Joining the Club:

Accession to the GATT/WTO*

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Abstract

How has the trade regime expanded from a small club to a nearly universal organization with 153 member countries? We argue that flexible accession rules allowed both economic and geopolitical interests to form the basis for expanding membership. In statistical analysis, we estimate a duration model of time to application and length of accession negotiations. We assess the role of trade dependence, domestic institutions, and foreign policy. Our findings challenge the view that states liberalize first in order to join the regime. Democracy and foreign policy similarity with members are important conditions that encourage states to join. In case studies we examine the accession decisions of Japan, Korea, Mexico, and a group of East European states during the Cold War. States seek market access, but also want to protect their own markets. Common interests with current members help to push forward applicants who are not yet committed free traders.
What explains membership in the multilateral trade regime? Widely seen as one of the most successful international institutions, 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 153 members in 2011. With the accession of Russia, approved by WTO members in December 2011, trade among members will constitute ninety-seven percent of world trade. There has been considerable debate about the effect of membership on trade, but the prior question of who joins and why has received less attention. This paper explains the evolution of trade regime membership and develops a theory for optimal flexibility in membership criteria of international organizations.

The preconditions of membership, and the resulting implications for membership size, differ widely across international organizations. The European Union’s Copenhagen Criteria adopted strict conditions for acceding states to support harmonization of both economic and political systems among members. In contrast, to join a universal membership organization such as the United Nations states are not expected to change policies. The trade regime occupies a middle ground for institutional design on the dimension of membership conditionality. It espouses universal principles and in its first forty-eight years imposed only moderate conditions for membership as many states gained the full benefits of membership in exchange for minimal concessions. Membership has expanded gradually since 23 states signed the General Agreement on Tariffs and Trade on October 30, 1947. Some countries were quick to apply and join while others waited until much later, and some did not try to join until after 1995 when the establishment of the WTO increased the demands placed on applicants. This gives rise to two puzzles. First, why do members offer flexible conditions for member expansion? Second, what accounts for a non-member’s decision to apply for membership?

Research on international cooperation has long grappled with the problem of selection. Functional theories imply that all countries with potential for mutual gains will join an organization. Critics counter


2Since the GATT was a provisional agreement without treaty status, officially signatories were known as “contracting parties.” Only with establishment of WTO can one technically refer to signatories as “members,” but for convenience we will refer to “members” for those who have become GATT Contracting Party or WTO member.
that because only those states that want to comply choose to join, then the regime itself has little impact beyond screening for cooperative states. This paper contributes to the debate by analyzing the conditions that lead states to join organizations with a focus on the experience of the trade regime.

We argue that non-trade strategic interests impact both the supply and demand side of member expansion within the trade regime. This is surprising given that the trade regime’s main objective and scope for rules are limited to economic policy. We find that geopolitical goals provide incentives for members to tolerate free-riding when doing so supports allies and builds influence. Easy terms of accession for some states on geopolitical grounds encourage applicants to seek admission to the club prior to their economic preferences aligning with the regime. This logic underlies the vague provisions guiding accession and a pattern of states that apply and join before having embarked on economic liberalization of their home markets. We test the effect of foreign policy orientation and democratic regime on both the time to apply for membership and the duration of accession negotiations. We find a strong positive relationship between measures of foreign policy orientation and regime type. In contrast, we find inconclusive evidence for the claim that trade liberalization occurs prior to application. Far from membership screening for those states with open policies, the trade regime has drawn its membership from states with a wide range of economic interests and policies. Our theory presents the trade regime as a like-minded club that brings together states and engages them in a process of trade liberalization after they have joined. The common interests that form the basis for entry into the club are not limited to the trade dimension. The regime has held the greatest attraction for democratic states and allies of current members. Flexible conditions for accession within the institutional process underlie this pattern of linkage between geopolitical and economic interests.

Section 1 presents theoretical expectations for membership conditions in international organizations and develops our argument about how non-trade interests influence membership in the GATT/WTO. Statistical analysis of time to application and length of accession negotiations is presented in section 2. The experience of Japan, Korea, Mexico, and a group of East European states that join at the height of the Cold War are examined in section 3. A final section concludes.
1 Expanding Cooperation Through Membership

The Rationale for Limiting Membership

Group size and degree of exclusivity lie at the core of theories about collective action and the provision of public goods (e.g. Olson [1965] Buchanan [1965]). Nonrivalry in consumption and nonexcludability generate incentives to free ride that may lead to suboptimal provision of public goods. Most problems, however, can be transformed through selective incentives that encourage joint production or exclusion mechanisms that limit benefits to those who contribute to production.

These questions frame debates about international institutions. The existing literature presents a contrast where states choose whether to design a universal membership organization for broader cooperation or to focus on a small self-selected group that can more easily negotiate and comply with an agreement. Martin (1992) explains how collaboration problems for which states have incentives to free ride require an international organization with the capacity to exclude states and to monitor the behavior of members. The rational design project extends on these insights to suggest that severity of enforcement problems and uncertainty about preferences will lead to restrictive membership, while distributional conflict could encourage inclusive membership. Koremenos, Lipson and Snidal (2001, p.784) write, “Ideally, a state that values the goals of an organization will want to join, whereas one that wants a free ride will find it too costly to join a regime they intend to violate.” The empirical studies in the rational design project offer less consistent support of the conjectures regarding membership.\footnote{Moreover, the tension remains that many issues will face both distribution and enforcement problems, which offer conflicting expectations for membership.}

When examining the evolution of international cooperation, Downs, Rocke and Barsoom (1998) posit

\footnote{None of the studies in the volume support the conjecture that membership conditionality arises when states face severe enforcement problems. For example, Pahre (2001, p. 878) provides detailed analysis of how distributional stakes shaped the clustering pattern of nineteenth century trade agreements and argues that membership increases under these circumstances, but notes “The reasons for joining the regime vary and lie outside the theory here.”}
that the optimal response is *sequential liberalization*. In this model, a core group of states with liberal policies initiates cooperation and extends membership to other states only when they adopt more liberal policies. Their model assumes that there is an external process of liberalization bringing convergence among states. Non-member states would only choose to join when their interests have converged so that compliance will be easy (Downs, Rocke and Barsoom 1996). Both self-selection on the demand side and a supply side selection process that imposes strict conditions for membership expansion contribute to a membership limited to states that favor deeper cooperation relative to the full set of countries.

Gilligan (2004) offers an alternative solution to the depth-breadth tradeoff. When excludability exists an organization may accept members with different levels of policy commitment matching their preferences. Aggregate cooperation is increased compared to no institution being established. This is a useful distinction, but does not itself alter the expectation that on average members at time of joining institution would be more liberal than non-members. When considering evolution beyond original set of members, Gilligan suggests that the regime would offer more flexible accession terms after membership grows.

A key point is that each of these approaches emphasizes a *single policy dimension*. The rational design approach focuses on the distributional and information characteristics within the issue area whether it is trade or alliances but not across both. Sequential liberalization posits that the key determinant is the movement of countries toward more liberal policies compliant with the regime, which in the case of trade would mean liberal economic policies. It would hold no expectations that the regime would attract states because of their liberal political institutions.

**Optimal Flexibility**

The need to evaluate gains across multiple dimensions calls for flexible membership criteria. The trade regime does not condition membership on pre-defined, rigid conditions which would restrict members’

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4 Gilligan’s model applies more to original negotiation decision on membership size than the question of membership expansion. His modeling assumption for unanimity describes a bargaining context in which treaties are not implemented when an invited state rejects the agreement, but this would not hold for the subsequent negotiations over who joins existing agreement.
leverage vis-a-vis potential members to the specified issues. Neither does it allow new members entry without negotiation. Flexible accession allows members to decide what issues matter and to determine who qualifies to join the regime at any given time on a case by case basis.

From the perspective of institutional design, flexibility for terms of accession corresponds to theories about incomplete contracting and escape mechanisms (e.g. Schwartz and Sykes [2002]; Rosendorff and Milner [2001]; Rosendorff [2005]). Following this logic, vague provisions in international agreements arise because current members are unable to reach agreement on criteria for membership and because they recognize that their own preferences may change over time. In the case of membership, flexibility for terms of accession accommodates the decision to lower standards for one acceding state while raising standards for another. Over time and applicants, members can adopt a mixed strategy for being inclusive or exclusive.

Flexibility in the accession process facilitates linkage to external issues not directly related to expected cooperation within the terms of the agreement. When existing members have authority to screen potential members and discretion over what constitutes acceptable terms, they can introduce a wide range of extraneous conditions. Adding more quid pro quo deals to bring in new members could increase the bargaining range to make accession more likely or introduce veto points for excluding states. Rather than pointing to an equilibrium for membership size, such flexibility allows diverse factors to influence membership. Where the cooperation dilemma for a single issue area may dictate exclusive membership, trade-offs across issue areas within the context of flexible accession process could lead to more inclusive membership patterns.

To the extent that states anticipate enforcement problems when they negotiate new rules, they should also anticipate them at the time of letting new states join the rule-making process. This expectation underlies the selection critique of institutional theories. It assumes governments pursue a single-minded focus on cooperation in the issue area. Instead, we argue that complex interests across issues may dictate a very different logic for who joins the club. Governments searching for bargaining leverage may reach for institutional membership as the most readily available carrot or stick to address the current foreign
policy priority of the day with less concern about the long term trajectory for institutional cooperation. While binding their hands for commitment to rules, they may choose not to bind their hands on selection of partners for cooperation.

**Member Expansion in GATT/WTO**

The United States and United Kingdom began planning for a multilateral free trade regime during the final years of World War II. Negotiations for an International Trade Organization (ITO) encompassed broad issues including foreign investment, import quotas, and commodity pricing where there were sharp disagreements among the 56 participating countries. The initiative to form GATT began in 1945 when Canada suggested agreement on the narrower goal of trade liberalization among a “nuclear group” of states ([Irwin, Mavroidis and Sykes, 2008 p. 63](#)). The US State Department drew up an original proposal for 12 countries to comprise the nuclear group in August 1945, and when GATT negotiations were concluded, 23 countries were participating to become formal contracting parties in 1948[^1]. The GATT founding states are remarkably diverse across income and preferences, ranging from pro-free trade Canada to protectionist India.

Shifting political circumstances in the United States and divisions among other states on key issues led to failure of the ITO negotiations so that the GATT remained the main framework for regulating trade on a multilateral basis until establishment of the WTO in 1995. Although narrow in regulatory scope with its focus on lowering tariffs on industrial goods and limited in membership to 23 participating countries, the first trade round held in Geneva in 1947 lowered tariffs by 35 percent and the participants’ trade constituted half of world trade at the time ([Odell and Eichengreen, 1998 p. 187](#)). The GATT initiated

[^1]: The twelve countries suggested by United States included Australia, Belgium, Brazil, Canada, China, France, the Netherlands, New Zealand, South Africa, the Soviet Union, the United Kingdom, and the United States. The UK requested the inclusion of India. The UN requested the inclusion of Chile, Lebanon, and Norway, and Cuba, Czechoslovakia, and Luxembourg also received invitations. All but the Soviet Union accepted the invitation to attend the 1947 UN-sponsored meeting in Geneva to negotiate tariff reductions. Burma (today’s Myanmar), Ceylon (Sri Lanka), Pakistan, Southern Rhodesia, and Syria joined after the original invitations. See [Irwin, Mavroidis and Sykes, 2008 p.64-73](#) for detailed discussion of this history.
a process of trade liberalization that would continue steadily over the post-war period. Each successive trade round would reduce tariffs further and expanded the scope of rules. The reach of the GATT also grew as its membership expanded.

From its establishment, the organization had universal principles. The founding GATT Charter states that “relations in the field of trade and economic endeavor should be conducted with a view to … developing the full use of *the resources of the world* and expanding the production and exchange of goods.”[6] Organizational rules supported this inclusive mandate to achieve broad membership. A country or territory only needed to have autonomous control over its trade policy to be eligible to join the organization.

Under the GATT, two accession processes existed. The standard accession process outlined in GATT Article 33 was decentralized with most details of accession delegated to the Working Party, a group of existing contracting parties that opted-in to oversee the accession process for a given applicant. The Working Party and applicant country held consultations and bargained over an initial tariff schedule that was then presented to the GATT General Council. GATT Article 33 formally required a two-thirds majority vote to adopt the arrangement, although in practice few votes occurred. Non-member countries meeting certain criteria, mostly former colonies, were eligible to join the GATT under a simpler accession process outlined in GATT Article 26 that granted membership on the basis of sponsorship (i.e. the written support) of its former colonial power and a note of intention to join the regime. Upon receipt of these notices, the GATT granted immediate membership, bypassing the negotiations required under GATT Article 33. This lowered the entry cost for countries eligible to accede under GATT Article 26 as compared to most countries that acceded under GATT Article 33.[7]

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[7] At the beginning of a wave of decolonization, in 1960, the GATT determined that each territory eligible to become a contracting party to GATT under the GATT Article 26 accession process would gain ‘de facto’ status within the GATT while the territory deliberated about whether or not to accede to the regime. Goldstein, Rivers and Tomz (2007, 42) treat these non-member states as participants because de facto participants received MFN treatment and could observe GATT proceedings. These states, however, could not participate in decision-making or dispute settlement and lacked status as formal members.
Upon establishment of the WTO in 1995, a single process has governed accession. The WTO Article 12 process is formally the same as the GATT Article 33 accession process, but non-member countries acceding through the WTO Article 12 have a longer list of required agreements to negotiate (including GATS, TRIMS, and TRIPS) before gaining WTO membership. Further, trade rounds under the WTO are no longer associated with negotiating entry of applicants, which means that there are few opportunities for reciprocity during WTO Article 12 negotiations. Pelc (2011) highlights how asymmetric bargaining shapes WTO accession negotiations as applicants are forced to make concessions while members do not concurrently change their commitments. All applicant countries that were not contracting parties upon transition from the GATT to the WTO in 1995 must complete the WTO Article 12 accession process. Observers have noted the prevalence of WTO-plus commitments whereby the accession protocol of an applicant country goes beyond the obligations of WTO member countries. Although the rules for accession have not changed greatly between GATT and WTO, there is a widespread perception that the WTO accession process is more demanding than under the GATT.

Figure 1 shows that membership in the trade regime has grown to encompass an increasingly large share of all countries. The entry of newly independent states during the period of decolonization and introduction of differential treatment for developing countries within the trade regime led to a surge of new members in the mid-1960s, while the shift to WTO rules led many to apply in 1993 and 1994 prior to onset of new WTO rules in 1995.

The pattern of expansion challenges theories in the literature about membership. On the one hand, functional theories about demand for institutions would expect more rapid expansion - the same logic of mutual gains from cooperation in trade relations that motivated states to establish the regime in 1948 should have led other states to join. Yet even as Brazil joined to become founding member in 1948, Mexico did not apply until 1979 and did not join until 1986. Such laggards are surprising. On the other

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The mid-1960s period corresponds to establishment of UNCTAD and Group of 77 in 1964. Responding to demands from developing countries, in 1965 GATT Contracting Members adopted new provisions to show that developing countries would receive special treatment. Article XXXVI establishes that developing countries were not expected to provide reciprocity in exchange for tariff reductions by developed countries.
Figure 1: Expanding Membership of Trade Regime: The shows the growing share of countries who have become members. Membership is defined as any state that has completed accession to GATT/WTO.

hand, rational design theories focus on the structural constraints of an issue area and expect more limited expansion. From this perspective it is surprising to observe accession of East European communist countries such as Poland in the 1960s before they had embraced free market economic policies.

Trade liberalization is typically portrayed as a classic prisoners’ dilemma where fear of cheating would impede cooperation, and this generates expectations for exclusive membership that is conditional on commitments and enforcement. The current WTO accession process is cited by Koremenos, Lipson and Snidal (2001) as evidence in support of the conjecture that enforcement fears and uncertainty over preferences would lead to strong conditionality over membership in trade institutions as witnessed by the arduous negotiations and deep reforms undertaken by countries such as China to gain admission to WTO. This neglects the early years of GATT, however, when membership came with very few strings attached and countries could join with modest concessions and in some cases (e.g. former colonies) none. Supply-side conditionality began only late in the development of the regime, but deep liberalization occurred
among members in the early years. The first trade round among the 23 original founders negotiated a “package of trade rules and 45,000 tariff concessions affecting $10 billion of trade, about one fifth of the world’s total.”

Goldstein, Rivers and Tomz (2007, p. 56) find bilateral trade among GATT members increased by 136 percent during 1948 and 1949, with additional increases at a declining rate across time. The most dramatic liberalization of trade took place well before rigorous accession negotiations and strong enforcement became common practice.

Has membership expansion been driven by non-member states moving to embrace free markets? The argument of Downs, Rocke and Barsoom (1998) suggests a clear differentiation in which acceding members would be more liberal than non-members. Trade openness, defined as trade share of GDP, represents a common indicator of liberal trade orientation. In Figure 2, the graph to the left shows that non-members at times have higher levels of trade openness. Copelovitch and Ohls (forthcoming) emphasize that trade dependence on current members lies behind demand for membership by non-members. In Figure 2, the graph to the right shows that a clear separation of member versus non-member structure of trade dependence occurs only after 1990 when membership had already expanded to encompass most countries (the drop for non-members is skewed by a few countries such as Syria). Whether looking at trade openness or trade with members, it is difficult to identify empirical patterns in which members are more liberal than non-members.

Favorable terms for market access outside of the multilateral trade regime may slow the rush to membership. While some countries apply to the regime to gain MFN treatment, other countries have gained market access through bilateral agreements which could substitute for demand to join the multilateral trade regime. Murray Gibbs, a senior advisor at UNCTAD, notes that “most acceding countries are already receiving most-favoured-nation treatment from the major trading entities and many even benefit

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9 http://www.wto.org/English/thewto_e/whatis_e/tif_e/fact4_e.htm
10 Smaller countries will generally have higher levels of trade in GDP, however, so the simple comparison here in part may reflect that advanced industrial economies were among first to join.
11 Their empirical analysis focuses on the subset of former colonies but the argument has more general implications for why countries seek membership.
Figure 2: Trade Dependence and Membership: Figure to left displays the mean value of trade (imports plus exports) as percent of GDP for GATT/WTO members and all other countries. Figure to right displays the mean value of trade with GATT/WTO members as percent of total trade. Membership is defined as any state that has completed formal accession to GATT/WTO.

from preferential treatment under the Lome Convention or Generalized System of Preferences (GSP) schemes (Murray, 2001, p. 168).” Goldstein, Rivers and Tomz (2007, p. 61) find that the trade gains from membership in preferential trading agreements do not themselves reduce the trade gains from membership in GATT. States with strong substitute arrangements may still choose to seek membership as a way to participate in rule-making or to gain access to dispute settlement.

In sum, the expansion of membership in the trade regime presents a puzzle because members appear to have tolerated free-riding by allowing accession for states with low commitment to open markets, and yet not all countries wanted the free lunch. Only by looking beyond the interests in trade liberalization can one account for this pattern.

**Foreign Policy and Trade**

Despite its economic focus, we argue the trade regime forms both a political club and an organization for the regulation of trade policies. The two functions merge together to the extent that Cold War divisions among states fell along both political and economic dimensions. The Western states that took the lead
role in GATT were democracies committed to open markets. Although substantive rules of the regime focus exclusively on trade policy, flexibility over who could join the regime opened the door for geopolitical interests to shape membership. Consequently, the GATT/WTO attracts a like-minded group on the basis of economic principles, but has also brought together states with similar political systems and foreign policy orientation.

The institution offers a tool to build up allies and cope with the risk of asymmetric interdependence. Gowa (1994) and Gowa and Mansfield (2004) contend that states favor trading with allies over enemies as a way to address security externalities that arise when gains from trade could be used to increase military spending. Smaller states can use the trade regime as insurance, and membership brings larger trade gains to states with an alliance (Gowa 2010). Research also finds a strong correlation between alliance ties and preferential trade agreements (Mansfield and Bronson 1997).

The role of foreign policy in GATT/WTO accession goes beyond the desire to internalize security externalities. Rather than favoring reciprocal free trade with allies, states tolerated free-riding by allies. They also used trade benefits as a carrot to win over states that were not yet allies. States without an alliance may have gained relatively less in terms of trade flows and yet benefited from greater autonomy to reduce reliance on any one trading partner. In particular, those dependent on the Soviet Union for security saw entry into the organization as a way to reduce asymmetric dependence.

Offering membership without strict reciprocity was costly to current members in real terms and in opportunity costs. Export industry interests stood to gain more from using conditions to pursue higher levels of liberalization, while import-competing industries would benefit from using conditions to exclude competitors. Letting in small developing countries posed neither a substantial threat to existing members’ domestic industries nor a major gain for exporters. Nonetheless, accession offered existing members a window to lock in a policy environment consistent with regime objectives for applicants that could become future competitors and markets. Korea, for example, joined the trade regime without rigorous negotiations in the early 1960s and later became an internationally competitive exporter with large domestic import markets.
Members allowed some states to join with minimal trade policy concessions because they anticipated foreign policy benefits. The willingness of members to maximize utility across economic and foreign policy dimensions was made easier by the lead role of the United States within the trade regime. The United States, enjoying economic strength as a hegemon, could afford to allow some free-riding. Further, its government developed the practice during the Cold War of using economic policy as a tool of foreign policy. Whether supporting European integration, allocating foreign aid to critical regions, or sponsoring GATT accession, key economic policy positions in the United States reflected a broad calculation of national interest. [Lake (2009) p. 160] argues that hierarchy between the United States and subordinate states influenced trade flows by means of an interaction with membership in the trade regime. For non-members, expected trade gains from improved market access are the primary motivation for joining the regime but foreign policy interests can also matter. Where greater trade dependence and the status of association as common members in the club are an advantage from the perspective of states seeking closer alignment with the West, these same factors repel those with more independent or rival positions in system.

The trade regime has not pursued strict conditionality to link economic and political issues. There are no formal provisions or informal practices during GATT and WTO accession negotiations that require political regime or foreign policy congruence, and membership continues to include non-democracies and states with varying security interests. This stands in sharp contrast to European integration and NATO expansion which impose explicit provisions on political reforms in the former and security commitments for the latter as conditions for membership. The absence of explicit conditions in the trade regime allows flexibility for existing members to make exceptions on one dimension for gains on another. For example, Japan’s potential to flood markets with imports and its reluctance to open its own markets threatened to lower the level of commitments within the regime. The sequential liberalization model would expect exclusion of Japan until after the country committed to liberalize its own markets.\footnote{Indeed, as will be discussed later in the case section, some countries did exclude MFN treatment for Japan for another decade after granting membership.}
In 1967 Poland remained a non-market economy and an authoritarian state. It would have been unthinkable at the time for it to have joined the European Common Market, but it was welcomed into GATT with special exceptions. Entry for Japan in 1955 strengthened a Cold War ally while entry for Poland in 1967 eased its dependence on Soviet Bloc trade. In making a move toward membership, both applicants and current members assess multi-dimensional benefits such that an applicant with lower commitment to free trade could join when a foreign policy spillover compensated for taking on more or less liberalization than either side would have favored.

As a result, diverse criteria determine the pattern of accession. Democracies and those with similar foreign policy positions are the most likely to join. Some countries such as Mexico join as part of economic reforms and a shift toward open policies, but their entry into the organization may come at the start rather than the end of the reform process. For others, such as Poland or Yugoslavia, a foreign policy shift (such as the end of de facto Soviet occupation) accounts largely for the decision to apply and for the willingness of members to accept non-market economies. China’s decision to apply in 1986 reflects both a step toward economic reforms and a move to integrate more fully in the international system. Clientelist politics influence joining the trade regime as one sees active sponsorship by the United States pushing through accession, whether it is Japan’s accession in 1955 or the application of Iraq in 2004 under tutelage of United States. Former colonies of members were offered an accelerated accession process as much because they were guaranteed to have a “sponsor” in the club as because of any distinct features of their trade policies.

Hypotheses

We develop two hypotheses for the determinants of joining the GATT/WTO that will be evaluated as explanations for time to application and length of accession process. First, we argue that nonmembers who are more closely tied to the major powers of the institution may enjoy the opportunity to free-ride or to obtain otherwise favorable terms during negotiation because of geopolitical alignment. We conceive of geopolitical alignment broadly in terms of common foreign policy objectives and in our analysis we will examine several proxies including alliances, UN voting, and democratic regime type. From the
perspective of existing members, supporting economic opportunities for states that share similar geopolitical alignment offers both a reward for cooperation and further encouragement to remain aligned in future foreign policy issues. The accession process will proceed more quickly as current members refrain from excessive demands or 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 gain foreign policy benefits from membership.

**Hypothesis 1:**

*Geopolitical alignment with GATT/WTO members increases the speed of application and accession.*

Our second hypothesis tests the expectation that economic interests determine membership decisions. The argument for sequential liberalization contends that as a non-member country’s preferences become aligned with the objectives of an existing regime, its inclusion will increase aggregate benefits of cooperation. In the context of the trade regime, this suggests that states with open trade policies will seek membership because the costs of meeting regime commitments to reduce trade barriers will be small and the gains from additional market access will be large. Existing members would likewise anticipate fewer compliance failures and greater market gains from granting entry to a liberal trading state. In addition, the trade structure of a non-member state’s export sector and pattern of trade with trade partners influences their economic interest in joining the regime. For example, countries with high share of exports in manufactured goods or those who export to regime members will have a greater opportunity cost from remaining outside the regime than countries that export products not addressed by the trade regime (e.g. oil) or whose trade is largely with non-members. Our analysis will use several variables to assess the economic interests of states to join the regime. As with geopolitical alignment, the expectation is that *economic alignment* encourages both quick application and rapid negotiation for accession.

**Hypothesis 2:**

*Economic alignment with GATT/WTO members increases the speed of application and accession.*


2 Analysis of Time to Apply

In order to test more general patterns of how geopolitical alignment and economic alignment influence states’ decisions to self-select into the institution, we introduce statistical analysis of time to application. A state’s formal membership request is the most relevant indicator that a non-member state wants to join the regime and is a unilateral expression of this preference.

Data

Figure 3 shows the variation in time to apply, defined as the number of years between country eligibility and formal application to the GATT/WTO. The figure reveals that while almost 25% of all countries apply the first year they are eligible, and 45% of all countries apply within the first five years of eligibility, others substantially delay their applications.

As a first look at the pattern in the data for the two hypotheses, we examine proxies for geopolitical alignment and economic alignment. Similarity of voting in the UN with the United States is a measure of geopolitical alignment with the trade regime from the perspective of sharing foreign policy interests with the hegemon. Trade openness (imports plus exports as percent of GDP) offers the most general measure for economic alignment with the trade regime. States with high levels of trade openness are

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13 WTO application dates are taken from the WTO website. We coded GATT application dates using the Stanford GATT Digital Library.
14 We prefer time to apply over time to formal accession because bargaining over terms and reforms undertaken during the accession process could introduce endogeneity. For example, in an extreme case like China its level of openness grew significantly during the fifteen years of accession negotiations (from 25 percent of GDP when it applied in 1986 to 43 percent upon accession in 2001) with some part of this openness taking place as a result of the accession process itself.
15 For countries that never apply, time to apply reflects time between country year of eligibility and the earlier of year of country dissolution or the end of the dataset, 2008. Four countries became GATT contracting members and then withdrew membership (China (1948-1950), Lebanon (1948-1951), Liberia (1950-1953) and Syria (1948-1951)). Time to apply for these countries reflects time from GATT withdrawal to reaplication.
16 UN voting similarity is Affinity I variable from Erik Gartzke’s The Affinity of Nations Dataset, available at http://dss.ucsd.edu/~egartzke/htmlpages/data.html and is rescaled to between -100 (country voting is least similar to US voting in UN) and 100 (country voting is most similar to US voting in UN).
more likely to expect gains from the trade regime and find compliance with liberalization congruent with economic interest. We split the sample on the basis of time to apply and examine whether systematic patterns appear among early applicants relative to those who apply after long periods of eligibility.

Figure 4 shows UN voting similarity and openness levels for countries at the year of application to the regime. Countries with high geopolitical alignment will be in the right boxes, while countries with high economic alignment will be in the top boxes. Both hypotheses would expect countries in the bottom-left box to be the slowest to apply, which is readily evident in comparison of the plots. The early applicant group shows more support for the role of geopolitical alignment than for economic alignment, which can be seen by the fact that these countries clearly cluster above the sample average for voting similarity to the United States and tend to be below the sample average for levels of openness.

We conduct a more systematic test with regression analysis. We use the Cox proportional hazards regression with Efron method of ties to model what affects a country’s “rate of failure” to apply to join

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17 Figure excludes GATT Founders.
Figure 4: **Geopolitical and Economic Alignment at Application Year**: The four figures divide the sample into four quartiles based on time to apply. Each figure plots the level of UN Voting Similarity to the US ("Geopolitical Alignment") and trade openness level ("Economic Alignment") for the applicant country in the year of application. Solid lines mark average of UN Voting Similarity and Openness for the full sample.
the institution in a given year. Using country-eligibility year observations, a country becomes “at risk”
to apply to the GATT once the institution is established and once the country has achieved independence
(e.g. Australia was independent upon the establishment of the regime, and its first year of eligibility is
1948 while Vietnam becomes independent and is first eligible to apply in 1956) and a country “fails”
(and subsequently leaves the dataset) the year it applies for membership. Countries that never apply for
GATT/WTO membership are coded as censored in the year they cease to exist, or at the eligibility year
registering for the eligibility year of the end of the dataset, 2008.

Countries eligible to apply under GATT Article 26 (former colonies of members) faced a streamlined
accession process without formal negotiations, and did not have to make any concessions to provide
additional liberalization (Allee and Scalera forthcoming). To account for this systematic difference, we
stratify the sample by Article 26 eligibility. Our regression estimates assume that each strata has a
distinct baseline hazard, but that covariates affect the differing baseline hazards in the same proportion.
We estimate robust standard errors clustered on country given that country is the level of treatment for
analysis and we need to take into account possible correlation of error terms across years within the
same country. We ensure that each covariate in each model meets the proportional hazard assumption.

Our baseline model estimates time to application for the period 1948-2008. Of 201 independent
countries identified between 1948 and 2008, data availability allows us to fit a base model of analysis
spanning the years 1948-2008 with 144 countries (list available in online appendix). The original con-
tracting members to join GATT in 1948 are included in the regression analysis as having failed (applied
to GATT) in their first year of eligibility. Data limitations require shorter time period and smaller

18We confirm that stratification is appropriate through log-rank tests comparing time to apply of Article 26 versus non-
Article 26 countries. Stratifying is used instead of a non-stratified model with a control variable for Article26 Eligibility,
although results hold when using the alternative method.

19Where a covariate does not meet this assumption with 10% confidence, we add an interaction term between that covariate
and years of eligibility and re-test, as prescribed in Box-Steffensmeier and Zorn (2001).

20Poor data availability for 1948 prevents including 5 of the founding members (i.e. India, Luxembourg, Pakistan, South
Africa, and Zimbabwe). Three founding members (China, Lebanon, and Syria) exited the GATT shortly after establishment
and are treated as “at risk” to join the GATT in the year following their exit of the regime and “fail” upon reapplication (China
number of countries for additional models.

We examine several measures of a country’s geopolitical alignment with GATT/WTO member states. Democratic regime type (Polity Score) represents one basis for shared interests with existing members given that the majority of early founders were democracies. During the Cold War, accepting democratic governance principles immediately aligned a country with the West against the Soviet Union. Yet democracy brings many potential incentives for accession including both geopolitical alignment as well as economic interests and views of market economy. Therefore it is important to include additional measures. To assess foreign policy orientation, we rely on the UN voting measure mentioned previously (UN Voting Similarity). The most direct proxy for geopolitical alignment is alliance composition. We include a variable for the number of all alliance partners that are members of the trade regime (Ally Mbr Count). As states have a stronger base of common security ties with current members, they will embrace greater dependence through applying for membership.

We use trade openness (Openness) as our primary measure for economic alignment with the trade regime. We also introduce a wider set of variables to assess economic interests relevant for the decision to join the regime. Percent of total trade with GATT/WTO members (GATT/WTO Trade %) captures existing trade dependence with member states, a measure that Copelovitch and Ohls (forthcoming) contend indicates potential benefits from membership and increases the likelihood of application. Percent of total trade with preferential trade agreement (PTA) partners (PTA Trade %) captures the degree to which a non-member country receives preferential trade terms outside of the multilateral trade regime. We expect higher levels of PTA trade indicate more private benefits for the country outside of the regime and thus fewer incentives to apply to join the multilateral trade regime.

The structure of traded goods determines how closely a country’s export profile matches the scope of liberalization in the trade regime. Goods such as agriculture and textiles have experienced relatively

---

21 We use Polity IV scores of level of democracy ranging from -10 (most autocratic) to 10 (most democratic).
22 Alliances are coded from the ATOP dataset with the criterion that alliance includes active offensive or defensive commitment (e.g. neutrality pacts are not coded as alliances).
23 Trade volumes and bilateral trade data are from IMF Direction of Trade database.
low levels of liberalization within the trade regime agreements, and oil lies outside the regime. Given that membership does not significantly increase market access for exports of these goods, non-member countries that specialize in exporting oil, agriculture, or textile products may be less likely to apply for membership. In contrast, liberalization of the manufacturing sector has been at the core of the trade liberalization agenda, and non-member countries that export manufactured goods may expect greater economic benefits from membership and should be more likely to apply for membership. Four variables describe trade profile in terms of percentage of total exports from oil (Oil \% Exports), agriculture (Agriculture \% Exports), textiles (Textiles \% Exports), and manufactured goods (Manufacturing \% Exports).  

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 (Log(GDP)) and wealth (Log(GDPpc)). Large states benefit from joining the regime to escape from the prisoners’ dilemma that originates in their capacity to set world prices and seek to improve their terms of trade through raising tariffs (Bagwell and Staiger, 2002). Small industrial states have unilateral incentives to pursue free trade. We include an indicator for the Cold War period (Cold War Pd) in Models 2 through 4. We control in Model 4 for oil exporting countries (Oil Exporter), which we expect to be slow to apply given that their main exports are not regulated by trade rules. We control for whether the country is a former colony of a trade regime member (Former Colony), which could be

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24 Commodity trade volumes from UN Comtrade.
25 GDP and per capita GDP data are from World Bank and Goldstein, Rivers and Tomz (2007).
26 Ideally we would like to capture the regime shift from GATT to WTO by additionally controlling for the WTO period. However, indicators for Cold War (1948-1991) and WTO period (1995-2008) are almost the inverse, with correlation 0.81. The intervening years 1992-1994 could skew results if including both variables, and the surge of states applying in these years reflects both the new independence of transition economies of Eastern Europe and the incentives for states to apply before scope of rules expanded with establishment of WTO. Therefore, we include the Cold War control only in time to apply analysis.
27 We code a country as an Oil Exporter if UN Comtrade oil exports in a given country-year country are 50 percent or more of total exports. Since coverage of this variable begins in 1962, the 5-year average oil export level from 1962 through 1966 is used to code Oil Exporter status from 1948 through 1961.
associated with ties to the trade regime and faster time to apply. To incorporate some of the dynamic changes across the trade regime, we also include an indicator variable for whether a GATT/WTO trade round is occurring in a given year (*Trade Round*) since these rounds were often used as a time to expand membership with accession negotiations that occurred alongside the trade round. A measure of percent of all countries in the world that are members of the GATT/WTO (*Percent World Mbrs*) controls for diffusion of membership that increased potential market access from joining the expanding club.

**Results**

Our results are presented in Table 1. Displayed estimates are the exponential of the coefficient of each variable (the “hazard”), representing the proportional effect of the covariate on the hazard relative to baseline hazard. An estimated coefficient less than 0 will have an exponential value less than 1, corresponding to a decreasing risk of failure where failure means applying for membership. In other words, a hazard below 1 in the table indicates slower time to apply. An estimated coefficient greater than 0 will have an exponential value greater than 1, which corresponds to increasing risk of failure and faster time to apply. In sum, conditions correlated with faster application are those with a hazard greater than 1.

Models 1 and 2 present our base specification to maximize sample size. We find consistent evidence for hypothesis 1 in these models, with higher levels of democracy associated with faster time to apply. Model 3 presents key geopolitical variables of interest for the full period with a sample of 119 countries. It shows strong support for hypothesis 1, as all of the variables used to measure geopolitical alignment with the regime increase the hazard. Those states with a greater percent of allies that are GATT/WTO members and those with similarity in UN voting with the US are more likely to apply quickly. Higher levels of democracy remain consistently correlated with faster time to apply.

In contrast, we do not find strong evidence that economic alignment leads to faster application. Al-

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28Colony data from Gowa (2010).
29Findings for democracy are consistent when using a dichotomous measure of democracy from Cheibub, Ghandi, and Vreeland (dataset available at [https://netfiles.uiuc.edu/cheibub/www/DD_page.html](https://netfiles.uiuc.edu/cheibub/www/DD_page.html)), or the Freedom House index of democracy.
<table>
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<tr>
<th>Variable</th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
<th>Model 4</th>
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Table 1: Cox Proportional Hazards Estimates For Time to Application: Results of a Cox Proportional Hazards Model estimating the time from eligibility to application for all countries. Each point estimate is the hazard ratio with 95 percent confidence interval in brackets. Due to space constraints, control variables are reported with only point estimates and significance indications. All models include stratification by Article 26 eligibility and attain robust logrank p-values of <0.05. *** significant at 1%; ** significant at 5%; * significant at 10%.
though higher levels of openness are associated with faster time to apply in the base specification for Model 1, the association weakens when adding a control for the Cold War in Model 2. We cannot reject hypothesis 2, but evidence does not support the hypothesis that greater economic alignment increases the hazard of non-member countries. In Model 3 openness remains insignificant, and trade dependence upon GATT/WTO members and percent trade with PTA partners also have no systematic relationship with time to apply.

A survival curve and first difference curve based on Model 3 are presented in Figure 5 to show the estimated substantive effect of UN voting similarity increasing from the lower (1st) quartile to the higher (3rd) quartile values, holding all other variables from Model 3 at their means. The survival curve on the left shows that a country with greater UN voting similarity is associated with much lower rates of survival, and therefore faster time to apply. The first difference curve on the right illustrates the large substantive effects of higher UN voting similarity in determining time to apply. By increasing the variable from the 1st quartile value of -42.4 (approximately the annual average of Bulgaria between 1981 and 1986 and Hungary between 1955 and 1969) to the 3rd quartile value of 30.0 (approximately the average of Honduras between 1948 and 1990 and El Salvador between 1949 and 1987), we estimate the difference in survival probabilities holding all other variables at their mean values.\footnote{Using the Model 3 sample, we create bootstrap simulations in R to replicate survival rate 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, and confidence intervals are the 2.5% and 97.5% observations for each year.} We estimate that a country with high (3rd quartile) UN voting similarity will have a 24.8% decrease in survival probability in year 1 compared to a similar country with low (1st quartile) UN voting similarity, which means a higher probability of application that year. This difference in survival increases gradually to a maximum difference of 37.7% in years 40 and 41.

Model 4 adds additional controls to test the robustness of associations in Model 3. An indicator for countries undergoing democratization (\textit{Democratizing Country}) has no significant relationship with time.
Figure 5: Substantive Effect of UN Voting Similarity: Figure to left shows estimated survival curve when moving from 1st quartile values (solid line) to 3rd quartile values (dashed line) of UN voting similarity with the US. Figure to right shows estimated first difference when moving from 1st to 3rd quartile values of UN voting similarity with 95% confidence intervals.

The level of democracy rather than transition toward democracy predicts earlier application. In support of hypothesis 1, geopolitical alignment variables remain consistently associated with faster time to apply. We find little evidence for hypothesis 2 expectations, as openness, percent trade with the GATT/WTO, and PTA trade dependence are insignificant. Controlling for eligible countries that have high levels of oil exports and are former colonies of existing members, as well as controlling for years in which a trade round occurs, and the percent of countries in the world that are members in a given year, all do not change the associations found in Models 2 and 3.

In Model 5, we test the effect of a country’s traded goods profile, which represents another measure of economic alignment. The limited availability of data on commodity trade truncates the sample to 75 countries over the period 1962 through 2007. Our specification includes only the baseSpecification of Model 1 in order to maximize sample and to focus on performance of the variables for industry share

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31 Following Mansfield and Pevehouse (2006, p. 147), we operationalize democratization with an indicator that takes a value of 1 in a given year $t$ if Polity score increased from autocracy (Polity -7 to -10) in year $t-5$ to anocracy (Polity -6 to 6) or democracy (Polity 7 to 10) in year $t$, or if Polity score increased from anocracy in year $t-5$ to democracy in year $t$. 
of exports. The democracy measure is no longer significant in this model, largely as a function of the change in sample. We find a consistent effect that greater oil exports are associated with slower time to apply. Agriculture and textiles represent two industries that experience high levels of protection within the core GATT members and have exceptions built into the rules that reduced the scope for liberalization. While agriculture exporters are consistently slower to apply, textile and manufacturing exporters do not have significantly different time to apply. Overall our test of trade profile effect on application presents mixed support for the role of economic interests.

Our findings challenge current expectations for which countries will be most attracted to the trade regime. Existing theories and empirical studies suggest countries that gain immediate benefit from joining (such as those with high trade dependence and larger share of manufacturing exports) would apply quickly, and those that have more trade options outside of the multilateral trade regime (such as a high PTA trade) would be more likely to delay or forgo application. Instead we find that greater openness is not systematically associated with shorter time between independence and application, and PTA trade is not associated with longer time to apply. Once we control for economic size and geopolitical alignment, the findings as a whole lack evidence to support the expectation of sequential liberalization in which liberal states join faster.

The evidence is much more clear that a positive relationship exists between geopolitical alignment and reduced time to apply. Across several different proxies for the foreign policy alignment with the Western club that dominated the regime, all have significant effect on the tendency for a country to apply early. This supports our argument that geopolitical alignment with the trade regime is as important or more so than trade interests.

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32 The correlation of polity measure with industry exports is respectively 0.23 for agriculture, -0.18 for oil, and -0.05 for manufacturing. When we re-run model 4 dropping the industry controls but using the same sample, polity remains insignificant.

33 Model 4 includes an indicator for status as oil exporter, which we replace here with the continuous measure of oil share in exports.
Robustness of Time to Apply

We conduct multiple robustness checks to ensure that results are not due to specific model specifications, variable definitions, or omitted control variables. Sign and significance of all key variables remain generally the same when we adjust the model by changing the method of ties from Efron to Breslow, or adding a control for Article 26 Eligibility instead of stratifying by this variable. Results are robust to changing the dependent variable from time to apply (first year eligible to application date) to time to join (first year eligible to accession date), and to alternative specification of hazard model based on regime year instead of country year. Constraining the sample to the GATT period only, excluding founding members, excluding early joining members (those joining between 1948 and 1953), and excluding OPEC countries all retain the same general results. Overall, our analysis implies that geopolitical alignment is consistently correlated with faster time to apply while economic alignment is not strongly associated with time to apply.

To assess whether openness and GATT/WTO trade dependence have distinct export and import effects, we disaggregate our trade measure into export openness (exports as percent of GDP) and import openness (imports as percent of GDP), and disaggregate GATT/WTO trade dependence as exports to GATT/WTO members as percent of trade and imports from GATT/WTO members as percent of trade. The weak findings for openness hold for these disaggregated measures as well.

Since a strong general finding in the international organization democratizing countries apply more quickly to international organizations to lock in reforms and signal intent (Mansfield and Pevehouse, 2006), we ensure that application to the trade regime is not driven by a country democratizing and joining many international organizations simultaneously. To do this, we add a control for the number of international organizations joined in the previous year by a given country. We find that democracy retains

34 Numeric results are not presented due to space constraints but are available in online appendix. We use Model 4 to test the effects of additional controls and alternative model specifications upon our quantities of interest (Polity Score, UN Voting Similarity, and Ally Member Count for geopolitical alignment, and Openness, GATT/WTO Mbr Trade %, and PTA Trade % for economic alignment).
independent significance in driving time to application. Consistent with Kucik and Reinhardt (2008), the presence of domestic anti-dumping legislation, which is one form of flexibility to modify liberalization commitments, has a positive effect on application but does not alter the findings of key variables.\footnote{Kucik and Reinhardt (2008) find that presence of AD law increases the likelihood of accession to trade regime. This variable is available beginning only in 1959, which truncates the time period. Therefore we do not include the variable in our main results.}

As an additional proxy for trade dependence, we examine a measure for the percent of exports to GATT/WTO members who provide GSP benefits to the country. The variable is not significant when added as control in Model 1 or as replacement for PTA trade variable in Models 3 and 4. The small sample size for the period with this variable (1971 - 2005, 71 countries) prevents making strong inferences about this particular feature of trade, but we find no support that preferential access to markets through either PTA or GSP reduces the time to apply to GATT/WTO. Specifications are robust to controlling for levels of conflict (intrastate and interstate) that could interfere with attention to trade issues. Finally, using 2-year change variables of our quantities of interest yield interesting results but do not question the general pattern found. Changes in openness do not consistently affect time to application while we find our first evidence that GATT/WTO trade increases are associated with faster time to apply. Increases in ally member count are also associated with faster time to apply. Overall, we find consistently strong associations between geopolitical alignment proxies and faster application while economic alignment is not consistently correlated with application time.

**Negotiation Analysis**

We expect that optimal flexibility may also be seen through trends in negotiation time, the time from application to formal membership. On the supply side, existing member states have the ability to impose either high or low conditions upon an applicant. Working Party members can unilaterally decide to suspend negotiations, such as occurred at times during accession negotiations for China and Russia. They may also expedite controversial negotiation processes, such as in the accession of Japan, where the US acted as an advocate of Japan’s accession. On the demand side, an applicant eager for entry will more
readily offer concessions that speed the negotiation process. Other applicants may stall negotiation pro-
cedings if the terms are more than they are willing to undertake. Negotiations continue until both sides
reach agreement on accession protocol. We expect that geopolitical alignment will shorten negotiation
time as members are more willing to offer easy terms and applicants can more readily offer concessions
when both sides share common interests above and beyond trade ties. Economic alignment will shorten
negotiation time as members and applicants both see more economic gains from rapid conclusion of the
negotiation.

We test whether the same variables associated with time to application are also correlated with nego-
tiation time. Further, we compare differences between GATT and WTO. The WTO accession process is
known to be more rigorous than GATT accession process despite very similar formal rules governing both
accession processes. Figure [6] shows the longer average length of WTO accessions compared to GATT
Article 33 accessions, although some GATT outliers have negotiations that last for multiple decades.
For this section we exclude founding member countries because negotiating membership expansion is
different from negotiating regime establishment and we exclude the Article 26 countries because they
join in the same year as application and are not relevant for the study of negotiations for accession.

We first look at descriptive statistics, separating countries into “high” (above the median) and “low”
(below the median) types for each key variable. Figure [7] shows the estimated survival curves using
Kaplan-Meier estimates of high and low openness and UN voting similarity. We find that relatively high
levels of openness at year of application are not significantly associated with shorter negotiation times,
while relatively high similarity in UN voting with the US is associated with faster rates of completed
application when negotiations last more than 3 years. Thus, consistent with our first hypothesis geopo-

calitical alignment is associated with shorter negotiation times. Economic alignment does not seem to have

36Cambodia is the one exception where it applied in 1994 under Article 26 but had to wait to undergo WTO accession
process and did not conclude these negotiations until 2004.

37High and low values are determined by the full sample of countries (including founders and Article 26 applicants) at year
of application.

38Statistically we cannot confirm that the two openness groups have different survival rates, while the UN voting groups
have different survival rates at the 10 percent confidence level.
Figure 6: Negotiation Time: The figure shows the years from application to formal accession for countries that join through GATT Article 33 or WTO Article 12 accession process.

Multivariate regression will control for factors that could affect negotiation time, and we employ a Cox proportional hazards model using time invariant covariates to understand these patterns in more detail. The dependent variable is negotiation years, the total years from application to membership, given formal application. Of 201 countries in the sample, 183 countries apply to the GATT or WTO during 1948 through 2008, and, excluding founders and GATT Article 26 applicants, 99 countries apply to the regime through GATT Article 33 or WTO Article 12. Data limitations allow us to analyze the experience of 76 countries. Table shows the estimates for length of accession negotiation.

We estimate the duration of the accession negotiation in Models 1 through 4 in Table 2. Given the small sample, these regressions control for only the most basic country characteristics including

\[^{39}\]We chose time invariant covariates over time varying covariates to allow the model to more easily converge given the small sample. For models where the time varying model converges, results are robust.
<table>
<thead>
<tr>
<th>Variable</th>
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<th>Model 3</th>
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<td>1.012 [0.97, 1.06]</td>
<td>1.013 [0.97, 1.06]</td>
<td>1.008 [0.96, 1.06]</td>
</tr>
<tr>
<td>Polity Score X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1.052 [0.84, 1.32]</td>
</tr>
<tr>
<td>WTO Period</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ally Member Count</td>
<td></td>
<td></td>
<td></td>
<td>1.121 *** [1.04, 1.21]</td>
<td></td>
</tr>
<tr>
<td>UN Voting Similarity</td>
<td></td>
<td></td>
<td></td>
<td>1.011 ** [1.00, 1.02]</td>
<td></td>
</tr>
<tr>
<td><strong>Economic Alignment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Openness</td>
<td>0.799 [0.20, 3.24]</td>
<td>1.438 [0.36, 5.80]</td>
<td>1.485 [0.37, 6.04]</td>
<td>1.414 [0.33, 6.09]</td>
<td>2.212 [0.34, 14.22]</td>
</tr>
<tr>
<td>Openness X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1.177 [0.02, 76.05]</td>
</tr>
<tr>
<td>WTO Period</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GATT/WTO Mbr Trade %</td>
<td></td>
<td></td>
<td></td>
<td>0.981* [0.96, 1.00]</td>
<td></td>
</tr>
<tr>
<td>PTA Trade %</td>
<td></td>
<td></td>
<td></td>
<td>0.963 *** [0.94, 0.99]</td>
<td></td>
</tr>
<tr>
<td>WTO Pd</td>
<td>0.294 *** [0.09, 0.99]</td>
<td>0.339 [0.09, 1.26]</td>
<td>0.268 [0.02, 3.89]</td>
<td>0.916 [0.22, 4.07]</td>
<td>0.942 [0.22, 4.07]</td>
</tr>
<tr>
<td>Democratizing Country</td>
<td>2.152 *** [1.02, 4.54]</td>
<td>2.148 *** [1.02, 4.55]</td>
<td>2.152 *** [1.02, 4.54]</td>
<td>0.980 [0.36, 2.69]</td>
<td></td>
</tr>
<tr>
<td><strong>Controls</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Log(GDP)</td>
<td>0.875</td>
<td>0.917</td>
<td>0.922</td>
<td>0.916</td>
<td>0.867</td>
</tr>
<tr>
<td>Log(GDPpc)</td>
<td>1.386*</td>
<td>1.339*</td>
<td>1.348*</td>
<td>1.339*</td>
<td>0.879</td>
</tr>
<tr>
<td>Oil Exporter</td>
<td>0.495</td>
<td>0.535</td>
<td>0.529</td>
<td>0.536</td>
<td>2.240</td>
</tr>
</tbody>
</table>

Table 2: Cox Proportional Hazards Estimates For Negotiation Time: Results of a Cox Proportional Hazards Model estimating the time from application to formal membership for countries that apply under GATT Article 33 and WTO Article 12 accession processes. Each point estimate is the hazard ratio with 95 percent confidence interval in brackets. Due to space constraints, control variables are reported with only point estimates and significance indications. *** significant at 1%; ** significant at 5%; * significant at 10%.
country wealth (\(\log(\text{GDPpc})\)) and country size (\(\log(\text{GDP})\)). Pelc (2011) demonstrates that the rigor of accession negotiations and subsequent depth of commitments may be affected by country wealth and the value of the applicant as a potential export market. The application of a large country may increase negotiation time given that its size will pose an immediate economic threat to existing members and often involve more complex tariff negotiations. It is important to control for income levels both because of negotiation capacity and because existing members have formally pledged to negotiate accession with least developed country applicants in a streamlined fashion since 2002.\footnote{\textit{WTO} document WT/L/508. Pelc (2011) finds curvilinear effects of country wealth (log of GDP per capita) upon accession terms.} We also control for Oil Exporting countries in all specifications.

Models 1 through 4 include the maximum sample of 76 countries that applied for membership with the need to complete accession negotiation (i.e. those applying under GATT Article 33 or WTO Article 12). Model 1 shows weak associations between both polity and openness and negotiation time. Model 2 shows consistent relationships between democratizing countries and fast negotiation. Our analysis of

Figure 7: \textit{Estimated Negotiation Survival Curves}: Using Kaplan-Meier estimates of survival, the figure shows the estimated probability for a country to remain a non-member applicant for each year following application. “High” (above the median) values of each variable are indicated by solid lines and “low” (below the median) values of each variable are indicated by dashed lines. The estimated sample includes all countries that applied for membership under GATT Article 33 or WTO Article 12 (excluding founding members and GATT Article 26 applicants).
when countries apply for membership found that democracies were more likely to apply quickly, but we find no evidence to suggest that democracies experience shorter negotiations. In contrast, democratization is not correlated with time to apply, but given a democratizing state application, all else equal the country may enjoy a shorter accession negotiation. In addition, model 2 shows that accession during the WTO period has taken longer, as indicated by hazard rate less than 1.

Models 3 and 4 test the expectation that negotiation time may be conditional upon acceding during either the GATT or WTO period. Given that accession under WTO Article 12 requires more obligations as compared to accession under the GATT Article 33, we might expect geopolitical alignment to become less important and economic alignment to become more important during the WTO period. In Models 3 and 4, the coefficient on our variables of interest (Polity and Openness, respectively) estimates the effect of that variable when the WTO period variable equals “0” (that is, during GATT years). The interaction term in each model indicates whether the variable of interest has a marginal effect upon negotiation time in the WTO period compared to GATT period. The interactions terms are all insignificant, indicating that we cannot distinguish whether or not the WTO period has a moderating effect upon our variables of interest. Thus, we cannot conclude that our variables have different effects under the GATT and WTO periods. The strong association between democratizing country applicants and fast negotiation remains.

Finally, Model 5 adds measures of geopolitical alignment and economic alignment which reduces the sample to 59 countries. We find evidence that UN voting similarity to the US and greater numbers of allies that are GATT/WTO members are associated with faster negotiation times, consistent with hypothesis 1 that geopolitical alignment speeds application and negotiation time. Higher levels of GATT/WTO and PTA trade dependence are both associated with longer negotiation times.

In sum, we find some evidence for geopolitical alignment speeding accession, with democratizing countries, countries with high number of allies, and greater UN voting similarity to the US have faster time to apply. We find no evidence that higher levels of democracy or openness at application are

\[^{41}\text{In results not shown here, we find the same insignificant interaction results for other variables of interest (UN voting similarity, ally member count, GATT/WTO member trade dependency, and PTA member trade).}\]
associated with consistently faster accession negotiations. The WTO period lengthened the accession process, but we do not find that our variables of interest are conditional on the change from GATT to WTO period.\footnote{It is possible that the consistency of a WTO effect is underestimated because the sample is dominated by GATT accessions and has a high amount of right-censored WTO accessions that remain in progress.} We now turn to looking at the role of geopolitical alignment and economic alignment in specific cases of application and accession.

3 Case Studies of Expanding Membership

In case studies we can examine more closely the encouragement from members as well as the cost-benefit analysis of the potential applicant. This section will examine Japan as a country that threatened industries of current members and Korea as a country that was too small at the time to be of any concern. Both were important allies of the United States that sought export markets but were reluctant to open their own markets. These conditions support different expectations based on the geopolitical and economic alignment hypotheses. Their accessions demonstrate that sharing a common purpose with existing members on security issues was sufficient to gain entry. In contrast, sequential liberalization would dictate that these states would not gain membership until after they had undertaken more economic reforms to assure that their entry would raise the overall level of liberalization preferences within the membership.

The case study of Mexico examines a decision \textit{not to join} as well as a later decision to join. This case exhibits some aspects of the sequential liberalization model where a state waits until it is ready to open its markets before joining, but we also observe influence of foreign policy. Finally, the East European countries in the Cold War period offer an opportunity to examine the decisions of states that were least likely to join as they were neither allies nor market economies.

\textbf{Geopolitics versus Protectionism: Japan}

The accession of Japan to the GATT in the early 1950s represented the first major test of the trade regime’s principle of open membership. As a state with industrial capacity and the historical memory of harm to Western markets during the 1930s, Japan was viewed with fear among industrial circles in the
United States and Europe following World War II. Low cost wages would mean that Japan represented a competitive threat, while fears of cheating loomed large on a range of issues from brand-copying to dumping below price. Japan held a strong interest in gaining access to export markets but little willingness to open its own markets to free trade and investment. In short, the sequential liberalization model would suggest that Japan in the 1950s would not join the regime. Its critical role as a U.S. ally on the front lines of Cold War containment strategies in East Asia, however, added an argument in favor of its membership.

Japan’s accession was discussed by members as problematic even before Japan’s GATT application in 1952. An original suggestion in 1949 by the United States, speaking on behalf of Occupied Japan that it should be allowed to join GATT was rebuffed as the GATT Contracting Parties declined to invite Japanese participation in tariff negotiations. The U.S. representative said “The inclusion of Japan in the framework of the General Agreement on Tariffs and Trade would contribute to the political stability of the Pacific area and of the world . . . The contrary course with all its implications may breed serious resentment and political dissatisfactions.” Opposition, led by the UK, was motivated by fears that Japan would harm industries and not comply with trade rules. Japan would have to wait to apply until it achieved autonomy. Within a year of the conclusion of the San Francisco Peace Treaty in September 1951, on 18 July 1952, Japan applied for GATT membership.

Events in East Asia and poor performance of Japan’s economy convinced the United States that integration of Japan into the Western trading bloc was a foreign policy priority. First with the victory of Communists in the Chinese civil war and then the outbreak of war in Korea, East Asia took on new importance in the battle against communism at the start of the 1950s. The United States had a strong interest in Japan’s success as the base for U.S. troops in a strategic perimeter and a democratic protege emerging from occupation. Yet occupation reforms had opened the way for liberal sentiment and organized labor that could turn radical in face of continued poverty. Socialist victory in 1948 elections made real the possibility that Japan would turn to embrace neutrality in the Cold War, and the problem

of political and economic stability in Japan took on renewed importance. George Kennan’s visit to Tokyo in March 1948 convinced him that economic failure posed greater risk of communist subversion from within than any risk of Russian invasion or future Japanese return to aggression (Forsberg 2000, p. 62). He led in urging the new approach to Japan that would soon be codified in NSC 13/2, which called for the U.S. to focus on economic recovery in Japan and make “a vigorous and concerted effort . . . to cut away existing obstacles to the revival of Japanese foreign trade.” Continued U.S. aid was expensive, and exports offered one route to economic recovery in the devastated nation. The need to gain Japan’s cooperation with trade sanctions against China also made it essential for the United States to provide Japan with alternative markets as the United States compelled a reluctant Japanese government to restrict trade with its most natural regional trade partner (Forsberg 2000, p. 112).

Within the U.S. government, the State Department took the lead to advocate for Japan’s rapid accession to GATT. Opposition from nationalist Republican senators in Congress complicated efforts to negotiate lower bilateral tariffs with Japan. U.S. officials entered negotiations with modest offers to lower tariffs on Japanese goods (and no concessions on textiles where Japan had major export interests) and demanded concessions from Japan on politically important products such as automobiles. The Japanese resisted making any major tariff reductions and maintained import quotas that protected domestic industry. The United States increased its concessions on textiles such that the final agreement concluded in May 1955 was heavily criticized in the United States. The bilateral agreement benefited the United States only when viewed from the larger perspective that Japanese economic growth was in the U.S. national interest (Forsberg 2000, p. 156). Based on this calculation the administration expended considerable capital at home to accept the agreement and then abroad in negotiations with other GATT members to encourage approval of Japan’s GATT accession. In an extreme gesture of support for Japan, the United States was reported to have offered tariff concessions for improved access to U.S. markets to those GATT members that gave tariff concessions to Japan (Komatsu 1963, p. 161).

Faced with the same trade-off between foreign policy goals and domestic industry opposition, Britain

\[\text{NSC13/3 6 May 1949 cited in Forsberg (2000, p. 64).}\]
made a different choice. Britain’s Foreign Office recognized the foreign policy reasons to favor accession for Japan but faced strong resistance from Lancashire textile interests represented by the Board of Trade (Forsberg, 2000, p. 126). Opponents frequently complained that Japan engaged in unfair trade by dumping its products, stealing designs, and not opening its own markets, and therefore it urged the need for Britain to be able to discriminate against imports from Japan. The Foreign Office counter-argued that Britain would be blamed if GATT members rejected Japan and this led Japan to ally with Soviet Union (Yokoi, 2003, p. 114). A British government report carefully laid out the risk that rejecting Japan’s GATT membership would destabilize Japan and anger the United States just as the new Prime Minister Ichiro Hatoyama was wavering in support for the Western alliance. The report noted that some British industries could gain from exports to Japan but others faced potential for serious injury (Yokoi, 2003, p. 111). In an odd compromise, the British government voted in favor of Japan’s GATT accession while exercising the escape clause in GATT Article 35 by which existing members could deny MFN privileges to new members on a selective basis. The UK was not alone, as fourteen of the thirty-four GATT members invoked Article 35, which was unprecedented in the past or subsequent history of the trade regime.

Japan had not convinced states that it was embracing liberal market reforms, and the sequential liberalization approach would have urged members to further delay its membership. Instead, Japan gained full de jure membership on 10 September 1955. The United States and nineteen other members agreed to open their markets to Japan as they conferred MFN treatment to Japan at time of membership in exchange for limited reciprocity for market access in Japan. Even Britain could not deny membership to Japan, and instead chose to approve membership as a way to affirm Japan’s position in the Western club of nations while continuing to exclude its trade. Japanese exports grew rapidly in markets like the United States and Canada who conferred full GATT status but remained stagnant with those refusing to provide MFN tariff treatment to Japan (Uchida, 1959, p. 170). The security interests of the United States and Japan’s interest to rejoin the international community through membership in organizations explains

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45 British and French colonies would also invoke Article 35 against Japan to increase by an additional eighteen the total number of members that refused to provide full GATT status to Japan.
the willingness of both countries to go forward under these conditions (Akaneya, 1992). It took a decade of negotiations before all members agreed to extend regular GATT terms to Japan in the mid-1960s.

**On the Path to Reform: Korea**

A poor country emerging in the 1950s from years of oppression under Japanese colonial rule, the Republic of Korea did not raise fears of cheating or competition among GATT members. Korea first participated in the trade regime as part of Torquay round GATT negotiations on 9 Feb 1950 and anticipated acceding upon completion of the trade round. Kim (2005, p. 185) notes that since the country had little trade at this time, participation in the 1950 trade round was largely a symbolic statement about joining the international community rather than a move to expand market access. The outbreak of the Korean war in June 1950, the middle of the Torquay round, prevented ratification by the Korean legislature of the completed Torquay round agreement in April 1951. Joining the multilateral trade regime was set aside as the government grappled with more immediate problems.

Not for another fifteen years would Korea again consider membership. In November 1965, President Park Chung-Hee urged that the government should apply and established a research team to assess the benefits of GATT membership. The committee report emphasized benefits of market access but also highlighted the potential downside if accession forced the government to withdraw support for domestic industries provided by high tariffs and export subsidies. The addition of special and differential treatment for developing countries (GATT Chapter IV) in 1963 convinced the Korean government that it could gain the benefits of market access from joining the regime without having to constrain its own trade policy significantly (Kim, 2005, p. 186). The desire to promote exports was central to the government’s decision to join, but it had not embraced restructuring of its own domestic trade policy.

The government made its formal application in May 1966. A GATT working party was formed and after three meetings Korea’s accession was approved in March 1967. In the negotiations members

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46 C/M/36, GATT/CP.5/46/Add.1, BUDGET/6.
expressed concerns about active state intervention in the economy, and Korea promised that its export promotion measures would conform with GATT rules and it would lift import quotas after improvement in its balance of payments situation.\(^{49}\) Kim (2005, p. 186) describes the Korean offer as merely binding existing tariffs and notes that the items scheduled for tariff reductions represented less than 0.2 percent of Korean imports that year. Members made little effort to request more concessions from Korea and the United States withdrew its demands for more auto concessions upon resistance from Korea (ibid.). The Korean Cabinet and Assembly quickly approved the accession protocol so that Korea became an official contracting party in April 1967 and would benefit from tariff cuts being concluded in the Kennedy Round negotiations. Korean media coverage was favorable with comments that while Korea had to give foreign countries tariff concession on 18 imported industrial products it would receive extensive tariff concessions from developed countries on about 60,000 items.\(^{50}\)

None of the available records indicate that there was explicit consideration of foreign policy. The only indicator of foreign policy salience was the statement by the government of Cuba condemning participation in GATT by Korea.\(^{51}\) The leniency of members to allow Korea to join with few concessions of its own could have simply been that they saw little threat from Korean exports. The government had agreed to bilateral restraints on its textile exports prior to joining the regime, and as a member was forced to go along with the Multifiber Arrangement that entrenched the quota system for restricting textile trade (Kim 2005, p. 187). At the same time, it was clear that Korea was gaining considerable market access at little price. Alliance ties may have helped states to look with greater tolerance to allow free-riding. Korea had begun some liberalizing political reforms in the 1960s, but it was not a democracy at the time of application and accession. It had turned toward export orientation, but had not yet embraced liberal trade. Letting Korea join the club marks the inclusiveness of the organization and hopes that new members would continue to reform after accession.

\(^{49}\) L/2720 and L/2704.

\(^{50}\) May 1967, The Chosun ilbo.

\(^{51}\) October 1966 L/2695.
To apply or not to apply? Mexico’s two step

The decision of Mexico to apply for membership to GATT in 1979 was reversed when the government announced it would postpone its application. Five years later, Mexico renewed its application and rapidly concluded the accession process to join in 1986. The case offers an opportunity to examine what changed to convince Mexico that membership was in its best interest.

Reluctance to embrace free trade delayed application and accession by Mexico. The first rejection of membership occurred in 1947 when the Mexican Finance Minister announced that the country would not ratify the Havana Charter to establish the International Trade Organization or participate in GATT because the organization would ruin national industries (Ortiz Mena, 2005, p. 217). Import substitution policies led to declining shares of trade as percent of GDP over the 1950s and 1960s and at first delivered strong economic growth. With economic downturn in the 1970s, however, the government began to experiment with different economic policies. Under pressure from the IMF after receiving funds to help address the 1976 balance of payments crisis, the Mexican government launched a series of reforms including steps to liberalize trade policies (Ortiz Mena, 2005, p. 219). Participating in UNCTAD and the Tokyo Round negotiations brought Mexico into the center of negotiations over international trade rules. It appeared that Mexico was turning from import substitution to export promotion, and this shift in policy orientation explained the move to apply for GATT membership in 1979. The working group on accession met five times to produce an accession protocol that gave Mexico wide latitude to pursue its development strategies (Story, 1982, p. 772-773).

At this point, Mexican President Lopez Portillo engaged in a remarkably open domestic debate on the merits of GATT accession. The deliberation process with input from economic analysts and consultation with industry and labor groups was covered in front-page media commentary. Ortiz Mena (2005, p. 221-222) notes the irony that this debate went forward entirely separate from the accession offer that was negotiated with extremely favorable terms for Mexico. Rather than specific industries lobbying against import competition, attention focused on economic sovereignty and the development model writ large. The final vote of the Cabinet in March 1980 opposed accession, and the government informed GATT it
would postpone its application. Mexico had decided to remain committed to state intervention and to oil export reliance. The push for economic reform was set aside as rising oil prices raised the prospect for a return to high growth.

The United States had actively lobbied Mexico on the need for it to join GATT. \cite{Story1982} contends that the independent streak in Mexican foreign policy and desire to show independence from the United States perversely pushed Portillo to decline joining. Portillo’s relations with the Carter administration were poor at this time. Opponents of GATT in Mexico portrayed accession as a move towards dependence on the United States even though it would actually diversify export markets, which at the time were overwhelmingly directed to the United States. Portillo announced the postponement of GATT accession on the 42nd anniversary of Mexico’s expropriation of U.S. oil companies, framing rejection of GATT in terms of Mexican nationalism and anti-American policy \cite[Story, 1982, p. 775]{Story1982}.

Caught by surprise when Mexico postponed its application in 1980, the United States began to impose higher countervailing duties against imports from Mexico \cite[Lara-Fernandez, 1987, p.20]{Lara-Fernandez1987}. Export subsidies used as part of Mexican sectoral promotion strategies were seen as inimical to U.S. interests. Friction between the countries was resolved under desperate circumstances. When the collapse of oil prices and spiraling cost of servicing debt obligations threw the Mexican economy into turmoil in the early 1980s, the United States used the Baker plan as leverage to encourage economic reforms in Mexico including trade liberalization. The 1982 National Development Plan launched structural reforms to restore stable growth and improve competitiveness.

When Mexico renewed its application to GATT in 1985, it listed as its motive the desire to improve market access and reduce its reliance on petroleum exports.\footnote{GATT, 27 November 1985, L/5919} This time the Mexican government undertook hearings within the Senate, which recommended accession. As domestic reforms had begun a process to liberalize its own markets, many noted it should try to bargain for access rather than simply adopt unilateral liberalization \cite[Ortiz Mena, 2005, p. 225]{Ortiz-Mena2005}. Yet the government had not made a complete reverse course. It only agreed to the accession protocol when assured that it would be allowed to continue...
sectoral promotion policies, exclude sensitive agricultural products, and retain some aspects of import permits and official pricing system, which were clearly a GATT violation. The European negotiators who had agreed in advance that they would accept the accession terms negotiated between Mexico and the United States later complained that the United States had given too favorable a deal to Mexico (Ortiz Mena, 2005, p. 226). One can conclude that while a shift of domestic policy to favor liberalization was a necessary condition for Mexico to apply to GATT, its negotiation did not require deep concessions.

Mexico applied as its economic and geopolitical alignment became more similar to trade regime members. Its negotiations also display the willingness of members to let Mexico in with low conditionality in anticipation of long-term movement toward liberalization following membership in the regime.

**Seemingly Deviant Cases: Soviet Bloc Applicants in the 1960s**

Given the trade regime’s focus on liberalizing trade through reciprocal tariff reductions, we would expect that a non-market economy, lacking tariff rates and controlling trade through quasi-state entities, would face barriers to regime membership. However a number of East European communist states joined the GATT during the height of the Cold War and without undergoing substantial domestic reforms. Poland applied in 1959 (and joined in 1967), Yugoslavia in 1965 (1966), Romania in 1968 (1971) and Hungary in 1969 (1973). These accession cases highlight the extreme flexibility of existing members to allow accession of states well before they had adopted liberal trade policies. Existing members saw the offer of membership as an influence attempt with strategically important countries.

Yugoslavia was the earliest non-member communist state to formally engage with the GATT. High tensions between its Prime Minister, Josif Tito, and Joseph Stalin led to Yugoslavia’s expulsion from the Cominform in 1948 and to exclusion from the Council for Mutual Economic Assistance (CMEA), the Soviet equivalent of the GATT. Beginning in 1952 Yugoslavia established a unique economic model that lay between a market economy and a planned economy (Estrin, 1991, p. 188). Intending to maintain this middle ground, Yugoslavia began to express interest in GATT participation in the 1950s. The government

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53 Members allowed the pricing system to continue since GATT provisions would only apply if not inconsistent with existing law. Mexico abolished the pricing system on its own in 1987. See Vernon (1992/93, p. 725).
worked to make its trade policies compatible with market economy trade, finally requesting formal GATT membership in 1965 when it could formally negotiate tariff rates (Lanoszka 2001, p. 597).

The death of Stalin in 1953 and the USSR leadership transition to Krushchev increased the autonomy for Soviet allies in Eastern Europe. In October 1956, Polish nationalist leader Władysław Gomułka was elected as First Secretary to the Polish United Workers’ Party (PZPR), replacing the Soviet-appointed Polish political leaders. Gomułka remained in the Warsaw Pact but pursued Polish interests instead of Soviet priorities (Kaplan 1975, pp. 148-149). Poland sought to diversify its trade partners, increasing Polish imports from the West from an average of 20 percent in 1954 and 1955 to an average of 30 percent from 1957 through 1967 (Hughes and Volgy 1970, p. 464). Poland applied for GATT membership in 1959 to expand export markets and to seek elimination of high quantitative restrictions on Polish imports in West European states (Haus 1992, p. 26). Existing members did not act on the membership request at the time. Throughout the late 1950s, Poland sought greater Western economic engagement while formally maintaining solidarity with USSR foreign policy stances.

Among existing members in the late 1950s, GATT executive secretary Eric Wyndham White actively supported entry into GATT by Yugoslavia and Poland, and he received some support from the United States. White was concerned with establishing the GATT as an international organization and expanding its membership broadly (McKenzie 2008, 100). The United States was motivated by its domestic policy of “differentiation,” whereby it 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 United States identified Poland in the late 1950s as a Soviet Bloc country with which to expand relations (Haus 1992, 15). The United States viewed Poland as having the potential to break from USSR alignment. The U.S. extended foreign aid to Poland beginning in 1957 and MFN status in 1960 (Kaplan 1975, p. 153, 160). On the

54 Yugoslavia requested associate membership in 1958 (GATT document L/870), provisional accession in 1962 (L/1868), and full accession in 1965 concurrent with Kennedy Round participation (L/2350).

55 GATT document L/967. A working party was formed and a declaration made in November 1959 aiming for closer associations between Poland and contracting parties. Negotiations toward membership did not proceed at the time (L/1037/Rev.1).

56 These include criticizing nationalist Hungarian revolutionary leader Imre Nagy, formally supporting the USSR in the 1958-59 Berlin crisis, and participating in the Moscow Conference Declaration in November 1960 (Kaplan 1975, 155-157).
opposing side, the UK and France were concerned that any one Communist country’s membership in the GATT would set an unwanted precedent for other non-market economies to seek membership. They opposed Poland’s application with the immediate view toward keeping Yugoslavia from obtaining full membership (McKenzie 2008, p. 101).

During the early 1960s, the Kennedy Trade Round reopened the question of Poland and Yugoslavia’s membership status. Yugoslavia submitted an application for full membership in 1965 and Poland re-applied in 1966. This time their applications were accepted and existing members promptly formed Working Parties. Again, it would have been possible for the existing members to impose stringent conditions, but this did not occur. Yugoslavia negotiated MFN tariff rates to complete its accession protocol in July 1966. Poland won approval for its accession without any formal tariff negotiations under an 8-page agreement negotiated between January and September 1967. Poland’s non-market trading practices were incompatible with tariff negotiations and Poland was not willing to change its practices (Grzybowski 1980, p. 547). The main condition for Poland’s accession was an obligation that Poland increase its imports from GATT members by no less than 7 percent per year for the period 1968 through 1971, and it agreed to undergo an annual review process. Nonetheless, the accession protocol fully satisfied Polish demands for reduction of quantitative restrictions on its exports to Western Europe and did not require that Poland change its domestic trade policies. Following Poland, Romania and Hungary applied for full membership in 1968 and 1969 and were also accepted into the regime without ending state control of their economies.

Shifts in both the demand and supply of membership was necessary for GATT to incorporate non-market economies of Eastern Europe. First, the goal to diversify trade away from the Soviet Union contributed to several Communist countries applying for GATT membership. There is no evidence that

57 GATT document L/2736.
58 GATT document L/2851.
59 Romania’s terms were slightly different in that import increases should be “at a rate not smaller than the growth of total Romanian imports provided for in its Five-Year Plans,” but it received the same phase-out date as Poland upon which contracting parties were obligated to remove quantitative restrictions on Romania’s exports. (GATT L/3601, Annex B Schedule LXIX; GATT L/3475) Similar to Yugoslavia, Hungary underwent full tariff negotiations as part of its accession negotiation.
they intended to reverse their domestic economic system of state control over markets and embrace open market capitalism. And they did not have to make such changes. Instead, existing members agreed to admit these countries without demanding substantial reforms because they perceived foreign policy benefits. An important condition under which this trade-off was made was the small size of the countries seeking accession (Damrosch [1992, 29). Given the negligible economic impact, members could offer GATT entry as part of a larger geopolitical strategy.

The application of China and the Soviet Union in 1986 would present a far greater challenge and opportunity. Economic size increased the potential threat to domestic industries from granting them membership, and uncertainty over the direction of their foreign policy raised the stakes of any linkage policy. These cases would require more space than possible in this article and so we simply note that foreign policy concerns played a prominent role in the process alongside bargaining for economic reforms. For example, after early progress in negotiations for China’s accession, the 1989 Tiananmen Square massacre stopped all action in working party for three years. The final hurdle for Russia’s accession was opposition from Georgia arising over a territorial dispute. The full test of our argument applied to these case studies lies for future research.

4 Conclusion

Although the GATT/WTO is known as an economic organization, geopolitical factors attract some countries toward the trade regime while making others hesitant to join. The emergence of the trade regime as a political club explains both puzzles introduced in the beginning of the paper. Existing members allowed open entry for some countries that did not have high levels of trade openness and rejected the option of strong formal conditionality because they saw value in the organization as a carrot for gaining new supporters. Flexible accession provisions allowed members to apply a diverse range of criteria and adjust the cost of entry to the club on a case by case basis. Outsiders applied as a way to affirm their position within the Western bloc 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.

Placing the trade regime within a geopolitical context partly explains the shift toward more demanding conditions for applicants to the WTO. With its origins during the early years of the Cold War, GATT rules were transformed as the Cold War had come to an end with establishment of the WTO in 1995. This foreign policy context has shaped the evolution of the institution. The leading economic organization enticed new members with lenient conditions when engaged in rivalry with Soviet bloc, and only began to impose strict conditions when the end of Cold War reduced the salience of foreign policy in the domain of economic decision-making. 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.

The trade regime appears to follow sequential liberalization because it has experienced gradual membership expansion and deepening levels of commitments. A closer look, however, reveals that there has been a mixed approach toward selecting states based on levels of trade openness. Statistical analysis of both time to apply and negotiation length fail to show consistent effect of openness on outcomes for membership. Case studies also show that states seek membership in expectation that they will receive free ride rather than from a turn towards embracing liberal trade policies and opening home markets. Nevertheless, by forming a group of like-minded states with common interests, the institution could then embark on continued liberalization that would raise the level of commitments from within.

The importance of non-trade concerns in selection magnifies the potential role of the institution itself to shape trade policies. The sequential liberalization model implies that a state’s decision to join is endogenous with its decision to open markets, such that the institution itself has little influence on trade policy outcomes. This is a common critique of institutional theories (e.g. Von Stein, 2005; Mearsheimer, 1994/5). 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.
References


