real reason for ISDS is political: to create a 'chilling effect' in the less advanced TPP countries, in which the threat of lengthy, multimillion-dollar lawsuits is enough to make governments reluctant to adopt laws or regulations that may offend foreign investors.

The developing countries just have to look toward the European Union (EU) for guidance as to how to treat with the ISDS. In May, 2017 the Court of Justice for the EU

handed down a landmark ruling, stating that the EU did not have exclusive competence to enter trade agreements including ISDS clauses (Roberts, 20017). This is the first real effort in Europe to jettison these clauses in FTAs. Furthermore, it must be noted that that a growing number of developing countries around the world including, Brazil, India, and South Africa, have refused to allow ISDS clauses in future agreements.

Even Canada is already facing a \$500 million suit from Eli Lilly over potential lost price gouging opportunities (World Bank Report, 2016). This situation gives credence to the argument advanced by some economists that the FTAs were structured to benefit corporations such as big pharma.

Deardorff (2013), who did not support nontrade issues in FTAs, cited big corporations in the entertainment industry that are rich stockholders in high income countries, normally operate at the expense of developing countries. In India, the cost was so high that it caused some industries to go bankrupt when nontrade issues were included in trade agreements.

However, this study also shown that nontrade issues, such as, terrorism, labor rights and environmental protection are very popular and should be included in FTAs. Conversely, results of this study indicated that, of all the nontrade issues, ISDS is the most unpopular nontrade issue, and should not be included in FTAs (See Appendix C: Coding Sheet).

Terrorism has emerged as a major and existential threat to the global economy. Its affects are wide-ranging, from creating uncertainty and instability, which raises the cost of traded goods; increases the cost of doing business, such as raising insurance premiums

and security costs; slows the flow of goods and resources through ports due to greater inspections and safeguards; to diverting government expenditures from more productive public investment to less productive security activities (Enders & Sandler, 2012).

Terrorism may be defined as premeditated use of or threat to use violence by individuals or subnational groups to obtain a political or economic or social objective through the intimidation of a large audience beyond that of the immediate victims (Bandyopadhyay et al., 2016). This means that before countries enter into trade agreements, they must insist that combating terrorism must a key provision enshrined in the agreements. Countries must formulate effective strategies and tactics to defeat the scourge to humanity, and ensure that member countries do not provide sanctuaries from which terrorists operate.

Findings 2

Most of the respondents to this study felt that there are both positive and negative consequences by including nontrade issues in FTAs. However, when viewed from the perspective of a developing country, most respondents/authors believed that the negative outweighs the positive. Nontrade issues tend to broaden the scope of an agreement, makes it more controversial and unwieldy, thus diminishing any chance of member countries arriving at a consensus.

The cost of effecting regulatory reforms and other related adjustments, prove to be too prohibitive for developing countries. This situation is aligned to studies conducted by Petri et al. (2012) and Schott et al. (2013) that showed developing countries are at a

distinctive disadvantage when they participate in FTAs that are loaded with nontrade issues.

However, the World Bank Report (2016) presented a somewhat different view of the potential implications of TPP, especially in the long term. If ratified, the agreement could raise member country GDP by an average of 1.1% by 2030, and increase trade by 11% over the same period. The global significance of the agreement depends on whether it gains broader international traction. Some of the provisions of the TPP may require deep reforms and a difficult adjustment process. These could affect aggregate gains if fully implemented. The agreement could have positive spillovers to nonmembers, so that detrimental effects through trade diversion and preference erosion could be limited. Lastly, the largest gains in GDP are expected in smaller, more open member economies, such as Malaysia and Vietnam (expected 8% and 10% growth respectively). This means that exporters in these countries would benefit from lower tariff and non-tariff barriers in large export markets. Likewise, consumers are likely to enjoy lower prices and greater variety of products and services.

On the other hand, the report indicated that the United States is expected to see the smallest impact on GDP (a mere 0.4% rise in 2030) from TPP. Canada would expect modest growth in GDP (1.2%) due in part to trade barriers already low in U.S. and Canada for most traded commodities. U.S. and Canada will experience a rise of 10% and 7% respectively in exports compared to 30% and 25% rise in exports for Vietnam and Malaysia respectively.

Critics maintain that the current levels of IP protection already stifle innovation and generate monopoly rents (Boldrin & Levine, 2013). They are concerned that greater IP protection will raise the cost of necessary medicines (Gosselin, 2015; Hersh & Stiglitz, 2015). As Bhala (2016) put it, IP rules would keep cheaper generic drugs out of reach for millions of poor people in developing countries. The TPP has greatly extended existing patents and copyrights on essential drugs and expanded the scope of patents and copyrights beyond finished products to include coverage of many components of finished goods. This would surely undermine developing countries' ability to address public health needs and more people will die.

The results of the study indicated that developing countries have to grapple with multiple challenges. First, in relation to human resources and negotiation skills, developing countries cannot fully and strategically engage in FTAs negotiations because they tend to lack negotiating capabilities. As a solution, the WTO should conduct training courses aimed at building up their human resources and negotiation skills.

Second, developing countries lack the human and institutional capacity to formulate effective FTA policies and adjustment policies. This means that developing countries should seek involvement in the pre-negotiation consultations, thus avoiding top-down decisions, and, at the same time, embracing bottom-up approaches.

Third, developing countries, sometimes, have to forgo benefits from narrowly defined trade interests and economic welfare, for wider benefits, such as, greater stability in both macroeconomic conditions, and political relations which, in the long-term would place them in a better position to achieve their trade goals.

Developing countries decried the inclusion of the nontrade issues in FTAs because they widens inequality between the developed and developing countries (Deardorff, 2013; World Bank Report, 2016). This means the quest for a level playing field or fair trade by developing countries remains an elusive dream. In the agriculture sector, it is quite simple to discriminate among partners in the application of tariffs on inputs, but there is no practical way to restrict the impact of production subsidies to some countries while exempting others. Developing countries are exposed to unfair trade practices by some major countries due to their subsidy policies.

The prevailing view, based on the results of this study is that nontrade issues would force the WTO to change its rules governing international trade because of the new trading milieu, and the endogenous growth of preferential trade agreements.

However, some economists argued that the continued focus on nontrade issues would cause some underdeveloped and developing countries not be able to keep up with the pace of regulatory reforms and related rule changes due to capacity and cost overruns (Brown & Stern, 2011; Liu, 2014; Schott et al., 2013).

A major concern of the multilateral trading system is that the broadening scope of trade agreements would slow the pace of formalizing agreements and so the liberalization process could be affected. On the other hand, with respect to the importance of the multilateral trading system, Azevedo (as cited by Reuters, 2016), Director General of WTO, argued that “trade is beneficial overall, and although it can be disruptive, it was wrong to blame it for widespread unemployment, with 8 out of 10 job losses in advanced economies due to domestic-lead drives for innovation, automation and productivity. If

you don't have the right diagnosis, you don't have the right medicine. If the medicine is simply protectionism, the outcome will be that you will harm the patient. Protectionism would hit poorer sections of the population hardest.”

The challenges of the multilateral trading system are significant when one considers that the WTO long sought to achieve three objectives: (a) the reduction or elimination of trade barriers, (b) an end to discrimination between trading partners, and (c) the universal application of these rules to all countries. The ambivalence towards discrimination within the multilateral system, enabled by the Decision on Differential and More Favourable Treatment Reciprocity and Fuller Participation of Developing Countries, exemplify that the TPP detracts from the goals developing countries expect to achieve through the international trade.

Findings 3

Based on the results of the study, a majority of the literature and respondents to the interviews, believed that some nontrade issues are barriers to trade, especially from a developing country standpoint. Labor rights and environmental protection measures, if enforceable, could have a positive impact on a developing country. But nontrade issues such as government procurement, competition policy, intellectual property rights, investors-state dispute settlement, and state-owned enterprises, are designed to promote the interests of multinational corporations, and therefore, considered as barriers to trade.

The respondents noted that, oftentimes, developed countries make the rules of negotiations and determine what provisions are contained in the agreement. These provisions were crafted in such a manner as to further the business interests of the big

companies. This means that developing countries are subjected to high standards in order to gain access to the market of larger countries such as the U.S., normally face standards that are either too difficult to meet or too costly to sustain. These measures, impede the free flow of trade and force developing countries to restrict some of their trade activities which would adversely affect trade expansion and ultimately growth (Liu, 2014).

The World Bank Report (2016) noted that developing countries are bedeviled with series of problems including structural, capacity and financial that they compete unfairly with the world powers in terms of trade. Duty free access to large markets means nothing to these countries, if the standards required for products to enter the large markets are beyond the reach of the developing countries. This constitutes a trade barrier. As a result, developing countries demand fair trade instead of free trade which would level the playing field, reduce inequality and present hopes for growth and development (Bhala, 2016; Hersh & Stiglitz, 2015; and Liu, 2014).

The restrictive and distortionary effects of non-tariff measures may be systematically biased, although in many cases unintentionally against, developing countries, and more against low-income and least developed countries (World Bank Report, 2016).

The challenge for developing countries is to be proactive and seek to win a seat at the rules making body so that they could influence changes in the trade rules and avoid the gamut of nontrade issues that are impediments to international trade.

Findings 4

Based on the findings of the study, most of the literature and respondents concluded that nontrade issues detract developing countries from the goals they expect to

achieve through the WTO. Membership of the WTO, provides developing countries with the opportunity to enjoy most-favored-nations status treatment which is accorded to every member on an equal footing, such as, similar tariff reductions. Developing countries have access to large markets which in theory should benefit both producers and consumers as a result of trade creation. The WTO provides preferential treatment to developing and underdeveloped countries, enabling them to meet the demands of trade agreements. This may range from extended time to lower tariffs, to human capacity and technical support training.

With the current focus on nontrade issues in FTAs, which are designed primarily to benefit multinational corporations, as the findings of the study suggested, then the developing countries faced with discriminatory measures and unfair trade practices by developed countries UNCTAD Report (2016). This situation is antithetical to the trading environment that developing countries envisaged under the WTO, and which detract from achieving goals such as, increase trade, tariff reduction, more jobs, poverty reduction, and growth.

Even though the primary focus of this study was centered on the impact of nontrade issues on developing countries, there are some economists such as Sachs (2015), Stiglitz, (2015), and trade unionists from the AFL-CIO, who believed the changing face of FTAs, will hurt U.S. in terms of the GDP, jobs, manufacturing, and agriculture.

Answer to Research Question

Based on the findings of this study, I can confirm that the current focus on nontrade issues in FTAs detracts from the goals that developing countries expect to achieve through international trade.

In order to arrive at this conclusion, I relied on methodological triangulation that allowed for the collection and analysis of data from interviews, documentation, and researcher's notes. In this manner, I was able to focus on the key elements of the research question through emerging themes including, role of nontrade issues, ramifications of nontrade issues, barrier to trade, and distraction of developing countries from achieving their goals.

In the end, even though some nontrade issues presented uplifting results to developing countries, such as, combating terrorism, labor rights and environmental protection, generally, nontrade issues in FTAs remain a great source of distraction from developing countries achieving their goals through international trade.

Theoretical Framework and Development of Trade Policy

The main focus of this section was to determine whether the findings of the study support the theories and models outlined in Chapters 1 and 2. Generally, the findings indicated that even though FTAs have undergone marked changes since the era of Smith and Ricardo, the driver of international trade still remains the theory of comparative advantage. The consensus was that free trade is necessarily a good thing but for the contents and provisions of FTAs which, sometimes place unreasonable pressure on

developing countries to make reforms that may be unpopular. It is the desire of many countries to have fairer trade or a level playing field (Plummer et al., 2010).

The findings supported the Viner's theory that countries tend to participate in FTAs because of the potential of trade creation. Trade creation is beneficial to a country since it reduces domestic production, lowers price, and causes a rise in consumption. The findings were aligned to the New Trade Theory (NTT) insofar as trade liberalization is measured in terms of the welfare enhancing capacity of trade. A key component of NTT is that consumers enjoy a variety of products at a lower price, and at the same time, producers gained a larger market (Krugman, 1997).

With respect to the general equilibrium models, such as Meade-Lipsey and Wonnacott-Wonnacott models, Lloyd-Maclaren, and gravity model, the findings revealed that developing countries were consistent in their support for the welfare enhancing ability of FTAs. Factors such as geographical local, population size, and GDP per capita, determine a country's desire to participate in FTAs (Bhala, 2016; Kim, 2008; and Petri et al., 2012). The important distinction here is that modern authors tended to study FTAs in the context of many goods, whereas the Viner's model concerns only a single Good. This means that by focusing on the market for just one imported good, the Viner's model ignores any interaction with other goods' markets and changes in the terms of trade due to export price changes.

The multiple-good models or general equilibrium models based on work by Lipsey (1970), Lloyd and Maclaren (2004), Meade (1955), and Wonnacott and Wonnacott (1982), produce a rich set of analytical results about the welfare consequences

of regional trading agreements. These models eschew efforts to limit or restrict trade by unilateral trade liberalization. Instead they support a structure that benefits both consumers and producers through market interactions (Petri, Plummer & Zhai, 2012). This is relevant to the study since discriminatory measures may cause trade diversion and act as barriers to trade thereby affecting market access, jobs, and growth.

Ironically, the results of the study indicated that the theory of comparative advantage has faced some challenges over years. First, during Ricardo's era, the theory comparative advantage involved two countries in the exchange of two commodities with each country specialized in the production of the commodity for which it has a comparative advantage. Today, many countries trade in numerous goods simultaneously which complicates matters.

Second, Ricardo's theory was based on the assumption that capital was immobile so that trading was restricted to a particular geographical sphere. This is no longer the case, and with capital being mobile, factories can now move to locations that are economically profitable, and where the cost of production is lowest.

Third, specialization is not the order of the day but diversity is the trend. The richer countries have diverse economies which cater for a wider market. They focused more on supply chains, labor pools, and transportation costs.

These rich countries recognized that their economies grow when they make more, not when they consume more. The GDP measures output, not consumption. Thus, this shift in trade theory accounts, in some measure, for the recent focus on nontrade issues.

Study Limitations

This study exposed weaknesses or flaws in the study's research design or methodology that restricts the study scope which impacted or influenced the application or interpretation of the results of the study (Simon & Goes, 2013). The study comprised 15 participants, deemed a sufficient sample size to achieve meaningful responses to address the research question. Since the data were drawn primarily from individuals who are conversant with matters pertaining to the field of international trade/ FTAs, coupled with available documentation, the findings cannot be generalized to other groups or institutions.

There was a heavy reliance on the honesty and integrity of the participants, the challenge on the researcher to exclude personal biases and idiosyncrasies in the interpretation of data, both of which are necessary for the trustworthiness, credibility, and reliability of the findings of the study (Lincoln & Guba, 1985). Prolonged study of the data, supported by peer review, and chairman's review, gave the study credibility. This means that the results of the qualitative research were believable from the perspectives of the participants in the research.

In this study, I enhanced transferability by doing a thorough job of describing the research context and the assumptions that were central to the research. The focus was on thick, rich description and variation in participant selection. For instance, the I assumed the following: (a) allowing free trade in an economy, improves welfare for society overall (b) using models, such as Viner's model and gravity model, to provide reasonable indication on the implications of including nontrade issues in FTAs.

I took stock of the multiple dynamic realities that were context-dependent. Recent studies on issues on FTAs and perspectives from individuals, knowledgeable in international trade, were aggressively sought to garner their own interpretations of reality. This approach, made the findings of the research dependable.

In this study, I used the strategy of documenting the procedures for checking and rechecking the data throughout the study. After the study, I conducted data audit that examines the data collection and analysis procedures and makes judgments about potential for bias or distortion. This allowed for the results to be confirmed or corroborated by others.

Finally, it was, sometimes, a difficult task to get some participants to commit to a Skype interview. I could only surmise that many potential participants, in addition to being too busy, were reluctant to sign the consent form. The majority simply ignored the invitation letter to participate in the study. The result was that I had to resort to written online responses to the interview questions. This deprived the study of rich, in-depth data that semi-structured interviews, using opened questions, would have provided and enhanced the quality of the research findings.

Recommendations

After a careful interpretation of the results of this study, coupled with the assessment of the documentary evidence on the consequences of including nontrade issues in FTAs, I made the following recommendations.

Recommendation 1

A willingness, on the part of participating countries in FTAs, to craft compromises that will liberalize, or partially open, deep-rooted protectionist policies, and implement regulatory reforms making way for the adaption of new disciplines on investment, competition policy, and SOEs, among others, so as to have greater predictability in trade and investment in goods and services (Schott et al., 2013).

Recommendation 2

Participating countries in FTAs must insist and agree to a fully enforceable and binding commitment prohibiting countries from lowering their labor and environmental standards to attract investments (Schott et al., 2013).

Recommendation 3

Investor-state dispute settlement (ISDS) mechanism, as currently constituted, should not be included in FTAs unless it is modified to address issues of sovereignty and the burden on taxpayers. ISDS procedures allow investors from one party to bring claims directly against the government of another. These claims are decided by extrajudicial tribunals called super courts composed of three corporate lawyers. While the ISDS is used by global corporations to change sovereign and undermine regulations, it is not subjected to the local court system therefore there is no judicial review of its decisions. ISDS has increasingly become a way for rich investors to make money by speculating on lawsuits, winning huge awards and forcing taxpayers to pay the bill. In order to resolve these problems, it is recommended that the ISDS falls under the jurisdiction of the local courts.

Recommendation 4

All FTA negotiations should entail the study of the potential impact of the proposed agreement. This is particularly important for developing countries, since it is essential for them to make the necessary policy adjustments and reforms to alleviate possible negative impacts and maximize possible benefits from FTAs. For instance, trade policymakers of developing countries must ensure that strict labor standards, environmental protections, and the combatting of terrorism are included in FTAs. These measures will improve wages, better working conditions, health and safety, and a better standard of living for all workers in the developing countries. In addition, periodic impact studies of FTAs should be done, even after the signing and implementation of FTAs. For instance, there should be performance review of a FTA every 5 years.

Recommendation 5

There is an urgent need for capacity building and training of negotiators from developing countries, in order equip them with the technical knowledge, methodology, and support mechanisms, to effectively draw relevant policy implications from impact assessment studies. This is an effort to alleviate the problem faced by some developing countries where there is a scarcity of specialists who are familiar with econometric theories and trade models. Developing countries have to rely on the results of studies conducted by others, instead of their own studies.

Recommendation 6

More concrete and specific technical assistance are necessary to assist developing countries in implementing FTAs obligations, especially in areas, such as, customs

procedures, measures involving sanitary and phytosanitary and technical barriers to trade, competition policies, and intellectual property rights. For instance, one of the areas where developing countries need substantial technical assistance from developed countries is competition policy. Competition policy ensures that consumers and producers get a fair price. “Competition policy is also useful to overcome anticompetitive practices of national and foreign firms and to facilitate the transition from former state-owned monopolies, as well as ensuring a level playing field for state-owned firms that remain” (Plummer et al., 2010, p. 104).

Recommendation 7

With respect to agriculture, future trade agreements must be designed to promote rural livelihoods by ensuring fair market returns for producers and production of safe, quality foods for consumers. Future trade agreements must not be limited to regulating domestic support levels, export subsidies, and market access. Every future trade agreement must address differences in labor standards, environmental standards, health standards, and the trade-distorting effect of currency manipulation and cartelization of agriculture markets (NFU, 2016, Article 111). Agricultural trade negotiators should always be guided by the principle that fair trade, not free trade, holds the potential to increase family farm profitability and food security, but trade by itself is only one tool.

Recommendations for Further Research

While this study focused primarily on the potential risks and benefits that will befall or accrue to developing countries by including nontrade issues in FTAs such as the TPP, economists and policymakers are locked in an intense debate as to what will be the

real impact of the TPP on developing countries when it has been successfully implemented. It will be worthwhile for researchers and academicians to conduct future research on the economic, social, and political impact on developing countries after the implementation of the TPP. Likewise, similar studies should be conducted on the impact of TPP on developed countries, such as the U.S., with specific reference to trade creation, jobs and economic growth.

Applications to Professional Practice

The purpose of this qualitative study was to explore whether the recent focus on the nontrade issues in FTAs is detracting from the goals that developing countries are expecting to achieve through international trade. The aim was to conduct a comprehensive trade policy analysis using primarily documentary evidence and interviews to ascertain, among other things, the economic, political, and social implications of the changing face of FTAs and how it affects the world trade system.

Respondents' perspectives, documentary evidence and literature review findings provided a consistent picture that the inclusion of nontrade issues detract from the goals developing countries are expecting to achieve through international trade. Stakeholders are primarily concerned about issues such as tariff reductions, market access, jobs, growth, and social reforms, as being critical components of any FTA (Schott et al., 2013).

Based on the findings of the study, it is imperative for negotiators of FTAs to advocate on behalf of stakeholders and not the interests of multinational corporations. This means that developing countries must canvas for a seat at the table such as being a part of the rules committee that determines the agenda and content of FTAs. The findings

revealed that developing countries are often at a disadvantage relative to the developed countries when negotiating FTAs. They lack the negotiating skills and ability to advance their own interests without relying on the expertise of negotiators from the developed countries whose values may not coincide with those of developing countries (UNCTAD Report, 2016). Developing countries may remedy this situation by conducting training programs that are designed to improve the negotiating skills, technical skills, and capacity of trade representatives.

Study findings suggest that some nontrade issues are very important in FTAs. For instance, a majority of respondents support strong labor and environmental standards. They want leaders of member countries to craft legislations to enforce measures that would improve working conditions and wages and ensure a healthy and safe working environment. These laws must prohibit child labor and sweat shops that are prevalent in developing countries (ILO Report, 2016).

In terms of market access, and barriers to trade, many developing countries specialize in the production of primary products, including agricultural goods, metals, and minerals. Primary-product producers claim they are exploited by buyers in the developed world due to the highly competitive and volatile nature of market conditions for these goods (Reyes, 2012; Stiglitz, 2015).

Similarly, economic development typically is seen as synonymous with industrialization. As developing countries attempt to move into manufacturing and industry, the role played by export markets in the developed countries becomes vital. Those industries most likely to be viable in the early stages of industrialization, such as

labor-intensive industries: textiles, apparel, and footwear. Those are the very ones that receive the strongest protection in industrialized countries, limiting the export markets available to nations struggling to industrialize (Bhala, 2016; Deardorff, 2013; and Reyes, 2012). The challenge for trade negotiators from developing countries is to consider the market access disadvantages facing them and stage a strong bargain at the negotiating table to have these issues redressed favorably.

According to the World Trade Report (2016), one of the main fears of developing countries is that negotiations will be geared towards ensuring unrestrained entry and operation of developed-country investors in the developing countries. Any such agreement will inhibit the flexibility of the developing countries in guiding and channeling foreign investments in the interests of attaining their development objectives. Trade negotiators from developing countries should ensure that the agreements contained provisions that prevent unbridled actions by foreign investors and, in turn, making them subjected to the local jurisdiction.

As a practical matter, the findings indicated that most respondents eschewed secretive trade negotiations and they preferred greater transparency. Transparency makes for a full and fair agreement that takes into consideration, the expectations and needs of the various actors who will be directly or indirectly affected by the agreement (Liu, 2014). Likewise, negotiators should be in possession of an impact assessment with predictive models indicating the potential risks and benefits of the FTA, before engaging in formal free trade discussions. The findings of this study will provide farmers,

manufacturers, exporters, policy makers, decision-makers, negotiators, and legislators with vital information regarding the consequences of including nontrade issues in FTAs.

Summary of Political and Economic Implications

The results of this study indicated that the inclusion of nontrade issues in FTAs may have serious political and economic implications for developing countries. First, these countries are required to implement significant trade and domestic policy reforms in order to meet the obligations and standards stipulated by the FTA such as the TPP (Schott et al., 2013). Second, it will be too costly for some these countries to implement the policy and regulatory changes with the limited resources available to them. Quite often, they have to rely on external assistance since they lack human competence and technological capability. Third, the agreement has to be ratified by the Parliaments of these countries and whose elected officials sometimes, faced the wrath of unions, stakeholders, and the electorate who are not convinced that FTAs operate in their best interests (Petri et al., 2012). Fourth, the issue of sovereignty remains a contentious matter as it relates to the investor-state dispute settlement (ISDS) mechanism. This mechanism takes trade disputes out of the jurisdiction of domestic courts to secretive international tribunals that have the power to overturn judgments of national courts without the right to appeal. To many countries, this scenario is a clear and unacceptable threat to their sovereignty.

In relation to economic implications, developing countries have the perception that designed to further the interests of multinational corporations and thus trade is not based on fairness and a level playing field. This means that the TPP seeks deep cuts in

tariffs, quotas, and other protective trade policies thereby making manufacturing industries in developing countries less competitive than foreign firms. As a result, these countries faced mounting job losses, limited market access, and declining growth (UNTAD, 2016).

Another concern for developing countries is the high cost associated with the implementation of environmental protection programs. The agreement requires these countries to place strong commitments to persevere the marine environment, promote, and combat wildlife trafficking. They often lack the wherewithal to pursue such programs and resources will have to be shifted from other important programs so as to meet the environmental needs (Deardorff, 2013).

Implications for Positive Social Change

Since the emphasis of this study was on the macro policy level, positive social change will be felt more at the country, societal, and organizational levels. But the effects of positive social change at the aggregate level could eventually trickle down to families and individuals. The TPP contained provisions that will enhance the labor standards in developing countries. Member countries are required to adopt strict labor laws as stipulated by the ILO, including, no child labor, improve wages, better working conditions, and the right to engage in collective bargaining. This will improve the standard of living of many workers in developing countries.

Provisions were included in the TPP to further protect social values by having strict environmental standards such as measures necessary to protect human, animal, and

plant life and health. Arbitral panels were empowered to award monetary penalty for persistent pattern of behavior involving the failure to enforce domestic laws.

The TPP may accelerate structural shifts between industries based on comparative and scale economies. As a result, developing countries will experience benefits in the manufacturing industry, especially in unskilled labor-intensive industries, and some primary production (World Bank Report, 2016). In Vietnam, for example, the TPP could increase the real wages of unskilled workers by more than 14% by 1930, as production intensive in unskilled labor (e.g. textiles) shifts to Vietnam (World Bank Report, 2016).

Another positive change that will take place under the TPP, is that it will open up markets for a wide variety of goods and services or imports thus offering consumers the opportunity to benefit from low-priced imports caused by the reduction of tariffs and nontariff measures (NTM). Producers also stand to benefit from the access to new and large markets to sell their exports at reasonable prices. In addition to the reduction of tariffs and NTM, the agreement harmonize a range of regulations to encourage the integration of supply chains and cross-border investment.

Further, adjustment burdens appear to be modest compared with benefits, even in the short run when economies experience the greatest transitional impacts from integration (Petri et al., 2012). But developing countries are cautioned that, when making adjustments and certain reforms, they do not evoke political instability which could prove to be counter-productive and costly, in the short and medium terms. Under technology, the TPP addressed a new and growing concern, called cybercrimes. The TPP is seeking to

ban force localization of servers and technologies, and plans to establish more effective protections for security and privacy of users.

The most significant changes will occur through the application of strict labor standards and environmental protection measures. Developing countries are no longer allowed to use child labor in their sweat shops, and, at the same time, emphasis will be placed on better wages and working conditions coupled with workers having the right to engage in collective bargaining. Workplace health and safety will remain a priority under the TPP. The environmental protection measures deal with such issues as wildlife trafficking, illegal fishing and ozone depletion.

Finally, based on the findings of the study, the inclusion of nontrade issues in FTAs would somewhat detract developing countries from achieving the goals they expect through international trade, but overall, the TPP has more than a realistic chance of accomplishing one of its main objectives, namely, increase jobs, promote growth, and enhance the well-being of denizens of developing countries. This policy study will equip policymakers, decision-makers, administrators, academicians, researchers, practitioners, negotiators, and legislators with the tools that will enable them to make sound, informed decisions on the potential benefits and risks of the TPP.

Reflection on the Researcher's Experience

When I commenced this qualitative policy study, I was very excited about the dissertation journey and happy that I had the rare opportunity to make a worthwhile contribution in the field of international trade. I had passion for the topic I chose, not only because the topic was hotly debate by economists, policymakers, and legislators, but

because I truly cared about, and was interested in the topic. I really did not plan for what was in store for me along the way.

As I embarked on researching and writing my dissertation, I soon realized that the journey was not linear but full with twists and turns, ups and downs, and hurdles that, sometimes, seem insurmountable. I remembered the words of Rudestam and Newton, (2007), “Overcoming the obstacles created by negative experiences and unrealistic expectations sounds like a formidable challenge that might require a substantial therapeutic intervention achieve” (p.232). While these problems continue to haunt me throughout the process, I summoned my inner strength, and relied heavily on patience, commitment, resilience, and perseverance, to take me successfully to the end the dissertation.

Moving forward, nothing could have prepared me for what I experienced in the data collection phase. All my peers would say in the classroom that the most enjoyable stage in the process was data collection. Unfortunately, my experience was the very opposite. I had a difficult time ever, to meet my sample size of 15, participants. After sending out over a hundred invitations to potential participations, numerous phone calls, and follow-ups, managed to gain the consent of three participants over the span of 1 year. What was even more disconcerting was that, of the 180 plus invitations that were sent out, I received only 15 positive responses. While I was left to ponder why so many were reluctant to participate in the study, I was surprised that so many economists did not care to participate in my research study.

In consultation with my chair, I pursued a new strategy which required me to make an application to the IRB for changes in procedures, on two separate occasions, with a view to having a wider pool from which potential participants could be drawn. The inclusive criteria was reduce to accommodate individuals who have working experience in the field of international trade and/or were from member countries of the TPP. This new strategy did not worked as planned. It was a frustrating period for me. Finally, I sought and received help from Walden participant pool.

Based on the findings of the interviews, documentation, and researcher's notes, I was able to identify the benefits and risks in including nontrade issues in FTAs. The study indicated that even though there is no real appetite to include nontrade issues in FTAs, for fear of them being barriers to trade, a few such as, terrorism labor rights, and environmental protection should form the basis of every FTA. On the other hand, the ISDS was very unpopular with some economists, and should not be included in FTAs in its present form. It should be noted that according to the study, FTAs were preferable to protectionism. Developing countries are well-positioned to benefit greatly from their involvement in FTAs.

Conclusion

This qualitative explorative policy study focused on understanding the benefits and risks posed by including nontrade issues in FTAs, in general, and the TPP in particular. In recent times, the TPP has been the subject of intense debate by many, including, economists, trade lawyers, politicians, policymakers, legislators, trade

negotiators and academics. However, part of what has driven the debate was the confusion between trade and trade agreements (deals).

Bernstein, (2015) asserted that “trade and globalization have historically been big, economic game-changers, reaping benefits for consumers and macro-economies from vastly increased supply chain. Trade deals, on the other hand, are nothing more than rules of the road for how trade is conducted between partner countries. Some of those rules are handshakes between investors across borders; other measures, often in opposition to the investor-favored ones, have the potential to benefit consumers, workers, and the environment” (p.1). This study was more consistent with the latter.

In relation to the TPP, Sachs (2014) argued that it is not a trade treaty but an agreement aimed at protecting investors; its ISDS clauses gave “absolutely unjustified and dangerous powers to investors vis-vis the state” (p. 1). The Obama administration, at that time, had not presented, “one analysis of the cost and benefits with regard to jobs, different industries, income distribution, economic growth and trade” (p.1). The aim of this study was to fill the gap highlighted here by Sachs (2014), and it was accomplished.

While the landscape of FTAs has changed considerably over the years, the findings of this study indicated that some nontrade issues were pivotal to a good FTA, such as, labor rights and environmental protections. However, respondents were general against the inclusion of nontrade issues in the TPP, especially since nontrade issues comprised 26 of the 30 chapters contained in the agreement.

According to the World Bank Report, (2016) developing countries such as Vietnam and Malaysia, would experience sizable GDP growth in 30 years, compared to

developed countries such as U.S. and Canada, which would gain meagre GDP growth over the said period. On the other hand, the UNCTAD Report (2016) cited fears that the proliferation of RTAs would create balkanization in the world trading system, with competing rules of origin, causing tensions between the multilateral system and the loose network of RTAs.

A key limitation of this study was the reliance on the honesty and integrity of the participants, and the pressure to bracket my personal biases and idiosyncrasies in the interpretation of data, both of which are necessary for the trustworthiness, credibility, and reliability of the findings of the study (Lincoln & Guba, 1985).

Based on the findings of the study, I made several recommendations. Countries should continue to push for free trade and the liberalization of their economies and avoid protectionist policies which will cause such countries to be isolated from the world trading system. Craft an enforceable and binding commitment prohibiting member countries from lowering their labor and environmental standards to attract investments (Schott et al., 2013). Ensure that the ISDS falls under the jurisdiction of local courts or be expunged from the FTA. Researchers and academicians should conduct future research on the economic, social, and political impact on developing countries after the implementation of the TPP.

Based on the findings of the study, the inclusion of some nontrade issues in FTAs will detract developing countries from the goals they expect to achieve through international trade. This study will provide farmers, manufacturers, exporters,

policymakers, decision-makers, practitioners, negotiators, and legislators with vital information on the consequences of including nontrade issues in FTAs.

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Appendix A: Interview Protocol

Trans-Pacific Partnership Agreement and the Changing Face of Free Trade

Agreements:

The Resultant Social, Political, and Economic Consequences

Type of Interview- Skype

Time of Interview:

Date:

Place

Interviewer: Joseph Heyliger

Interviewee:

Position of Interviewee:

Brief description of Study:

The purpose of this qualitative study is to explore and understand the social and political ramifications for the developing countries, who are trade partners of the United States of America, by including nontrade issues in FTAs. The aim was to conduct a comprehensive trade policy analysis using primarily documentary evidence and Skype interviews to ascertain, among other things, the economic, political, and social implications of the changing face of FTAs and how it affects the world trading system.

Interview Questions:

1. Do you think nontrade issues should be included in FTAs?
2. What do you think will be the ramifications of including nontrade issues in FTAs?

3. What impact do you think nontrade issues will have on developing countries?
4. What impact do you think nontrade issues will have on the world trade system in general, and the WTO in particular?
5. Why do you think the U.S. is increasing its use of nontrade issues in FTAs?
6. Describe how you will defend or oppose the notion expressed by some U.S. trade partners that nontrade issues present new barriers to international trade?
7. How could the current focus on nontrade issues detract developing countries from the goals they expect to achieve through the WTO?

Appendix B: Invitation Letter to Participate in a Qualitative Research Study

Dear,

My name is Joseph Randolph Heyliger. I am a Ph.D. candidate in the Public Policy and Administration Department at Walden University. I am conducting a research study as part of the requirements of my degree in Public Policy and Administration and would like to invite you to participate. The research topic is: “Trans-Pacific Partnership (TPP) Agreement: The Changing Face of the Trade Agreements (FTAs) and the Resultant, Social, Political and Economic Consequences.”

The purpose of this qualitative study is to explore the social and political ramifications for the developing countries who are trade partners of the United States of America, by including nontrade issues in the FTAs. The aim is to conduct a comprehensive trade policy analysis using primarily documentary evidence and Skype interviews to ascertain, among other things, the economic, political implications of the changing face of FTAs and how it affects the world trade system.

You are invited from a select group of stakeholders based on your knowledge, involvement, and experience in the field of international trade to participate in this phenomenological study. The duration of the interview will be 30-45 minutes using Skype at a date and time of your convenience. The interview will be audiotaped (not videotaped) so that I can accurately reflect on what was discussed. More detailed information about your participation in the study will be provided in the consent form and recruitment letter.

Participation is voluntary and confidential. The study information will be kept in a secure

location. The results of the study may be published or presented at professional meetings but your identity will not be revealed. If you agree to participate in this study, please consent, sign, date, and return the attached consent form to me at your earliest convenience.

Thank you for your consideration.

Appendix C: Nontrade Issues (NTI) Coding Sheet

Score Sheet

Theme	Category					
Theme 1:	Interviews		Documentation		Researcher's Notes	
Role of nontrade issues	for / against 13 2		for / against 22 2		for / against 12 0	
Theme 2: Ramifications of nontrade issues in FTAs	13 2		24 1		12 0	
Theme 3: Barrier to trade	14 1		23 2		11 1	
Theme 4: Distraction of developing countries	15 0		25 0		12 0	
Total	15		25		12	
References						

Explanatory Notes:

- Number of participants interviewed for this study- 15.
- Number of documentation (authors/ secondary sources) referenced-25.
- Number of subjects referenced under researcher's notes-12.
- References for documentation and researcher's notes were within the last 5 years: (2012-2016).
- Theme 1: indicates the number of participants that support NTI in FTAs and those against.
- Theme 2: indicates the number of participants citing negative consequences (for) as opposed to positive consequences (against).
- Theme 3: indicates the number of participants that viewed NTI as barriers to trade.
- Theme 4: indicates the number of participants that viewed NTI as a distraction.