

Does the WTO Help Member States Clean Up?

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Abstract: The WTO says nothing about corruption. This paper uses qualitative and quantitative analysis to examine whether the GATT/WTO, without deliberate intent, helps nations improve governance. Under GATT/WTO rules, policymakers are obligated to act in an even-handed and predictable manner, to facilitate transparent trade-related policymaking and to provide due process to such policymaking by allowing individuals to comment on and challenge trade related regulations before they are adopted. Even-handedness, access to information, and due process are anticorruption counterweights. Hence we hypothesized that we would see both qualitative and quantitative evidence of improvement in these government metrics among developing country WTO members.

Our qualitative evidence was strongly supportive of our hypothesis. However, our empirical analysis did not show that GATT/ WTO accession or membership over time improves governance outcomes. We believe this surprising result may stem from two factors—developing countries struggle to improve governance and may lack the expertise and funds to translate their commitments into better governance. Alternatively, our empirical findings may stem from problems in our data’s scope and duration. Hence, we hope to encourage other scholars to examine this question.

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Georgia's foreign minister was adamant in his opinions, although his English was sketchy. In a 2010 interview he stressed, "Georgia's support to Russia's WTO membership is conditional...Unregulated illegal trade...is counter WTO rules. Russia should become member of this rules-based organization but only if it respects trade rules."¹ Tiny Georgia's determination to use its WTO (World Trade Organization) leverage to "clean up" mighty Russia is surprising, but it is not unusual.² Member states have long used both the WTO and its predecessor agreement, the GATT, to improve governance in other countries.³

The GATT and the WTO comprise the international system of rules governing trade. Neither the GATT nor the WTO includes rules to address or reduce corruption per se.⁴ Herein we argue that WTO membership alters how some member states govern and how they relate to their citizens.⁵ Under WTO rules, policymakers are obligated to act in an evenhanded and predictable manner—so that all market actors are treated in an equivalent manner under trade rules. They also must provide market actors with access to information and to allow individuals to comment on and challenge trade related regulations before they are adopted (a form of due process). These obligations can be redefined as anticorruption counterweights⁶ in

¹ Josh Rogin, "Washington Won't Mediate between Russia and Georgia on the WTO," 10/06/2010, http://thecable.foreignpolicy.com/posts/2010/10/29/washington_won_t_mediate_between_russia_and_georgia_on_wto

² Tiny Georgia has 4.6 million people and a GNP of \$22 billion. Russia has a population of 139 million and a GNP of 2 trillion. Corruption is not Georgia's only beef with Russia. Georgia was forcibly incorporated into the USSR until the Soviet Union dissolved in 1991. Georgia is angry that Russia has encouraged the independence of some Georgian provinces. The statistics come from the 2010 CIA fact book. GNP figures are per capita. <https://www.cia.gov/library/publications/the-world-factbook/>.

³ During the Uruguay Round negotiations, the contracting parties of the GATT agreed to create a new formal international organization to supersede the GATT and include its agreements, as well as the new agreements negotiated during that round. In 1995, member states established and joined the WTO, agreed to abstain from practices that violate WTO law, and *assigned* the WTO functions to promote trade cooperation such as to facilitate trade barrier negotiations and to help mediate disputes among WTO members.

⁴ Some countries and business groups wanted to include corruption provisions in the WTO, but members have not agreed that the WTO is the appropriate institution to address such issues despite corruption's relationship with trade. Kenneth W. Abbott, "Rule making in the WTO: Lessons from the Case of Bribery and Corruption," *Journal of International Economic Law*, 2001, 275-296.

⁵ For the purposes of simplicity, we limit our discussion in this chapter to GATT 1994, Annex 2 (the Dispute Settlement Understanding), and Annex 3 (the Trade Policy Review Mechanism).

⁶ Transparency International, "National Integrity Systems: Country Studies," www.transparency.org/activities/nat_integ_systems/country_studies.html; and Marianne Camerer, Measuring Public Integrity. *Journal of Democracy* 17:1 (2006). In a 2010 study Transparency International

that they bolster the ability of citizens to monitor their government and hold it accountable (Kaufman 2009; Skladany 2009). In attempting to improve governance for foreign market actors (the direct intent of WTO rules), membership in the WTO improves governance for domestic actors too (Aaronson and Abouharb 2011). In so doing, the WTO helps member states counter corruption (a spillover effect).

Corruption (the abuse of entrusted authority for illicit gain)⁷ is pervasive, hard to measure,⁸ and damaging both to economic growth⁹ and human rights. Corruption prevents the poor from obtaining access to the resources and opportunities they need to achieve their potential and it deprives vulnerable people of income. Corruption can also distort policies to provide public goods or basic needs, and divert public resources from infrastructure. In this way corruption undermines the legitimacy of the state (Mauro 1995; Campos and Pradhan 2007; International Council on Human Rights and Transparency International 2009).

Corruption is intimately associated with trade. Countries open to trade tend to have less corruption, less protectionism, and stronger performance on rule of law metrics (Nichols 1997: 69; Gatti 2004; Lee and Azfar 2002; Bandyopadhyay and Roy 2006). Trade affects growth, investment, economic equality and democratic institutions—factors which have an important impact on the likelihood of corruption (Kommerskollegium 2005). And corruption can act as a hidden tariff on goods and services.

(the leading anticorruption NGO) and the International Council on Human Rights Policy (ICHRP) identified (1) participation, (2) transparency and access to information (3) accountability 4. Nondiscrimination, and (5) evenhandedness, due process and the rule of law as crucial anticorruption counterweights. International Council on Human Rights Policy and Transparency International, “Integrating Human rights in the Anti-Corruption Agenda: Challenges, Possibilities, Opportunities,” 2010, pp. 7-8. Also see Daniel Kaufmann, “Back to Basics: Ten Myths about Governance and Corruption,” *Finance and Development*, September 2005, 43, 3, <http://www.imf.org/external/Pubs/FT/fandd/2005/09/basics.htm>

⁷ This definition from the Norwegian Agency for Development Cooperation (NORAD) incorporates private actors and actions that may not be illegal but forbidden by rules or custom. Norad “Anti-Corruption Approaches: A Literature Review, Study 2, 2008, 12, 40, <http://www.norad.no/en/Tools+and+publications/Publications/Publication+Page?key=119213>. Scholars and policymakers list civil society organizations, freedom of the press/media, access to information laws, budgetary disclosure and open meetings;

⁸ Corruption is hard to measure directly because it is often hidden. Instead researchers rely on indices that measure expert or citizens’ perceptions of corruption.

⁹ Corruption is negatively correlated with economic outcomes such as growth, development, foreign investment and the effectiveness of institutions. Daniel Lederman et al, “Accountability and corruption: Political Institutions Matter,” World Bank working Paper 2708, November 2001; and Paulo Mauro, “corruption and Growth,” *Quarterly Journal of Economics* v. 110, # 3 (August 1994), 681-712.

Policymakers in both industrialized and developing countries struggle to reduce corruption. In recent years, activists, scholars and policymakers have realized that corruption is an outcome of inadequate governance. Thus, development practitioners increasingly focus their efforts on improving governance (World Bank 2002; Kaufmann 2005; and Global Monitoring Report 2006). Herein we define good governance as “mechanisms, processes and institutions through which citizens and groups articulate their interests, exercise their legal rights...and mediate their differences” (UNDP 1997). Good governance follows the rule of law and is transparent, responsive, effective, and efficient.¹⁰ Anti-corruption counterweights such as due process, evenhandedness and transparency are important elements of good governance. They are also norms of the GATT/WTOs (Schefer 2008: 21; Ala’i 2009: 269-270; Wolfe 2010: 8).

We examined a wide range of WTO documents and found that acceding nations are obligated to make significant changes to their governance strategies. New members such as China, Saudi Arabia, Jordan, and Vietnam provide their citizens with access to information about trade, as well as rules that allow market actors to challenge trade related policies. Policymakers from these countries also make considerable changes to their legal systems to ensure evenhandedness. The accession process allows member states to signal investors and traders that they are adopting good governance practices and signal their citizens that the government is accountable (Mansfield et al., 2002). This process is a form of policy anchoring (Bacchetta and Drabek 2002; Tang and Wei 2006). Moreover, members monitor each other’s performance during trade policy reviews. If a WTO member does not adhere to their accession commitments and WTO norms, a member state or states may use the trade policy review process to criticize that behavior and they may even challenge its practices in a trade dispute. These reviews covered trade related policies and at times, even non-trade related issues such as labor rights and public participation. So, member states are closely monitored for their governance practices and their trade spillovers.

¹⁰ UNESCAP (United Nations Economic and Social Commission for Asia and the Pacific, “What is good Governance?”
<http://www.unescap.org/pdd/prs/ProjectActivities/Ongoing/gg/governance.asp>

We hypothesized that member states make significant changes to their trade related policymaking in ways that should both improve governance and empower their citizenry. But we were unable to prove our hypotheses quantitatively. New members of the WTO (countries that joined from 1995-2010) did not show evidence of a policy anchoring process. They did not improve their performance on our measures of due process, access to information and even-handedness during the years they spend negotiating accession or in the subsequent years in which they were members of the WTO.

Our analysis proceeds as follows. We begin by delineating the specific GATT/WTO norms of due process, evenhandedness and transparency. We then discuss the theoretical literature that attempts to explain why nations change their behavior as they join the WTO. We next examine qualitative evidence of accession and trade policy reviews to see if member states alter their approaches to governance to foster due process, even-handedness, and transparency. We show how nations use the trade policy review process to monitor the behavior of member states, particularly new member states. We then examine our hypotheses quantitatively to see if the accession process and membership in the GATT/WTO affect our metrics of due process, access to information and evenhandedness. Finally we conclude with a discussion of the theoretical and policy implications of this research.

How does the WTO Improve Governance?

The WTO Secretariat has long embraced the idea that good governance is a spillover of its efforts to promote open trade. In a web brochure, the Secretariat notes “Particular types of trade barriers cause additional damage because they provide opportunities for corruption and other forms of bad government.” But the WTO rules “reduce opportunities for corruption,” by regulating how and when governments can protect and by requiring transparency in trade regulation.¹¹ The section below delineates the specific WTO obligations that influence both the behavior of member states and market actors. We see these obligations as good governance norms. Specifically, the WTO requires that governments promote:

¹¹ WTO, “Ten Benefits of the WTO,” 2008, http://www.wto.org/english/res_e/download_e/10b_e.pdf

- ***Evenhandedness (also known as Nondiscrimination):*** Governments must not discriminate between foreign and domestic market actors (GATT's MFN and national treatment obligations). Member states must ensure "effective equality of competitive opportunities" between foreign and domestic like (similar) products and services. Article III requires non-discrimination both in the letter of the law and in the manner in which laws are applied.¹² The WTO describes this as "treating other people equally."¹³
- ***Transparency and access to information.*** The WTO says that transparency is essential to the functioning of the global trading system, and a means of enhancing national and international legitimacy.¹⁴ The WTO defines transparency as the 'degree to which trade policies and practices, and the process by which they are established, are open and predictable.'" Transparency and access to information help make the WTO's rules and processes accountable both to member states and their citizens. Governments must make trade related policies in a transparent manner and ensure market actors can be made aware of such provisions.¹⁵ These norms act as a check on arbitrary or discriminatory policies or practices. These rules also provide market actors with the information they need to challenge trade related policies and decisions.
- ***Due Process:*** Governments must accord due process rights to market actors. GATT Article X: 3(b) requires each party to maintain "judicial, arbitral or administrative tribunals or procedures for the purpose...of the prompt review and correction of administrative action relating to customs matters. These tribunals must be independent of administering agencies and allow importers to lodge appeals. Moreover, individuals with interests in investigations have a right to receive notice, to present written

¹² OECD, "Potential Anticorruption Effects of WTO Disciplines," TD/TC (2000)3 Final, 2000, p. 6. r.

¹³ http://www.wto.org/english/thewto_e/whatis_e/tif_e/fact2_e.htm

¹⁴ Trade Policy Reviews, Ensuring Transparency,

http://www.wto.org/english/thewto_e/whatis_e/tif_e/agrm11_e.htm; and "Lamy calls on global cooperation for the smooth flow of Trade," http://www.wto.org/english/news_e/sppl_e/sppl182_e.htm

¹⁵ Article X requires policymakers to promptly publish laws regulations, judicial decisions, and administrative rulings..."in such a manner as to enable governments and traders to become acquainted with them.

Agreements affecting international trade policy...shall also be published." Article X: 2 forbid governments to enforce such rules priori to or absent publication.

evidence to review the public docket, to challenge decisions and to seek judicial review (Charnovitz 2001: 20.) These provisions set limits on what bureaucrats can do and how they do it (Ostry 1998: 4). If WTO members do not adhere to these norms, other members are likely to name and shame them at their trade policy reviews. But public exposure may not change a member state's practices. Members of the WTO can challenge the behavior of another member state in a trade dispute if they can show that country is distorting trade.¹⁶ However, trade disputes are costly, and thus they are rare. In general member states want to encourage and maintain trade by providing clear rules and incentives for good practice among member states.

Theoretical Background: Why members Change their Behavior to Join the WTO

Scholars have developed several models to explain why countries change their behavior in order to join organizations such as the WTO. Robert Keohane argues members states join to reduce information asymmetries and ensure that all members benefit from the “public good” of rules oriented trade (Keohane: 2005, xi). Some scholars term this theory neoliberal institutionalism (World Trade Report 2007). Other scholars see membership as a means of formalizing commitments (Goldstein and Martin 2001) and spreading key norms of good governance and open markets (Simmons, Dobbin and Garrett 2008). By adhering to WTO rules, some scholars have found governments may also advance some democratic rights (Aaronson and Abouharb 2011) or democracy (Keohane, Macedo and Moravcsik 2007).

Some academics have sought to answer whether or not developing countries use the WTO to send a message to markets and policymakers. These scholars tend to view the WTO both as a signaling device and a “policy anchor”-- a mechanism to lock in good governance practices. Countries want to signal that like other mature democracies, officials will respect property rights and the rule of law (Mansfield and Pevehouse 2008: 273; Elkins, Guzman and Simmons 2006; Dobbins, Simmons and Garrett 2007; and Buthe and Milner 2008). Mansfield also believes emerging democracies use membership in the WTO to signal their citizens that the

¹⁶ If a member state loses that dispute, under WTO rules, it has 3 options: it can change its policies, accept retaliation, or compensate the affected member(s) for lost trade.

government is accountable (Mansfield et. al 2002: 478-481). If Mansfield et al. are correct; these governments will make policies in a more transparent, accountable and evenhanded manner.

But it's not easy to join the WTO. First, as described above, new members must make significant changes to their governance processes and strategies. Countries with better governance may find accession easier than those countries that must make major institutional and policy change (Bacchetta and Drabek 2002: 16). Federal officials may encounter resistance from once privileged groups when they try to make these changes. Some citizens may view the reform process as coercive and alienating (Michalopoulos 1998; Langhammer and Lucke 1999). In addition, some countries have trouble adopting these norms because their culture emphasizes the sovereignty of the bureaucracy over the right of individuals for access to information (Potter 2003; Blukovic 2008). Hence, these countries may resist greater access to information and transparency. Thirdly, WTO membership also strengthens the power of the central government vs. regional elites; so these individuals may resist change (Tang and Wei 2006; Langhammer and Lucke 1999). Finally, policymakers must accept increased scrutiny and foreign participation in the polity; leaders may find such changes mean they have less domestic political control.

Despite these costs, almost every country outside of the organization wants to join the WTO. UNCTAD theorized that policymakers may see their commitments as “investments... they are payments today in the expectation that they will produce rewards in the future.”(Basu 2008: 5). Membership also signals foreign investors that the country will provide foreign and domestic actors with the information they need to assess market and political conditions (Honda 2008; Tang and Wei 2006; World Bank 2006; Barton 2006).

Some scholars have examined this policy anchoring process in depth. Bacchetta and Drabek used World Bank indices of institutional quality and found that countries that joined the WTO between 1995 and 2000 had better institutional quality than nonmembers (Bacchetta and Drabek 2002: 17, 41). However, their study did not examine change over time and did not control for other factors that might affect institutional quality such as foreign aid.

Tang and Wei hypothesize that WTO commitments made at accession have a stronger effect on countries with poorer governance. They checked their results on several different metrics of good governance and find that the policy changes required by accession benefit countries with inadequate governance (Tang and Wei 2006: 18-21). Ferrantino compares the impact of free trade agreements and WTO accessions on governance and finds little significant impact. He argues that this finding reflects inadequacies in government indices rather than reality (Ferrantino 2005). Basu delineates the specific changes required to join the WTO and compares newly acceded states to existing developing country members. He shows that obtaining WTO membership can lead to a positive improvement in domestic policies (Basu 2008). In short, Basu finds the investment in joining the WTO pays off not only in expanded trade but in better governance.

Our Theoretical & Empirical Contribution

Our work builds on the findings of these other scholars who have examined the diffusion of norms through membership in international organizations. We argue that the diffusion of good governance norms through the WTO is both direct and indirect. When countries accede, they are directly prodded by other member states to make changes to ensure that their policies accord with WTO norms. Thus we argue that for new member states and acceding countries, change is direct, and should be dramatic. We believe that as trade related good governance practices such as providing access to information or allowing challenges to trade regulation becomes “learned;” officials may then act in a similar manner in other aspects of policymaking (Hafner-Burton 2009; Simmons 2009). But the diffusion of good governance also empowers citizens. With rights to information and due process rights related to trade policymaking a growing number of people are learning how to influence and challenge their country’s trade related policies. Here too diffusion is direct. Moreover, because trade today encompasses so many areas of governance, from tax to food safety, these same citizens may gradually learn to transfer the skills learned from influencing trade-related policies to other public issues (Aaronson and Abouharb 2011). In this indirect manner, good governance spills into the polity as a whole. Table I below summarizes this process.

(Insert Table 1 about Here)

Member states also directly monitor performance regarding WTO rules and principles during trade policy reviews (Tang and Wei 2006: 4, 32.) They use this process to hold other governments to account—lauding them for good behavior, criticizing them for bad behavior. During these reviews, the diffusion of norms is circuitous and gradual. Members may and often do choose to reject criticism. But if their policies appear to distort trade, countries that choose to ignore WTO norms can be challenged in a trade dispute.

We also make an quantitative contribution to our understanding of the effect of the WTO upon good governance. In general, the scholars who have examined this policy anchoring process have relied upon broad metrics of governance from the World Bank, the Heritage Foundation, and Freedom House. These metrics of governance tend to be what scholars call mash-ups¹⁷; they conflate many different attributes of good governance or they aggregate various human rights. Moreover, some of these metrics are perception based; others are fact based. Some of these metrics are based on surveys of experts—others are based on surveys of public perceptions. We believe these metrics may be too broad and too different from WTO norms to be conflated into a measure of the WTO's influence on policymakers' behavior.¹⁸ Hence, we take a different tack from other scholars. We assert that the WTO fosters 3 very specific norms of good governance and seek to explain how these norms are translated into changes in government behavior at the WTO and at home. Thus, our argument builds on both norms-based and policy anchoring models. Moreover, we use WTO documents (and other primary sources) as qualitative evidence and rely on quantitative metrics that replicate these norms.

Qualitative Evidence

Diffusion of Good governance: Accessions

¹⁷ Martin Revaillon, "Mashup Indices of Development," World Bank Policy Research Paper 5432, Sept. 2010, 10; and see the debate on Duncan Green, Oxfam GB web site, which focuses on a multidimensional poverty indice. <http://www.oxfamblogs.org/fp2p/?p=3092>

¹⁸ Kaufmann, D. and A. Kraay, 2008. Governance Indicators: Where are We, Where Should We Be going, world Bank Institute Policy Research Paper 4370, download at <http://mpra.ub.uni-muenchen.de/8212/>; OECD, "Uses and Abuses of Governance Indicators," 81-101, http://www.governance.unimaas.nl/training_activities/aau/download/Papers/Usesofabusesofgovernanceindicators%5B1%5D.pdf

Some 30 countries are seeking to accede as of March 2011.

As the Russia/Georgia example illustrates, the members of the WTO are most able to influence the behavior of other states during accession.¹⁹ As of this writing, only 41 of the world's countries are not members of the WTO; 30 of those countries are trying to accede.²⁰ The accession process can be arduous and long. The candidate country produces a memorandum describing its trade policy. Next, a working party of WTO members delineates a protocol of accession which spells out what changes the country should make as well as a timetable for such changes. The 153 current members must agree on the terms of membership for a new member; these terms differ for each country.²¹ If two thirds of the members approve, the acceding country can ratify the agreement and then join the WTO.

Current members use the discussions over the protocol to prod the potential members to take steps that support capitalism, increase transparency, and advance the rule of law (Bacchetta and Drabek 2002: 11). Member states want to ensure that these new members do not make empty promises. Thus, current member states are obligated to ensure that their legal system is evenhanded and effective; they govern in a transparent manner, and allow traders to influence and challenge trade policies.

We reviewed working party reports and accession protocols for 24 recent accessions from 1995-2009; we found countries promise significant changes and make many of these changes before accession is approved.²² Many of the countries that acceded in this period had significant problems with accountability, transparency and evenhandedness. For example, Georgia admitted that its trade related regulatory system was opaque, so it promised to change its legal system to conform to WTO rules. The representative of Georgia also confirmed that from the date of accession Georgia's laws would provide for the right to appeal administrative rulings on matters subject to WTO provisions to an independent tribunal in conformity with

¹⁹ WTO, "Membership, Alliances and Bureaucracy,"

www.wto.org/english/thewto_e/whatis_e/tif_e/org3_e.htm; and Lanoszka, Anna. (2001) "WTO Accession Process: Negotiating Participation in a Globalizing Economy." *Journal of World Trade* 35 (4): 575-602.

²⁰ The US Department of State reports that there are 194 countries.

http://geography.about.com/gi/o.htm?zi=1/XJ&zTi=1&sdn=geography&cdn=education&tm=15&f=21&su=p284.9.336.ip_&tt=2&bt=1&bts=1&zu=http%3A//www.state.gov/s/inr/rls/4250.htm; on acceding countries, see http://www.wto.org/english/thewto_e/acc_e/acc_e.htm

²¹ "How to Join the WTO: The Accession Process,"

http://www.wto.org/english/thewto_e/whatis_e/tif_e/org3_e.htm. All accession working parties include the US, EU, Japan, Australia, and Switzerland.

²² http://www.wto.org/english/thewto_e/acc_e/completeacc_e.htm#sau.

WTO obligations.²³ Saudi Arabia and Nepal agreed to increase provisions for transparency and public comment.²⁴ Members spent hours asking questions about the rights of Saudis and non-Saudis to participate in the economy.²⁵ Saudi Arabia agreed to ‘provide a reasonable period...for members, individuals, associations and enterprises to provide comments to the appropriate authorities before such measures were adopted.’²⁶ Cambodia agreed to remake its judicial and administrative law systems. “Cambodia recognized the need to establish an appeals process, both administratively and to an independent tribunal to meet the requirements of Article X of the GATT 1994 and other such provisions in WTO Agreements.” Working party member governments also reminded Cambodia that it was obliged to develop “mechanisms for publication and dissemination of draft legislation and standards for public comment; {and} the establishment of a TBT (technical barriers to trade) Inquiry point, where foreign and domestic producers could learn how to meet Cambodian standards.²⁷ The representative of Jordan said that from the date of accession all laws, regulations, decrees, judicial decisions and administrative rulings of general application related to trade would be published in a manner that fulfils the WTO requirements. Jordan was also questioned as to whether its court system provided rights for administrative appeal and the role of the king in ruling on such appeals.²⁸

China was the only country required to improve the rule of law. The 2001 Protocol states that as a condition of accession, China must enforce ‘uniform administration of Chinese law’ throughout China (Aaronson 2007). The Protocol calls on China to ‘apply and administer in a uniform, impartial and reasonable

²³ WTO/ACC/GEO31, p. 8 (on due process) and 34 on transparency.

²⁴ Working Party on the Accession of Nepal, WT/ACC/NPL16.DOC , and Working Party on the Accession of Saudi Arabia, WT/ACC/SA-U/61.

²⁵ Working Party on the Accession of Saudi Arabia, WT/ACC/SAU/61, p. 94, # 296 and # 297; on transparency and public comment, see p. 96, #304.

²⁶ WT/ACC/SAU/61, 96, # 301-#304.

²⁷ Working Party on the Accession of Cambodia, WT/ACC/KHM/21, 15 August 2003, p 25, #124

²⁸ WT/ACC/JOR/33WT/MIN (99)/9, 3 December 1999, on transparency; p. 238-240 and 10, 41 #40-41. “Natural or legal persons contesting administrative decisions could take the matter to the High Court of Justice, which was specialized in administrative jurisdiction. Customs and income tax matters were decided by specialized courts. Customs decisions could be appealed to the Customs Court of First Instance, whose judgements could be appealed to the Customs Court of Appeal and further to the Court of Cassation...the King had no power to overrule any court judgement, civil or criminal. Religious Courts ...had no jurisdiction in civil or criminal cases or issues related to domestic and foreign trade...A member asked Jordan to clarify the right of appeal to a separate judicial authority in matters covered by WTO Agreements. In reply, the representative of Jordan said that Jordan had adopted the system of two-tier litigation. This rule applied in the civil or administrative courts, thus every decision of a judicial character was subject to appeal in Jordan in one form or another.”

manner all its laws, regulations and other measures of the central government as well as local regulations, rules and other measures pertaining to or affecting trade. China shall establish a mechanism under which individuals and enterprises can bring to the attention of the national authorities cases of non-uniform application.²⁹ The agreement requires China to notify the WTO about ‘all the relevant laws, regulations and other measures relating to its special economic areas’. Finally, it calls on China to ensure that “those laws, regulations and other measures pertaining to and affecting trade shall be enforced”³⁰

As the world’s second largest trading nation, China is closely monitored by its trade partners as well as the business community for its adherence to its WTO obligations.³¹ While the US Government generally lauded China for meeting its obligations, it also concluded that parts of the Chinese government “had not yet fully embraced the key WTO principles of market access, non-discrimination and transparency, or the carefully negotiated conditions for China’s WTO accession designed to lead to significantly reduced levels of trade-distorting government policies.”³² In 2011, the US China Business Council (USCBC) examined China’s adherence to its transparency commitments. It concluded China had “complied reasonably well,” but inconsistently.” Less than one quarter of relevant documents were posted for public comment...or for the full 30 days, but USCBC stressed that these numbers were an improvement. However, China does not maintain records of items that have been released for comment, “making it difficult for anyone to track transparency in a comprehensive fashion.”³³

Taken in sum, the accession process is forcing major changes not only in the laws of new member states, but also how nations govern. These changes include measures that enhance access to information, improve evenhandedness, and provide due process regarding trade related policymaking. During the

²⁹ WTO, “Accession of the People’s Republic of China, Decision of 10 November 2001,” WT/L/432, (A), 1, 2.

³⁰ Wt/L/432, Sections (B), (C),3.

³¹ For the EU see <http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/countries/china/>; for the US see <http://www.ustr.gov/countries-regions/china>, http://www.ustr.gov/webfm_send/2596

³² USTR, ,2010 Report to Congress on China’s compliance with its WTO Commitments, December 2010, pp. 1-5, http://www.ustr.gov/webfm_send/2596

³³ The US China Business council, “PRC Transparency Tracking” April 2011, pp. 1-3, at https://www.uschina.org/public/documents/2011/04/transparency_tracking.pdf

accession process, states engage in a debate with their citizens over the substance of trade policy and how trade policy is made.³⁴ Over time, these reforms may give citizens in weak democracies or authoritarian regimes more opportunities to influence trade related policymaking (Aaronson and Abouharb 2011; Aaronson 2011). In so doing, the WTO is helping countries create a feedback loop between the government and the governed on trade and trade related policies. Feedback loops create not only dialogue and expectations—but can also promote greater accountability. The WTO touts this in its case studies about managing membership in the WTO.³⁵ However, as China illuminates, it takes a long time to improve governance and develop a culture of transparency and accountability. Traditional elites may resist change or thwart access to information, fearing that they could lose power.

Indirect Diffusion: The Trade Policy Review Mechanism: TPRM

Since 1989 (under GATT), and continuing under the WTO, member states have formally and publicly reviewed each other's trade policies in trade policy reviews. The US, EU, China, and Japan are reviewed every 2 years, the next sixteen (in terms of their share of world trade) are reviewed every four years; and the remaining countries are reviewed every six years.³⁶

No member state can use this process to force changes to another states policies, but they can use the review to name and shame countries that fail to meet their obligations for transparency, participatory governance and due process. The reviews address a wide range of governance issues. The review meetings are not open to the public but they are made public on the WTO's web site some six weeks after they occur. Therefore, citizens of WTO member states can use the review to gain broader insights into a country's

³⁴ WTO Case Studies 30, 43, 44, at http://www.wto.org/english/res_e/booksp_e/casestudies_e/casestudies_e.htm

³⁵ Ibid, "This compilation of forty-five case studies documents disparate experiences among economies in addressing the challenges of participating in the WTO. It demonstrates that success or failure is strongly influenced by how governments and private-sector stakeholders organize themselves at home. These case studies demonstrate that the WTO creates a framework within which sovereign decision-making can unleash important opportunities or undermine the potential benefits flowing from a rules-based international environment that promotes open trade."

³⁶ http://www.wto.org/english/thewto_e/whatis_e/tif_e/agrm11_e.htm. The WTO secretariat also monitors the G-20 countries trade and investment measures to thwart covert protectionism (trade monitoring report). http://www.wto.org/english/news_e/archive_e/trdev_arc_e.htm

policies and circumstances, and they provide feedback to the reviewed country on its performance in the system.³⁷ Zahrnt argues (2009; 6) that the TPR teaches the habits of good governance, because it “accustoms governments to tolerate reviews, stakeholders to contribute to the review process and the media to use the results.” These reviews also enable interested parties to compare data and trade policies across countries. Trade policymakers from the country under review may use these reviews to encourage legislators to make policy changes. Some scholars also argue that the review process makes reforms more credible (Francois 1999).

In 2010, WTO secretariat staff reviewed the impact of these TPRs in the Americas and concluded that these nations had become increasingly transparent and better governed. Some countries had simplified and updated their trade-related laws and regulations and established an outside consultative process (Valdes 2010: 9, 32).

We examined all of the trade policy review documents for 24 countries. To check whether member states monitored the effectiveness of the accession process and evidence as to whether countries made the changes they promised, our sample included developing and middle income countries that were relatively new members (Georgia, Jordan, China, Slovenia, and the Krgyz Republic) as well as original GATT members Brazil, Sri Lanka and Pakistan. We also included the US in our sample to see how other countries discussed US governance problems.³⁸ Costa Rica was the only country in our sample where these issues never came

³⁷ http://www.wto.org/english/thewto_e/whatis_e/tif_e/agrm11_e.htm. The process works as follows: The Secretariat first sends one or two questionnaires to the country under review and collects information from various sources (the country’s official web pages, reports by other international institutions, NGOs, academic work). Members of the Trade Policy Review Division of the Secretariat then travel to the country to discuss outstanding questions with the government and other stakeholders. The Secretariat drafts a report and sends it to the country under review for verification. The final report, together with a policy statement from the country under review, is circulated to the member states at least five weeks before the review meeting. Member states are summoned to submit their written questions two weeks before the meeting. The Secretariat identifies the main points contained in the questions and makes them available one week before the meeting. Countries under review often give written responses to the questions they have received in due time before the meeting. All documents, including the minutes of the meeting, are made public.

³⁸ The sample of countries were the US, which joined in 1948 and is reviewed every two years (most recent 2010); Malaysia, which joined in 1947 and was reviewed in 2010; Jamaica, 1963, reviewed 2005; Turkey joined 1951, reviewed 2007; Slovenia, joined 1994, reviewed 2002; Costa Rica, joined 1990, reviewed 2007, Tanzania (1961), Kenya (1964), and Uganda (1962) reviewed in 2006; Brazil, joined 1948, reviewed 2007; China joined

up. For these other countries, corruption and good governance issues came up frequently. The questioning did not only come from the behemoths of global trade—the US, the EU and China. Countries such as Colombia, Turkey and Chile also challenged how member states behaved under WTO rules.

In general, countries were asked how they made regulations transparent, how they encouraged foreign understanding of relevant policies, and how they responded to public comment.³⁹ Some countries such as Kyrgyzstan and Georgia were chided for unpredictable enforcement and unclear public policies.⁴⁰ Members often asked about policy transparency and evenhandedness, they less frequently mentioned the rule of law, and judicial independence. Members sometimes disagreed on performance or the best strategy to discuss governance. Turkey, a member since 1951, was lauded by some countries for its openness and improved governance, although China and Japan said that Turkey was not transparent enough.⁴¹ Not surprisingly, China received the most criticism and questioning. In its 2008 and 2010 TPR, members acknowledged that China had become more transparent and better governed, but most countries made it clear that they thought China remained complex, opaque and inadequately governed.⁴² Some countries challenged the US and the Philippines for supporting domestic industries in an opaque and uneven manner.

⁴³ Member states directly mentioned problems of corruption and strengthening the rule of law during the

2001, reviewed 2010; Bangladesh, joined 1972, reviewed 2006; Sri Lanka, joined 1948, reviewed 2010; Pakistan, joined 1948, reviewed 2008; Philippines, joined 1979, reviewed 2005; Argentina, joined 1967, reviewed 2007; Ghana joined 1957, reviewed 2008; Egypt joined 1970, reviewed 2005; Colombia joined 1981, reviewed 2006; Thailand, joined 1982, reviewed 2008; Mali, joined 1993; reviewed 2004; and Kyrgyz Republic, joined 1998, reviewed 2006.

³⁹ See Trade Policy Review Malaysia, WT/TPR/M/225/Add.1, pp. 13, 108, 137; Trade Policy Review, Jamaica, WT/TPR/M/139, Minutes of Meeting, p. 12, #47; Trade Policy Review, Turkey, “Minutes of Meeting, WT/TPR/M/192, #31, #47, 48; Trade Policy Review, Brazil, WT/TPR/M/212, # 113, p. 19; #125 and #128, p. 21; and Trade Policy Review, Bangladesh, WT/TPR/M/168

⁴⁰ Kyrgyz Republic, WT/TPR/M/170, #28, 29, p. 9; and Georgia, WT/TPR/M/206, 19 December 2008..

⁴¹ WT/TPR/M/192, 32, 41, Japan, #47, China, #51; and Colombia, #285, p. 47.

⁴² Trade Policy Review, China, Record of the Meeting, WT/TPR/M/230, quoting Secretariats’ report #124, p. 21, #66, p. 12 remarks of Brazil; #92, 16, Remarks of Norway; 187, p. 33, remarks of U.S.; Japan, #213, p. 37.

⁴³ WT/TPR/M/235, #496, p. 73; and on the Philippines, “Concluding Remarks by the Chairperson,” http://www.wto.org/english/tratop_e/tptr_e/tp249_crc_e.htm .

trade policy reviews of Ghana, Bangladesh, Philippines, Pakistan, Thailand, Kyrgyz Republic, Sri Lanka, Georgia, and the joint review of Tanzania, Kenya, and Uganda.⁴⁴

Members also used the trade policy review process to see if new member states were changing how they govern in non-trade related aspects of governance (areas not explicitly covered by WTO rules). For example, the EU and the US also asked Georgia how it would provide for a human right not covered by the WTO--freedom of association. Both governments wanted to know if Georgia would ensure that workers and individuals in general would have the right to organize. Georgia responded its laws allowed individuals to organize in “any kind or form of association, organization, federation.” Finally, the Georgian government was asked by Chinese Taipei (Taiwan) how it was able to implement reform measures in such a short time during a time of political upheaval. The government representative (*again with some problems of English*) responded that “the main key to the success of Georgia in implementing reforms in a short time period was the strong will of Georgian population and Georgian Government to overcome the old system and strengthen corruption-free market economy.”⁴⁵ Jordan was also asked to address some areas of competence not covered by the WTO. The US asked Jordan about how civil society organizations could work in Jordan to reduce poverty. The US representative noted “Many NGOs have been highly critical of the Associations Law that was passed this summer” possibly undermining NGOs ability to fundraise “and even their permission to exist.” The Jordanian representative responded that the law was amended to consider these concerns. The US also asked about the status of the Anticorruption Commission in Jordan. The Jordanian representative responded that the Anti-Corruption Commission operates with neutrality, objectivity and independence.⁴⁶ The Canadian government asked how Jordan would ensure public input into its trade policy. The representative responded that the government has created advisory committees and “the Prime Ministry provides access to the public through its website to provide comments on draft legislation prior to its adoption. Also, two pilot projects

⁴⁴ As example, Bangladesh WT/TPR/M/168, #44, p. 11; Sri Lanka, Trade Policy Review, WT/TPR/M/237, #79, p. 17; and #187 and 188, p. 36; and Pakistan, WT/TPR/M/193, #68, 17; Georgia, WT/TPR/M/206, 19 December 2008, and Philippines, WT/TPR/M/149/Add.1, comments of Korea, Canada, #5, 6, pp. 6; and Ghana, Wt/TPR/M/194/Add.1., #19p. 30.

⁴⁵ WT/TPR/M/206, 19 December 2008 p. 59, paragraph 104, follow up to Q28, and follow up to Wt/TPR/S/224...

⁴⁶ WT/TPR/M/206, 10 and 12 November 2008, Add 1 p. 7 Paragraph 17, and p. 7, paragraph 22.

have been launched to establish a consultation mechanism on trade and environment issues, to be operated by the Ministry of Industry and Trade and the Ministry of Environment. The consultation mechanism aims at strengthening the dialogue between the government and the private sector and civil society in trade and economic policy formulation and related regulatory aspects.”⁴⁷

Taken in sum, members use the trade policy reviews to praise countries that have made governance progress and to name and shame countries that continue to have problems. They often discussed issues of transparency and evenhandedness and less frequently discussed due process. They chided some nations for corruption and inadequate governance and some countries even prodded other new members to encourage public participation and make other nontrade regulations such as labor rights fair, transparent and accountable. But trade policy review

we cannot force nations to live up to their accession or WTO agreement commitments. Hence while the trade policy review process is useful as a means of “outing” bad or inadequate behavior, it cannot stop such behavior. Moreover, members may talk about de jure policy changes, but such change may not yet result in facts on the ground—where citizens can consistently obtain information, challenge trade related policies, and monitor their government commitments. Nonetheless, our review of WTO documents showed some member states are pushing new member states to transmit WTO norms in areas of non-WTO competence—including advancing human rights or reducing corruption. As outlined in Table I, WTO norms are slowly diffusing into the polity as a whole in some countries some of the time. We see this slow and uneven diffusion in our qualitative results.

Quantitative Evidence

Research Design

Quantitative Model

⁴⁷ WTO /TPR/M/206, Add. 1, 10 and 12 November 2008, no paragraphs cited

This section delineates how we assess the influence of the three WTO norms upon country behavior. The quantitative model includes all independent countries using the Correlates of War framework (Correlates of War 2008). Our unit of analysis is the country year. The years covered by our analysis vary depending on the availability of data. We used a variety of models to test our hypotheses. Our first set of analyses examines who joins the GATT/WTO. With this understanding, we can construct our subsequent two stage analyses (described in our third set of analyses below) where we control for the endogenous effect of membership on our governance outcomes of interest. In the second set of analyses we examine if the negotiation process to join the WTO changes the behavior of trade policymaker behavior. We examined if the 23 states that joined the WTO in the years 1995-2010 showed improved governance in comparison to those states that were not members. In so doing, we build on the work of other scholars who have theorized about the relationship or found governments make significant changes when they sign a treaty or join an international organization (Simmons and Hopkins 2005; Von Stein 2005; Bauhr and Nasirtousi: 2009).

In our third set of analyses, we examine if membership in the GATT/WTO is associated with improved governance outcomes. We utilize a two stage approach to account for the possibility of an endogenous relationship between those countries which have been members of the GATT/WTO for longer periods of time and are likely to achieve better governance outcomes. As we noted above, several factors that affect longevity of GATT/WTO membership may also affect quality of governance in member states. For example, wealthier and more democratic countries are also likely to have been early members of the GATT/WTO. Moreover, these countries tend to have better governance outcomes. Hence we must control for endogeneity. We use a two stage limited information model because we have a finite number of cases (Cameron and Trivedi 2009: 199-200). We believe this approach may yield less bias and confidence intervals with better coverage rates than the 2SLS estimator (Stock, Wright, and Yogo 2002). We treat our measure of the numbers of year membership in the GATT/WTO as our endogenous regressor. In the model specification it is important to have one or more additional variables (*excluded* exogenous variables) that are correlated with our measure of membership in the GATT/WTO. These variables do not directly affect our governance measures (the dependent variable in the second equation.) Building on earlier research, we

believe the number of IGOs joined, regional level of GATT/WTO membership and level of trade directly affect the numbers of years countries have been a member of the GATT/WTO are such *excluded* exogenous variables. These variables are our instruments. The *included* exogenous variables form the basis of our second stage regression equation and are displayed in our results. These variables directly affect our governance outcomes and in the language of two stage least squares are automatically included as instruments (StataCorp 2009: 745).⁴⁸

Although our metrics reflect the WTO norms of due process, evenhandedness and transparency, our data had limitations of definition, scale (coverage of all countries) and duration. Our metrics for due process and access to information are truly statistics that fully describe the WTO norm. But our metric for evenhandedness measures only one type of evenhandedness: contract enforcement. We could not find any metric measuring evenhandedness/nondiscrimination for multiple countries and multiple years. Moreover, data for every country was not available for every dependent variable for each year. Unless stated otherwise, the results that follow used two-tailed tests with a .05 level of confidence to calculate levels of statistical significance.

Dependent Variables

We rely on three measures of good governance to examine if membership in the GATT/WTO affects country behavior.

Due Process

⁴⁸ Since the disturbance term is correlated with the endogenous variables, this violates the assumptions of ordinary least squares. In addition because our key explanatory variable, the number of years a country has been a member of the GATT/WTO is also a dependent variable in the other equation the error terms among the equations are expected to be correlated. This is why we run a two-stage least squares model because it uses an instrumental variable approach to produce consistent estimates to account for the correlation in the disturbances across the equations (Greene 2011). To be sure we also run an alternate model where we estimate the impact of membership on due process using a logit equation in the second governance stage equation. We link this specification with the first stage estimating longevity of membership with hazard ratios. However, by linking this alternate specification with a hazard ratio it means that our standard errors in the models estimating due process are not efficient because it violates the maximum likelihood estimation assumption of fixed co-variables. We rectify this problem through the use of bootstrapped standard errors (Mooney and Duval 1993). We use 1000 replications to generate our second stage findings. This alternate set of results mirrors those presented in the text.

This variable describes if citizens have a right of appeal in law if the request for basic government information is denied. The variable is a dichotomous indicator with a value of '1' if citizens do have the legal right to appeal and a '0' otherwise. The measure comes from the Global Integrity Report (2004, 2006, 2007, 2008, and 2010). Global Integrity is an NGO funded by the World Bank and others, which works to improve governance and develops metrics to monitor such changes. The Global Integrity Reports use questionnaire responses from country specialists and events based reporting to generate their measure. Unfortunately, the Global Integrity dataset only covered 25 countries in 2004; 42 countries in 2006; 50 countries in 2007; 47 countries in 2008, and finally, 30 countries in both 2009 and 2010. While the number of countries is limited, this governance NGO provides a good range both geographically and across levels of development. The sample also provides a good deal of variation in actual levels of right to appeal in law. We found 73 cases of no right to appeal and 151 cases of right to appeal. Thus we think despite its limitations it provides a good overview of due process.

Access to Information

This variable describes how much information government provides to its citizenry and is also taken from the Global Integrity Reports (2004, 2006, 2007, 2008, and 2010). The Global Integrity Reports use questionnaire responses from country specialists and events based reporting to generate a 0-100 scale measure. A value of "0" indicates that the public has great difficulty accessing government information. A value of "100" indicates that the public can easily access all aspects of government information. This measure also does not cover every country for every year. Global Integrity covered 26 countries in 2004, 43 countries in 2006, 52 countries in 2007, 46 in 2008 and 30 countries in 2010. Although the sample size is limited, the data sample revealed a wide range of variation in actual levels of access to government information. The values range from 0-98.33.

Evenhandedness

This variable describes the degree to which governments are fairly and evenly enforcing contracts within their states. The measure ranks individual countries. For ease of interpretation we reverse the original

measure so now lower values indicate worsening government enforcement of contracts, while higher values indicates that governments have better records enforcing contracts. The measure comes from the World Bank Doing Business Reports and is available for the years 2007-2010. Although we have only recent data (and hence may miss change that occurred earlier, the dataset covers some 172 countries in 2007, increasing to a total of 181 countries in 2010. Thus the sample provides a good deal of variation in evenhandedness.

Key Independent Variables

Number of years of negotiations to join the WTO & Number of years of GATT/WTO membership & Number of years of WTO membership

These measure delineates the number of years a country spent negotiating to join the WTO and the number of years a country has been a member of the GATT/WTO. (GATT governed trade from 1948-1994; our study focuses on the impact of the WTO which begins in 1995. However, most nations joined GATT in the period 1948-1994). The first measure ranges from 0 for those who were not involved in negotiations to 16 years for the countries that have negotiated the longest period to enter the WTO. The second measure indicating the number of year a country has been a member of the GATT/WTO ranges from 0 for those who never joined either organization to 65 for original GATT members (1948-2010). We used data both from the GATT documents library at Stanford University and the WTO website to ascertain when countries became members of either the GATT (1948-1995) or WTO (1995-2010).⁴⁹ This GATT/WTO membership measure is also the key dependent variable in the first stage of our equations delineating how long a country has been a member of this regime. We also produced a measure describing the number of years a country has been a member of the WTO. The measure ranges from 0 for those who never joined the organization to 15 for those countries who joined at the beginning of the WTO regime and were members in 2010 (1995-2010).

Other Correlates of Joining International Organizations and Good Governance

⁴⁹ <http://gatt.stanford.edu/page/home> ;
http://www.wto.org/english/thewto_e/acc_e/members_brief_e.doc ;
http://www.wto.org/english/thewto_e/acc_e/status_e.htm;

In designing our research, we were mindful that the factors that make countries more likely to become members of the GATT/WTO may also be related to issues of good governance. For example, countries which have better records on non-discrimination, higher levels of transparency and improved levels of accountability may be more likely to join the GATT/WTO. Thus any findings which link GATT/WTO membership to improved good governance may be a function of the types of countries that join this organization. By controlling for these endogeneity issues, we are then able to assess the effect of GATT/WTO membership on good governance.

Our research design incorporates findings from scholars regarding how wealth, regime type, and location affect membership in international organizations. Our very first set of analyses examines who joins the GATT/WTO. Several studies have found that wealthier countries and increasingly democratic countries are more likely to join international regimes. They also indicate that countries which join international governmental organizations are also likely to join other international organizations and agreements. Interestingly, countries whose neighbors join a specific organization are likely to join that same agreement or organization (e.g. Hafner-Burton and Tsutsui 2005; Hathaway 2002; Keith 1999; Landman 2006; Neumeyer 2005).

Our model explaining governance outcomes includes controls based in the literature on what impacts governance. Scholars have shown that wealthier countries tend to be better governed (La Porte 1999) and better governed economies have less corruption (Lambsdorff 2005; Wei 1999). Other scholars have linked improved democratic rights to aspects of good governance like access to a free media (Huntington 1984). Some academics have demonstrated that countries which trade more and those with a British colonial experience tend to have governments which govern in ways that respect their rights of their citizens and are more even-handed (Blanton and Blanton 2007; Poe 2004; Poe, Tate, and Keith 1999). In contrast, countries with relatively large populations, high levels of civil conflict, and involvement in interstate war tend to have governments that do not respect human rights (Poe 2004; Poe, Tate, and Keith 1999). Olson theorized that rapid economic growth has a disruptive impact on social stability, which in turn can reduce government respect for citizen's rights (Olson 1965). Finally we also control for the type of legal system, and some

contextual factors like the religious make up of countries, which previous research has argued can influence the quality of governance (La Porta 1999; Finnemore 2004). Tables 2 and 3 summarize the independent, dependent, and control variables used in the first GATT/WTO membership equation and good governance stage equations.

(Insert Tables 2 and 3 about Here)

Web Appendix A reports the descriptive statistics for the variables used in our analyses. Web Appendix B reports the pairwise correlations and VIF tests for our independent variables. Pairwise correlations indicate no problems of multi-collinearity with the highest correlation of .58 between our measure of regional WTO membership and the number of IGOs a country had joined. VIF tests reported one variable with a value greater than 10 which was our indicator of percent of the population that was Catholic. We re-ran the analyses presented below removing number of IGOs joined from the models presented on Table 4 and the percent of the population that was Catholic from the models presented on Table 5. Our substantive results remained the same.⁵⁰

Results

Determinants of longer Membership in GATT/WTO

Table 4 displays the results from our models that determine longevity of GATT/WTO membership from 1950-2010. The results from the variety of specifications we use indicate that some of our measures were associated in consistent ways with longevity of GATT/WTO membership. Countries that were members of the GATT/WTO for longer periods of time tended to have higher levels of GDP per capita, were more democratic, and were also part of particular geographic regions with higher levels of WTO membership. In addition, countries that participate in other international institutions were more likely to participate longer in the GATT/WTO regimes. These results are not surprising, but we also found that countries which had negative changes in GDP per capita and lower levels of trade as a proportion of GDP

⁵⁰ The one change was that regional WTO membership was significant but the coefficient was smaller than 1 in the Cox proportional hazard model.

were also more likely to participate in these trade regimes, significant at the .10 and .01 level of confidence respectively.

(Insert Table 4 about Here)

Impact of longer GATT/WTO Negotiations on Good Governance

The results in Table 5 describe those countries that have completed accession to the WTO and are now new members. Our sample size was relatively small. Table 5 displays the results from our analysis of states that completed negotiations which are all those states that acceded to the WTO (23 countries) 1995-2010. The '0' category in this sample are all states which are non-members. We use this to test the policy anchoring thesis promoted by Basu, Ferrantino and other scholars. Although we expected to see significant improvements among the 23 new members compared to nonmembers, we did not find this. These unanticipated results may reflect the very small number of cases that we have to work with in our sample and perhaps the limited duration of our metric (three-six years). Thus, we hope other scholars will test these results.

Table 5 also delineates our control variables. We found some evidence that higher levels of GDP per capita, longer periods under IMF programs, and higher levels of ethno linguistic fractionalization were associated with improved governance. We believe richer countries, countries under IMF conditionality, and countries with diverse ethnicities and language may be more accepting of the need to provide due process, access to information, and evenhandedness to their citizens. We also found that countries further away from the equator had better access to information and better contract enforcement. This finding supports arguments that the environment can have considerable influence upon institutional development (Acemoglu et al. 2001). None of our other control variables exhibited consistent associations across our governance measures. Democracy was consistently associated with governance outcomes but not in the direction we expected. Where significant, the results indicated that more democratic institutions were associated with worsened governance outcomes. We believe that democracy and democratic institutions may not be sufficient to promote improved governance outcomes; quality of governance matters. We were also surprised to see

that countries involved in civil conflicts had better levels of access to information and better contract enforcement than their peers among recent WTO members. These findings may be a function of our small sample and missing data. Given these unexpected results, we again urge other scholars to examine these relationships.

(Insert Table 5 about Here)

Impact of longer GATT/WTO membership on Good Governance

The results presented in Tables 6 and 7 stem from our two stage equations controlling for the endogenous relationship between membership and governance outcomes. The results in Table 6 provide no support for our hypotheses that membership in the GATT/WTO over time leads to stronger performance on any of our metrics of good governance. STATA also dropped our contextual variables from the analyses presented in Tables 6 and 7 indicated by a ‘²’. We will discuss the remaining control variables for Tables 6 and 7 at the end of this section. A number of diagnostic tests for weak instruments are available with these models. Following the advice of Cameron and Trivedi (2009: 191-194) we generated some first stage diagnostics using the ‘estat firststage, forenonrobust’ command in STATA. This generates an F-Statistic which identifies the strength of our first stage instruments. The results from this gives an F statistic for each of the models presented in Table 6 that range from 49.67-162.46. They are all significant at the .001 level of confidence indicating that we have strong instruments in each model. They are all also well above the value of 10 considered to be the demarcation of strong instruments (Cameron and Trivedi 2009: 193).

(Insert Table 6 about Here)

Table 7 shows our findings about the impact of longer WTO membership on good governance from the period 1995-2010. In this model, we include only those countries which joined the WTO during 1995-2010. We then compare them to the few countries still outside the WTO during this period. We were not able to estimate fully specified models because of our small sample and had to exclude the contextual variables in order to run our regressions. In addition STATA dropped the level of domestic conflict and literacy indicated

by a ⁵² in Table 7. Here too our results do not support our argument that longer participation in the WTO improves performance on any our metrics of good governance. The results from the first stage F statistic for each of the models presented in Table 7 range from 22.21-31.2. They are all significant at the .001 level of confidence indicating that we have strong instruments in of the each models presented.

The control variables are again quite sensitive to the differing numbers of cases that we have across our models. Our controls mostly provided consistent support for existing arguments explaining differing governance outcomes. We found that wealthier countries have better governance outcomes across each of our dependent variables in both tables at the .10 level of confidence or greater. In contrast, there was some evidence that faster rates of economic growth were associated with worsened evenhandedness across both models presented. There was also some evidence that faster economic growth was associated with improved due process, but this was significant at only .10 level of confidence in one model.

We found that the presence of foreign aid significantly improves governance outcomes. Higher levels of aid were associated with improved even-handedness across tables 6 and 7. Higher levels of aid were also associated with stronger performance on our metrics of due process and access to information in the models presented on Table 7. We believe this finding could be explained by the fact that higher aid is often associated with greater sunshine, conditionality and capacity building. If taxpayers are going to make a major investment in foreign aid, they want to see that the recipient state has the governance capacity to utilize this aid.

We were surprised to find that larger populations were associated in some of our models with improved outcomes on our metrics of due process and access to information but worsened metrics of evenhandedness. These contradictory results deserves further investigation.⁵¹

⁵¹ Limited space prevents a full discussion of some alternate two stage models that we ran. In the first alternate we included measures of time to our various models. We added cubic splines to our due process models and a 'year' measure to our access to information and evenhandedness models presented. We re-ran the models displayed in Tables 6, and 7. The findings remain robust to that specification. The year variable was significant in all the models presented in Tables 6 and 7 indicating a significant positive trend towards better governance over time. GATT/WTO and just WTO membership remained insignificant predictors of governance outcomes across the three measures used. In the second alternate we utilised a GMM two stage least squares specification. All our key measures of GATT/WTO membership remained insignificant

(Insert Table 7 about Here)

Conclusion

The WTO governs trade, and doesn't directly address corruption. Yet we found considerable qualitative evidence that it is helping member states clean up. Before they accede, countries make major changes to their laws, regulations and behavior related to a wide range of trade and trade related policies from tax and competition policies to health and safety standards.. New member states are required to adopt trade related policies, laws and institutions based on transparency, due process, and evenhandedness. Member states monitor these changes at trade policy reviews. During these reviews, trade officials ask questions about compliance with WTO norms in trade policymaking. But they also ask new members about strategies to reduce corruption, involve the public, and ensure evenhandedness. In particular, the US, Canada, and the EU sometimes asked other countries about their policies and behavior in areas of non-WTO competence—including advancing human rights or reducing corruption. These documents provide evidence that as outlined in Table I, WTO norms are slowly diffusing into the polity in some countries some of the time.

However, we were not able to show this transfusion of norms quantitatively. We expected to see improvements in due process, transparency and evenhandedness for longstanding GATT/WTO members, and dramatic changes for all three metrics during the years of negotiations for new members. Instead, we found no significant effects: new members of the WTO did not improve performance on our metrics of due process, access to information and evenhandedness. However, countries that received higher levels of foreign aid did show improved performance over time; this may mean that the sunshine, additional money, conditionality, and capacity building associated with foreign aid may in fact foster better governance among recipient nations.

How do we explain these surprising results? It could be a data problem: our metrics did not fully cover *all* WTO members *all the time*. Alternatively, our data may not accurately replicate WTO norms. But if

predictors of governance outcomes with one exception, now longer membership of the GATT/WTO was associated with worsened access to information, significant at the .05 level of confidence.

they do, we show that member states may initially anchor to the WTO, but they may also start drifting. In short, the policy anchoring process may not be as secure as Basu, Wei, and Ferrantino have asserted. Moreover, our findings may show that member states are not using the trade policy review process consistently or effectively.

Our quantitative results could also reflect the fact that learning takes time. Policymakers from new member governments struggle to govern effectively. Federal officials have made changes to their laws, but it takes time to effectively *implement* these changes and then for these changes to filter into the polity as a whole. Policymakers may lack capacity or will and perhaps they don't fully understand their commitments (Basu et al: 2008). Alternatively, business and governmental elites may resist change and may not be willing to give up control. Moreover, policymakers may not provide their citizens with full and/or accurate information or fully involve them in the process. Jordan may provide an example of this phenomenon. In a February 2008 study of Jordan's trade policy, US AID found "the government of Jordan does not have a government wide consultation policy and has not established standard methods of stakeholder consultation," although each ministry has its own means of consultation. US AID concluded that the problem was a lack of capacity in the government to work with its constituents to make effective trade policies.⁵²

In recent years, some scholars have attempted to measure the impact of the WTO on trade (Rose 2002, 2005; Goldstein et al. 2007). They have generally concluded that the WTO is a paper tiger—fiercer on paper than in reality. Economist Andrew Rose asserts that this should not surprise us-- members deliberately designed the WTO to be a weak international institution.

But the reality may be more complex. The WTO may be both a paper tiger and a fierce defender of good governance. Nothing happens in the WTO without consensus and hence the WTO depends on the will and actions of its 153 members individually and collectively. Those members do not consistently hold each other accountable for upholding the WTO's norms of transparency, due process, and evenhandedness. Our

⁵² Sheri Pitigal et al, "Assessment of Trade Policy in Jordan and Recommendations for Reform," 21 February 2008, p. xviii.

research may thus provide an impetus for trade diplomats to rethink how to reinforce WTO norms during the trade policy review process. Until they do, we hope other scholars will examine how the WTO influences governance and in turn, how such choices affect the world's people.

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Table 1: The Direct and Spillover Effects of GATT/WTO Norms at the National Level

GATT WTO provision and its purpose	Policy maker obligation	Spillover Effects on policymakers	Examples of policies that must be established or improved	Spillover Effects on Market Actors and Citizens
MFN and national treatment Articles I, III. <i>Designed to Prevent discrimination among market actors-domestic and foreign actors.</i>	Act in an evenhanded manner.	Policy makers learn to act in an evenhanded manner related to trade. Policy makers should avoid bribes or favoritism.	Taxation Customs Agriculture Industrial policies Health, environment and safety regulations Investment regime State ownership and pricing policies. Authority of sub-governments Legal system	Market actors learn to expect nondiscrimination and evenhandedness May lead to better market allocation. Citizens may perceive government as fairer, and more responsive.
Transparency and access to information Article X <i>Provide clarity and certainty to trade.</i>	Act in a transparent manner. Be responsive to public questions.	Policy makers learn to act in the sunshine. May create feedback loop and lead to better public policies.	Same as above	Citizens gain information to assess and influence government decisions and ensure greater responsiveness to public concerns. Citizens learn who to ask about decisions and how to seek redress. May lead to public questioning of policy directions.
Due process Article X. <i>Allows foreign and domestic market actors to comment on and trade related regulatory changes.</i>	Act in an accountable manner. Accept public challenge and questioning.	Policy makers learn to interact with and listen to constituents. Government learns to read markets.	Same as above and administrative/judicial review	Citizens gradually learn how to challenge government. Market actors may be more willing to take risk if they can challenge policy decisions.

Table 2: Operationalization of GATT/WTO Membership Equation

Dependent Variables	Indicator	Source
Number of Years under GATT/WTO Membership	Number of years has been a member of the GATT/WTO.	Constructed from GATT/WTO Sources
Independent Variables		
Economic Variables		
GDP Per Capita	Real GDP Per Capita (Chain Index)	Penn World Tables (PWT) 7.0
Change in GDP Per Capita	Change in Real GDP Per Capita (Chain Index)	PWT 7.0
Trade as a Proportion of GDP	Total Trade as a percentage of GDP	PWT 7.0
International Political Variables		
Regional Level of WTO Membership	Annual Number of WTO Members by UN Region	Constructed by Authors
Domestic Political Variables		
Level of Democracy	Democracy 0-10 Measure	POLITY IVd Dataset (Marshall, Gurr and Jagers 2009)
Number of IGOs Joined	Annual count of IGOs joined by country	Pevehouse et al. (2003) & Wallace and Singer (1970)
Population Size	Annual population in thousands	PWT 7.0

TABLE 3. Operationalization of GATT/WTO Negotiations & GAT WTO Membership Good Governance Equations Variables

Dependent Variable	Indicator	Source
Due Process: Rights of Appeal	0-1 indicator indicating in law, citizens have a right of appeal if a request for basic government record is denied.	Global Integrity Report (2004, 2006, 2007, 2008, 2010)
Even-handedness: Contract Enforcement	Contract Enforcement from Doing Business Reports. World Ranking for Individual Countries, lower values indicate that government enforce contracts better, higher values indicate that governments have a worse record enforcing contracts.	World Bank: Doing Business Report (2007, 2008, 2009, 2010)
Access to Information: Access to Government Information	0-100 indicator indicating level of public access to government information through the use of specialized country reporting. Higher values indicate greater public access to government information.	Global Integrity Report (2004, 2006, 2007, 2008, 2010)
Independent Variables		
Number of Years under GATT/WTO	Number of years has been a member of the GATT/WTO.	Constructed from GATT/WTO Sources
Control Variables		
Economic Variables		
GDP Per Capita	Real GDP Per Capita (Chain Index)	Penn World Tables (PWT) 7.0
Change in GDP Per Capita	Change in Real GDP Per Capita (Chain Index)	PWT 7.0
Trade as a Proportion of GDP	Total Trade as a percentage of GDP	PWT 7.0
Political Variables		
Population Size	Annual population in thousands	PWT 7.0
Level of Interstate Conflict	Ordinal Level of International Conflict (0-3 measure)	Gleditsch et. al (2002)
Level of Domestic Conflict	Ordinal Level of Civil Conflict (0-3 measure)	Gleditsch et. al (2002)
UK Dependent/Colonial Experience	The decision rule of the most recent possessor is used to identify the relationships under examination.	Issues COW Colonial History Dataset Hensel (2006)
Level of Literacy	Percentage of population above age of 15 literate.	Abouharb and Cingranelli (2007)
Ethno-Linguistic Fractionalization	Average Ethno-Linguistic Fractionalization	La Porta et al (1999)
Catholic, Muslim, Other Countries	Whether 80% or more of a countries inhabitants adhered to the particular religion	La Porta et al (1999)
Latitude	Latitude from the Equation	
Legal Birth Heritage	Nature of Legal Birth heritage '0' is Civil Law '1' is	La Porta et al (1999)

Table 4: Determinants of longer Membership in GATT/WTO 1950-2010, All Countries¹

Number of Years GATT/WTO Member	Column I Ordinary least Squares (Robust St. Errors)	Column II Negative Binomial Regression Model (Robust St. Errors)	Column III Feasible Generalized Least Squares Model ²	Column IV Generalized Least Squares Model Fixed Effects (Robust St. Errors)	Column V Generalized Least Squares Model Random Effects (Robust St. Errors)	Column VI Cox Proportional Hazard Model
Economic Variables						
GDP Per Capita	.0005*** (.0001)	2.05e-05* (8.00e-06)	.0007*** (1.64e-05)	.0007*** (.0001)	.0007*** (.0001)	-2.28e-06 (2.11e-05)
Change in GDP Per Capita	-.002** (.0005)	-3.32e-05 (3.93e-05)	-.001*** (.0002)	-.001*** (.0003)	-.001*** (.0003)	.0002 (.0002)
Trade as a Proportion of GDP	-.066** (.021)	-.004** (.002)	-.065*** (.003)	-.005 (.016)	-.009 (.02)	.003 (.003)
Political Variables						
Regional Level of WTO Membership	.279** (.099)	.02* (.008)	.433*** (.016)	.485*** (0.071)	.475*** (.07)	.044* (.019)
Level of Democracy	1.031*** (.227)	.076*** (.019)	.931*** (.034)	-.038 (.156)	.002 (.151)	.128*** (.029)
Number of IGOs Joined	.069*** (.0136)	.007*** (.0009)	.064*** (.002)	.081*** (.009)	.081*** (.009)	.007* (.003)
Population Size	8.90e-06 (1.22e-05)	4.84e-07 (1.08e-06)	1.67e-05*** (1.52e-06)	2.51e-06 (2.39e-05)	4.61e-06 (2.30e-05)	3.09e-07 (3.36e-07)
Constant	-13.71*** (1.692)	-.165 (.216)	-18.49*** (.498)	-22.75*** (2.325)	-26.18*** (2.209)	
N	6,620	6,620	6,620	6,620	6,620	2,253
R-Squared	.37	--	--	--	--	--

P > |z| .1[^], .05*, .01**, .001*** Two Tailed Test. ¹Analyses clustered on country. ²Feasible Generalized Least Squares Model estimated with heteroskedastic panels. Results generated with STATA 11.2.

Table 5: Completed WTO Negotiations and its effect on Good Governance, All Countries¹

Good Governance	Logit	Generalised Least Squares ²	
	Due Process	Access to Information	Evenhandedness
	Right of appeal if request for basic government record is denied 2004-2010	Public Access to Government Information 2004-2010	Contract Enforcement 2007-2010
Number of Years Negotiating to Enter WTO	-.041 (.08)	-.207 (.511)	-.1 (.163)
Economic Variables			
GDP Per Capita	.0005** (.0002)	.006*** (.001)	.0002 (.0004)
Change in GDP Per Capita	.0007 (.002)	-.023** (.008)	-.005 (.006)
Trade as a Proportion of GDP	.004 (.011)	.074 (.063)	-.093* (.037)
Number of Years Under an IMF SAP	.114^ (.062)	1.031*** (.275)	.166 (.138)
Net Aid Receipt	7.99e-11 (1.91e-10)	-1.54e-09 (1.29e-09)	4.05e10 (1.83e-09)
Political Variables			
Democracy	-.396** (.142)	-1.833*** (.555)	.265 (.417)
Population Size	1.81e-06^ (1.04e-06)	.00002^ (7.84e-06)	2.12e-06 (.00002)
Level of Domestic Conflict	-.252 (.738)	8.695* (3.696)	27.558*** (1.977)
UK Dept/Colonial Experience	-.011 (1.036)	3.521 (7.099)	-38.564*** (7.125)
Level of Literacy	--	.035 (.114)	--
Ethno-Linguistic Fractionalization	2.895* (1.418)	28.321*** (6.929)	4.974 (4.55)
Catholic Countries	.027 (.038)	.198 (.257)	.771*** (.062)
Muslim Countries	-.002 (.035)	.001 (.228)	.677*** (.084)
Other Religions	.038 (.032)	.335 (.245)	.72*** (.07)
Latitude	8.353 (5.254)	56.543** (21.792)	121.607*** (11.8)
Legal Birth Heritage	-.738 (1.131)	-4.688 (7.331)	56.062 (7.544)***
Constant	-6.637^ (3.483)	-608.721 (2235.778)	1772.927 (1633.089)
Pseudo R2 N	108	89	162

P> |z|.1^, .05*, .01**, .001*** Two Tailed Test. ¹Logit models includes cubic splines and GLS Models include year counter. ² Models estimated with heteroskedastic panels. Results generated with STATA 11.2.

Table 6: GATT/WTO Membership and its effect on Good Governance, All Countries

2 Stage Least Squares Limited Information Model			
Good Governance	Due Process	Access to Information	Evenhandedness
	Right of appeal if request for basic government record is denied 2004-2010	Public Access to Government Information 2004-2010 ¹	Contract Enforcement 2007-2010
Number of Years Member GATT/WTO	0 (1.77e-06)	0 (0.000143)	0 (0.000176)
Economic Variables			
GDP Per Capita	7.80e-05*** (1.24e-05)	0.00751*** (0.000745)	0.0119*** (0.00123)
Change in GDP Per Capita	9.63e-06 (0.000240)	0.00132 (0.00663)	-0.0422*** (0.00976)
Number of Years Under an IMF SAP	0 (2.54e-07)	0 (1.16e-05)	0 (5.09e-05)
Net Aid Receipt	6.87e-11 (5.04e-11)	5.79e-09 (3.68e-09)	4.64e-08* (1.83e-08)
Political Variables			
Democracy	0 (6.54e-08)	0 (3.47e-06)	0 (4.07e-07)
Population Size	3.95e-07** (1.27e-07)	3.04e-05*** (8.45e-06)	-4.05e-06 (3.94e-05)
Level of Domestic Conflict	2	2	2
UK Dept/Colonial Experience	2	2	2
Level of Literacy	2	2	2
Ethno-Linguistic Fractionalization	2	2	2
Percent Catholic	2	2	2
Percent Muslim	2	2	2
Other Religions	2	2	2
Latitude	2	2	2
Legal Birth Origin	2	2	2
Observations	115	119	272
First Stage Summary F-Statistic	106.02***	49.67***	162.46***

P > |z|.1[^], .05*, .01**, .001*** Two Tailed Test. ¹Results generated with STATA 11.2. ²Dropped by STATA.

Table 7: Years under WTO and its effect on Good Governance, Only New WTO Members & Non Member Countries

	2 Stage Least Squares Limited Information Model		
	Due Process	Access to Information	Evenhandedness
Good Governance			
	Right of appeal if request for basic government record is denied 2004-2010	Public Access to Government Information 2004-2010¹	Contract Enforcement 2007-2010
Number of Years Member WTO	0 (6.81e-07)	0 (6.07e-05)	0 (1.16e-05)
Economic Variables			
GDP Per Capita	4.84e-05 [^] (2.49e-05)	0.00586** (0.00218)	0.00787*** (0.000950)
Change in GDP Per Capita	0.000341 [^] (0.000184)	0.0151 (0.0152)	-0.0310*** (0.00828)
Number of Years Under an IMF SAP	0 (1.40e-07)	0 (8.34e-06)	0 (2.26e-07)
Net Aid Receipt	3.13e-10** (1.10e-10)	2.30e-08*** (6.49e-09)	6.14e-08*** (1.12e-08)
Political Variables			
Democracy	0 (2.62e-08)	0 (2.26e-06)	0 (2.51e-07)
Population Size	2.55e-08 (1.36e-07)	-2.72e-06 (7.46e-06)	-7.47e-05*** (1.21e-05)
Level of Domestic Conflict	²	²	²
Level of Literacy		²	
Observations	52	40	106
First Stage Summary F-Statistic	31.2***	22.21***	23.72***

P>|z|.1[^], .05*, .01**, .001*** Two Tailed Test. ¹Results generated with STATA 11.2. ²Dropped by STATA. ³ Unable to estimate model if contextual factors were also included due to limited numbers of cases.