

GLOBALIZATION AND RESPONSIBLE STATE BEHAVIOR:
WHAT DOES ECONOMIC INTERDEPENDENCE MEAN FOR NORM COMPLIANCE?

by

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(Under the Direction of Patricia L. Sullivan)

ABSTRACT

This thesis explores the relationship between economic interdependence and compliance with international norms of civil freedom in seventy-five developing and newly industrialized countries. The research conducted in this paper has two primary concerns. What is the relationship between economic interdependence and norm compliance? If such a relationship does exist, how does it occur? Using the World Development Indicators, Freedom in the World, and Polity data, I examine systemic-level relationships over time between macroeconomic variables (e.g. foreign direct investment, GDP, GDP per capita, and trade) and norms. Empirical evidence provides partial support of my hypothesis that there is a positive and significant relationship between economic interdependence and norm compliance. While capital interdependence proved consistent with the central theory in this paper, trade did not perform as expected because it was found to be negatively related to norm compliance or responsible state behavior. The substantive and empirical analysis provided in this paper provides fertile ground for future research and debate.

INDEX WORDS: Economic Interdependence, Norms, Compliance, General Linear and Latent Mixed Models, International Political Economy, World Development Indicators, Freedom House, Polity IV

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CHAPTER 1 INTRODUCTION

Research on the use of economic “carrots” (e.g., incentives) or “sticks” (e.g., sanctions and embargoes) to achieve policy objectives is not a new phenomenon as it has been a fundamental element in the study of international political economy since the emergence of the field. However, the growing interdependence between states ushered in by an era of globalization has generated a new area of inquiry in the academic and policy communities regarding the externalities of such interactions.

The central question in this relatively new niche is: What is the relationship between economic interdependence and state behavior? If a relationship does exist, what are the causal mechanisms and necessary conditions to facilitate its emergence? These questions have become increasingly more salient as recent world events have shocked the world’s consciousness, such as gross human rights violations, state-sponsorship of terrorism, nuclear proliferation, institutionalized corruption, and other normative concerns that threaten the prospects for international peace and security.

This paper will examine the relationship between economic interdependence and norm conformity (i.e., responsible state behavior). Specifically, does economic interdependence lead to greater or diminished norm conformity? It is hypothesized that there is a positive and statistically significant relationship between the two concepts. In this study, it is argued that as states become more integrated (thus, more interdependent) into the international market, they are more likely to conform to international norms of behavior (e.g., the protection of economic, political, and civil rights). This conformity, which is a process of state socialization, is motivated by an initial instrumental

calculation of self-interest. As states become the recipients of investment and trade, they are more likely to see compliance with and the adoption of norms as a means to further their economic objections—whether it is maintaining or increasing levels of trade, FDI, access to the international market. As compliance becomes routine and so widely accepted, these norms become internalized within the state and society. I will discuss this in further detail later in the paper.

The inspiration to pursue this research question is found in three notable cases: post-WWII Europe, China, and Taiwan. First, a devastated post-WWII Europe used economic interdependence to indirectly and directly promote peaceful relations by creating the 1951 European Coal and Steel Community (ECSC). By redirecting industrial resources and tying its fate to the rest of the member states, the German threat was significantly minimized and norm adherence was fostered.

Second, the Clinton Administration's 1996 National Security Strategy towards China highlighted the need to incorporate it into the international economy via the WTO to facilitate the US strategic objectives, including the cooperation with international norms and rules. Furthermore, China appears to demonstrate the hypothesized relationship because as it has increasingly tied itself to the international market and related institutions, it has adjusted its domestic and foreign policy to be more congruent with some norms (e.g., increasing transparency, securing property rights and other economic freedoms, and relaxing restrictions on human and civil rights).

Finally, Taiwan (R.O.C.)'s 1996 attempt to openly assert its independence from mainland China—despite a lack of support from several major powers is another example of economic interdependence being used as a tool to compel compliance. As a result of

Taiwan's actions, Beijing fired missiles into the ocean near Taiwan, which frightened many of Taiwan's important trading and investment partners. The possibility of conflict made economic relations with the island very risky and costly (e.g., shipping and insurance rates skyrocketed). Sensing the immediate harm to its economic interests due to its high dependence on trade and capital, the pro-independence contingent Democratic Progressive Party (DPP) softened their stance and promised not to declare formal independence unless attacked by mainland China, thereby conforming to the will of the international community (Russett and Oneal 2001: 137). These cases illustrate the powerful impact interdependence has on creating favorable state behavior at home and abroad.

Despite the potential for this relatively new area of research to address urgent threats to international peace and security, general understanding of the nexus between interdependence and state behavioral change is limited for several reasons. First, the definition and measurement of interdependence remains highly contentious and broad. Should interdependence be seen as a function of mutual vulnerability or sensitivity (Kroll 1993: 322)? What indicators of interdependence should be used as measurements (e.g., capital, trade, or monetary flows)? Another limitation has been the lack of an in-depth recognition regarding the extent, nature, and other internal dynamics that create this complex and ever-important relationship.

Finally, there has not been enough theoretical convergence across ideas and disciplines to succinctly explain behavioral changes in states as macroeconomic conditions shift. Some scholars have remained steadfast to their ideology of choice,

regardless of the emergence of new dynamics in an ever-changing international environment. In a rather harsh criticism of this intellectual impasse, Katzenstein writes:

The discussion of the various possible relationships between differing lines of argument seems impaired by the highly reified 'paradigm talk' common to contemporary analyses of international relations. Scholarly communities are quick to reify differing arguments as distinct and competing paradigms. Then, scholars are prone to assume, often without much thought, that differing arguments are in immediate or direct competition...these images are procrustean and facile (Katzenstein 1996: 69).

Still, some ideologues are unnecessarily pessimistic regarding the ability of scholars to facilitate a theoretical convergence for seemingly polarized perspectives of international politics. However, not only is it possible, but it will serve as the underpinnings of this research project.

While this is not an exhaustive list, these limitations represent some of the major shortcomings of the existing research concerning interdependence and state behavior. These limitations have hampered the emergence and facilitation of deeper questions, understanding, and policy recommendations. Furthermore, they have undermined the creation of a structured and empirically sound theory and model of the relationship between these two concepts. Although there is a considerable amount of interesting work regarding the relationship between interdependence and state behavior, existing research leaves much to be desired in the area of process tracing, empirical testing, and policy implications. Therefore, one of the contributions of this project is to fill analytical gaps left behind by previous work. Also, I will attempt to reconcile the research programs of rational choice and constructivism by developing a model that is grounded in

assumptions consistent with sociology and producing behavior consistent with rational choice.

This research will proceed in the following manner. The second chapter introduces the relevant literature and establishes the theoretical foundations for economic interdependence and norm conformity. The third chapter will present and explain in great detail the data and methodology used to conduct this project. The fourth chapter will reveal and discuss the results obtained from the empirical tests. The fifth and final chapter will provide a conclusion to the thesis by summarizing the important findings and their implications for future research and policy.

CHAPTER 2

LITERATURE REVIEW AND THEORY

There is a plethora of scholarly inquiry regarding economic interdependence, state socialization, norm conformity, and the relationship(s) between these concepts. This body of literature finds its origins in the works of eighteenth century theorists Immanuel Kant (1796) and Barron de Montesquieu (1748), who argued that commerce facilitates global peace. The contention is based on the notion that the presence of interdependence both raises the economic interests countries have in maintaining peaceful relations, and the incentives for states to mediate disagreements nonviolently.

Accepting the spirit of Kant and Montesquieu's contentions, the theory in this paper suggests that states will become more compliant with international norms of civil freedom as they integrate further into the international market via trade and capital. Although recent research has substantiated the claim that economic interdependence yields positive externalities in state behavior (e.g., Gartzke et al 2001 and Li and Resnick 2003), the literature is arguably incomplete and inconclusive. On one hand, there is a rich history of theorizing, speculating, and problematizing every aspect of the relationship between economics and state behavior (e.g., Russell and Oneal 2001, Keohane and Nye 1977; Deutsch 1957). On the other, empirical studies regarding the nexus between interdependence and cooperation, undermined by narrow and sometimes inappropriate indicators, have not conclusively defined a trend in this relationship (Gartzke, Li et al. 2001).

As mentioned earlier, the literature has problematized every aspect of the relationship between the two concepts. While this has generated stimulating debates

between scholars and disciplines, it has muddied the waters a bit. This muddiness, created by narrow definitional disputes and ideational roadblocks facilitated by *competing* paradigms, has undermined the ability of scholars to achieve a broad analytical and conceptual understanding of changes in the international system, to create consensus on trends in the data, and translate findings to practitioners in the field.

Despite these distractions, this area of study continues to evolve by the gradual absorption and acceptance of changing international conditions, new analytical tools, and ideological diversity and convergence. The first section of this chapter will survey the work and ongoing debates regarding interdependence and socialization literature. In doing so, I will discuss the definitions, assumptions regarding the state and international society, necessary preconditions, and processes relevant to these bodies of literature. In the latter section of this chapter, there will be an in-depth introduction and discussion of the theory proposed in this paper. Finally, the hypotheses that will be empirically tested in subsequent chapters will be presented.

Interdependence

Interdependence and its possible externalities have been on academic and policy research agendas since the mid-eighteenth century. Moving beyond theory, it has been a central element in foreign policy since Woodrow Wilson and WWII for the United States and Europe, respectively. Most recently, it has taken form in the December 2003 European Union Strategy Against Proliferation of Weapons of Mass Destruction via a Trade and Cooperation Agreement with Iran. A key element of this policy was to increase trade with the ‘rogue’ nation (thus, encouraging interdependence) in exchange

for immediate suspension of enrichment activities and a commitment to the international nonproliferation norm (Meier and Quille 2005). Of course, this plan fell through due to internal EU divisions between nuclear and non-nuclear states, slow implementation of an enhanced trade relationship, and ambiguous signaling by Iran.

Although the study of interdependence has a long history, political economists did not begin empirically evaluating the evidence of its speculated relationships with other concepts (e.g., peace, conflict, cooperation, etc) until the beginning of the 1970s. Work by Deutsch (1957), Gartzke et al (2001), Russett and Oneal (2001), and Kirschner (1995), among others have made notable contributions to the conceptual understanding of interdependence and its interaction with the state. However, these research endeavors have left some major analytical and empirical gaps that inhibit our ability to answer several fundamental questions. How does one define interdependence? Does this definition imply mutual vulnerability or sensitivity? If there is a relationship between interdependence and state behavior, how does it operate? Which theory is the most appropriate paradigm to capture the essence of the proposed and contentious relationship?

Defining Interdependence

Before one can try to address any of the unresolved issues concerning interdependence, it is important to have a clear definition to serve as a foundation for such research. Unfortunately, many noble attempts to do so have sparked a lot of controversy between ideologies and across disciplines. However, the dispute over the definition of interdependence is not unique as most attempts to define anything (e.g.,

‘society’) in the social sciences produce very similar reactions among scholars. As Kroll (1993) suggests, the definition of interdependence is determined by whether one views interdependence as a function of vulnerability or sensitivity. Or, if one chooses to break away from this dichotomous view of interdependence, one can look at sensitivity and vulnerability not as mutually exclusive, but as being two “dimensions” of interaction (i.e., complex interdependence)—ones that exist in both dependence and interdependence.

The first of these approaches advocated by realist scholars such as Waltz (1970; 1979), Hirschmann (1945), and Baldwin (1980) argues that interdependence should be seen as a function of a state’s vulnerability, the cost it would face in breaking a relationship¹. This perspective focuses on the idea that when two actors find themselves in an economic relationship, there are known and sometimes immense costs for both of them should it dissolve or become strained. It must be noted that there is not an assumption of equal distribution of costs between actors or dyadic interactions. Baldwin (1980: 490-491) cites three reasons why interdependence should be seen as a case of vulnerability: first, the logic matches historical usage; second, interdependence as a function of sensitivity (discussed below) can vary inversely with vulnerability, thus distorting common usage; and, third, sensitivity can be called just that, whereas interdependence should be reserved for vulnerability issues (Keohane and Nye 1977).

Those that share this perspective also believe that interdependence should be seen as a form of power. In light of this view and true to contemporary structural realism, Waltz (1979: 16) argues that interdependence is a rhetorical disguise exercised by hegemons or major powers. Baldwin (1980: 495) adds to this contention by concluding that at the point that interdependence is a case of mutual vulnerability, it is therefore a

¹ Referenced in Kroll (1993).

case of mutual dependence. This dependence is, at its core, a form of power decline. Hirschman (1945: v) demonstrates how states can translate economic power that is a consequence of dependence into ‘political pressure and leverage.’² Essentially, this perspective sets up a dichotomous worldview that being dependent is to lack power and independent is to retain power.

Independence (thus, power) becomes the opposite of dependence; to increase one, you must decrease the other. One cannot both increase and decrease power at the same time (Keohane and Nye 1977). This body of literature is the basis for protectionist and autarkic arguments, which ignore the benefits and existence of gains in power (relative and absolute) due to economic interaction. I believe that Japan is a good example to refute the realist claim because it virtually eliminated all of its independent military or traditional sources of power and they have become one of the most powerful countries in the world due, in large part, to its economic power.

In sharp contrast to the vulnerability arguments by the aforementioned realist theorists, some scholars such as Cooper (1972), Deutsch (1978), Tollison and Willet (1973), and Whitman (1979) have taken off their realist-tinted sunglasses and offered another view of interdependence. Instead of looking at interdependence as a function of vulnerability or dependence, this perspective focuses on the increased sensitivity states feel when their relations with one another increase. Essentially, sensitivity looks at how quickly changes in one country bring about costly changes in another and how costly these changes are in a given policy framework (Keohane and Nye 1977).

² Ibid

Accordingly, two states have become more interdependent when events that take place within one state have an impact upon events taking place in another state³.

Scholars that view interdependence as a function of sensitivity borrow heavily from economic terminology to articulate their arguments. Tollison and Willet (1973: 268) contend, “An increase in elasticities (e.g., interdependence) will, *ceteris paribus*, increase the degree of simultaneity of price movements (i.e., increase the degree of integration).” Such price equalization is a function of the amount of trade between two economies (Caves and Jones 1981: 118; Kroll 1993: 323).

Theorists that view interdependence as a function of sensitivity believe that interdependence is not a function, but an alternative to power. These scholars reject the ‘billiard-ball’ model of international politics that is adopted by the likes of Waltz, Hirschmann, and Baldwin. This model looks at the assumed anarchic international structure as a place where states are crashing against one another, with their final trajectory being determined by the force behind each actor’s movement. Instead, Burton (1972)⁴ advocates for a ‘cobweb’ model of international politics, where the restraints of commerce in State A are soon found to have bound the traditional organs of State B—thereby making *state* power obsolete. Therefore, interdependence should be seen as a new form of relationship with other states, one in which neither state can act without some form of coordination with the other (Kroll 1993: 324).

While the arguments regarding sensitivity are more flexible and realistic than those presented by realist scholars, this perspective is not without its flaws. Although interdependence may constrain state power, it does not render it obsolete as it continues

³ Ibid

⁴ Referenced in Kroll 1993: 324

to be one of the most important actors in economic interactions. Despite being rather compelling analogy, the ‘cobweb’ model oversimplifies the world. The trajectory that states choose is affected by other states, but there are too many variables involved in international and domestic politics to make such a deterministic claim. Furthermore, the inability of states to act without some sort of coordination is a bit unrealistic. Even though states are aware of other actors within the context of their choices, they are independent actors and make choices accordingly.

The final approach to defining the concept and nature of interdependence emerges out of Keohane and Nye’s (1977) seminal work *Power and Interdependence*. They define and conceptualize what they refer to as ‘complex interdependence’ as a situation of mutual dependence, where the loss of autonomy creates reciprocal costly effects. Keohane and Nye’s work is a direct challenge to the realist paradigm, which they argue cannot adequately analyze the politics of interdependence or explain change in the international structure.

The main actors in this evolving system are state and non-state actors (e.g., multinational corporations, institutions, and movements), and there is no defined hierarchy across issue-areas in this system. This lack of defined hierarchy cause national interests to become dependent upon variations in actors, time, and issues. Keohane and Nye depart from the dichotomy that ruled contemporary interdependence literature by arguing that it was both a function of vulnerability and sensitivity. The theory and subsequent analysis in this thesis will use ‘complex interdependence’ as the basis for determining the nature of interdependence in relation to states. I believe that Keohane and Nye’s theory recognizes the multiplicity of interests and actors within international

networks of trade and capital, which makes this a more pragmatic and relevant definition for this paper.

The Impact of Interdependence on State Behavior

The second major controversy in the interdependence literature concerns the relationship between economic interdependence and state behavior (e.g., conflict and cooperation). It is important to note that the majority of literature concerning economic interdependence and state behavior focuses on conflict and cooperation. But, the underlying logic regarding the relationship can be extended to norm conformity. This controversy is really a dispute between liberalism and realism. There are three hypothesized relationships in the existing literature: interdependence decreases conflict (or increases cooperation), there is no relationship, and interdependence actually increases conflict and hostility. As mentioned in Chapter 1, large-N empirical studies have yielded inconclusive results to resolve this ongoing dispute.

Although there is no empirical study that answers all of the objections from realist scholars, recent research appears to substantiate the liberal or Kantian claim praising the positive externalities or *spillover* effects of economic interdependence. Despite the ongoing debate, there appears to be a consensus emerging that interdependence is associated with peace (Gartzke, Li et al. 2001). Theorists have been writing about the potential effects of international commerce since the eighteenth century (Smith 1776; Kant 1795; Montesquieu 1748). Articulating his view of the relationship, Kant wrote:

The spirit of commerce sooner or later takes hold of every people, and it cannot exist side by side with war. And of all the powers (or means) at the disposal of the state, financial power can probably be relied on most.

Thus, states find themselves compelled to promote the noble cause of peace, though not exactly from motives of morality. And wherever in the world there is a threat of war breaking out, they will try to prevent it by mediation (Russett and Oneal 2001: 128).

Deutsch (1957) adds to this contention by suggesting that interdependence contributes to the construction of a 'security community,' in which shared values make the resort to force unimaginable.

The central logic underpinning this line of reasoning is that economic interests can overcome the temptation for conquest or militarized problem-solving. The possible gains due to conflict or uncooperativeness are not worth the economic risks (e.g., net capital outflows, trade sanctions and embargoes, or an undesirable reputation). This relies on the assumption that investors and traders are rational actors, and are therefore concerned with maximizing profit, stability, and property rights protection. Preempting a realist concern, Gartzke et al (2001) claim that interdependence can motivate peace based on gains-losses analysis. They argue that conflict may be so expensive relative to the expected value of fighting that states prefer any offer rather than enduring a contest.

On face value, these are rather intuitive arguments that can be supported by several examples (e.g., European Union). However, the objections to this neo-liberal, functionalist, and rationalist line of reasoning present a few interesting points questioning the existence and consequences of the (possible) relationship between economic interdependence and state behavior. While this is not a very popular contention, some realist scholars (e.g., Levy 1989) suggest that there is no statistically or analytically significant correlation between the two concepts.

The most prevalent and interesting objection regarding the relationship is the realist idea that interdependence actually contributes to or causes conflict and hostility (Waltz 1970; 1979). Some theorists argue that trade intensifies and generates competition and friction by enhancing outward expansion (Choucri and North 1975; Sayrs 1990). This argument rests on the fundamental assumption that traders and investors compete for scarce resources and markets. As competition intensifies, state power is used to guarantee national access to resources and markets (e.g., the US securing economic interests in Iraq through war and occupation). When the level of state intervention increases, one is more likely to observe a rise in protectionism, trade wars, economic penetration, colonial expansion, intervention in local conflicts, and an overall decrease in international cooperation (Reuveny 2000).

Another contention suggests that a hostile relationship will emerge from increased trade as states fear benefiting less than their respective trade partners (see Waltz 1970; 1979; Greico 1988; Mastanduno 1991; Gowa 1994). It is argued that this perception of asymmetrical gains from trade makes states vulnerable since they are no longer able to exercise autonomy over their economic policies—thereby increasing the possibility of conflict. Based on the changing nature of power in the anarchic international system, economics becomes the means by which a state establishes political and military power and status. Therefore, to be on the shorter side of the trade relationship implies a security threat because states measure their capabilities relative to those of their potential enemies (Reuveny 2000).

How Does Interdependence Influence State Behavior?

Moving beyond the debate concerning whether or not a relationship exists and the direction (if such a relationship does exist), the final major controversy in the literature concerns *how* economic interdependence facilitates cooperation and peace. Existing scholarship has taken three broad approaches to identify the causal mechanism by which positive externalities are generated by economic interdependence: constraint, information, and transformation.

First, constraint arguments hold that there are increased costs of conflict or deviation from a norm in the presence of economic integration, which deter states from engaging in such behavior (Kastner 2005). This argument is fairly straightforward and centers on the idea of opportunity costs (e.g., forgoing or disrupting a commercial relationship) are higher than the expected gains from conflict or norm deviation. Although the analysis that Kastner (2005) provides implies a dyadic relationship, its logic can easily be applied to a system-level study.

The potential for welfare-reducing capital outflows, embargoes, sanctions, and other types of market access controls would entail opportunity costs that were so significant that the respective state would hesitate to engaging in conflict and norm violating behavior. Russett and Oneal (2001: 141) point out that states with lower trade dependence are ones that are less constrained from using force because these states have greater freedom to initiate conflict because its economic costs would be less. Axelrod (Axelrod 1997: 42) notes that when governments find that they are risking political and economic ostracism, they may discover that aggression and human rights violations need not be tolerated (e.g., female genital mutilation). This position has been supported by

several reversals of social policy to gain international acceptance, such as Apartheid in South Africa and nuclear rollback in Brazil and Argentina.

Second, informational contentions suggest that economic interdependence facilitates a non-militarized avenue for settling of disputes by allowing states to signal their true level of resolve more efficiently (Gartzke, Li et al. 2001; Kastner 2005). Informational analysis has more relevance to monetary and capital interdependence because they are particularly more vulnerable or sensitive to interventions. The argument emphasizes the idea that the international community or particular states can coerce compliance with peace and norms through signaling (e.g., imposing sanctions or currency manipulation) their objections to the actions of that state. Economic interdependence provides the mechanism that allows credible signals of political resolve by international actors. Kirschner (1995: 3) provides excellent analysis on how states can and have used interdependent monetary relations as an instrument of coercion.⁵

According to the Kirschner (1995), currency manipulation appears to be the most frequently used instrument of signaling to change a target state's preferences or actions over a specific issue. This instrument can be used with varying degrees—from mild to destabilizing. The impact of currency manipulation has very detrimental impacts upon a target state beyond depreciation, such as: increased inflation, capital flight, difficulty attracting FDI, increased real debt burden, reduction in real living standards, unemployment, and various levels of domestic instability (1995: 9). Currency defense is costly, and the welfare effects are devastating. This represents a threat to the security,

⁵ Yuan-Li Wu refers to this as economic warfare, which is the deliberate selling of the enemy or deviant actor's currency on such unofficial markets or free exchange markets maintained in adjacent neutral countries at increasingly lower rates will promote compliance (or punish deviation) as well as stimulating capital flight from the target (Kirschner 1995: 7)

regime integrity, and international power of the target state. Kirschner and Gartzke et al offer the following example:

In June 1911, France sent troops to Morocco to protect European residents. Germany saw the move as an effort to further French claims in Morocco and sought compensation. Negotiations over the situation broke down in July and war seemed imminent. At this point, France and Britain began withdrawing funds from German banks, leading to a financial crisis in September that threatened the solvency of the German currency and risked suspension of the gold standard. In November, the Germans decided to concede, signing a treaty recognizing Morocco as a French protectorate (1995; 2001: 403).

This and many other historical examples show how states or international society can use economic interdependence to deter conflict and enforce compliance.

Finally, the last approach the literature takes in addressing how economic interdependence leads to reduced conflict and norm deviation is based on transformational arguments. Transformational arguments assert that the integration of a state into the world economy will bring about shifts in foreign policy goals (e.g., socialization). The underlying logic of approach, which is filled with sociological imagery, is that economic interdependence may harmonize the goals and interests of integrating states. One way the literature looks at this is based on the premise that as states come in greater contact with each other, they are *socialized* to view their interests as shared and to see prior goals as less important than before (Deutsch 1957; Kastner 2005: 5).

Another way it is addressed is that as economic interdependence is deepened; states will view cooperation as more essential than before (Haas 1992; *ibid*). The way

this has evolved in the literature relies on domestic politics as the intervening variable. Solingen (1994) suggests that as economic interdependence increases, outward-oriented coalitions and sectors will expand and mobilize, which will cause shifts in the interests and possibly the makeup of the governing regime. This shift will create domestic pressures upon the ruling coalition to comply with international norms of peace and rights protection.

Socialization

Norm socialization among states in international relations has a rich and diverse intellectual history, which is heavily influenced by sociology and psychology. Despite its potential importance to many major areas of international relations, it is an under-theorized and tested area of inquiry. Unlike other causal mechanisms within international relations literature, various schools of thought have reached a consensus recognizing its existence (e.g., Waltz 1979; Wendt 1992; Finnemore and Sikkink 1998; Alderson 2001; Harrison 2004). While most scholars have stuck to their paradigms of choice and engaged in vibrant theoretical and conceptual debates between across ideologies and disciplines, others have explored the subject by way of theoretical convergence.

Although much progress has been made to determine the prerequisites, process, and outcome of state socialization recently, definitive details have remained scarce. Accordingly, there are four major questions that remain unanswered and highly contentious within the literature. What is socialization? What are some of the core assumptions about the state and international society? How does socialization work (i.e., the process)? When does it work?

Defining State Socialization

First, determining what state socialization is seems to be a relatively simple task as most of the definitions offered by scholars of various ideological loyalties are strikingly similar. Most believe that it is the central mechanism through which norms of state behavior are diffused within the international system. Farkas (1998: 19) offers a more succinct definition of state socialization or learning as the process whereby states identify and respond to international change. In this paper, Farkas' characterization of socialization will serve as the working definition of the concept as it appears to be neutral and unproblematic. Although this definition seems relatively straightforward, the way the term is used diminishes the illusion of simplicity within the literature.

Waltz (1979: 127-128) and other neo-realist scholars argue that socialization refers to the homogenization of self-help balancing behavior among security-seeking states. Johnston (2001: 489) points out that this process of homogenization is not socialization in its common sense. Rather, homogenization (in the neo-realist sense) is a process of selection and competition: states that do not emulate the self-help balancing of the most successful actors in the system will be selected out of the system. The problem with this logic is that the death rate of states has significantly declined and relatively unsuccessful actors do not simply disappear. Furthermore, the concept of sovereignty allows for heterogeneous traits and characteristics among states (ibid).

Constructivists use state socialization to refer to an ongoing and ubiquitous cognitive and social process that demonstrates (sans testable empirical evidence) how the international environment constructs and deconstructs the identities of states. In essence, social relations *make* or *construct* people—ourselves—into the kind of beings we are

(Johnston 2001: 492). Within conventional constructivist accounts of socialization, internalization is the outcome and focus of these studies.

This school of thought assumes that agents at the systemic level have relatively unobstructed access to states and sub-state actors from which to diffuse new normative understandings. Once actors are interacting [inside institutions⁶], the diffusion and homogenization of values in the *world* polity seems virtually automatic and predictable (ibid). Constructivist socialization literature has widely be criticized for ignoring the conditions that would make socialization more successful, timing of observing the constitutive effects of social interaction, and insufficient process-tracing.

Rational social constructivists see socialization as an active process in which norms ‘cascade’ through the international system, driven by a combination of material interests and symbolic pressures among states (Finnemore and Sikkink 1998: 901-904). This idea will serve as the basis for the theory and analysis presented in this paper, as it attempts to reconcile the instrumental and social interests of the state. Theorists such as Ikenberry and Kupchan (1990: 283) have used socialization to describe the exercise of hegemonic power to induce cooperation among secondary states. Essentially, elites in secondary states buy into and internalize norms that are articulated by the hegemon and therefore pursue policies consistent with the hegemon’s notion of international order . While others have used it rather broadly to refer to the homogenization and reeducation of rogue and other non-Western states (Halliday 1992).⁷

⁶ The market is an institution, and thus the logic is applicable to this study. This idea will be discussed in the following chapter.

⁷ Referenced in Alderson 2001

The Nature of the State and International Society

The next issue area that remains contentious within the literature involves the core assumptions about the state and international society. In order to understand state behavior, it is important to grasp the nature of the environment in which it operates. Most literature follows the Grotian tradition, which asserts that the international system is a *society* in which states, as a condition of their participation in the system, adhere to shared norms and rules in a variety of issue areas. Within this *society*, material power matters, but within a framework of normative expectations embedded in public and customary law (Katzenstein 1996: 45).

Katzenstein presents a theoretical continuum based on the interaction of the state and international society. On the low end of this scale are the theories (e.g., rational choice, neorealism, and neoliberalism) that depict the interests and identities of actors as intrinsic and thus not generated by the environment. These theories acknowledge the role for environmental structures in defining the opportunities and constraints facing actors, and thereby in conditioning the behavior of the state via ‘price effects,’ but not in constructing the actors themselves. Basically, structure merely affects, not constructs behavior. Much of this work emerges from the neoclassical microeconomics literature which holds that social behavior and outcomes are a product of the rational choice of utility-maximizing actors. He believes that this view ignores the degree to which social environments and actors penetrate one another.

On the other end of the continuum, there is constructivism, which treats properties (e.g., identities and interests) as endogenous to the environment (41). Rather than states being ‘black boxes’ whose interests and identities are exogenous, constructivists (e.g.

Wendt 1992) argue that states do not have any specific ‘interests’ prior to their socialization to certain identities (Harrison 2004). Finnemore (1996: 4) suggests that there is nothing inevitable or immutable about the state as an actor as it is a continuously evolving unit. Furthermore, she argues that preferences and interests are strongly influenced and constituted by social norms, culturally determined roles and rules, and historically contingent discourses (15).

The Process of State Socialization

Another issue that had been previously underdeveloped was *how* socialization affected the behavior of states. The most notable work in this regard was done by Finnemore and Sikkink (1998: 895) in their account of the norm “life cycle.” Although there are three stages: emergence, cascade (diffusion of the norm), and internalization, this research is primarily concerned with the cascading effect in stage 2. They postulate that the diffusion of norms and compliance is facilitated by an active process of international socialization that is intended to induce norm breakers to become norm followers. This socialization can occur in the form of imitation, praise or rewards for conformity, and ridicule or punishment for deviation (Waltz 1979; Finnemore and Sikkink 1998: 902). Some scholars suggest that the way socialization works is through a cumulative process analogous to ‘peer pressure’ among countries. The literature suggests four possible motivations for state change in response to such pressure: legitimization, conformity, esteem, and rationality.

International legitimization has been recognized throughout the literature for its role in shaping state behavior. While formal institutions are usually the primary actors in this

area of research, one can extend the analysis to the general community of states. The principle argument is that the costs that are associated with being labeled a ‘rogue state’ or illegitimate within international interactions entails a loss of reputation, trust, and credibility. Moreover, a state’s domestic legitimacy⁸ reflects its international legitimacy, which has a significant impact on the regime’s ability to stay in power. Examples of international sources of domestic change can be found in South Africa, Latin America, and southern Europe (Finnemore and Sikkink 1998: 903).

Conformity and esteem is another motivation for undertaking the process of socialization. Axelrod (1986: 1105) refers to conformity as ‘social proof,’ in which states comply with norms to demonstrate that they have adapted to the social environment—that they belong. Johnston (2001: 499) suggests that there is considerable evidence that identification with a group can generate a range of cognitive and social pressures to conform. Conformity with group expectations consistent with role and identity is based on the idea of social influence, which refers to a group of micro-processes that educe pro-norm behavior through the distribution of social rewards and punishments.

Beyond material considerations, these rewards include psychological well-being, status, a sense of belonging, and a sense of well-being derived from conformity (ibid). These types of studies believe that there is a “cognitive discomfort associated with perceived divergence from group norms, which generates strong internal pressures to conform to the group’s practice; that is, the trauma to self-esteem from this divergence can motivate an actor to reduce discrepancies through greater conformity (500).

⁸ Domestic legitimacy is the belief that existing political institutions are better than other alternatives and therefore deserve obedience (Finnemore and Sikkink 1998; Linz 1978).

The fourth and final motivation is based on instrumental or rational motivations. Essentially, states use ends-means calculation about how to achieve their goals and maximize their utility. Therefore, a state's compliance with an international norm may be motivated by a desire to avoid the adverse reputation effects that undermine material welfare or relationships, to maintain a healthy investment climate, or to be included in welfare-enhancing international institutions (e.g., WTO). Ikenberry and Kupchan (1990: 284) find that material inducements trigger the socialization process. They offer the following causal chain to demonstrate this: external inducement → policy change (cooperation through coercion) → norm change.

Thus, compliance is a function of consequentialist calculations, rather than constructed pro-social persuasion power of norms. This perspective looks at state actors as *Homo economicus*⁹ as opposed to the *Homo sociologicus*¹⁰ view presented in the first three motivations. While this is an undeniably compelling argument, I believe that it oversimplifies the reality of the world and nature. Granted, states are not people. But they share many qualities that can be extended to the macro-level. States are both social and self-interested rational actors. It could be argued that social factors, such as international acceptance and prestige can affect the ability of states to achieve their rational goals (e.g., economic power, development, etc). Therefore, a state could reconstruct its preferences and identity to further their goals.

⁹ Actors rationally seeking to translate preferences into outcomes (Alderson 2001: 420).

¹⁰ Human beings as cultural animals which act on social norms, internalized values, and identities (ibid).

What are the Necessary Preconditions for Socialization?

Finally, the question of when socialization works is another inadequate, undeveloped, and overlooked aspect in the literature. To better state the debate, what are the necessary conditions to trigger socialization? In one aspect, scholars have focused on the salience of the norms that condition the emergence of socialization-induced compliance or internationalization (Finnemore and Sikkink 1998: 901; Harrison 2004: 532). In another regard, other literature has focused on the actors themselves (Johnston 2001: 499-502).

Theorists that focus on the salience of norms argue that a norm must reach a tipping or threshold point before socialization pressures produce change in state behavior. Finnemore and Sikkink (1998: 901) assert that this tipping point occurs when a *critical mass* has been established, which is where at least one-third of the total states in the system adopt the norm. They argue that international law implicitly recognizes this concept of *critical mass* since most treaties specify that a particular number of countries must ratify the agreement for the treaty to enter into force. Furthermore, Harrison (2004: 532) contends that once a critical mass of liberal states has emerged [in favor of the norm], socialization pressures will exert a potent mix of material and normative incentives for states to adopt the norms of a Kantian culture.

Scholars that focus on the state itself have two visions of the state in terms of necessary preconditions for socialization. On one hand, there is the notion of *ceteris paribus*, which argues that the absence of preconceptions and other unique national beliefs enhances the probability that the transnational proponents of an international norm

can establish the legitimacy of the international norm in the domestic arena. Peter Haas (1992: 29) contends:

If decision makers have no strong preconceived views and beliefs about an issue area in which regulation is to be undertaken for the first time, an epistemic community can have an even greater impact in shaping their interpretations and actions in this case and in establishing patterns of behavior that they will follow in subsequent cases regarding the issue area.¹¹

To demonstrate this point, Checkel (1998: 39; Cortell and Davis 2000: 75) finds in his study of norm diffusion that Ukraine was able to institutionalize inclusive norms of citizenship developed by the Council of Europe because it had previously lacked a [Soviet] normative framework about questions of national identity.¹²

On the other hand, some scholars have looked to the state's view of the international community. Keck and Sikkink (1998: 29) contend that socialization is most likely and will require less effort when state leaders 'aspire to belong to a normative community of nations. This desire implies a view of state preferences that recognize states' interactions as a social—and socializing process."¹³ Furthermore, socialization is more likely to be successful when the target state views the socializing forces (e.g., other states, the market, etc) and their prescribed rules and norms as legitimate and necessary for its existence, status, well-being, or development. While these two visions of the necessary prerequisites are analytically persuasive, it has been found to be rather difficult to translate them into an empirically testable hypothesis.

¹¹ Referenced in Cortell and Davis 2000: 75

¹² Ibid

¹³ Ibid

Summary

Although this was a comprehensive review of interdependence and socialization literature, it is by no means exhaustive as the literature is vast and explores some questions beyond the scope of this thesis. This literature review yielded three very important conclusions that will serve as the basis on this paper. First, interdependence does exist and is accelerating. Second, states are capable of transforming their identity based on rational and social calculations. Third, and most relevant, interdependence appears to be a stimulus for positive international behavior (e.g., peace and cooperation). Despite the analytical and empirical gaps that undermine the potential of this body of literature, the surveyed work in this section provides a solid foundation for the theory and hypothesis explored in this paper.

A Rational-Constructivist Theory of Norm Conformity

The rising tide of globalization has brought cultures, places, and economies together. Simultaneously, there appears to growing recognition and adherence to principles that have long governed the international community among formerly autarkic, marginal, and deviant states. This research suggests that bringing states into the international economic fold (thereby facilitating interdependence) explains this positive behavior. Instead of analyzing this relationship through the lens of only one ideological foundation (as most previous literature has done), I will view this phenomenon through a theoretical convergence of rational choice and constructivism.

On the surface, this may seem like an improbable union given the conflicting assumptions about a state's preferences and motivations. However, Finnemore and

Sikkink (1998: 888) provide an excellent foundation for such a combination with their concept of *strategic social construction*—a process in which actors strategize rationally to reconfigure preferences, identities, or social context. The justification for this view is that rationality cannot be separated from any politically significant episode of normative change or influence, just as the normative context conditions any episode of rational choice (ibid). That is, there is an interdependent relationship between rationality and norms—to analytically separate them is to present a partial representation of the phenomenon.

As opposed to the literature which contends that states become norm conformant due to a moral or altruistic sense of obligation, this study suggests that states' motivations for responsible behavior or norm conformity are initially instrumental given the competitive nature of the international system. The key assumptions of rational choice, which takes interests (which may have been shaped by a former context) as given and see states as utility-maximizing agents with transitive preferences are granted in this research. However, the constructivist elements of this theory become quite apparent as I discuss the causal mechanism of socialization and the transformation or internalization of norm compliant behavior.

My theory maintains that as states expose themselves to international forces via economic interdependence, they will become more compliant with international norms or behavior because being labeled a 'rogue' state carries significant welfare-reducing implications (e.g., divestment, trade diversion, and domestic legitimacy and security concerns). In this globalizing era, capital and trade are essential tools for development, stability, power, and status. Therefore, central elements of a state's strategy to further its

interests (e.g., development, etc) involve securing a favorable economic climate to investors and traders alike. This belief is rooted in the literature studying the determinants of FDI and trade, along with the common knowledge that the economic environment is very competitive and resources (e.g., investment) are scarce relative to demand in the low-to-middle income countries.

In order to understand this further, it is essential to draw upon John Dunning's (1988) analysis regarding the three motivations of multinational corporations (MNC) to invest capital in foreign countries: ownership, location, and internalization. Ownership refers to the process of a MNC leveraging the distinct competencies of its business practices—whether operational, intellectual, or brand superiority—to outperform competitors in the host market and generate returns in excess of what is possible at home. Location refers to the ability of a MNC to supply a foreign market through production in the host country, rather than export to it (thereby avoiding barriers to trade). Finally, internalization refers to a firm's direct control over its value-added activities in multiple countries, as opposed to outsourcing, trade, or licensing (Jensen 2003; Li and Resnick 2003).

These firms are rational actors, which select their host country on how well their ownership and internalization advantages mesh with location-specific benefits. MNCs are risk-averse and ultimately concerned with profit maximization. Previous research has shown that high levels of corruption, restricted economic freedom (e.g., property expropriation or nationalization), and human and civil rights violations are negatively correlated with investment and economic prosperity (Hart and Sperling 2003; Rathrauff 2003). Armed with this knowledge and the understanding that FDI is mobile and

competitive, states actively pursue policies that are aimed at creating a favorable investment climate through favorable regulation, preferential treatment of investors¹⁴, domestic stability, and economic rights protection—even if it violates central tenets of their political ideology and practice to protect and increase the level of investment in their country.

For example, in the past two decades, developing countries of diverse regime types have used fiscal and financial incentives to attract FDI at an increasingly cutthroat pace that has been referred to as a ‘race to the bottom.’¹⁵ Another example of a country reforming to attract more FDI is Communist China. After seeing the benefits of and wanting more FDI, China has made efforts to increase transparency in business-government interactions, extended private property right protection,¹⁶ and eased restrictions on human and civil freedoms (e.g., freedom to marry without undue governmental interference). Even Cuban leader Fidel Castro has joined in on the capitalist action, stating, “Who would have thought that we, so doctrinaire, we who fought foreign investment, would one day view foreign investment as an urgent need?”¹⁷

Based on some of the work discussed in the literature review, I believe that trade has similar effects on behavior, but is less sensitive to norm deviant behavior. Based on common practice, states have incentives to become norm compliant because the costs

¹⁴ Examples of such treatment include tax holidays, exemptions from import duties, deductions from social security contributions, accelerated depreciation allowances, investment grants, subsidized loans, donations of land or site facilities, and wage subsidies (Li and Resnick 2003: 184).

¹⁵ A situation where developing countries compete over FDI by reducing their corporate income tax rates and other revenue-generating activities from investment to create an economic environment that appeals to international firms with capital. This has had positive and negative externalities. On one hand, there is growth in development in the long-term. On the other, the short-term effects have had negative welfare effects on the population because not enough taxes are being generated to support welfare-enhancing programs (e.g., healthcare and education).

¹⁶ Although, intellectual property rights remains a contentious issue.

¹⁷ Quoted in Li and Resnick 2003.

(e.g., receiving trade sanctions and embargoes) of not doing so are significant, if not debilitating. Beyond the fear of sanctions or “sticks,” states are interested in obtaining higher levels of welfare-enhancing economic incentives or “carrots” that are available to norm-compliant states, such as expanded access to foreign markets, full membership within international trade organizations (e.g., WTO), or other economic benefits. Also, the reputation that comes along with being a responsible international actor reduces the perception of risk among traders that supply routes will be disrupted due to corrupt governmental activity or the imposition of international “sticks,” trade restrictions that minimize profitability, or other policies that make trading with the specific state a bad move.

Given these possible risks and benefits, states conduct a means-end utility calculation to see which strategy (norm compliance or deviance) will yield them the best possible welfare outcome. For development-oriented states, the choice is rather obvious—those that were norm breakers will become norm followers to maximize their utility and ensure their political survival. This is not to say that this norm cascade via socialization will occur immediately or will look identical in each country because that ultimately depends upon the cultural or political context within a particular state. But, it will occur over time as the forces of economic interdependence become entrenched within the system.

As discussed earlier in this chapter, this change in state behavior is the result of socialization, brought on by a need to establish legitimacy, credibility, esteem, and belonging in the international community and among investors to facilitate its economic interests. There are two dominant phases of this process: compliance and internalization.

Compliance, which is the primary focus of this study looks at how economic interdependence changes the motives and actions of a state to comply with international norms. Internalization looks at how such become so widely accepted in the state that they achieve a “taken-for-granted” quality that makes conformance with the norm almost automatic (Finnemore and Sikkink 1998: 905). This internalization, which may emerge from iterated behavior and habit, transforms or reconfigures an actor’s preferences and interests. Although internalization is an important consequence of the central phenomenon, it is beyond the scope of the research question being addressed in this study. I present the following table, which was adapted from Sikkink and Finnemore specifying the causal mechanisms and primary actors as outlined in this theory¹⁸:

Table 3.1 Stages of Norm Diffusion

	1-Norm Emergence	2-Norm Compliance	3-Internalization
Actors	Norm Entrepreneurs	States, Investors, Traders	Law, Professions, Bureaucracy
Motives	Altruism, empathy, ideational, commitment	Legitimacy, Reputation, Esteem, Economics	Conformity
Dominant Mechanisms	Persuasion	Socialization	Habit, Institutionalization

Hypotheses

Although the literature and theoretical claim presented in this paper are logical, compelling, and intuitive, most of the arguments and subsequent process-tracing cannot be subject to rigorous statistical tests for a number of reasons. First, how does one numerically measure definitions or concepts, such as: vulnerability, constructivism,

¹⁸ It must be noted that this research is only concerned with ‘Norm Cascade’ occurring in Stage 2 of Sikkink and Finnemore’s work because Stage 1 and 3 are beyond the scope of this research. This research is not concerned with how norms are constructed or internalized, just their transmission throughout international society through economic interaction.

preconceived ideas, and legitimacy, among others. These are elements that can only be tested and discussed using qualitative methods like case studies and process-tracing. The testable portion of this literature and my theory represent a small slice of the relatively large research pie concerning the externalities of interdependence.

Despite not being able to test every aspect of my theoretical claims and the literature, there are a number of testable observations that may have confirming implications to much of the conceptual process-tracing presented in this paper. Therefore, I will test the relationship between my measures for economic interdependence (i.e., trade and direct investment) and norm compliance. This test will allow me to make the broader claim that there is a positive relationship between international economic integration and responsible state behavior. But, it will not allow me to prove a theoretical reconciliation between rational choice and constructivism. For this claim, I would have to rely on process-tracing.

Pursuant to the theoretical claims discussed in the previous section, this study empirically tests the following hypotheses:

H₁: As a country becomes more integrated into the international economy via foreign direct investment, it will be more likely to comply with norms of civil freedom.

$$\begin{aligned} \text{logit} [P(\text{Civil Freedom}_{it} \leq j \mid \text{Economic Interdependence}_{it-1}, z_{it-1})] &= \alpha_j - \beta' x_{it-1} - u_i' z_{it-1} \\ &= \alpha_i - \beta_1(\text{FDI_GDP})_{t-1} + \beta_2(\text{GDP_CAPITA})_{t-1} + \beta_3(\text{LN_GDP})_{t-1} + \beta_4(\text{REGIME})_{t-1} + v_0 \end{aligned}$$

H₂: As a country becomes more integrated into the international economy via trade, it will be more likely to comply with norms of civil freedom.

$$\begin{aligned} \text{logit} [P(\text{Civil Freedom}_{it} \leq j \mid \text{Economic Interdependence}_{it-1}, z_{it-1})] &= \alpha_j - \beta' x_{it-1} - u_i' z_{it-1} \\ &= \alpha_i - \beta_1(\text{TRADE_GDP})_{t-1} + \beta_2(\text{GDP_CAPITA})_{t-1} + \beta_3(\text{LN_GDP})_{t-1} + \beta_4(\text{REGIME})_{t-1} + v_0 \end{aligned}$$

This positive relationship is the result of two possible catalysts that compel states to change their behavior: fear of loss and addiction. The first entails what has been mentioned throughout this paper, which is the avoidance or fear of loss, such as: divestment, embargoes, sanctions, or other actions that would take away existing levels of all-important trade and capital within a country. The second is addiction, which holds that as states get a taste of the benefits of FDI and trade (e.g., development, technology, status, etc), they want more and more of it. In order to do so, they have to create a more favorable and competitive business climate to attract the additional units of capital and trade.

CHAPTER 3

RESEARCH DESIGN

There is a significant amount of work done on the relationship between economic interdependence and cooperation. As mentioned in Chapter 2, recent research has substantiated the claim of liberalism that a positive relationship exists between the two concepts. It is my intention to build upon this work. In doing so, I have adopted many aspects of the research designs used in Oneal and Russett (2001), Gartzke et al (2001), and Li and Resnick (2003). In this chapter, I will discuss in great detail the research design, data, operationalization and measurement, and selected variables.

Research Design

The empirical analysis in this study covers seventy-five developing countries (listed in Appendix A) from 1990 to 2004. For the purposes of homogeneity, I have excluded OECD countries and countries with a population less than one million during the surveyed time period. Also, I will not use a fixed effects model (i.e., the inclusion of dummies for country and time-specific effects) because of the limited variability of some of the predictors. Given the condensed temporal parameters of the study, and hence the cross-sectional dependence of some of the variables, using dummies for every case uses an excessive number of degrees of freedom (thereby losing efficiency), and improperly obscuring some relationships in the data (Crenshaw and Robison 2004: 6). This research will consist of a pooled time-series cross-sectional (TSCS) using Generalized Linear and

Latent Mixed Models (GLLAMM), which will be discussed in further detail in this chapter.¹⁹

There are a couple of advantages to using the TSCS method. First, the TSCS method is the most appropriate design for this study relative to typical cross-sectional or time-series ordinary least squares (OLS) technique because it offers a larger sample size by combining the two designs into a country-year dataset. Furthermore, this method allows the researcher to analyze subtle changes over time in the dependent variable; whereas, a typical cross sectional design focuses only on one or two points in time. Finally, a pooled analysis will permit observations of variation over both time and space simultaneously (Crenshaw and Robison 2004: 6).

However, Crenshaw and Robison point out several disadvantages to the TSCS method. To start with, the error structure is complicated by the inclusion of cases that can have non-random variation over time, space, and various combination-sets of cases. Another reason is that pooled analysis often violates standard OLS assumptions of homoskedasticity and non-correlation as errors tend to be correlated over time and space. Also, Podesta (2002)²⁰ suggests that pooling data with an improper model specification may lead to the conclusion that error terms are heteroskedastic and auto-correlated when, in fact, they are not.

Because of these flaws and the nature of my data, GLLAMM will be used to provide estimates in my ordinal logistic regression mixed model using TSCS. Although it is quite a new modeling procedure and Stata command, it has been highly regarded and used in scholarly research in other fields (e.g., Twisk 2003 in biostatistics; Arendt 2001

¹⁹ Developed by Rabe-Hesketh, Skrondal, and Pickles (2004)

²⁰ Referenced in Crenshaw and Robison 2004: 6

in education). However, I have yet to see this technique applied to empirical political analysis as most previous work has used the panel-corrected standard errors (PCSE) method developed by Beck and Katz (1995). Since the dependent variable in this research is ordinal, the model is mixed, and the design is based on TSCS or panel data, GLLAMM was the most appropriate choice to produce accurate estimates. To date, there is not a Stata command to conduct an order-logistic regression mixed model using panel data beside GLLAMM.²¹

Several steps were taken during the statistical testing aspect of this research to produce accurate and reliable estimates. First, all of the independent variables were lagged one year to correct for endogeneity. Beck and Katz (1995) assert that the inclusion of a lagged variable accommodates serial auto-correlation, decreases the possibility of simultaneity bias, and decreases variance. Better put, the inclusion of a lagged variable is a way to account for previous performance. For example, the 1990 level of economic interdependence would affect 1991 levels of conformity.

Second, the GLLAMM model was specified to correct for robust standard errors and serial correlation using an optimizing model with adaptive Gaussian quadrature²² to ensure the most accurate estimates. GLLAMM uses random effects for the model. According to Liu and Agresti (2005), random effects in models can account for a variety of situations, including heterogeneity, unobserved covariates, and other forms of over-dispersion. Given the random effects, the repeated responses are typically assumed to be

²¹ Liu and Agresti (2005) offer a stellar critique of the lack of straightforward and user-friendly estimation procedures for ordinal longitudinal or TSCS response models in *The Analysis of Ordered Categorical Data Overview and Survey of Recent Developments*.

²² A Gaussian quadrature is a rule that yields an exact value for polynomials of degree $2n-1$ by a suitable choice of the n point x_i and n weights w_i (Ibid).

independent. Liu and Agresti (2005) specify the following ordinal logit regression model that corresponds to the analysis conducted in this paper:

$$\text{logit} [P(Y_{it} \leq j \mid x_{it-1}, z_{it-1})] = \alpha_j - \beta'x_{it-1} - u_i' z_{it-1}$$

Where z_{it-1} refers to a vector of explanatory variables; $j=1, \dots, c-1$, $t=1, \dots, T$, $i=1, \dots, N$.

Variable Measurement

NORM CONFORMITY. The concept of norm conformity refers to the compliance with international norms of behavior. It is argued that this conformity is the result of the interaction between incentives, sanctions, and state learning. Norm conformity will be operationalized and measured as the level of civil freedom in a country using the dependent variable CIVIL FREEDOM. This variable measures the extent to which the system offers and protects rights (e.g., freedom of expression and belief, association, rule of law and human rights, and personal autonomy). I believe that civil liberties are good indicators of norm conformity because they are, in a sense, international norms (Freedom House 2005). Therefore, as levels of civil liberties increase, a state's behavior becomes more congruent with international norms.

The data is taken from the 2005 Freedom in the World dataset, which is an index to measure human and civil freedom throughout the selected country cases produced by Freedom House, an advocacy group and political science data resource focusing on international democracy (Freedom House 2005). The Freedom in the World dataset provides an annual evaluation of the state of global freedom experienced by individuals. Freedom House defines freedom as “the opportunity to act spontaneously in a variety of fields outside the control of the government and other centers of potential domination

(2005).” Specifically, civil liberties allow for the freedoms of expression and belief, associational and organization rights, rule of law, and personal autonomy without interference from the state.

This dataset measures the amount of civil freedom present in each country and significant disputed territory on a scale from 1 (most free) to 7 (least free) from 1972 to the present. Consistent with Freedom House’s new classification system created 2003, I have recoded the dependent variable into three ordered categories using Stata. Therefore, countries with a score of 1-2 are *free*, 3-5 are *partially free*, and 5.5 and above are considered *not free* (Freedom House 2005). However, I recoded the Freedom House dataset again to create a scale that ranged from 1 (least free) to 3 (most free) to make interpretation of empirical results more intuitive.

These scores are determined by using survey methodology that rates the availability of civil liberties in a given country. This survey is based a checklist of fifteen questions, in which the highest possible number of points to be awarded is sixty (or four points per question). According to Freedom House, the organization does not equate constitutional guarantees of human rights with the on-the-ground fulfillment of these rights. Both laws and actual practices are factored into the ratings decisions (2005).²³

Although this dataset is widely used by political scientists, it has been criticized for a possible conservative bias, unfair ratings (e.g., Cuba’s inclusion in the world’s most repressive regimes list), and questionable methodological rigor (United Nations 2001) . However, since Freedom House has consistently used the same ratings measures for decades, its validity has been accepted by most political scientists. Furthermore, it derives much of its research methodology from the Universal Declaration of Human

²³ Refer to Appendix 2 for the complete Freedom in the World survey questions.

Rights, not from any American document as claimed by its opponents (Freedom House 2005). In obtaining the data, the same standards apply to every country regardless of its geographic location, ethnic or religious makeup, or level of economic development thereby avoiding politically motivated assessments of countries.

ECONOMIC INTERDEPENDENCE. This concept refers to situations where state actions are determined by external events in a reciprocal relationship with other states or actors, jointly limiting their autonomy. It is created through the expansion of international economic transactions, insofar as the costs associated with them constrain political activity (Keohane and Nye 1977). This study will use foreign direct investment (FDI) as a percentage of GDP (denoted FDI_GDP) and trade as a percentage of GDP (denoted TRADE_GDP) as indicators of economic interdependence. The percentage, rather than the total in dollars, of these two macroeconomic measures was taken to correct for differences in market size and to measure the true nature of economic openness and dependence within each country.

FDI_GDP indicates a state's level of openness to FDI, which is measured as the ratio of gross FDI over GDP in purchasing power parity. FDI includes equity capital, reinvestment of earnings, long- and short-term capital. TRADE_GDP, which is another indicator of an economy's level of openness, is the ratio of the total volume of trade (goods and services) over GDP. I believe that FDI and trade are good measures of economic interdependence because they are consistently used as such in previous research and they represent the bulk of economic interactions between states. All of the data for these independent variables was taken from the 2005 World Development Indicators report (World Bank 2005).

CONTROL VARIABLES. Consistent with the design of previous studies on the externalities of economic interdependence, this study has included the following control variables: GDP at purchase power parity (PPP) per capita (denoted GDP_CAPITA),²⁴ The log of GDP (denoted LN_GDP), and regime type (denoted REGIME). GDP_CAPITA is a commonly accepted proxy for level of development (Jensen 2003). Previous literature has held that states that are growing economically may be disinclined to engage in conflicts and norm deviant behavior. Also, more-developed countries typically attract more FDI inflows because of differences in consumer purchasing power, capital endowment, and infrastructure (Li and Resnick 2003). GDP, which has been logged to correct for skewness, is a proxy for market size. It has been argued in previous literature that there is a positive relationship between GDP and cooperation (Li and Resnick 2003).

The data for these macroeconomic variables was obtained from the 2005 World Development Indicators (WDI) dataset produced by the World Bank. The WDI dataset, which is updated annually, contains more than eight hundred standardized macro- and socioeconomic indicators for 208 countries from 1948 to the present (World Bank 2005). Most of this data comes from the governments of individual countries and international agencies (e.g., United Nations). This dataset is widely used in the literature as the source of macroeconomic variables.

REGIME is a standard measure of democracy taken from the Polity IV dataset, which is published by the Center for International Development and Conflict Management at the University of Maryland. The Polity IV database contains coded annual information on regime and behavior on 161 countries from 1800-2003. The

²⁴ GDP at PPP per capita is the value of all final goods and services produced within a nation in a given year, divided by the population for the same year.

observations are measured on a scale from -10 (strongly autocratic) to 10 (strongly democratic). A democratic government has three essential elements: fully competitive political participation, institutionalized constraints on executive power, and a guarantee of civil liberties to all citizens in their daily lives and in political participation.

In contrast, an autocratic system sharply restricts or suppresses competitive political participation. The chief executives are chosen by an elite group and exercise power with few institutionalized constraints. This is a frequently cited and widely acclaimed database that has established credibility in the academic community. The democratic peace literature suggests that there is a positive relationship between democracy and peace (or norm-consistent) behavior (Kant 1796).

CHAPTER 4 RESULTS AND DISCUSSION

Table 5.1. *GLLAMM* Estimates of the Effects of Economic Interdependence on Civil Freedom, 1991-2004

<i>Independent Variables</i>	Model 1	Model 2	Model 3	Model 4
FDI_GDP	0.0928** (0.0422) [1.098]	0.0967** (0.0413) [1.101]	0.0747* (0.0398) [1.077]	-----
TRADE_GDP	-0.0139* (0.0085) [0.9861]	-0.0195*** (0.00776) [0.9807]	-----	-0.0152** (0.0073) [0.9849]
GDP_CAPITA	0.002*** (0.0006) [1.00]	0.00135*** (0.0003) [1.00]	0.00122*** (0.00024) [1.00]	0.00134*** (0.0003) [1.00]
LN_GDP	-0.2971 (0.5459) [0.7429]	-0.3734 (0.2194) [0.6884]	-0.29143 (0.2197) [0.7472]	-0.3509 (0.2184) [0.7040]
REGIME	-----	0.405*** (0.0678) [1.498]	0.38911*** (0.0669) [1.475]	0.4090** (0.0694) [1.505]
LOG LIKELIHOOD	-310.32	-281.70	-285.33	-285.10
CUTPOINT	-10.67 8.02	-12.039 4.92	-8.936 7.15	-11.27 5.258
CONSTANT	-10.670 (11.78)	-12.04 (4.996)	-8.96 (4.907)	-11.27 (4.982)
N	995	995	995	995

* significant at 0.10 level

**significant at 0.05 level

***significant at 0.01 level

Note: Numbers in parentheses are robust standard errors

Note: Numbers in brackets is the odds ratio

Note: All independent variables are lagged one year to establish exogeneity

The results displayed in Table 5.1 (obtained by using the GLLAMM estimator in Stata 9) provide empirical support for my first hypothesis, which claims that there is a positive relationship between FDI and greater compliance with civil freedom norms. However, the results lead to a rejection of the second hypothesis concerning trade, and indicate that trade is negatively related to norm compliance. Although the results do not provide complete support for my entire argument that economic interdependence leads to norm conformity, the findings are somewhat surprising and worthy of further discussion.

The statistical findings presented in Table 5.1 display the results from four different specifications. Model 1 reports the baseline variables of FDI as a percentage of GDP (FDI_GDP), trade as a percentage of GDP (TRADE_GDP), GDP per capita (GDP_CAPITA), and the natural log of GDP (LN_GDP); Model 2 introduces regime type (REGIME); Model 3 reports all of the aforementioned variables except TRADE_GDP; and Model 4 reports all of the listed variables excluding FDI_GDP.

Capital Interdependence

The performance of foreign direct investment (FDI) in the models was both statistically significant and consistent with previous literature and the theoretical predictions made in this paper regarding international civil freedom norms. Model 1 (positive and significant at the 5 percent level) shows that for every one unit increase in capital interdependence (FDI_GDP), the probability of being more free or norm complaint increases by 0.0928 (β) or 9.8%.²⁵ Alternatively, each additional unit of capital

²⁵ Percentage obtained from $(1 - \text{Odds Ratio}) \times 100$.

interdependence decreases norm deviance by 0.0422 standard deviations holding all other variables constant.

Model 2 (positive and significant at the 5 percent level), which controls for regime type, shows that for every one unit increase in capital interdependence, there is a 10.1 percent ($\beta = 0.0967$) increase in the probability of being more norm compliant. In other words, each additional unit of capital interdependence decreases norm deviance by 0.0413 standard deviations. Model 3 (positive and significant at the 10 percent level), which excludes the effects of trade interdependence, shows that a one unit increase in capital interdependence is associated with 7.7 percent increase in the probability of being a more free or norm compliant country. Or, each additional unit of capital interdependence decreases norm deviance by 0.0398 standard deviations.

Trade Interdependence

The results from trade interdependence were very surprising as they not only went against the empirical grain of the dominant literature, but failed to be consistent with my second hypothesis. In Model 1 (negative and significant at the 10 percent level), it shows that a one unit increase in trade interdependence is associated with a 1.39 percent ($\beta=0.0139$) decrease in the probability of being more norm compliant, hold all other variables constant. Similarly, Models 2 and 4 show that a one unit increase in trade dependence is related to a 1.93 percent ($\beta= 0.0195$) and 1.51 percent ($\beta= 0.0152$) increase in the probability of being more norm deviant, respectively.

Theoretically, one could posit that civil freedom norms represent barriers to trade. Therefore, states in need of development via trade may restrict certain civil liberties (e.g.,

formation of labor unions, protesting trade liberalization, etc.) in order to protect against possible trade disruptions. Another plausible explanation is that trade is less sensitive, involves less risk, easier, and less discriminating than FDI. Unlike FDI, trade is a relatively simple importing and exporting operation, which does not require economic agents to invest directly into capital and assets that have limited liquidity that depend on stable and favorable host country policies and activities. For example, the United States continues to trade without investing in relatively unstable regimes like Pakistan and Iran, among others²⁶. While these explanations are possible, the results seem inconsistent with well-known empirical examples, such as China and South Korea where civil rights restrictions have been and are being eased as the countries increased their levels of trade interdependence.

Control Variables

Table 5.1 reveals some interesting results for some of the control variables. Regime type performed consistent with predictions made within this paper and previous literature. This was not a surprising result as it would be expected that democratic countries would be more likely to be more norm compliant because part of the measure of democracy is civil liberties. Although the inclusion of regime type created a better fitting model, the results did not change that much when it was excluded. Regime type was included in this study in an attempt to capture the nature of conformity above and beyond the level of democracy—thereby exploring whether the hypothesized relationship existed in all types of regimes, not just democratic types. It should be noted that the

²⁶ Example provided by Professor Maurits van der Veen

relatively large coefficients and odd ratios indicate that regime type did exert the largest effect on the models that included the variable.

GDP per capita, which was used as a proxy for the level of development also performed consistent with the predictions made in Chapter 3 and previous literature. This variable remained statistically significant at the 1 percent level throughout the testing process. In all four models, a one unit increase in GDP per capita is associated with an approximate 50 percent increase in the probability of being more compliant with norms regarding civil freedoms.

These results reaffirm previous research regarding the relationship between GDP per capita and social and political liberalization. It is widely speculated that the economic development (measured by GDP per capita) generated by a country will increase the size and education of its middle class (Diamond, Linz, and Lipset 1995). These burgeoning middle classes are viewed as the strategic agents of political and social change (Rodan 2001).

Haggard elaborates on this point when he notes that the middle class has historically opposed the status hierarchies associated with traditional forms of rule, sought to check the growth of arbitrary state power through law, and supported ideologies that drew parallels between the benefits of economic and political compensation (1990). In East Asia, the middle class has been a central element in movements forcing political and social liberalization among authoritarian regimes. There have been a number of past and current cases that demonstrate the middle class as a catalyst for change. The classified Asian Tigers are all represented cases, with the exceptions of Indonesia and Singapore (Rodan 2001).

Taking direction from Maslow's Hierarchy of Needs, I speculate that low-income or least developed countries are more concerned with survival essentials, such as: food, clean water, sanitation, and shelter than second-tier considerations (e.g., freedom). Furthermore, some of these countries do not have the economic, social, or political infrastructure to initiate and maintain a successful process of norm 'cascade.' Also, these countries are typically not as integrated into the world economy—thereby making socialization via interdependence difficult.

Finally and surprisingly, the results for GDP (logged to reduce skewness) were not consistent with my predictions or previous literature. It is interesting that GDP is negatively signed and not significant in any of the models. One would believe that GDP, which is a proxy for market size, should be positively related to civil freedoms considering that it is positively and significantly related to GDP per capita (which is positively related to civil freedoms).

One plausible explanation for this finding may be the presence of a measurement error in the selection of cases. To test the possibility that the regressions are producing inaccurate results due to the presence of extreme outliers (e.g., China), countries that have high GDP and high levels of civil restrictions were dropped from the model. The regression results remained negatively related and statistically insignificant. However, once relatively upper-middle to high developed countries (GDP per capita > \$7000USD) and regime type were excluded from the analysis, GDP became positively correlated ($\beta = 0.04901$) with civil freedoms without significance. Unfortunately, its uncertainty is too great to lend support to initial predictions with regard to GDP.

Model Comparisons and Substantive Implications

Based on the log likelihoods²⁷ displayed in Table 1, it is clear that Model 2 is the best fitting model. In general, each model that included a control for regime type fit substantially better than those without. The results in this analysis highlight three major points. First, it is a bit misleading to conclude that all forms of economic interdependence lead to increased levels of civil freedom norm conformity across countries. Specifically, it is misleading to overstate the case for trade as a means to reform norm deviators as so many major powers and international organizations do.

Second, the results show that more attention must be given to non-trade forms of economic interdependence, such as capital. Even though monetary interdependence was not analyzed in this paper, it would be interesting to see its impact on civil freedom norm compliance.²⁸ Although trade makes up a substantially higher percentage of the GDP in most countries, capital investment is accelerating at record pace. Therefore, FDI is becoming a more prominent and necessary feature in any given country's economy. Given its high sensitivity to threats to economic freedoms (e.g., property rights), instability, among other factors relative to trade, FDI can and has been empirically shown to usher in norm compliance regarding civil freedoms and peace (refer to literature in Chapter 2). This has substantial policy implications because international organizations can focus on international capital flows in the application of “carrots” and “sticks” to induce pro-norm behavior in states.

²⁷ Likelihood is the hypothetical probability that an event that has already occurred would yield a specific outcome. The concept differs from that of probability in that probability refers to the occurrence of future events while likelihood refers to past events (Rabe and Everitt 2004).

²⁸ Note: Li and Resnick (2003) analyzed the effects of monetary dependence and conflict.

Determining the Causal Direction

Table 5.2 *GLLAMM* Estimates of the Effects of Economic Interdependence (year +1) on Civil Freedom

<i>Independent Variables</i>	Model 1	Model 2	Model 3	Model 4
FDI_GDP	0.03714 (0.03231) [1.0378]	0.03641 (0.03206) [1.0370]	0.03394 (0.03153) [1.0345]	-----
TRADE_GDP	0.00274 (0.0077) [1.0027]	-0.00330 (0.0073) [0.99669]	-----	-0.002 (0.0072) [0.9982]
GDP_CAPITA	0.00103 (0.00023) [1.0010]	0.000833*** (0.00018) [1.00083]	0.0008*** (0.0002) [1.0001]	0.0008*** (0.0002) [1.0008]
LN_GDP	-0.21935 (0.2217) [0.8030]	-0.32380** (0.16468) [0.72339] [1.7356]	-0.31112** (0.16358) [0.7325] [1.7330]	-0.31587** (0.1641) [0.72914] [1.7369]
LOG LIKELIHOOD	-310.897	-267.734	-267.835	-268.426
CONSTANT	-7.3108	-10.1561	-9.6818	-9.9451
CUTPOINT	-7.310 6.77	-10.157 4.6735	-9.681 5.127	-9.945 4.824
N	930	930	930	930

*significant at 0.10 level

**significant at 0.05 level

***significant at 0.01 level

Note: Numbers in parentheses are robust standard errors

Note: Numbers in brackets are the odds ratio

Note: All independent variables are advanced one year to test causal direction

Table 5.2 presents the results of an empirical test that advanced all of the independent variables in each model by one year to test whether this project suffers from

endogeneity or an opposite causal arrow. Ensuring that the causal direction is consistent with my theory is essential to the success of this paper. The results of this test show that the key independent variables, FDI_GDP and TRADE_GDP, cease having a statistically significant relationship with norm compliance when CIVIL_FREEDOM is on the left-hand side of the causal arrow. This result was expected, and it lends stronger support to the theoretical claims and hypothesized effects presented in this paper.

Predicted Probabilities of the Observed Outcome in Argentina and South Korea

The predicted probabilities for each country-case were obtained using the ordinal logit regression results produced by GLLAMM. In doing so, Stata produced two new variables to represent the predicted probabilities: PROB AND PROB2. PROB is the predicted probability that FREEDOM is greater than one (or above the first cut-point); PROB2 is the probability that the predicted response is FREEDOM is greater than two (or above the second cut-point). Using this information, I have created tables and graphs for Argentina and South Korea to help create a better and more visualize understanding of the relationship between the predicted probabilities of FREEDOM and the most relevant independent variables in this study (FDI_GDP and TRADE_GDP).

Table 5.3 Predicted Probabilities for Argentina

country	freedom	prob	prob2
Argentina	2	.99993301	.65275609
Argentina	2	.99998739	.81973004
Argentina	2	.99932407	.41125352
Argentina	2	.99989032	.58433155
Argentina	2	.99999413	.85415427
Argentina	2	.99996049	.72178164
Argentina	2	.99998861	.82534178
Argentina	2	.99972532	.49013603
Argentina	2	.99999305	.84788395

Argentina	2	.99992414	.63524987
Argentina	2	.99992648	.63966793
Argentina	3	.99999603	.86704539
Argentina	3	.99999042	.83409438
Argentina	3	.99996967	.75094232

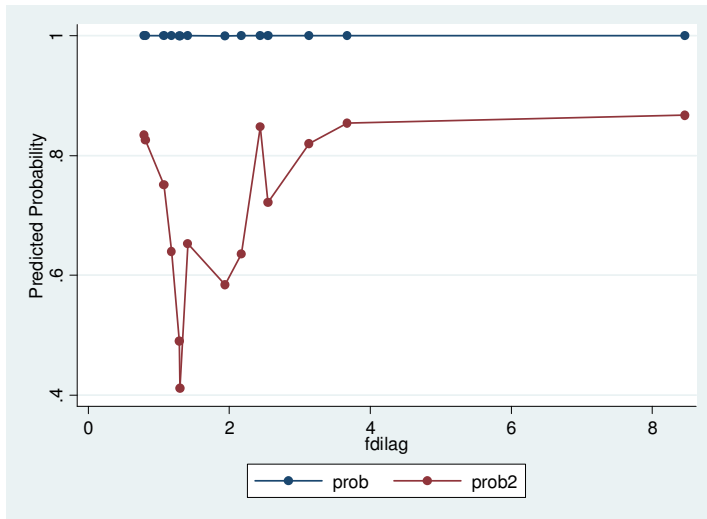


Figure 5.1 The Effect of FDI on the Predicted Probability of Civil Freedom in Argentina

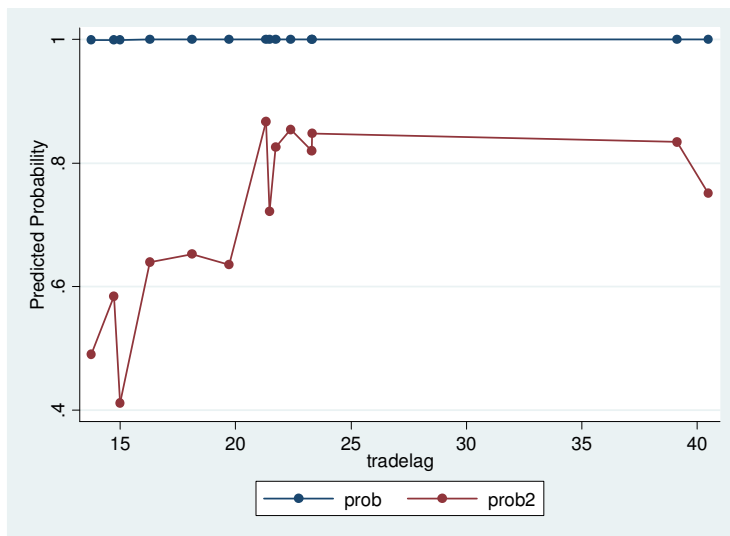


Figure 5.2 The Effect of Trade on the Predicted Probability of Civil Freedom in Argentina

Based on Figure 5.1 and 5.2, one can notice that there is a positive relationship between the predicted probability that FREEDOM is greater than two (or past the second

cut-point) and FDI and Trade (until is at the 35 percent level). Although trade does become negatively related toward the end of the graph, this result strengthens the support for the hypothesized positive effects of trade and capital on civil freedom norm compliance.

Table 5.4 Predicted Probabilities for South Korea

country	freedom	prob	prob2
South Korea	2	.999738	.49407
South Korea	2	.9993153	.4099692
South Korea	3	.9998659	.5591883
South Korea	3	.9999388	.6652709
South Korea	3	1	.9889151
South Korea	3	.9999231	.6332137
South Korea	3	.9999897	.8307092
South Korea	3	.9999995	.9300838
South Korea	3	.9999998	.9610925
South Korea	3	.9999978	.8840137
South Korea	3	.9999875	.8203064
South Korea	3	.9999999	.9840674
South Korea	3	.9999772	.7778125
South Korea	3	.9998623	.5560651

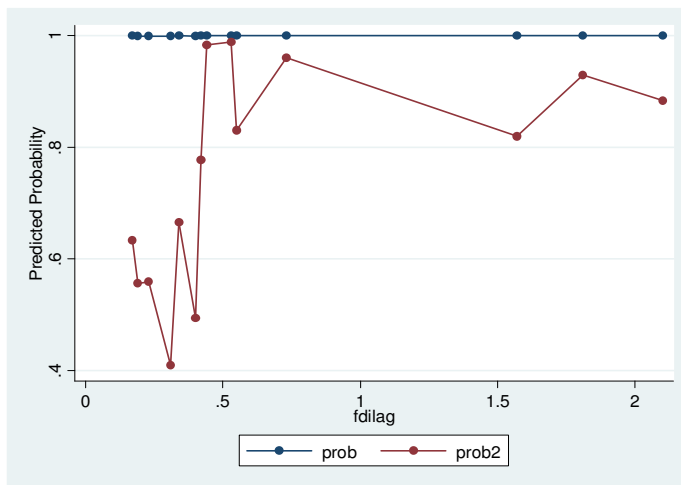


Figure 5.3 The Effect of FDI on the Predicted Probability of Civil Freedom in South Korea

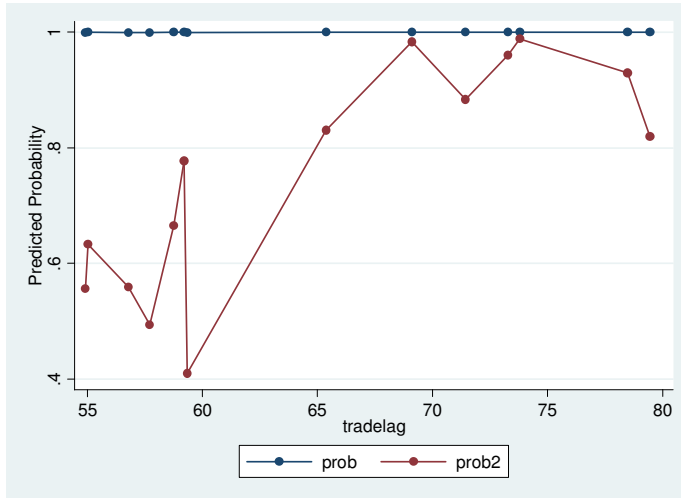


Figure 5.4 The Effect of Trade on the Predicted Probability of Civil Freedom in South Korea

Like Argentina, Figure 5.3 and 5.4 show that there is a positive relationship between the predicted probability that FREEDOM is greater than two (or past the second cut-point) and FDI and Trade. This trade relationship does appear to be more dramatic than the one shown in the Argentina example, which may be the result of South Korea having significantly higher levels of trade as a percentage of their GDP than its Argentine counterpart. However, an in-depth case study would be needed to fully understand this relationship. Again, these results are very consistent with the idea that economic interdependence increases norm compliance.

CHAPTER 5 CONCLUSION

This thesis sought to explore the relationship between economic interdependence and responsible international behavior with regard to civil freedoms norm compliance. It was hypothesized that an increase in economic interdependence in any given country would correspond to an increase in the level of civil freedoms norm compliance. Like most studies, this study had some data limitations (especially among newly formed nations in Eastern Europe and extremely poor countries). However, evidence presented in the previous chapter lends partial support to my theory. While capital interdependence was found to have a strong, positive, and statistically significant effect on norm compliance, trade interdependence not only failed to demonstrate the hypothesized effect, but it was shown to be significant and negatively related to norm compliance.

Despite this finding, the combination of theory and empirical analysis in this paper makes three major contributions to the study of the externalities of interdependence. First, it builds on attempts to reconcile the theoretical perspectives of rational choice and constructivism, which were once thought to be mutually exclusive. Building on the analytical foundations of Finnemore and Sikkink (1998), I argue and produce results consistent with the idea that as states expose themselves to capital interdependence, they will become more compliant with international norms of civil freedom because doing otherwise would carry significant welfare-reducing implications (e.g., divestment, capital flow shifts, etc.). Given the rapid and competitive nature of globalization (particularly with regard to capital), states will conduct a means-end utility calculation to determine that norm compliance is a way to achieve their interests—

thereby, ushering in a ‘norm cascade.’ To my knowledge, this appears to be one of the first studies to empirically look at the effects of interdependence on civil freedom norm compliance.

Second, this paper could be used by practitioners to challenge the dominant assumption that trade should be used as a tool in the application of ‘carrots’ and ‘sticks’ in target countries. By using a more sensitive and increasingly important type of economic leverage like capital, international organizations and states may be able to compel norm compliance more efficiently and possibly at a lower cost to the sender. The third contribution is that this paper seems to be one of the first studies to link economics to socialization. In contrast, the focus of previous socialization literature was based on socio-psychological catalysts to explain shifts in state behavior (Wendt 1992). This is important because linking socialization to more tangible and measurable concepts expands the reach of the theory and the possibility of theoretical convergence.

Although this research has taken some steps to unravel the mystery that surrounds interdependence, the field is ripe for future research because there is still much to be done. For the sake of building more confidence in my results, future researchers should examine a larger sample, in terms of time and country cases. Or, since systemic-level analysis was used in this paper, it would be interesting to see how the results change by limiting the sample to specific regions or countries. Also, it would be noteworthy to find out how the results would change if economic interdependence were operationalized differently, perhaps including monetary measures (e.g., pegging and stability).

Beyond empirical considerations, more cross-sectional theoretical analysis must be pursued to supplement or challenge the theory presented in this thesis or to generate a

new perspective on interdependence and norms. This will fill the gaps that plague existing literature, and enhance the ability of researchers to explain new phenomenon by using modified theory.

In closing, I hope that this research inspires a more effective and civil means of achieving freedom across the world. As previously stated, effectively understanding the externalities of interdependence can contribute to achieving objectives regardless of type (e.g., security, economic, political, etc). For example, instead of isolating norm deviating countries like Cuba and North Korea with trade sanctions or embargoes, capital liberalization could be promoted in order to build up a sufficiently strong middle class, which will serve as the catalyst for political and social change from the inside-out. While I am confident in the theoretical and empirical conclusions reached in this paper, it must be reiterated that this is not the panacea for all norm deviations plaguing the international community. But, it is a start.

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APPENDIX A
LIST OF COUNTRY CASES

Algeria	Georgia	Paraguay
Angola	Guatemala	Peru
Argentina	Guinea	Philippines
Azerbaijan	Haiti	Poland
Bangladesh	Honduras	Republic of Congo
Belarus	India	Romania
Benin	Indonesia	Russia
Botswana	Ivory Coast	Rwanda
Brazil	Jamaica	Senegal
Burkina Faso	Kazakhstan	Sierra Leone
Burundi	Kenya	South Africa
Central African Republic	Laos	South Korea
Cambodia	Lesotho	Sri Lanka
Cameroon	Madagascar	Thailand
Chad	Malawi	Tunisia
China	Malaysia	Turkmenistan
Colombia	Mauritania	Uganda
Costa Rica	Mauritius	Ukraine
Dominican Republic	Mongolia	Uruguay
Ecuador	Mozambique	Uzbekistan
Egypt	Nepal	Venezuela
El Salvador	Nicaragua	Vietnam
Ethiopia	Niger	Zambia
Gabon	Pakistan	Zimbabwe
	Panama	

APPENDIX B
FREEDOM HOUSE CIVIL LIBERTIES QUESTIONNAIRE

Freedom of Expression and Belief

1. Are there free and independence media and other forms of cultural expression?
(Note: In cases where the media are state-controlled but offer pluralistic points of view, the survey gives the system credit.)
2. Are there free religious institutions, and is there free private and public religious expression?
3. Is there academic freedom, and is the educational system free of extensive political indoctrination?
4. Is there open and free private discussion?

Associational and Organizational Rights

1. Is there freedom of assembly, demonstration, and open public discussion??
2. Is there freedom of political or quasi-political organization? (Note: this includes political parties, civic organizations, ad hoc issue groups, etc.)
3. Are there free trade unions and peasant organizations or equivalents, and is there effective collective bargaining? Are there free professional and other private organizations?

Rule of Law

1. Is there an independent judiciary?
2. Does the rule of law prevail in civil and criminal matters? Are police under direct civilian controls
3. Is there protection from police terror, unjustified imprisonment, exile, or torture, whether by groups that support or oppose the system? Is there freedom from war and insurgencies?
4. Is the population treated equally under the law?

APPENDIX B
FREEDOM HOUSE CIVIL LIBERTIES QUESTIONNAIRE (continued)

Personal Autonomy and Individual Rights

1. Is there personal autonomy? Does the state control travel, choice of residence, or choice of employment? Is there freedom from indoctrination and excessive dependency on the state?
2. Do citizens have the right to own property and establish private businesses? Is private business activity unduly influenced by government officials, the security forces, or organized crime?
3. Are there personal social freedoms, including gender equality, choice of marriage partners, and size of family?
4. Is there equality of opportunity and the absence of economic exploitation?