Regime Type and Trade Policy

Has Increased Democratization Contributed to Lower Trade Barriers Among Autocratic States?

Political Science
C-Level Paper

Date: 07-01-09
Supervisor: Malin Stegman McCallion
Examiner: Curt Räftegård
Abstract


In this paper a new two-level game theory, based on previous research and deductive reasoning, is constructed and tested empirically. The purpose is to examine if developing new democracies, trading with developing autocracies, is an explanatory factor of trade liberalization among the latter. The research questions are: 1) Have tariff rates in developing autocratic countries followed the pattern of reduced tariffs among their developing new democratic trading partners? And; 2) If this is the case, is there a relative shift in trade flows that confirms this change to be an effect of the new democracies’ presumed influence?

In order to sufficiently carry out an empirical scrutiny, seven other determinants found to have effects on trade policies in previous research, are accounted for using a “most similar systems design”. For reasons of delimitation, six autocracies and their fifteen most important trading partners, observed 1980-1999, have been paired and analyzed. Each pair consists of one autocracy that trades with new democracies and one that does not; regarding the other determinants they are as similar as possible. The used material is the World Development Indicators, the Polity IV Dataset, the Yearbook of International Trade Statistics, the World Economic Outlook Database, the Database of Political Institutions, statistics from the World Trade Organization, the Dataset of Armed Conflicts, and the Unweighted Average Tariffs Measurement.

The conclusion is that there are no indicators that affirm the theory and research questions. However, the theory is not unambiguously falsified. Hence, studies on more countries and time spans are needed.

Key Words: Autocracy, New Democracy, Two-Level Game, Trade Barriers, and Developing Countries
# Table of Contents

List of Tables and Figures ............................................................................................................. 4

1 Introduction ................................................................................................................................. 5

1.1 Theory ....................................................................................................................................... 5

1.1.1 A Brief Orientation on Previous Two-Level Game Research ............................................. 6

1.1.2 Monadic Effects of Mixed Dyads I A Two-Level Game ......................................................... 7

1.1.3 Other Determinants of Trade Barriers ................................................................................... 12

1.1.4 Theoretical Approach ........................................................................................................... 16

1.2 Purpose ..................................................................................................................................... 17

1.3 General Research Question ...................................................................................................... 17

1.4 Specific Research Questions .................................................................................................... 17

1.5 Method and Delimitations ......................................................................................................... 17

1.6 Disposition ................................................................................................................................. 25

2 The Selection of Countries ......................................................................................................... 26

2.1 Bhutan ....................................................................................................................................... 27

2.2 Cuba ........................................................................................................................................ 28

2.3 Myanmar ................................................................................................................................. 30

2.4 Syria ......................................................................................................................................... 32

2.5 A Review and Brief Discussion of the Selection Process ......................................................... 35

3 Analysis I The Effects of Trading with New Democracies ............................................................. 36

3.1 Bhutan vs. Mauritania .............................................................................................................. 36

3.2 Myanmar vs. Morocco ............................................................................................................. 38

3.3 Syria vs. Cote d’Ivoire .............................................................................................................. 41

4 Conclusion and Discussion ........................................................................................................ 44

References ...................................................................................................................................... 45

Appendix 1 I Developing New Democracies (1980-1999) ............................................................... 49

Appendix 2 I Developing Autocracies (1980-1999) .................................................................... 51
List of Tables and Figures

Figure 1.1 Win-sets of an Autocratic Dyad and a Mixed Dyad ........................................... 11
Table 1.1 Research Strategy for the Country Selection ................................................................. 22
Table 2.1 Variable Values on Three Autocracies, 1980-1999 ....................................................... 27
Table 2.2 Variable Values on Four Autocracies, 1980-1999 ......................................................... 28
Table 2.3 Variable Values on Five Autocracies, 1980-1999 ......................................................... 31
Table 2.4 Variable Values on Six Autocracies, 1980-1999 ............................................................ 33
Figure 3.1 Unweighted Tariffs on Bhutan and Its 15 Most Important Trading Partners (Countries), 1991-1999 ......................................................................................................................... 36
Figure 3.2 Bhutan's Exports to Bangladesh, 1991-1999 ............................................................... 37
Figure 3.3 Unweighted Tariffs on Mauritania and Its 15 Most Important Trading Partners (Countries), 1984-1999 ......................................................................................................................... 38
Figure 3.4 Unweighted Tariffs on Myanmar and Its 15 Most Important Trading Partners (Countries), 1989-1999 ......................................................................................................................... 39
Figure 3.5 Myanmar’s Exports to Bangladesh and Indonesia, 1989-1999 ................................. 40
Figure 3.6 Unweighted Tariffs on Morocco and Its 15 Most Important Trading Partners (Countries), 1982-1999 ......................................................................................................................... 40
Figure 3.7 Unweighted Tariffs on Syria and Its 15 Most Important Trading Partners (Countries), 1982-1999 ......................................................................................................................... 41
Figure 3.8 Syria’s Exports and Imports from Bulgaria, 1980-1999 ............................................. 42
Figure 3.9 Unweighted Tariffs on Cote d’Ivoire and Its 15 Most Important Trading Partners (Countries), 1981-1999 ......................................................................................................................... 43
1 Introduction

From the 1970s onwards there has been a strong trend of increasing trade around the world. Starting in the mid-1980s a large proportion of the world's developing countries followed suit by initiating a rapid move towards free trade. For many of these countries this meant doing a u-turn from previous protectionist policies embodied in so called Import Subsidizing Industrialization (ISI) strategies towards evidently export-oriented policies. The political scientist Helen Milner and her co-author Keiko Kubota argue that the extensive shift towards democracy in the developing world has been a strong independent determinant preceding this policy change (Milner and Kubota 2005:107-108). However, there has also been a clear trend towards free trade within autocratic regimes during this time period, a trend that, since the mid-1980s, generally seem to lag behind the democracies' policy shift (see Guisinger 2005:75). This change is not explained by Milner and Kubota. However, since this trend seems to run parallel for democracies and autocracies alike, and the former regime type generally appears to precede the latter, it is plausible to assume that there could be a causal relationship between the two. Namely, could it be that the increasing number of democracies in the world is also an explanatory factor behind the decreasing trade barriers among autocracies?

Based on Milner and Kubota's findings, this paper postulates that the reduced trade barriers that are largely believed to be caused by the democratization process in developing countries, puts an increasing pressure on developing autocracies to follow suit. To test this hypothesis the analysis in this paper will be carried out in two steps. First, a two-level game theory will be constructed to illustrate why it is reasonable to make this assumption. Second, data on trade barriers of six autocracies and their respective trading partners will be analyzed in order to perceive if the theory withstands any empirical scrutiny.

1.1 Theory

In the following paragraphs a brief orientation on related previous analysis that has been carried out using two-level game theories will first be outlined. Second, the game theory that is used in this paper is presented. Third, additional independent variables, that are generally assumed to cause changes in trade policy, will be briefly explored. Finally, a few words will be said about the theoretical approach chosen for this paper.
1.1.1 A Brief Orientation on Previous Two-Level Game Research
Within the field of International Relations (IR) numerous theories crossing the border between internal and external politics have surfaced over the past two decades, aimed at explaining the constructive and cooperative behaviors that generally characterize the relations between democratic states (Starr 2006:117). According to the political scientist Xinyuan Dai (2006:267-280), the relation between democratic institutions and international trade has been of considerable interest. However, with only a few exceptions, the principal concern of these studies has been whether or not cooperation between two democracies facilitates superior opportunities to liberalize trade, as a result of domestic democratic institutions. That is: are there cooperative advantages in dyads involving two democratic states \( \bar{1} \) as opposed to mixed dyads or dyads involving autocratic states \( \bar{1} \) resulting in higher trade flows between democracies?

Finding contradicting results in this research, Dai argues for a shift in focus. Using a two-level game, she instead aims at pointing out the monadic effects that should appear within trade dyads constituted of: 1) two democracies, 2) two autocracies, and 3) an autocracy and a democracy. Dai\( \& \)s results are that domestic institutions in democracies, rather than creating better dyadic opportunities for trade liberalization, give these states a monadic advantage in trade negotiations over autocratic states. In short, Dai\( \& \)s argument is that the determinant for each given actor\( \& \)s trade barriers at home is a consequence of the need to find equilibrium between conflicting domestic interests. Furthermore, Dai points out that democracies, as opposed to autocracies, have to have trade agreements ratified in their legislatures. In addition, since representatives in a legislature have smaller constituencies than an executive, her assumption is that the former is more likely to be detained by special interests and, as a result, be more prone to protectionism than the latter. In autocracies, however, Dai presumes that the executive is not restricted by domestic political institutions, and consequently can set the trade barriers in accordance to his or her own preferences.

The implications of Dai\( \& \)s game are thus, all else equal, that democratic states will set higher trade barriers at home, and will obtain lower trade barriers among its trading partners\( \& \) compared to autocratic states. This is true, Dai argues, no matter if the trading partners are democratic states, autocratic states or both. The theory thus anticipates, first, that if a country switches polity, from an autocratic regime type to a democratic, its trade barriers will increase. Second, if a country\’s trading partners switch polity from autocratic to democratic, the former\( \& \)s trade barriers will decrease. Third, the stronger the protectionism is in a given
democracy's legislative body, the more detectable this difference will be. Hence, a democracy will be better equipped than an autocracy to refuse high trade barriers among its trading partners and at the same time make possible relatively high barriers at its own borders in order to protect its internal market. Consequently, Dai argues that democracies are not necessarily more cooperative in international dealings than their autocratic counterparts. However, they are assumed to have a bargaining advantage over autocracies. Dai therefore asserts that there is an instrumental incentive for countries to become democracies (Dai 2006:267-280).

However, although Dai's arguments appear convincing her study is strictly deductive. Furthermore, as already implied, results from empirically based analyses contradict Dai's predictions, at least regarding developing countries. One example is the political scientist Alexandra Guisinger's PhD dissertation, which treats 104 countries (both developed and developing) from 1989 to 2000, and which indicates that democratic countries tend to have lower tariffs than their autocratic counterparts (Guisinger 2005:110, 112). Another example is the already mentioned study by Milner and Kubota. Making significantly different assumptions to those made by Dai (more on this in section 1.1.2), and analyzing over a hundred developing countries between 1970 and 1999, they find strong empirical backing for their claim that democratization decreases trade protection. Moreover, although Milner and Kubota's focus is solely on developing countries their results are of fundamental importance to Dai's instrumental argument for democracy, since the proportion of democracies among developing countries (they observed 110 countries) has risen from 14 percent in 1977 to 49 percent in 1999 (Milner and Kubota 2001:110-113, 137-138). Hence, if Dai's instrumental argument for the expansion of democracy is not valid for developing countries, it has severe limitations. Thus, in the coming paragraphs a new two-level game theory, based on empirical analyses, will be presented. The aspiration of this theory is to more adequately point out the monadic effects of mixed dyads constituted of developing countries.

### 1.1.2 Monadic Effects of Mixed Dyads – A Two-Level Game

Milner and Kubota argue (contrary to Dai) that all political leaders, in democracies and autocracies alike, need support from a group of actors, which they term the selectorate. The selectorate of an autocrat usually consists of small groups, e.g. heavy industrialists, military elites, or large land owners. In democracies, however, the selectorate is defined as a majority rule with universal suffrage in contested elections (Milner and Kubota 2005:15).

---

1 A mixed dyad is constituted of an autocracy and a democracy.
Hence, democratization is an expansion of the selectorate from a small privileged group to universal participation. Moreover, in both regime types the political leader(s) is (are) dependent on support from the dominant fraction of the selectorate, coined “the winning coalition” by Milner and Kubota. Using the median voter theorem, they argue that a growing selectorate will expand the winning coalition, and create a shift in the median voter. Hence, if a country changes polity from an autocracy to a democracy this will generate new preferred policies in the selectorate, and compel the political leaders to adjust to these in order to stay in power. Consequently, Milner and Kubota argue, following the logic of the Heckscher-Ohlin and Stolper-Samuelson theorems, that democratization will have profound effects on a country’s trade policies, resulting in lower trade barriers.

The argument is that by definition there is less capital than labor in developing countries compared to developed ones. This implies that developing countries have a relative advantage in producing labor-intensive goods. Furthermore, it entails that sectors in developing countries that possess the relatively scarce factor, capital, tend to be import-competing. As a result, protectionism is profitable to individuals owning capital, and liberalization is beneficial to people in possession of the relatively abundant factor, namely labor. The consequences of trade liberalization in developing countries should be accordingly: first, lower prices on goods that are capital-intensive, and second, an increased demand for merchandise produced in export-oriented, labor-intensive sectors. Since the selectorate in autocracies tends to be constituted by wealthy people in possession of relatively high amounts of capital, they will be the ones benefiting from high trade barriers. Conversely, with an increased selectorate that follows democratization, less well-off people, e.g. the rural poor, will benefit from trade liberalization, and consequently contribute to a shift in the median voter towards lower trade barriers. Hence, political leaders in such countries will have to implement more open trade policies in order to stay in power.

It should be mentioned that Milner and Kubota recognize that democratization does not always seem to be a determinant for lower trade barriers in developing countries.

---

2 The Heckscher-Ohlin theorem states that an economy, generally, will be better off producing goods of which it has in relative factor abundance. Hence, when trading with other countries, to reach the highest level of competitiveness possible an economy should export merchandise that requires an intensive use of the factors that it is affluent in. Furthermore, as a consequence there will be both winners and losers from trade. The winners will be the people possessing the relatively abundant factors, whereas the losers will be the owners of the relatively scarce factors (Krugman & Obstfeld 2002:75-77).

3 According to the Stolper-Samuelson theorem, the factor of production that a country has in abundance will benefit from international trade, and conversely the factor that is scarce will detriment from it (Nationalencyklopedin 2008a).
There are exceptions, e.g., India. However, apart from a few exceptions it seems to be a general rule, according to their study (Milner and Kubota 2005:115-117, 138).

However, there are components that are not accounted for by Milner and Kubota. First, a shift towards trade liberalization in a country gives it incentives to challenge trade protectionism in other countries as well. Furthermore, it is reasonable to assume that a regime shift, from an autocracy to a democracy, should result in gained bargaining powers in trade negotiations. The reasons for this will be illustrated in the coming paragraphs. Before that, however, it should be mentioned that it is assumed that all actors in the game are rational and utility maximizing. Moreover, the game is based on the condition of ceteris paribus (all else equal), and the presumption that democratization, generally, will result in lower trade barriers in developing countries, as concluded by Milner and Kubota (2005:137-138).

First, when a country lowers its trade barriers, its imports will increase (Krugman and Obstfeld 2002:190-191). As a consequence, the incentives to confront relatively high trade barriers among its trading partners will increase. The reason for this can be illustrated by observing how a country’s gross domestic product (GDP) can be calculated. A function calculating GDP can be presented as follows: GDP = consumption + investment + government purchases + exports - imports (O’Sullivan and Sheffrin 2006:429). Hence, when a country liberalizes its trade policies and its imports increase, there is a risk that this will have negative effects on its GDP if not compensated by an equivalent increase of its exports. Moreover, trade will gain an overall importance for the country’s possibilities to achieve economic growth, since trade becomes a growing component of its economy. Thus, logically, incentives to expand the market abroad should become more apparent in that country, both in order to compensate for the increased imports, and to increase the possibilities for overall GDP-growth. One could therefore expect both the political leaders and the export sectors in a country like this to obtain a more aggressive bearing towards relatively high trade barriers among its trading partners.

Second, drawing on studies by Ronald Rogowski (1987:208) and Dai (2006:271), one could presume the legislature in a democracy to be more detained by special interests than the executive, and hence further reduce the win-set in trade negotiations. The reason for this might however be differences in degrees as a consequence of the different domestic institutional setups that are found between democracies. Ronald Rogowski argues that larger constituencies make it harder for interest groups to gain influence. Likewise, strong party systems furthered by the list system which is by far the most frequently used within PR-systems is believed to create a greater autonomy for the representatives against pressure from special interests. The PR-systems are, finally, linked to proportional systems, by Rogowski. His
son for this is that representatives in a legislature are accountable to smaller constituencies, making them easier targets for interest groups. In developing new democracies it to be consistent with Milner and Kubota’s assumptions it export-oriented, labor-rich interests are thus assumed to have gained ground, at the expense of their import-competing, capital-rich counterparts. Bargaining with another developing country with relatively high trade barriers it which, all else equal, is expected to be an autocracy it should therefore result in a reduced win-set in favor of the democracy.

Inspired by Robert Putnam (1988:440-441) the expected scenarios taking place in trade negotiations can be outlined with a simple zero-sum game constituted of trade dyads it in this game it will be two autocracies on the one hand, and a mixed dyad on the other. That is, in order for a trade agreement to be carried out, it must be realized within the range of the win-set of each actor.

Influenced by Dai, an autocracy is assumed to consist of one actor, denoted , while a democracy is presumed to consist of two actors it a legislature, denoted , and an executive, designated . The foreign country is labeled with an asterisk in order to separate it from the home country. It is also postulated that a democracy needs its trade agreements to be ratified in the legislature in order for them to be carried out, whereas an autocracy does not (Dai 2006:270-271).

Having the rules of the game outlined, one can present what is assumed to happen with the win-set when the home country, bargaining with the same foreign autocracy, shifts polity from an autocracy to a democracy. As illustrated in Figure 1.1, when both countries are still autocracies the win-set is relatively large, and so is the range of possible outcomes. However, when the home country becomes a democracy the win-sets for both its executive and legislature will shrink in its favor. Hence, the democracy gain its bargaining power, and is more likely to accomplish a decrease in the foreign autocracy’s trade barriers. As already mentioned, the reasons for this are increased incentives among political leaders it as a consequence of liberalized trade policies it to expand their country’s export market, and interest groups’ bigger influence in the legislature compared to with the executive. In addition

---

empirical study on 24 OECD-countries supports these propositions (Rogowski 1987:206-208, 212-222; see also Hague & Harrop 2004:150-151 for more on list- and PR-systems). However, Guisinger found diametrically different results in her dissertation, except concerning constituency size. That is, she discovered a correlation between presidential pluralistic systems and low tariff rates, whereas proportional parliamentary systems were found to have higher tariff levels, both in developed and developing countries. However, her study verified that large constituencies are associated with lower tariffs (Guisinger 2005:96, 110-111).

5 However, contrary to Dai, the executive is assumed to be constrained by its selectorate.
there is another component that strengthens the democracy’s bargaining position. As Putman (1988:440) points out, the need for ratification in the legislature can be exploited by the executive to reach a better deal within the win-set. Thus, the democratic executive can repudiate any agreement that falls outside its legislature’s win-set and, additionally, depict it as smaller than it really is.

**Figure 1.1 Win-sets of an autocratic dyad and a mixed dyad**

a) The win-set between two autocracies

![Autocratic Win-set](image)

b) The win-set after the home country’s shift to a democratic polity

![Democratic Win-set](image)

*Note: The win-sets are not to be understood as the levels of the trade barriers. Instead they indicate the width of possible outcomes. Recall that the democracy is assumed to have lower trade barriers than the autocracy.*

There is, however, an obvious problem with this two-level game theory. As mentioned previously, Milner and Kubota base their theory on the assumption that democratization is a determinant for lower trade barriers in developing countries, resulting from a shift in the median voter. This shift, it is argued, is caused by the new eligible voters’ possessions of different factors of production, compared to the old electorate. Since Milner and Kubota point out that this factor in contrast to developed countries is labor, it means that developing countries will compete over production that is labor-intensive. This implies that if there is an escalation of trade liberalization within developing countries, this could contribute to reduced prices on labor-intensive goods on the world market (see Krugman and Obstfeld 2002:101). In other words, if developing countries pressure other developing countries to open up their markets, they might end up being worse off than before.

However, in defense of the theory it should be pointed out that there is also a third factor of production, namely land (O’Sullivan and Sheffrin 2006:28). In addition, there is a wide range of different products that countries can specialize in producing. Moreover, it seems reasonable to assume that countries will trade with each other because it is favorable to them. That is, there are gains from trade as a result of comparative advantages existing be-
tween them, even more so since export subsidies have been very rare in developing countries (Krugman and Obstfeld 2002:110-111, 258). This implies that even if export-oriented developing countries as a whole would be worse off if other developing countries follow suit, this is probably not true for the country that in a given negotiation pressures its developing trading partner towards lower trade barriers. One way to illustrate this, in a simplified manner, is through the classical concept of the prisoner’s dilemma (see Morrow 1994:78-79). Accommodated to trade negotiations it is assumed that there are two home democracies \( i \) and \( j \) and that each bargains over a trade agreement with another foreign autocracy. If both and choose to overlook the higher trade barriers in their trading partner's country they will both maximize their utility in the long run. However, suppose is bargaining for reduced trade barriers and is successful, whereas remains passive. will then be worse off than if both would have reduced their respective trading partner's barriers. Thus, presuming that neither knows what the other will do, they will both have incentives to choose the second best option, namely, to bargain for lower trade barriers with their trading partner. Furthermore, when the number of countries increases, the uncertainty of not knowing other countries' choices of action grows. Thus, it seems reasonable to assume that developing countries, trading with other developing countries, will attempt to reduce protectionism among their trading partners.

Finally, it should be mentioned that trade negotiations *per se* will not be a part of the empirical testing of this theory. That type of data has not been found. Instead the available data covers already existing trade barriers. Thus, the conclusions on the validity of the theory will be made implicitly (see section 1.5).

### 1.1.3 Other Determinants of Trade Barriers

In order to carry out a satisfactory empirical scrutiny of the previously outlined game theory, there is a need to control for other presumable determinants of trade barrier levels as well. In this paper, seven main factors with sub-variables that are generally believed to cause shifts in trade policies will be highlighted.

One factor that is believed to have an effect on trade barriers is the *size of a country's market*, measured both as the level of its GDP and its population. Analyzing the effect of GDP-level, Alexandra Guisinger points out that political economists since the days of Adam Smith have emphasized that an increase in market size results in more efficient economies because of escalating opportunities to enhance specialization. Thus, relatively
large economies are less dependent on trade to reach benefits from scale, compared to their smaller counterparts. However, looking at the GDP-levels\textsuperscript{e}ffect on tariff levels in 104 countries from 1989-2000, Guisinger finds that this assumption is only true for developing countries. In developed countries, on the contrary, it tends to be a negative correlation between the level of tariff rates and the economic size of countries (Guisinger 2005:86, 107, 110). In contrast to Guisinger\textsuperscript{d} latter finding, though, Edward Mansfield and Marc Busch found a positive correlation between countries\textsuperscript{e}conomic size and their level of trade protection, after analyzing fourteen developed countries by using non-tariff barriers as an indicator. Thus, developed economies with high GDP-levels seem to have higher non-tariff barriers than smaller developed countries (Mansfield and Busch 1995:728, 738, 746). Moreover, Milner and Kubota found a positive correlation between countries\textsuperscript{p}opulation size and their trade barrier levels, after analyzing changes of both tariffs and non-tariff barriers in over a hundred developing countries (Milner and Kubota 2005:123, 136). These empirical results can all be related to Putnam\textsuperscript{e} hypotheses that smaller states are more likely to have higher levels of domestic public support for liberal trade policies compared to bigger, more self-sufficient countries, which have less to lose from a non-agreement (Putnam 1988:442-443). In sum, since empirical studies on trade barriers indicate a positive correlation between countries\textsuperscript{o}size \& both regarding GDP and population \& their trade barrier levels, GDP-level and population will be taken into account in this paper.

A second factor that usually is attributed with significance is economic crisis. The argument is that an economic crisis engenders conflict among the leadership in a country, and as a consequence trade liberalization is believed to appear. However, controlling for this variable by accounting for sharp increases of inflation rates, fast negative GDP per capita development, and negative trends in the balance of payment, Milner and Kubota found this variable to be insignificant (Milner and Kubota 2005:123-124, 133-134). Hence, this variable will not be controlled for.

A third factor that at times is attributed a determinant for trade policy is external pressure by international regimes. The argument is that international financial institutions (IFIs) or hegemonic pressure from the USA generates lower trade barriers in developing countries, especially if they are going through a crisis. However, controlling for:

a) Countries that have signed International Monetary Fund (IMF) agreements to help them out of a crisis;

b) Foreign aid as a percentage of countries\textsuperscript{o}total GDP;
c) Membership in General Agreement on Tariffs and Trade (GATT) and World Trade Organization (WTO), and;

d) The percent of world trade comprised of the USA’s total exports and imports (assuming that a larger US share results in higher degrees of influence);

Milner and Kubota find quite surprising results. Measured in this way, IMF-influence and the level of foreign aid were found to be insignificant variables. Moreover, membership in the GATT/WTO does not reduce countries´ trade barriers (or increase their trade flows). On the contrary, countries that have joined the GATT/WTO keep their trade barriers at higher rates than non-members, and are less likely to liberalize (Milner and Kubota 2005:123-124, 134-135). Moreover, regarding developing countries, Milner and Kubota’s findings on the effects of GATT/WTO-membership are verified by Guisinger (in developed countries, however, her dissertation indicates that there is an opposite effect) (Guisinger 2005:105-107, 111). Finally, the US-hegemony variable was not found statistically significant (Milner and Kubota 2005:130). In sum, external pressure, except for GATT/WTO-membership, does not seem to have an obvious effect on trade barriers. Hence, only GATT/WTO-membership will be accounted for in this paper.

A fourth factor that by some is believed to be a determinant of trade policy change is the influence of new ideas. That is, changed preferences on development strategies have arguably contributed to the replacement of the ISI strategy in favor of more trade-friendly strategies among developing countries. Milner and Kubota measured this variable, first by controlling for the amount of years that any given government had been in office. Their assumption was that a new government could indicate different sets of ideas gaining ground. Second, they presumed that a change of strategy is more likely to appear during a new government’s first year in office. However, being aware of the validity problem of these indicators, Milner and Kubota found that governments that had been in office for a relatively long time period tended to set lower trade barriers than newcomers, all else being equal. Hence, the data indicates that their assumption is wrong. According to them, the reason for this could be that trade reforms might require political stability and a relatively firm power position. Hence, they also found that governments were not more likely to reform within their first year in power (Milner and Kubota 2005:125, 135). However, ideational change is arguably also related to the right/left-wing orientation of the government in power. That is, since the neo-liberal movement is associated with right-wing parties (Nationalencyklopedin 2008b), it seems reasonable to assume that countries where these parties are in power are more likely
to adopt an open trade policy, than their left-wing counterparts. Consistent with this presumption, Guisinger points out that right-wing parties are generally associated with the promotion of trade-friendly policies, whereas left-wing parties are believed to have stronger tendencies towards protectionism (even though she does not relate this to ideational influence). This assumption is, moreover, confirmed by her empirical analysis, where she found that countries governed by left-wing parties generally tend to have higher trade barriers than those where right-wing parties were in office, although there were quite a few exceptions from this pattern (Guisinger 2005:97-100, 110-111). Based on these findings it will thus be assumed that:

a) Countries ruled by the same government for a long time are more likely to liberalize, and;
b) Countries with left-wing governments will be less prone to lower their trade barriers, compared to their right-wing counterparts.

A fifth determinant for trade policy shifts is, arguably, the state's administrative capacity. The argument is that governments with relatively low capacity have to keep their tariffs on higher levels than their more capable counterparts in order to extract sufficient levels of revenue to cover their expenses. However, Milner and Kubota found this variable to be statistically insignificant (Milner and Kubota 2005:135). Conversely, Guisinger found a strong positive correlation between the amount of tax revenues constituted of tariffs and countries’ tariff levels (Guisinger 2005:102-103, 111). These contradicting results are thus somewhat difficult to deal with. However, since Guisinger, unlike Milner and Kubota, presents her method for measuring this variable—an the relative share of tariffs on tax revenue—I this variable will be accounted for in this paper.

A sixth determining factor is, arguably, states' engagement in wars, including interstate, intrastate, and extrastate wars. Milner and Kubota examined this variable and found that being involved in a war did reduce states’ propensities to liberalize their trade policies (Miler and Kubota 2005:135-136). Hence, this variable will be accounted for in this inquiry.

A seventh factor that, according to Guisinger, explains changes in trade policy is diffusion. Diffusion can imply two things according to her: 1) coercion from above, or 2) a demonstration effect. In short, diffusion through coercion arises when a country changes its trade policy, not as a consequence of military threats or actions but because of pressure resulting from other states’ policy changes. For example, if country A’s trading partners lower their trade barriers and, as a result, country A’s barriers are relatively high, it might fear being left out by its trading partners, and consequently it might lower its own barriers as well. A demon-
stration effect, however, occurs when a country adopts a new trade policy because it believes it to be more profitable. In this way, it might become an example to others if successful. However, although Guisinger found the diffusion theories to have relatively strong explanatory power (Guisinger 2005:13-21, 163-165) they will not be considered in this paper. The reason for the demonstration effect not being treated is that this paper focuses on states that are assumed to have followed other states’ trade policy shifts, not those that have been pioneers of trade liberalization. The argument for not considering the coercion effect is that the two-level game theory outlined above attempts to specify more in detail why certain states, based on regime type, adjust to other states’ trade policies. Guisinger does not make the assumption that democratization is a factor that has contributed to reduced trade barriers within autocracies as well. In other words, even though diffusion through coercion might be a complementary factor to the presumable scenario outlined in the two-level game, this paper attempts to highlight a new aspect of the causes for trade liberalization that is specific to autocracies.

In sum, these are the seven determinants that will be accounted for in this paper: GDP-level; population; GATT/WTO-membership; the number of years executives have been in power; political orientation of the executive (right-wing vs. left-wing); the level of tariff dependency for state revenue; and engagement in war.

1.1.4 Theoretical Approach
The theoretical approach of this paper is rational choice, or more specifically rational choice institutionalism. Characteristic for this approach is the use of deductive-nomological reasoning in order to anticipate different agents’ choices of action (i.e. political leaders in this paper). The basic supposition in doing this is that agents are universally self-interested, and have the capacity, time, etcetera to choose the best strategy available to them. However, since rational choice requires that one defines the rules of the game in the model being used (i.e. it is not simply reduced to actors; structural factors are considered as well (Ward 2002:68-71). In this paper the structural factors are assumed to be domestically embodied in governments’ selectorate, and internationally apparent in the form of pressure from political leaders of other countries. An example of a domestic structure is that a strong left-wing orientation within an autocratic executive’s selectorate is considered to decrease its propensity to lower its country’s trade barriers. Another example of this is that skepticism towards trade liberalization is believed be more widespread if the population is large and/or if the GDP-level is relatively high. An example of international structures is that autocracies trading with new democracies
are believed to decrease their trade barriers in fear of otherwise losing benefits from trade. Hence, the executives have to balance different domestic and international interests against each other.

If one observes the structure-agency relationship in this paper, structures are understood to be material and ideational contexts that are expressed by the domestic selectorate and by foreign governments. Consequently, this puts constraints on the home executive’s choices of action. Agency, which refers to the political leaders’ abilities to act in ways that change their surroundings (see McAnulla 2002:271-272, 284-285), is assumed to result from executives’ abilities to balance different interests against each other. To conclude, political leaders are presumed to strive towards optimizing their utility, i.e. strengthen their power position. However, how this is expressed is understood to differ as a result of dissimilar structures within and between countries.

1.2 Purpose
The purpose of this paper is to examine if developing new democracies, trading with developing autocracies, is one explanatory factor of trade liberalization among the latter, as anticipated by the theory outlined in section 1.1.2.

1.3 General Research Question
Have reduced trade barriers in developing new democracies contributed to lower trade barriers among their developing autocratic trading partners — a change that is not present in similar autocracies which are not trading with new democracies?

1.4 Specific Research Questions
1. Have tariff rates in developing autocratic countries followed the pattern of reduced tariffs among their developing new democratic trading partners?
2. If this is the case, is there a relative shift in trade flows that confirms this change to be an effect of the new democracies’ presumed influence?

1.5 Method and Delimitations
The need to delimit this study has resulted in the choice to make a strategic selection of six autocracies, monitoring them and each of their fifteen most important trading partners during

---

6 One important reason for only including the fifteen most important trading partners is that the effect a new democracy is assumed to have on an autocracy should become less obvious the less important its trading partner.
the period of 1980-1999 (even though the ideal would have been to examine all developing autocracies and all of their trading partners). The six autocracies will be selected using the "most similar system design." The reason for choosing this type of strategic selection is that it makes possible a relatively good realization of the all else equal condition. Specifically it implies that one selects analytical units (i.e. autocratic developing countries) that are as similar as possible regarding all determinants, except for the one that is assumed to be an independent variable in one's own research (i.e. developing new democratic trading partners). In this way it is possible to judge if this variable indicates a shift of the dependent variable (i.e. trade barriers) (Esaiasson et al. 2007:102-103, 112-116). In order for the two-level game to be valid, each autocracy, furthermore, needs to be both an exporter to and importer from its new democratic trading partners.

One might wonder why only developing countries have been selected as analytical units and the independent variable for this inquiry. The reason for this is that, measured by the World Bank's unweighted tariffs (more on this measurement in following paragraphs), developing countries have lowered their tariffs dramatically, from average levels of a little over 30 percent in the early 1980s to average levels of about 15 percent around the year 2000. In contrast, developed countries' average tariff levels have remained on a fairly constant level, fluctuating up and down at levels approximately around 7-10 percent (Guisinger 2005:73). Hence, it is among developing countries that clear and consistent trends of trade liberalization can generally be seen during the period that is observed here. Additionally, as already mentioned, developing autocratic states seem to lag behind their democratic counterparts on this variable, indicating that the former countries' reduced trade barriers might partially be a consequence of the latter countries'.

The main problem using this research design on a study like this is that it is impossible to find completely identical countries (Esaiasson et al. 2007:15-16). Hence, there is a possibility that observed differences in fact are caused by other determinants not accounted for in this study. However, this is a risk that, to some degree, is present in all empirical research with explanatory ambitions. As has been pointed out by Karl Popper, a theory can never be verified, only falsified. Hence, if a theory fails to be falsified after being scrutinized in is. The attempt of this paper is thus to find autocracies that have new democracies as "far up" as possible among their trading partner.

7 It should be noted that observing this time period gives this study a good coherence with Milner and Kubota's inquiry that observes the period from 1970-1999 (Milner and Kubota 2005:110), which is important since this paper, to a high degree, is based on their findings.
the best available way, it can be considered a provisional truth. However, it is always possible that it may be falsified by others at a later stage (Thurén 2007:129). Thus, since this theory is tested in the best way considering the resources at hand, this study can arguably be considered adequate. In the following paragraphs the method that has been used carrying out this research is presented and discussed more in detail.

First, developing countries have been marked off from developed ones using the World Development Indicators (WDI) classification by income, according to which low and middle income countries are labeled “developing.” The WDI is the World Bank’s database and is frequently used to compare development across countries (World Bank 2007; World Bank 2008a). Moreover, it should be noted that WDI is used by Guisinger (2005:133), as well as Milner and Kubota (2005:143). Thus, by using this measurement, instead of alternative ones, this paper obtains a better coherence with these studies, which is especially relevant since this paper’s theory is based upon Milner and Kubota’s assumptions and conclusions.

Second, both developing autocracies and developing new democracies have been separated from other developing countries, using the Polity IV Dataset. In short this index measures five different main variables:

1) Competitiveness of the executive recruitment;
2) Openness of the executive recruitment;
3) Constraints on the chief executive;
4) Existing restrictions and limitations on political participation, and;
5) Competitiveness of political participation.

Adding up these variables, the Polity IV’s maximum democracy score is +10 and the maximum autocracy score is -10, indicating the highest level of democracy and autocracy respectively (Marshall and Jaggers 2007:12-15). Thus, as an example, in a high scoring democracy the following characteristics can be found: a) political participation is unrestricted, open, and fully competitive; b) executive recruitment is elective, and; c) constraints on the chief executive are substantial (Marshall and Jaggers 2007:14). As recommended by Monty Marshall et.al. a country will be considered a democracy if obtaining scores between +6 and +10, and will be regarded an autocracy if given scores between -6 and -10 (Marshall et.al. 2008). This

---

8 In this paper an autocracy is defined as a country that has remained an autocracy during the whole period of 1980-1999.
9 In this paper a new democracy is defined as a developing country that has shifted polity from autocracy to democracy during the period of 1980-1999 according to the regime definitions found in Polity IV.
implies that countries who have shifted policy scores but have remained within the range -5 and +5 (labeled anocracies), or countries that, during 1980-1999, have started off in the anocracy range but have become democracies, are not coded as new democracies. The Polity Index is, furthermore, the main index used by Milner and Kubota, and as they point out, all of these indicators have a direct relation to the size of the selectorate and the presumed shifts in the median voter (Milner and Kubota 2005:119-120), thus giving it a high validity. Another advantage using this index is that it gives this paper a higher degree of coherence with Milner and Kubota’s study, compared to if other democracy indexes, e.g. Vanannen’s Index of Democratization (VID) or the Freedom House Index (FHI) would have been used. However, Milner and Kubota also used two other democracy indexes in their study – Geddes Data, and the index created by Alvarez et.al. and Przeworski et.al. which, for delimitation reasons, are left out in this paper. This should not be a considerable problem though, since all three indexes showed very similar results in their study (Milner and Kubota 2005:120-122, 126-133).

Third, in order to find out which autocracies that traded with new democracies and which did not during 1980-1999, the Yearbook of International Trade Statistics will be used. These statistics are published by the United Nations, and covers both trading flows and trading partners for a vast amount of countries in the world.

Fourth, GDP-level and population is measured using the WDI. These are the same indicators that are used by Milner and Kubota (2005:123) (the GDP-measurement from WDI is also used by Guisinger 2005:107). However, in the case data is missing in this database, it will be replaced with statistics from the International Monetary Fund (IMF), using the World Economic Outlook Database (WEO). In these cases, however, data on GDP or population will come from the same source for all countries being compared. Hence, if for example data on GDP for an autocracy is missing in the WDI but exist in WEO, all autocracies being compared with each other will be presented with data from the WEO. In this way the comparison does not risk being incompatible. However, data from the WDI is, for reasons already mentioned, preferable.

Fifth, membership in GATT/WTO is coded from the World Trade Organization’s (WTO) website. Countries’ membership in GATT or WTO is measured in calendar years in this paper. Moreover, drawing from Guisinger’s dissertation, it is assumed that a

---

10 For more on these indexes see Andreas Andersson (2002:77-81).
GATT-member’s membership in the WTO has ceased if it has not confirmed its membership in the organization within a year after its foundation (Guisinger 2005:109).\footnote{The WTO was founded the 1 January 1995 (World Trade Organization 2008a).}

Sixth, the orientation of the party in power is measured using the Data Base of Political Institutions (DPI). The DPI is issued by the World Bank and records annual data since 1975. The database classifies executives’ party orientations in the categories: Right, Left, Center, and No Information (that is, all those who do not fit into these categories), or No Executive, according to various criteria (Keefer 2007:6-8).

Seventh, the time a regime has been in office is measured using the DPI as well. In other words, how long the chief executive has been in power is recorded. This is coded from the first full calendar year the executive takes office (Keefer 2007:5-6). Thus, the ideal is to find autocracies that have had their executive in office for approximately the same period of time.

Eighth, tariff dependency is measured using the WDI for central government revenue, where taxes on international trade as a percentage of the total revenue is presented (this is the same indicator that Guisinger used in her dissertation). The aim is thus to find autocracies that have similar dependence on international trade for revenue.

Ninth, war is measured using the Dataset of Armed Conflicts. This is a dataset created in cooperation between Uppsala University, Oslo University, and the International Peace Research Institute in Oslo. It divides armed conflict into three subcategories:

1) Minor armed conflict (25-1000 casualties during the whole conflict);
2) Intermediate armed conflict (25-1000 deaths yearly), and;
3) War (a minimum of 1000 casualties per year).

Furthermore, four different types of conflict are recorded:

a) Interstate armed conflict (takes place between two or more states);

b) Extra state armed conflict (occurs between a state and a non-state group outside the state’s territory);

c) Internationalized armed conflict (takes place between an internal opposition group and the government in a state, however, also involving other states), and;

d) Internal armed conflict (same type as the previous except for no involvement by other states) (Gleditsch \textit{et.al.} 2002:615, 619).
In this paper all four types of conflict will be accounted for, however, only the subcategory of war will be included. The reason for these choices is to gain the highest possible coherence with Milner and Kubota; they treated all types of war but did not account for other subcategories of armed conflict in their study (Milner and Kubota 2005:135).

When carrying out the empirical analysis, the six autocracies will ideally be paired as illustrated in Table 1.1.

<table>
<thead>
<tr>
<th>Analytical Units</th>
<th>New Democratic Trading Partners</th>
<th>GDP-level</th>
<th>Population</th>
<th>Membership in GATT and/or WTO</th>
<th>Political orientation of executive(s)</th>
<th>Period of Same Executive in Office</th>
<th>Tariff Dependency for Revenue</th>
<th>Engagement in War</th>
</tr>
</thead>
<tbody>
<tr>
<td>Autocracy A</td>
<td>Yes</td>
<td>Equivalent to B</td>
<td>Equivalent to B</td>
<td>Equivalent to B</td>
<td>Equivalent to B</td>
<td>Equivalent to B</td>
<td>Equivalent to B</td>
<td>Equivalent to B</td>
</tr>
<tr>
<td>Autocracy B</td>
<td>No</td>
<td>Equivalent to A</td>
<td>Equivalent to A</td>
<td>Equivalent to A</td>
<td>Equivalent to A</td>
<td>Equivalent to A</td>
<td>Equivalent to A</td>
<td>Equivalent to A</td>
</tr>
</tbody>
</table>

During the selection process, equivalent GDP-level and population will have the primary priority. The reason for this is that Milner and Kubota found these to have the highest level of significance in their regression analysis (see Milner and Kubota 2005:130). Moreover, they will be considered to have equal significance in relation to one another, *ceteris paribus*. However, say that the choice is between country A and B to be paired with C. If then, e.g., A’s population is only slightly less similar to C’s compared to B’s, but B’s GDP differentiates to a relatively large extent from C’s compared to A’s, then country A is preferable to be paired with C, regarding these two variables. The other five variables will be considered secondary, since none of them were found to have any major significance (see Milner and Kubota 2005:130; Guisinger 2005:110-111). Hence, they will only have an effect on the selection of countries if their values are similar on the primary variables. Furthermore, the secondary variables are considered equal in relation to each other, with two exceptions. First, the significance of the length an executive has been in office is assumed to decrease as the number of years in office increases. For example, say that the choice is between country A and country B to be paired with country C. If A and C have had their executive in office for 30 years, and B for 25 years this difference is not regarded to be of significance. Conversely, if the same is true for A and C, but B’s executive only has been in office for 5 years, this is considered to be significant. Second, the significance of war is assumed to decrease with time. The ideal is thus to find countries that have been engaged in war during the same years. It should also be noted that the primary variables can be weighed against each other in order to carry out a selection of countries with similar propensities to liberalize their trade policies.
The same is true regarding the secondary variables in relation to one another. This will, however, all become clearer in the next chapter.

The trade barrier measurement that is used in this paper is the Unweighted Average Tariffs Measurement (AVGWB), published by the World Bank. One reason for using the AVGWB is that it is the tariff measurement used by Milner and Kubota (2005:122), thereby increasing the coherence between this study and theirs. Another reason is that Guisinger has made a systematic comparison of nine different measurements of trade tariffs in her dissertation, and found one that has a minimum set of errors in the so called Uniform Tariff Measure (UNITAR). However, since the available data for this measurement is very limited, she argues for a "second best" measurement. By comparing the empirical correlation between the UNITAR and the other measurements, she concludes that the unweighted measurement from the World Bank is the second best choice, with a correlation to the UNITAR of 0.74 (Guisinger, 2005:27-70).

The weakness of the AVGWB is that it, like other unweighted average tariff measurements, gives all tariff lines the same value. Hence, if a country were to import a few goods in a much larger quantity than other commodities and the tariff levels on the former were to be unproportionally high compared to the latter, the average tariff level would appear lower than it is. In weighted tariff averages this problem is avoided. However, there are other problems associated with weighted tariff measurements. For example, when there are high tariff lines on certain imports, the result will generally be reduced import quantities on those merchandise. Thus, as a consequence high tariff lines will be underemphasized, resulting in misleading averages as well (Guisinger, 2005:27-70).

Another problem with the AVGWB is that it does not account for non-tariff barriers (NTB\(^\text{\textdagger}\)), and data on these are not available for this paper. Furthermore, Guisinger points out that studies made on OECD-countries 1996 and 1998 have indicated a negative correlation between NTB\(^\text{\textdagger}\) and tariff levels. In other words, developed countries with lower tariffs tend to have higher levels of NTB\(^\text{\textdagger}\). In developing countries, however, there seems to be an opposite relation. Milner and Kubota, using many different indicators, have found that both NTB\(^\text{\textdagger}\) and tariff levels have fallen in these countries. Hence, contrary to developed

---

12 The UNITAR measurement is based on the welfare cost of tariff protection (Guisinger 2005:34-35). That is, it \(\text{\textdagger}\) is a single tariff rate which is equivalent in a welfare sense to the whole set of tariff policies \(\text{\textdagger}\) (Ibid p. 21). Hence, \(\text{\textdagger}\) an observed\(\text{\textdagger}\) UNITAR of 85% means that given the country\(\text{\textdagger}\) economic structure \(\text{\textdagger}\) the country would have seen the same net welfare cost by placing a flat 85% tariff on all goods as it did with the wide array of tariffs it placed on various goods\(\text{\textdagger}\) (Ibid p. 38).
countries, reduced tariff levels in developing countries do not seem to have resulted in higher, but rather in lower NTB's. It should be noted, though, that the data on NTB's is very scarce. Only every few years, data covering about thirty different developing countries is gathered (Milner and Kubota 2005:111-112, 122). Hence, there is a need for caution when one draws conclusions from these studies. However, given that available data shows a clear pattern of correlation between these measurements in developing countries, there seem to be little reason to doubt it. Thus, there is a basis for the assumption that reduced tariffs are accompanied with reduced NTB's in developing countries.

However, since the AVGWB is an average measurement it will be impossible, if only using this as an indicator, to illustrate towards which countries changed tariff rates are directed. Moreover, relatively small shifts might be of high significance to some countries, if directed towards only one or a few of them. In order to control for these risks of error, relative changes in trade flows will be used to confirm shifts in tariff rates. Two examples will illustrate how this can be carried out. First, if an autocracy's relative imports from a certain new democracy have increased, it is also reasonable to think that its trade barriers have been reduced towards that country as well. Second, if an autocracy's relative exports to a certain new democracy have increased, it seems likely that the new democracy's trade barriers towards that autocracy have decreased also. Although there at times might be other reasons for these shifts, it is generally assumed to be caused by changes in trade barriers in this paper.

In order to map out changes in trade flows between countries, the *International Trade Statistics Yearbook* will be used. It accounts for the values of countries' imports and exports, and who they are trading with, making it possible to evaluate relative changes in trade flows. In this paper the fifteen most important trading partners for each autocracy will be accounted for. However, even though the ideal would have been to find autocracies with trading partners that are as similar as possible, except for the new democracy variable, this will not be an attempt in this study. The reason for this is that this would imply controlling for all the above mentioned variables for potentially at least 90 countries plus the six autocracies that are the focus of this paper. The need to delimit this ten week study thus means that those variables will only be accounted for regarding the six autocracies.

13 Shifts of relative trade flows mean changes of a given country's imports or exports in relation to another country's total imports or exports.
1.6 Disposition

In chapter 2 a presentation of the selection process of the six autocracies will be carried out. Three autocracies that traded with new democracies will each be paired up with autocracies that are as similar as feasible, except concerning that variable. In chapter 3 the analysis of the six selected autocracies and their fifteen most important trading partners will be carried out. As already mentioned the countries will be analyzed in pairs. In chapter 4 the conclusion of the paper is presented. Here the purpose of the paper will be answered; that is, if developing new democracies can be regarded as a determinant for lower trade barriers in developing autocracies.
2 The Selection of Countries


In the remaining part of this chapter the four autocracies that traded with new democracies during 1980-1999 will each be paired up with the autocracy that best matches them on the other variables. When this is completed, the three most similar pairs will be selected for the analysis in the coming chapter. As mentioned in section 1.5, population and GDP-level are considered to be the primary determinants of trade barriers. Hence, equal levels on these will be the primary selection criteria in this paper.

---


\(^{15}\) That is, they were at least not among their top fifteen export and import trading partners.
2.1 Bhutan

Starting with Bhutan, from observations of population and GDP-level, there are two somewhat feasible candidates to be paired up with Bhutan: Mauritania and Oman. The three countries’ values on the different variables are summed up in Table 2.1.

Table 2.1 Variable Values on Three Autocracies, 1980-1999

<table>
<thead>
<tr>
<th>Autocracies</th>
<th>New Democratic Trading Partners</th>
<th>GDP-level (Approximate Levels in Billions of US Dollars, Current Value)</th>
<th>Population (Approximate Levels in Millions)</th>
<th>Membership in GATT and/or WTO</th>
<th>Political orientation of executive(s)</th>
<th>Same Executive in Office (New Date Indicates New Government)</th>
<th>Tariff Dependency for Revenue (Percent of Total Current Revenue)</th>
<th>Engaged in war</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bhutan</td>
<td>Yes</td>
<td>Range:* 0.14 (1980) - 0.43 (1999); Mean:0.26</td>
<td>Range: 0.4 (1980) - 0.5 (1990); Mean: 0.5</td>
<td>No</td>
<td>0 (Unknown)</td>
<td>1970-1999</td>
<td>No Data</td>
<td>No</td>
</tr>
<tr>
<td>Mauritania</td>
<td>No</td>
<td>Range:* 0.68 (1985) - 1.46 (1992); Mean: 1.05</td>
<td>Range: 1.5 (1980) - 2.5 (1999); Mean: 2.0</td>
<td>Yes, Both</td>
<td>0 (Unknown)</td>
<td>1980, 1981-1984, 1985-1999.</td>
<td>No Data</td>
<td>No</td>
</tr>
<tr>
<td>Oman</td>
<td>No</td>
<td>Range:* 5.98 (1980) - 15.84 (1997); Mean: 10.80</td>
<td>Range: 1.2 (1980) - 2.4 (1999); Mean: 1.8</td>
<td>No</td>
<td>0 (Unknown)</td>
<td>1970-1999</td>
<td>Range:** 1% (1980) - 6% (1999); Mean: 3%</td>
<td>1991</td>
</tr>
</tbody>
</table>

* Mean and range on both GDP and population include all years, 1980-1999, if nothing else is pointed out.


In the table it is apparent that Mauritania has the most similar GDP-level to Bhutan. Conversely, Oman’s population is somewhat smaller than Mauritania’s. However, since the difference in population is very modest compared to the variation in GDP, Mauritania is ï¬regarding the two primary variables ïthe most suitable country to be paired with Bhutan.

In addition, Mauritania has not, like Bhutan but unlike Oman, been engaged in war. Conversely, Mauritania is a member of GATT/WTO, contrary to Bhutan and Oman. Hence, these two secondary variables cancel each other out, since both are believed to cause higher trade protection. However, considering the period the executive has been in office, Oman and Bhutan have had the same executive in power for the same amount of time, whereas Mauritania has had three changes of executives during the time period, implying that Mauritania should be more prone towards protectionism on that variable. Because of the missing data on tariff dependency that variable will not be considered. Furthermore, since the party orientation is unknown for all three countries, indicating that they cannot be placed in that
kind of category or that there is no information (Keefer 2007:7), all three are considered equal on that variable.

In sum, considering that GDP and population are seen as primary variables and that the GDP-level is much higher in Oman in relation to Mauritania and Bhutan, the choice falls on Mauritania to be paired with Bhutan, although Oman is preferable on one more secondary variable compared to Mauritania. It can be noted, though, that Bhutan is expected to have a higher propensity to liberalize its trade than Mauritania.

2.2 Cuba

Considering population size and estimated GDP-level, there are three fairly compatible candidates to be paired with Cuba: Cote d’Ivoire, Libya and Morocco. The four countries’ values on the different variables are summed up in Table 2.2.

Table 2.2 Variable Values on Four Autocracies, 1980-1999

<table>
<thead>
<tr>
<th>Autocracies</th>
<th>New Democratic Trading Partners</th>
<th>GDP-level (Approximate Levels in Billions of US Dollars, Current Value)</th>
<th>Population (Approximate Levels in Millions)</th>
<th>Membership in GATT and/or WTO</th>
<th>Political orientation of executive(s)</th>
<th>Same Executive in Office (New Date Indicates New Government)</th>
<th>Tariff Dependency for Revenue (Percent of Total Current Revenue)</th>
<th>Engaged in War</th>
</tr>
</thead>
</table>

*Because GDP-data was partially missing for Libya in the WDI, this data is collected from the IMF for all countries (except Cuba). Mean and range on both GDP and population include all years, 1980-1999, if nothing else is pointed out.

**GDP-data for Cuba is not available on either IMF or WDI.

***Became a member of GATT June 17, 1987.

****Became a member of GATT June 17, 1987.


Even though there is no available data on GDP for Cuba, it is classified as an upper-middle income country by the World Bank, thus placing it in the same category as Libya. This indicates that Libya and Cuba have a more similar GDP than Cuba and Morocco,
or Cuba and Cote d’Ivoire, since Morocco is a lower middle income country and Cote d’Ivoire is a low income country (World Bank Group 2008). The GDP-ranking in relation to Cuba is therefore (starting with the country most similar to Cuba): 1) Libya, 2) Morocco, and 3) Cote d’Ivoire.

However, when one observes the countries’ average populations in relation to Cuba the ranking is (still starting with the country most similar to Cuba): 1) Cote d’Ivoire, 2) Libya, and 3) Morocco. Hence, if combining the rankings Libya is the most similar to Cuba. Even so, because Libya has both a smaller population and a lower GDP than Cuba its propensity to liberalize is higher on both primary variables in relation to Cuba. Conversely, Morocco and Cote d’Ivoire have larger populations but lower GDP than Cuba. Hence, these two variables level out one other to some degree, making one of these two countries a better match with Cuba, regarding the primary variables. The question is therefore: which of the two countries cancels out Cuba most adequately on these two variables? Observing discrepancies in relative numbers one can give an approximate answer to this question. Starting with Cote d’Ivoire, it has on average roughly a 19 percent larger population than Cuba, whereas Cuba’s GDP is at least 294 percent and at the most 1117 percent higher than Cote d’Ivoire’s. The mean of the maximum and the minimum of potential discrepancies is thus about 706 percent. Observing Morocco in the same way, its population is approximately 128 percent larger than Cuba’s, while Cuba’s GDP is at least 68 percent and at the most 418 percent higher. The mean of a presumable maximum and minimum discrepancy between Cuba’s and Morocco’s GDP is thus 243 percent. Hence, Morocco is the country that most sufficiently levels out Cuba on the primary variables.

Regarding the secondary variables, Cuba, Cote d’Ivoire, and Morocco are all GATT/WTO members relatively long before Cuba trades with a new democracy, whereas Libya is not. Conversely, Cuba and Libya, contrary to Morocco and Cote d’Ivoire, both have left-wing executives. These two secondary variables thus cancel one another between Morocco, Libya and Cote d’Ivoire. Moreover, Morocco has had the same executive in

---

16 The classification is based on annual Gross National Income (GNI) per capita, and lower middle income countries include economies with per capita incomes of $936-3,705 US dollars, whereas upper middle income countries have per capita incomes of $3,706-11,455 US dollars (World Bank Group 2008).
17 The lowest average GDP-level Cuba can have in order to still be classified as an upper middle income country is approximately $38.913 billion US dollars, and the highest is roughly $120.280 billion US dollars.
18 Cote d’Ivoire has 2 million inhabitants more than Cuba, Libya has 6.2 million less, and Morocco has 13.4 million more.
office for a longer time period than Libya, placing it the closest to Cuba. However, considering that the executive in Libya, Cuba, and Morocco all have been in power since the 1960s, the different values on this variable are not considered significant between these countries. Conversely, Côte d’Ivoire changed executives around the time Cuba traded with new democracies, making it more prone towards protectionism on that variable. However, Morocco, Cuba and Libya were all engaged in warfare during the time period, which Côte d’Ivoire was not. Hence, the war variable cancels out the variable of the executive’s time in office. However, since Morocco was involved in a war closer in time to Cuba’s trade with a new democracy, Morocco should, regarding this variable, be the most prone towards protectionism, followed by Cuba, and lastly by Libya. Finally, given that there is no data on tariff dependency, this variable is not treated.

In sum, observing the overall pattern of variables, Cuba and Morocco appear to be the best match, even though Cuba and Libya on average are the most similar regarding the primary variables. As pointed out, the reason for this is that Cuba and Morocco cancel out one another fairly well on the GDP and population variables. Furthermore, a somewhat similar pattern can be observed regarding engagement in wars and political orientation of the executive, even though both have been engaged in warfare and thus making Cuba appear a bit more prone towards protectionism on the secondary variables. In addition, the other variables are either considered equal or are not treated. This pattern of variables canceling out one another cannot be found between Libya and Cuba; instead Cuba’s propensity towards protectionism appears higher on all variables, except the ones that are considered equal or are not treated. Considering Morocco and Côte d’Ivoire, the former cancels out Cuba more sufficiently on the primary variables, and regarding the secondary variables they appear equally adequate, since Morocco’s engagement in war levels out Côte d’Ivoire’s change of executive. Thus, Cuba is paired with Morocco.

2.3 Myanmar

Considering GDP and/or population, four countries have been found to be somewhat similar to Myanmar. These are: Côte d’Ivoire, Egypt, Morocco, and Vietnam. The variable values of the countries are presented in Table 2.3.
**Table 2.3 Variable Values on Five Autocracies, 1980-1999**

<table>
<thead>
<tr>
<th>Autocracies</th>
<th>New Democratic Trading Partners</th>
<th>GDP-level (Approximate Levels in Billions of US Dollars, Current Value)</th>
<th>Population (Approximate Levels in Millions)</th>
<th>Membership in GATT and/or WTO</th>
<th>Political orientation of executive(s)</th>
<th>Same Executive in Office (New Date Indicates New Government)</th>
<th>Tariff Dependency for Revenue (Percent of Total Current Revenue)</th>
<th>Engaged in War</th>
</tr>
</thead>
</table>

*GDP data for Myanmar is not available at WDI. Hence, all GDP-data is collected from the IMF. Mean and range on both GDP and population include all years, 1980-1999, if nothing else is pointed out. **Became a member of GATT June 17, 1987. ***Data has only been accessible for the years: 1980, 1990, 1995, 1997, 1998, and 1999. ****Data has only been accessible for the years: 1980, 1990, 1997, and 1999. *****Data has only been accessible for the years: 1997, 1998, and 1999. 

Observing the average GDP first, the countries are ranked in the following order (starting with the country most similar to Myanmar): 1) Cote d’Ivoire, 2) Vietnam, 3) Morocco, and 4) Egypt.²⁰ If the average population size is compared in the same way the ranking is (still beginning with the most similar country): 1) Egypt, 2) Morocco, 3) Vietnam, and 4) Cote d’Ivoire.²¹ Hence, the ranking is reversed when comparing GDP and population. Thus, in order to find the best match to Myanmar, countries that level out Myanmar on these two variables will be searched for. Therefore, since Egypt and Vietnam both have larger GDP-

²⁰ Cote d’Ivoire’s GDP is 3.02 billion US dollars higher than Myanmar’s, Vietnam’s is 15.04 billion higher, Morocco’s is 16.36 billion higher, and Egypt’s is 60.14 billion higher.
²¹ Egypt has a population of 14.3 million more than Myanmar, Morocco has 15.7 million less, Vietnam has 25.8 Million more, and Cote d’Ivoire has 27.1 million less.
levels and populations than Myanmar they are ruled out. The two countries left are thus Morocco and Cote d’Ivoire. Among these two, Morocco appears to level out Myanmar somewhat more adequately on the primary variables, although the differences in discrepancies are subtle. That is, Morocco ranks a bit closer to Myanmar if observing the combined relative distance on GDP and population. Myanmar has, on average, approximately 67 percent more inhabitants than Morocco, whereas Morocco’s GDP is roughly 238 percent higher. Hence, the discrepancy on these two variables is 171 percentage points. Conversely, Myanmar has roughly a 217 percent larger population than Cote d’Ivoire, while the latter country’s GDP is about 44 percent higher. The discrepancy between these two countries is thus somewhat higher, namely 173 percentage points. Hence, one can conclude that Morocco appears a bit more sufficient to match Myanmar on these two variables.

Regarding the secondary variables, all three countries were members of GATT/WTO during the period of expected trade liberalization, of Myanmar. In addition, considering the political orientation of the executive, Morocco and Cote d’Ivoire have similar values, making them equally fit on that variable. However, the pattern of tariff dependency for state revenue is more similar between Morocco and Myanmar. Moreover, Morocco and Myanmar were engaged in war around the period of expected trade liberalization regarding the latter. Hence, even though the variable of the time the executive has been in office can be considered to cancel out the war variable, Morocco and Myanmar are still more similar on one secondary variable, namely tariff dependency.

In sum, out of the two most feasible countries to be paired with Myanmar, Morocco has an advantage over Cote d’Ivoire on both the primary and the secondary variables. Hence, Myanmar is paired with Morocco. It should be noted, however, that Morocco is expected to be somewhat more prone towards protectionism than Myanmar. The reason for this is that Myanmar, overall, has somewhat lower values on both the primary and the secondary variables.22

2.4 Syria

Regarding GDP and/or population five countries have been found to be fairly similar to Syria. These are Cote d’Ivoire, Libya, Morocco, Oman, and Vietnam. The countries’ values on the different variables are presented in Table 2.4.

22 The left-wing executives in Myanmar are not regarded since its trading data starts from 1989.
Table 2.4 Variable Values on Six Autocracies, 1980-1999

<table>
<thead>
<tr>
<th>Autocracies</th>
<th>New Democratic Trading Partners</th>
<th>GDP-level (Approximate Levels in Billions of US Dollars, Current Value)</th>
<th>Population (Approximate Levels in Millions)</th>
<th>Membership in GATT and/or WTO</th>
<th>Political orientation of executive(s)</th>
<th>Same Executive in Office (New Date Indicates New Government)</th>
<th>Tariff Dependency for Revenue (Percent of Total Current Revenue)</th>
<th>Engaged in War</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oman</td>
<td>No</td>
<td>Range:* 6.34 (1980) - 15.84 (1997); Mean: 11.03</td>
<td>Range: 1.2 (1980) - 2.4 (1999); Mean: 1.8</td>
<td>No</td>
<td>0 (Un-known)</td>
<td>1970-1999</td>
<td>Range:*** 1% (1980) - 6% (1999); Mean: 3.0%</td>
<td>1991</td>
</tr>
</tbody>
</table>


Observing the average GDP-level first, the countries ranking in relation to Syria is (starting with the country most similar to Syria): 1) Vietnam, 2) Morocco, 3) Oman, 4) Cote d'Ivoire and 5) Libya. However, if one presents the ranking in population in the same way, the ranking is: 1) Cote d'Ivoire, 2) Libya, 3) Oman, 4) Morocco, and 5) Vietnam. This ranking is close to being reversed if comparing GDP and population. Hence, in order to find the most equivalent country to be paired with Syria, countries that level out Syria regarding these two variables will be sited. Oman can consequently be crossed off, since its GDP is

---

23 Vietnam's average GDP is 4.73 billion US dollars higher than Syria's, Morocco is 6.05 billion higher, Oman is 6.14 billion lower, Cote d'Ivoire 7.29 billion lower, and Libya is 12.32 billion higher.

24 On average Cote d'Ivoire and Syria has an equally large population, Libya has 8.2 million less, Oman has 10.7 million less, Morocco has 11.4 more, and Vietnam has 52.9 million more.
lower and its population is smaller. Furthermore, both Morocco and Vietnam have higher GDP-levels and larger populations. Hence, considering the primary variables, the two countries left are Cote d’Ivoire and Libya. Comparing these two countries the following conclusions can be made. Starting with Libya, its GDP is roughly 72 percent higher than Syria’s, whereas Syria’s population is approximately 191 percent larger than Libya’s. Thus, the discrepancy between these two variables is 119 percentage points, and based on this Syria is expected to be somewhat more prone towards protectionism. Observing Cote d’Ivoire, its population is, on average, the same size as Syria’s, and additionally its population growth is very similar. However, Syria’s GDP is about 74 percent higher than Cote d’Ivoire, making Syria the most prone towards protectionism in this pair as well. However, in this pair the discrepancy between the two primary variables is on average 74 percentage points, making Cote d’Ivoire the best match regarding the primary determinants.

Observing the secondary variables, neither Libya nor Syria are WTO/GATT members during this time period, whereas Cote d’Ivoire is. Thus, Cote d’Ivoire is expected to be more prone towards protectionism on this variable. However, Libya had a left-wing executive, which neither Cote d’Ivoire nor Syria had. These two variables on Cote d’Ivoire and Libya therefore cancel out one another. Regarding the amount of time the executive has been in office Cote d’Ivoire changed executives whereas the others did not. Hence, it is expected to have a lower propensity to reduce its trade barriers on this variable compared to the other two countries. Conversely, both Syria and Libya were engaged in wars during the time period, which Cote d’Ivoire was not. Thus, Libya and Cote d’Ivoire are considered to level out one another on these variables as well. However, the tariff dependency for revenue is higher for Cote d’Ivoire than for Syria. Since data on Libya is missing on this variable, its relation to Syria on that variable is not considered.

In sum, Cote d’Ivoire is anticipated to be the best match for Syria on both the primary and the secondary variables. The reason for the latter is that, since both Cote d’Ivoire and Libya are considered more prone toward trade liberalization on the primary variables, it is favorable that they have a higher propensity towards trade protection on the secondary variables. Adding up the secondary variables, Cote d’Ivoire appears the most prone towards protectionism. However, it is hard to say if it is Syria or Cote d’Ivoire that has the highest propensity to liberalize its trade, since the former has more protectionist values on a primary variable and the latter has more protectionist values on two secondary variables (after leveling them out). Hence, they are considered equal.
2.5 A Review and Brief Discussion of the Selection Process

In the next chapter Bhutan will be analyzed together with Mauritania, Myanmar will be paired with Morocco, and Syria will be paired with Cote d’Ivoire. There are two main reasons for excluding Cuba in the analysis:

1) The GDP-data is missing, making it more difficult to appreciate the relation between Cuba and Morocco, in comparison with the other pairs.

2) During this time period, Cuba trades with a new democracy only for one year, implying that its potential impact is very limited.

In the next chapter the analyses of the selected countries will be carried out in the same order as just presented.
3 Analysis – The Effects of Trading with New Democracies

In this chapter the three country pairs and their trading partners(unweighted tariff rates will be analyzed. In addition the trade flows between the new democracies and the autocracies that trade with them will be scrutinized, when found relevant. As already pointed out, the purpose of doing this is to perceive if changed tariff rates among new democracies have contributed to reduced tariffs among autocracies as well. Before doing this it should be noted, however, that data is missing for many of the countries that are analyzed. Thus, when tariff data is missing in between years with data, the average tariff rate(s) of the closest year before and after have been added. Moreover, when there is no data before any given year(s) regarding the averages of the trading partners'average tariff rates, the same tariff level that is at hand for the closest following year with data is added on all preceding years. When any of these measures are carried out it is, however, pointed out in the notes of the diagrams. The ways in which other missing data has been handled is also found in the notes to the diagrams. Finally, the analysis for each country, needless to say, starts with and is accustomed to the available trading data.

3.1 Bhutan vs. Mauritania

Starting with observing Bhutan’s tariff levels, there are no indicators to support the supposition that reduced trade barriers in Bangladesh (the new democracy) have contributed to lower trade barriers in the former country. As anticipated, and illustrated in Figure 3.1, Bangladesh’s average tariffs are reduced after its democratization (it became a democracy during 1990. See also World Bank 2007 for preceding years). However, Bhutan’s tariffs move in the opposite direction to Bangladesh’s, or appear to be unaffected by them. During 1996 to 1997, e.g.,

![Figure 3.1 Unweighted Tariffs on Bhutan and Its 15 Most Important Trading Partners (Countries), 1991-1999](image)

Notes: Trading data over Bhutan’s trading partners starts from 1991, and its tariff data starts from 1996. Hence only these years have been included. Furthermore, when data has been missing, the mean between the closest year before and after has been added. On Bangladesh data was missing for 1996 (for countries in the mean see sources). In addition, no data was available for Austria before 1995, thus the value it had in 1995 was added for the previous years as well. Finally, all values are rounded up with one decimal.

Bangladesh increased its trade barriers, while they were reduced in Bhutan. A reason for this could be that Bangladesh’s tariffs are constantly at a higher level than Bhutan’s, implying that the scenario outlined in the game theory, where the democracy has lower trade barriers than the autocracy, is not present regarding these two countries.

What can observed, though, is a weak correlation between Bhutan’s tariff rates and the changes of tariffs among its other fourteen most important trading partners, indicating that Bhutan to some degree might be affected by them. If this is the case, this could in part be related to the bargaining scenario outlined in the two-level game, since their tariff levels on average are lower than Bhutan’s. However, due to the scarce tariff data available it is very precarious to make any such conclusions. Hence, it is avoided here.

Observing instead the trade flows between Bhutan and Bangladesh, one can note that the former’s exports to the latter, illustrated in Figure 3.2, do not follow the pattern of the latter country’s tariff levels. There should be a clear trend of increased exports at least until 1995, but clearly this is not the case. These findings thus indicate that average tariff rates are too imprecise to sufficiently illustrate changes in trade flows within trade dyads.

In sum, the theory outlined in this paper is not able to predict the trading behavior found between Bhutan and Bangladesh during this time period.

![Figure 3.2 Bhutan's Exports to Bangladesh, 1991-1999](image)


Observing the relation between Mauritania and its fifteen most important trading partners, illustrated in Figure 3.3, one finds that Mauritania’s tariffs on average are somewhat higher than Bhutan’s, just as anticipated. Counting the years when there is tariff data on both countries, Mauritania has an average of approximately 1.8 percentage points higher tariff rates than Bhutan. Furthermore, it can be noted that the average of Mauritania’s fifteen most important trading partners is somewhat higher than that of Bhutan’s trading partners. However, in
this case it is apparently not a result of the absence of new democracies among Mauritania’s trading partners, since Bangladesh’s average tariffs were higher than the mean of the other fourteen trading partners of Bhutan.

**Figure 3.3 Unweighted Tariffs on Mauritania and Its 15 Most Important Trading Partners (Countries), 1984-1999**

Notes: Data on which trading partners Mauritania had during 1985-1994 and 1997-1998 is missing. However, it is assumed that Mauritania traded with the same countries from 1985-1994 as it did 1980-1984, and the same countries 1997-1998, as it did 1995-1996. Furthermore, tariff data is missing for Mauritania 1980-1983, 1991-1993, and 1996. Tariff data on the trading partners starts with 1986 and 1987. Finally, when data has been missing the mean of the closest year before and after has been added.


3.2 Myanmar vs. Morocco

Observing first Myanmar’s average tariff rates in relation to Bangladesh, as illustrated in Figure 3.4, one finds that they cannot be said to move in correlation to one another, except for the turn of the year from 1996-1997, when both countries increased their tariff rates by 0.3 percentage points. The relation is the opposite for the turn of the year from 1995-1996 and from 1998-1999, or at least the two appear unaffected by each others’ tariff policies, as during 1997-1998. Moreover, since Bangladesh has only an approximated average tariff value during 1996, the small amount of correlation that is displayed between the two might only be chimeric. However, between these countries it as was found between Bangladesh and Bhutan it one finds that Bangladesh’s average tariff rates, during the years that data exists on both countries, are much higher than Myanmar’s. Thus, the fundamental presumption in the outlined theory it that the autocracy has higher trade barriers than the new democracy it does not appear to be valid in this case either.

Observing the relation between Indonesia and Myanmar, illustrated in Figure 3.4, one can first note that Indonesia’s tariff rates were continuously reduced during 1989-
1999. That is, before it became a democracy during 1999. Moreover, there does not seem to be any obvious correlation between the changes in Indonesia’s tariff rates and those of Myanmar. Instead, every other year Myanmar lowers its tariff rates, and every other year it increases its levels, whereas Indonesia appears to reduce its tariffs every year (even though 1997-1998 are approximated values). However, Myanmar’s tariffs are below the levels of Indonesia throughout the entire observed time period that there is data on both countries. Thus, the same dilemma, regarding the presumptions of the theory, is valid in the case of Myanmar and Indonesia as of that found between Myanmar and Bangladesh.

**Figure 3.4 Unweighted Tariffs on Myanmar and Its 15 Most Important Trading Partners (Countries), 1989-1999**

![Graph showing unweighted tariffs on Myanmar and its trading partners from 1989 to 1999.](image)

**Notes:** Data on trading partners for Myanmar starts with 1989. Furthermore, tariff data on Hong Kong begins during 1999, it is missing on Bangladesh during 1996, and it is missing on Indonesia during 1994, and 1997-1998. Moreover, it starts on Myanmar during 1995. Finally, when data has been missing, the mean of the closest year before and after has been added.


When scrutinizing the exports from Myanmar to Bangladesh, illustrated in Figure 3.5, one can note that they clearly do not correlate with the trends of Bangladesh’s average tariff rates, as anticipated. Instead, the exports increased when Bangladesh raised its average tariffs, except during 1999. Regarding Indonesia, the trend of Myanmar’s exports does not evidently follow the anticipated trend either. For example, contrary to the expected pattern, they are reduced during 1992, 1996-1997, and 1998, even though Indonesia’s tariffs seem to have been lowered during the entire time period. This indicates that other factors appear to have more significance, and that average tariff rates are too rough of a measurement to illustrate the changes in trade flows regarding trade dyads in this case as well.
Observing Morocco’s tariff rates, illustrated in Figure 3.6, it can be noted that they, as anticipated, are higher than Myanmar’s. However, during the period for which there is data on both countries, Morocco’s tariffs are on average approximately 17.1 percentage points higher than Myanmar’s, which is a larger discrepancy than expected. Finally, it can be noted that Morocco’s trading partners, on average, have somewhat lower tariff rates than Myanmar’s.

**Figure 3.5** Myanmar’s Exports to Bangladesh and Indonesia, 1989-1999

**Figure 3.6** Unweighted Tariffs on Morocco and Its 15 Most Important Trading Partners (Countries), 1982-1999

**Notes:** Tariff data on Morocco is missing for 1998-1999. Tariff data on Turkey starts in 1983. Tariff data on the EU-countries, the USA, and Japan starts in 1988. Tariff data on Canada starts in 1989. Tariff data on USSR/Russia starts in 1993. Tariff data on Iraq is missing. Finally, when data has been missing, the mean of the closest year before and after has been added.

3.3 Syria vs. Cote d’Ivoire

Monitoring Syria’s average tariff rates, illustrated in Figure 3.7, one should first highlight that its tariff data is missing during 1991-1995. In addition tariff data on Bulgaria (its new democratic trading partner) starts in 1992, and is missing for 1993-1995. Hence, the tariff rates on both countries during 1991-1995 are by and large approximated values. Moreover, this is complicated by the fact that this is the same period when Bulgaria had its largest significance as Syria’s trading partner. Furthermore, there is no data to indicate how Bulgaria’s tariffs presumably changed when it became a democracy, which took place during 1990. Thus, the relation between these two countries is only roughly approximated.

![Figure 3.7 Unweighted Tariffs on Syria and Its 15 Most Important Trading Partners (Countries), 1982-1999](image)

**Notes:** Tariff data on Syria is missing for 1983-1984, 1986-1987, 1989, and 1991-1995. Tariff data on Turkey starts with 1983. Tariff data on Romania starts in 1986. Tariff data on the EU-countries, the USA, and Japan starts with 1988. Tariff data on Bulgaria starts in 1992 and is missing for 1993-1995. Tariff data on USSR/Russia starts in 1993. Tariff data on Lebanon starts with 1995. Tariff data on Iraq is missing. Finally, when data has been missing, the mean of the closest year before and after has been added.


All this being said there are no indicators that Bulgaria has had a reducing effect on Syria’s tariff rates. Between 1990 and 1998 it instead seems that Syria’s tariff rates were constantly increasing. However, there could be other reasons for this than the outlined theory being wrong. First, Bulgaria’s tariffs were raised between 1992 and 1996, indicating that Milner and Kubota’s conclusions did not apply to Bulgaria during those years. Second, Bulgaria’s tariffs seem to have been higher than Syria’s during these years, which was the time period the two
countries were trading the most (see next paragraph). This thus implies that the prerequisites outlined in the two-level game imply that the autocracy has higher tariff rates than the new democracy during the period the two traded the most. Hence, since their influence on each other’s tariff rates is anticipated to decline after that period, this case does not unambiguously falsify the outlined theory either. However, it is even clearer that it does not verify the theory.

Monitoring the trade flows, illustrated in Figure 3.8, one can, as already mentioned, note that both Syria’s exports and imports definitely decreased after 1996. Syria’s exports did, however, fairly well follow the anticipated pattern of Bulgaria’s tariff rates, correlating as expected every year except during 1999.

![Figure 3.8 Syria's Exports to and Imports from Bulgaria, 1980-1999](image)


Observing Cote d’Ivoire’s average tariff rates, illustrated in Figure 3.9, one can note that, on average, it had 1.8 percentage points lower rates than Syria; that is, only if the years that there is available data for both countries are counted. Thus, they seem to be a fairly good match. Moreover, Cote d’Ivoire’s trading partners did have somewhat higher tariff rates on average. This, however, cannot be explained by the absence of new democracies trading with Cote d’Ivoire, since Bulgaria’s tariff rates were higher than the trading partners’ average tariff rates regarding both countries, during the time there is available data for Bulgaria.


In the next chapter the final conclusion is presented, together with a short discussion of the results of this paper.
4 Conclusion and Discussion

In this paper no indicators have been found to support the theory that developing new democracies have contributed to lower trade barriers among developing autocracies. However, neither has the outlined theory been unambiguously falsified by the three observed autocracies that traded with new democracies. The first reason for this is that, contrary to what was anticipated by the theory, both Bhutan and Myanmar had lower average tariff rates than their new democratic trading partners during the whole observed time period. This could probably be largely explained by the fact that the new democratic trading partners had much larger populations and higher GDP-levels than both Bhutan and Myanmar (see World Bank Group 2007).

Secondly, Syria had lower average tariffs than its new democratic trading partner while the trade flows were at its peak between them. Thus, once Syria’s tariff rates were higher than those of its new democratic trading partner, the two countries’ presumed influence on one another’s trade policies should have declined. Hence, if there are other cases were the new democratic trading partners have apparently lower tariff rates than their autocratic trading partners, the theory might still find support. Therefore, more research needs to be carried out in order to find a clear answer to the general research question in this paper. Preferably later time spans should be observed, since more recent data is less fragmented and covers more countries. However, the conclusion is, nevertheless, that no indicators have been found in support of the theory that new developing democracies have contributed to lower trade barriers among developing autocracies.

Another finding in this paper is that changed unweighted tariff rates, as partially anticipated (see section 1.5), are not an ideal indicator for analyzing the relation of trade dyads. Thus, it supports this paper’s assumption that it is important to use complementing indicators to control for presumable errors, e.g. data on trade flows.

Finally, the author is aware of the fact that the three autocracies, intended to function as controls for other independent variables, became a rather redundant part of the analysis in chapter 3. Needless to say, this calls the choice of research design into question. However, if indicators would have been found in support of the theory there would have been no way to control for the results, had this component been excluded. Hence, the design still seems relevant for a study like this one.
References


- Argentina (WDI 2)26 ĭ transit to democracy during 1983
- Bangladesh (WDI 1) ĭ transit to democracy during 1986-90
- Benin (WDI 1) ĭ transit to democracy during 1990
- Bolivia (WDI 2) ĭ transit to democracy during 1982
- Bulgaria (WDI 2) ĭ transit to democracy during 1990
- Cambodia (WDI 1) ĭ transit to democracy during 1989-99
- Chile (WDI 2) ĭ transit to democracy during 1988-89
- Czech Republic (WDI 2) ĭ transit to democracy during 199027
- El Salvador (WDI 2) ĭ transit to democracy during 1980-85
- Guatemala (WDI 2) ĭ transit to democracy during 1986-97
- Guyana (WDI 2) ĭ transit to democracy during 1991
- Haiti (WDI 1) ĭ transit to democracy during 1994 (transit to anocracy during 1999)
- Hungary (WDI 2) ĭ transit to democracy during 1987-91
- Indonesia (WDI 2) ĭ transit to democracy during 1998-99
- Lesotho (WDI 2) ĭ transit to democracy during 1993
- Madagascar (WDI 1) ĭ transit to democracy during 1991-92
- Malawi (WDI 1) ĭ transit to democracy during 1994
- Mali (WDI 1) ĭ transit to democracy during 1991-92
- Mongolia (WDI 1) ĭ transit to democracy during 1990-92
- Mozambique (WDI 1) ĭ transit to democracy during 1994
- Nepal (WDI 1) ĭ transit to democracy during 1981-99
- Niger (WDI 1) ĭ transit to democracy during 1991-92, autocracy again during 1997-98, beginning of new transit to democracy during 1999
- Pakistan (WDI 1) ĭ transit to democracy during 1985-88, lost democracy status during 1999
- Panama (WDI 2) ĭ transit to democracy during 1990
- Paraguay (WDI 2) ĭ transit to democracy during 1989-92

Sources: World Bank (2007); and Marshall, Monty G. et al. (2008)

WDI 1 stands for low income countries and WDI 2 for middle income countries. Recall from section 1.6 that both these categories are considered developing.

Czech Republic and Slovakia were one country, Czechoslovakia, until 1994.
- Philippines (WDI 2) ĭ transit to democracy during 1987
- Poland (WDI 2) ĭ transit to democracy during 1989-91
- Romania (WDI 2) ĭ transit to democracy during 1990-96
- Slovak Republic (WDI 2) ĭ transit to democracy during 1990 (see Czech Republic)
- Sudan (WDI 1) ĭ transition to democracy during 1985-86, transition back to autocracy during 1989
- Uruguay (WDI 2) ĭ transition to democracy during 1985
- Zambia (WDI 1) ĭ transition to democracy during 1991, lost democracy status during 1996
Appendix 2 – Developing Autocracies (1980-1999)28

- Afghanistan (WDI 1)
- Bhutan (WDI 1)
- China (WDI 2)
- Congo-Kinshasa (Zaire) (WDI 1)
- Cuba (WDI 2)
- Egypt (WDI 2)
- Iraq (no WDI or tariff data)
- Ivory Coast (Cote d’Ivoire) (WDI 1)
- North Korea (no WDI or tariff data)
- Laos (Lao, PDR) (WDI 1)
- Libya (WDI 2)
- Mauritania (WDI 1)
- Morocco (WDI 2)
- Myanmar (Burma) (WDI 1)
- Oman (WDI 2)
- Rwanda (WDI 1)
- Somalia (WDI 1)
- Swaziland (WDI 2)
- Syria (WDI 2)
- Vietnam (WDI 1)

28 Sources: World Bank (2007); and Marshall, Monty G. et al. (2008)