

# **Joining the Club: Accession to the GATT/WTO \***

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Forthcoming, *Journal of Politics*

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## Abstract

Which states join international institutions? Existing theories of the multilateral trade regime, the GATT/WTO, emphasize gains from cooperation on substantive policies regulated by the institution. We argue that political ties rather than issue-area functional gains determine who joins, and we show how geopolitical alignment shapes the demand and supply sides of membership. Discretionary accession rules allow members to selectively recruit some countries in pursuit of foreign policy goals, and common interests attract applicants who are not yet free traders. In statistical analysis of accession from 1948 through 2014, we use a duration model to estimate time to application and the length of accession negotiations. Our findings challenge the view that states first liberalize trade to join the GATT/WTO. Instead, democracy and foreign policy similarity encourage states to join. The importance of political ties for membership in the trade regime suggests that theories of international institutions must look beyond narrowly defined institutional scope.

Supplementary material for this article is available in the appendix in the online edition. Replication files are available in the JOP Data Archive on Dataverse (<http://thedata.harvard.edu/dvn/dv/jop>).

The role of international institutions to solve cooperation problems is a central debate in the study of international relations. Functional theories highlight how the nature of the bargaining problem in a given issue area determines the formation of regimes (e.g. Keohane, 1984; Martin, 1992; Koremenos, Lipson and Snidal, 2001; Stone, Slantchev and London, 2008). Critics counter that states select into institutions only when they are already willing to change their behavior (e.g. Downs, Rocke and Barsboom, 1996) or when available alternative arrangements are even more costly (e.g. Gruber, 2000; Drezner, 2007). While scholars disagree on the effect of institutions, all perspectives accept the premise that institutional cooperation is motivated by substantive gains from cooperation on the policies regulated by the institution. However, institutions are also tools that states use to forge foreign policy. These broader purposes are overlooked when theories focus solely on issue-specific benefits.

Membership patterns in the multilateral trade regime – who joins and when – are difficult to explain from a narrow focus on trade policies. The General Agreement on Tariffs and Trade (GATT) has grown from a narrow focus on trade policies. The General Agreement on Tariffs and Trade (GATT) has grown from a small club of 23 founding countries in 1948 into the near universal World Trade Organization (WTO) with 162 members that constituted ninety-eight percent of world trade in 2015 (WTO, 2016, 8). To the extent that literature documents substantial trade gains from membership, it is puzzling why many countries wait to apply and join.<sup>1</sup> For example, had China been allowed to join the GATT in 1989 (three years after its application), trade by 2001 (the year it actually joined) might have been more than twice as large as observed.<sup>2</sup> Instead, the Tiananmen Square massacre led GATT members to halt accession

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<sup>1</sup> On the positive effect of membership on trade, see Gowa and Kim (2005); Subramanian and Wei (2007); Goldstein, Rivers and Tomz (2007); Mansfield and Reinhardt (2008); Liu (2009); Chang and Lee (2011); Allee and Scalera (2012); Dutt, Mihov and Van-Zandt (2013). Others find little effect on trade (Rose, 2004; Eicher and Henn, 2011).

<sup>2</sup> This illustrative example is calculated using the estimated coefficients of annual membership trade gains from the analysis of Goldstein, Rivers and Tomz (2007) to extrapolate the value of accumulated

talks in 1989, and China underwent one of the longest and most rigorous accession negotiations of any state in the regime while losing the trade gains of membership during the intervening years. In another case, Mexican President Lopez Portillo broke off the nearly-completed GATT accession talks of Mexico in 1979 to show independence from the United States (Story, 1982). Within Mexico, widely publicized domestic deliberation and a high-profile cabinet vote about whether to join GATT illustrate how seriously governments take the question of whether or not to enter the regime (Ortiz Mena, 2005, 221-222). Mexico joined seven years later, forfeiting potential trade gains of membership during the intervening period. To the extent that the regime promotes free trade, it is surprising to observe countries such as India and Brazil who joined GATT in 1948 while remaining staunchly protectionist. Socialist Yugoslavia joined in 1966, showing that states could enter the trade regime without even becoming a full market economy.

We explain such puzzling trade regime membership variation by considering how geopolitics shapes both the supply and demand of membership. We argue that members encourage the application of like-minded states with similar foreign policy interests while raising the entry bar or blocking the entry of states with different policies. Even before members screen applicant states, we argue that non-member decisions about whether to apply are conditional on shared geopolitical alignment with members. Under each scenario, foreign policy interests offset potential trade gains. This challenges a functional view of the international trade institution as a forum for cooperation to achieve issue-specific benefits, which would suggest that liberal trade policies should form the core precondition for membership. Indeed, existing research on GATT/WTO explains accession variation through the lens of distinct trade interests (Pelc, 2011; Copelovitch and Ohls, 2012; Neumayer, 2013). Instead, we expect that non-members with higher geopolitical alignment with members join faster. We analyze accession as the gate-keeping trade for China. Figure A.1 details annual estimates for China and Mexico.

moment that precedes membership commitments of trade reciprocity and non-discrimination. Because formal GATT/WTO accession rules are vague and flexible, members are able to promise easy accession negotiation to certain non-members while imposing obstacles for others. The result is that non-members with a variety of economic policies can join the regime. Qualitative case studies illustrate geopolitical dynamics at play.

In statistical analysis of GATT/WTO applications and negotiation timing, we examine the geopolitical conditions that increase the likelihood of countries joining the GATT/WTO. Whereas many organizations only record membership dates, the GATT archives include detailed records on when each state requests to join. This enables us to create a new dataset that measures both when states apply and the length of accession negotiations. We find that higher geopolitical alignment with members, measured by proxies that include democracy, alliances, and United Nations voting patterns, has a positive and statistically significant relationship with early application and short negotiations. This contrasts with the ambiguous relationship of greater trade openness and the insignificant effect of applicants' trade dependence with existing members. While from its origin, the GATT emerged within the context of American hegemony and was shaped by the United States' (US) Cold War foreign policy to support economic integration and alliances as twin pillars (Stein, 1984; Lake, 2009), we demonstrate that foreign policy goals have continued to shape membership decisions in the post-Cold War period, and we explore geopolitical alignment measures that incorporate interests beyond the US.

Our research contributes insights about how foreign policy is linked to trade. Geopolitical alignment does not directly determine trade interests – economic theories for the gains of trade make no assumptions about political ties among the trading states. The evidence that trade flows nevertheless reflect political relations at the bilateral level highlights the need to look beyond economic interests (Gowa, 1994; Mansfield and Bronson, 1997). We demonstrate that even the multilateral institution that is most

rigorously focused upon substantive policy coordination and non-discrimination is more fundamentally based upon the political ties among its members. Most importantly, we identify accession as a critical window at which discrimination takes place. Carnegie (2014) highlights that the regime helps members with divergent foreign policies to escape political hold-up problems and achieve valuable trade gains. We show that these states with divergent foreign policies are the last to seek entry and face high demands from members that delay their negotiations.

## 1 Supply and Demand of Membership

We argue that the multilateral trade regime membership is driven by the similarity of foreign policy preferences. The role of geopolitical alignment to shape accession decisions in our theory arises outside of, and prior to, cooperation that occurs within regime rules once a country is a member. This counters existing research that focuses on the institution's substantive focus to promote economic gains through solving trade coordination and enforcement problems.

Functional theories of international institutions would predict rapid membership expansion upon the establishment of a regime.<sup>3</sup> Once created, reciprocity and self-enforcing institutions support the provision of free trade as a public good and support broad membership (Keohane, 1984; Bagwell and Staiger, 2002). From a demand side perspective, membership brings trade benefits such that laggards who wait to join are surprising. Rational design theories, on the other hand, would predict more limited expansion as enforcement problems motivate states to design rules that restrict membership to a small group with a strong commitment to liberalize trade (Downs, Rocke and Barsoom, 1998; Koremenos,

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<sup>3</sup> Figure A.2 shows that, more than a decade after regime establishment, in 1960, fewer than fifty percent of all countries were GATT members, and country membership gradually increased after 1995 WTO establishment.

Lipson and Snidal, 2001; Jupille, Mattli and Snidal, 2013). Koremenos, Lipson and Snidal (2001, 784) cite the WTO accession process and arduous negotiations by China to join as evidence consistent with the conjecture that enforcement fears and uncertainty over preferences lead members to impose strong conditionality over membership in trade institutions. From this perspective it is surprising to observe protectionist Brazil among the founding members of GATT in 1948 and the accession of East European communist countries, such as Poland and Hungary, in the 1960s before they had embraced free market economic policies. Characterizing GATT/WTO accession as having tight supply-side restrictions on membership neglects those cases when membership has been granted with very few strings attached.

Existing empirical literature gives little attention to the question of who joins the trade regime, a gap that is problematic because membership status plays a central role in the debate about whether the regime is effective.<sup>4</sup> The coding of “membership” is the key difference between the finding of Rose (2004) that formal trade regime membership has little effect on trade and the finding of Goldstein, Rivers and Tomz (2007) that state participation in the regime, as opposed to formal membership, has positive effects upon trade flows. Several studies highlight how accession processes and country characteristics condition the effects of regime membership upon trade (Gowa and Kim, 2005; Allee and Scalera, 2012; Carnegie, 2014). Others show that expanding membership has shifted the power structure of the regime and forms one of the greatest challenges to its governance (Barton et al., 2008). But all of these studies take the decision to join as given.

The trade regime represents a hard test of our theory about geopolitical alignment because the GATT/WTO is an institution that coordinates economic policies. Extant research on GATT/WTO accession focuses on the economic determinants of entry to the regime. Certainly one expects economic size and the structure of trade to influence membership in the trade regime. Large states established the

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<sup>4</sup> Pelc (2011); Neumayer (2013) examine the terms of entry, but do not address which states join.

regime's rules that sustain open markets, leading to these large states' gains from trade and economic stability (Krasner, 1976; Bagwell and Staiger, 2002). The export interests of members shape the bargaining dynamic for accession negotiations; any existing member can participate in and veto accession agreements such that applicants with the most valuable markets are forced to offer the most concessions (Jones, 2009; Kim, 2010; Pelc, 2011; Neumayer, 2013). Smaller states that face higher demand for international market access, and former colonies with high levels of trade dependence on members are thought to be among the most eager to join (Copelovitch and Ohls, 2012). For non-members considering application, resistance from industries demanding protection can prevent accession (Kucik and Reinhardt, 2008).

The GATT has been portrayed as a "like-minded group on trade issues" that succeeded as an institution by starting from a small group of Western industrial states with relatively homogeneous preferences in support of free trade that could govern the institution (Jupille, Mattli and Snidal, 2013, 68). This conforms to the *sequential liberalization* argument of Downs, Rocke and Barsoom (1998), whereby members hold more liberal preferences for trade than non-members, and expansion is conditional on non-members becoming more liberal in their trade preferences. We argue that, beyond the trade dimension, the regime has been like-minded on foreign policy preferences.

## **Discretionary Accession Process**

The discretionary nature of the formal GATT/WTO accession process *enables geopolitical factors to pull states into the trade regime*. In principle, any country with autonomous control over its trade policy is eligible to accede on terms agreed upon between the applicant and members (formally referred to as contracting parties) (GATT, 1947, Article XXXIII). No specific conditions, whether economic or political, are formally required. GATT accession has been likened to a "big tent" approach that welcomes



countries with different policies in order to maximize exposure to its rules (Jones, 2009, 289).

Accession processes were guided by GATT Article 33 and GATT Article 26 until 1994, and by WTO Article 12 beginning in 1995. Under GATT Article 33 and WTO Article 12, membership formally occurs on terms accepted by the applicant and approved by a two-thirds majority of members. In practice, a subset of member states forms a working party to investigate the applicant's trade policies and negotiate accession terms, which include trade policy and tariff commitments. Any member may select in such that working party size ranges from a small handful of members to as many as fifty for Russia's case (Neumayer, 2013). When negotiations are complete, the working party's report and negotiated schedule of applicant commitments is voted on by the full membership, typically by consensus. GATT Article 26 was available to former colonies of members and did not require negotiations or a vote by members.<sup>5</sup> The establishment of the WTO in 1995 eliminated the Article 26 exception, and WTO applicants face more rigorous demands from members to bring their policies into conformity with a broader set of rules (Jones, 2009).

Negotiations – the time between application and accession – for GATT Article 33 and WTO Article 12 applicants exhibit wide variations in length and final level of policy commitments (Evenett and Braga, 2006; Pelc, 2011).<sup>6</sup> New members' trade policy commitments may be deeper than current members' commitments in some areas and not as deep in others. Stone (2011, 101) argues that while the trade regime upholds a primary norm against seeking concessions on non-germane issues, informal procedures allow powerful states to strategically disregard this norm, such as the United States' insistence to link

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<sup>5</sup> Specifically, Article XXVI:5(c), GATT 1947. We identified seventy-eight countries eligible to apply under this process and sixty-four countries that applied/acceded under this process. After data limitations, forty-eight Article 26 eligible countries enter into time to apply analysis, forty-three of which join under Article 26 and five of which apply after 1994 under WTO Article 12.

<sup>6</sup> GATT Article 26 applicants did not undergo negotiations.

human rights to China's accession and to hold up Russia's accession over a series of security conflicts. Overall, obstacles on both applicant and member sides may produce delays, and negotiations continue until both sides reach agreement. This flexibility in the terms of accession makes it credible for existing members to promise an easy negotiation process for some, and block or delay the negotiations for others. Non-members may defer their application if they anticipate tough negotiations.

## **The Geopolitical Basis of the Multilateral Trade Regime**

Although the trade regime regulates trade policies, we argue that political ties best explain the regime's membership patterns. On both the demand and supply side of membership decisions, states incorporate foreign policy goals. Member states maximize utility *across* both trade and foreign policy dimensions.

On the supply side, members may use flexible accession terms to favor an ally's entry into the regime. Granting allies easy entry provides income gains to states that share security interests and, through increasing interdependence, reinforces cooperative relations.<sup>7</sup> To grant new membership on the basis of geopolitical alignment, however, existing members may incur opportunity costs associated with foregoing potential trade gains. Member states' exporters and consumers stand to gain more from using accession conditionality to pursue high levels of applicant trade liberalization, while import-competing industries would benefit from blocking applicants to exclude new exporters. Applicants could *become* competitors or large export market destinations in the future. We argue that members accept these costs when they anticipate significant foreign policy benefits.

In parallel with the recruitment of allies, members exclude their rivals. Keeping hostile states out of the trade regime denies trade gains to adversaries.<sup>8</sup> But it also generates an opportunity cost for members

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<sup>7</sup> On the theory about the security externalities of trade, see Gowa (1994); Mansfield and Bronson (1997); Gowa and Mansfield (2004); Gowa (2010).

<sup>8</sup> This conforms to the need to internalize security externality of trade gains. In addition, it is consistent

through lost trade. Furthermore, through exclusion, states forsake the opportunity to use interdependence and socialization within the organization to build cooperation with adversarial states. We contend that states make this choice because delaying a rival's entry maximizes leverage over that state if it applies and while it negotiates accession. To exclude hostile states allows members to retain full use of trade to "hold up" the outsider with demands for other foreign policy concessions. Carnegie (2014) demonstrates that states with more divergent foreign policies and regime type gain the most from joining the trade regime because of non-discrimination rules that protect them from such threats. Knowing that entry into the organization could offer asymmetric trade gains for the rival, members discriminate against them at accession. Letting in more states based on broad geopolitical alignment increases the punishment strategy for rivals as the cost of remaining outside the club grows when more states have joined.

On the demand side, non-members weigh the benefits of greater market access and closer ties with members against the costs associated with any undesired policy changes that may be asked of them during accession negotiations. The ability for members to promise aligned states that they will enjoy relatively easy accession negotiations helps to lower these anticipated adjustment costs. Furthermore, the increase of trade dependence that may accompany membership will be viewed differently across states – potential applicants who share similar foreign policy positions with members will view this as a benefit while those with foreign policies less aligned may be wary of such trade dependence.

Overall, non-members more closely tied to the major powers of the multilateral trade institution – those with greater geopolitical alignment – are the most likely to receive favorable terms during negotiation, as allies offer a free ride on trade by suspending reciprocity demands. We conceive of geopolitical alignment broadly as common foreign policy objectives.<sup>9</sup> From the perspective of members, to support with Donno, Metzger and Russett (2015) showing across a large range of organizations states prevent entry of conflict-prone states as a strategy to avoid entanglement.

<sup>9</sup> In statistical analysis we examine several proxies including democratic regime type, UN voting

economic opportunities for states that share similar geopolitical alignment offers both a reward for cooperation and encouragement to remain aligned in future foreign policy issues. The accession process may proceed more quickly as current members refrain from excessive demands and stalling actions that contribute to long accession negotiations. From the perspective of an applicant, economic interdependence will appear less risky when states share common interests. Non-member states that share geopolitical alignment with members will apply more quickly because encouragement from current members leads them to expect to be granted admission to the club. On top of economic gains, these countries receive foreign policy benefits from membership. This leads us to our central hypothesis: *Geopolitical alignment with GATT/WTO members increases the speed of application and accession.* The main alternative explanation is that economic alignment with the trade regime – that is, greater trade and trade with regime members – drives states to apply.

## **Examples of Membership Negotiations**

Illustrative cases establish the plausibility of the above dynamics – that existing members may actively encourage the accession of some states while discouraging that of others on the basis of non-trade concerns. We examine variation in the accession experience for countries that range from close US allies to hostile states. Differences in the accession timing and negotiation outcomes are clearly evident.

Japan's accession in the 1950s is a clear example of the US actively supporting an ally's application and accession into the GATT. Japan was a competitive manufacturing powerhouse with the capacity to flood international markets with its exports, while being reluctant to open its own markets to foreign goods. Early debates within a Foreign Ministry committee meeting about the decision to enter GATT raised concerns that joining GATT could restrict industrial policy tools, but eventually the multilateral section of the ministry with support from Prime Minister Shigeru Yoshida won in the push to apply for patterns, and alliance ties with existing trade regime members.

GATT membership in 1952 as a core foreign policy goal (Akaneya, 1992, 89, 302). The US actively advocated for Japan's GATT accession, including conducting negotiations with other GATT members (Forsberg, 2000, 112). The United States went so far as to offer tariff concessions for improved access to US markets to GATT members that gave tariff concessions to Japan (Komatsu, 1963, 161). Japan gained entry into the GATT in 1955 without having made many trade policy concessions.<sup>10</sup> More recently, the US actively encouraged Afghanistan and Iraq to apply for membership, reflecting foreign policy interests more than demands from US businesses for market access. In a similar logic, former colonies of members were offered the accelerated Article 26 accession process as much because they had an existing member sponsor in the club as because of any distinct trade policy features.

The Republic of Korea's accession in 1967 provides another example of a US ally that was actively encouraged to join the GATT despite trade policies that ran counter to the regime's free trade objectives. In November 1965, Korean President Park Chung-Hee urged his government to apply for GATT membership and established a research team to assess membership effects.<sup>11</sup> The committee's report emphasized market access benefits but also highlighted the downside if accession terms forced the Korean government to reduce its high tariffs and export subsidies that supported domestic industry competitiveness.<sup>12</sup> After assurances that significant liberalization was not necessary to become a member, Korea

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<sup>10</sup> Japan's accession was unusual insofar as a subset of existing members approved membership but denied Japan most-favored nation (MFN) treatment for several years after its accession.

<sup>11</sup> 16 November 1965, *The Chosun Ilbo*. Previously, Korea began negotiations to join as a participant in the Torquay round GATT negotiations in 1950 (GATT Documents C/M/36 (1966 June 17), GATT/CP.5/46/Add.1 (1950 December 18), BUDGET/6 (1950 March 20)) but participation was interrupted by the outbreak of the Korean war. With little trade at this time, Korean application would have been largely a symbolic statement about joining the international community (Kim, 2005, 185).

<sup>12</sup> 12 December 1965, *The Chosun Ilbo*.

applied in 1966.<sup>13</sup> Korea joined in 1967 after only three meetings of the working party. Over the course of negotiations, the United States withdrew its original demands for automobile industry concessions and other members did not make additional demands (Kim, 2005, 186). Members expressed concerns about active state intervention in the economy and Korea promised that its export promotion measures would conform with GATT rules and that it would lift trade restrictions as soon as its balance of payments situation improved.<sup>14</sup> Thus, geopolitically aligned Korea joined after turning toward export orientation, but well before embracing liberal trade policies.

The experience of communist applicants illustrates how foreign policy interests shaped entry and exclusion even among those who were not allies. During the Cold War, the US policy of differentiation sought to create distinct foreign policies toward Soviet Bloc states based upon a state's degree of alignment with the USSR. Under this policy, the US identified Poland in the late 1950s as a Soviet Bloc country with which to expand relations (Haus, 1992, 15). Seeing the possibility that Poland could break from USSR alignment, the US extended foreign aid to Poland beginning in 1957 and MFN status in 1960 (Kaplan, 1975, 153, 160). Poland applied in 1959 and joined in 1967 under innovative accession terms that allowed Poland to retain its non-market economic system.<sup>15</sup> Bulgaria – with consistently closer

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<sup>13</sup> The special and differential treatment for developing countries (GATT Chapter IV) would allow Korea to join without significant constraints on its own trade policy (Kim, 2005, 186). In a telegram to the Korean government in November 1963, GATT Secretary General Eric Wyndham White encouraged Korea's government to seek membership, telling the Korean government that members only expected it to reduce or bind customs duties on a few measures as a gesture of liberalization (Korean National Archives, AW/101/KOR).

<sup>14</sup> GATT Archive Documents L/2720 (1966 December 14) and L/2704 (1966 November 14).

<sup>15</sup> Rather than make typical commitments to bind tariff rates, Poland committed to annual increases in GATT member imports and to undergo an annual review process. GATT Documents L/2736 (1967

ties to the Soviet Union – did not apply until 1986 and saw no action on its request until 1990 when the working party began to hold its first meetings.<sup>16</sup> In contrast, the GATT denied the Soviet Union’s 1986 request for observer status in the Uruguay Trade Round talks, citing non-market status (Kennedy, 1987, 23). In the case of China’s 1986 application, GATT members agreed to establish a working party, and talks calling for moderate economic reforms within the state-controlled economy quickly advanced until members suspended working party action in response to the 1989 Tiananmen massacre (Cross, 2004). When talks with China reopened in 1992, they called for significant trade and regulatory policy changes that delayed accession for China until 2001. Foreign policy strategies on both sides favored entry by some communist states over others, irrespective of each one’s progress toward becoming a market economy.

Finally, Iran’s ongoing membership negotiations illustrate how foreign policy may affect the cadence of accession negotiations. After several years of economic reforms, Iran announced in 1996 that it would apply to the WTO, “The Islamic Republic of Iran has, for the last several years, embarked on an extensive programme of reconstruction and development leading to expansion of economic relations and trade with its regional and global partners. The Government is, therefore, prepared at this stage to engage in the procedures that follow this application.”<sup>17</sup> Through 2004, however, the US refused to approve the establishment of a working party, in effect blocking negotiations.<sup>18</sup> Only in 2005 – nine years after Iran’s application – did the US and Europe allow the establishment of a working party as an economic incentive

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January 13) and L/2851 (1967 September 19).

<sup>16</sup> GATT Archive Documents L/6667 (1990 April 10).

<sup>17</sup> WTO Document WT/ACC/IRN/1 (1996 October 18).

<sup>18</sup> Officially, each year when the matter was raised at the WTO General Council Meeting, the United States repeatedly said that it was still reviewing Iran’s trade policies. *Inside U.S. Trade* (May 27, 2005) Vol. 23, No. 21.

to encourage Iran in nuclear talks.<sup>19</sup> European nations were explicit about the linkage between the nuclear program talks in Paris and their support for the start of WTO accession negotiations as they warned Iran that “This sort of progress will be jeopardized if Iran now moves away from the Paris agreement.”<sup>20</sup> Iran also appeared reluctant to push forward accession negotiations. After the establishment of a working party in 2005, it took Iran four years to submit the required memo reviewing its trade policies.<sup>21</sup> Between 2011 and 2015, the working group took little action as members would not agree to appoint a chairperson for the accession working party. Speaking at the WTO Ministerial Council meeting as an observer in December 2015, the Iranian representative renewed his country’s call for membership, “Finalizing our WTO membership is therefore a priority for the Iranian Government. As the largest non-member economy in the world, our full membership will be a win-win for all and a significant step towards creating a truly universal organization.”<sup>22</sup>

In sum, we have shown how the accession process is flexible such that some non-members are encouraged to apply and other accession processes are drawn out to prioritize geopolitical objectives over maximizing economic opportunities. The next section presents statistical analysis of the full population of potential trade regime members and controls for economic alternative arguments to test the key hypothesis that geopolitical alignment drives faster application and shorter accession negotiation.

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<sup>19</sup> *Inside U.S. Trade* (June 16, 2006) Vol. 24, No. 24.

<sup>20</sup> Direct quote reported in Elaine Sciolino, 2005. “Trade Group to Start Talks to Admit Iran,” *The New York Times*, May 27.

<sup>21</sup> WTO Document WT/ACC/IRN/3 (2009 November 24).

<sup>22</sup> WTO 10th Ministerial Conference Plenary Statement by H.E. Mr. Mohammad Reza Nematzadeh Minister of Industry, Mine and Trade of the Islamic Republic of Iran 17 December 2015. [https://www.wto.org/english/thewto\\_e/minist\\_e/mc10\\_e/statements\\_e/irn\\_e.pdf](https://www.wto.org/english/thewto_e/minist_e/mc10_e/statements_e/irn_e.pdf).



## 2 Empirical Analysis

Statistical analysis of the relationship between geopolitical alignment and trade regime membership tests our hypothesis. We use a survival model to analyze time to apply and length of accession negotiations for the years 1948 through 2014, nearly the full evolution of the regime. The unit of observation is the country-year. Time to apply tests the demand side of membership – potential members’ revealed interest to become members – for 144 potential applicants.<sup>23</sup> As a test of the supply side of membership – existing members’ willingness to extend membership to a non-member – we analyze negotiation length for countries that require accession negotiations.<sup>24</sup>

Our research design uses observational data about state behavior, with the accompanying limitation that we cannot make definitive causal claims. To increase the validity of our findings, we conduct multiple robustness checks that utilize alternative measures and sample periods to reduce the likelihood that our findings could arise as a spurious correlation. We explore the possibility of different patterns for those joining after the 23 founders and for potential interactions with the Cold War period or the institutional change from GATT to WTO in 1995. A preponderance of evidence lends support for the hypothesis.

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<sup>23</sup> Of 205 independent countries, 185 apply to join. Due to missing data on measures for democracy and trade openness, our time to apply analysis includes 144 countries in the sample for model 1, of which 137 apply to join. Appendix Table A.1 lists countries that enter into analysis and Appendix Table A.2 shows that geopolitical alignment variables remain robustly associated with time to apply on reduced models that retain up to 194 countries in the analysis sample.

<sup>24</sup> This includes countries that apply under GATT Article 33 and WTO Article 12 only. Our data identifies 101 applicants under these processes; due to missing data, 80 countries (listed in Appendix Table A.1) enter into negotiation length analysis.

## Dependent Variables: Application and Accession

To analyze the demand side of membership, our main analysis focuses on time to apply, the number of years between country eligibility and formal application to the GATT/WTO. Application – a public action initiated by a non-member country’s government – represents the best measure of a government’s interest to join. It isolates the demand side by measuring the decision of a country like Iran to apply in 1996 even when member resistance would block its accession. Analyzing time to *apply* also limits endogeneity associated with reforms undertaken during a country’s negotiation process, which makes it a better identification strategy than time to *accession*. For example, in the extreme case of China, trade openness grew from 25 percent of GDP when it applied in 1986 to 43 percent upon accession in 2001. The former colonies of members are also included in this analysis because they represent a unique test of the variation in demand for membership given that they were guaranteed entry without negotiation through the Article 26 accession process, but they nevertheless exhibit wide variation in their time to apply.

For the full history of the regime, we identify the year that each country is eligible to join and the year that each country applies for membership. Under formal GATT rules, a country becomes eligible to apply once it holds “full autonomy in the conduct of its external commercial relations” (GATT, 1947, Article 33). We consider a state to hold trade policy autonomy when it becomes an independent state as identified by the *State System Membership List* in the Correlates of War Project (2011) dataset.<sup>25</sup> We code the year that each country applies for membership using the Stanford GATT Digital Library and the WTO website. The left graph in Figure 1 plots the distribution of countries by time to apply to the GATT/WTO. The figure reveals wide variation in when states apply to join the regime. While almost

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<sup>25</sup> Data Appendix B.2 contains coding notes.

25 percent of all countries apply the first year they are eligible and 45 percent apply within the first five years of eligibility, others substantially delay their applications.<sup>26</sup>

To analyze the supply side of membership, a secondary analysis focuses on negotiation length, the time between country application and formal accession. Our theory expects that the flexible accession process allows existing members to make it easier for certain states to become members. Thus, the hypothesis is supported if geopolitically aligned states, holding all else equal, enjoy faster negotiations. The negotiation length sample is composed of states most eager to join such that analysis of negotiation length analyzed patterns among this most likely group and should bias *against* finding statistical significance of geopolitical alignment variables. Such analysis is relevant only for countries that accede through active negotiations (e.g. GATT Article 33 or WTO Article 12). The right graph in Figure 1 displays wide variation for the length of accession negotiations. While applicants who seek entry after WTO establishment in 1995 face longer negotiations on average, some GATT outliers experienced negotiations that lasted multiple decades.

## **Operationalizing Geopolitical Alignment**

We examine several measures of a country's geopolitical alignment with GATT/WTO member states. Democratic regime type (*Polity Score*) represents one source of shared interests.<sup>27</sup> Based on lower probability for conflict and shared norms, democratic governance is a pillar of foreign policy cooperation among states (e.g. Russett and Oneal, 2001; Dafoe, 2011). Democracy was a defining feature of Cold War alliance dynamics, and continues to form the basis of foreign policy alignment whether as condi-

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<sup>26</sup> For countries that never apply, time to apply counts the years between country year of eligibility and the end of the dataset in 2014 (or the year of country dissolution).

<sup>27</sup> We use Polity IV's *polity2* index measures that ranges from -10 (most autocratic) to 10 (most democratic).

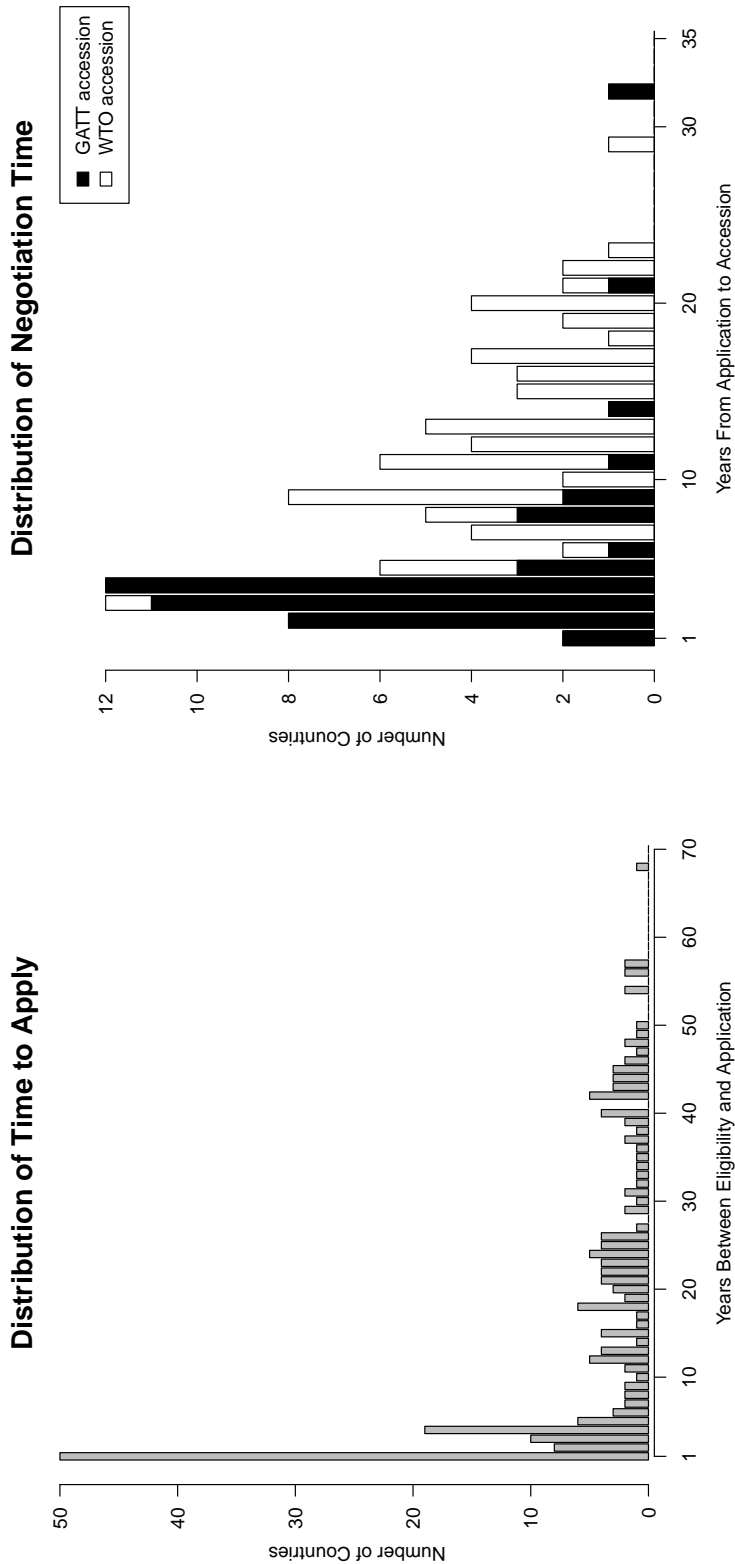


Figure 1: *Variation in Time to Apply (left) and Negotiation Time (right)*: The left graph shows the distribution of countries by the number of years between 1948 (or year of independence) and application to join GATT/WTO. Founders are coded as joining in year 1. The right graph shows the distribution of country-years between application and accession for countries that join through GATT Article 33 or WTO Article 12 and therefore actively negotiate accession terms.

tion for EU enlargement or foreign aid allocation. To assess foreign policy orientation more broadly, we use similarity of UN General Assembly voting, which we interpret as a measure of revealed state policy preference (Bearce and Bondanella, 2007). As the US was the leading major power throughout the regime, our base specification measures UN voting similarity to the US (*UN Voting Similarity*).<sup>28</sup> Results are consistent when using an ideal point measure of UN voting, and when measuring similarity of each non-member with the five largest regime members, beyond the United States alone. To measure how alliances encourage states to join the trade regime, we include a count of all alliance partners with the applicant that are members of the trade regime (*Ally Member Count*).<sup>29</sup> We also test for dynamic effects by using two-year change in level of geopolitical alignment.

## Control Variables

We control for the structure of trade as the main alternative explanation. First, we include trade openness ( $\ln(\textit{Openness})$ ), which is a general measure of the importance of trade in the economy.<sup>30</sup> A second measure of economic alignment with the regime is the trade by a non-member with GATT/WTO members as a percent of total trade (*GATT/WTO Trade %*). Copelovitch and Ohls (2012) argue that higher trade dependence increases the benefits of membership, and they find support in the case of former colonies.

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<sup>28</sup> We use the *s3un* variable, multiplied by 100, from Voeten (2013). Values range between -100 (country voting is least similar to US UNGA votes) and 100 (country voting is most similar to US UNGA votes).

<sup>29</sup> From the ATOP dataset, we code as allies pairs of countries with active offense or defense commitments. We code years 2004 through 2012 using the ATOP data update from Mansfield and Milner (2015), and we extend 2012 values through 2014. Results are not sensitive to ending the sample in 2012.

<sup>30</sup> Openness is the log of imports plus exports as a percent of gross domestic product (GDP) with trade data from the IMF Direction of Trade database.

One could also posit that low levels would motivate entry as a tool to increase trade shares. Including the control variable accounts for both possible effects on demand for membership.

We control for additional country and year characteristics that could affect a non-member's decision to apply. Economic theories of trade emphasize the importance of country size, and in all specifications we control for market size ( $\ln(GDP)$ ) and wealth ( $\ln(GDPpc)$ ).<sup>31</sup> An indicator for the Cold War period (*Cold War Period Indicator*) controls for systemic changes. To incorporate changes across the trade regime itself, we include an indicator variable for whether a GATT/WTO trade round is occurring in a given year (*Trade Round Indicator*), since these rounds were historically used as a time to expand membership with accession negotiations occurring alongside each trade round. A measure of percent of all countries in the world that are members of the GATT/WTO (*Percent World Members*) controls for diffusion of membership that increased market gains for entrants and the cost of remaining outside.

We also control for the percent of total trade with preferential trade agreement (PTA) partners (*PTA Trade %*), which captures the degree to which a non-member country receives preferential trade terms outside of the multilateral trade regime.<sup>32</sup> We expect that higher levels of PTA trade indicate more private benefits for the country outside of the regime and thus reduce incentives to apply to join the multilateral trade regime. We control for whether the country is a historic colony of a trade regime member (*Former Colony Indicator*), which could be associated with ties to the trade regime and faster time to apply (Gowa, 2010). Finally, Mansfield and Pevehouse (2006, 147) argue that democratizing states are more likely to join international organizations. We include their measure of democratization to control for the possibility that their general finding applies to the trade regime (*Democratizing Country Indicator*).

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<sup>31</sup> We use the natural log of these data; GDP in constant 1967 USD and population data are from World Bank and Goldstein, Rivers and Tomz (2007).

<sup>32</sup> PTA data from Mansfield and Milner (2015) are combined with trade figures from IMF Direction of Trade database.

## The Effect of Geopolitical Alignment on Trade Regime Membership

Survival analysis examines the relationship between the length of time to an event of interest (in this paper, time between eligibility and application for demand-side, and time between application and formal accession for supply-side) and the explanatory variable (geopolitical alignment with the trade regime members). The likelihood that an observation experiences the event at any given point in time is modeled as a function of a time-varying baseline hazard and covariates.<sup>33</sup> We use the Cox proportional hazards model with country-year observations and Efron method of ties.<sup>34</sup>

For our primary, demand-side analysis of time to apply, each country becomes eligible to join (“at risk”) in 1948 (the year the GATT came into force) or, if it becomes an independent state after 1948, then the country’s year of independence. For example, Australia was independent upon the establishment of the regime, and its first year of eligibility is 1948 while Vietnam became independent – and thereby is first eligible to apply – in 1956. We code each country-year between eligibility and application as “survival,” and treat the country-year of application as the failure event, after which the country leaves the sample.<sup>35</sup>

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<sup>33</sup> The formal equation estimated is  $h(t, \mathbf{X}) = h_0(t) \exp \left[ \sum_{i=1}^p \beta_i X_i \right]$ , where the hazard ratio  $h$  at a given time  $t$  for a set of  $p$  observed covariates  $\mathbf{X} = (X_1, X_2, \dots, X_p)$  is a function of time-specific baseline hazard  $h_0(t)$  and the exponential of the least squared estimates based upon time-independent covariates  $\exp \left[ \sum_{i=1}^p \beta_i X_i \right]$ .

<sup>34</sup> The Cox model makes no assumption about the shape of the baseline hazard and allows it to vary each time period. We confirm that covariates in each model meet the proportional hazard assumption at 0.05 percent (Box-Steffensmeier and Zorn, 2001).

<sup>35</sup> For example, when analyzing time to apply, the model considers all countries that are eligible to apply in a given time period (e.g. eligibility year 1), and observes those that apply (“fail”) and those that do not (“survive”). Country-year observations that do not fail are coded as censored; countries that never

Countries eligible to apply under GATT Article 26 (former colonies of members) are modeled as a distinct strata, which accounts for the possibility they may have a different baseline propensity to join because they did not face any requirement to negotiate over commitments.<sup>36</sup>

A secondary, supply side analysis of negotiation length analyzes 80 countries (with full data) that apply to join under accession processes that require active negotiations (i.e., GATT Article 33 or WTO Article 12). Here we use a Cox proportional hazards model to estimate the relationship between covariates and completing negotiations for accession. Each applicant begins negotiations in its application year (negotiation year 1), and remains in the dataset until the country formally joins. Each year that a country has applied but not joined is coded as censored.

Table 1 presents our results showing support that geopolitical alignment is associated with faster application and accession. Point estimates are hazard ratios (the exponential of the coefficient) such that less than 1 indicates a negative effect on the speed of application (i.e. slower application) relative to expected time to apply in the baseline group. Hazard ratios greater than 1 indicate positive coefficients correlated with faster application.

Model 1 maximizes sample size (144 potential member states) and year coverage (1948 through 2014). Higher levels of democracy are associated with faster time to apply. Model 2 adds additional

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apply are censored in each country-year of eligibility. The original contracting members to join GATT in 1948 are included in the regression analysis as having applied to GATT in their first year of eligibility.

<sup>36</sup> We code the variable based on lists from the GATT archive that designate in each period which non-member countries were eligible to join under Article 26. This represents an institutional rule for application status and differs from the historic colony variable that is included as a control. We confirm that stratification is appropriate through log-rank tests comparing time to apply of Article 26 versus non-Article 26 countries. With stratification, the Cox proportional hazards model estimates a baseline hazard ( $h_0(t)$ ) for each of the two strata, and assumes that covariates affect both in the same proportions.



<b>Dependent Variable</b>	<b>Model 1</b> Time to Apply	<b>Model 2</b> Time to Apply	<b>Model 3</b> Time to Apply	<b>Model 4</b> Time to Apply	<b>Model 5</b> Negotiation Length
<b>Geopolitical Alignment</b>					
Polity Score	1.080*** [1.05, 1.11]	1.055*** [1.02, 1.09]	1.057*** [1.02, 1.09]		1.037* [1.00, 1.08]
Polity Score, 2-Yr Change				0.977 [0.90, 1.06]	
UN Voting Similarity		1.012*** [1.00, 1.02]	1.013*** [1.00, 1.02]		1.011*** [1.00, 1.02]
UN Voting Similarity, 2-Yr Change				1.012* [1.00, 1.02]	
Ally Member Count		1.068*** [1.02, 1.12]	1.062*** [1.02, 1.11]		1.030 [0.99, 1.07]
Ally Member Count, 2-Yr Change				1.224*** [1.09, 1.37]	
<b>Control Variables</b>					
Ln(Openness)	1.254***	1.153	1.219		1.328
Openness, 2-Yr Change				1.894	
GATT/WTO Trade %		0.474	0.929		0.698
GATT/WTO Trade %, 2-Yr Change				2.547	
Ln(GDP)	1.413***	1.435***	1.440***	1.252***	0.907
Ln(GDPpc)	0.858*	0.837	0.809*	0.931	1.120
Cold War Period Indicator	0.258***	0.192***	0.207***	0.220***	28.083***
Cold War Period X Ln(Negot Yrs)					0.252***
Trade Round Indicator			0.240***	0.088**	
Trade Round X Ln(Yrs Eligible)			1.813***	2.263*	
Percent World Members			2.506	3.204	
PTA Trade %			5.729**	2.698	
Former Colony Indicator			1.231	0.742	
Democratizing Country Indicator			0.688		
number of observations	2,167	1,751	1,750	1,450	680
countries at risk	144	134	133	91	80
country failures	137	121	120	78	62
year coverage	1948-2014	1948-2014	1948-2014	1950-2014	1948-2014

Significant at: \*\*\* < 1%; \*\* < 5%; \* < 10%.

Table 1: *Cox Proportional Hazards Estimates*: Results of time-varying Cox Proportional Hazards Models. Each point estimate is the hazard ratio with 95 percent confidence interval in brackets. Model 1 through Model 4 estimates are based upon time from eligibility to application for all countries; these models include stratification by Article 26 eligibility status and standard errors are clustered by country. Model 5 estimates are based upon time between application and accession for countries that apply to join under GATT Article 33 or WTO Article 12. Due to space constraints, we report control variables' point estimates and significance indicators only. All models attain robust logrank p-values of < 0.05. See Appendix Table A.3 for a note on Model 2 and proportional hazard assumption.

geopolitical variables and controls for trade with GATT/WTO members, reducing the sample size to 134 countries. In support of the hypothesis, states with a greater number of allies that are GATT/WTO members and those with similarity in UN voting with the US are more likely to apply to join the trade regime. Model 3 introduces additional control variables.

States with closer *geopolitical alignment* consistently joined more quickly than others, even when controlling for the main alternative explanations of economic alignment. Furthermore, higher economic alignment is not robustly associated with faster application. While higher levels of openness are associated with greater likelihood to apply in the base specification for Model 1, the association is statistically insignificant when adding additional variables in Model 2 and Model 3.<sup>37</sup> Further, trade dependence upon GATT/WTO members is not systematically associated with time to apply in Model 2 or Model 3. PTA trade dependence in Model 3 has a positive impact on application.

Market size is important as shown by the positive correlation of GDP with membership. While our theory focuses on variation across country-specific measures of geopolitical alignment, the Cold War period indicator is also relevant. The highly significant point estimate below 1 indicates that the geopolitical context of the Cold War period suppressed the average tendency of states to apply to the free trade regime. In Model 3, an indicator for countries undergoing democratization has no statistically significant relationship with time to apply, leading us to conclude that level of democracy rather than the period of transition to democracy is associated with earlier application. Both the variable indicating whether a state is a former colony of a member and the measure for the percent of countries in the world that are members of GATT/WTO in a given year are insignificant. The impact of trade rounds is

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<sup>37</sup> Further, Appendix Table A.3 shows that openness moving from statistically significant in Table 1, Model 1 to statistically insignificant in Table 1, Model 2, is due to the addition of geopolitical variables rather than the sample size change.

contingent on how long a country has been eligible.

The substantive effect of UN voting similarity is illustrated in Figure 2, based upon estimates from Table 1, Model 3. Holding other variables at their means, the left graph plots probability of having applied when moving from lower (1st) quartile to the higher (3rd) quartile values of UN voting similarity to the United States.<sup>38</sup> The graph shows that a country with greater UN voting similarity is associated with higher probability of having applied for membership. The right graph shows the first difference, or difference in probability of application, between the two groups of low and high UN voting similarity. Moving from the 1st quartile value of -44.1 (the approximate annual average of Bulgaria between 1981 and 1986) to the 3rd quartile value of 25.9 (the approximate annual average of Bolivia between 1948 and 1987), increases the likelihood of having applied by 23.4% in the first year of eligibility.<sup>39</sup> This difference in application probability reaches a maximum of 32.3% in year 39 of eligibility (1986 for countries eligible to apply since the beginning of the regime in 1948).

Model 4 tests 2-year changes in geopolitical alignment and levels of trade dependence. We find that increases in the number of allies that are members is associated with faster time to apply at a 1% level of significance and that more similar voting to the US within the UN is associated at a 10% level. Consistent with Model 3, we do not find a democratization effect; 2-year changes in level of democracy

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<sup>38</sup> Because in this research design “survival” implies that a country has not yet applied, it is the complement of the survival curve – the probability of having applied – that provides the most intuitive interpretation of the effect magnitude. Formally, the left graph of Figure 2 plots  $1 - S(t)$ , where  $S(t)$  is the estimated probability of having not applied at a given time  $t$ .

<sup>39</sup> Using the Model 3 sample, we create bootstrap simulations in R to replicate application probability estimates at 1st and 3rd quartile values of each quantity of interest, holding all other variables at their means. Point estimates are the average of the simulation at each year from eligibility, given 1000 sample replications.

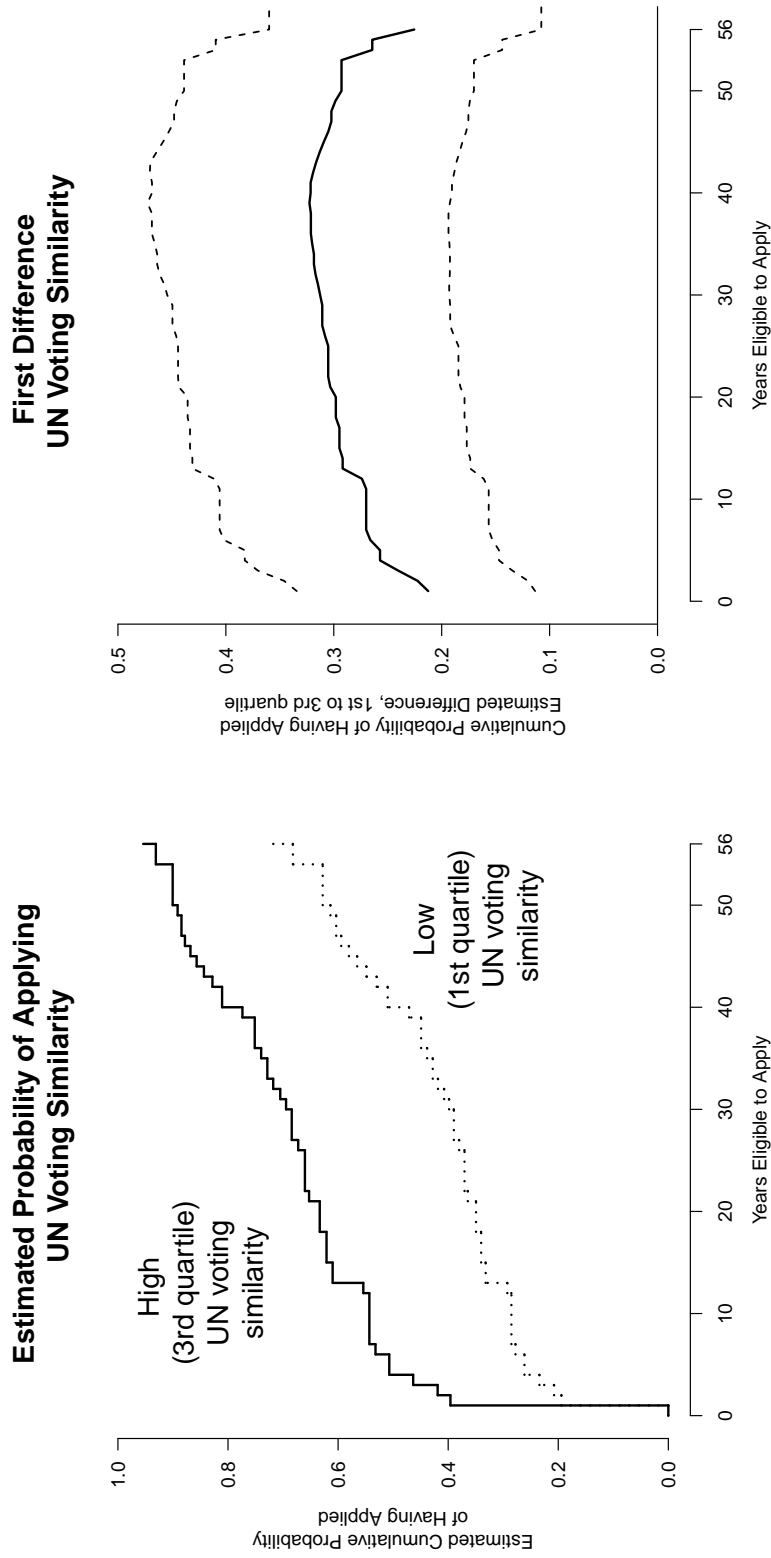


Figure 2: *Substantive Effect of UN Voting Similarity*: The left graph shows the estimated application probability when moving from low (1st quartile values, dotted line) to high (3rd quartile values, solid line) values of UN voting similarity with the US. The figure to the right shows the estimated first difference of this shift to become more aligned with the United States in UN voting similarity. The ninety-five percent confidence interval is shown with dashed lines.

are not systematically associated with applying to join.<sup>40</sup> Neither change in openness nor change in trade dependence with members have statistically significant effects on time to apply in Model 4.

In Model 5 the dependent variable changes to negotiation length and the sample is limited to applicants that engage in accession negotiation processes. We find evidence that UN voting similarity to the US and higher levels of democracy at the time of application are associated with faster negotiation times. The third measure of geopolitical alignment, alliance ties, does not reach statistical significance. A large proportion of allies joined as founders or former colonies without negotiations, and so they are not included in this analysis even while they experienced the quickest entry possible. Higher levels of openness and GATT/WTO trade dependence have no statistically significant associations with negotiation time.

## **Robustness checks and analysis extensions**

Our findings are robust to different variable specifications and country samples. All robustness checks are based upon changes to Table 1, Model 3, and are presented within tables and figures in Appendix Section A.<sup>41</sup>

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<sup>40</sup> *Democratizing Country* is dropped as a control variable because it is collinear with changes in Polity Score level. The null finding for democratization is also consistent with Poast and Urpelainen (2013), who find that democratization leads states to form their own *new* organizations but not join existing organizations. In the area of trade, Kono (2008) shows democratization introduces conflicting trade interests that could induce discrimination rather than liberalization.

<sup>41</sup> We make some modifications to the specification. First, the variable for percent of world that are members of WTO has a time trend (as shown in Figure A.2) that introduces instability in the estimation of the hazard model for some of our robustness checks. In those cases we have omitted the variable (Table A.4 Model (2) and Model (5), Table A.6 Model (4), Table A.7 and Table A.8). The main findings of Table 1 are not sensitive to the inclusion or exclusion of this control variable. Second, control variable

Appendix Table A.4 shows that key associations are consistent when using alternative proxies for each geopolitical alignment variable. The positive effect of democracy holds when using measures from Cheibub et al or the Freedom House index.<sup>42</sup> Results hold when we replace level of democracy with a variable for the difference between the applicant level of democracy and the average level of democracy for members of the GATT/WTO.<sup>43</sup> We replace the Affinity measure of UN Voting Similarity with the US with an ideal point measure of UN voting that creates a one-dimensional measure of how a country's UN voting reflects its preferences "toward the US-led liberal order" (Bailey, Strezhnev and Voeten, forthcoming).<sup>44</sup> Model (4) in Table A.4, shows that countries with liberal orientations quickly apply to the trade regime. Since 1983, the US State Department has deemed certain UNGA votes to be important to US national interest; UNGA voting similarity with the US on this subset of important votes is statistically associated with faster application.<sup>45</sup> Necessarily, this limits our sample to those countries that had not yet applied as of 1983. Further, a measure of a country's average UN Voting Similarity *with the five regime members with the largest economies* in a given year remains correlated with faster application.<sup>46</sup> This provides evidence that our findings may not be driven solely by the US. Regarding our alliance measure, results are not sensitive to ending the sample in 2012 instead of extending 2012 alliance data values through 2014.<sup>47</sup> While the GATT/WTO operates by consensus rule, we consider the possibility time-interactions differ across models to best resolve violations of the proportional hazard assumption (PHA); each time interaction captures the conditional effect of a variable that violates the PHA with years of eligibility as recommended by Licht (2011).

<sup>42</sup> Table A.4, Model (1) and (2).

<sup>43</sup> Table A.4, Model (3).

<sup>44</sup> Higher levels indicate more alignment with US liberalism.

<sup>45</sup> Table A.4, Model (5).

<sup>46</sup> Table A.4, Model (6). For each year, we identify the largest five GATT/WTO member economies by GDP size and take the average of each non-member's UN Voting Similarity with these five countries.

<sup>47</sup> Table A.4, Model (7).

that certain member allies might be more important than others and create two weighted measures of member allies: Member Allies' Trade as a Percent of Total GATT/WTO Member Trade, and Member Allies' GDP as a Percent of Total GATT/WTO Member GDP. While the measures are not statistically significant when entered into the full model with all controls, they are positive and statistically associated with faster joining in a reduced model.<sup>48</sup>

Analysis of the subsample of Article 26 countries offers an additional test of the demand side argument. Since these countries were eligible to join without negotiations given their status as former colonies of members, they did not need to consider supply side demands for concessions. At the same time, their historic ties with members may continue to influence their political and trade relations. Even within these countries, higher levels of geopolitical alignment remain associated with faster application.<sup>49</sup>

To further test the supply side of our argument, we examine how geopolitical alignment shapes the terms of accession. Here we use data from Allee and Scalera (2012) that measures the applied tariff decrease (from pre-application to the year after joining), number of working party members, and a count of commitment paragraphs. We consider the linear relationship of UN Voting Similarity at application year on these three measures of negotiation rigor. The negative correlations shown in Figure A.3 offer additional evidence that more geopolitically aligned applicants experience an easier negotiation process.

We also show that our findings hold when using alternative model specifications. We add a control for Article 26 eligibility rather than stratify by this variable.<sup>50</sup> We use Breslow method of ties instead of the Efron method.<sup>51</sup> While time to apply offers measurement advantages over time to join, results remain consistent if we use time to join as the dependent variable.<sup>52</sup>

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<sup>48</sup> Table A.4, Models (8), (9), and (10).

<sup>49</sup> Table A.5, Models (1) and (2).

<sup>50</sup> Table A.5, Model (3).

<sup>51</sup> Table A.5, Model (4).

<sup>52</sup> Table A.5, Model (5).

Table A.5, Models (6) through (10) give special attention to timing considerations and evolution of the trade regime. While the main models use eligibility years as a theoretically appropriate measure that evaluates states at similar lengths of time, geopolitical variables retain significance when using an alternative specification that evaluates calendar year comparisons.<sup>53</sup> Our findings hold if we constrain the model to the GATT years only, and if we exclude founders and early joiners.<sup>54</sup> Statistical significance of geopolitical alignment is robust to adding an indicator for WTO period observations.<sup>55</sup>

We find substantial evidence that geopolitical alignment is associated with faster time to apply in both the Cold War *and* post-Cold War periods. Table A.6, Models (1), (2) and (3) show that there is no statistically significant interaction between the Cold War Period and any of the three geopolitical alignment variables. Figure A.4 shows the marginal effect of each geopolitical alignment variable in the Cold War Period and in the post-Cold War period, and Figure A.5 shows the associated first difference estimates to understand the substantive effect. Each variable is statistically significant, with the exception of the alliance variable in the post-Cold War period. Tables A.7 and A.8 analyze Cold War and post-Cold War subsamples for additional clarity and reveal the same pattern noted above.

Finally, we consider additional control variables from the literature. Geopolitical alignment remains statistically significant when we control for the number of international organizations joined in the previous year by a given country, and when we add a control for anti-dumping legislation, which is one form of flexibility to modify liberalization commitments.<sup>56</sup> Both measures have positive but statistically insignificant relationships with application. Copelovitch and Ohls (2012) found evidence that former

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<sup>53</sup> Table A.5, Model (6).

<sup>54</sup> Table A.5, Models (7), (8), and (9) respectively.

<sup>55</sup> Table A.5, Model (10).

<sup>56</sup> Table A.6, Models (4) and (5). Ally loses statistical significance when controlling for change in IGO memberships. On why anti-dumping legislation supports accession, see Kucik and Reinhardt (2008).



colonies join GATT/WTO based on an interaction between that country's GATT/WTO member trade share and PTA trade share, and between the country's GATT/WTO member trade share and level of democracy, but we do not find evidence that these interaction terms are significant in the full country sample.<sup>57</sup> We disaggregate trade measures into export and import components and find a statistically significant effect of export openness on application, but we do not find a statistically significant effect for import openness, import dependence on member trade, or export dependence on member trade.<sup>58</sup> Overall, openness is associated with faster joining, but GATT/WTO member trade is not systematically associated with time to apply and the sign varies across specifications. Controlling for these measures, higher levels of geopolitical alignment are consistently associated with faster application.

### **3 Conclusion**

Although the GATT/WTO is best known as an economic organization, geopolitical factors attract some toward the trade regime while making others hesitant to join. The variation in application to the trade regime more closely resembles formation of a political club than a free trading club. Members refrained from imposing strong conditionality to screen for liberal trade policies in order to use the organization as a foreign policy tool. Discretionary accession provisions allowed members to adjust the cost of entry on a case by case basis. Outsiders applied as a way to affirm their position within the liberal international order with all of the benefits that came with it including market access. Common foreign policy orientation formed conditions favorable for applying to join and for completing timely accession negotiations. Statistical analysis of time to apply and negotiation length fails to show consistent effects on membership from either openness or trade dependence on members.

Members of the leading economic organization enticed new members with lenient conditions when

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<sup>57</sup> Table A.6, Models (6) and (7).

<sup>58</sup> Table A.6, Models (8) and (9).

engaged in Cold War rivalry, and only began to impose more economic conditions after the end of Cold War. Nevertheless, it would be wrong to conclude that foreign policy linkage strategies ended. The applications of Iraq and Afghanistan in 2004 to join the WTO under the urging of the United States represent two examples of sponsorship, although their accession negotiations have proceeded slowly as Afghanistan completed the accession process in 2016 and Iraq continues its negotiations. Our statistical analysis shows that democracy, UN voting, and alliances have a significant impact that is not conditional on the Cold War period – foreign policy continues to shape the trade regime today. Unfortunately, there are only a small number of applicants to the WTO, and they represent an extreme sample of laggard countries who did not join GATT, so we cannot directly compare the two regimes.

By forming a group of like-minded states that share foreign policy preferences, members could pursue liberalization that would eventually raise the level of commitments from within the institution. The delayed or incomplete liberalization by some new entrants was acceptable to members who welcomed them into the club for reasons that went beyond the calculation of trade gains. The importance of non-trade concerns in the expansion of membership magnifies the potential for the institution to shape trade policies over the long term. If a state's decision to join is endogenous with having already opened markets, the institution itself has little influence on trade policy outcomes. By showing that selection is not based exclusively on expected cooperation outcomes within the regime on trade, our argument allows more room for membership to exert independent leverage on trade policy outcomes after a state joins.

Our analysis of the trade regime demonstrates that the conditions favoring membership may extend beyond the issue area of the institution. Other institutions may have different patterns of conditionality based on the nature of the cooperation problem and design of membership provisions. Future research should explore more generally when countries politicize membership decisions.

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