

## Introduction

Although common wisdom suggests that dictators isolate themselves internationally, many dictatorships are active members of international institutions. This is especially true of trade agreements: as they have proliferated in many regions of the world, many nondemocratic states have joined these agreements. China, for example, joined the World Trade Organization in 2001 following fifteen years of arduous negotiations. Transitioning from a closed, centrally planned economy from the 1970s, China has since become the world's largest exporter and is a member of numerous free trade agreements with more than twenty countries and regions. Yet despite these developments, China is also a firmly authoritarian state.

China's increasing engagement in world politics and international trade organizations raises questions about the role of authoritarian states in international institutions. Specifically, why do nondemocracies join institutions such as trade agreements? We currently know little about the preferences and motivations that determine whether autocracies participate in trade institutions, or how these states shape the institutions they join. Yet China's example suggests that the traditional view that dictatorships prefer not to participate in economic organizations is incorrect.<sup>1</sup> While some nondemocracies, such as North Korea to Eritrea, continue to follow protectionist and isolationist policies, many other dictatorships are following China's lead through more active engagement in international economic institutions.

Thus for instance, Vietnam and Laos are among the world's fastest growing economies, and both have recently joined a number of trade agreements. Like China, these countries have undergone a remarkable transformation from closed economies within a relatively short time period. And similar to China, these states have remained firmly autocratic despite their involvement in international institutions. First, Vietnam became the WTO's 150th member in 2007, and recently signed multiple trade agreements, including a bilateral agreement with the EU and the currently stalled Trans-Pacific Partnership. Yet Vietnam remains a

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<sup>1</sup>And this may also be true of other types of international institutions, which future research should address.

one-party state, with the ruling Communist Party of Vietnam enjoying “a monopoly on political power”, leading Freedom House to rate it with a Freedom score of 20/100 in 2018.<sup>2</sup> Similarly, Laos has been a WTO member since 2013, and has recently entered into ten trade agreements. A recent World Bank report notes that “Lao PDR is virtually unrecognizable from what it was just a decade ago. A more open, more outward trade landscape has transformed the country from a closed-off backwater into a fast-growing developing country, complete with coffee shops, restaurants, and billboards lining the streets”.<sup>3</sup> These examples are clearly at odds with isolationist conceptions of dictatorships.

Despite the proliferation of trade agreements, it is currently not well understood which domestic political factors determine whether autocracies enter into these agreements. A well-known finding in the trade literature is that democracies on average sign significantly more trade agreements and have lower trade barriers than nondemocracies,<sup>4</sup> but precisely what causes these differences remains controversial. Partly as a result of this finding, existing research focuses primarily on democratic trade policy, whereas trade policy under authoritarianism remains a “black box” that has not yet received much scholarly attention.<sup>5</sup> As a result, while there is a large literature focusing on the role of democratic institutions in trade policy, little research exists on how autocratic actors and institutions contribute to trade policy.

The notion that autocracies “trade less”, however, obscures the fact that there is significant variation in both trade policy and trade agreement membership across authoritarian states – and even within autocracies over time. While authoritarian states have traditionally signed fewer preferential trade agreements (PTAs) than democracies, this gap has recently begun to disappear. Figure 1 below shows that the average rate of entry into PTAs by nondemocratic states has increased significantly, with a wave of entry since the 1990s. Overall, Figure 2 shows that a large number of PTAs, namely slightly less than half of all trade agreements,

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<sup>2</sup>Freedom House Country Report 2018

<sup>3</sup>Available at: <https://openknowledge.worldbank.org/handle/10986/24977>

<sup>4</sup>E.g. Mansfield, Milner, and Rosendorff (2002); Vreeland (2008)

<sup>5</sup>Note that I use the terms “nondemocracy”, “authoritarianism”, “autocracy”, and dictatorship interchangeably in this dissertation.

had at least some nondemocratic members at the time of their formation. This suggests that nondemocratic states are actively participant in trade institutions.

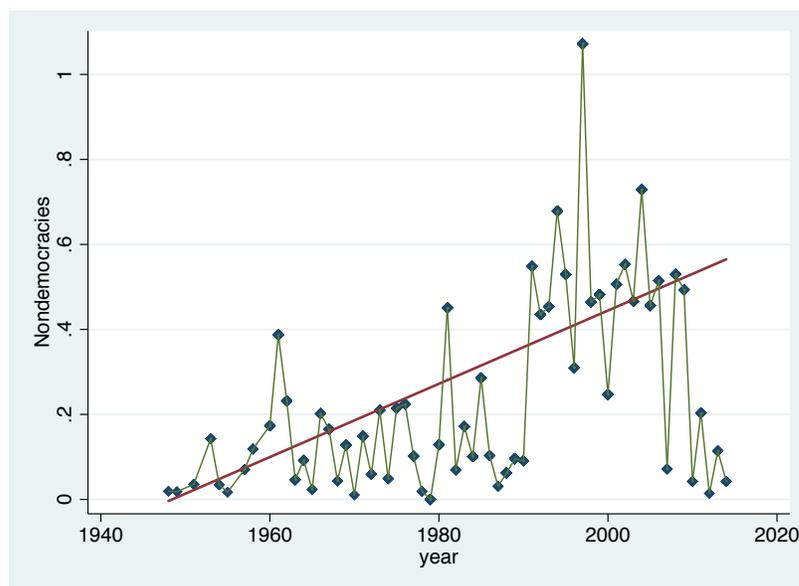


Figure 1: Yearly average entry into PTAs by nondemocratic states

In addition, there is both temporal and regional variation in autocratic PTA memberships: *Figure 3* illustrates the geographic distribution of nondemocratic membership in trade institutions in 2014. It is apparent that, based on the overall number of PTA memberships, the MENA region and in Central Asia generally appear to be more integrated into international trade institutions, whereas nondemocracies in Africa and some parts of Asia are latecomers to trade agreements and have not yet joined many PTAs. Temporally, MENA states such as Egypt entered into trade agreements earlier than other regions, whereas more recent increases in nondemocratic PTA membership are driven by China as well as Central and Southeast Asian states. Yet even within regions, trade agreement membership varies significantly: For instance, Kazakhstan's membership far exceeds that of Turkmenistan – in fact, Kazakhstan has more PTA memberships than an average democratic state – whereas Oman and Yemen's integration lag far behind those of nearby Bahrain and Qatar. As I will argue below, the overall number of PTA memberships is only a rough indicator of the quality

and depth of trade agreement across region. Nevertheless, the temporal and intra-regional variation suggests that domestic political factors at least partly influence PTA membership across nondemocratic states.

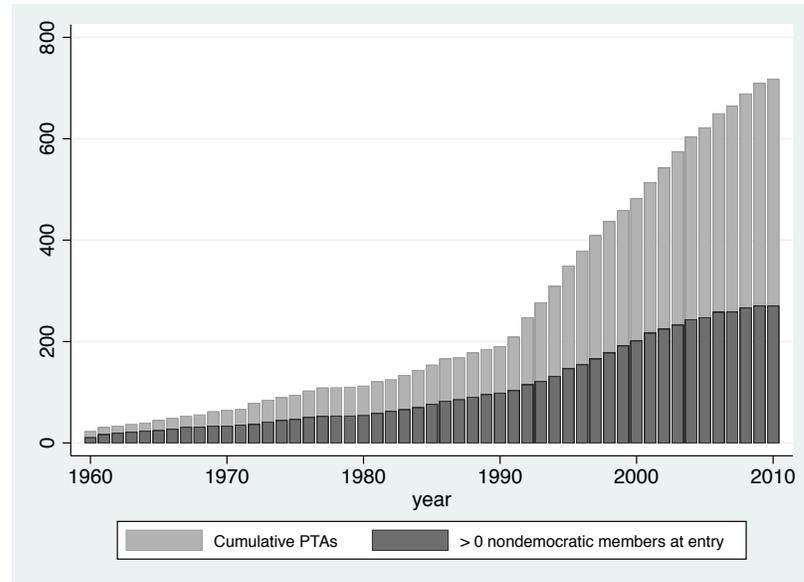


Figure 2: Proportion of trade agreements with nondemocratic states at time of entry  
Data source: Design of Trade Agreements Database

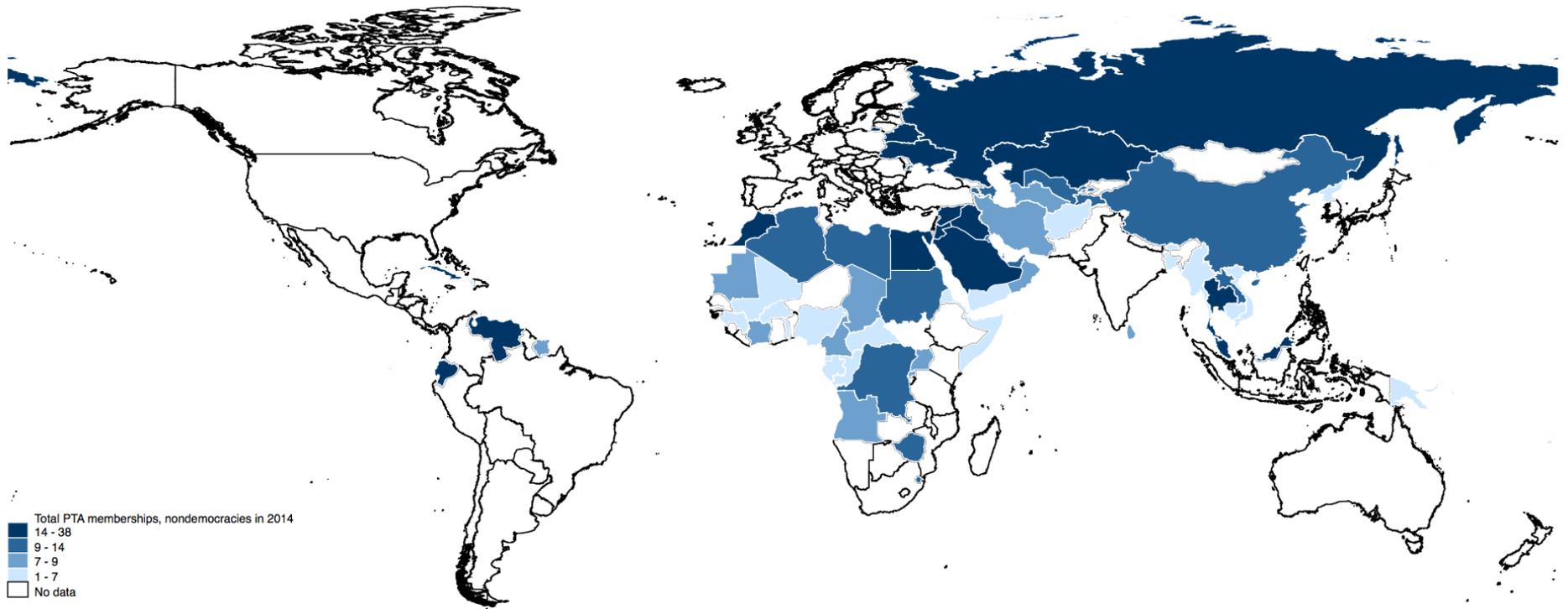


Figure 3: Distribution of PTA memberships of nondemocracies

*Note: Nondemocratic states as of 2014. Democratic states are white*

## Why study trade agreements?

Preferential trade agreements (PTAs) or free trade agreements (FTAs)<sup>6</sup> are international agreements between two or more states that generally include trade liberalization in goods and/or services between two or more countries and are based on reciprocity.<sup>7</sup> Thus the primary function of trade agreements is to limit the use of protectionist policies to varying degrees, either by prohibiting the use of tariff and nontariff barriers and subsidies, by setting specific ceilings on these policies, or by specifying exemptions for particular sectors or products. In general, protectionist policies are those that shield domestic producers from foreign competition. Most commonly, this includes tariffs on imports, which have the effect of raising the price of foreign products domestically and generate revenue for the government. Similarly, nontariff barriers such as import quotas, trade sanctions, or embargoes limit the number of foreign goods that may be imported. Other protectionist measures include export subsidies, which decrease the price of exported goods on the world market. This helps export-oriented industries and potentially generates profits for these producers, but it does not generate revenue for the government. WTO rules prohibit the use of export subsidies. It is important to note that PTAs reduce trade barriers only among member states, while discriminating against non-members. As a result, scholars debate whether trade agreements increase trade and enhance welfare, although there is evidence that many PTAs do.<sup>8</sup>

PTAs vary widely in their content and scope: they may be regional or cross-regional, may be limited to specific industries or apply to a broad range of sectors, include provisions on goods and/or services, and may include a variety non-economic issues.<sup>9</sup> In particular, the inclusion of non-trade related provisions, ranging from environmental or human rights standards to

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<sup>6</sup>The term PTA is sometimes used specifically to denote a trade agreement that is limited in scope and depth, whereas FTAs refer to an extensive reduction in tariffs. However, I generally use these terms interchangeably with the general term “trade agreement” in this dissertation, regardless of assumptions about their content.

<sup>7</sup>While a multitude of nonreciprocal trade agreements exist, the motivations for signing nonreciprocal agreements differ from those of reciprocal trade agreements. Nonreciprocal trade agreements generally allow developing states market access to developed economies. The focus of this dissertation is on reciprocal trade agreements, since these types of agreements provide a more interesting theoretical puzzle.

<sup>8</sup>See e.g. Bagwell and Staiger (2001); Baier and Bergstrand (2004); Freund and Ornelas (2010)

<sup>9</sup>Hafner-Burton (2005)

security policy, has become increasingly common in these agreements, to the extent that non-trade issues are now central to some PTAs. Yet most existing research on the link between regime type and trade compares the likelihood of entry into PTAs across different regime types without further analyzing PTA content. This is partly because the longer-term implications of differences in trade agreement design, in terms of their impact on regional economic development and trade relations, have only recently become apparent. Recent research shows that variation in trade agreement design matters, as it affects economic outcomes in member states.<sup>10</sup> As a result, in order to understand the relationship between PTAs and regime type, it is important to analyze not only on the number of trade agreements signed, as previous studies have done, but also variations in the *content* of these agreements.

There are several reasons why this research project focuses on trade agreements specifically, rather than trade policy more generally or other forms of economic agreements. Most importantly, as I showed in the previous section, PTAs are an increasingly common phenomenon, and in accordance with this general trend, nondemocracies have also signed these types of agreement with increasing frequency. Autocratic PTA membership varies in interesting ways both across time and regions. Yet there is very little explicit theorizing about non-democratic states in the existing literature. While previous research provides institutional, domestic politics-based explanations for why regime type affects PTA membership, these arguments treat autocracies as a residual category whose primary purpose is to present an interesting contrast to democratic states. As a result, we do not currently know which domestic actors and institutions may drive PTA membership in nondemocracies, and to what extent these are different from those in democracies. This dissertation begins to provide answers to these important questions.

Secondly, analyzing the domestic pressures and incentives related to signing trade agreements can help shed light on the dynamics of foreign policy-making in autocracies more generally. As Tolstoy famously wrote at the beginning of *Anna Karenina*, “Happy families

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<sup>10</sup>See e.g. Allee and Elsig (2017); Gray (2010); Gray and Slapin (2009)

are all alike; every unhappy family is unhappy in its own way.”<sup>11</sup> Nondemocratic states are difficult to study because of their heterogeneity; they fall short of democracy in many different ways. Because of their diversity, we should not expect them to behave in uniform ways with respect to trade policy or membership in international institutions. As a result, different underlying causal mechanisms may be driving PTA membership across regime types. A deeper understanding of the causal mechanisms driving trade agreements can help us analyze within-country changes over time, and allows us to make predictions about the expected effects of changes in regime type on trade policy. Ultimately, this will result in a richer conception of autocracies’ participation in international economic institutions.

Trade policy under dictatorship is difficult to study in part because dictators may have incentives to falsify tariff data, to randomly renege from promises, and to extract rents from tariffs, which are hard to measure directly. Because of these problems, it is advantageous to focus on trade agreements when studying nondemocratic states rather than tariffs, since PTAs tend to have greater visibility and may in some cases be subject to international monitoring. Nevertheless, as I will argue in the next section, it is not possible to study entry into trade agreements without also theorizing about trade policy more generally. The following chapters will discuss the relationship between authoritarian trade policy and PTA commitments in more detail.

Finally, while dictators sign trade agreements both in response to domestic political pressures and for strategic international reasons, such as strengthening international alliances, the focus of this dissertation is primarily on the *domestic* dynamics that drive autocrats to enter PTAs and which have not yet been studied in detail. Ultimately, this research will lead to a more thorough understanding of how international factors interact with domestic institutions and constituencies, and the extent to which they jointly contribute to the survival and breakdown of authoritarian regimes. Analyses of autocracies in comparative politics tend to neglect the role of international factors in autocratic survival. I argue that our understanding of authoritarianism is incomplete without considering how autocracies

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<sup>11</sup>This “Anna Karenina principle” was termed by Jared Diamond

behave in international institutions such as trade institutions. The next section provides a brief overview of my key arguments.

## Preview of the argument

This study argues that understanding variation in trade agreement memberships across and within authoritarian states requires us to theorize about trade policy-making under autocracy. Drawing connections between recent scholarship on both trade policy and the domestic politics of authoritarian regimes,<sup>12</sup> I show how political dynamics under dictatorship influence these states' international trade cooperation. Since trade policy has distributional consequences and can facilitate regime funding, dictators can use it as a tool for rewarding regime supporters or punishing opponents. As a result of these distributional effects, I argue that dictators are highly strategic in their choice of trade commitments. These strategic choices are revealed not only in the decision to enter into a trade agreement, but also in the institutional rules and content of the trade agreements dictators enter into.

Specifically, my key argument is that the domestic factors affecting entry into trade agreements and the depth of integration work in opposite directions. In particular, I show that the autocracies that are most likely to enter trade agreements tend to prefer “shallower” agreements that do not require extensive trade integration. Overall, my findings imply that autocracies do not simply mirror democracies in their path toward trade integration. As democracies become increasingly integrated into the international trade regime, their trade ties deepen and increase in complexity. Thus there is a positive relationship between PTA entry and the depth of integration. However, trade integration follows a different path for autocracies: first, for some types of autocracy, strong domestic opposition to participation in trade institutions largely prevents them from participating in trade institutions altogether. For these states, there tends to be a pattern of delayed or absent trade integration. Other autocracies, on the other hand, enter into trade agreements frequently and at first glance

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<sup>12</sup>See, for example, Geddes (1999), (1999a) and (2003); Gandhi (2008) and (2008a); Svobik (2012)

appear to be on a trajectory similar to democracies. However, looking only at the overall membership rates of these autocracies obscures the fact that they tend to join PTAs that are shallow and ineffective. As a result, the level of trade integration of these states often stalls even as they frequently join trade institutions. Integrating autocracies into the global trade regime therefore presents unique challenges. Yet my study also discusses how autocracies sometimes overcome these challenges, resulting in more successful participation in trade institutions.

Understanding the causes of these divergent effects and determining potential policy implications requires a deeper analysis of the domestic politics of PTA memberships under autocracy. I address this by first theorizing about elite trade preferences in dictatorships. As Mansfield, Milner, and Rosendorff point out, existing scholarship lacks a theory of autocratic trade preferences. As a result, “[i]t is unclear whether, on average, autocrats are more protectionist than democratic heads of state.”<sup>13</sup> I argue that authoritarian rulers generally have more protectionist trade policy preferences than their democratic counterparts and often forge strong protectionist coalitions. Since dictators lack democratic accountability, we cannot assume that they respond to median voters’ trade preferences. Yet most dictators cannot rule alone and require the political support of elite actors. Protectionism is a preferred tool for dictators, because it allows autocrats to extract rents and strategically distribute subsidies and other economic benefits, which helps them build and maintain supporting coalitions. Dictators have a particular preference for investing in less competitive, import-competing firms and industries, which then become dependent on government support for their survival. In turn, however, nondemocratic leaders often become dependent on the continued provision of protectionist policies for their political survival. Trade liberalization, especially via binding trade agreements, destroys rents that can be generated from tariffs and the distribution of import licenses.<sup>14</sup> As a consequence, liberalization is risky for

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<sup>13</sup>Mansfield, Milner, and Rosendorff (2000), 307. Also see Mansfield and Milner (2012), ch. 1. Although the fact that nondemocratic states historically lagged behind in their membership in PTAs suggests that autocrats perhaps lack liberal trade preferences, there has been little explicit theorizing about autocratic trade preferences or potential variation in preferences to date.

<sup>14</sup>See e.g. Ornelas (2008)

dictators, because it limits the trade policy tools dictators use to facilitate regime funding.

To explain why dictators prefer to build coalitions with import-competing elites in particular, I argue that autocrats face a commitment problem with respect to more liberal, pro-trade elites. Liberal trade policies tend to empower more competitive, export-oriented producers. With trade liberalization, these export-oriented actors are able to operate more competitively in international markets, resulting in decreased dependence on the autocratic regime. In addition, liberal elites are also most likely to benefit from secure property rights and increased policy-making transparency, because these allow them to maximize their competitiveness. Pro-trade, export-oriented elites therefore have stronger incentives to push for democratization compared to less competitive, import-competing elites that are more dependent on regime support. For these reasons, it is more difficult for these export-oriented elites to commit to supporting a dictator in the future, when their bargaining position has strengthened as a result of trade liberalization. Conversely, dictators cannot fully commit to not reversing liberal trade policies in the future. Because of this commitment problem and the more limited policy tools associated with liberal trade policies, dictators prefer to enter into coalitions with less competitive, protectionist elites. Since these elites tend to be more dependent on the continuation of the regime and its protectionist policies, a similar commitment problem does not exist.

Although these overall dynamics are common across authoritarian states, they play out differently depending on a state's institutional environment. Where governing coalitions have highly protectionist trade preferences, the presence of institutions such as legislatures and parties does not promote membership in trade agreements, but instead tends to reinforce protectionism. As a consequence, in institutionalized authoritarian states, protectionist elites can act as effective veto players, preventing entry into trade agreements altogether. Therefore these states are overall less likely to join trade agreements. However, if organized pro-liberal elites gain political influence, institutionalized autocracies can potentially overcome obstacles to entry. When this occurs, these states often make deeper, more extensive trade commitments than other types of autocracy.

In contrast, in more personalist regimes, leaders are less constrained by their coalitions and thus more at liberty to enter into trade agreements. These dictators are more likely to join PTAs because it is easy for them to do so and because they hope capture specific benefits from trade agreements, which include increased legitimacy, forging new security alliances, or access to particular economic goods. Yet for the reasons described above, personalist dictators are rarely interested in extensive, deep trade integration, because they fear that it could empower new economic elites, decrease their sovereignty, and thus threaten their rule. While highly personalist regimes have fewer constraints on policy-making, they also lack forums for organized elite bargaining. As a result, trade agreements serve primarily as tools of regime legitimation and consolidation for dictators. I therefore show that although more personalized dictatorships have a higher likelihood of entry into trade agreements, these agreements tend to be more limited in scope, include fewer issue areas, and exhibit less complexity. The following sections will provide a brief overview over existing scholarship on trade agreements.

## **Analyzing the Link Between Trade Agreements and Regime Type**

### **Economic arguments**

Why do we observe variation in trade policy across autocracies? Much of the existing literature does not focus specifically on political institutions in answering this question. On the contrary, traditional trade theory suggests that questions of regime type are irrelevant to the study of trade policy, and focuses instead on structural economic factors as key determinants of trade agreements. Famously, Bagwell and Staiger argue that PTAs can solve terms-of-trade externalities between (large) states.<sup>15</sup> Since all countries aim to improve their terms of trade,<sup>16</sup> in the absence of trade agreements a prisoner's dilemma may arise whereby countries attempt to increase their national income at the expense of other states.

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<sup>15</sup>Bagwell and Staiger (1999)

<sup>16</sup>I.e. the price of a country's exports relative to its imports.

As a result, countries prefer to enter into reciprocal trade agreements as opposed to setting tariffs unilaterally. Nevertheless, from a purely economic standpoint, welfare-maximizing governments should generally aim to lower trade barriers, since trade barriers are socially inefficient. Research by Baier and Bergstrand suggests that such welfare-maximizing motivations may indeed explain a large proportion of existing trade agreements.<sup>17</sup> The authors argue that their model, which predicts PTAs based on factors such as relative endowments, distance, and country size, can explain about 85% of trade agreements.

What structural economic theories lack is that they are unable to explain how trade preferences translate into actual policy-making processes. One well-known challenge to the economic arguments for open trade policy is that they cannot explain why so many states follow highly protectionist trade policies.<sup>18</sup> A large area of research studies how domestic political dynamics drive trade policy choices, focusing on the preferences and relative political influence of domestic actors as well as the role of domestic institutions. One key insight in this literature that is of relevance for the study of autocratic trade policy is that due to the distributional effects of trade policy, there will likely be some political contestation over policy choices.

### **Political economy of trade agreements**

First, with respect to trade policy preferences, trade theory makes predictions about the potential winners and losers from a trade agreement. In particular, factor-based theories based on the Heckscher-Ohlin model predict that a country will export goods that require factors it has in relative abundance. Building on this, the Stolper-Samuelson theorem predicts the distributional effects of trade, arguing that under the assumption of factor mobility across sectors, free trade will lower the income of scarce factors, but raise the income of owners of relatively abundant factors. Thus scarce endowments tend to lose from open trade, whereas

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<sup>17</sup>Baier and Bergstrand (2004)

<sup>18</sup>See e.g. Alt et al. 1996

rich endowments tend to gain from trade, with the result that the owners of scarce factors will likely oppose trade liberalization<sup>19</sup>

Other theories depart from these factor-based theories and present sectoral models of trade preferences. In particular, the Ricardo-Viner model (or specific-factors model) assumes that some factors are immobile. As a result, the model predicts that factors related to import-competing sectors benefit from protectionism, whereas export-oriented sectors benefit from trade openness. Thus the main difference between the Heckscher-Ohlin and Ricardo-Viner models lies in their assumptions about the degree of factor mobility. Various studies have found empirical evidence for both of these models.<sup>20</sup>

More recently, the “new” trade theory as well as the “new-new” trade theory have shifted the unit of analysis from the country to industries and finally to firms. Trade is found to be welfare-enhancing since it allows for economies of scale, lower consumer prices, and an increased variety of products.<sup>21</sup> “New-new” trade theory differentiates firms not just across, but within industries, and argues that only the most productive (and generally large) firms benefit from open trade and will push for trade liberalization: “At the broadest societal level, pro- and anti-trade coalitions are likely to cross industries and unite larger firms who support trade in opposition to smaller firms.”<sup>22</sup>

Again, nothing about these theories is regime-type specific, and hence they could be applied to all states. Yet a number of potential implications can be derived for nondemocracies from each of these theories. First, with regard to factor endowments, many autocracies are capital-scarce, so that in terms of trade policy, we may expect coalitions of the rich endowments labor or land to push for trade liberalization. Wu, for instance, finds that dictators in labor-abundant autocracies may lower trade barriers in response to rising inequality, thereby averting democratization threats.<sup>23</sup> While there are few papers that assess autocratic trade

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<sup>19</sup>Stolper and Samuelson (1941)

<sup>20</sup>E.g. Dutt and Mitra 2002a, 2002b

<sup>21</sup>Melitz (2003)

<sup>22</sup>Kim and Osgood (2018), p.1

<sup>23</sup>Wu (2015)

pecifically using firm-level data, one recent exception is Baccini, Impullitti, and Malesky's case study of trade liberalization in Vietnam post-WTO accession. The authors suggest that there is a "bias toward state-owned firms in Vietnamese policy-making", and find that the presence of big state-owned firms prevents productivity gains from trade liberalization. Their study suggests that state-business relations may play an important role in trade liberalization under autocracy.<sup>24</sup>

In addition to preference-based theories, research on the political economy of trade focuses on the role of political actors and institutions in determining trade policy outcomes. One important model of trade policy-making argues that median voter preferences determine trade policy in democracies, where these preferences will be more or less protectionist depending on how the median voter's capital-labor endowment ratio compares to the national endowment ratio.<sup>25</sup> This model could be applied to nondemocracies by analyzing how median preferences would shift in societies where only certain citizens are enfranchised. Such analysis would consequently require an ability to draw inferences about the trade preferences of enfranchised groups. In addition, Grossman and Helpman develop a model based on interest group lobbying, in which governments set trade policy by maximizing a combination of campaign contributions and aggregate welfare.<sup>26</sup> Since the model assumes that voters prefer open trade policies, in the absence of lobbying politicians choose free trade in order to secure re-election. However, organized special interest groups, representing sector-specific factors of production, can lobby for trade protection by offering monetary "campaign" contributions that compensate the government for choosing more protectionist trade policies. In their model, the level of protection is thus a consequence of the relative weight governments place on contributions as opposed to welfare, the degree to which lobbies are organized, as well as the elasticity of import demand and export supply.

While there is strong empirical support for the model,<sup>27</sup> its application to autocracies has

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<sup>24</sup>Baccini and Impullitti (2013)

<sup>25</sup>Mayer (1984)

<sup>26</sup>Grossman and Helpman (1994)

<sup>27</sup>See e.g. Goldberg and Maggi (1999)

not been systematically studied. One exception is Mitra, Thomakos, and Ulubasoglu, who find support of the Grossman-Helpman model for Turkey.<sup>28</sup> The authors show that the Turkish government placed a lower weight on campaign contributions during periods when the country was democratic compared to periods of dictatorship. However, this analysis would be difficult to extend to other autocracies. One general difficulty with applying the Grossman-Helpman model to autocracies is that the extent to which interest groups affect PTA formation in autocracies is difficult to estimate, since lobbying processes in autocracies tend to be highly opaque. Consequently, it is difficult to predict which trade policies autocracies are most likely to adopt based only on Grossman-Helpman.

### **Regime type and trade agreements**

Another reason for looking beyond purely economic theories of trade agreements is that there is strong empirical evidence suggesting that regime type influences trade policy and the formation of trade agreements.<sup>29</sup> Thus one recent study suggests that authoritarian regimes import fewer goods than democracies,<sup>30</sup> and another finds that democratic states are on average twice as likely as nondemocratic states to join a trade agreement.<sup>31</sup> Several mechanisms have been suggested in the literature for why this is the case. First, some authors suggest that democracies face institutional constraints that give them an advantage in bargaining over international agreements.<sup>32</sup> For instance, by “tying their hands”, trade agreements may be a way for politicians to credibly signal economic policy commitments to voters.<sup>33</sup> But since autocrats are not subject to regular elections, they have fewer incentives to make such commitments.<sup>34</sup> In addition, it is plausible that democratic leaders are more concerned about the potential welfare gains from trade cooperation than autocrats, since

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<sup>28</sup>Mitra, Thomakos, and Ulubasoglu (2002)

<sup>29</sup>See e.g. Verdier (1998); Milner and Kubota (2005); Kono (2006) and (2008)

<sup>30</sup>Aidt and Gassebner (2010)

<sup>31</sup>Mansfield, Milner, and Rosendorff (2002)

<sup>32</sup>McGillivray (2008)

<sup>33</sup>Mansfield, Milner, and Rosendorff (2002)

<sup>34</sup>However, if some autocracies can also generate audience costs Weeks (2008), this argument may not be limited to democracies: International economic cooperation could provide information about leader performance and policy competence and may thus prevent elite defection.

democracies tend to provide more public goods and autocracies tend to be focused on the provision of private benefits.<sup>35</sup>

Alternatively, it has been argued that domestic legislatures provide democracies with a bargaining advantage in trade negotiations.<sup>36</sup> Autocracies may also receive less flexible terms in international agreements and have fewer opportunities for cooperation due to their lack of transparency.<sup>37</sup> This may reduce the benefits of cooperation from the autocrat's point of view. However, in a recent article, Mattes and Rodriguez suggest that some nondemocracies are better at cooperation than others. The authors identify three factors that vary across autocracies, and that may allow some autocracies to cooperate more effectively: accountability, policy-making flexibility, and transparency, thus providing empirical evidence that the likelihood of autocracies to enter into international agreements varies not just across, but also within regime type.<sup>38</sup> This dissertation assesses whether such variation also exists for trade agreements more specifically.

While trade theory makes the mistaken assumption that regime type is irrelevant for trade policy, research contrasting democratic and autocratic trade policy generates another puzzle: if dictators are not welfare-maximizers, and if autocratic institutions are not conducive to signing trade agreements, then it is unclear why autocracies would ever adopt open trade policies and join trade institutions. Yet it is increasingly common for autocracies to sign trade agreements. The existing literature makes few predictions as to why this may occur. Consequently, most existing trade scholarship does not make general predictions about trade policy under authoritarianism. This means that we lack a theory of trade policy for these states.

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<sup>35</sup>Bueno de Mesquita et al. (2003)

<sup>36</sup>Mansfield, Milner, and Rosendorff (2000)

<sup>37</sup>Svolik (2006)

<sup>38</sup>Mattes and Rodriguez (2014)

## Implications for autocratic trade agreements

The literature on why autocracies join international institutions may partly apply to the formation of trade agreements. First, one line of research suggests that there may be significant domestic benefits for democratizing states in joining (regional) IOs such as providing a “credible external guarantee” of stability and safeguards for elites.<sup>39</sup> A different literature suggests that autocracies may sometimes join for strategic reasons relating to domestic regime consolidation and international legitimization,<sup>40</sup> or to gain “performance legitimacy”.<sup>41</sup> This suggests that international cooperation can increase authoritarian regime stability. Yet opening a regime to trade may have longer-term effects that could be either beneficial or harmful to a dictator’s rule.

As Kono points out, “scholars have yet to develop trade policy models that are uniquely tailored to autocracies.”<sup>42</sup> So far only a handful of papers explicitly assess variation in trade policy across authoritarian regimes. This existing research primarily draws on recent scholarship on autocratic institutions in assessing their role in fostering trade liberalization. Thus scholars have assessed the role of parties,<sup>43</sup> legislatures,<sup>44</sup> ruling coalition size,<sup>45</sup> and degree of competition,<sup>46</sup> generally finding some support for the claim that institutionalization contributes to economic growth and trade liberalization. The precise mechanisms that drive these findings, however, remain disputed.

Furthermore, Frye and Mansfield argue that trade reform is most likely in non-democracies where government power is fragmented. This is because protectionist elites in these states are likely to be weakened, thereby enabling groups with preferences for free trade to push for economic reform.<sup>47</sup> This article is somewhat in conflict with veto player arguments that

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<sup>39</sup>Pevehouse (2002), p.526

<sup>40</sup>See e.g. Vreeland (2008); Hollyer (2011); Von Stein (2013)

<sup>41</sup>Burnell (2006)

<sup>42</sup>Kono (2014), 299

<sup>43</sup>Hankla (2013)

<sup>44</sup>See e.g. Wright (2008); Gandhi (2008a); Reuter and Gandhi (2011)

<sup>45</sup>Kono (2014); Milner and Kubota (2005)

<sup>46</sup>Mansfield and Milner (2012)

<sup>47</sup>Frye and Mansfield (2003)

suggest that a larger number of veto players makes trade agreements less likely.<sup>48</sup> Finally, Baccini and Chow have recently argued that trade agreements may be a way for “extralegal” leaders, i.e. those that gained power through a coup, to make credible commitments and co-opt powerful economic elites.<sup>49</sup> However, it not entirely clear from their argument exactly why weak extralegal leaders would gain regime support through trade agreements. In sum, the preceding discussion demonstrates that, while there is some evidence that authoritarian institutions positively affect economic growth and trade openness, research on trade policy and PTAs is undertheorized when applied to authoritarianism. This study remedies this gap in the literature by developing a theory of authoritarian trade cooperation.

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<sup>48</sup>See e.g. Mansfield and Milner (2012)

<sup>49</sup>Baccini and Chow (2017)