

Rather Yields than Rights: The influence of economic integration on the consolidation of autocratic regimes

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Abstract

Despite the research on globalization and the survival of autocracies through economic integration, the knowledge regarding the relationship between these two events, the importance of which has noticeably increased in the last decades, is still limited. This paper examines the influence that economic integration has on the consolidation and therefore the durability of autocratic regimes. I use Ordinary Least Squares (OLS) regression models to test the impact that foreign direct investment, trade agreements, investment treaties and membership in the World Trade Organization (WTO) have on the durability of autocracies within 120 countries between 1961 and 2008. The results generally support my theoretical assumptions that a higher level of economic integration leads to increased durability and hence consolidation of autocracies. However, WTO membership decreases the durability, and FDI inflows have an impact only within a certain range while trade agreements and bilateral investment treaties extend the lifespan of the examined cases.

Keywords

Autocracies, consolidation of autocracies, economic integration, foreign direct investment, trade agreements, investment treaties, WTO, regime durability

Introduction¹

Economic integration is the spearhead of globalisation that characterizes the modern world. Despite waves of democratisation along with increasing interconnectedness, especially over the last century, many autocracies remained stable during this development period, and a not-to-be-underestimated number of them, such as China and Saudi Arabia, even seem to have profited from globalisation. The purpose of this paper, therefore, is to investigate if a relation exists between stable, consolidated autocracies and their level of economic integration.

This paper aims to contribute to two fields of international relations: the research on autocracies and the research on economic integration, particularly on financial investment streams and trade. Two things are new in this approach: first, the connection of economic integration with the durability of regimes and second, the investigation of economic integration as an explanatory variable. The purpose is to contribute not only to the existing research but to deliver an understanding as to why some autocratic states function well economically and the influence that Western states have on this development.

Numerous autocracies have become important players in the global economy. *Figure 1* shows how the inflows of foreign direct investments (FDIs) in autocracies constantly increased since the beginning of

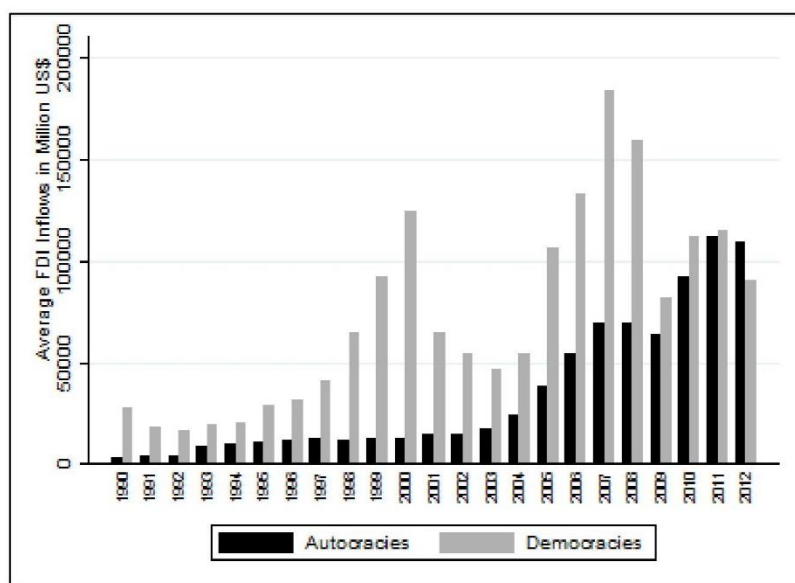


Figure 1: Average FDI Inflows in Autocracies and Democracies between 1990 and 2012

the new millennium and even exceeded those of democracies in 2012.² The success in attracting FDI inflows indicates the compatibility of an autocratic political system with economic success. Investigating how the associated integration strengthens the respective regimes and, in turn, affects the consolidation of these states should help achieve a greater understanding of functional autocracies in the environment of globalisation. Thus, the objective of this article is to investigate the influence that economic integration has on the durability of autocratic states. My hypothesis is that a higher level of economic integration leads to a stronger, consolidated autocracy. My argument consists of two parts, first, how economic integration leads to growth and second, how this leads to the consolidation of a

¹ All tables and charts used in this paper are original and created by the author.

² The distinction between democracies and autocracies is based on the Polity4 data base, The FDI inflow data is based on the merged International Political Economy Database (Graham 2015). For more Information see the operationalisation part.

regime. Furthermore, I elaborate on determinants of stable autocracies that other authors have found to be important. Then, the article provides a detailed discussion of my argument and method of operationalization, as well as testing and discussion of the result and finally a conclusion.

Economic Growth through Economic Integration

Miroslav Jovanovic states “(...) *we can conclude that international economic integration is a process and a means by which a group of countries strives to increase its level of welfare*” (1992: 9). This highlights the purpose of this first theoretical step quite precisely. Generally, the effects of economic integration on economic growth have been studied comprehensively and are widely accepted. The various processes leading to an increased economic interconnectedness in order to increase trade by removing barriers and extending investment flows are covered later in this paper in discussion of the definition of economic integration.

Before I focus on a more specific view of the components of economic integration, I have chosen for my model a closer look at the conceptualisation of economic integration that other researchers have taken. Badinger (2001), examines the framework of the General Agreement on Tariffs and Trade (GATT)/WTO and membership in the European Free Trade Association (EFTA), among other economic characteristics of the European Union. De Benedictis and Tajoli (2011) show that being a member of the WTO makes a state more integrated into the international economy than non-member states. The situation is similar for free trade agreements (FTAs), the arrangement which leads, according to many researchers, to a growth in trade (Baier and Bergstrand 2007; Brada and Méndez 1985) is perhaps the most basic component of economic integration. FDIs as a tool for developing countries to upgrade their respective export structures can also be mentioned in line with economic integration (Harding and Javorcik 2011). Bilateral Investment Treaties, on the other hand, especially help autocratic regimes to overcome the absence of functional domestic courts, a credible reputation and transparency in policymaking to ensure that rules and laws of investments are respected in the long run (Arias et al. 2015).

The next section aims to take a closer look at how the components of economic integration individually support economic development and growth.

Existing research offers a good overview of the mechanism linking FDIs to economic growth. By giving recipient countries access to leading international technology and expertise, the positive effects of FDIs on economic development are widely recognized when assuming a minimum threshold of human capital and a basic ability to absorb new technologies (Borensztein et al. 1998; Liu und Li 2005). Moreover, foreign direct investment is more long-term oriented, as the fluctuations are less intense and crisis-dependent, which also favours economic development (Nunnenkamp 2000: 187). The effects on stability

are expected to be high particularly among developing countries, which includes most autocracies³, as they benefit from the transfer of technology and expertise due to relatively strong differences. FDI's are also usually illiquid investments, such as the foundation of new factories, job training, or operational control, which makes it harder for the investors to retrieve their investments (Moon 2015: 345). This point displays the reciprocal relationship of FDI's that, on the one hand, affects economic development and on the other hand establishes particular circumstances that credibly commit investors to be profitable. This recognition has to be noticed because as a consequence, autocratic states which fail to commit to being a country worth investing in will be more unstable than autocracies that can successfully overcome the credible commitment problem.

In general, it is important to highlight the close connection and mutual relationship between the building blocks of this complex concept. Predominantly through the relationship with FDI's, this is visible as international trade agreements allow particular developing countries to attract more FDI inflows and consequently increase their economic growth (Büthe and Milner 2008; MacDermott 2007; Medvedev 2012). The commitment problem mentioned in the last section can be overcome by trade agreements and membership in an international organization (GATT/WTO), as it elevates agreements to a supranational level and legally binds the states to follow certain policies which would be costly to break (Büthe and Milner 2008: 744; Keohane 1989; Simmons 2000). Free trade agreements and WTO membership also affects economic growth through other means, as the organization's name itself implies increased trade. Trade flow resulting from a free trade agreement increases five-fold while, on average, bilateral trade between two members of an FTA doubles within 10 years (Baier and Bergstrand 2007). The same could be said for the membership in the WTO, as the same institution declares that: "(...) *Merchandise exports grew on average by 6% annually. Total trade in 2000 was 22-times the level of 1950.*" (WTO 2016). Even though the effect of WTO/GATT membership on trade is not undisputed and other economic factors such as higher rates of productivity in tradable goods, falling transport costs, regional trade associations, and the shift from primary products towards manufacturing and services may have contributed to this process as well (Rose 2003: 22), a relationship can hardly be denied (Subramanian and Shang-Jin 2006). Although a goal of both ITAs and the WTO/GATT is to liberalize tariffs and trade (Krueger 1998), these structures are not interested in achieving political or civil liberties. Thus, in a liberalizing country, increased trade promoted by international trade agreements and the membership of the WTO then fosters economic development and lessens the income gap between country and other, wealthier countries (Ben-David and Loewy 1998).

On the one hand, Bilateral Investment Treaties (BITs) are closely related to the encouragement and governance of FDI's and usually increase the amount of FDI inflows (Neumayer 2005). On the other

³ With the exception of the Gulf States.

hand, they affect economic integration on additional dimensions, similar to trade agreements and WTO membership, namely through the protection of contractual rights and the right to international arbitration in the event of an investment dispute.

Concluding this first section, there are three things to remember about how economic growth is affected in this model. First, economic integration generally leads to growth mainly through the exchange of knowledge and capital. Second, the effects of foreign direct investment are particularly high among developing countries but, at the same time, require a certain degree of stability in the receiving country. Third, ITAs, BITs and the membership in the WTO lead to increased trade and economic liberalization, which consequently fosters economic growth.

Regime Durability through Economic Development

After comprehensively discussing in the first section how economic integration leads to economic development and growth, this section deals with the issue of how this might foster regime stability. But first, I will define the term autocracy as it applies to this article. Underlying for my argument as well as my data analysis is the concept of the “Polity IV” score, which characterizes autocracies based on two criteria: The competitiveness of executive recruitment and the openness of recruitment for the chief executive. Autocracies are therefore regimes that suppress competitive political participation with the chief executive being chosen from within the political elite, and, once in office, leaders face few institutional constraints on their power.

The regime stabilisation effects of economic development on both democracies and autocracies has been attested in various studies (Feng 1997; Belkin and Schofer 2003; Goldstone et al. 2010; Maeda 2010). Miller (2012) shows that the probability of violent leader removal decreases significantly when the average income increases. Londregan and Poole (1990) demonstrate that successful coups are negatively associated with income and economic growth. Although there have been made some distinctions: *"modernity breeds stability, but modernization breeds instability"* (Huntington 1968: 41) and different theoretical assumptions such as rapid growth as a destabilizing force (Olson 1963), the empirical results support the authors mentioned above and hence my argument.

General explanations for the relationship between economic development and regime stability are that a greater economic gain enables the regime to invest in the extension of its repression capacities (Fearon and Laitin 2003). Moreover, it provides the regime with the opportunity to redistribute and thereby stabilize its power (Morrison 2009). Other mechanisms are the strengthening of the economic standing of average citizens (Goldstone et al. 2010) which at the same time makes the citizens less likely to use violence strategies (Inglehart and Welzel 2005) and raises the opportunity cost for a rebellion (Przeworski 2005).

A widespread assumption in the field of political science is the positive relationship between globalisation, growth, economic development and democracy, coherently with the assumption that autocratic regimes fail to enable economic development in the long-term (Olson 1993; Acemoglu and Robinson 2005). The assumption is that autocratic leadership fails to establish a credible commitment when it comes to policy implementation, such as redistribution and property rights. This is very helpful to explain certain cases of state failure and the emergence of democracies, but other cases of autocracies that outlast economic development stabile, such as China, Saudi-Arabia and Russia, require a different explanation. Their increasing economic openness cannot be equated with a loss of control suddenly granting a middle class more rights; states such as China, Russia or Venezuela rather have increased their repression. A good example is social media: *“China has periodically blocked access to Google’s English-language news service and recently forced Microsoft to block the use of words such as ‘freedom’ and ‘democracy’ on the Microsoft software used by blockers.”* (De Mesquita and Downs 2005: 81). Through the suppression of coordination goods and the media, while also providing public goods such as primary education, public transport and a healthcare system, autocracies simultaneously counteract risks and show a positive development towards stability. This combination of strategy and economic growth has already been empirically demonstrated to increase the chances of regime survival significantly (De Mesquita and Downs 2005).

Determinants of Stable Autocracies

This section gives an overview of the existing literature about the stability of autocracies where economic integration as an explanatory variable should be considered.

Kailitz and Stockemer (2015) show that communist ideocracies and ruling monarchies are on average more durable than other types of autocracies because of their high elite unity and small elite differentiation which makes overthrowing them difficult for the opposition. Generally, it is widely accepted that the type of autocracy matters and that particularly military-ruled autocracies have significantly shorter survival rates than others (Geddes 1999; Hadenius and Teorell 2007; Kailitz and Stockemer 2015).

Classic approaches explaining the durability of autocratic states often focus on patron-client networks in which the stability of the regime is achieved by the distribution of rents to specific groups in the population to ensure their loyalty. Particularly applicable are theories that explain the survival of so called rentier-states (Beblawi and Luciani 1987) such as the Middle Eastern oil monarchies. The influence of oil and mineral wealth on autocracies as an obstacle for democratisation (Ross 2001; Jensen and Wantchekon 2004) and particularly as a factor supporting regime stability (Smith 2004; Wright et al. 2013) has been also found to be important in this context.

Other approaches consider factors such as welfare enhancement and capital accumulation policies as crucial for regime survival (Overland et al. 2005). Besley and Kudamatsu, in turn, argue that the

accountability of autocrats matters (2007). However, this seems hardly to correspond to the previously displayed success of monarchies, especially in the Middle East, but instead more so for states such as China. Gandhi and Przeworski highlight the importance of the institution for the survival of autocracies rather than the type of autocracy: “*They [autocracies]⁴ must accurately perceive the strength of the threat and respond with a sufficient degree of institutionalization*” (2007: 1293).

How Economic Integration Consolidates Autocracies

In the previous section, I have displayed how the economic integration of states fosters economic development and growth and consequently makes autocracies more durable. Economic integration leads to economic development. In turn, this causes, through greater legitimacy, repression options and better conditions for co-optation in the consolidation of autocratic systems defined as the durability of an autocratic regime. These three pillars can be linked to Gerschewski’s (2013)⁵ model, which provides a theoretical approach to explain successful autocracies. Due to the difficulty of defining and particularly measuring the components without contradiction, I will use this strategy only for parts of my theoretical argument, while the actual empirical analysis only focuses on the direct relationship between economic integration and the consolidation of autocratic regimes.

Economic integration enables the regime to redistribute a greater amount of resources to relevant groups in the society, but moreover to keep the elite group loyal and prevent the ascent of an alternative source of legitimacy. To avoid public protest that could lead to a coup d’état, greater admission to resources enables the autocratic regime to make economic concessions such as tax relief or subsidies for certain sectors rather than political concessions. This “buying of legitimacy” can be observed especially in countries such as Saudi Arabia or the United Arab Emirates, but also in China or Russia, where companies that profit from economic integration get clearance in exchange of regime loyalty. Companies, individuals and other groups that benefit comparatively more than others have a strategic interest to support the current regime as they might lose their privileges during a regime transition or democratisation process. I assume that legitimacy also increases when the investment and settlement of multinational corporations creates jobs and the standard of living consequently increases. Freedom also has an economic component and if this increases through economic integration, not only does the satisfaction of the people increase by the subjective increase of liberty, but also the fear that any change of the regime might disable or destroy the acquired economic freedoms. That redistribution, at least to the certain extent that it is crucial for the survival of the elites, was already argued by Boix (2003) as he hypothesized that one of the core risks occur from the lower classes wishing to overthrow the redistributive equilibrium in the society.

Of course, autocracies are not only based on legitimation; an additional, crucial component is repression.

⁴ Remark of the author.

⁵ Also see: Friedrich and Brzezinski 1986; O’Donnell’s 1979; Acemoglu and Robinson 2005.

The economic integration and the resulting inflows into the state's budget make a greater investment in the security sector possible. Better equipped and funded police personnel are able to counteract insurgents and repress any upcoming movement that aims to undermine the current regime. Furthermore, generals, officers and others in executive positions are part of the relevant elite group which needs to be satisfied in order to prevent powerful opposition in the immediate vicinity, drawing the connection back to the issue of legitimacy.

Regarding co-optation, particularly in personal dictatorships or monarchies, it can be assumed that a well-functioning economy with economic growth and development makes transfer of power easier because of the increased legitimacy of the incumbent regime. A lesser degree of economic integration however, in relation with uncertainty and discontent that at the same time cannot be restrained effectively, will lead to a decreasing durability of the autocracy.

To examine how economic integration directly influences the durability of an autocratic regime, I will look closer at the behaviour of autocracies and the particular relationship democracies have to them. In principle, democracies might have the moral claim to help other states to democratize and overthrow autocratic regimes, averting this process. But at the same time, democracies follow economic interests to secure their own survival. Taking the relationship between the United States and autocratic China as an example, the U.S. has imported more goods annually from China than any other country since 2007. China also plays a significant role as an exporter of goods for the U.S. (CCTV America 2015). 17 countries of the 50 most important trading partners of Germany are classified as autocracies and that already includes 20 member states of the EU. Taking the EU (27) as a whole, in 2010, nine countries out of the 20 most important trading partners were autocracies and together had a volume of exported goods of 395,2 billion euros, which comprises around 30 percent of the total volume of exports.⁶

States that are economically crosslinked as extensively as I have displayed in the examples before can have no serious interest in seeing trade partners destabilize. In case of FDIs, the traded capital could be lost and constructed infrastructure such as factories may be destroyed or expropriated. Regarding trade agreements, successors of the ousted regime might see them as invalid and refuse compliance. For their own economic well-being, the economic importance of commodities and markets, particularly in Asia and the Middle East, simply exceeds the willingness to challenge the prevailing power relations. Extensive trade sanctions against states because of missing civil or democratic rights would not be able to be enforced without massive economic losses and domestic pressure arising therefrom. States are not interested in destabilizing countries within their economic network; in contrast, they are interested in taking action to stabilize countries, especially autocracies, to ensure their economic benefits arising from their economic integration. Economic integration under these circumstances creates an equilibrium in

⁶ Statistisches Bundesamt (2016) and Eurostat (2011).

which both sides gain from the other's stability and solidify the interest to maintain it. In other words: both sides are in the same boat because of economic integration, which consequently prevents them from drilling a hole in the other's side.

From the perspective of an autocratic state, economic integration provides the current regime bargaining power, as investors and other countries are generally interested in opening up new markets and benefiting from extended trade, processes which function better in stable countries. On the other hand, it calls for concessions, for example regarding investment protection, property rights and liberal economy policies. Instead of taking the path of slow democratisation which sooner or later would lead to the disempowerment of the regime, autocracies meeting the prerequisites tend take the path of economic integration. This means a harmonization of the domestic economic order so as to enable mutual economic development.

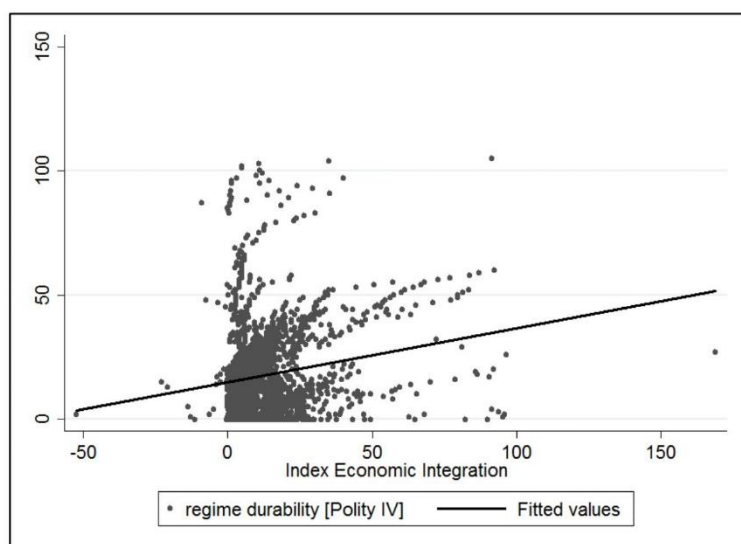


Figure 2: Economic Integration and Regime Durability

Figure 2 shows the relationship between an index of economic integration (consisting of the summed values of FDI inflows, the number of signed BITs and PTAs) and the regime durability variable measured in years since the last change of more than three categories in the Polity IV score. The positive correlation between the variables is clearly observable. However, it is striking that most of the data points are located between value 0 and 50, which suggests

that the most important part of the suspected correlation takes place in this area.

In summary, emerging resources can be used for greater repression and to “buy” a higher legitimacy from the state's population and relevant elite group as well as a changed relationship between trading partners, particularly democracies whose preferences shift from moral interests towards economic interests. From this I derive my hypothesis: that a higher level of economic integration leads to stronger consolidated autocracy.

Operationalisation

The data is based on the merged International Political Economy Database (Graham 2015) and contains data from 120 different autocracies (country-level) in the period from 1961 to 2008.

I have selected the Polity IV durability measurement to model autocratic consolidation. Changes in the combined Polity score of three or more points are counted as a regime change. The variable counts the

years since the last regime change occurred according to this definition. I consider this measurement as the most appropriate for regime consolidation for two reasons: first, the concentration of changes towards and especially from democracy makes it possible to identify autocracies with a consolidated political system. Geddes et al. (2014) criticise the Polity IV durability measurement and the CGV dichotomous regime type measurement (Cheibub et al. 2010) which would also be a possible operationalisation for my dependent variable, arguing that it does not account for autocracy-to-autocracy transitions. Although their research on autocratic regime survival resembles mine, it still differs from my field of interest and definition of autocratic consolidation. My arguments of how economic integration leads to the consolidation of autocratic regimes are not necessarily reduced to a particular regime or elite that is currently in power, but rather refers to the general consolidation of an autocratic fundament. While investors are, as previously stated, mainly interested in the long-term stability of their investments, in some cases, changing this support in favour of a different autocratic opposition might prove useful as the new regime could be able to commit more credibly to the stability than the current regime. The Polity IV measures therefore recorded only such regime changes that show a change in the degree of the autocracy level. One example is the 1968 Iraq transition from military rule to Saddam Hussein's rule, which would be coded as a regime change in Geddes et al. but not in Polity IV.

To make my coding clearer, *Table 1* (Appendix) shows the data for Chile from 1973 until 1988 as an example. The coding starts in 1973 with the overthrow of the democratically elected president Salvador Allende by General Augusto Pinochet and the installation of a military regime. The autocratic score then does not shift within the next 14 years by more than 3 points as indicated by my dependent variable, which counts up to 14 until the democratisation process in 1988 starts and the autocratic score drops to 3.

To differ between autocratic and democratic states, I also use the Polity IV database, excluding those cases that have a score above 0. My independent variables are FDI inflows which are set in relation to gross domestic product (GDP) to account for different sized economies (World Bank 2015) and the number of BITs (Graham et al. 2015). The second part of my independent variables consists of the binary variable of WTO membership (Graham 2015) and the cumulative number of signed trade agreements (Dür et al. 2012). Economic growth and GDP (The World Bank 2015) are important to control for independent economic development that might influence regime durability. To consider the characteristics of different types of autocracies, monarchies and one-party regimes are included as two binary dummy variables. Finally, a variable to control for the impact of natural resources is included that shows the amount of oil exports as a share of GDP. The control variables I am using might, as shown in the theory section, be associated with both my independent and dependent concepts of interest.

Statistical Model

To test my theoretical assumptions, I use an OLS regression model. The data withdrawn from the Political Economy Database (Graham 2015) is time-series cross-sectional data. In OLS time-series data, the observations are in most of the cases not independent (Plümper, Troeger, and Manow 2005: 329). Four common violations of the OLS occur as a result to panel data: Serial correlation of errors, heteroscedasticity of errors, correlated errors across units due to common exogenous shocks and finally non-spherical errors in the cross-sectional and the serial dimension (Plümper, Troeger, and Manow 2005: 329). To account for these violations, I make use of panel-corrected standard errors in my model (Beck and Katz 1995).

Results

Economic Integration and Regime Consolidation

	(1)	(2)	(3)	(4)	(5)
Model 1					
FDI Inflows	0.375 (0.237)				0.346 (0.243)
BITs		0.398*** (0.0619)			0.474*** (0.0752)
WTOmember			-1.465 (1.085)		-6.667*** (1.246)
TradeAgreements				0.189* (0.0990)	0.209* (0.124)
Growth	-0.0969 (0.0731)	-0.0747 (0.0683)	-0.0728 (0.0686)	-0.0740 (0.0684)	-0.0974 (0.0737)
GDP	2.35e-11*** (3.11e-12)	1.17e-11*** (3.63e-12)	1.99e-11*** (3.42e-12)	2.18e-11*** (3.54e-12)	1.33e-11*** (4.00e-12)
OneParty Regime	2.190** (0.883)	2.943*** (0.816)	3.438*** (0.818)	3.091*** (0.808)	1.384 (0.870)
Monarchy	8.578*** (1.284)	7.341*** (1.290)	7.907*** (1.277)	7.769*** (1.260)	8.014*** (1.327)
Oil Export	0.201*** (0.0350)	0.262*** (0.0378)	0.247*** (0.0374)	0.257*** (0.0375)	0.232*** (0.0344)
Constant	12.48*** (0.710)	11.68*** (0.711)	12.60*** (0.738)	11.28*** (0.947)	11.11*** (0.999)
Observations	1,342	1,605	1,605	1,597	1,341
R-squared	0.140	0.147	0.129	0.139	0.174

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

The outcomes of my empirical examination are discussed in this section. During my interpretation, I will focus mainly on the joint regression of all four model (5) as the independent variables are mutually

dependent. Bilateral investment treaties have a positive and statistically significant influence on autocratic consolidation. The increase of one signed bilateral investment treaty increases the average durability of a state by almost half a year if all other variables are kept constant. Trade agreements also have a positive and statistically significant influence on the durability of autocracies, however not as strong and significant as investment treaties. One additional signed trade agreement increases the lifespan of an autocracy by 0.2 years. Regarding FDI inflows, there is no significant relation with my dependent variable observable, which is quite surprising and will be discussed in further discourse. Membership in the WTO/GATT indicates a relation in the opposite direction, as predicted, which is also statistically significant. Membership in the WTO decreases regime durability of autocracies according to my model for 6.6 years.

To account for pairwise correlations of all independent variables, the model still remains robust after testing for multicollinearity.⁷ The different number of observations can be explained with the varying missing's in the variables, a problem I will come back to later. It is important to make clear at this point that this model and the statements attributable to it are retrospective as we are not dealing with a survival model and the dependent variable counts the years since the last regime change occurred. The model fit r-squared is normal sized regarding the panel data that I have used.

Regarding my control variables, my results concerning the positive relationship between oil exports and regime durability are consistent with the outcomes of previous research (Smith 2004; Wright et al. 2013). This accounts as well for ruling monarchies being the most durable form of autocracies (Kailitz and Stockemer 2015).

The potential influence can best be illustrated using statistical tools to predict how durability changes when values used for the explanatory and control variables are varied.⁸ Taking, for example, a monarchy that is a member of the WTO, the expected average years without changes in durability measure without investment treaties, trade agreements and a high level of removed FDI inflows is 6 years, holding the other control variables at their mean. Increasing the level of economic integration to the average level by setting the explanatory variables to their mean as well, the expected interval without a regime change is on average 18 years. Letting the exemplary monarchy category integrate on a high level still yields a result within the standard deviation, which means that if FDI inflows make 10.5 percent of the GDP and the autocracy has signed 7 bilateral investment treaties and 7 trade agreements, the expected regime durability increases again up to 22.3 years.

Changing the monarchy to a non-member of the WTO, the regime durability increases up to 29 years.

⁷ Also tested for homokedasticity, heteroskedasticity (Breusch-Pagan Test) and Outliers (Cook's distance and Standardized (jackknifed) residuals).

⁸ Based on the "clarify" program (stochastic simulation techniques).

Realistic changes in the relevant variables can thus make a difference up to 24 years in regime durability.

A possible explanation for the positive but not significant results for FDI inflows I found in *Model 1* might be the existence of a nonlinear influence. I created categorical variables to account for that. This makes sense especially for FDI inflows as a percentage of GDP as there might be differences even with

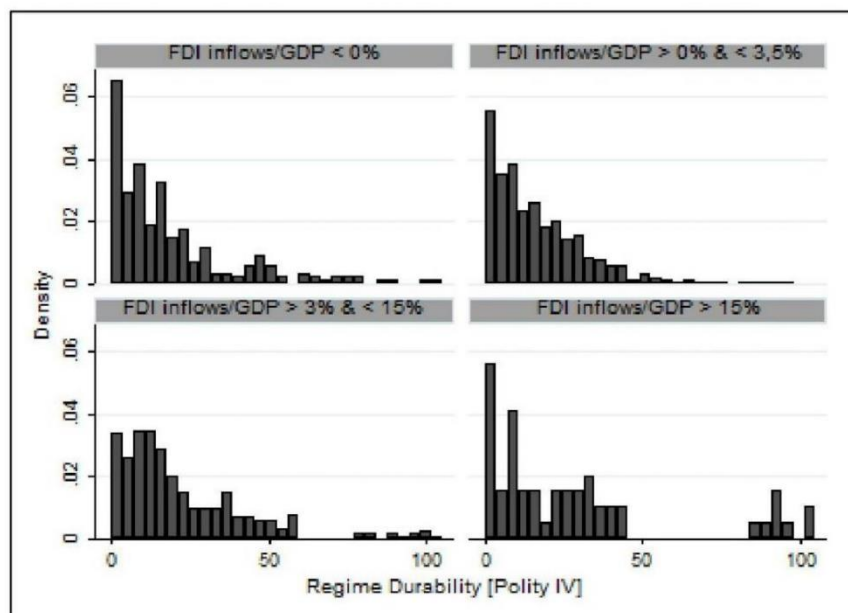


Figure 3: The Influence of FDI Inflows/GDP on Regime Durability Divided into Four Categories

negative inflows, cases with zero and values close to zero are predominant for regime durability. In the group with a percentage of FDI inflows between zero and 3.5 percent, values are already more heterogeneous and there are more cases of longer regime durability. The group between 3 and 15 percent of FDI inflows, which is the range including the standard deviation, includes the highest number of cases having a high regime durability. For the last group with an FDI inflow value above 15 percent the correlation is not clearly identifiable, which could explain the lack of significance in *Model 1*.

Discussion

First of all, the most appropriate way of dealing with this data, especially with the regime durability dependent variable would be a duration model. Counting each regime timespan regardless of the duration and the country as one single observation and tested with a survival method would be probably the best way to deal with this, but an OLS also serves the requirements to show that there might be some statistical evidence to support my argument.

Particularly striking is the negative influence of membership in the WTO on regime durability. A first step to find possible explanations is a differentiation between my independent variables. While FDIs and

negative net inflows⁹ and FDI inflows ranging between one and ten percent which is the range included in the standard deviation and a very high share of the GDP¹⁰ which is in the vast number of cases is not necessarily a good sign for the economic situation. *Figure 3* shows the distribution of the regime's durability variable in four different FDI inflow groups. In the group with

⁹ This happens when FDI is withdrawn from the country.

¹⁰ These often include cases of very small countries, mostly islands with a very low GDP, dependent on large donor countries.

investment treaties are, as the name indicates, concentrated on investment and might have a more immediate and (from the government's perspective) more controllable influence, the consequences of trade-related measures are harder to identify. A possible explanation would be that civilian society profits more from trade than the regime, which would lead to the creation of a middle class demanding democratization based on its growing influence, which in turn destabilizes the autocracy. This hypothesis would be in line with previous research assumptions arguing that economic development and growth might foster democratization. This however is by no means a contradiction to my argument but would rather show that investment affects regime durability differently than trade. Another possible explanation as to why WTO membership correlates negatively with regime durability is the enormous imbalance between autocracies and those member states that are not autocracies: 5500 non-member cases face only 1000 member cases over a time period of 47 years. It might be possible that political or macroeconomic changes such as global economic development or the end of the Cold War are reflected by this variable stronger than with other variables.

There are also some problems with my data that have to be mentioned. A major problem I have identified is the missing of data such as FDI inflows in countries that either are experiencing an ongoing civil war or countries that are or were closed off from the rest of the world from where there is no available data. Cases as a consequence are coded as missing and not considered in the regression, which could have a potential effect in both directions as it excludes very stable countries such as North Korea and very unstable countries such as Somalia or South Sudan. A further drawback that has to be pointed out is the limited data availability between 2008 and 2015, as some tendencies of autocratic consolidation during the last 8 years are not considered.

Furthermore, the signed trade agreements and investment treaties variables are cumulative counts, the number of agreements/treaties remains the same and is not reset after regime changes, and thus might cause some distortions. Concerning the dependent variable: some very drastic regime changes towards democratisation might be not reflected in the data as the range only includes cases within 0 and minus 10 on the Polity IV scale.

Conditions and the Case of North Korea

This section discusses two important aspects related to my argument: first, if economic integration is favourable for autocrats, why are they not all choosing it? And second, I discuss the case of North Korea as an example of a consolidated autocracy that remains stable without being economically integrated.

The answer to the question "If economic integration is favourable for autocrats, why are they not all choosing it?" is quite simple: because they cannot. The decision to integrate economically is based mainly upon the investors, the WTO and the trading partners rather than the autocracy itself. As previously mentioned, economic integration does on the one hand produce stability but on the other hand also

requires a certain level of previous stability and credibility. The interest to trade or invest in Somalia, for example, is currently low, even if the transitional government might be interested in more international economic activity. Thus, it is not the absence of civil or political rights that decides whether an autocracy experiences, for example, FDI inflows but the level of corruption (Mathur und Singh 2013), the constancy of the government (Busse und Hefeker 2006), internal conflicts and political stability (Lucas 1990; Singh and Jun 1995; Haksoo 2010). Autocracies that want to integrate more economically must not only satisfy the conditions set by the WTO and trading partners, but also offer some kind of comparative advantage making it worth investing in. Commonly, this is related to tax rebates or exemptions (Bond and Samuelson 1986), the wage level or subsidies (Haaparanta 1996).

Finally, I want to discuss the exemplary case of North Korea to provide an explanation for cases that remain stable autocracies without economic integration. North Korea matches the previously presented assumptions that communist ideocracies and ruling monarchies are on average more durable. It can be assumed that elite unity is high in North Korea, even compared to states such as China. North Korea has managed to create a political system that enforces its legitimacy with extreme repression of its people. A sudden opening of the markets could for various reasons lead to a quick regime overthrow. The North Korean regime, however, even under this condition, aims for economic integration to a certain extent. Examples are mainly trade relations with China, which provide North Korea with foreign currency and China with cheap production sites and a new sales market, but also sending North Korean workers to seek employment in other countries, even the EU¹¹, as well as secret trade with despots worldwide. Accounting for this empirically seems hardly possible and is not covered in the data of the WTO, but should not be forgotten entirely.

Conclusion

The approach of testing the influence of economic integration with the components of FDI inflows, TAs, BITs and the WTO membership has brought some evidence that there exists a relationship between these factors and autocracy stability. Both the number of signed trade agreements and bilateral investment treaties have, in my model, a positive and statistically significant influence on the durability of autocratic regimes. FDI inflows also have a positive influence which, however, is not significant, but by clustering the variable in four categories, the picture changes slightly as the durability is particularly high between FDI inflows in the range of 3 to 15%. WTO membership is, in my model, contrary to my first predictions of a strongly negative influence on the durability of autocratic regimes. Letting a country economically integrate according to the four components can make a difference up to 24 years compared to a country that is not integrated. Under the consideration of the limitations of this paper, especially regarding the

¹¹ An estimated 50,000 North Koreans are currently working in Asian and Middle Eastern countries, but also Malta and Poland have been accused to operate with forced labour from North Korea (The Telegraph 2015).

empirical analysis, the effect of economic integration on the consolidation of autocratic regimes claims to make a moderate contribution to the field of international relations. If trade and investment stabilizes the persistence of autocracies, this affects the long-term security not only of Western democracies but the general development towards a more peaceful world. Although short-term economic profits from such trade relations seem to prevail at first glance, the long-range perspective shows that the economic strengthening of non-democracies in cases like China is accompanied with the rise of political and economic players that might follow different interests than those of liberal democracies.

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Appendix

Country	Year	Polity IV	Durability	FDI Inflows	BITs	TAs	WTOmember
Chile	1973	-7	0	-	0	3	0
Chile	1974	-7	1	-	0	3	0
Chile	1975	-7	2	.6919001	0	3	0
Chile	1976	-7	3	-.0101445	0	3	0
Chile	1977	-7	4	.1571957	0	3	0
Chile	1978	-7	5	1.175368	0	3	0
Chile	1979	-7	6	1.177051	0	3	0
Chile	1980	-7	7	.7725142	0	4	0
Chile	1981	-7	8	1.173232	0	4	0
Chile	1982	-7	9	1.647533	0	4	0

Chile	1983	-6	10	.6828389	0	4	0
Chile	1984	-6	11	.4055585	0	4	0
Chile	1985	-6	12	.8752875	0	5	0
Chile	1986	-6	13	1.780219	0	5	0
Chile	1987	-6	14	4.260338	0	5	0
Chile	1988	-1	0	3.92802	0	6	0

Table 1: Coddling for Chile, years 1973-1988

Variable	Explanation	Source	Observations	Mean	Std. Dev.	Min.	Max.
polity_P4	Combined Polity Score	Polity IV Project	3509	-6.610	2.398	-10	0
durable_P4	Dependent Variable – counting years since last regime change in Autoc_P4 occurred	Polity IV Project	3506	17.746	17.644	0	105
WTOmem_WTO	WTO membership	Graham Database	5959	0.109	0.312	0	1
fdi_inper_WB	FDI net inflows as a share of the GDP	World Development Indicators World Bank	2685	3.214	7.487	-55.242	161.824
bitstodate_BIT	Number of signed bilateral investment treaties	Graham Database	6319	1.879	5.523	0	76
growth_WB	GDP growth (annual %)	World Development Indicators World Bank	3797	4.485	8.115	-64.047	189.829

gdp_WB	GDP in US\$	World Development Indicators World Bank	3785	3.29e+10	1.35e+11	1.60e+07	3.18e+12
cumpta_TA	Cumulative number of PTAs signed	World Trade Organisation	5607	3.033	4.212677	0	34
party_GE	Party regime	Geddes database	3171	0.494	0.500	0	1
monarch_GE	Monarchy	Geddes database	3171	0.129	0.336	0	1
combinedoil_AE	Oil Export as share of the GDP	World Development Index/BP statistical Index /Energy Information Administration	2267	7.135	15.146	0	113.396

Table 2: Overview of the data