

**IS THE SHADOW OF THE FUTURE CONDITIONAL?: A CASE STUDY OF
THE KORUS FTA NEGOTIATIONS**

By

CLEARE, Isheika

THESIS

Submitted to

KDI School of Public Policy and Management

In Partial Fulfillment of the Requirements

For the Degree of

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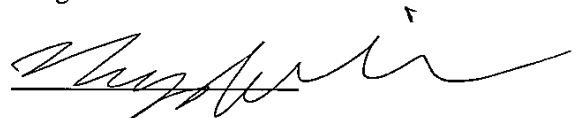
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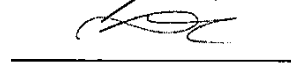
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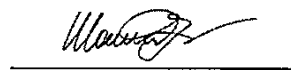
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INTRODUCTION

Political scientists have long championed reciprocity as a facilitator of international cooperation. The term “Shadow of the Future” (SOTF) coined by famed political scientist Robert Axelrod became associated with the act of reciprocity. Various studies confirmed that in repeated interactions cooperation can emerge between egotists and help them to overcome opportunistic behavior. From a game theory perspective, the efficacy of SOTF is derived from the fear of retaliation it is supposed to inspire in players in future rounds of the game for engaging in opportunistic behavior damaging to the welfare of the other player in the current round. This paper applies the SOTF theory to the FTA negotiations between the United States and the Republic of Korea to determine if there were conditions that influenced how cooperation emerged between the two states.

The Shadow of the Future theory assumes that because the US and Korea are involved in indefinitely repeating interactions due to ongoing security and commercial ties the two nations are more likely to cooperate with each other (in a mutually beneficial manner) to avoid future punishment. However, after the terms of the KORUS FTA had been agreed upon and signed by the Korean Government and the Bush Administration in 2007, the new Obama Administration renegotiated for more favorable concessions three years later. This research hypothesizes that the KORUS FTA renegotiation suggests that in bilateral deliberations the SOTF can disproportionately restrain the retaliatory impulses of the less powerful (more dependent) state and intensify the aggressiveness of the more powerful (less dependent) state.

Therefore, in this work, theoretical possibilities and empirical evidence which undermine the SOTF’s role as a cooperation motivator are explored. Results from a case study of the KORUS FTA negotiations reveal that there are indeed parameters which effectuate SOTF and if these parameters are not proportional to each state then SOTF effects are similarly disproportional. As a result, the SOTF may counterintuitively hinder cooperation.

LITERATURE REVIEW

The Prisoner's Dilemma (PD) Game

Since the 1950s, one of the most well-known and well-used tools for analyzing how cooperative relations can emerge between rational egotists is the Prisoner's Dilemma game. The game originates from a story in which two criminal accomplices are suspected of a burglary. They are arrested and held in custody by the police. The suspects are jailed separately without any means of communicating with each other. The prosecutor has evidence sufficient only to convict them of a minor crime (i.e. possession of stolen goods). However, the prosecutor wants instead to charge them with the major crime (i.e. burglary). The prosecutor offers each suspect a bargain.

While the suspects are prohibited from communicating with each other, the prosecutor does inform each that the other has been offered the same deal. In exchange for a lighter sentence, they can defect against the other by confessing. However, the sentencing (i.e. reward system) is scaled and dependent upon the actions of both individuals. For each player, sentencing outcomes from worse to best are as follows: unilateral cooperation, mutual defection, mutual cooperation and unilateral defection.

If suspect A or B defect (by confessing) they receive the lightest sentence only if the defection is purely unilateral. However, it would be irrational for the second player to allow himself to be imprisoned longer when defecting would maximize his gains. So a counterintuitive aspect of this game is that cooperation requires each party to cede the very best option (unilateral defection) and aim for achieving the second best (mutual cooperation). However, the suspects are egotists striving to maximize their own gain, so the strictly dominating strategy is to defect which ultimately leaves each player worse off than if they had both chosen to cooperate by remaining silent.

Axelrod's Shadow of the Future (SOTF)

Under the chapter titled "How to Promote Cooperation" in his seminal work *The Evolution of Cooperation*, the influential political scientist Axelrod (1984) outlines how to overcome the Prisoner's Dilemma and improve cooperation. He states that this can be accomplished by altering the playing environment itself in four ways. First, he claims that relative to the present, the importance of the future must be greater. Second, the payoffs of the four strategic outcomes must be changed. Third, the players must be taught to care about each other. Fourth, the players must be taught how to skillfully use the strategy of reciprocity (i.e. tit-for-tat).

This thesis is focused on exploring Axelrod's first and final cooperation-promoting recommendations – *increasing the importance of the future relative to the present and skillfully using reciprocity*. Players measure "the importance" of the future in terms of "the value" of the payoffs or gains that they can receive in the next round of the game relative to the current round. This term of measurement is called the *discount parameter*. This allows players to determine sequential payoffs by discounting those future payoffs based on previous payoffs.

Axelrod coined the more literary term the "*shadow of the future*" (SOTF) to represent the discount parameter, or in other words, the player's estimation of the future's importance. Axelrod, essentially, uses three separate terms to represent the same objective. When he advocates increasing the future's relative importance he implies raising the discount rate or, more poetically, "enlarging the shadow of the future" (1984, p. 126). Axelrod means to imply that the more any player has to lose (in the future), the less they will want to lose it.

Axelrod & Keohane (1985) specify the four factors that help the SOTF to effectively promote cooperation. The first and second factors are combined for efficacy. The two players need to face a prolonged time horizon and uniformity of stakes. Inconsistency in the penalty for retaliation can prompt

players to take advantage of opportunities to defect. The third and fourth factors deal respectively with the reliability of information on the actions of one's rival and the prompt feedback regarding the changes in the actions of one's rival. The last three factors are concerned with establishing faith in the dependability that future returns will materialize as predicted.

Axelrod acknowledges that players generally consider the future less important than the present for two reasons. The first reason is that players prefer to receive payoffs in the present, rather than at a future date. As the timetable for receiving their reward grows, so does player impatience. The second reason is that an ongoing interaction may terminate owing to the other player relocating elsewhere, dying, going out of business or other causes. The inability to accurately predict such terminal occurrences reduces player confidence in future benefits.

Axelrod (1984, p. 126) posits that enlarging the SOTF can help to stabilize mutual cooperation, because "the players can each use an implicit threat of retaliation against the other's defection". But Axelrod makes clear that the threat's effectiveness is time dependent. Interaction between the two players must be extended or repeated over time in order to even provide the opportunity for retaliation to take place at all.

Herein lies one of the most counterintuitive aspects of cooperation literature. Providing for this opportunity to retaliate through extending the interaction is what creates the conditions for cooperation to arise. In other words, one player must be able to "hurt" the other player in order to convince that player to stick to the agreement (i.e. cooperate). This is akin to the TIT FOR TAT strategy which rewards cooperative behavior and punishes defection. When Axelrod invited professional game theorists to submit strategies which would then be paired off against each other in a Prisoner's Dilemma computer match, it was the TIT FOR TAT strategy that won both round robin tournaments. This conditional-cooperation strategy, submitted by game theorist Anatol Rapoport, was elegantly simple.

On the first move, the player would cooperate and then respond in kind to whatever move its counterpart chose – a defection was met with defection and cooperation was repaid with cooperation. So, in a sense, the future would “cast a shadow back upon the present” (1984, p. 12).

After Axelrod’s 1984 publication, the definition of SOTF began to evolve and developed a secondary connotation. Two definitions of “shadow of the future” appear – explicitly and otherwise – in cooperation theory literature. The first definition¹ remains faithful to Axelrod’s original construction and represents the player’s derivative valuation of future rewards based on a discount parameter (e.g. .3 or .9). The other meaning is defined as “retaliation” or a player’s fear of a rival withholding /withdrawing future rewards.

The secondary connotation emerged overtime and has almost come to supplant the original meaning itself, which is not altogether surprising. The ominous undertones of the word “shadow” seem a better descriptor for a retaliatory posture rather than for a dry mathematical calculation. Retaliation is supposed to represent the “TIT” in the “TIT FOR TAT” strategy. It is the comeuppance for a player’s action in the previous round, not the measurement of how much the player values the future in iterated games. Still, many researchers commonly conflate the two meanings, because they reinforce each other. Retaliation (i.e. reciprocity or TIT FOR TAT) is not effective if one’s opponent does not value what may be taken away.

In order for a tit-for-tat reciprocal strategy to successfully produce cooperative results players must place a high value on future rewards (1984, p. 124). If future returns are not sufficiently valued by a player in the present, then the prospect of incurring future retaliation will be less effective as a deterrent. Axelrod illustrates this point with a numerical example based on a discount parameter of .90. He uses the scaled payoff structure of a typical Prisoner’s Dilemma game (unilateral cooperation = 0,

¹ Referred to in this work as “Axelrod’s SOTF” (Shadow of the Future).

mutual defection = 1, mutual cooperation = 3 and unilateral defection = 5) to demonstrate that TIT FOR TAT is collectively stable, because it is less advantageous for a player to defect when matched against a TIT FOR TAT strategy. Under such conditions, mathematically, the highest cumulative points accrue to players who mutually execute a perfect (non-defecting) TIT FOR TAT strategy against each other.

On the other hand, when Axelrod “shortens” the SOTF, by lowering the discount rate to .30, the sequential payoffs change. Perfect mutual cooperation produced a cumulative score lower even than perfect defection. So the shorter the SOTF, the more advantageous non-cooperative behavior becomes. Therefore, a low discount rate (or small SOTF or low future valuation) undermines cooperation. Axelrod (1984, p. 61) pointedly remarked that a cooperative strategy can only be stable if it can “protect itself from invasion by any challenger” and TIT FOR TAT protects itself against strategies with a sufficiently high discount parameter.

Axelrod identifies two ways to bolster the discount rate (i.e. lengthen the SOTF): increase the durability and frequency of interactions. Axelrod (1984, p. 129) describes durability as “the most direct way” to foster cooperation. He points to the public act of exchanging vows in a wedding ceremony and the live-and-let-live system developed during WWI trench warfare. In static warfare the same groups of soldiers are in continual contact over a prolonged period of time.

Consequently, patterns of cooperative behavior based on reciprocity can develop. However, the hope for initiating similar cooperation diminishes in mobile warfare as the behavior of each new and different enemy is far less predictable. Increasing the frequency of interactions means that the next encounter occurs sooner and thus the SOTF “looms larger” (1984, p. 128). The fewer the gaps in player interaction the greater the relative importance of the next move compared to the present move. Axelrod recommends that an effective way to have more bilateral engagement “is to keep others away”. He supports this argument by drawing on several instances of insular behavior in other fields. For example,

the interaction of territorial birds is limited to their few neighbors. Hence, these neighboring birds will enjoy more engagement relative to other birds.

He outlines suggestions and precedence for increasing frequency by concentrating the interactions: (1) bureaucratic organizations encourage specialization which leads to similarly skilled people working together in a somewhat exclusive fashion (2) clustering individuals so that a significant proportion of their interactions are with a minority vis-à-vis the general population.

When Axelrod discusses concentrating interactions in terms of bargaining agreements, he highlights the role of decomposition. By breaking an issue down into smaller parts, the participants are forced to meet on a regular basis until the entire matter is fully resolved. He points to the stages of negotiation of a two party arms control or disarmament treaty. Having many small steps can help make both sides more willing to make small incremental changes over time as opposed to one or two big moves. This method also improves reciprocity (i.e. TIT FOR TAT). Awareness that they can reciprocate defection in the next round improves the participant's confidence in the process and also helps to undercut the relative importance of the gains from defecting on the present move.

Bearce, Floros & McKibben (2009) created a three-phase game theoretic model involving a pre-bargaining phase, a negotiating phase and a final enforcement phase. Their research focused on the initial pre-bargaining phase and analyzed what conditions initially motivate governments to and dissuade governments from entering into the secondary negotiating phase of international bargaining. In the strategic model, agreeing to move to this secondary bargaining stage is regarded as cooperative behavior. Their research revealed that the SOTF increased the probability of the player moving into the next phase, because SOTF increased the probability of cooperation during the enforcement phase and the value of the newly proposed policy relative to the status quo.

The work of Bearce, Floros & McKibben (2009) is slightly differentiated from Axelrod's, because their primary independent variable – Shadow of the Future – is conceived as a measurement of the durability/sustainability of an agreement in the enforcement phase (set in the future) and not solely as the probability of continued interaction like Bo's research (2005) or a form of retaliation (also set in the future). In other words, governments are motivated or de-motivated to bargain with one another based on their assessment of the likelihood of the agreement being successfully implemented in the final enforcement phase.

Related Analysis of SOTF Theory

If the PD game is played only once the possibilities for cooperation is especially remote. The challenge of a one-time Prisoner's dilemma is that neither player knows what the other will do. If each player is highly rational and pursuing individualistic gains then the strictly dominating strategy in a single encounter game is to defect, especially since the gain from mutual defection is higher than unilateral cooperation (i.e. the "sucker's pay").

On the other hand, iterated games are defined by a different set of attributes. These are outlined by Oye (1985, pp. 12-13) as follows: (1) state actors should expect continual interactions (2) overtime payoff structures should not substantially change and (3) the iterativeness of the game should be affected by the size of the discount parameter. If future payoffs are sufficiently discounted relative to the present, then circumstantially an iterated game comes to share "many of the characteristics of single-play game" (Oye, 1985, p. 13). These attributes largely overlap with Axelrod & Keohane's four suggestions, thus explaining how the repetition of the PG game creates the conditions for cooperation to emerge. The continuation of interaction means that in the next round both players enter it knowing what action the other player took in the last round.

Research on cooperation levels when subjects expect a one-time interaction versus when they expect repeated interactions indicate that cooperation is higher (Axelrod 1984, p.124). This shadow is the possible retaliation or punishment that an individual could receive in the future from their counterpart who recalls the other's failure to cooperate in the past. However, even if the game is repeated, defection is still the more logical choice *if* there is a set terminal point. Through backward deduction players can divine this logic for themselves. At this end point, each player will suspect the other of defection and so both will defect in the previous period until there is no cooperation.

Thus, it is the anticipation of *indefinite* interaction – not *finite* interaction – that offers the better chance to thwart endgame defections which leads to the breakdown of cooperative patterns (Murnigan & Roth, 1983; Axelrod, 1984, p. 124; Heide & Miner, 1992). Bo (2005) improves upon prior infinitely repeated prisoner's dilemma experiments by also including games that repeat on a finite basis. With this control element and a significant number of players in each session he discovers that the effect of the SOTF on cooperation levels is actually larger than the results from earlier studies (Bo, 2005, p. 1591).

Bo (2005) undertook serial experiments where subjects participated in sessions of infinitely repeated games and finitely repeated games. His experiments confirmed the hypothesis that the greater the probability of continuation of the game, the greater the levels of cooperative behavior. The results showed a four times greater percentage of cooperation over games characterized by a one-shot treatment. Thus, he showed that the behavior of players largely synced with theoretical predictions of infinitely repeated games. His research is principally distinct from past research due to the controls he implemented to distinguish whether this cooperation is due not to the SOTF effects, but merely to the expectation in the increase in the number of rounds of the game. Kreps et al. (1982) had found that the increase in the number of expected rounds increased cooperation due to reputation effects caused by informational asymmetries.

Therefore, to control for this effect Bo's subjects also take part in finitely repeated games. Ultimately, the cooperative behavior was still higher in infinitely repeated games compared to finitely repeated games. Consequently, Bo suggested that the potential for future interaction induces cooperation among the players and reduces "opportunistic actions" because of "self-reinforcing reward and punishment schemes" (Bo, 2005, p. 1591 & 1592). Here Bo makes the distinction that SOTF is reciprocity.

Axelrod's study of iterated games suggested that anticipated interaction of an indeterminate length increases cooperation. Prior research had already shown that on-going interaction could motivate cooperative outcomes and breakthrough the "mixed-motive" Prisoner Dilemma games by using a TIT FOR TAT strategy (Oskamp, 1971; Wilson, 1971).

Axelrod credits TIT FOR TAT as the reason for the evolutionary emergence of cooperation. Hirschleifer & Coll (1988) are more critical of this argument. Their research showed that the robustness of the TIT FOR TAT strategy falters when the exactness of Axelrod's assumptions is eliminated, such as when issues of probability of error or cost of complexity are introduced. They caution against overstating the strategies thorough effectiveness, precisely because Axelrod's computer tournament had several idiosyncratic features.

Several studies tested and revealed the cooperation-promoting limits of the reciprocity strategy (i.e. TIT FOR TAT). In certain situations, reciprocal strategy cannot be effectively implemented such as in the case of nuclear arms control negotiations (Bunn & Payne, 1988). In discussions on reciprocity, there is an assumption of a kind of symmetry in the give and take. However, researchers have shown that the nature of the rival's behavior can prompt asymmetric responses (Keysar, Converse, Wang, & Epley, 2008). Subjects had a tendency to return positive acts of giving comparably, but reacted selfishly to negative acts of taking with a higher predisposition towards escalation. Negative acts were more robustly repaid than positive acts.

Lebovic's paper on the limits of reciprocity (2003) developed the concept of accommodation which revealed that Super Powers sometimes choose to adhere to a policy of self-restraint so long as the conflictual actions of the other state fall below a particular threshold. Lebovic looked at the behavior of the Soviet Union and the US during the Cold War.

The subject matter of human cooperation has been intensively studied by behavioral and social scientists. Notwithstanding SOTF's game theoretic origins, the theory's insight into decision motive makes it a very helpful tool for social, behavioral and psychological theorists and scientists. Consequently, the research originating from these fields, overtime, have contributed significantly to understanding the impact of the SOTF on inter-personal relations within human societies. A significant amount of the social science models and laboratory experiments on the SOTF concentrate on studying the Prisoner's Dilemma game.

Usually, researchers seek to understand the rationality behind human cooperation and the means of enhancing such behavior. Commonly, social science research attempts to explain behavior *variance* among subjects when SOTF is defined as a cooperation-motivator driven by the anticipation of repeated interaction in mixed-motive games (e.g. Prisoner's Dilemma). In some cases, SOTF as a behavioral influencer is downgraded relative to the player's psychological preferences and human decision-making.

Kuhlman and Marshello (1975) studied "motivational orientation" as a determinant of cooperation level by having subjects play thirty trials of Prisoner's Dilemma games against three preprogrammed strategies: tit-for-tat, 100% cooperation and 100% defection. Participants' motivational orientations were classified as cooperative, individualistic and competitive. Individualism was characterized by the subject's intent to maximize their absolute gains, without regard for the other player, whereas cooperative players sought to maximize the absolute gain of both players. The goal of competitive players was to maximize their gains relative to the other player. Cooperative participants only defected

against a 100% defection strategy. Individualistic participants defected against the 100% cooperative and 100% defection strategies. Competitive participants, however, defected against all three strategies.

Therefore, Kuhlman and Marshello were critical of prior theoretical analysis of mixed-motive scenarios for centralizing the cost-reward distribution structure (i.e. payoff structure) as the primary driver of decision-making. In their research, SOTF as a behavioral influencer is downgraded relative to the player's psychological preferences, especially considering that their competitive subjects seemed entirely uncowed by the prospect of retaliation. The competitors' pursuit of relative gains continuously disallowed cooperation in each round and so they were, essentially, immunized against the SOTF effect. Whereas, the actions of the more individualistic and competitive participants against the tit-for-tat strategy were entirely consistent with predictions – they cooperated.

Research by McClintock & Liebrand (1988), Sattler & Kerr (1991) and Balliet, Parks, & Joireman (2009) also suggested that a subject's values can influence their social decision-making. However, a re-assessment of these studies on the basis of the present thesis suggests that psychological orientation is not necessarily an alternative decision-influencer to SOTF, but a condition of SOTF. Subjects may have indeed recognized the objective, numeric value of gains and losses, but it was their individual psychological motivation which not only altered their desires for the rewards but also altered how they viewed punishment (i.e. losses).

The more cooperative-minded a player was the more they *wanted* to pursue mutual gains. The more individualistic a player was the more likely they would only pursue mutual gains so long as alternative strategies could not produce higher absolute gains. The more competitive-minded a player was the more likely they would eschew all cooperation so as to ensure relative parity or supremacy between themselves and the other subject.

However, there was no clear indication of whether or not the capacity of SOTF to influence outcome choice depended more on a player's cooperative-, individualistic- or competitive- leaning psychology until more recently when a study similar to Kuhlman and Marshello's was conducted by Van Lange, Klapwijk and Van Munster (2011). They examined the role of the subject's "social orientation" in determining how much cooperation would increase when participants expected repeated interaction (i.e. SOTF). Their study differs from Kuhlman and Marshello mainly on the basis of degree. They undertake to discover if the expectation of future interactions will increase levels of cooperation depending on how cooperative-minded the player is at the very start. The research revealed that the "mere anticipation" of repeated interaction beyond a single game increased cooperation more among participants whose motivations were primarily individualistic compared to those with more "prosocial orientations".

Additionally, the individualists became relatively more inclined to work towards joint goals, while generally the cooperative behavior of the subjects who were already more socially-minded improved only minimally. Although the sampling size for the competitive-oriented players were much smaller than for individualists and pro-social players, just like the pro-social players, the competitors' behavior was negligibly impacted by expectations of future interaction.

Van Lange, Klapwijk and Van Munster's research seems to set up a conditionality whereby SOTF's cooperation-inducing effect ought to be greatest among the most individualistic players and weakest among players who are more competitive and cooperative, respectively. As the self-interested individualists began to anticipate future interaction their behavior became more informed by the desire "to ensure that the other [player] could not feel exploited" so as to avoid future retaliation (2011, p. 866). Their research expanded the basis for understanding how SOTF triggers greater cooperation –

merely expecting to meet an opponent in the next round pushed self-interested individualist participants to be more cooperative.

In these two studies the systematic disagreeableness of the *competitive players* specifically underscored the need to recognize the impact of orientation differentials on the decision-making process and the strategic choices of players involved in repeating Prisoner's Dilemma games. It also raised important questions about the rationality of player choice when re-conceptualized as a function of psychologically-motivated factors. In the study a player's own personality make-up was more persuasive than acquiring larger absolute gains and more dissuasive than being the target of future retaliation.

Skaperdas & Syropoulos (1996) are critical of the default-mode thinking in the fields of politics, economics and game theory which too readily assumes that long term relationships foster cooperation (or at the very least do it no harm). The two researchers showed that a prolonged SOTF can actually hurt cooperation and increase conflict and introduced a new definitional dynamic that re-characterizes SOTF as a destabilizing factor in the process of achieving cooperation. They note that in long-term tribal relations each side values the future relatively more than the present, which is exactly what SOTF is intended to achieve. However, because they value the future relatively more than the present conflict arises over competition for land and resources, because in this payoff structure "if you own more land today, the chances are that you will have more resources tomorrow" (Skaperdas & Syropoulos, 1996, p. 356). Hence, the "compounding rewards" – received by those who cheat – destabilizes the usual incentives that undergird present-day cooperation.

In examining the commitment problems that make war a rational choice, the intertemporal model of conflict studied by McBride & Skaperdas (2014, p. 76) reveal that conflict emerges as the equilibrium behavior, because "it can be an investment in one's future strength". The two key features of the study's conflictual setting is that adversaries cannot sustain long-term contracts, but instead use the

threat of conflict to support only short-term cooperation and that present-day conflict alters the relative strength of the rivals more than peaceful settlement. The researchers argue that under these conditions it is precisely SOTF, or in other words a higher discount rate, which magnifies the strategic advantage to be gained from direct conflict and implies just how high the future cost of maintaining the present-day status quo can be. Reflecting mechanisms and an environment different from folk theorem arguments, the effects of SOTF are altered to show that threats of future retaliation – which underpin the concept – become mute if the losing side can be completely eliminated. This shows some of the conditions under which the cooperation-promoting potential of SOTF is vitiated.

SOTF & International Economic Relations

The cooperation theory that Axelrod discusses in his book shares many of the same concepts that are used to analyze international relations. Axelrod states that his intention is to investigate actors “who pursue their own self-interest without the aid of a central authority to force them to cooperate with each other” (1984, p. 6). The environment which he describes is characterized as “anarchy” and it represents the classic descriptor for the background of global politics and international relations. Compliance with international law is often necessitated by concerns over SOTF and legitimacy. According to international lawyers a nation that violates international law “will eventually be in a position where it wishes to invoke international law, and having failed to comply at an earlier time, they will not be able credibly to invoke international law at a later time” (Norman & Trachtman, 2008, p. 1).

Free trade negotiations are a highly politicized affair which involves complex international negotiations over provisions that have long-lasting effects which are difficult to reverse post facto. Trade negotiators and national politicians have to engage in a great deal of political bargaining in order to reconcile the demands of domestic stakeholders and constituencies with those of foreign trading partners. Bilateral interactions for the establishment of an FTA allow participants to account for three remedial variables

which are absent from the underlying assumptions in Axelrod's PD games. Trade negotiators can remove themselves from the interaction by ending trade talks (effects of this discontinuance on linkage issues are ambiguous). Trade negotiators can also alter the other party's payoff by adding or eliminating desirable provisions. And, lastly, inter-party communications are not solely limited to observing the pattern of the other's behavior. Governments are able to directly talk to each other to address grievances and make requests.

Axelrod's SOTF is a method of diminishing the value of gains over a sequence of moves to reflect the player's increasing distaste of/anxiety over payoffs which stretch further and further into the future. In Axelrod's examples of numerical formulations, cumulative values were derived from a dual static point system. In each round, the numbers representing the rewards (i.e. payoffs) and the discount rate percentage remained the same. Thus, Axelrod's SOTF is problematic for two reasons.

One, in international bargaining, such inflexibility is unrealistic since the discount rate and the numeric value of future payoffs occur over a time period which leaves it susceptible to changes from many areas. For instance, negotiators may decide to add or decrease the other nation's payoffs. Also, during protracted negotiations, a nation's economy – the object which the FTA is designed to bolster – changes. Two, states do not commonly measure the value of prospective FTA provisions based on how far into the future before its rewards come to fruition, but by its economic gains and other factors.

So for the purpose of international economic relations, Axelrod's SOTF (i.e. *discount parameter*) is a non-essential tool in understanding how to achieve cooperation in FTA negotiations. The secondary connotation of retaliation is more effective. Retaliation is supposed to be an insurance policy against rough treatment from one's rival. To borrow loosely from the PG game arrangement, trade round negotiations are a form of finite iterated play. Over the course of these negotiations, each country decides how aggressively to push for their desired provisions.

Gap in the Literature

While there is extensive literature on the theory of reciprocity (i.e. TIT FOR TAT), the studies that touch on SOTF theory rarely apply it to the context of bilateral negotiations, specifically on the specific calculations that nations make to decide whether the potential for retaliation from another country ought to be taken seriously. The studies by Van Lange, Klapwijk, & Van Munster (2011) and Kuhlman & Marshello (1975) present evidence to show that on an individual level certain factors can have a dampening effect on how powerfully SOTF motivates behavior. Moreover, there are unexplored theoretical possibilities about what results when factors such as asymmetry and differentials in future valuations are introduced into the model. This work seeks to reveal how these factors relate to SOTF's efficacy based on a case study of the United States-Korea Free Trade Agreement.

CASE STUDY: THE UNITED STATES-KOREA FREE TRADE AGREEMENT (KORUS FTA)

The United States-Korea Free Trade Agreement (KORUS FTA) is a bilateral free trade agreement between the Republic of Korea (ROK) and the United States (US) which came into force on March 15, 2012. On February 2, 2006 official negotiations for the KORUS FTA were announced. Following eight rounds of formal negotiations stretched over 10 months, on April 1, 2007 the KORUS FTA was concluded and signed on June 30, 2007. These original negotiations and signing occurred under the Administrations of Roh Moo-hyun in the ROK and George W. Bush in the US. The FTA was never submitted to the US Congress for ratification.

Later, in 2010, the original 2007 agreement was renegotiated under the leadership of their respective successors, ROK President Lee Myung-bak and US President Barack Obama. After months of negotiations the two countries agreed to modify some of the original commitments. The leaders of the ROK and the US announced in December 3, 2010 that outstanding issues related to the KORUS FTA had been addressed. These modifications took the form of two "agreed minutes" and an "exchange of

letters” and were signed on February 10, 2011. They included (1) changes to auto provisions (2) the addition of new auto safeguard provisions (3) changes to tariff elimination schedules for autos and pork and (4) the ROK concession to allow the import of more U.S. cars under US safety standards compared to what was permitted under the original agreement.

The draft implementing legislation was submitted to both houses of Congress by the Obama Administration on October 3, 2011 and signed by the President on October 21, 2011. On November 22, 2011, 151 legislators of the ROK’s 299-member National Assembly voted to ratify the KORUS FTA. Twelve members abstained. In the ROK the ratification debates were contentious. President Lee supported the bill and his party, the Grand National (*Hannara*) Party (GNP)² had control of the National Assembly. The agreement was strongly opposed by the Democratic Party (DP)³, which was the largest opposition party.

Originally, ROK trade officials stated their refusal to renegotiate the KORUS FTA. Later, the ROK trade minister Kim Jong-Hoon – chief ROK trade representative during the 2007 and 2010 negotiations – denied that South Korea had made unilateral concessions and called the provisions in the final text a “win-win” deal (Olsen, 2010).

The KORUS FTA & SOTF

The application of SOTF to the analysis of the evolution of cooperation in the KORUS FTA negotiations implies this question: What factors influences a nation’s “fear” that non-cooperative actions or aggressive bargaining will be repaid with retaliation from the other party? In other words, what are the conditions that cause a nation to fear or to disregard a rival’s potential retaliation?

² Renamed New Frontier (*Saenuri*) Party in 2012, then Liberty Korea Party in 2017

³ Renamed the New Politics Alliance for Democracy (NPAD) in 2014

The answer to this question – based on the process of tracing the development of the KORUS FTA negotiations – suggests three factors (see Figure 1). First, a nation’s valuation of the gains from such an agreement influences their apprehension level. National leaders make economic and non-economic calculations of an FTA’s cost-benefit ratio. They measure a potential FTA’s worth in objective economic terms, based on the projections of analysts and in terms of how it can help achieve other political and geopolitical objectives.

Hence, the more a nation stands to gain over and above the objective economic gains then the greater its valuation of an FTA, however the lower the objective economic gains and the more these gains are undercut by non-economic costs the lower the national value of an FTA. A relatively lower valuation can tend to make a nation’s negotiators less fearful of the repercussions of assuming an aggressive stance. A relatively higher valuation can potentially makes a nation’s negotiators less willing to “rock the boat” with a trading partner who has less to lose from walking away completely from the negotiating table.

Second, the existence of various forms of asymmetry impacts a nation’s SOTF. The SOTF is supposed to encourage the emergence of cooperation by making each party fearful of losing future gains due to bad behavior in the past. However, if relative loss is greater for party A, than it is for party B, then theoretically party A has a greater sensitivity to reciprocity than party B. The presence of asymmetry can therefore transform SOTF into a tool of leverage on behalf of the stronger party B. In other words, the ability to retaliate is only cooperation-inducing if one side can exact a penalty sufficient to make the other side more pliable. The existence of asymmetry may mean that the ability to even exact a sufficient penalty is beyond the reach of the “weaker” party.

In addition, there is some overlap between factor one (*Valuation of Gains*) and factor two (*Existence of Asymmetry*). In the case of the first factor, an unequal appraisal of the gains from FTA implies asymmetry (i.e. one side values their payoffs more than the other side values their own payoffs). Yet,

the Existence of Asymmetry is more precisely defined as a nation's superior relative capacity across crucial differentials, while the asymmetry in valuations more narrowly represents the difference in how much each country wants to achieve a deal. So even though the "Existence of Asymmetry" parameter could include the "Valuation of Gains" (in instances where value disparities exist), it is better to distinguish the two so as to better appreciate each factor's contribution to shaping how a country responds to SOTF concerns.

The third major determinant of a nation's regard for retaliation is that country's perception of their rival's inclination for aggression. The term "aggression" here does not mean hostility or coercive force, but a heightened offensive posture intended to communicate a country's displeasure and desire for their rival to take a more favorable course of action. In most cases, a country's assumption of a more aggressive posture is presaged by certain other occurrences which are readily detectable by other countries. For instance, there may be particular constraints on a country's willingness to press for more concessions. However, if for a number of reasons those constraints (or deterrents) are relaxed, international partners can infer that this loosening may be a precursor to more aggression and so become more worried about SOTF.

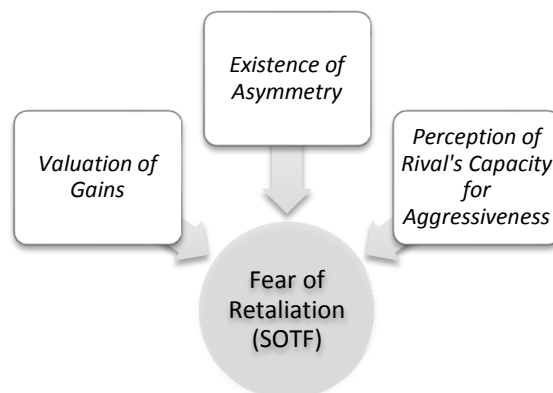


Figure 1. The Conditions Motivating Each Nation's Fear of The Shadow of The Future

Condition 1: Valuation of Gains

US Valuation of Gains

The original 2007 KORUS FTA was signed on behalf of the United States by U.S. Trade Representative Susan C. Schwab and on behalf of South Korea by Trade Minister Kim Hyun-chong. Both trade representatives spoke in glowing terms of the significance and implications of this agreement. Representative Schwab referred to the new FTA as “a milestone in the enduring economic and security alliance between the United States and Korea” (USTR, 2006). For the United States this was the largest FTA since the North American Free Trade Agreement (NAFTA) was signed in 1992.

The original expectation was that a US-ROK FTA would serve to reenergize US trade liberalization efforts which had stalled in the later 1990s under the administration of U.S. President Bill Clinton due to Congressional disputes about the *fast track authority*. The Trade Act of 1974 gave the President of the United States the fast track authority to negotiate free trade agreements which the U.S. Congress can neither amend nor filibuster. Once Congress has received the FTA from the president, lawmakers can only vote to approve or disapprove the FTA within 90 days. The fast track trade promotion authority is a historically controversial measure which was originally created to improve “the president’s credibility in negotiating complex multilateral trade agreements” (Shapiro & Brainard, 2001). The fast track authority was continuously renewed especially during the WTO multilateral negotiating rounds. However, after the conclusion of the WTO Uruguay Round in April 1994, fast track authority lapsed during the Clinton presidency.

While every President since 1974 had been granted fast track privileges, President Clinton’s 1997 push to have this procedural mechanism restored was defeated. The bill faced bipartisan opposition. The Democrats wanted labor and environmental measures to be a more fundamental part of trade

negotiations, while Republicans demanded that these issues directly refer only to their impact on trade (Congressional Quarterly, 1998).

In 1998, the U.S. Senate Committee on Finance (USSCF) initiated a comprehensive review of U.S. trade policy. At the hearing convened on June 11 1998 to discuss “The Causes of the Trade Deficit and its Implications for the U.S. Economy”, the Chairman of the Committee, Senator William V. Roth, lamented that the fractious 1997 debate regarding fast-track authority revealed that the post-WWII, bipartisan, pro-free trade consensus was fracturing and had consequently led to “a political climate in which many view trade with skepticism or outright hostility” (Committee on Finance, 1998). In his opening statement Senator Roth argued for reconnecting America’s trade policy to its citizenry in a way that addressed their concerns so as to stave off isolationist impulses and reduce the urge for protection which Roth said could produce “devastating economic consequences” (Committee on Finance, 1998).

Pursuant to this aim, Senators Roth and Moynihan (USITC, 2001) initialed a letter from the USSCF asking the United States International Trade Commission (USITC) to evaluate the economic effects of creating an FTA between the U.S. and the Republic of Korea. They requested that the report include information on five key points: (1) a survey of the Korean economy (2) the current state of the US-ROK economic relations, including important industries (3) overview of primary US-ROK tariffs and non-tariff barriers (4) the estimated impact of removing tariff and non-tariff trade barriers with special focus on: trade volume, sectoral output, wages and employment, and final consumer prices and (5) a qualitative evaluation of the economic impact of eliminating non-quantifiable trade barriers.

The USITC titled the report “The Economic Impact of Establishing a Free Trade Agreement (FTA) Between the United States and the Republic of Korea” and published it in 2001. It provided the first initial estimates on the economic gains and losses from a potential KORUS FTA based on partial and

general equilibrium analysis. The report included qualitative information in the form of public hearings and interviews with US and ROK government and industry representatives.

The report (2001) estimated that in 2000, bilateral trade between the US and the ROK was approximately \$69 billion. For the ROK, the US was its largest export market, while the ROK was the US' eighth largest export market. For the US, the ROK was its sixth largest import source, while the US was the ROK's second largest import source. Due principally to the Asian financial crisis, the US' trade imbalance with the ROK had sharpened. According to the report's principle findings, four years after the implementation of the KORUS FTA, total US exports could increase by 0.8% (\$7 billion) while total US imports would be 1% (\$13 billion) higher. More specifically, bilateral trade would increase substantially between the two countries with the US experiencing the higher bump and the larger volume of trade. The report estimated that U.S. exports to the ROK would increase by 54% (\$19 billion) while total ROK exports to the U.S. would increase 21% (\$10 billion).⁴

Furthermore, the report's analytic results revealed that the US' comparative advantage was in the agricultural sectors (e.g. such as fruits and vegetables, rice, meat products and dairy). The US agriculture sector (especially meat products) along with manufacturing faced relatively high initial trade tariffs in the ROK and so would enjoy the largest percentage gains from a KORUS FTA. Agricultural output was estimated to be 0.9% higher. The ROK's comparative advantage was determined to be in textiles, rubber goods, travel goods and apparel and that its largest export gains would be in leather goods, apparel, textiles and other manufacturing such as electronics, transportation and chemicals and allied products. As a consequence, US sectoral output in textiles, apparels and leather goods would decrease by 1.4%.

⁴ The report's computable general equilibrium modeling (CGE) results did not completely take into account the elimination of all existing nontariff trade barriers. The report notes that amendments to the ROK's tax, regulatory and custom procedures would further facilitate trade and amplify the above quantitative results.

Four years after the KORUS FTA implementation, the effect on each nation's GDP would be very small. The US's and the ROK's GDP would increase by 0.2% and 0.7%, respectively. The report explained that the negligible US GDP effect was due to the fact that, in 2000, total trade's share of US gross domestic product (GDP) was only 26% and of that 26% US-ROK trade was less than 3%. However, for the ROK total trade represents a significant portion of GDP. So even though, in the US, the relevant industry level effects would be noticeable, the economy-wide commercial effects of the FTA would be small. Even the effects on US employment would be negligible.

In 2000, the US simple average applied tariff of 5.5% was lower than the ROK's 8.9 percent ad valorem. In the report (USITC, 2001) US government officials were critical of the fact that the ROK's "low average tariff masks high rates imposed on many agricultural and fisheries products" and that 8 percent of its tariff categories were unbounded. They also raised concerns about the restrictive effect of ROK rice quota. Also in the report, US exporters and trade negotiators for nearly every product sector described the ROK's trade and regulatory systems as "the most significant barrier" and that the "lack of transparency" was a "major concern" as they viewed such actions as attempts to discriminate against foreign firms.

Also the ROK's slack enforcement of intellectual property rights caused it to be placed on the Special 301 priority watch list in 2000 with US companies estimating their copyright infringement losses in the ROK at approximately \$325 million in 2000. While the report noted that the US had low tariff rates with a trade-weighted average duty of 1.6% ad valorem, Korean companies cited particularly high tariff categories in textiles and apparels. Korean companies also took issue with the arbitrary application of US trade remedies, especially the antidumping laws, which they claimed disincentivized trade. Moreover, Korean companies disapproved of the US' "complex and nontransparent" technical standards, the

difficulty and expense of acquiring mandated certifications and the “lack of a centralized source of information”.

In sum, the initial 2001 report to the US Congress suggested that a KORUS FTA would increase trade between the two countries because of the complementary structure of each nation’s economy and the potential gains from each country reducing their own barriers to trade in sectors where the other nation enjoys a comparative advantage.

Thirteen years later, in 2014 the Congressional Research Service (CRS) published a report for Congress titled “The U.S.-South Korea Free Trade Agreement (KORUS FTA): Provisions & Implementations” which examined the final KORUS FTA provisions in detail. The US Trade Representative predicted that the KORUS-FTA would eliminate duty on 95% of US-ROK trade in commercial and industrial products by 2016 with the remaining tariffs being nearly completely phased out by 2021. Some of the FTA provisions would take effect immediately while others would be phased in over a period of years.

Agriculture

According to the 2014 CRS report, US negotiators exerted significant effort to attain greater market access for four agricultural products: beef muscle meats, rice, oranges and cheese. The ROK government traditionally used import quotas and high tariffs to protect the domestic agricultural sector. One of the US’ primary objectives was to reduce or remove ROK restrictions on US beef imports. Despite US insistence, additional market access for US rice and rice products was not granted.

For the US, agricultural sectors were slated to experience some of the more noticeable benefits of the agreement. According to USITC projections, of the total US increase in exports to the ROK after the full implementation of FTA provisions, one third of that will be due to the export increase of US agricultural products and processed foods to the ROK. Basically, agricultural sales to the ROK would be about 44% to

89% higher with the KORUS FTA than without it. Nearly 50% of the export increase would flow to the US beef sector if beef exports returned to the levels just before the 2003 imposition of import restrictions in the ROK.

At the end of the negotiations, the ROK agreed to phase out the 40% tariff on US beef muscle meat import over a 15 year period. The agreement includes a snapback provision. Until 2027 (year 16 of the agreement), the ROK has the right to temporarily implement safeguard tariffs to protect against a potential surge in imported US beef meats.

However, for the US the decision to agree to phase out all agricultural tariffs and quotas on ROK products was relatively easier, since ROK farm exports were “small and largely complementary” (Williams., Manyin, Jurenas, & Platzer, 2014).

The ROK granted the US the following concessions: (1) immediately upon the implementation of the KORUS FTA nearly two thirds of current US farm goods would be duty-free (2) By 2021, most agricultural tariffs and tariff-rate quotas would be phased out, with the protections for certain other commodities being phased out by 2034. Similarly contentious negotiations also revolved around rice and oranges. Rice remained excluded at South Korea’s insistence. Near the end of negotiations, negotiators were able to reach a compromise on liberalizing the ROK market for US navel oranges over time. By permitting the modification of US commitments on automobiles and other provisions, the ROK was allowed to add two years to the tariff phase out on US frozen pork products.

Automobiles

The US contended that Korean trade practices unfairly discriminated against US auto parts. After the 2007 FTA provisions were modified three auto manufacturers based in the US city of Detroit along with the United Auto Workers (UAW) supported the agreement. For the Ford Motor Company and the United

Auto Workers a key priority was the extension of the tariff elimination schedule for passenger cars and trucks, which the 2010 adjustment secured.

In the original 2007 KORUS FTA, the US would phase out its electric and hybrid car tariff of 2.5% over a ten year period and the ROK would apply the same tariff elimination schedule to its 8% tariff on electric and hybrid cars. As required by the new 2010 adjustment, the US would phase out the 2.5% tariff on passenger cars by 2016 and the ROK would reduce their 8% tariff by half once the new KORUS FTA came into force and eliminate the remaining 4% by 2016. Upon FTA implementation, the ROK would remove its 10% tariff and the US tariff would remain at 25% for seven years and then be completely phased on by 2021.

Also, the US secured additional protections for the US market by adding a special vehicle safeguard. This safeguard exempted US-based auto manufacturers (including foreign-owned manufacturers, e.g. Toyota or BMW) from ROK safety standards so long as those manufacturers already comply with US federal safety standards and exported no more than 25,000 trucks and autos to the ROK directly from the US. They must, however, meet the content provisions outlined in the KORUS FTA. The intent is to protect against a potential surge in ROK exports to the US.

A 'snapback provision' was included under the auto-specific safeguard in the KORUS FTA. After the US has entirely removed the 2.5% import duty on passenger cars, this provision would allow them to reimpose the duty if a dispute settlement panel rules in favor of automakers who charge that the ROK violated the agreement. This snapback provision could also take effect against truck import violations. After the US completely eliminates the relevant tariff, the snapback provision as a trade remedy is available for up to 10 years and can be used multiple times. The safeguards in the KORUS FTA can be initiated by the US government, the US auto industry or the United Auto Workers union.

The US received concessions on ROK non-tariff barriers on automobiles. The ROK relaxed the safety and environmental standards related to fuel economy and greenhouse gas emissions standards.

Trade Remedies & Other Key Provisions

The issue of trade remedies was a critical one for the ROK. Under the KORUS FTA, the US can exempt ROK imports from the global escape clause measure if imports neither threaten nor are a major cause of serious injury to the domestic US industry. The FTA also allowed for the sharing of information on trade remedy issues through the establishment of a binational consultative committee. The KORUS FTA would also implement special safeguard mechanisms to mitigate the effects of textile and apparel import surges.

According to the KORUS FTA, the ROK government practice of pricing and reimbursing purchases of pharmaceuticals and medical devices would have its recommendations and determinations reviewed by an independent Medicines and Medical Devices Committee, which will also be responsible for improving the transparency of the government process.

One year after coming into force, the FTA would provide for the establishment of a binational committee to research the possible expansion of coverage to products originating from “Outward Processing Zones”. This included the Kaesong Industrial Complex and other future North Korean-based zones.

The signing of the FTA received a mixed reaction in each country. Cooper & Manyin (2007) observed that the degree of industry support for the bill in the US business community was largely tied to the degree of representation for their objectives in the agreement. The FTA received strong support from US financial services firms. The US often had a trade deficit with the ROK in goods, but it also consistently

ran a services trade surplus. On the other hand, American automobile manufacturers and major unions were very critical of the agreement.

The US also valued the KORUS FTA as an opportunity to move the ROK away from illiberal regulation policies. The original 2001 Congressional report also succinctly described the three key aspects of the ROK's post-1960s economic development strategy that prevailed up until that time: (1) the focus on industrialization (2) the state's assertiveness in economic decision-making and (3) the emphasis on export-driven economy. Moreover, the report noted how the ROK's rapid industrialization and high export-driven GDP growth rate was temporarily stalled by the second oil shock of the 1970s and the Asian financial crisis in 1998, but bounced back to 10.9% in 1999. The IMF-backed reforms, prompted by the Asian crisis, restructured the ROK's development strategy by further opening the ROK's market and reducing the government's role in economic decision-making. The KORUS FTA would take these liberalization efforts a step further.

Also the agreement would help extend US influence in the region. During his term in office, Obama declared his administrations' intention to strategically "pivot to Asia" so as to "reassert US economic hegemony over China" (Bradshaw, 2016). Deepening economic integration with Asian allies was a key component of this new rebalancing policy. The KORUS FTA could help shape the trade priorities of other nations as well as impact international perceptions of the benefits and disadvantages of trade liberalization. Additionally, the smooth passage of the KORUS FTA would not only help institutionalize US-favored rules of trade in the region, but also bolster US credibility with Asian allies regarding the Trans-Pacific Partnership (TPP) and, more generally, with European allies regarding the Transatlantic Trade and Investment Partnership (TTIP).

Williams et al. (2014) argued that the prospective substantial benefits of the KORUS FTA to the strategic US-ROK alliance was being somewhat oversold during the negotiations. However, based on

consultations with ROK policymakers, they emphasized the “profound symbolic effect” that a total collapse of FTA negotiations would have had on how South Koreans viewed their relationship with the US. The researchers make clear that psychologically South Korean policymakers would have viewed an outright rejection or unnecessarily prolonged delay of the KORUS FTA “as a betrayal”. In order to ensure passage through the US Congress, ROK negotiators agreed to “politically costly concessions” in sensitive sectors related to beef, autos, the environment and labor. Thus, the collapse of the KORUS FTA would signal to ROK politicians and policymakers a decline in the US commitment to Northeast Asia, particularly South Korea. For the US, it could damage relations, because ROK leaders would have gradually lost the economic cover necessary to take politically unpopular decisions related to the alliance – one example being the cost-sharing of having US troops stationed on the Peninsula.

The deputy assistant secretary for East Asia and Pacific, Alexander Arvizu explained that the US saw the FTA as a chance to secure its footing in Asia (Petrik, 2008). The US was notably concerned about being squeezed out of lucrative trading opportunities. Other export-competing nations were moving quickly to forge FTAs with South Korea. In September of 2010 – two months before the US & ROK finalized the KORUS agreement – the EU Council approved the EU-Korea FTA. Observers described the move as “a coup for EU trade negotiators” vis-à-vis the U.S. arguing that both started negotiations with Korea in 2007, but the U.S.-Korea FTA, stalled by U.S. fears of “protectionist backlash” has yet to be brought before Congress for ratification (Miller & Dalton, 2010). The EU-Korea agreement was officially signed in Brussels on October 6, 2010. The KORUS FTA was signed four months later.

Lastly, if the KORUS FTA talks were jeopardized there would also be knock-on effects for the Panama FTA and the Colombia FTA which were also pending ratification from the US Congress.

ROK Valuation of Gains

Some observers suggest that the launching of negotiations for the establishment of a free trade agreement between the US and the ROK “was largely at the initiative” of the ROK (Williams., Manyin, Jurenas, & Platzer, 2014). They point out that a US-ROK FTA aptly suited the long-term economic and strategic objectives of former ROK President Roh Moo-hyun, whose tenure from 2003 – 2008 largely overlapped with the US Administration of President George W. Bush (2001 – 2008). However, Congressional records (USITC, 2001) show inquiries being made by the US Committee on Finance into the potential for a US-ROK FTA as early as December 14, 2001, thus preceding the Roh Administration.

Originally, President Roh, as a progressive politician, was skeptical of free trade, but became convinced of the need to prioritize the establishment of an FTA with the US in order to gain more access to the world’s largest economy and help revive the economy. President Roh at the outset of his administration set ambitious goals. Roh’s plan to transform the ROK economy included a commitment to boost per capita GDP to \$20,000 by 2010. Additionally, external pressure also increased the urge to improve Korean competitiveness as there was ongoing and increasing competition, respectively, from Japan and China. Domestically, the ROK workforce was aging rapidly.

Observers remarked that the deepening of economic ties would also serve to reinvigorate and strengthen the security relationship between the two allies. A significant aspect of the US-ROK alliance are the security ties stretching back to the outbreak of war on the Korean Peninsula in 1950 when the US intervened on the side of South Korea to repulse an attack from North Korea. An armistice was signed in 1953 that ended the fighting and partitioned Korea along the Demilitarized Zone, but in the absence of a peace treaty the two nations remain in a *frozen conflict* with each other.

President Roh, therefore, expanded the economic reforms launched under his predecessor Kim Dae-jung in response to the 1997 Asian financial crisis. In the wake of this financial crash, traditional anti-free

trade opponents, such as farmers and unions were disorganized (Koo, 2009). President Kim used this advantageous period to restructure and centralize the ROK's trade apparatus. The Ministry of Foreign Affairs became the Ministry of Foreign Affairs and Trade (MOFAT). The new cabinet level Office of the Minister of Trade was assigned the responsibility of developing a new FTA policy. Additionally, in 2001 the Ministerial Meeting on External Economic Affairs was established to reduce the inter-ministerial conflict that jammed up the bureaucratic process and to break down the resistance of line ministers who pushed to block trade provisions harmful to their constituencies.

In September 2003, the ROK launched an ambitious long-term strategic economic development agenda to boost South Korea's status as a major trading nation, called "the FTA Roadmap". In the previous year, the Chile-ROK FTA negotiations had concluded. President Roh gave his officials his full support to pursue these comprehensive negotiations when he advised his trade Minister, "I will take the political burden myself and you sit at the negotiation table like a deal-maker" (Rhyu, 2011). The roadmap embodied two policy principles.

The first objective was to secure ROK competitiveness and limit opportunity cost for ROK businesses by rapidly concluding "as many FTAs as possible in a short period of time" (Junkyu, 2012, p. 15). The second aim of the roadmap was to "maximize whole economic benefits while minimizing negative costs" by simultaneously pursuing FTA negotiations with large economies (Junkyu, 2012, p. 15). In addition, during the KORUS FTA negotiations, some opined that ROK officials and other South Korean supporters of the FTA were less concerned with the greater access to the US market than they were with the short-term and long-term gains to the South Korean economy from the inflow of more US investment and technology and the increased competition from US companies. They believed that this could help to optimize the allocative efficiency of South Korean businesses, especially in the services sector.

The centrality of the KORUS FTA to the ROK's economic policy remained constant under the Lee Administration. Lee stated his government's intention to pass the agreement and continued to advocate, quite intensely, for the approval of the KORUS FTA. Also, in the same way that failed talks with the ROK would have hampered the US' ongoing trade deals, the ROK would have been similarly embarrassed in its own ongoing negotiations with other nations such as China and the countries of the EU. Trade accounts for an overwhelming majority of the ROK's GDP. At the same time, by increasing exports to the US, the ROK could potentially avoid the risk of becoming too dependent on China for trade (Junkyu, 2012). The ROK needed to diversify its trading partners.

In January 2008, the US Trade Representative confirmed the ROK's disproportionate interest in securing the FTA. She observed, "They're willing to exchange much higher [Korean] barriers for access to this [U.S.] market" (Petrik, 2008).

Condition 2: Existence of Asymmetry

The US and ROK relationship is not a relationship among equals. Relations between the two countries are characterized by asymmetry in size and dependence. The US is the world's largest economy and has held this position for over one hundred years. The 2001 report to Congress states quite unflinchingly that: "Because the United States economy is substantially larger than that of Korea, U.S.-Korea trade has always been more important to Korea's economy than to the United States' economy."

This economic dependency can potentially lead the ROK to accept terms of negotiations that may offer more relative gains to the US than to the ROK itself. For example, when the New York Times reported on the signing of the KORUS FTA in 2007 its account of ROK gains was not altogether positive, nor did the Roh Administration receive a flattering characterization:

"The deal entails heavily (sic) political costs for South Korea, which can expect to see tens of thousands of farmers lose their jobs. Up to two trillion won, or \$2.1 billion, in agricultural

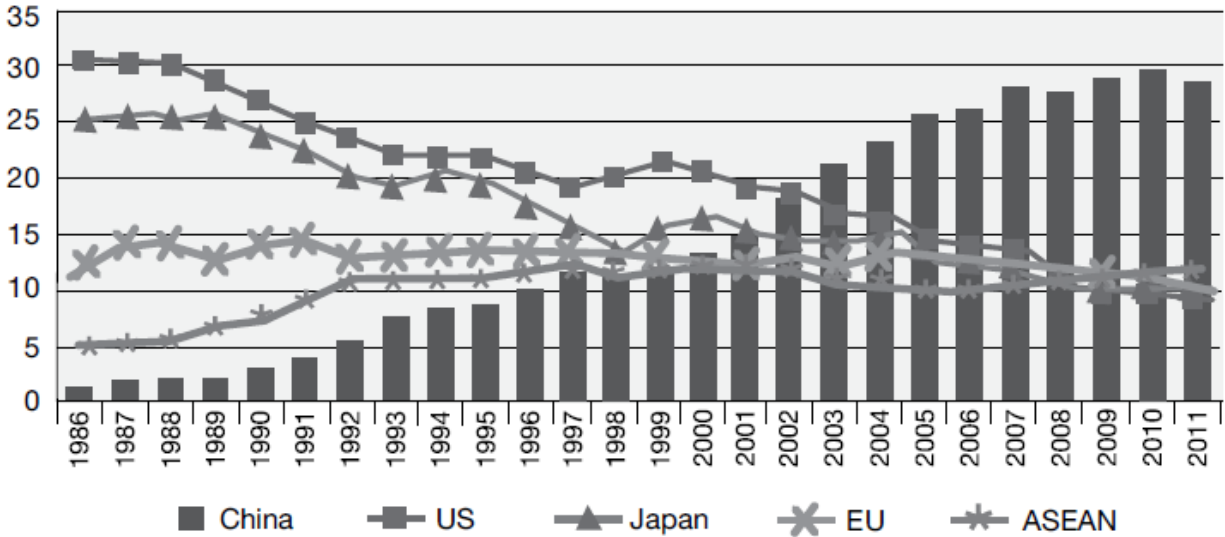
revenues will be lost as cheap American corn, soybeans and processed foods flood the country, according to studies by South Korean economists. Once hailed for seeking a greater distance from Washington, Roh now stands accused by his leftist supporters of turning his country into a "51st state" of the United States. But the South Korean government is *desperate*⁵ to reverse a decline in its competitiveness..." (Sang-hun, 2007).

Furthermore, in terms of the U.S.-Korea military alliance, realist critics Carpenter & Bandow (2004) assert that in the absence of a Cold War or greater global struggle the ROK "is relatively unimportant to the United States" and vigorously chastises US policymakers who overly emphasize the benefits of the alliance to US interests.

Still, the economic dependence asymmetry that characterizes the US-ROK relationship has evolved overtime, generally in the ROK's favor. In 1978, the US share of the ROK's total exports was 49.8% - its highest level (Junkyu, 2012). Overtime, the ROK's trade diversification efforts have reduced their dependency on the US market. In 2003, four years before the official start of KORUS FTA negotiations, China overtook the US for the first time as the ROK's top trading partner (see figure 2).

⁵ Emphasis added by the thesis author.

Figure 2. Changes in South Korea's Trade Share by Country



Source: KITA (2012)

Nevertheless, the issue of asymmetry is significant in the US-ROK relationship and cannot be overlooked, because these two countries share so many substantial cross-issue linkages, especially military-security issues. The U.S. could – potentially – lengthen the SOTF for the ROK by threatening “retaliation on other iterated issues” (Oye, 1985, p. 16) involving military-security issue linkages. Axelrod & Keohane (1985, p. 241) describe it as placing a given bargain “within the context of a more important long-term relationship in such a way that the long-term relationship affects the outcome of the particular bargaining process”. This could have potentially negative consequences for the ROK if the US opts for distributional bargaining over efficiency bargaining (Schelling, 1960).

Axelrod & Keohane (1985, p. 240) also argue that linkages can be a facilitator of cooperation, but theoretically, these linkages can also be a means for a more powerful nation to coerce cooperation from a trading partner who would endure a greater proportion of harm should relations sour as they are relatively exposed/vulnerable to a greater degree. So it would be tenable for the ROK to seek to enjoy

the secondary benefit of re-enforcing their military-security relationship by ensuring smooth political-economic relations.

Condition 3: Perception of Rival's Capacity for Aggressiveness

ROK Perception

Viewed from the outside, US historical positions on international treaties could tenably support the formation in the mind of international rivals the impression that the US has a propensity for non-conformity. The list of international agreements that the US has refused to sign and/or ratify reveals a legislative suspicion of matters involving US national sovereignty (Sachs, 2017).

The US is considered a hegemon because its power in a few key areas relative to all other nations is greater. The ROK can potentially view this as an indication that the US has the capacity to exert considerable influence in order to press for its own interests. In addition, during the negotiation of the original agreement the ROK had to contend with the political change caused by a resurgent Democratic party.

During the 2006 US elections, the Democratic Party achieved a sweeping victory and gained control of the House of Representatives from the Republican Party during President George W. Bush's second term in office. This would likely have increased the ROK's apprehension, because traditionally for Democrats few other issues "rouses as much passion, anger or history" as trade policy, because it "cuts to the heart of the Democrats' identity" (Toner, 2007). Thus, following the elections there was pushback against the Bush Administration's trade policies. On March 27, 2007 Representatives Charles Rangel and Sander Levin announced a new trade strategy on behalf of the Democratic Party, called "A New Trade Policy for America" (Toner, 2007). The aim was to use free trade agreements to improve international and environmental standards worldwide. It resolved to push for greater access for American producers and expressed opposition to TPA renewal. In May, Bush's Secretary of the Treasury Hank Paulson negotiated

a compromise with House Democrats to pass legislation calling for the inclusion of investor rights, environmental protection provisions and United Nations International Labor Organization principles in FTAs (Anderson-Sprecher, 2007).

The original KORUS FTA negotiations were concluded a month earlier and were expected to be signed in June. Thus, ROK political party floor leaders expressed their opposition to US indications for the renegotiation of the KORUS for the purpose of including these new provisions. Kim Hyo-seuk, the floor leader of the Democratic Party, expressed that, "Renegotiations can never be accepted. It will shake the agreement itself" (Young-gyo, 2007). His opinion was largely in line with the pro-government party.

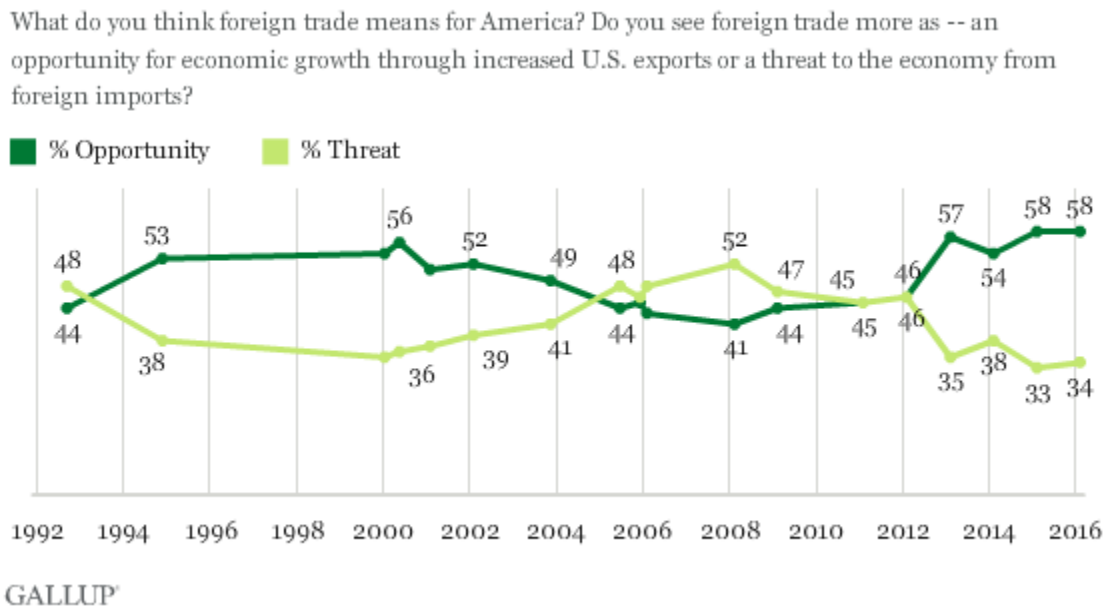
However, the Bush Administration remained committed to the agreement made with Democrats in spite of ROK opposition. The U.S. Trade Representative Susan Schwab made the US stance clear on June 4th at the Women in International Trade meeting when she argued for realism by stating that "refusing to deal with these issues [pro-environmental standards and labor rights] now would have meant refusing to accept the change in control of the Congress that took place last November" (Schwab, 2007). Thus, she said that US chose bipartisanship, because the alternative meant "that four pending FTAs and the Doha Round would die." The KORUS FTA was included among them. Moreover, the Bipartisan Trade Promotion Act (TPA) of 2002, which granted President Bush the fast-track trade authority to negotiate the KORUS FTA, was set to expire on July 1st with the Democrats refusing to renew it.

The ROK presumably recognized given the Democrat's ascension to the legislative majority, continued defiance or non-cooperation would serve to aggravate relations without the benefit of producing tangible results, such as convincing the Bush Administration to back down from this recent position forced upon it by the newly-empowered Democrats. Therefore, on June 29th, ROK Prime Minister Han Duck-soo announced that U.S. demands for additional labor and environmental provisions would be

accepted by South Korea (Anderson-Sprecher, 2007). A few hours later, before the expiration of Bush’s TPA, President Roh and Bush signed the agreement.

Beginning in 2000, the Gallup public poll began to assess the American public opinion on foreign trade on a continuing basis (Newport, 2016). At the beginning of 2000, 56% percent of respondents viewed trade as an economic opportunity for growing US exports, while roughly 36% believed that foreign imports threatened the US economy (see figure 2). However, over the next eight years those percentages reversed dramatically. The year 2008 simultaneously saw the highest percentage points for “import as a threat” at 52% and the lowest percentage points for “exports are an opportunity for economic growth” at 41%. Thus, over nearly the entire course of the Bush Administration, US public opinion of foreign trade was deteriorating.

Figure 3. What Americans Think Foreign Trade Means for the U.S.



In addition to keeping an eye on political change, the ROK tracked the degree of protectionism among the politically-active groups most affected by the trade pact, thus weighing the US capacity for aggression. Powerful interest groups were influential in determining what each Administration pushed for. Aware of this process, the ROK's Washington Embassy launched an extensive lobbying campaign in Congress and travelled the country to rally FTA support.

The first KORUS FTA had its US supporters and detractors. Organizations representing agriculture, media companies, consumer-electronics and the services industries were generally supportive. Among these were the Aerospace Industries Association of America, the Entertainment Industry Coalition, Pharmaceutical Research and Manufacturers of America, and the Telecommunications Industry Association.

Automotive companies, beef producers and labor unions were more disgruntled. The following organizations wrote in their opposition: the National Council of Textile Organizations, the United Auto Workers and the Ford Motor Company. US automotive companies were critical of the ROK's non-technical trade barriers (NTBs) which used regulatory and tax policies to limit US automotive imports. The Chairman of the House Ways and Means Trade Subcommittee, U.S. Representative Sander Levin (2007), gave voice to these grievances when he stated at the International Trade Committee in June 2007 that ROK NTBs were "an economic iron curtain" for US autos. Levin represented the state of Michigan which included the city of Detroit, home to several powerful auto companies. Labor unions were also among the fiercest critics of the agreement. The president of AFL-CIO, America's largest federation of unions, John Sweeney lambasted the agreement for lacking "enforceable protections for workers' rights" (Cooper & Manyin, 2007).

The support of the National Cattlemen's Beef Association depended on the normalization of the beef trade (Anderson-Sprecher, 2007). In 2003, mad cow disease, the popular term for bovine spongiform

encephalopathy (BSE), was discovered in the US and, as a result, the ROK suspended customs clearance at airports and seaports for beef and beef products from the US (CNN.com, 2003). At the time, it was the third largest market for U.S. beef (\$610 million), behind Japan and Mexico. The Bush Administration lobbied heavily for ROK regulators to liberalize beef trade, but the ROK refused. The Agriculture Minister Im Sang-gyu stated that the resumption of US beef sales would be based on safety standard and that ROK lawmakers would not back down under US pressure (Anderson-Sprecher, 2007).

On this matter, the ROK stuck to its position. However, Democratic lawmakers were equally stubborn about the issue. Opposition on behalf of US beef producers was led by US Senator Max Baucus, the chairman of the Senate Finance committee. He also represented the state of Montana which has a significant beef producing industry. He made it explicitly clear that support for passage of the KORUS FTA depended on the ROK keeping “its promises on U.S. beef imports”, especially since the US received certification from the World Organization for Animal Health (OIE) (Baucus, 2007).

Later, for Roh’s successor, President Lee Myung-bak, the 2008 election of the Democrat Barack Obama to the US presidency was a worrying development. Candidate Obama had expressed a high degree of skepticism about the agreement. In fact, the top three Democratic presidential candidates spoke out against the agreement (Anderson-Sprecher, 2007). This was not surprising since, according to the Gallup opinion poll, in 2008 anti-trade sentiment in the US was at its highest since polling began in 1992. Also, by late 2008, the severity of the global financial crisis was beginning to cripple the US economy. Axelrod & Keohane (1985, p. 228) referenced the economic depressions of 1873 – 1896 and of the 1930s to show that during times of severe economic strain distressed industries pressed for protectionism which in turn “reduced the incentives of governments to cooperate with one another”.

Moreover, Obama’s party was responsible for the first agreement not being submitted to Congress in the first-place. The trade promotion authority does not put a deadline on when the President is

supposed to send the KORUS FTA implementation legislation to Congress. Nevertheless, Bush did not bring the KORUS FTA to Congress for ratification, because two days after the KORUS FTA had been signed House Democratic leaders released a statement wherein they described problems with the agreement in its current form and expressed that they would not support it.

Once in office, the Obama administration pushed for the modification of certain provisions in the 2007 KORUS FTA agreement. Unlike during the Bush Administration, the need for the KORUS FTA to serve as a buffer for bilateral frictions was less acute even though some still argued that the FTA could still give the bilateral alliance a “boost” in the medium-term and long-term.

At the start of President Bush’s term estimates suggested that four years after the implementation of the KORUS FTA, total US exports to the ROK would increase by 0.8% (\$7 billion). However, in 2007 a new USITC study increased that number by only \$2 to \$3 billion dollars, while the effect on US GDP actually decreased from by 0.2% to 0.1%. Even a prospective study (Kiyota & Stern, 2007) which generously included the effects of liberalization in services and rice trade (rice liberalization ultimately did not occur) still only increased US GDP by 0.14%. Under such conditions, the new Obama administration could feel relatively empowered to advocate more strongly for desirable provisions.

On the other hand, the ROK would have been encouraged by signs of growing checks on the US inclination for aggression, based on Obama tying his geopolitical goals to those of the KORUS FTA. In his January 2010 State of the Union address to Congress, President Obama announced the National Export Initiative (NEI) (Obama, 2010). The goal of this agenda was to support 2 million US jobs by doubling US exports over the next five years. In pro-KORUS marketing materials, the FTA was promoted as “the single most important step” in accomplishing President Obama’s NEI goal (U.S. Korea Connect).

US Perception

During the tenures of both Roh and Lee, the ROK government generally signaled great support for the KORUS FTA. Nevertheless, over the course of the KORUS FTA negotiations the US witnessed several significant events which led to the reevaluation of their assessment of the ROK's capacity to be more insistent and stubborn. During the Bush Administration, China replaced the US as the ROK's top trading partner. The ROK also signed and effectuated trade deals with Chile (in 2004), Singapore (in 2006), the European Free Trade Association (EFTA)⁶ (in 2006) and the Association of Southeast Asian Nations (ASEAN)⁷ (in 2007). These agreements were important bridgeheads for the ROK to penetrate the South American, European and ASEAN markets, respectively.

In the ROK, support for the KORUS deal came primarily from manufacturers and auto giants such as Hyundai. It was viewed as an opportunity to maintain international competitiveness. However, KORUS FTA negotiations to relax quotas and reduce other trade barriers were denounced by labor unions, the film industry and farmers (Anderson-Sprecher, 2007). Generally, the ROK's anti-FTA movement is comprised of a mixed group that also includes opposition party politicians, lawmakers from rural constituencies, NGOs, student activists and civil society organizations. These groups are usually responsible for (occasionally violent) anti-FTA street protests, strikes and mass mobilization.

At various times under the administrations of Presidents Roh and Lee, the political establishment was shaken by KORUS FTA-related street protests. In July 2006 and June 2009 large-scale worker strikes involving between 74,000 and 100,000 people took place and 620 anti-FTA protests had occurred by May 2008 (Park, 2009). In January 2007, the ROK government deployed 15,000 riot police to monitor the anti-FTA protests in Seoul (Anderson-Sprecher, 2007). In April, one protester even set himself on fire.

⁶ EFTA includes 4 nations: Switzerland, Liechtenstein, Iceland and Norway

⁷ ASEAN includes 10 nations: Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Vietnam, Thailand

The Korea Advanced Farmers Federation, the Korean Metal Workers' Union (KMWU) and the Korean Confederation of Trade Union all organized mass protests, including a June 28th strike at Kia and Hyundai which led to arrest warrants being issued to KMWU strike organizers since the government considered the strikes illegal (Anderson-Sprecher, 2007).

Yet instead of yielding to pressure the Roh government (on the same day as the June 28th strikes) announced that ROK farmers would receive side payments worth \$140 billion to help reduce the economic impact of the KORUS FTA (Anderson-Sprecher, 2007). Other affected industries and groups would also receive billion dollar compensatory aid packages.

The most strenuous pushbacks from the ROK trade negotiators against US requests were usually driven by sensitive issues related to the domestic agriculture industry. Anti-trade fervor in this industry is "particularly volatile" for several reasons (Anderson-Sprecher, 2007). About 40% of ROK farming households are over 60 years old and the average size of farms, according to the agricultural household in 2005, is approximately 1.43 hectares. The issue of rice production is an especially thorny matter. Rice accounts for about 30% of the ROK's agricultural profits and stirs cultural nationalism by evoking sentimental images of traditional rural life. Therefore, even though the ROK has been relatively generous in market access concessions to secure FTAs with several countries, according to Solis rice remains the ROK's only "core defensive interest" – the one product it excludes (Solis, 2013, p. 15).

In their report to Congress on the proposed FTA, Congressional Research Service representatives Cooper and Manyin (2007) noted agriculture was the most sensitive issue for the ROK. The US objective was for complete trade liberalization while the ROK pushed for various product exclusions. The US allowed the ROK to maintain its rice import quota. Deputy US Trade Representative Karan Bhatia (as cited in Cooper and Manyin 2007) explained that, "Ultimately, the question that confronted us was whether to accept a

very, very good albeit less perfect agreement or to lose the entire agreement because Korea refused to move on rice.”

President Roh’s support for the KORUS FTA was relatively steadfast. During the 2004 elections, his progressive Uri party captured the majority of seats in the National Assembly. Over time, however, the party’s popularity dropped and seats were lost through multiple by-elections. Additionally, his support for the FTA, along with other ideological differences, contributed to the fracturing of the Uri Party. Former justice minister, Chun Jung-bae, and Kim Geun-tae, both presidential hopefuls, protested by going on a hunger strike. Legislators left in February 2007 and in May several other members split off. The Uri party merged with other smaller parties and eventually reformed under the United New Democratic Party with a view towards securing its position ahead of the 2007 elections. Their chosen presidential candidate Chung Dong-young lost to Lee Myung-bak and his Grand National Party (GNP).

The election of Lee to the ROK presidency would have been a reason for trepidations among US-based KORUS FTA supporters since Lee and his Grand National Party won a decided majority, due to widespread dissatisfaction with the Roh administration (Roh’s end-of-term approval rating was about 10%) and the expectation that Lee and his conservative government would usher in radical change. Lee would have had a strong incentive to decisively break with his predecessor’s foreign policies, especially trade relations.

However, Khamidov (2008, p. 24) characterizes President Lee and the members of his team as pragmatists guided by “state interests rather than the ideological preferences or emotions that have characterized progressives and conservatives in the past.” This helps to explain Lee’s steadfast support of the US-ROK security alliance and economic relationship. His first official overseas trip was to the US in April 2008. His aim was to garner US support for his more robust approach against North Korea. At the time, the US was softening its stance versus the DPRK in order to preserve a disarmament accord. ROK

diplomats and policymakers felt betrayed by the Bush administration policy change. This, again, should have made US trade negotiators more nervous about ROK actions. Yet, Lee remained committed to passing the KORUS FTA.

To facilitate the US ratification of the original 2007 agreement, during the summer of 2008, President Lee announced that the government would end the restrictions on US beef imports. This led to massive protests, which surprised both governments in terms of its size and intensity. These candlelight protests led to “political paralysis that gripped [the Lee] Administration” and compelled the government to backtrack by limiting the imports of cattle older than 30 months (Solis, 2013). During that time, President Lee’s approval rating fell to 10%.

Yet, the US perception that the ROK would be more aggressive in bargaining, in order to appease the street protesters would have eased due to the subsequent actions taken by President Lee. While the trade limitation may have been placed on cattle over 30 months old, the Lee administration took several other measures that showed their overwhelming desire, not to be more aggressive with their trading partner on behalf of those protesting on the street, but rather to preserve the KORUS FTA. In 2009 in spite of the virulent objections of the rival Democratic Party, the FTA was submitted for deliberation.

DISCUSSION OF IMPLICATIONS

This work process traced the negotiations of the KORUS FTA from 2000 – 2010 to understand how the Shadow of the Future contributed to the emergence of cooperation in the form of an FTA between the US and the ROK. The research suggests that the degree of SOTF effects on the two countries vary significantly. The impact of SOTF on cooperation during the negotiations depended on three factors: (1) Valuation of Gains (2) Existence of Asymmetry and (3) Perception of Rival’s Capacity for Aggressiveness

The implications of this research suggest that the reciprocal framework underlying economic trade relations will not necessarily result in cooperation. This thesis contends that whether the SOTF will have a beneficial or deleterious effect on cooperation will depend on each state's treatment of the three conditions. The corollary of this is that a correspondence arises between variations in the three conditions and the type of cooperation that emerges. During the KORUS FTA negotiations, these variations occurred at different times, with different administrations and over multiple issues. Therefore, in economic relations, the SOTF is not an absolute condition for cooperation, but an ambivalent force strongly contingent on the three specific factors noted above.

The result of this hypothesis is that SOTF may actually be counterproductive to cooperative goals, in the absence of equivalence across the three parameters. To make the argument more clearly, SOTF provides a cooperative thrust to negotiations if both sides are relatively equal in how much they value the gains from trade, share a low asymmetry and perceive each other's capacity for aggression similarly. An imbalance across any of these dimensions shifts the balance of effect and transmutes SOTF into the friend of the stronger party and the bane of the weaker party.

This reinterpretation of the reciprocity paradigm based on the KORUS FTA experience implies noteworthy ramifications for future analysis of the emergence of cooperation in economic trade relations. Past research confirms that the expectation of future interaction produces more cooperative actions. However, this study points towards the importance of specific sets of factors that can make the SOTF more pronounced on one side than the other.

Thus, if SOTF's status, as a cooperation motivator, is tested on other case studies using the three dimensions noted above, this study posits that familiar patterns will emerge. In 2016, Donald Trump was elected President of the United States. During the campaign he was a harsh critic of US trade deals, singling out NAFTA and the KORUS FTA as the cause of US manufacturing job losses. As president, he

directed US trade agencies to renegotiate these deals to secure better terms for the US and continued to attack the FTAs during his first months in office. These renegotiations provide new opportunities to test the hypothesis of the conditions of SOTF. Already, the effects of SOTF's three conditions are beginning to emerge in the first stages of these renegotiations, especially in the tripartite NAFTA negotiations.

NAFTA is a trade agreement between the U.S., Mexico and Canada which came into force on the 1st of January 1994. This deal superseded the Canada-United States Free Trade Agreement (CUSFA) by adding Mexico. Renegotiations started on August 16 2017. US Trade Representative Robert Lighthizer met with ROK officials to address US concerns about rising trade deficit with South Korea. Additionally, at the start of NAFTA renegotiations Lighthizer stated that "NAFTA has fundamentally failed many, many Americans and needs major improvement" (Pramuk, 2017).

On the first condition, Mexican and Canadian officials value the current trade deal more than their US counterpart who seeks assurances on the reduction of the US' deficit from any new agreement (The Economist, 2017). As the global hegemon, the presence of asymmetry is still acute when the US is compared to Mexico and Canada. Also the heavily critical remarks by the new US president undoubtedly increase Mexico's and Canada's perception that the US capacity for retaliation will be high if President Trump takes actions in accordance with his tough rhetoric.

In an April 2017 interview with the Washington Post President Trump called the agreement with the ROK a "horrible deal". This agreement went into force only 5 years ago. In regards to the SOTF conditions, the most significant contextual change has been in the leadership of both countries. Yet, many of the same calculations made during the 2010 renegotiations hold true today.

Both of these agreements are still ongoing and may not be resolved for many months if not years. However, future research on the negotiations process of these agreements is important to understanding how the conditions that influence the SOTF unfold in bilateral bargaining.

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