

THE RELATIONSHIP BETWEEN TRADE LIBERALIZATION AND HUMAN RIGHTS

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In November 1999, the United States signed an agreement with China assuring China's accession into the World Trade Organization. In May of the following year, the Clinton administration proposed granting China Permanent Normal Trade Relation status. Due to China's past behavior concerning human rights, these actions were met with much debate. Significant segments of the American public and Congress have insisted on linking trade relations and human rights. Proponents argued that expanding trade would be the most effective way to promote political reforms in China. This study asks whether trade openness is, in fact, an effective tool for improving human rights conditions. An empirical analysis using the current WTO members and observers from 1972-2005 is carried out to assess the relationship between trade openness and human rights. Using two measures of human rights, political rights and civil liberties, this study finds that increased trade openness has little (if any) effect on human rights conditions. Furthermore, it is suggested that the actual relationship lie in the opposite direction, as countries displaying higher levels of human rights tend to be more open to trade.

I. Introduction

China, WTO Accession, and PNTR Status

On March 8, 2000, President Clinton proposed that the United States grant China Permanent Normal Trade Relations (PNTR). Under normal trade relations, formerly known as Most Favored Nation (MFN), each country levies the same tariff rate on the other's exports as it applies to its other trading partners. Clinton's proposal came shortly after agreements between the United States and China were made, assuring China's membership in the World Trade Organization (WTO).

Prior to 2000, the United States had given China normal trade relations only on a year-by-year basis. Congress first approved MFN status for China in 1980 and until 1990 its annual renewal had been relatively uncontroversial. Beginning in 1990, though, following China's massacre of pro-democracy protesters in Tiananmen Square, proposals to extend MFN status met intense opposition. From 1990 through 1993, they passed on the provision that the Chinese administration certified that they had improved human rights conditions. In May 1994, Clinton reversed his position and abandoned the idea that trade and human rights should be linked in policy.

The substantive debate over PNTR reflected disagreements about the consequences of granting China that status. A core issue in the debate was the connection of the trade policy to human rights. Significant segments of the American public and Congress insisted on linking trade relations and human rights. Better trade relations would be granted to reward improving human rights conditions and withheld to punish worsening ones.

Advocates of PNTR pressed that expanding economic ties would both enrich the United States and lead to Chinese domestic reforms. PNTR, it was argued, would encourage democratization and respect for human rights in China. Economic openness would speed China's political transformation in the long run.

Opponents of PNTR pointed towards China's lack of democracy and surplus of human rights violations. They denied that commerce would bring reform. It was observed that greater trade links and economic liberalization had not resulted in improvement in China's human rights conduct nor promoted the growth of democracy in China. Granting China PNTR would deprive the United States of the leverage it could have if it made annual renewal of trade relations contingent on improvements in China's human rights conditions (Callahan 2004).

The debate over China's trade status displays the controversy regarding the relationship between trade liberalization and human rights. As the WTO becomes increasingly prominent and more and more human rights concerns are raised as a result of globalization, the need to address this relationship becomes more important. Through empirical analysis, this study focuses on the current WTO member and observer countries to examine whether increased trade liberalization does, in actuality, lead to improved human rights conditions. Additionally, this study suggests that the causal relationship lie in the opposite direction as countries with higher levels of human rights have inherent characteristics which foster increased openness to trade.

II. Discussion

The Globalization Debate

From a democracy standpoint, the welfare benefits of globalization are critical to the development of human rights in society at large. In essence, it is argued that greater economic freedom will lead into greater political freedom. Expanding economic relations with the rest of the world will expand the flow of information of political and economic reform (Callahan 2004).

As globalization significantly increases the presence of big corporations and big government, it can also give power to groups and individuals who were previously left out

of the democratic environment (Kellner 2002). Such potentially positive effects of globalization include increased access to education for individuals to whom to culture and knowledge were previously inaccessible. Additionally, globalization may allow for the opportunity for oppositional individuals and groups to participate in global culture and politics through access to global communication and media networks and to distribute local struggles and oppositional ideas through these media.

In the case of China, it was contested that obstacles to free trade would only destroy China's growing market system and block the surest path toward freedom and democracy (Dorn 1996).

Thomas Cottier suggests that improved market access is an important, but possibly insufficient, contribution of an open trading system to the realization of social and economic rights in developing countries and transitional economies as many theorists, by stark contrast, have argued that one effect of globalization is a drastic depoliticization of the public.

However, welfare effects created by liberal trade seldom trickle down and do not necessarily provide distributive justice and equal opportunities for people. It may actually perpetuate privileges and injustices. Tensions and conflicts may occur where trade liberalization hurts structurally weak sectors and safeguard measures do not provide sufficiently to secure social and economic rights and interests of people affected. Additionally, trade liberalization can be associated with currency crisis that can derail economic growth for years. Even if such accidents are avoided, high interest rates and strong exchange rates can create severe unemployment.

The globalization debate makes the key assumption that there is, in fact, a connection between economic openness and human rights. Although deadlocked on the prevailing factors and outcomes of this relationship, both sides agree that trade liberalization has a significant effect upon human rights.

The Effect of Human Rights on Trade

Asking what effects human rights have on the multilateral trading system places the causal linkage in the opposite direction. Cottier suggests that respect for civil and political rights is operationally more important to the achievement of social policy goals and equitable distribution as they allow for open and robust debate. But failure to achieve such goals is likely to result in strong tension with social and economic rights and aspirations linked to them.

When these rights are protected, open markets and non-discrimination are likely to be respected and market access, predictability, and expectations are stable. Protection of civil and political rights is beneficial for good governance, which in turn is beneficial for proper conduct of trade and market access. For example, freedom of expression is important to bringing about transparency and preventing asymmetry of information in the marketplace.

Creation of the welfare state in industrialized countries post World War II was a necessary condition of sustained international market opening. Cottier contends policies of coherence and social and economic development of disadvantaged regions and individuals was necessary for trade liberalization in the European Union.

The long-term legitimacy of the multilateral trading system relies, as much as the law of many nations and the European Union, on democracy and the advancement of human rights. Vice-versa, viable human rights, both civil, political, and economic, cannot flourish without a well-functioning economic system of which international trade regulation is an important and vital ingredient (Cottier 2002).

In the case of China, James Dorn (1996) asserts that real stability will come only when China's leaders realize that it is impossible to plan the market or society. Although the leadership is willing to tolerate gradual reform to keep the economy strong, there is no indication that they will tolerate political reform. The crackdown on dissidents, the vow to prevent Hong Kong from following Taiwan's path, and the blatant hostility toward Taiwan before the presidential elections are clear signals that China's rulers continue to find any movement toward democratic rule unacceptable.

Therefore, the causality may actually lie in the other direction. The factors producing a respect for human rights may in turn lead to a tendency for economic liberalization.

III. Hypothesis

It follows from the first model developed previously that there exists a causal relationship between human rights and tendencies for trade liberalization. More specifically, I hypothesize that countries that display higher levels of human rights will tend to develop higher levels of trade openness. This is in accordance with the theoretical assumptions of the effect of human rights on the multilateral trading system as presented by Cottier, as well as Gartzke, Rosendorff, and Dai's conclusions regarding democracies and their tendencies towards economic liberalization and cooperation.

Additionally, viewing the causal relationship from the opposite direction, the theoretical evidence on globalization as well as Rudra's study have provided inconclusive results. Thus, I hypothesize the converse to be false. That is, that increased trade liberalization will not show a net positive trend in human rights levels.

IV. Data

As previously stated, this study measures the relationship between trade liberalization and human rights. Due to the global nature of trade and commerce, I believed it was necessary to examine a set of countries large enough to represent the globalized community. Ensuring a set of countries where a significant focus has been set upon trade interdependence, I decided to examine all current members and observers of the WTO.

This study measures human rights through the variables political rights and civil liberties taken from the Freedom House Freedom in the World Historical Ranking (2007) data set. The survey measures freedom, which it defines as "the opportunity to act spontaneously in a variety of fields outside the control of the government and other centers of potential domination" according to the categories of political rights and civil liberties. Freedom House states that "political rights enable people to participate freely in the political process, including the right to vote freely for distinct alternatives in legitimate elections, compete for public office, join political parties and organizations, and elect representatives

who have a decisive impact on public policies and are accountable to the electorate. Civil liberties allow for the freedoms of expression and belief, associational and organizational rights, rule of law, and personal autonomy without interference from the state.” The ratings process is based on a checklist of 10 political rights questions and 15 civil liberties questions. The total number of points awarded to the political rights and civil liberties checklists determines the political rights and civil liberties ratings. Each point total corresponds to a rating of 1 through 7, with 1 representing the highest and 7 the lowest level of freedom.

Trade and economic variables were taken from World Bank’s World Development Indicators (2007) publication. When considering the issue of trade liberalization, it can be useful to investigate how analysts measure this data. The ratio of trade (i.e. exports and imports) to GDP is used to see the extent to which an economy is integrated into the world market. Any increase in this ratio denotes a state of higher international economic integration (Apoteker, Crozet 2003). Accordingly, a trade-openness variable was created by dividing the sum of exports and imports by GDP.

Additionally, current Organization for Economic Cooperation and Development (OECD) member nations were coded by a binary system. 1 denotes members and 0 denotes non-members. WTO membership was also coded for in the same fashion on a year-to-year basis.

Finally, characteristics of the data sets used, particularly the Freedom House data, position the time frame of this study between 1972 and 2005.

V. Method

The data set used consists of economic and human rights statistics for each country over time. Regressions were run using linear regression analysis with panel data. Additionally, the regressions are run to include fixed effects in order to account for country-specific variance. Two sets of regressions were run to test the aforementioned hypotheses.

The first set of regressions measures the effect of human rights levels on trade openness. Trade openness is set up as the dependent variable. A one-year lag of trade openness is created to account for auto-correlation effects. Seven-year lags of political rights and civil liberties serve separately as independent variables in each of the regressions. These lengthy time-lags in the human rights statistics attempt to describe the causal nature of the relationship. Increasingly long lags help to add legitimacy to the nature of the causal relationship as endogeneity is accounted for and auto-correlative effects diminish. In other words, it is difficult to claim that current trade affected human rights seven years ago. The length of seven years was decided upon because it seemed to sufficiently account for these potential limitations while reducing the data by as little as possible. WTO membership, GDP, and GDP per capita were included as economic environmental controls to account for any confounding variable biases. Additionally, rather than using raw values, the logged values of all economic and trade data were used to correct biases created by outlying data and because it captures decreasing marginal effects of the relevant variable. Furthermore, the regressions were re-run omitting OECD countries from the data set. This was to control for any selection bias created from including established democratic regimes.

In similar fashion, the second set of regressions measures the converse effect of

trade openness on levels of human rights. The first of these sets political rights as the dependent variable, while the second sets civil liberties as the dependent variable. One year lags of political rights and civil liberties, respectively, are used to account for the auto-correlation problems described earlier. Accordingly, a seven year lag of trade openness is used for the same reasons as previously mentioned. Identical control variables to the first set of regressions as well as logged values are again used. Finally, as in the first set of regressions, the regressions are re-run, omitting OECD countries from the data set as to maintain consistency.

VI. Results

Due to the nature of the variables, I believe that it is most useful to look at overall trends and significance within the data rather than the size of coefficients. The human rights data, especially, is fairly subjective as to the distribution and weighting of measurements. For example, the amount of freedom between a value of 2 and a value of 3 is not necessarily the same as the amount of freedom between 3 and 4, or a value of 4 is not necessarily twice as ‘unfree’ as a value of 2. Also, when reviewing the results, it is necessary to remember that the scales on which political rights and civil liberties are based are inversely related to the amount of political rights or civil liberties within a given nation (i.e. 1 is the highest level of political rights/civil liberties, 7 is the lowest level).

Looking at the first set of regressions, both political rights and civil liberties values are negatively correlated with trade openness. Countries with high levels of political rights and civil liberties tended to become more open to trade. When including the entire set of countries, both values were significant at 1%, yet when omitting OECD countries, the significance of the coefficient of civil rights drops to 10%. This is to be expected, as established democracies tend to display both high levels of political rights and civil liberties as well as high levels of trade liberalization, skewing results.

Membership within the WTO shows insignificant results when the entire data set is used. Omitting OECD countries reveals a positive correlation to trade openness at a significance of 10%. Being an organization that promotes multilateral trade, the result that WTO membership is correlated with higher levels of trade openness is expected, especially when leaving out developed countries.

GDP displays a strong positive correlation to trade openness. The nature of this correlation, though, is inconclusive. As previously stated, the GDP variable was included as a control on the human rights data. The relationship between GDP and trade liberalization may very well act in both directions producing endogenous results. GDP per capita, though, did not exhibit any correlation with trade openness.

Examining the results regarding trade liberalization’s effects upon human rights, it is seen that trade openness displayed no significant relationship with either political rights or civil liberties. The data shows WTO membership exhibiting a positive correlation significant at 10% within the complete data set. Omitting OECD member states, though, reduces the significance of these results. GDP shows a negative correlation with political rights values significant at 1%. GDP per capita, though, shows a positive correlation with political rights values significant at 10%. This suggests that there is a link between high levels of GDP and high levels of political rights. Interestingly, though, the results also suggest that

higher GDP per capita levels correlate with lower levels of civil liberties.

Similarly, WTO membership did not show any significant correlation with civil liberties. Both GDP and GDP per capita produced results significant at 1%, although once again in opposite directions. GDP displayed a negative correlation with civil liberties values while GDP per capita displayed a positive correlation. This is consistent with the results previously described relating to political rights.

VII. Conclusions

The statistical analysis carried out within this study suggests that there is a significant positive effect on trade liberalization within countries that exhibit high levels of human rights. The study implies that a high regard for human rights is associated with systems that tend to be more open to trade.

These results were consistent with the existing literature. Rosendorff's conclusion in respect to greater tendencies of unilateral trade openness among democracies was confirmed.

Dai's conclusions regarding the increased trade interdependence between pairs of democracies are supported and could be an explaining factor in the results. Additionally, Gartzke's assertions of a capitalist peace point towards an environment of increased economic cooperation and interdependence among democracies. This relationship can be observed in the results of the study as democracies, which fundamentally promote human rights, tend to enter into deeper economic relations with other countries and thus display higher levels of trade integration. Finally, globalization supporters may be encouraged by the observed effects that WTO membership does appear to increase economic integration among non-OECD countries.

Additionally, and perhaps more pertinent to popular debate, the study showed no observable effect upon human rights through the increased liberalization of trade. Theory supporting overall welfare gains through free trade ultimately improving human rights conditions is not supported. Nor is theory that proposes that free trade creates an uneven welfare distribution that ultimately strips human rights from losers of globalization. However, I have no doubt that this result will have little effect in quelling the human rights focus of the globalization debate.

Referring back to China's WTO accession and PNTR status, the results find propositions that China's economic integration would lead to democratic reforms to be confounded. Current conditions support this point as China has notoriously used its place as a permanent member of the United Nations Security Council to dilute resolutions aimed at pressuring the Sudanese government to stop the ethnic killing in Darfur. Human Rights Watch (2006) claims that China's policies in Africa have not only played a negative role in developing democracy in Africa, but have propped up some of the continent's worst human-rights abusers. United States policy makers and globalization advocates have argued that as China's economy grows, its population will inevitably press for more democratic freedoms, forcing its ruling elite to grant them. Nonetheless, the evidence shows otherwise. Any sign of substantial political reform, or that the absence of such reform is hurting China's economic growth, is

simply hard to find (Elliot 2007). As was previously stated, economic liberalization should not be confused for a desire for democracy.

VIII. Cautions and Further Areas for Study

The focus of this study was to develop a further understanding of the relationship between trade liberalization and human rights. Although actions taken in result of policy issues have been discussed, the discussion has been limited to actions that are specifically related to the theme of the study. The political debates (China's WTO accession, PNTR status, globalization, etc.) are infinitely more complex than stated here and decisions made regarding these debates concern innumerable facets other than their impact on human rights. The purpose of this paper was not intended to pass judgment on these topics but merely to shed light on the trade and human rights issues within them.

Furthermore, the issue of whether or not human rights concerns should be linked with trade policy is also not addressed. The Clinton administration dissolved this link in United States-China trade policy in 1994. There are growing pressures on the WTO to include formal human rights standards within its policies. This study merely describes overall effects, or the lack thereof, of economic openness in correlation with the observance of human rights. The success of sanctions or some type of reward system to promote human rights within other countries is not reflected here and remains for further study.

Lastly, the results reflected in this study describe the overall global trend in light of increased economic integration. The effects regarding theoretical pressures driving human rights in relation to globalization remain to be seen. The theories poised by pro- and anti-globalization advocates may both act in counterbalance, rather than not at all. More specific analysis is required to examine if, when, where, and how these actions are taking place.

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DEMOCRACY AND EDUCATIONAL ATTAINMENT

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This study questions whether the level of democratization has any effect on the educational attainment of the population as a whole, of different segments of the population based on gender, or in gender-specific categories of any level of education (primary, secondary, and tertiary). Additionally, the inclusion of interaction terms—involving democracy, birthrates, and female labor force participation—will allow the proposed model to test if the institutional effects on education are conditional on the level of female labor participation or birthrates.

I. Introduction

Higher levels of education are crucial for developing nations to keep up and compete with the world's stronger economies in a world increasingly dependent on high technology and efficiency. The United Nations heavily weighs measures of literacy and school enrollment in the recently created Human Development Index, the measuring-stick of a nation's average achievements in health, education, and standard of living/income. Furthermore, the achievement of universal primary education by the year 2015 is listed as the third target of the 18 Millennium Development Goals developed in 2000 (HDI Report 2005).

Most economists consider education an investment, returning significant individual benefits and positive social externalities. A strong consensus exists that the attainment of higher education results in—or at least correlates with—higher incomes, smarter choices about healthcare, stronger political institutions, and greater overall human development.