From the GATT to the WTO:

When do International Organizations Evolve?

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The Question

International Organizations are vital to the operation of International politics. They regulate behaviors, facilitate communication, and promote cooperation between states. The process by which International Organizations come into being is well discussed in the literature, however, not equally well debated is the process by which International Organizations come to modify their operating procedure. Or in other words, when the member states renegotiate the terms of their membership.

Literature Review

Kenneth Waltz argues that domestic politics is irrelevant to the calculus of states. He argues primarily that states act according to the actions of other states. The bureaucracy, the public, and the legal systems are all factors not considered in his framework. He does however take the position that “politics determines economics (Waltz 2010)”, but does not further his sociological analyses. In other words, he accepts that the behavior of states is derive from the socially constructed political process, but does not analyze human systems to other than the state when attempting to predict state behavior. (Waltz 2010)

Robert Keohane builds upon Waltz’s. He takes the assumption that there are inherent common interests between states seeking wealth and power, and the maximization of absolute gains. States are then presumed to possess preferences dependent on the division of resources and information within the international system. To accomplish goals and to minimize insecurity states then cooperate by forming international regimes defined to be, “sets of implicit or explicit principles, norms, rules, and decision-making procedures around which actor’s expectations converge in a given area of international relations” (Keohane, 2005, p 57). In bargaining for international trade deals, states seek to maximize power and wealth for all states involved in the process. (Keohane, 2005)

Fearon also adopts this position, however also assumes that states seek when bargaining the maximization of gains across time. Therefore the logic of the iterated prisoners dilemma is used to explain cooperation. Because of the shadow of the future, or the expectations of further interaction between states, the most rational choice to maximize gains across time is for states to cooperate and to normalize rules in the form of a legalistic International Organizations. (Fearon 1998)

Moravsic adopts a liberal stance, breaking from the neorealist, as well as the regime theorist position that the factors of the international system determines state behavior. He argues that the preferences of powerful coalitions within states and the combined societal will to carry them out are the basis for state behavior. His theory rests upon three core assumptions. 1. State actors primarily define state preference. 2. Domestic institutions and their structure exert influence on the realization of coalition preferences. 3. “The configuration of interdependent state preferences determines state behavior (Moravsic, 1997).” Thus, powerful social coalitions pressure representative governments, controlling for regime type, to bargain on the behalf of their interests in the international game. This “two stage model” of state behavior accounts for both regime theorist and realist assumptions.

Putnam further formulizes the process with the application of the two-level game metaphor (1988). Level 1 is considered the domestic game played by representative leaders to appease the domestic interests of individuals, groups, and political coalitions. Level 2 is the international game in which states compete to appease domestic posturing. The win-set, the possible set of actions considered acceptable to both the domestic coalition and the international coalition, is dependent upon three major factors. 1. The distribution of power, preferences, and possible coalitions among level 2 constituents. 2. The size of the representative body of political institutions. 3. The strategies of the level 1 negotiators. The net effect of the three limiting factors results in a win-set most probable to be ratified by the domestic institutions. In other words, representatives bargaining on behalf of powerful domestic coalitions must negotiate trade packages acceptable to their domestic handlers. To apply principal-agent theory to the intuition, the coalitions are the principle handling the representative, their agent.

Dahl’s work on bureaucratic politics and policy networks within the city of New Haven Connecticut is the foundation on which I will build to identify the process of preferences becoming the action of a state. The basis of his argument rests on the fact that certain actors possess the authority to draft and to pass legislation. The units are the most important actors within the policy network. All of those actors that depend on the actor with authority must lobby to institute policy. The power of the policy network is defined by their expertise, their social standing, and their ability to satisfy the interests of the person or persons in positions of authority. Depending on the issue at hand and those actors mobilized the policy network is highly dynamic. (Dahl, 2005); (Dahl, 1957)

Finnemore explores the ways in which international institutions acquire a degree of autonomy and then may influence the states in the system by creating rules and regulation to serve the interests of the organization itself. Her work relies heavily on sociological analysis of human systems. At both the international level and the domestic level of politics Finnemore’s work argues that as organizations are comprised of social actors the legal and social rules by which the institutions operate by serve primarily to benefit the preservation of the group. However, their legitimacy is dependent upon “external recognition” by those ruled over (Finnemore 1999). In order, then to retain authority and legitimacy, the government bureaucracy must development effective methods of socialization to convince the public of its legitimacy. Scaled up to International Organizations bureaucratic legitimacy is equally dependent upon external validity. But as states are the only units capable of effectively providing that validity, International Organizations are wholly dependent on powerful states to enforce norms. (Finnemore 1999); (Finnemore 1993); Finnemore 2001)

Theoretical Intuition

Ultimately one must put forth a state centric argument in order to best explain the operation of International Organizations and the International System more generally. This heart of this paper will rest on the assumption that the state as an organization is most responsible for influencing the character of the International System, and ultimately the modification of International Organizations. It does not however, assume the state to be a rational entity capable of responding to external stimuli in a way that maximizes its gains. Rather, as all states depend on domestic legitimacy in order to exist, states ultimately operate in order to appease the demands of powerful domestic constituencies, often without regard to the actions of other states.

The structure of state can be thought of as a pyramidal hierarchy built upon increasing levels of authority within the state. The base of which is comprised of all of those people without any employment by the state. Moving up from there may be civil servants of the state bureaucracy. Ultimately the pinnacle of which is the institution or institutions responsible for the management of all lower levels. The most important factor binding the structure is legitimacy as each level is inherently dependent on the external recognition of its legitimacy by the levels beneath it. For instance, the Executive of the United States is essentially without power, except for that power which is recognized Congress and by extension the general public. A similar argument example could be drawn for the military, the police, or any other institution within a state.

The actual codification of this social process is by definition the law of a state. It may be thought of as the enforcement mechanism by which the social structure is maintained and behavior standardized. Those within the state with the authority to create law are those with the power to socially reinforce their position of authority.[[1]](#footnote-1) Thus it is paramount that a leader once in a position of authority also has the means of the state available to him in order to buttress his status. Otherwise law will be ignored and the state will devolve into anarchy.

At the international the same processes occurs. Powerful states, be it military power, or economic power, reinforce norms among weaker states in order to standardize behavioral outcomes. Great state in of themselves may be able to accomplish this by force, but the legitimacy of those actions will always be perceived by lesser states as entirely illegitimate. Unless a legal institution comprised of members is developed in order to give the lesser states the appearance of influence, all attempts to institute norms from a position of absolute power will surely fail. Hence the breakup of the English Empire. If nations, with distinct identities from that of the hegemon are to be managed a legal structure accepted to be legitimate must be created.

Thus, International Organizations come into being. They are an attempt to institute a legal order binding to member states in order to minimize risk ultimately at the behest of powerful states. The process by which weak states join the organization is straightforward. They do so because the powerful coalitions within their state seek to acquire the resources available to them when entering an International Organization. Such states will adapt to the rules of the IO, but only to the extent that the IO serves their interest. Otherwise they will refuse to join. Once they have joined, they will recognize the legitimacy of the powerful state, and the IO only if the disciplinary measures are effective, and threaten their ability to rule domestically. There is also the option to join the Organization established by another powerful state in the International System. If such an option is available, something like the order prior to the first world war, and that of the cold war will come into being.

For an IO then to be successful in setting the standards of the entire international system, all powerful states must be able to converge about a set of common interests. In other words for an international organization to truly standardize norms throughout the international system all great powers must act in collaboration with one another to reinforce agreements to avoid undermining the legitimacy of the institution. The difficulty in achieving this is found in the fact the dictates of the international order do not determine great power behavior, but rather the domestic forces which challenge the authority of its leaders do. The prime example of which is the United States war in Iraq under President George W. Bush. Despite the protests of the UN member states, the government was forced to act under fear of losing popularity among its base.

Only in highly technical and rather nonpolitical areas of international affairs does it appear that coalitions of powerful states can manage to converge about a set of interests. Especially is this true when it comes to renegotiating the terms of membership.

Hypothesis

Therefore, I argue that international organizations modify the terms of their agreements only when it is in the interest of the powerful domestic constituencies of a coalition of powerful member states. A state cannot go it alone at the international level, nor will it successfully ratify the agreement if it is not in the interest of the domestic camp.

Design of the Test

I adopt the intuition of the two-level game, but avoid the calculus by way of preferences. Instead I adopt a calculus by way of expectations. Preferences are unbounded. Expectations however are the set of expected outcomes bounded by law and authority. In other words, expectations are preferences bounded by the exercise of a state’s institutions. As institutions are expected to act in such a way as to maintain legitimacy, their free exercise is not unbounded. As opposed to the convergence about preferences, I expect that win-sets will converge about a common set of expectations that arise from the internal process of maintain political legitimacy. To test my hypothesis then, I first analyze the international organization. I then discern which states are the most powerful. I then look to the issue, to see whether it is an issue is supported by domestic coalitions of the powerful states. If that issue is agreed upon by the most influential states within the organization it is likely that new agreements will be signed, and the policy of the organization will change.

Case Study

The transition of the GATT (the General Agreement on Tariffs and Trade) to the World Trade Organization will serve as the case study of analysis. I will analyze the foundations of the GATT, the basic terms under which the states agreed to enter into the agreement. Then I will look to the World Trade Organization, and seek to explain why the most powerful states in the organization sought to expand the GATT and why they agreed to the terms.

The GATT, formed after the Second World War, spearheaded by the efforts of the United States and the United Kingdom, was the only multilateral instrument governing international trade from 1948 until 1995 (Cite WTO website). The point of its development was to liberalize trade and reduce tariffs between members. Interestingly within less than a month if its signing, the United States sought to expand the agreement to govern all of international trade. The Havana conference of 1947 was to do just that and to develop the International Trade Organization. The deal proved to be incapable of ratification in the legislatures of many member states, notable the Congress of the United States the leader of the movement. Thus, marking the first in a series of failed attempts to create a multilateral body regulating trade.

The GATT however was not an unsuccessful agreement. Periodic rounds of negotiation, and subsequent agreements expanded the jurisdiction of the organization and granted to it greater legitimacy as the years passed. The agreements eight round of agreements, the Uruguay Round of 1986-94 is the most instrumental as it established the World Trade Organization. Why is it that previous attempts to develop the body failed, but in this one instance it came into being?

The question is ultimately answered by identifying the expectations of the domestic structures of the most powerful states attempting to renegotiate the deal. Or what was it that the domestic structure pressured the leaders of the state to do? This type of analysis will vary between states as it is dependent upon the institutional organization of the state. To simplify the process for this analysis, I look primarily to who is responsible for ratifying the trade deal, and who is it they are responsible to.

The most powerful states at the time of the creation of the World Trade Organization were in order the United States, Japan, Germany, France, Italy, the United Kingdom, Canada, China, Brazil, and then Spain.[[2]](#footnote-2) I can further reduce the important states to the United States, the European Union, Japan, and Canada, collectively known as the quad, as they together account for most of international trade and the largest share of international GDP (Databank: World Development Indicators).

In the United States its Senate is officially responsible for the ratification of international treaties. However, due to legislative enactments the process of ratification at the time the Uruguay rounds was modified to require a majority vote in each of house of its Congress and the approval of the President. The President and his staff were responsible for the negotiation of the deal. Thus, the expectations to analyze are those of the constituencies which the members of the Congress and president rely on for appointment to their office. This differs between each group and is thus a very difficult process to determine. It is dependent upon the perceptions of the Congressman, and the advice of their most important allies. They will vote for a deal only if it is perceived to be a political win. A thorough analysis would require reviewing the vote of each senator and then inferring the constituents responsible for their appointment and the expectations of each group. As this is untenable, reviewing the actions of the president is actually a valid point of view to determine the aggregate expectations of those within the domestic structure as the ratification of the bill is dependent upon their support. Thus, the president is negotiating on their behalf. (Trade Act of 1974, 19 U.S.C. Chapter 12); (U.S. Constitution, Article 1 Sect. 3); (U.S. Constitution, Amendment 17)

The European Union is comprised of a very different political structure of hierarchal authority. Individual states do not negotiate trade deals. Rather the European Commission comprised of appointed members negotiate deals on the behalf of the entire union. These deals must be approved by the European Parliament which is comprised of elected representatives from each of the members states, but the ultimate power to ratify the agreements falls with the council. Members of the council are the heads of state each EU member state. Their position in power is dependent upon the domestic structures of their individual states. Nonetheless, when bargaining internationally, they are doing so in order to maintain their position as leader. Thus, they will not agree to a deal that will compromise their domestic coalitions. (The European Council, 2018); (The European Parliament: About Parliament).

The Japanese “Diet”, its version of parliament is responsible for the ratification of treaties and international trade deals. The executive cabinet is soley responsible for the negotiation of the deals aided by its bureaucracy. However, as Japan is a parliamentary state, unlike the United States, the prime minister, the executive of the country, possesses almost free reign to institute law. This is due to party discipline, and the fact that as the head of the government, the prime minister is also the head of the party in possession of the majority seats in the parliament. What then the executive negotiates will most likely be passed. There is surely an internal bargaining process, but it is not as crucial to the process as that of the United States. (Fundamental Structure of the Government of Japan, 2007); (Structure of the National Diet, 2014).

Canada is also structured around a Parliamentary government. The executive committee like that of japan is centered around the prime minister. The prime minister and his cabinet negotiate the trade deals and then put it to parliament for ratification. The same rules of party discipline apply here as in Japan. The likelihood of a trade deal negotiated by the executive cabinet being ratified is very high. (Parliamentary Primer).

According to my hypothesis then, these states will renegotiate the GATT agreements when it is in the domestic interests of the heads of states responsible for the ratification of the trade deal. The most difficult state to accomplish in would be the United States as the greatest number of individuals are responsible for ratification. And, because the possible domestic win-set is the smallest in relationship to the other powers. It is then expected that the United States will find it most difficult to ratify the World Trade Organization agreement.

Findings

As expected the Quad States (United States, Canada, Japan, EU) were by far the most important states involved in the process of negotiation. Their economic power and political clout were necessary to develop an international organization with actual effect on international trade. Thus, the states with economic value were essentially ignored in this process. (VanGrasstek, 2013).

Ratification of the deals also depended on the perceptions of the domestic coalitions of states engaged in talks. Dispute resolutions, agricultural subsidies, and auto tariffs were the most contentious issues between the Quad. Each sate feared primarily the delegitimizing their domestic governments. The United States and the EU for instance disputed over pork tariffs seriously enough to threaten the deal outright. The United States senators and the president were concerned that a deal that lifted subsidies would put a large number of their constituencies out of a job. If this were to occur they thought their positions of authority would be compromised. (VanGrasstek, 2013).

The solution to the problem came about in the form of substantial dispute resolution mechanisms to solve the enforcement problem. The United States as the most influential member of the organization most likely assumed that it could use the Dispute Settlement Body to its own end. The other states in the system perceived it to be capable enough to bind the United States to internationally agreed to norms and consensuses on trade. The goal of course to put an end to politically disruptive tariff spikes targeted at politically relevant sectors of economies. Or in other words to regulate international trade in order to put an end to trade wards. This to all states at the time seemed to be vital to securing the domestic expectations of their constituencies. The intent of all measures is to ensure a domestic win at the time of signing, but also to ensure ongoing win-sets across time (Fearon, 1998). The World Trade Organization embodies that it is inherently an organization designed to satisfy the demands of the members states not to act as an independent body. (VanGrasstek, 2013).

Discussion

Regarding when international organizations likely to modify their agreements, they appear to do so when a coalition of powerful states can agree to do so. Such a straightforward answer to the question seems obvious however, in the process of research many questions arose as to if this is actually true. I began this research from an entirely different point of view. I sought to answer whether Non-Governmental Organizations (NGO) could influence Inter-Governmental organization to adopt new policy.

The answer to that question led me to study states as opposed NGO’s because in order for an NGO to influence an IGO powerful states must be recruited to the cause. The global civil society literature is fairly adamant about this. Thus, I led astray from studying only NGO’s and instead sought to understand why states may modify existing IGO’s or develop new ones.

States are a far more interesting unit of analyses as all forms of influence within the state could be studied to determine if domestic politics really does lead to international politics. To this I would say that there is no doubt that international politics begins at home. The Logic of the Two Level Game cannot be ignored. Leaders dependent upon domestic coalitions must act accordingly to realize their expectations or risk losing office. From this one could see how domestic perceptions of economic conditions, human rights, or any other issue can influence a state’s behavior.

Thus, when approaching IGO’s and the forces which influence their operation, not only is it more interesting look to states, but also far more functional than attempting to discern the influence of NGO’s operating within states. Such an analysis requires testimony from policy makers, meeting minutes, extensive media analysis, and a harmonious relationship with an NGO, an IGO, and a state bureaucracy. Frankly speaking these resources were not available, nor was I able to establish contact with any of the important players. Therefore, one had to default to observation from the point of view of a neutral observer.

In so doing it became evident that states, whether one likes it or not, solely possess the legal authority and material capability to influence IGO’s. Civil society on the other hand, while influential, is without the authority or means to actually bring about legitimate change. Institutions trusted by citizens, or even possibly willed into being by military force, are those with the legitimate power to actually enforce laws and norms. As such, I adopted Dahl’s intuition into decision making that institutions with legal authority regulate and standardize decision making procedures and also patterns of influence. These institutions are the field in which those seeking to acquire influence play, and therefore adapt to the rules. Without then needing to further delve into this process I chose to instead analyze relationships between states, as opposed to analyzing the operations of NGO’s.

This paper is in need of expansion however in one crucial category. It assumes wholeheartedly that the leaders of states are entirely dependent on the whims of their domestic coalitions and that they are incapable of employing any tactics to manipulate them. A new research project that explores the topic in depth is in need. To make the assumption that the preferences of influential leaders do not play a role in international politics is too great a pill to swallow.

Conclusion

When do International Organizations renegotiate the terms of their agreements? They do so when powerful states within the organization compel it do so. The logic of the Two-Level game though indicates that the process is dependent on the expectations of domestic coalitions. Also, the relative power between states makes it so that only a minority of powerful states are actually important when attempting to renegotiate deals. A win-set is achieved when the expectations of the domestic coalitions of the most relevant states converge about a deal. The transition of the GATT to the World Trade Organization as case study demonstrates this process. The Quad states, the most relevant state in the international economy Rather, it is apparent that the need for politicians to maintain their domestic coalitions was more important to the calculus of the leaders than the acquisition of power or wealth. \

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1. Power is to be defined as the ability to make someone do what they otherwise would not do. [↑](#footnote-ref-1)
2. The European Union is officially a signee of the WTO. It is important to note that five of the top ten states are EU members. As trade regulation must be uniform throughout the EU, the European Union representatives negotiated on behalf of their member. For the purpose of this paper I will treat the EU as a single state to avoid greatly complicating the analysis [↑](#footnote-ref-2)