Abstract:
States have increasingly started to terminate and renegotiate their bilateral investment treaties (BITs). Dominant explanations for the developments have however overlooked the underlying bargaining dynamic of investment treaty negotiations. This paper argues that states that initially were in a weaker position when negotiating the terms of investment protection have the strongest incentives to change their existing BITs. However, their ability to do so is constrained by their bargaining power. Without sufficient changes in bargaining power in relation to the treaty partner, a state will not be able to demand renegotiation or exit old BITs even if they become dissatisfied with them. This paper identifies observable implications of the weaker states’ incentives and bargaining power constraints for adjusting their bilateral investment treaty commitments. Leveraging a panel dataset on BITs, interaction effects between bargaining power and incentives stemming from rationalist and bounded rationality assumptions about states’ decision-making are analyzed in relation to the occurrence of renegotiations and terminations. It finds that change in bargaining power in relation to the treaty partner is an important factor underlying the weaker states’ ability to terminate or renegotiate BITs.

Constraints and Incentives in the Investment Regime: How bargaining power shapes BIT reform

Biography of the speaker:
Dr. Tuuli-Anna Huikuri is a post-doctoral research scholar at the Chair of International Relations and International Political Economy, Department of Political Science at the University of Zürich. Her research situates in the intersection of international political economy and international relations theory, focusing especially on interstate cooperation and negotiations. Tuuli-Anna received her doctorate in international relations from Nuffield College, University of Oxford in January 2022. Her monograph thesis investigates why some states withdraw from investment treaties, and how some successfully push for renegotiations with partner states. She was awarded the International Studies Association IPE Section Best Student Paper Award 2020-2021, and the Urho Kekkonen Research Award in 2021. She received her MPhil in International Relations from Oxford and BA in International Politics from King’s College London. During her doctoral studies, Tuuli-Anna was an American-Scandinavian Foundation Scholar at Yale University and the University of Michigan 2019-2020.