



Title	Outside looking in: Non-accession to the WTO
Authors(s)	Brazys, Samuel
Publication date	2014
Publication information	Brazys, Samuel. "Outside Looking in: Non-Accession to the WTO" 27, no. 4 (2014).
Publisher	Taylor and Francis
Item record/more information	http://hdl.handle.net/10197/6051
Publisher's statement	This is an electronic version of an article published in Cambridge Review of International Affairs, 27(4) (2014). Cambridge Review of International Affairs is available online at: www.tandfonline.com/doi/abs/10.1080/09557571.2014.960810
Publisher's version (DOI)	10.1080/09557571.2014.960810

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Outside looking in: Non-accession to the WTO.¹

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Abstract

Since its institutional birth in 1947, the GATT/WTO (WTO) has mushroomed from twenty-three original contracting parties to one hundred and fifty seven members as of September 2012. Another twenty-eight countries are currently observers, each at varying stages of the accession process. WTO members and observers cover some ninety-nine per cent of the world's population and over ninety-nine per cent of global trade. However, there are still fourteen states outside the multilateral rules-based trading system. This paper argues that existing explanations of membership and accession do not fully explain why these states remain outside the WTO, with implications for membership in international institutions generally. The paper tests hypotheses of non-membership based on a lack of willingness (domestic support), ability (technical capacity), and a lack of external pressure, and augments these statistical findings with a comparative country-level narrative of WTO (non)-accession decision making in two small island countries.

Keywords: Governance, WTO, Accession, Membership, Small States

¹ This is a repository version Brazys, S. (2014) 'Outside looking in: Non-Accession to the WTO' *Cambridge Review of International Affairs*, 27 (4), xx-xx.

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Introduction. The impetus for a global rules-based international trading system first arose during the post-WWII economic planning process. While the proposed International Trade Organization never came to be, the ‘interim’ General Agreement on Tariffs and Trade (GATT) and its successor organization, the World Trade Organization (WTO), have largely fulfilled the promise of a universal trade regime. However, despite growing from twenty-three original contracting parties to one hundred and fifty seven current members and observers, the WTO still has what Jones (2009) calls the ‘unfinished business of universal membership’. As described by Jones (2009), universal membership would establish a global baseline of institutionalized, reciprocal, market access, based on the principle of non-discrimination as embodied by ‘permanent normal trade relations’ (PNTR), or ‘most-favoured nation’ (MFN) status, and ‘national treatment’ principles.

While there are substantial literatures on the characteristics of, and conditions under which, states join the WTO, and international organizations (IOs) more generally, there are a few studies that systematically evaluate those that remain outside. In order to further understand non-membership I make a closer examination of the fourteen states that remain outside (‘outsiders’) of the one of the most important multilateral economic institutions, the General Agreement on Tariffs and Trade/World Trade Organization (WTO). While traditional arguments for WTO and IO membership rest on functionalist and democratisation logics, the bulk of the outsider states are small, liberal (open), and democratic. Existing explanations would suggest that they should be members. As evidence mounts of the equalising effects of international institutions, it begs the question if countries remain outside these institutions by choice, indifference, or barrier. In order to address this puzzle I propose three potential explanations for understanding the outsiders: the outsider states do not have the capacity or incentive to join (not able or not willing), and/or have not faced significant external pressure to join. In the following sections I first examine why current explanations for membership and accession do not explain the outsider states and I then test the non-accession hypotheses suggested above. Finally, I examine two small-island states, Samoa and the Federated States of Micronesia, who have joined and remained outside the WTO, respectively, to further uncover the factors that keep states out of the WTO.

What do we know about GATT/WTO accession? Studies on GATT/WTO accession fit into a larger research agenda that examines the characteristics and motivations of states that join international organizations. Classical arguments for IO membership have been based on a functionalist logic that states gain benefits from institutionalized cooperation that outweigh any corresponding loss in national sovereignty (Jacobson et al, 1986). Moving beyond these arguments, one of the most successful recent narratives has linked IO membership to the democratization process. Mansfield and Pevehouse (2006) argue that democratizing states will join IOs in order to more credibly commit to liberal democratic reforms. Their subsequent work finds that impetus is even stronger when considering accession to multilateral economic organizations (Mansfield and Pevehouse, 2008).

With specific regard to the GATT/WTO, burgeoning literatures exist on the process, obligations, benefits, terms, contentious issues and implications of accession (Cattaneo and Braga, 2009; Drabek and Bacchetta, 2004; Kennett et al, 2005; Langhammer and Lucke, 1999; Lanoszka, 2001; Michalopolus, 1998; Pelc, 2011; Schmidt, 2002; Williams, 2008). Additionally, there is a

nearly endless supply of analyses and discussions of specific country accessions, in particular China (*ex. Ianchovichina and Martin, 2001*) and Russia (Langhammer and Lucke, 2001), but also of smaller countries such as Tonga (Wallis, 2010) and Vanuatu (Grynberg and Joy, 2000). A smaller, and more recent, literature focuses more explicitly on the decision and duration of accession. This literature posits a detailed list of economic and institutional variables that help to explain the timing and duration of GATT/WTO accessions, and provides a useful jumping-off point for understanding non-accession.

The state of the art on accession decisions and timing. WTO accession has only recently become an explicit variable of interest. Earlier work on explaining WTO accession focused on explaining the duration of the accession process. Wong and Yu (2008) find that democracies tend to have shorter accession periods than non-democracies, while Jones (2009) finds that increases in the number of previous accessions, increases in the applicant's existing tariff levels, and increases in the share of the applicant's exports to the WTO's main member economies all lengthen the accession period. Despite his title, Jones (2009) offers little in the way of theoretical argument or empirical support for understanding the lack to WTO universality. He argues that the WTO accession process is more costly than the GATT accession procedures but does not explain why some countries choose to endure these costs while others do not.

The WTO accession decision has been examined more directly in recent papers by Copelovitch and Ohls (2012) and Davis and Wilf (2012). Each employs a Cox proportional hazard model to analyze the 'hazard' of accession, using an array of independent variables to explain differences in the timing of the accession decision. Copelovitch and Ohls (2012) find that existing trade ties to GATT/WTO members, levels of democracy, and existing trade openness increase the 'hazard' rate (of acceding to the WTO) while membership in preferential trade agreements (PTAs) decreases the hazard rate. Furthermore, they find that these relationships are conditional, or interactive. Davis and Wilf (2012) also find that democracy increases the hazard rate. Additionally, they evidence an increased hazard rate for those applicants with higher UN voting similarity between the applicant and the United States and for those with a larger number of allies that are WTO members. Both of these papers support the functionalist and democratization logics that are found in the broader IO accession literature discussed above.

Lack of explanatory power for outsiders. While the Copelovitch and Ohls (2012) and Davis and Wilf (2012) papers offer valuable insight into why, of the countries that have sought accession, some wait longer to begin and reach accession they do not explain the decision of those countries that have not yet sought accession. This distinction is lost in Copelovitch and Ohls' (2012) Cox Hazard model, which treats failure as *achieving* formal accession rather than *starting* the accession process. Outsiders and observers are treated as the same in their model — neither reaches the 'failure' point of accession. However, since under Article XII, the head of state need only send a brief letter to the WTO Director-General indicating a wish to begin accession negotiations starting accession is a relatively costless step. Accordingly states who have not sought accession have evidently made a positive decision to stay outside of the WTO.

In addition to the small but important nuance between outsiders and observers, Copelovitch and Ohls (2012) also restrict their analysis to post-colonial states and include data

for only one of the thirteen outsiders in their study.³ This omission is significant since a review of the outsider characteristics would suggest that most of these countries would be prime candidates for membership under their functionalist and democratisation hypotheses. I have turned to primary sources to complete the outsider dataset and Table one provides descriptive statistics for each of the thirteen WTO outsiders and the median values of the remaining twenty-nine countries included in the statistical study below. Source information on this data is available in Appendix one.

TABLE 1 ABOUT HERE

A quick glance at the WTO outsiders reveals that many of them share a number of characteristics. Generally speaking, they are small, and often poor island states. They include the world's smallest state, Tuvalu; the world's newest state, Timor-Leste; and one of the world's poorest states, Eritrea.⁴ The most prominent exceptions are Somalia and North Korea who, while both poor, are also relatively large, but who are also two of the more troubled states in the international system. Almost certainly there are additional factors that keep these two states from seeking WTO accession, including instability and isolation. Likewise, while small, neither Monaco nor San Marino is poor. However, as is evident in table one, both have a relatively small diplomatic presence overseas. This heterogeneity aside, the functionalist and democratisation logics seem unable to account for a substantial majority of the outsiders – states that are more democratic and more open (in terms of trade share) than existing WTO members. This functionalist logic is particularly compelling as international trade theory would suggest that small, open, states have the most to gain from trade liberalization. Using the completed data to replicate the C&O specifications suggests that their results are weakened or do not hold when including the outsider data. These results can be found in Appendix II.

Explanations for non-accession by WTO outsiders. The descriptive statistics above suggest a need to go beyond the current explanations in order to understand why the outsiders have not sought WTO accession. As suggested above, both Somalia and North Korea are likely to be exceptional cases and the hypotheses developed below may not necessarily be applicable in explaining their non-accession. Turkmenistan and Eritrea also may be adequately explained by prevailing logics as neither is a democracy and both are comparatively closed in terms of global trade shares. However, the capacity and constituency-based arguments developed below may reasonably provide explanatory power in understanding their non-accession.

The remainder of the outsiders are small states. Bishop's (2012) overview of the small-state literature reminds us of the relative obscurity to which these actors have been relegated in international relations scholarship. However, despite their economic vulnerability, Briguglio et al (2010) have found small states to be quite resilient in the international system. An edited volume by Cooper and Shaw (2009) finds small states actively engage in a wide spectrum of international issue areas from offshore finance, to internet-related business, to flags of

³ Their dataset is available online from the Review of International Organizations. While their paper suggests seven of the outsiders are included in their study a perusal of the replication data suggests that their models excluded all but one of the outsiders due to incomplete data.

⁴ This analysis does not include South Sudan.

convenience. Small states are also active in the WTO. Cooper (2009), Lee (2009), and Jackson (2012) have each examined the (outsized) role of small states in contesting cases using the WTO's dispute resolution mechanism. The impact of small states in international affairs can be significant and, as Panke (2012a: 338) describes, small states can 'punch above their weight' in international relations. Small states can shape outcomes, but only if they sit at the negotiating table. Thus, size alone does not seem to account for the outsiders. This is also evident by the number of small and micro states that *are* in the WTO, including Samoa, examined in the case study below. Nor does poverty alone account for these outsiders as, once again, a number of even poorer states are party to the WTO and two of the outsiders, Monaco and San Marino, have per capita income levels that place them among the advanced industrialized nations.

Thus, I develop three hypotheses in order to understand why the outsiders states have not sought membership in the WTO. I suggest capacity as a first avenue of inquiry. As alluded to above, while the benefits from WTO membership can be potentially large and seeking accession is nearly costless, the entirety of the WTO accession process is complicated, time-consuming, and costly. Basra (2012) provides a comparative overview of the accession process under both the GATT and WTO mechanisms. She notes that while the general accession principle of 'terms to be agreed' remains similar under the WTO as compared with the GATT, others have discussed how accession to the WTO is more difficult than to the GATT due to factors such as the number of agreements under the WTO and the internal reforms often demanded by existing WTO members (Michalopolous, 1999; Kim, 1996). The sheer scope of WTO coverage, combined with the asymmetric power of some one hundred and fifty members (potentially) making demands on one acceding state, means that successfully negotiating a WTO accession is no small task.

Engaging in WTO negotiations can be a significant strain not only on foreign or trade ministry resources, but also on a host of the other 'line' ministries (agriculture, infrastructure, technology, communications, etc.) whose jurisdictions may encompass WTO-related issues. As Panke (2012b: 313) notes, '[S]mall states tend to possess fewer administrative and financial resources back home as well as smaller and less-well equipped delegations at the international negotiation table than big states.' Countries that have a small diplomatic corps and/or technical ministry staff may have difficulty finding significant resources and personnel to dedicate to a WTO negotiation. This type of international negotiating capacity deficit has been examined in the context of small states in international relations; participation in the UNGA, European Union (EU), and International Criminal Court (ICC); negotiation in the EU; negotiation of an international forestry regime; and in the GATT/WTO Uruguay Round negotiations.⁵ Studies on these topics note how states with limited technical or negotiating capacity may be unable to engage fully or substantively in international negotiations. It is not an unreasonable extension to posit that states with limited negotiation capacity may decide *not to enter* negotiation rather than to begin negotiations for which they are unequipped. Accordingly, I suggest a first hypothesis to explain non-accession to the WTO.

Hypothesis one: The smaller a country's international economic negotiating capacity, the less likely the country will be to seek WTO accession.

⁵ See Ingebritsen et al. (2006), Panke (2012a), Borzel (2002), Young (1989), and Finger and Schuler (2000) for an example of each, respectively.

The lack of technical and negotiation capacity alone may not explain non-accession, especially as this barrier would seem to be relatively surmountable. In fact, the WTO has recognized the capacity limitations of some members and observers and has, in the past decade, offered substantial technical support, especially to developing states in the accession process, as discussed by Zarcone et al (2005); and Langhammer and Lucke (2001). Prowse (2002) discusses the structure and merits of this ‘trade-related capacity building’ and it is reasonable to assume that such assistance would be made available to many of the outsiders if they chose to seek accession. The existence of this assistance does not completely negate Hypothesis one, however, as some countries may be hesitant to accept external assistance, especially in the context of potentially contentious international negotiations where offers of assistance may be coming from the adverse negotiating party. Further, the amount of assistance available may not adequately cover capacity gaps. Nonetheless, I suggest two additional factors that might incline states not to seek WTO accession.

Putnam’s (1988) ‘two-level’ game logic suggests that in order to secure adequate political support, national leaders must ensure that international negotiations offer sufficient incentives to form a winning domestic coalition. Outsider states may have extraordinary difficulty in assembling such a coalition due to the diffuse nature of the benefits of international participation and the perceived ‘distance’ from international events and forums. Given the asymmetric nature of WTO accession negotiations, particularly for small states, the ability of the acceding country to secure negotiated for side-payments that can be used to build a winning domestic coalition is limited. Instead, WTO accession terms are largely ‘take it or leave it’, meaning that the leaders of the acceding countries must build winning coalitions from the ‘natural’ supporters of trade liberalization (Jones 2006). The main benefit from WTO accession is improved market access for export oriented sectors. The most apparent of these is the export-oriented manufacturing sector who are often noted as the ‘natural’ supporters of trade liberalization (Dur 2008). While other sectors, such as agriculture or services, may also be export oriented, the WTO, to date, has proceeded much further with liberalization in manufactured goods than in either of these other areas. As such, the gains will be most apparent here and I argue that non-acceding states may lack an export-oriented manufacturing sector and thus lack a coalition of interests that would support WTO accession. To some degree this is an extension of the functionalist argument, the (perceived) benefits of WTO accession may simply not be large enough to justify the cost and effort of accession.

Hypothesis 2: The smaller the size of a country’s export-oriented manufacturing sector, the less likely the country will be to seek WTO accession.

Finally, I advance a lack of external pressure/conditionality as an additional rationale to account for states remaining outside of the WTO. It is plausible to think that states that have yet to seek WTO accession have not had sufficient external ‘encouragement’ to do so. Arguments for small or vulnerable states yielding to external pressure in international relations date at least to Keohane (1967). To think that some states join international institutions as a result, at least in part, of external pressure is not a wild extension from this literature. While *ex-ante* conditionality on external assistance has been largely abhorred for some time (Collier et al 1997), there is substantial documentation of World Bank and IMF programs containing market-reform and

trade-liberalization conditionality (Edwards, 1997; Greenaway and Morrissey, 2007). This conditionality may prompt otherwise hesitant states, those lacking capacity or internal incentive, to seek WTO accession. In this context, the outsider countries may simply not have had the ‘benefit’ of a conditional external finance program. This mechanism is also anticipated by Copelovitch and Ohls (2012), who use an ‘IMF Program’ dummy variable as a control in their accession specification, finding a weakly significant positive relationship.

Hypothesis 3: Participation in a multilateral finance program will increase the likelihood of seeking WTO accession.

Evidencing the non-accession decision. In order to evidence the non-accession decision I examine the accession decisions of forty-two countries who were outsiders following the conclusion of the Marrakesh agreement.⁶ I limit my scope of inquiry to the post-Marrakesh period due to the substantive shift in the accession process following the conclusion of that agreement. I argue that the decision to begin the accession process under the WTO is fundamentally different than deciding to accede under the GATT due to the cost and obligation differences described above. I follow Copelovitch and Ohls (2012), employing a semi-parametric Cox proportional hazard model as I have no *a priori* expectation of the parametric form of the hazard function and I expect the covariate relationships to be proportional and constant. However, whereas previous work on accession has set ‘failure’ (the event of interest) as the date of formal accession, as discussed above I define the ‘failure’ event as the beginning of the accession process, so as to capture the accession decision and explicitly account for the outsiders. In the post-Marrakesh period, twenty-nine of the forty-two remaining ‘outsider’ countries began the accession process. All countries except Timor-Leste, which did not then exist, enter my dataset in 1994 and the temporal unit of analysis starts from that date. The countries exit in the year they begin the WTO accession process, as captured by a dummy variable.

I use three primary independent variables to capture the hypotheses above. As discussed by Panke (2012a), capacity is often measured by using some measure of income, be it GDP or GDP per capita. As noted in Appendix II, the variable GDP became strongly and positively significant when adding the outsiders to the C&O data. While GDP may be a useful first-glance proxy for capacity, it is imperfect in several ways. First, while GDP may give a measure of the ‘capacity for capacity’ – i.e., one needs resources to train, employ and support negotiators and technocrats – it tells us nothing of internal allocation decisions. For a given level of GDP, one country may choose to dedicate its resources to, say, social domestic programs, while another may choose to more heavily support international diplomacy. Second, it is not clear that international negotiation and technical capacity can always be ‘bought’. Trade negotiators and technical advisers are highly skilled and specialized. The supply of such staff may not directly correlate with GDP, especially in countries with a large GDP but low GDP per capita, or in countries that have high levels of GDP due to extractive wealth (energy or mineral resources) as opposed to wealth resulting from a dynamic and educated work force. Finally, GDP is often

⁶ That is, states that had not yet begun the accession process prior to the conclusion of the Marrakesh agreement.

highly correlated with other measures and I prefer to omit it to avoid multicollinearity both with my controls and my second independent variable.⁷

Accordingly, in lieu of an income measure, I construct a novel variable that more accurately captures international negotiation capacity. While data on foreign affairs budgets is notoriously difficult to obtain, the number of overseas missions of any given country is in the public realm. While this data still has some problems, namely, it does not account for discrepancies in the sizes of overseas missions, it provides a nice proxy for international negotiating capacity. Total number of missions gives a good measure of overall international diplomatic capacity. However, since there are certain fixed costs associated with overseas missions, information on a disproportionately large or small number of overseas missions given country size also provides an indication of the relative importance of foreign affairs for any given country. To normalize this difference between richer and poorer countries (given a resource-rich country and resource-poor country with the same inclination to foreign affairs, one would expect the resource-rich country to have more missions), I scale overseas diplomatic missions from 0-100 and weight the variable by the population share of GDP.⁸ Accordingly, I expect a positive relationship between the number of diplomatic missions and the ‘hazard’ of beginning WTO accession.

In order to evaluate my second hypothesis, I construct a variable that measures manufactured exports as a percentage of GDP from the World Bank World Development Indicator (WDI) dataset to establish the size of domestic export-oriented interests. Manufacturers that are already exporting pre-WTO accession are clearly globally competitive and presumably would have a strong interest in securing additional and more secure market access. The larger that this sector is relative to the overall economy, the more likely it is that national leadership will have a winning coalition for WTO accession. I expect a positive relationship between the size of the export-manufacturing sector and the ‘hazard’ of beginning the WTO accession.

I use Copelovitch and Ohls’ (2012: 95) ‘IMF Program’ dummy variable, which is a ‘1’ ‘if a country participated in an IMF lending program’ in the preceding five years, to test my third hypothesis. If IMF program conditionality spurs countries who would not otherwise join to seek accession then one would expect to see accession within the near-term of an IMF program. For control variables I incorporate the share of a country’s trade with existing WTO members and the Polity IV score. While including the outsiders above diminished the explanatory power of these variables in the C&O models, the trade coverage and Polity variables were still statistically significant and, as such, it is reasonable to think that they may also bear explanatory power on the decision to accede.⁹

Due to data limitations, I run a number of different models. Models I-VI use the data gathered from the sources listed in Appendix I. However, since the ‘manufactures as a share of

⁷ Full ‘impute’ specifications run with a ln of GDP per capita (Model X) return results consistent with Model X when accounting for Monaco and San Marino who have relatively low levels of diplomatic capacity but high GDP per capita.

⁸ I also test models (available upon request) using a straight count of diplomatic missions and the natural log of the number of diplomatic missions and find no substantive difference in results.

⁹ I omit C&O’s other controls as they are captured by my other measures or are irrelevant to my research question(colonial past).

total exports' data is quite limited in the original form, I also run models in which the export data is expanded by imputing missing time periods. Following Honaker and King's (2010) discussion on imputation with time-series cross-section data, I employ two methods of imputation. The first, used in models VII and VIII, is a 'best guess' approach based on the available data. In this approach I assume that exports as a share of manufactures, and exports as a percentage of GDP, are relatively stable measures and I impute missing values by using three-year moving averages. Where possible I also impute the values by correlating changes in export share as a percentage of GDP with changes in overall manufacturing activity. However, as discussed at length in Honaker and King (2010), this type of 'best guess' approach has been shown to routinely produce biased and inefficient results. Accordingly, I also use a multiple-imputation approach to form 'complete' series of the data using Honaker, King and Blackwell's (2009) 'Amelia II' software to create imputations of my data and use this data to estimate models IX and X. Finally I run a model (XI) that includes an interactive term between diplomatic missions and the size of the export-oriented sector. The results are presented below in Table two:

TABLE 2 ABOUT HERE

The results above largely support my hypotheses. Increases in the number of diplomatic missions and in the volume of manufactured exports increase the likelihood of seeking accession. Conversely, there is little support that existing trade ties or governance scores impact the likelihood of accession. My results are largely robust across the different models and using the different methods of data imputation. As the Polity IV score is insignificant when included in the model, I also run models where it is dropped and find no significant difference in my results. The 'best guess' and multiple-imputation models return similar results, with each showing the variables of interest positively signed and statistically significant. In particular the IMF program dummy is strongly significant across all of the full-population models (I, II, VII-X). This result was not unexpected from the data, as not a single outsider has participated in an IMF program during the time period of the study. I use STATA's *stcurve* to plot the hazard function at the mean values of the model's variables for the thirteen outsiders and at the mean values of the model's variables for the twenty-nine accession seekers. These hazard functions are displayed below in Figure one and reveal a hazard function for the outsiders that is significantly below that of the accession seekers. These results suggest that incorporating capacity and domestic constituency add explanatory power when considering the question of *why* countries do or do not seek WTO accession.

FIGURE 1 ABOUT HERE

As the one cannot interpret marginal effects for a model that includes an interactive term, I plot the marginal impact of diplomatic missions at different levels of manufacturing exports from model XI in Figure two. Figure two illustrates that the presence of diplomatic missions only increases the likelihood of WTO accession at relatively lower levels of manufacturing exports. This suggests, in particular, that a very large manufactured export sector may be a *sufficient* condition for seeking WTO accession, while at lower levels of manufactured exports economic negotiating capacity plays a larger role in the decision to seek accession.

FIGURE 2 ABOUT HERE

Understanding the outsiders. The statistical results from the section above provide strong evidence in support of the hypotheses. However, to further investigate the causal mechanisms, I conduct a comparative examination of the (non)-accession decision in two countries, the Federated States of Micronesia and Samoa. An examination of these ‘most-similar systems’ countries provides a narrative that may illustrate what factors prompted one Pacific small island state to join the WTO and one to remain outside. Most similar systems designs are useful for comparing variation in dependent and key independent variables while holding other potential explanatory factors (remoteness, size, geography, (lack of) resource endowment) constant. In the cases below there is variation on the dependent variable (accession decision) as well as on the domestic trade constituency variable. While this specific case comparison may give useful insights into the causal mechanisms behind non-accession, it is also important to highlight the limitations. In particular, while the FSM may be representative for a number of the small, vulnerable, outsiders, it may not be an overly useful case for understanding the non-accession of North Korea or Somalia. Likewise, the two cases only vary meaningfully on one of the three independent variables, the size of the export manufacturing sector. This provides little traction for verifying the causal mechanism behind the capacity or conditionality hypotheses. However, on the positive side, comparing most similar systems with differing outcomes also holds the possibility of uncovering further, unanticipated, causal mechanisms.

The Federated States of Micronesia. The Federated States of Micronesia (FSM) is an archipelago of some six hundred islands in the Equatorial Pacific. After a turbulent colonial past, the FSM emerged from a United States-administered UN trusteeship in 1979 and became a fully independent country in 1986. Although the FSM is a member of the United Nations and an active participant in global climate negotiations, the country has made few moves towards joining the WTO. As depicted in Table one, the FSM has a small share of manufactured exports and a limited number of overseas diplomatic missions. The FSM has never participated in an IMF program, although it is a member of the organization.

With regard to trade-negotiation capacity, trade policy in the FSM is set by the National Trade Facilitation Committee (NTFC), a standing committee comprised of state and national government officials and community and business leaders. The NTFC meets on a bi-annual basis to discuss trade policy and provide guidance to the secretariat. The NTFC secretariat has been comprised of two local and one long-term expatriate staff members who are the permanent trade negotiating capacity and are part of the Department of Resources and Development.¹⁰ These three individuals are responsible for representing the FSM in all trade-related matters and their time is split between multiple bilateral and regional trade arrangements, including the Pacific Agreement on Closer Economic Relations (PACER), the Pacific Islands Trade Agreement (PICTA), the Micronesia Trade Committee (MTC), a European Partnership Agreement (EPA), and the bilateral trade relations with the United States. They receive limited support from the FSM’s Department of Foreign Affairs and the Office of Economic Management. In response to my questions, these staff members indicated that the regional and bilateral trade agreements

¹⁰ These individuals are in the Division of Trade and Investment and include the Assistant Secretary of Trade and Investment, a Deputy Assistant Secretary of Trade and Investment, and a Trade Policy Analyst.

consumed all of their time and it would be exceedingly difficult to undertake WTO accession negotiations without an increase in staff resources.¹¹

Beyond the limited trade-negotiation personnel, there is also a lack of capacity in the various line ministries (Agriculture, Investment, Environmental Protection, Finance) to formulate the Memorandum on Foreign Trade Regime, much less to support ongoing accession negotiations in these areas. In terms of overseas representation, the FSM does not have a diplomatic mission in Europe, to say nothing of Geneva. WTO members and observers in the Pacific Island Forum (PIC) do have a combined mission to the WTO, to which the FSM could presumably become party, but this would require a resource contribution from the FSM. Thus, while the FSM does have dedicated trade staff, given its other trade obligations, the country would be hard pressed to support a WTO accession bid, lending strength to my statistical findings above.

With regards to the presence of a domestic constituency in support of WTO accession, the structure of the FSM economy has been largely distorted by the massive amounts of foreign aid it has received since independence. Under an agreement known as the Compact of Free Association, the FSM has received economic assistance from the US that equals roughly thirty-five per cent of GDP since 1986 which has induced ‘Dutch Disease’ effects wherein the bulk of economic activity revolves around the services needed for the consumption of imported tradables (Brazys 2010). In its twenty-five year history, the FSM’s only major manufacturing ventures have been into the areas of fish-processing and garment-making, but these ventures have been defunct for nearly a decade. The absence of export-oriented manufacturing leads to a lack of domestic support for a WTO accession bid.

This lack of domestic support was widely evident at a Workshop on Implementation of the National Trade Policy held in Palikir, Pohnpei in August, 2010. This workshop included representatives from government, civil society and the business community with an aim of drawing broad stakeholder input into the final formulation of the National Trade Policy. At the workshop, a presentation by technical officials entitled “Costs and Benefits of a WTO Accession Bid” was met with broad skepticism, including a roundly applauded rhetorical refrain of ‘What will we trade?’ The most ardent voices in opposition to a WTO accession bid were the powerful domestic wholesale, retail, and to a lesser extent, tourism interests. Business combines with politics and many of the leading companies in these sectors have close links to the FSM political apparatus. Services liberalization that has often been a part of WTO accession terms would expose these sectors to competition. Opposition to WTO accession was also raised by non-governmental actors based on the status of the FSM’s ongoing regional negotiations. There existed a sense that the FSM should ‘wait and see’ the impact of this regional liberalization before embarking on a more ambitious global project.¹²

Finally, although the FSM has not participated in an IMF program, the economic relationship with the United States under the terms of Compact of Free Association mentioned above does create a situation where a powerful external actor might pressure the FSM to seek accession. Discussion with FSM trade officials suggest that while the US has been supportive of

¹¹ Discussions with officials from the FSM Department of Resources and Development, August 2010.

¹² Direct observation from workshop participant.

the FSM's efforts to liberalize trade regionally, and would be generally supportive of an effort to seek WTO accession, there has been little external pressure to do so.¹³ Review of the Compact documents affirms this understanding as it contains no explicit conditionality or even references to GATT/WTO accession. Thus, in the case of the FSM, there is a clear lack of a domestic constituency in support of WTO accession, a powerful set of interests opposed and the lack of any significant external pressure, findings that once again give support to the statistical results above.

Samoa. The Independent State of Samoa, formerly known as Western Samoa, is a slightly larger and more populous nation some twenty-five hundred miles southeast of the FSM. A former protectorate of New Zealand, Samoa was one of the first Pacific island nations to re-establish its independence in 1962. Samoa began the WTO accession process in April 1998 and joined as the WTO's 155th member on 10 May 2012. Like the FSM, Samoa has a modest diplomatic presence of just nine overseas missions. However, unlike the FSM, Samoa's economy has a substantial export-oriented manufacturing sector that averages twenty-four percent of GDP from 1994-2009. Samoa participated in two IMF programs in the 1980s but none within the five years of its WTO accession bid.¹⁴

Samoa's trade negotiation responsibilities lie under the jurisdiction of the Ministry of Foreign Affairs and Trade, and the WTO accession was guided by the National WTO Working Committee which availed of government, private sector and civil society representation (Lauofo, 2012). The core of Samoa's trade-negotiation capacity is comprised of three technical staff members but has been actively complemented in recent trade negotiations, including the WTO negotiations, by technical staff from line ministries.¹⁵ Like the FSM, these individuals are responsible for a number of trade negotiations, including PICTA, PACER Plus, and EPA negotiations in addition to the WTO accession. The line ministry support has included legal, agricultural and finance technical expertise (Samoa, 2010). The WTO accession process was facilitated through the Samoa National WTO Working Committee which, in addition to being comprised of the government officials described above, also included representation from the business and civil-society sectors. While Samoa has limited overseas representation, it does have an embassy in Brussels. Beyond this, Samoa is part of the Forum Island Country (FIC) shared mission to the WTO in Geneva. As Bowman (2009) discusses, this joint office was agreed to at a 1999 meeting of the Pacific Forum Trade Ministers and ensures a presence in Geneva to represent the interests of the FICs and keep members abreast of WTO developments.

While the capacity profile of Samoa is relatively similar to the FSM, there is a significant difference in the economic structure of the two countries. Like the FSM, Samoa is also a major recipient of foreign assistance, but it has seen structural levels of assistance closer to ten per cent of GDP as opposed to thirty-five per cent in the FSM. Samoa has a significant amount of

¹³ Discussions with officials from the FSM Department of Resources and Development, August 2010.

¹⁴ While Samoa's participation in the IMF programs was in the 1980s, they did participate in several economic-liberalization projects led by the Asian Development Bank in the 1990s. However, review of relevant project documentation and interviews with Samoan government official suggests that WTO accession was neither an explicit nor implicit aspect of these programs.

¹⁵ The core trade staff are in the Ministry of Foreign Affairs and Trade (MFAT) and include a Deputy CEO of MFAT, a Principal Trade Officer and a Trade Officer. A Samoan government trade official confirmed in an interview (18-01-2013) that the line Ministries 'contributed significantly' in the WTO accession process.

manufactured exports both in the processed fish and the automotive components sectors (Central Bank of Samoa 2008). The Samoa Chamber of Commerce and Industry Inc. has been an active member of the WTO Working Committee and has participated in technical assistance workshops in order to help prepare its members to take advantage of increased market access (RNZI May 6, 2012; Samoa Chamber March 29, 2012). Available statements from Samoan private sector interests reveal cautious support for accession. When prompted for his thoughts, the president of the Chamber of Commerce said:

‘There’s no turning back now so we see it as also a lot of advantages to it in terms of the growth of our businesses. Now we are able to trade with some of the countries that we would not be able to so I think it’s a good prospect.’ RNZI May 6, 2012

while statements from a 2001 National Conference on WTO Accession indicated that:

‘[T]he Chamber of Commerce generally supported the Government’s efforts to accede to the WTO. The purposes and principles of the WTO were seen as consistent with their business interests and the opening of Samoa’s domestic market was welcomed to the extent that Samoan enterprises were ensured the same level of access to foreign markets.’ UNCTAD 2003: 2

These statements, while not indicative that the push for WTO accession came from the export-oriented sector, at a minimum suggest that on balance the private sector was not opposed to WTO accession, unlike in the FSM. However, given that private sector support does not appear to have been the *impetus* for Samoa’s WTO accession bid, and that the Samoan government does not have substantially more international economic negotiation capacity than the FSM, it would suggest that some other factor(s) also accounts for Samoa seeking WTO accession. The first alternative explanation may be political will, as suggested by former Samoan chief negotiator the Honorable Fonotoe Naufesili Pierre Lauofo (2012).¹⁶ It may be that leadership and commitment by political Figures provided further sufficient conditions to pursue and achieve WTO accession. In the opening remarks of the 2001 National Conference on WTO Accession the Honorable Hans Joachim Keil, then Minister for Trade Commerce and Industry, may several eloquent arguments for WTO accession, including:

‘Samoa is a very small market of 170,000 and the greatest opportunity for our producers and manufacturers is to look for overseas markets. With the growth of trade barriers around the world, our market access preferences which we have enjoyed in the past, have been marginalized and reduced.’ UNCTAD 2003: 11

suggesting an internalization of the benefits of WTO membership on the part of the government. Thus, the presence or absence of a supporting private sector domestic constituency (or at least the lack of an opposing one) and political will may be the most significant factors that account for Samoa seeking WTO accession and the FSM remaining outside. These findings complement the statistical results and suggest that factors such as political will may be sufficient to spur a WTO accession bid.

¹⁶ Strong political will in the Government Samoa was also given in an interview (18-01-2013) with a Samoan trade official as the main reason for Samoa seeking accession.

Conclusions. This paper has sought to explain why the thirteen countries that remain outside the WTO have not yet sought accession to one of the most important multilateral economic institutions. Existing explanations of WTO, and more generally IO, accession, which rest on functionalist and democratisation logics, do not appear to account for these outsider countries. Instead of existing trade ties or levels of democracy, it appears that capacity constraints, a lack of a trade-supporting domestic constituency, the absence of external pressure, and/or the absence of political will account for the non-accession decision. If the WTO community is interested completing Jones' (2009) unfinished business of universal membership then it may be necessary to change the current *de facto* accession practices. Instead of seeking 'WTO plus' commitments in goods and services liberalization from the remaining outsiders, the membership should perhaps focus more on exploring ways by which instruments such as Special and Differential Treatment and/or Aid for Trade can be used to incorporate these outsiders into the global trading system. While the economic benefit of bringing these outsiders into the fold may be negligible, the practical gains of overcoming the 'universality deficit' may yield a significant boon for the integrity of global economic governance. In addition, conditionality appears to be a strong incentive for joining the WTO. To the extent that any of the outsiders receive economic assistance, it may be worthwhile re-visiting *ex ante* conditionality to get the final few states into the most important international regimes.

In order to further unpack the outsider causal logics, I use a most similar systems design to examine the cases of two small island Pacific states, Samoa and the Federated States of Micronesia (FSM), the former seeking and obtaining WTO membership and the latter forgoing the accession process. I find that the FSM does indeed lack both international economic negotiating capacity and a strong domestic constituency in support of WTO accession. Discussions with these stakeholders support the contention that these factors have played into the WTO non-accession decision. Samoa does not have vastly superior negotiating capacity vis-à-vis the FSM, but does have a significantly larger export sector. This difference appears to have played a substantial part in accounting for the differing outcomes between the two countries. However, beyond supporting the existing hypotheses the case studies also revealed an additional explanatory factor: political will. As stated by a Samoan trade official 'Support from the highest political level is absolutely necessary to progress the accession process.'¹⁷ This finding suggests that the role of an individual leaders' agency may be sufficient to trump structural factors such as capacity, regime type, or broader domestic interests.

The findings from this paper suggest a need to go beyond existing functionalist and democratisation explanations for IO membership and participation, especially for 'marginal' and/or 'tough' cases. While the WTO is nearing universal membership, other international regimes have further to go in seeking global coverage. To the extent that universality in international organizations is desirable it may be fruitful to extending our gaze past the 'first order' explanations for membership.

¹⁷ Interview (18-01-13)

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Appendix I: Data

As discussed in the text above, I am deeply indebted to the replication dataset provided by Copelovitch and Ohls (2012), which forms the foundation of my data. However, I had to turn to primary sources to fill in missing observations for economic variables including `gwcov5`, `pta5`, `rgdp5`, `rgdppc5` and `gwegcov`. I also used primary sources to supplement the World Bank's World Development Indicators (WDIs) for manufactured exports as a share of merchandise exports, and exports as a percentage of GDP available at <http://data.worldbank.org/data-catalog/world-development-indicators>. Information for these sources is listed by country below:

Afghanistan (GDP PC): <http://data.un.org/>

Andorra: http://www.estadistica.ad/serveiestudis/web/banc_dades4.asp

Equatorial Guinea: <http://www.dgecnstat-ge.org/>

Federated States of Micronesia: <http://www.pitiviti.org/initiatives/economics/fsm.php>

Kiribati: <http://www.spc.int/prism/Country/KI/Stats/Economic/NatAccounts/GDP-Summary.htm>

Nauru: http://www.spc.int/prism/country/nr/stats/Statistics/Economics/Trade/Exp_partner.htm

Palau: http://www.spc.int/prism/country/pw/stats/PalauStats/Publication/SYB02_03.pdf

Republic of the Marshall Islands: <http://www.pitiviti.org/initiatives/economics/rmi.php>

Tuvalu: http://www.spc.int/prism/country/tv/stats/Economic/NA/gdp_current.htm

For missing values of `ksgpolity5` I calculated the annual percentile rankings of Polity IV scores and the compared these to percentile rankings of World Bank World Governance Indicators (WGIs), available at http://info.worldbank.org/governance/wgi/sc_country.asp to assigned democracy scores from -10 to 10 for countries/years for whom Polity IV scores were unavailable. I counted diplomatic missions by sending country from http://en.wikipedia.org/wiki/Category:Lists_of_diplomatic_missions_by_sending_country For the Amelia II imputed data I used Gary King's 'Amelia II: A Program for Missing Data' available at <http://gking.harvard.edu/amelia/>.

Replication data and a STATA 'do' file are available upon request.

Appendix II: Replication of Copelovitch and Ohls (2012) with “outsider” data

At first glance, the descriptive statistics in Table one suggest that the C&O specification will be problematic for the outsiders. Compared to the states in their model who all sought accession, the outsiders have higher levels of democracy; higher trade linkages with existing WTO members; in most cases levels of trade openness as high, or higher, than the acceding/acceded states; and, in some cases, significantly lower existing PTA trade ties. These differences lead to notable impacts when data from the outsiders are included in the C&O specification, as shown in Table II.1. In C&O’s non-interactive specification (model one) for the three variables of interest the magnitude and significance level of the coefficient for existing GATT/WTO trade ties decreases from five per cent to ten per cent, the coefficient for existing PTA ties is no longer statistically significant, while the coefficient on the level of democracy is roughly equivalent. Interestingly, the coefficient on log GDP becomes strongly significant (at the one per cent) level when including the outsider countries, suggesting that gross economic size (a crude proxy for capacity) matters significantly for accession.

Table II.1 ABOUT HERE

Perhaps more importantly, when adding the outsider data to C&O’s preferred specification which includes interaction terms of their variables of interest (model four), the interactive impact of the variables changes considerably. Figure II.1 compares the marginal effects of GATT/WTO trade ties at different values of PTA trade coverage and polity score from C&O (‘Figure 4’) with marginal effects calculated with the inclusion of the outsider data (‘Figure 4.1’). Whereas increasing PTA trade coverage decreases the importance of GATT/WTO coverage for accession for all levels of the Polity score in the C&O results, PTA coverage substantially *increases* the importance of GATT/WTO coverage for a Polity score of ten when the outsider data is added. This is a result substantially at variance with C&O’s theory and results, and suggests that some further factors may account for the non-accession of outsider states.

FIGURE II.1 ABOUT HERE

Table 1. Descriptive Statistics of “Outsider” and Accession Seeking States (1995-2009).

State	global trade	polity	diplomatic missions	manufacturing exports
Eritrea	82.39 (10.92)	-6.56 (0.51)	35	0.04 (0.02)
Fed. States of Micronesia	98.19 (1.28)	8.38 (0.50)	7	0.02 (0.01)
Kiribati	97.26 (2.12)	8 (1.03)	1	0.00 (0.00)
Korea, PDR	88.91 (8.23)	-9 (0)	51	0.07 (0.05)
Marshall Islands	95.94 (2.02)	9 (0)	7	0.04 (0.03)
Monaco	100 (0)	9.56 (0.51)	14	0.13 (0.09)
Nauru	99.60 (0.15)	8.3 (0.52)	5	0.13 (0.06)
Palau	95.03 (2.59)	9.125 (0.34)	8	0.00 (0.03)
San Marino	N/A	10 (0)	20	0.15 (0.06)
Somalia	75.15 (14.18)	-0.26 (0.76)	30	0.08 (0.14)
Timor-Leste	97.06 (2.46)	4 (0)	22	0.01 (0.01)
Turkmenistan	85.00 (6.65)	-9 (0)	31	0.06 (0.03)
Tuvalu	99.94 (0.07)	9.3 (1)	4	0.01 (0.05)
Acceding States	90.59 (10.25)	0.12 (6.78)	47.77 (40.02)	0.11 (0.13)

Mean and (standard deviation); * Amelia II Imputed Data

Table 2. Cox Proportional Hazard Regression Results.

	I	II	III	IV	V	VI	VIII ℓ	VIII ℓ	IX \ddagger	X \ddagger	XI \ddagger
GATT/WTO Coverage	-0.0177	-0.0180	-0.0693*	-0.0601	-0.0641**	-0.0566†	-0.0154	-0.0113†	-0.0156	-0.0129	-0.0214
	[-1.26]	[-1.20]	[-2.37]	[-1.49]	[-2.76]	[-1.80]	[-1.24]	[-0.85]	[-1.19]	[-0.95]	[-1.44]
IMF5	1.1778**	1.2972**	1.0056	2.1440*	1.2090	2.8413*	1.2742**	1.2841**	1.1932**	1.1808**	1.5189**
	[3.40]	[3.56]	[1.33]	[2.17]	[1.32]	[2.00]	[3.74]	[3.68]	[3.17]	[3.10]	[3.84]
Polity IV		-0.0020		-0.1965		-0.2064		-0.0240		-0.0166	-0.0116
		[-0.06]		[-1.36]		[-1.03]		[-0.63]		[-0.50]	[-0.33]
Diplomatic Missions weighted by GDP Share	0.0905**	0.0951**			0.2387	0.4524*	0.0850*	0.0742†	0.0801*	0.0729†	0.1865**
	[3.20]	[2.87]			[1.15]	[2.06]	[2.13]	[1.78]	[1.98]	[1.74]	[4.95]
Mfc Exports % GDP			0.0818*	0.2220**	0.0940*	0.2650†	0.0292**	0.0318**	0.0648**	0.0691**	0.0863**
			[2.20]	[2.39]	[1.93]	[1.87]	[3.79]	[3.25]	[3.35]	[3.35]	[3.69]
Mfc Ex*Dip Missions											-0.0101**
											[-3.57]
Observations	338	330	70	68	70	68	337	337	338	338	338
Wald χ^2	22.69	23.54	9.63	17.69	11.46	17.95	27.36	28.69	25.87	27.68	30.99
Prob > χ^2	0.0000	0.0001	0.0220	0.0014	0.0219	0.0030	0.0000	0.0000	0.0000	0.0000	0.0000
Number of Countries	40	38	19	18	19	18	40	40	40	40	40
Number of Failures	29	27	12	11	12	11	29	29	29	29	29

†Significant at 10% Level, *Significant at 5% Level, **Significant at 1% Level, ℓ Uses “best guess” imputed data, \ddagger Uses Amelia II imputed data. z score in brackets.

Table I.i. Countries in Statistical Analysis and Date of Seeking Accession.

State	Accession (Year Month)	State	Accession (Year Month)	State	Accession (Year Month)
Afghanistan	2004 11	Iraq	2004 09	San Marino	
Andorra	1997 07	Kazakhstan	1996 01	Sao Tome and Principe	2005 01
Azerbaijan	1997 06	Kiribati		Seychelles	1995 05
Bahamas	2001 05	Korea, PDR		Somalia	
Bhutan	1999 09	Laos	1997 07	Sudan	1994 10
Bosnia and Herzegovina	1999 05	Lebanon	1999 01	Syria	2001 10
Cambodia	1994 10	Liberia	2007 06	Tajikistan	2001 05
Cape Verde	1999 11	Libya	2004 06	Timor-Leste	
Comoros	2007 02	Macedonia	1994 12	Tonga	1995 08
Equatorial Guinea	2007 02	Marshall Islands		Turkmenistan	
Eritrea		Monaco		Tuvalu	
Ethiopia	2003 01	Nauru		Vanuatu	1995 07
Federated States of Micronesia		Palau		Vietnam	1995 01
Iran	1996 07	Samoa	1998 04	Yemen	2000 04

Table II.1. Copelovitch and Ohls Regression Results: Original and with “Outsider” data added.

Model	C&O 1 (2012)‡	C&O 1 with “Outsiders” Added	C&O 4 (2012)‡	C&O 4 with “Outsiders” Added
GATT/WTO Coverage	0.0289* [0.0134]	0.0222† [0.0121]	0.0779** [0.0287]	0.0373* [0.0182]
PTA Coverage	-0.0176* [0.0084]	-0.0087 [0.99]	0.0740 [0.0940]	-0.0188 [-0.0906]
Polity	0.0805** [0.0254]	0.0828** [0.0270]	-0.4419 [0.2891]	-0.0269 [0.2151]
GATT/WTO Regional Coverage	0.0459 [0.0317]	0.0573† [0.0333]	0.0380 [0.0316]	0.0626† [0.0345]
Trade Openness	0.0093** [0.0033]	0.0103** [0.0037]	0.0073** [0.0033]	0.0095* [0.0039]
IMF Program	0.5818† [0.3381]	0.6125† [0.3507]	0.6513† [0.3567]	0.6377† [0.3652]
Real GDP (log)	0.1537 [0.1598]	0.3679** [0.1435]	0.1819 [0.1620]	0.4211** [0.1614]
Real GDP per capita (log)	-0.3174 [0.2370]	-0.3403 [0.231]	-0.2208 [0.2860]	-0.3068 [0.2431]
British Colony	0.7585 [0.4939]	1.3351** [0.4602]	0.4165 [0.5593]	1.4403** [0.4820]
French Colony	0.1786† [0.6592]	1.5611* [0.6880]	1.0969† [0.6185]	1.6401* [0.6741]
Portuguese Colony	0.5631 [0.8075]	1.1064 [0.8113]	0.5667 [0.7793]	1.2382 [0.8105]
Belgian Colony	2.4382** [1.0485]	2.9713** [1.000]	2.2582* [1.1312]	2.1162** [1.0384]
Kennedy Round	-0.0302 [0.8697]	-0.1584 [0.8565]	-0.0690 [0.9792]	-0.2413 [0.9013]
Tokyo Round	1.7520* [0.8042]	-1.7601* [0.8019]	1.7521* [0.8134]	-1.7495* [0.7953]
Uruguay Round	1.2995** [0.4224]	1.0691** [0.4193]	1.6078** [0.4162]	1.0800** [0.4106]
WTO Era	-0.1684 [0.8467]	-0.6816 [0.9157]	0.6718 [0.8027]	-0.6291 [1.0874]
GATT/WTO*PTA Coverage			-0.0011 [0.0010]	0.0001 [0.0009]
GATT/WTO Coverage*Polity			0.0064† [0.0034]	0.0015 [0.0025]
PAT Coverage*Polity			0.0058 [0.0122]	-0.0063 [0.0121]
GATT/WTO*PTA*Polity			-0.0001 [0.0001]	0.0001 [0.0001]
Observations	891	989	891	989
Wald χ^2	63.22	64.61	64.90	71.05
Number of Countries	61	67	61	67
Number of Failures	50	50	50	50

‡Copelovitch and Ohls (2012, pg. 98, table 2, Models 1 and 4). Standard Error in Brackets. †Significant at 10% Level, *Significant at 5% Level, **Significant at 1% Level

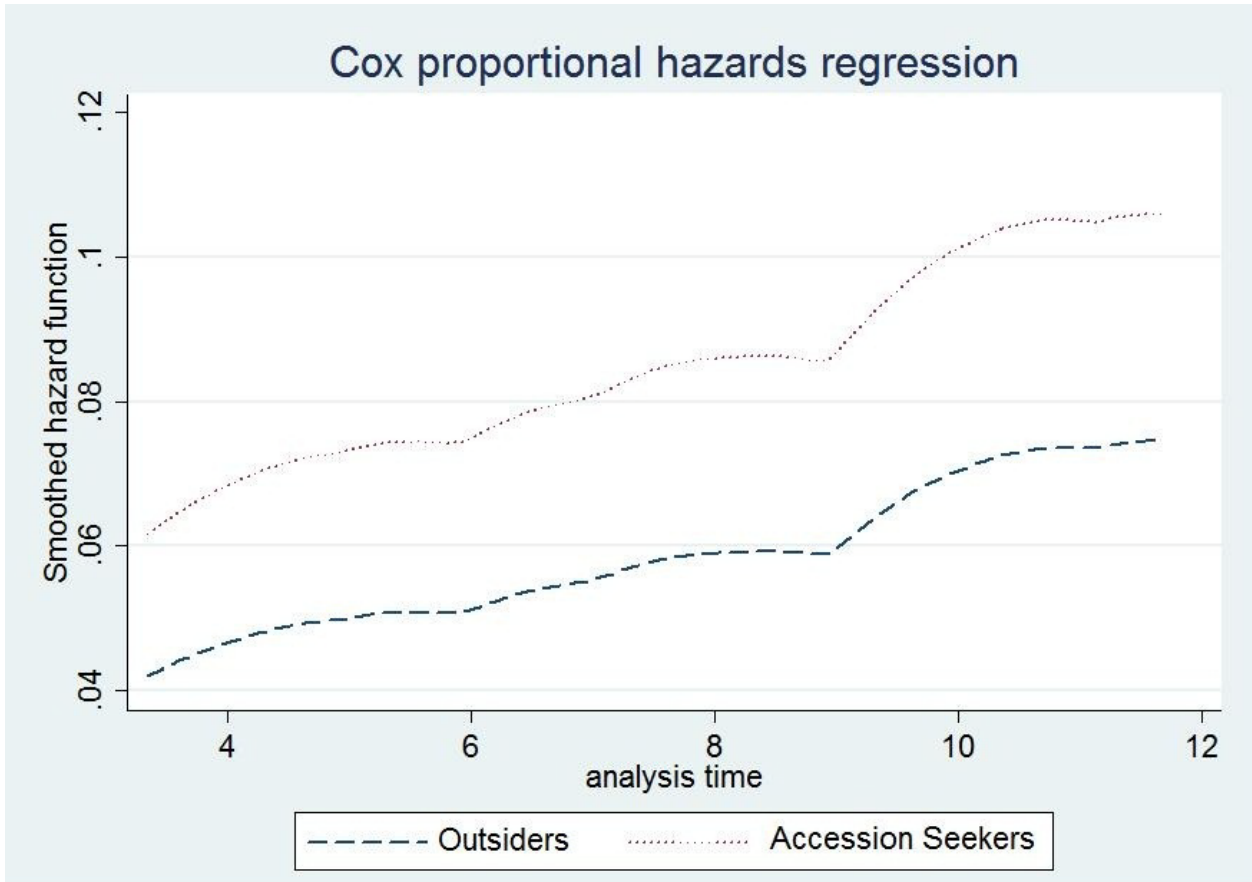


Figure 1 Hazard rate (of WTO accession) of "Outsiders" vs. accession seekers.

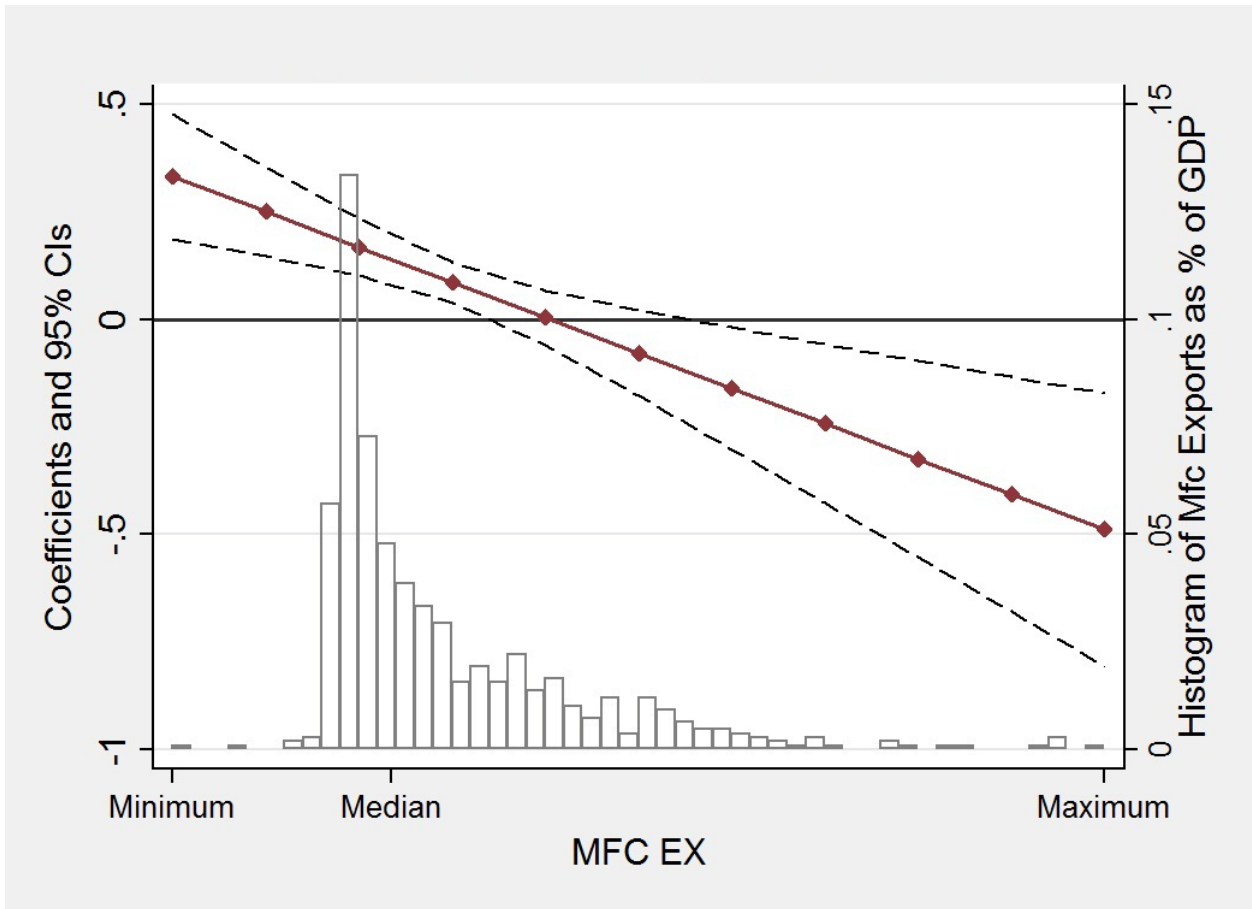
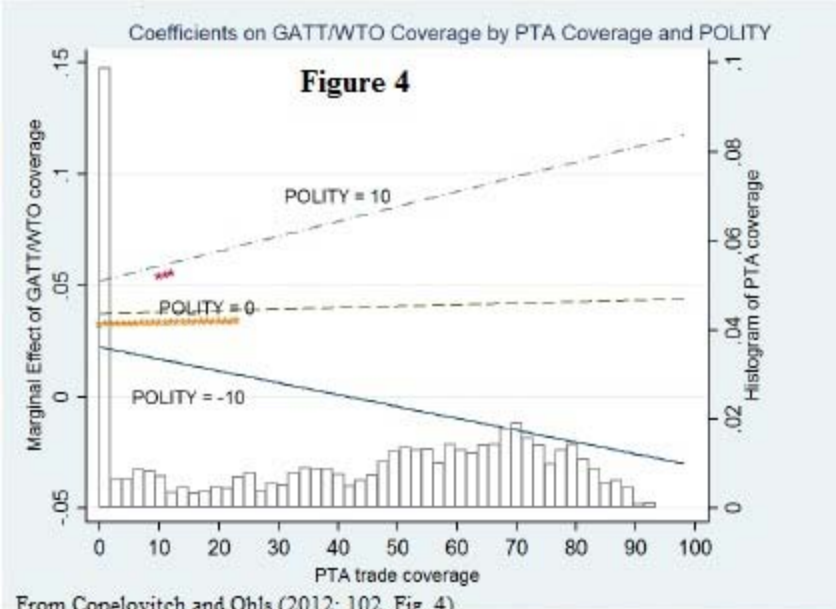


Figure 2 Coefficient on Diplomatic Missions at different levels of manufacturing exports.



From Copelovitch and Ohls (2012: 102, Fig. 4)

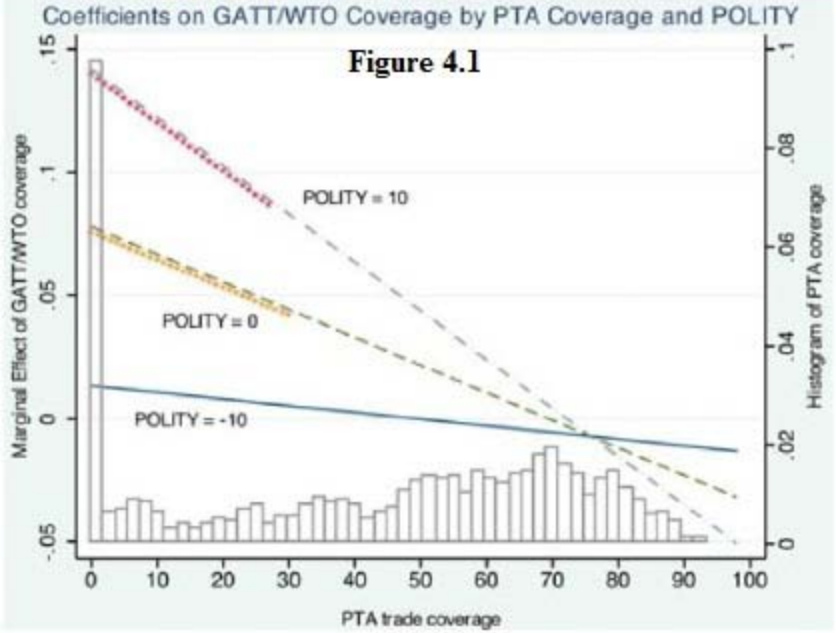


Figure 4.1 Interactive Effects "Outsider" Comparison