Untangling the Spaghetti Bowl of International Investment Agreements: Treaty Text Similarity and Legal Provisions

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Abstract

This study investigates the global proliferation of international investment agreements (IIAs) through treaty text similarity and legal provisions. We examine the validity of the expanding IIA network, often criticized as a "spaghetti bowl," by analyzing how dense treaty formation is achieved and whether such intertwined agreements affect economic performance. We argue that governments rely on previously used treaty templates to ensure legal coherence, resulting in high textual similarity across agreements. This replication lowers contracting costs and accelerates the conclusion of new IIAs. Our empirical analysis shows that greater similarity to prior treaties is positively associated with the number of newly concluded agreements. We further examine whether more elaborate legal provisions enhance economic performance by reducing business uncertainty and mitigating hold-up problems. The results indicate that a greater intensity of legal requirements in treaties promotes economic growth, suggesting that the proliferation of detailed IIAs benefits the global economy.

Keywords: International Investment Agreements, Textual Similarity, Legal Provisions

JEL codes: F13, F21, F53, K33