Figure 1.1: The Three Phases of Bilateralism

**Phase 1: The origins of bilateralism**

- **Shock**
- **Political and economic factors affecting response**
- **Negotiations**
- **Agreement:** (Participants, Strength, Nature, and Scope)

**Phase 2: The evolution of bilateralism**

- **Demands to change agreement**
- **Factors affecting choice to modify or create new agreement**
- **New or Modified Agreement:** (Participants, Strength, Nature, and Scope)

**Phase 3: The impact of bilateralism**

- **Type of agreement**
- **Fit of agreement with existing arrangements**
**FIGURE 1.2: PHASE 1-- THE ORIGINS OF BILATERALISM**

**IMPETUS FOR NEW TRADE AGREEMENT**
- Initial impetus from changes in institutions and interactions

**KEY FACTORS IN RESPONSE**
- **GOODS:** Externalities and goods (public, CPR, patented, and private)
- **INDIVIDUAL SITUATIONS:** Different national reactions based on political and economic capabilities, domestic coalitions, and beliefs

**EXISTING TRADE INSTITUTIONS**

**BARGAINING GAME WITH PAYOFFS IN THE BROADER INSTITUTIONAL CONTEXT**

**NEGOTIATIONS**

**Bilateral Agreement**
- 1) Participants
- 2) Strength
- 3) Nature
- 4) Scope
FIGURE 1.3: PHASE 2--THE EVOLUTION OF BILATERALISM

PAYOFFS TO ACTORS FROM INITIAL BILATERAL AGREEMENT

Decision to change the agreement driven by political-economic factors

- Develop new or modify existing institution

- Participants
  - Multilateral
  - Minilateral
  - Bilateral

Agreement strength, nature, and scope

1) degree of institutionalization
2) liberal or protectionist
3) issue scope
FIGURE 1.4: PHASE 3--THE IMPACT OF BILATERALISM

Characteristics of agreement

1) number of participants
2) degree of institutionalization
3) liberal or protectionist
4) issue scope

Issue connections to other forms of trade institutions

- Nested
- Parallel
- Overlapping

Nature of issue linkages

- Substantive
- Tactical

Pressure for new negotiations based on perceived conflict with existing agreements

New or revised agreement