

Chapter 2: The Domestic Determinants of Trade Agreements in Dictatorships

Why would dictators choose to tie their hands through trade agreements? And once they decide to enter into a PTA, how do autocrats choose an agreement's content and design? The previous chapter showed that despite the proliferation of trade agreements, it is not well understood how regime type affects the likelihood to enter into a trade agreement. Although nondemocracies on average join fewer trade agreements and have higher trade barriers than democracies, the causes of these differences remain controversial. Partly as a result of this finding, existing research focuses primarily on democratic trade policy, whereas trade policy under authoritarianism remains understudied. The notion that autocracies "trade less", however, obscures the fact that there is significant variation in trade policy and PTA memberships across authoritarian states and even within autocracies across time.

This chapter develops a framework for analyzing autocratic trade cooperation. In doing so, it pursues several goals: first and most importantly, it sheds light on the domestic actors, preferences, and institutional mechanisms that play a role in authoritarian trade integration. In my analysis, I highlight both ways in which these factors resemble those under democracy as well ways in which they are uniquely authoritarian. While the identity of political actors and institutions involved in democratic policy-making is generally undisputed, identifying them can be a challenge in authoritarian states, where policy-making is much more opaque. Consequently, this chapter also has a partly descriptive purpose. Ultimately, I aim to convince readers that domestic politics matters when it comes to autocratic membership in international economic institutions, and that considering the unique motivations and institutional constraints autocrats face in international cooperation leads to richer theorizing about economic cooperation.

Overview of the Argument

Trade agreements are representative of economic policy concessions in authoritarian regimes because they are highly visible, have distributional consequences that impact a range of actors, affect interstate cooperation, and have received much attention in democratic states. Consequently, these types of agreement can provide insights into key political dynamics under dictatorship. Note that while the focus of this dissertation is primarily on trade agreements, disentangling potential motivations for entering into PTAs requires at least some understanding of the broader trade policies and potential drivers of trade liberalization under nondemocracy. As a result, the following discussion deals with both nondemocratic trade policy broadly as well as with trade agreements specifically, making sure to specify the empirical implications that follow for autocratic PTAs.¹

Drawing on recent scholarship on the domestic politics of authoritarian regimes,² my central argument is that the domestic factors that affect entry into trade agreements and the depth of trade integration work in opposite directions. Specifically, I propose that those autocracies that are most likely to enter into PTAs tend to prefer “shallower” agreements which do not require extensive trade integration. In contrast, other autocracies face significant domestic opposition to PTAs, which tends to result in delayed or absent trade integration. When these autocracies manage to overcome these obstacles, however, they tend to make deeper, more extensive trade commitments.

I develop this prediction by analyzing the interplay between elite preferences and autocratic institutions in shaping trade policy. First, in agreement with existing scholarship on authoritarianism, I argue that institutional constraints influence the likelihood of PTA membership. In particular, since highly personalist dictators face few institutional constraints to their rule, they are at greater liberty to enter into trade agreements. Less personalist leaders, on the other hand, are subject to greater policy-making constraints. Elite actors

¹In future research, my theory could then be extended to trade policy more generally or to other economic agreements.

²See, for example, [Geddes \(1999b,a, 2003\)](#); [Gandhi \(2008b,a\)](#); [Svolik \(2012\)](#)

in these states can act as effective veto players, with the power to prevent entry into trade agreements. However, institutional constraints alone cannot explain trade policy outcomes in dictatorships. Arguments about democratic institutions are always based on implicit assumptions about the preferences of voters and constituents that democratic governments are accountable to. Similarly, theorizing about the identity and preferences of key actors in authoritarian states is essential to understanding trade cooperation. Which actors have the power to influence economic policy-making in autocracies? And are these actors more likely to push for trade liberalization or increased protectionism? My theory addresses these questions by analyzing the political relationship between dictators and elite economic actors.

First, I argue that authoritarian leaders tend to have more protectionist trade preferences than democratic governments and as a result, they often forge strong protectionist coalitions. Dictators use economic policy as a tool to strengthen and consolidate their rule. Trade policy plays a role in dictator's political survival by generating income and rents, redistributing economic resources, and potentially increasing a dictator's legitimacy. Since most autocratic leaders do not rule alone, but depend on the political and financial support of other elite actors, dictators use these trade policy tools to build elite coalitions.

Trade liberalization is risky in the eyes of dictators, because it lowers rents and limits the policy tools that allow dictators to give preferential treatment to their supporters. In addition, trade liberalization tends to empower new competitive actors with potentially greater ability for exit, whose future political loyalty is not guaranteed. This is because liberal trade policies mainly benefit large, competitive, export-oriented firms.³ Because these more competitive, export-oriented actors tend to become less dependent on the regime with increasing liberalization, their relationship to the autocratic government suffers from a mutual commitment problem. Competitive, export-oriented elites benefit from increasing economic liberalization, property rights, and political transparency, since these further increase their economic competitiveness in global markets. As a result, it is difficult for these elites to commit to supporting the dictatorial government in the future following trade liberaliza-

³See e.g. Osgood et al. 2016

tion. Conversely, autocrats cannot guarantee future expropriation of these elites. Because of this commitment problem, dictators are less likely to forge strong alliances to liberal economic elites. Instead, dictators prefer to invest in less competitive, import-competing firms and industries, which then become dependent on government support for their survival. By strategically distributing rents, economic protection, and subsidies to these groups, autocrats can ensure their political loyalty.

While these dynamics are common to all autocracies, they play out differently depending on how institutionalized the state is. In particular, although highly personalist dictators join trade agreements more frequently due to their lack of policy-making constraints, personalist dictators are rarely interested in deep trade integration, because this could empower new economic elites and threaten their rule. Thus despite their more frequent PTA entry, highly personalist states tend to prefer shallow trade commitments. In contrast, in institutionalized autocracies, the presence of protectionist coalitions ends to prevent entry into trade agreements altogether. However, when less personalist manage to overcome this opposition, they tend to make more extensive trade commitments by entering into deeper PTAs.

Since existing research on regime type and trade agreements tends to focus only on the likelihood of entering into a trade agreement without further analyzing the content of these agreements, this research project presents both a theoretical and an empirical innovation. The next section will discuss my underlying assumptions about authoritarian survival. I will then explain why economic policy tends to play an important role in determining whether authoritarian leaders stay in power, and then outline the conflicting potential costs and benefits of trade liberalization specifically.

How do dictators survive in office?

This section briefly outlines my underlying assumptions about how authoritarian leaders survive in political office. In explaining differences in trade cooperation across autocratic regimes, my framework draws on existing scholarship in comparative politics, which ar-

gues that there is significant variation in domestic political structures across authoritarian regimes, affecting their stability and survival.⁴ Importantly, my theoretical analysis focuses on *elite-level* dynamics. The main reason for this is that the influence citizens have on policy-making is greatly diminished in authoritarian states, where elections are uncompetitive and governments lack accountability. Secondly, existing research shows that trade policy in particular is driven primarily by elite-level preferences. This is not to say that public opinion does not influence trade policy in nondemocracies, but that an elite-level theory is a reasonable starting point for analysis.

First, I assume that autocratic leaders, who may be either individual leaders or a group, such as a junta or party committee, are strategic rational actors who aim to maximize their likelihood of surviving in office. I assume that this central desire for political survival does not vary across autocracies.⁵ Since autocrats are generally unable to rule alone and cannot stay in office without political and financial support, their survival depends strongly on building and maintaining political support coalitions. These coalitions are composed of individuals or groups that benefit from and promote the continuation of the autocratic regime.⁶ The concept of a supporting coalition, sometimes also referred to as winning coalition, ruling coalition, or leadership group, is widely used by scholarship on authoritarianism, because it provides a way of conceptualizing leader selection and policymaking power in the absence of binding formal institutions. As Geddes, Wright, and Frantz (2014) put it, this coalition is “the small group that actually makes the most important decisions” including leader selection and key policy-making choices.⁷

The number and the types of societal actors required to keep the autocrat in office vary significantly across nondemocratic regimes and across time. For instance, highly personalist dictators tend to be surrounded by a small number of personally connected regime insiders,

⁴For example, [Geddes \(1999b\)](#); [Gandhi \(2008b\)](#); [Svolik \(2012\)](#)

⁵Barbara Geddes suggests military regimes have different preferences in that they ultimately value cohesion of the military over political power, but I do not treat them as fundamentally distinct for this project.

⁶See e.g. [Geddes \(1999a\)](#); [Pepinsky \(2009\)](#); [Bueno de Mesquita and Morrow \(2003\)](#)

⁷GWF 2014, 315

whereas leaders in single-party regimes may require the support of a larger number of actors inside the party base or a central committee in order to remain in office. An autocrat's survival becomes threatened when a sufficient number of members of the supporting coalition withdraw their political support from the authoritarian government. This can have many reasons, such as the emergence of a strong challenger or an autocrat's inability to provide sufficient resources and benefits to supporters.⁸ As Jennifer Gandhi writes,

“Dictators face two basic problems of governance. First, as rulers who hold power without the legitimacy of having been chosen by their citizens, they must prevent attempts to undermine their legitimacy and usurp power [...] Second, autocrats also must solicit the cooperation of those they rule. Even if their interests lie only in accumulating wealth and power, incumbents will have more to amass if their countries are affluent and orderly. [...] Autocrats, in other words, need compliance and cooperation.”⁹

Autocrats therefore depend on their supporting coalitions, and they build and maintain these coalitions by offering a combination of material rewards and institutional concessions to political elites. Thus, many dictators are able to extract significant rents through their office, and they redistribute at least some of those rents to key regime supporters. In addition, as authors such as Gandhi have shown, dictators can also secure regime support through strategic policy concessions.¹⁰ These can be a way for dictators to “tie their hands” and credibly commit to the provision of certain benefits to elites where their continued provision would otherwise be uncertain, and they can also provide a way of co-opting potential opposition supporters in a clearly defined manner. As Gandhi and Przeworski and others have shown, nominally democratic institutions in dictatorships, such as parties and legislatures, can facilitate such policy concessions, and successful policy concessions can prolong the survival of an authoritarian regime.

⁸Magaloni (2006)

⁹(Gandhi, 2008b, xviii)

¹⁰Gandhi (2008b)

However, one key finding from this literature is that dictators tend to only make policy concessions where either there is a strong opposition presence or regime supporters are strong enough to make credible coup threats, since weak elites lack bargaining power.¹¹ Policy concessions can therefore be thought of as a reaction to political pressures and incentives that dictators are subject to. However, dictatorships do not necessarily move in the direction of more policy concessions. Dictators who successfully consolidate their rule in the long run may be able to exclude other actors from political influence and may thereby reduce the number of concessions necessary to remain in power.

The role of economic policy in autocratic survival

Economic policy tends to play a key role in autocratic survival because it is tied to both the provision of material benefits and the policy concessions that dictators use to build and maintain their supporting coalitions. As a result, there is general agreement in the literature that economic policy is of central concern to dictators seeking to solidify their rule. However, there is less agreement among scholars over the impact of specific economic policies. As in democracies, the range of economic policies implemented by dictators varies widely,¹² and the relationship between policy choice and leader survival tends to be complex.

First, leaders generally stay in office through a combination of legitimation, cooptation, and coercion. In this sense, sound economic policy performance can be a tool that enhances a ruler's longevity by increasing his legitimacy and decreasing the likelihood of defections and coups.¹³ But while legitimation is the most obvious purpose of economic policy under dictatorship, economic policy can also serve as an instrument of either cooptation or repression. Importantly, economic policy often has distributional consequences that may change the balance of power within a regime. As a result, dictators may use it as a tool for rewarding supporters and punishing opponents. Similarly, dictators may choose economic policy

¹¹Svolik (2012); Gandhi (2008a)

¹²Gandhi (2008b); Weede 1996

¹³See e.g. Bates 2008, Magaloni & Kricheli, Londregan & Poole 1990

concessions as a way to appease opposition forces who may otherwise rebel against the government. The types of material economic benefits provided by authoritarian governments can take a variety of forms, including direct payments, subsidies, or access to employment and guaranteed profits. Key economic policy concessions can also be varied, and may range from tax reforms to monetary policy reform, to trade policy reforms and accession to trade agreements, all of which may play an important role in regime stability. Similarly, autocrats also gain important income and rents from economic transactions, which they may use for regime stabilization by investing in tools of repression (such as weapons and security forces) or infrastructure.

The existing literature provides ample evidence that dictators are aware of these potential effects and that they manipulate economic policy in order to increase their chances of political survival. For instance, there is evidence of political budget cycles in Egypt under Mubarak, resulting in economic expansion and higher inflation prior to (undemocratic) elections.¹⁴ Dictators also frequently use economic resources to fund patronage systems and reward supporters.¹⁵ Empirical evidence suggests that successful economic policy under dictatorship at least sometimes stabilizes these regimes, thereby prolonging authoritarian rule, whereas poor economic performance can contribute to the downfall of authoritarian governments.¹⁶ Thus, Haggard and Kaufman find that “severe economic crisis contributed directly to the collapse of incumbent authoritarian regimes in a number of countries”, and argue that “the inability to avoid or adjust successfully to economic crisis increases the probability” of democratic transitions.¹⁷ However, democratic transitions can occur even when economic performance is strong,¹⁸ whereas other authoritarian governments manage to survive even in the presence of prolonged economic crises.¹⁹ As a result, scholars suggest that the relationship between economic policy and authoritarian survival is not direct, but

¹⁴Blaydes (2006)

¹⁵e.g. Bates 2008, more

¹⁶See Fearon & Laitin 2003, Goldstone et al. 2003, Collier & Hoeffler 2004, Hegre & Sambanis 2006. Reuter and Gandhi (2011)

¹⁷6-7

¹⁸Haggard and Kaufman (1995)

¹⁹e.g. Magaloni

mitigated by other factors, such as political institutions.²⁰

While most existing research on economic policy under dictatorship has focused broadly on economic growth, rather than more specific economic policies, the focus of this dissertation is specifically on trade agreements. These agreements are representative of economic policy concessions in authoritarian regimes because they are highly visible, have distributional consequences affecting a range of actors, impact interstate cooperation, and have received much attention in democratic states. Because of these features, we can expect that trade agreements are subject to contestation and political pressures. Consequently, they can provide insights into key political dynamics under dictatorship.

The Influence of Business Elites on Autocratic Trade Policy

The previous section explained that dictators survive in office by building and maintaining elite supporting coalitions. Because these coalitions are central to their survival, dictators are highly responsive to the preferences and demands of coalition members. As a result, theorizing about autocratic trade policy requires us to theorize about who these elite actors are and what preferences we may expect them to have.

To connect this intuition to the existing literature on the political economy of trade, note that the most significant and obvious distinction between democratic states and nondemocracies is that nondemocratic politicians are not generally accountable to an electorate. A key assumption of models such as Grossman-Helpman and others is that the median voter prefers liberal trade policies, and thus politicians concerned about re-election should also favor liberal trade policies in the absence of lobbying.²¹ As a result, trade lobbying models assume that politicians will choose free trade in the absence of lobbying, and that lobbies must compensate the government for any deviation from free trade. Democratic institutions consequently favor relatively liberal trade policies. Yet we cannot assume a priori that

²⁰Gandhi (2008b); Brownlee (2007)

²¹Even with lobbying, most empirical studies find that democratic governments place the greatest weight on social welfare. See Mitra, Thomakos, and Ulubasoglu (2002)

this assumption applies equally to unelected politicians. In the absence of competitive elections, politicians lack the incentives to provide socially optimal policies and therefore, the incentives for and potential costs of lobbying may also be altered.

In addition to this lack of accountability, access to policy-making is generally more limited in nondemocratic states. Based on the model of survival outlined in the previous section, an autocrats' supporting coalitions constitute their primary "audience".²² We can therefore expect that dictators are more responsive to the preferences and demands of members inside their supporting coalition compared to the general public, and that they will seek to push the costs of economic policy to nonsupporters. Consequently, theories based on median voter preferences are less helpful in understanding economic policy in nondemocratic states. Rather, it may be difficult for actors outside of supporting coalitions to advocate for policy changes. These outside actors potentially face much greater collective action problems than actors seeking to lobby for economic policy in democratic states.

Due to their limited accountability, autocratic leaders therefore tend to have greater trade policy-making discretion than do democratic politicians,²³ and the primary drivers of trade policy will be the preferences and demands of their supporting coalition. This implies that we need a more careful analysis of the preferences of both autocratic leaders and the elites they enter into coalitions with. As a consequence, it is helpful to conceptualize trade policy preferences in terms of supporting coalition composition rather than in terms of median voter preferences. In particular, we can expect that autocratic governments will enter into fewer trade agreements where these preferences are primarily protectionist, and that they will enter into trade agreements more frequently if actors inside the winning coalition have more liberal trade preferences.

This basic conceptual framework then raises the obvious question of which factors determine whether preferences inside the supporting coalition will be liberal or protectionist. Where do sound economic policies come from in the absence of electoral pressures? Under

²²Weeks (2008)

²³Mansfield and Rosendorff (2002)

what circumstances can we expect elite preferences to be pro-trade? In general, I argue that authoritarian leaders, contrary to democratic leaders, prefer protectionist policies and that consequently, they are also more likely to enter into coalitions with protectionist elites. The next section briefly describes the nature and preferences of supporting coalition members. I will then explain why I expect dictators to generally prefer to enter into protectionist coalitions.

Which elite actors influence trade policy?

Consistent with existing models of trade policymaking such as Grossman-Helpman, I assume that trade policy, including the choice of membership in international trade agreements, is the outcome of bargaining between authoritarian governments, the citizens they are accountable to, and economic interest groups. However, as I argued above, the role of citizens in bargaining over trade policy is greatly diminished under nondemocracy. Instead, autocratic trade policy depends primarily on the preferences of actors inside the ruling coalition, in the sense that autocratic governments will enter into fewer trade agreements where these preferences are primarily protectionist. While ruling coalitions are composed of a variety of elite actors, which can range from military officers to civilian party officials to a leader's relatives, I argue that business elites within these coalitions play a central role in trade-policymaking.

In authoritarian states, leaders may be willing to form close relations with influential economic elites for multiple reasons: first, these elites often have financial resources available to help fund the dictatorial government and provide key payments to other members of the supporting coalition. For instance, according to Barbara Geddes, "[t]he two main sources of campaign finance in dictatorships are the state and alliances with private business people. As in democracies, business people have little reason to support the election campaigns of dictators and their legislative allies unless they get something in return." Thus dictators often depend on economic elites for financial support, and they provide institutional concessions in exchange for financial support.

Secondly, influential business elites may have important personal and financial ties to other elites, and they may use these ties to recruit members into either the supporting coalition or to sponsor opposition groups that pose a threat to autocratic leaders. Gandhi, for example, suggests that, “In Kuwait and in Ecuador, organized opposition initially came from the entrepreneurial class as its members increasingly became disenchanted with their exclusion from policy-making.”²⁴ Thirdly, economic elites may provide technological and logistical tools to aid in regime survival and repression. For instance, China’s tech companies have grown immensely while benefiting from protection, and in turn have aided the Chinese government in online monitoring and censorship: “To maintain control, the government knows it has to keep tech companies well interwoven with their operations”.²⁵ Finally, economic elites are also relevant as employers who may have power to influence and control workers. As a result, it is plausible that dictators seek the financial and political support of key economic actors and in turn provide political and economic benefits to them. Because business elites are influential both financially and politically, they often have a key role within autocrats’ supporting coalitions.

Trade preferences of non-economic elites

While supporting coalitions are made up of both economic and non-economic elites, economic actors have the biggest stake in trade policy, making their influence particularly relevant for trade policy. By economic actors, I specifically mean producers. Examples of economic elites inside the coalition can range from members of a monarch’s family who own large industry conglomerates, to wealthy businessmen who have entered politics, to industry associations making large political donations, thereby funding the autocratic government. Noneconomic elites, i.e. elite actors who are not producers, are also part of these coalitions, but I assume that they do not inherently have strong trade policy preferences. Instead, I assume that they tend to have an interest in the continuation of the economic status quo. There are several reasons for this assumption: First, since noneconomic elites will be primarily consumers,

²⁴Gandhi (2008b)

²⁵Bloomberg, <https://www.bloomberg.com/news/articles/2018-03-06/how-china-protectionism-creates-tech-billionaires-who-protect-xi>

we may expect that they would favor free trade, since protectionism is associated with higher consumer prices. However, elites inside the supporting coalition differ from ordinary consumers, because they are the beneficiaries of rents and political benefits that normal consumers do not receive. Thus these elites may favor protectionism if they receive rents that offset increased consumer costs. In practice, many autocracies also allow elites privileged and cheaper access to consumer goods to address the issue of higher prices. For instance, party elites and members of the Stasi in East Germany were granted much easier and cheaper access to consumer products imported from non-communist countries as a reward for their loyalty to the government.

Consequently, I assume that noneconomic elites are primarily focused on keeping their political influence and maximizing the material benefits they receive from the dictator and as such do not have inherently strong trade policy preferences. In rent-based regimes, these actors may be protectionist, but they may favor liberal trade policies if they perceive them as beneficial to their survival. For instance, Etel Solingen describes how the military in states with pro-trade “internationalist” coalitions tended to evolve into “more professional institutions with declining political control”.²⁶ Thus I argue that non-business elites in governing coalitions have a tendency to adapt to the preferences of leaders and business elites. To sum up, economic and non-economic elites inside the supporting coalition interact and benefit from each other, but economic elites are the primary drivers of trade policy. Table 2 provides an overview over the relevant actors and their preferences.

Which business elites favor protectionism?

Which business elites are likely to support trade liberalization, and which will favor protectionism? First, according to Heckscher-Ohlin, abundant factor endowments benefit from trade liberalization, whereas scarce endowments lose from it. As a consequence, we may expect that coalitions made up primarily of owners of abundant factors will be more willing to choose trade liberalization. Thus for instance, governments that primarily receive their support from labor should be more likely to liberalize trade in labor-abundant states, and should

²⁶Solingen and Gourevitch 2007, 19. See also Solingen 2007

be more protectionist in labor-scarce states. Since autocratic elites tend to be capital rich, we may also expect them to be more protectionist in capital-poor states.²⁷ In addition, moving away from factor-based models to more fine-grained theories, the Ricardo-Viner model predicts that export-oriented industries gain from trade liberalization, whereas resources specific to import-competing industries lose from trade. Based on this argument, we would expect elites from import-competing industries to oppose trade liberalization. Finally, more recently, Melitz develops a model with heterogeneous firms based on the observation that even within industries, firm capabilities differ, with only the most productive firms capable of export.²⁸ In this model, the most competitive firms desire to gain from access to foreign markets, whereas trade will lead to the exit of less productive firms. Thus, we can expect highly competitive firms will push for trade liberalization, whereas less competitive firms and many state-owned enterprises tend to prefer protectionism.

While each of these approaches is potentially relevant for analyzing autocratic coalitions, I focus primarily on a firm-level or an industry-level approach to trade preferences. The way in which export-oriented business elites are organized therefore varies to some extent across autocracies. In many nondemocracies, formal industry-based lobbying groups are illegal or weakly developed, and instead a few large, multi-sectoral firms enjoy privileged, personal ties to dictators, whereas in other states, business associations organized by industry act as intermediaries between firms and autocratic leaders. Overall, however, policy influence is likely reserved for a narrower set of business elites than in democratic states.

Finally, why do I assume that actors need to be part of the supporting coalition in order to influence trade policy-making? As I argued above, since nondemocracies tend to have greater collective action problems and fewer institutions for lobbying, political influence by actors outside the governing coalition tends to be limited. Therefore, I assume that actors inside the coalition tend to be better organized, have better access to political decision-makers, and can potentially lobby more cheaply, since the government's political survival is

²⁷ cite

²⁸ Melitz (2003)

partly dependent on these actors. Thus a framework of analyzing preferences of elites inside the supporting coalition is generally useful and appropriate for understanding autocratic trade policy.

Why Dictators Favor Protectionist Coalitions: Commitment Problem

I have argued that the preferences of elites inside ruling coalitions are key to determining autocratic trade policy, and that the primary drivers of these preferences are economic elites inside these coalitions. In this section, I argue that dictators generally prefer to enter into coalitions with protectionist, import-competing economic elites rather than competitive, export-oriented elites. This is because in forming close relationships with economic elites, dictators encounter a commitment problem that threatens to undermine these relationships.

To see why there is a potential commitment problem, note that one of the primary effects of coalitions between dictators and business elites is that resources will be re-distributed towards supporters and away from opponents. As a result, elite supporters are empowered over the long run, and their political and economic influence will further increase. Coalition building is not a short-term process, since it tends to involve significant sunk costs for dictators, in terms of subsidies, infrastructural development, and policy adjustments, many of which are longer-term investments. Dictators thus want to ensure that the elites they invest in do not withdraw their support in the future when they become stronger, in favor of either opposition groups or democratization. Elite supporters, on the other hand, may be concerned about the dictator reversing his economic policies in the future if he feels threatened by their influence.

In the eyes of dictators, concerns about future regime support are more severe in the case of coalitions with export-oriented interests compared to coalitions with primarily import-competing interest groups. Suppose a dictator invests in a relationship with mainly competitive, export-oriented businesses through trade liberalization and the signing of trade agreements. Trade liberalization may strengthen these firms or sectors to an extent where

exit is easier for them. This makes their continued political support less certain. Furthermore, competitive, export-oriented elites are likely to benefit from strengthened governing institutions, such as more secure property rights, since these would increase their international competitiveness. As a result, these economic elites have a potentially higher likelihood of demanding democratization in addition to trade liberalization. Consequently, there is no guarantee that they will remain loyal to the regime. In other words, exporters often cannot commit to supporting the regime in the future when their bargaining position is strengthened. Conversely, the dictator cannot fully commit to not reversing his policies once he realizes that the elites may withdraw their political support.

On the other hand, investing in less competitive, import-competing industries does not face this same difficulty, since this tends to create firms and industries that are heavily dependent on government support, e.g. through subsidies and protection, for their survival. Because protectionism tends to create less competitive firms that are often dependent on future government support in order to survive, these firms tend to have a higher likelihood of remaining loyal to a dictator in the future. It therefore makes sense for dictators to prefer to invest in these types of business elites.

As a result, dictators often fail to implement liberal trade policies because they lack incentives for doing so. Protectionism provides them with rents as well as with greater social and policy control than trade liberalization. Importantly, it also creates economic actors who will be heavily dependent on the regime for their own economic survival. Since autocrats tend to be accountable to fewer individuals than democratic leaders, they can then shift many of the costs of protectionism, such as those incurred by consumers, to citizens outside of the supporting coalition, providing further motivation for protectionist policies. In other words, protectionism in many cases will be both politically safer and more lucrative for dictators. In addition. As a result, while free trade may be socially optimal, the default policy position for many autocrats is protectionism, and where the interests of autocrats and protectionist interest groups are closely aligned, there will be a tendency for powerful protectionist alliances to emerge.

Additional benefits of protectionism

In addition to the commitment problem described above, there are several additional reasons why dictators often prefer protectionist policies. First, and most importantly, trade agreements are long term commitments that potentially restrict rulers' available policies and impinge on their sovereignty. While economic integration can act as a credible commitment to longer-term economic growth, it is not obvious why dictators with low accountability would be willing to make such a commitment. On the other hand, trade agreements often require costly domestic legislation and institutional changes; for instance, agreements with higher levels of economic integration may require monetary and fiscal policy harmonization. Since this would limit the ability of leaders to manipulate domestic economic policy for short-term political gain, we may expect dictators to be unwilling to pay these costs.

In addition, dictators may also be unwilling to give up rents gained from protectionist trade policy. This is because dictators generally derive rents from high tariff barriers and red tape. For instance, Aidt and Gassebner suggest that, "the lack of political accountability makes it possible for political leaders to extract rents by imposing restrictions on international trade."²⁹ Thus Ornelas argues that free trade agreements tend to result in "rent destruction".³⁰ While dictators may have an interest in maximizing rents for their personal gain, they may also distribute some of these rents to other members of the elite in exchange for political support. Lowering tariffs would then decrease this source of income, which could threaten leaders' support among the elite. In other words, rents derived from trade barriers are often integral to dictators' survival. Consequently, we should again expect dictators to prefer higher trade barriers compared to democracies. It should also be noted that taxes from high tariff barriers are relatively easy to collect and can provide a stable source of income, making them particularly attractive for poor developing states and those with underdeveloped institutions.

²⁹Aidt and Gassebner (2010)

³⁰Ornelas (2005)

However, it is important to note that not all tools of protectionism are associated with increased revenues. Perhaps the most important function of protectionist policies is that they have distributive consequences; in particular, they can redistribute resources from consumers to producers, and from exporters to importers. Export subsidies, for instance, decrease the price of exports abroad and must be funded by the government. As such, they may be less attractive to rent-seeking autocrats than tariffs.³¹ Nevertheless, they may still act as redistributive tools that can channel government resources toward elite exporters. Similarly, import quotas benefit domestic producers at the expense of consumers and are thus also redistributive. Thus even tools that do not generate direct revenue for dictators can be important policy tools.

Thirdly, trade cooperation may be undesirable to dictators because it opens states to international factors that may promote regime change and democratization. Insulating a regime from international influences may keep opposition forces weak by limiting their access to funding and information about democratization. Closer economic integration, particularly with democracies, on the other hand, could empower opposition groups and may provide increased opportunities for democratic states to monitor autocracies and punish them for violating human rights, and to provide public and opposition with resources in order to promote democracy. Thus for instance, economic cooperation through PTAs is sometimes conditional on policy changes in other issue areas, such as the implementation of human rights standards.³² Consequently, authoritarian leaders may be concerned that increased trade openness could decrease their control of the regime. These arguments suggest that, compared to democratic governments, dictators have much weaker preferences for cooperation through trade agreements.

³¹In addition, export subsidies are prohibited under WTO rules.

³²Hafner-Burton (2005)

Political institutions as determinants of trade policy

The previous section explained why autocrats tend to have stronger preferences for protectionism than democratic governments. While these arguments apply to all authoritarian states, dictators and their coalitions also operate within a certain institutional environment, and this institutional context is likely to influence trade policy-making. While most non-democracies operate under weakly institutionalized settings, there is nevertheless significant variation in the degree of institutionalization among these states.³³ Thus it is plausible that more institutionalized regimes follow a different path to trade liberalization than states with low degrees of institutionalization.

In this section, I argue that the protectionist bias described in the previous section affects the likelihood of entering into a trade agreement differently depending on how personalized or institutionalized a state is. In particular, I propose that more personalized dictators, those with greater policy-making discretion and fewer institutional constraints, are more likely to enter into trade agreements compared to less personalist and more constrained autocrats. However, I also argue that institutional arguments alone provide an incomplete theory of authoritarian trade policy, because they do not account for the elite actors that operate within these institutions. Instead, it is important to assess how elite coalitions operate under different institutional settings.

Background: Existing debate on economic policy and authoritarian institutions

There has been a noticeable “institutional turn” in the recent literature on authoritarianism.³⁴ A large amount of research now analyzes the constraining effects of nominally democratic institutions in dictatorships, such as parties and legislatures. Within this research, a number of scholars have analyzed the potential impact of legislatures and parties on trade policy and economic performance. However, this research has produced somewhat

³³As shown by a large body of literature in comparative politics; see e.g. Gandhi 2008, Svobik 2012

³⁴Pepinsky 2014

mixed results. This is because research linking institutions to economic outcomes in dictatorships faces several challenges: first, legislatures and parties in dictatorships vary widely in their ability to constrain autocrats and influence policy outcomes. Nominally democratic parties can have genuine policy influence or act as mere rubberstamps for dictators. Similarly, it is often unclear to what extent policy is influenced by elite actors outside of formal institutions, such as a leader's relatives, making it difficult to control for these actors. In addition, researchers have pointed out that authoritarian institutions are endogenous, in the sense that they are themselves the outcome of bargaining between the elite actors they are meant to constrain.³⁵ This makes it more difficult to distinguish the effects of political institutions themselves from factors that could jointly determine institutional and economic development.

Finally, central to my argument is that scholars disagree over the role of institutions in determining economic policy in part because theories that are purely institutional often fail to analyze underlying heterogeneity in preferences that can drive economic policy. For instance, a highly institutionalized state that is governed by a strongly protectionist coalition will likely make different policy choices than an institutionalized state governed by a liberal coalition. Consequently, we need to theorize and form expectations about the types of elite actors that operate within authoritarian institutions.

As a result, while there is some indication in the existing literature that institutions play an important role in determining autocratic trade policy, there is currently no consensus on precisely how authoritarian institutions and economic policy are linked. With respect to legislative institutions, a number of scholars have argued that binding authoritarian legislatures improve economic growth and investment.³⁶ On the other hand, Geddes finds that "My casual observation has been that authoritarian legislatures able to influence key economic decisions are unusual."³⁷ And other scholars, such as Menaldo, have pointed

³⁵ *ibid*

³⁶ Wright (2008); Gandhi (2008b)

³⁷ Geddes and Frantz (2014)

out that autocratic legislatures frequently pass protectionist measures.³⁸ In addition to legislatures, executive institutions, especially political parties, may play a key role in trade liberalization. For instance, in one of the few papers that specifically focus on autocratic trade policy, Hankla and Kuthy argue that autocracies with more political parties tend to have longer time horizons and provide more public goods, both of which lead to more open trade policies.³⁹ Thus, while institutionalization is an important determinant of autocratic trade policy, by itself it can only provide a partial account of autocratic trade policy. As Thomas Pepinsky notes: “Institutions are important, but as they are analytically secondary to an understanding of what groups within a society demand from the government, they alone are incomplete as a purely economic explanation.”⁴⁰ Instead, as I have argued above, in order to understand autocratic trade agreements, we need to analyze the trade preferences of elite actors and their interaction with political institutions in more detail.

Conceptualizing Institutions

Since my theoretical argument does not focus specifically on autocratic legislatures or parties, but on the ability of elite actors to constrain autocrats, I conceptualize “institutionalization” in broad terms. Specifically, an institutionalized autocratic regime is one in which there are formal political constraints on the authoritarian leader, and there are political actors with at least some formal ability to constrain the dictator, either through parties, legislatures, a potential coup, or other mechanism. More institutionalized and less personalist regimes also tend to have larger supporting coalitions. As a result, institutionalized regimes tend to have a larger number of actors involved in policy-making, and there are generally subject to more constraints especially in economic policy-making. In contrast, states with higher degrees of personalization tend to have fewer institutions for facilitating exchange between diverse political actors, such as legislatures and a developed bureaucracy that may facilitate redistribution. A perfectly personalized regime would essentially concen-

³⁸Menaldo (2014)

³⁹Hankla and Kuthy (2013)

⁴⁰Pepinsky (2009)

trate all political power within a single person. As I noted above, existing scholarship argues that autocratic institutions are endogenous. However, for the purposes of negotiations over a specific trade agreement, which take place over short to medium time period, it is reasonable to treat an institutional environment as exogenous and to analyze how autocratic actors are constrained in their decision-making.

While it may seem a priori that more institutionalized autocracies would be more similar to democracies than personalized regimes, we should be careful to draw such conclusions without further analyzing the preferences of the actors within autocratic institutions. Since I argue that dictators have a bias toward protectionism, I expect that the greater policy-making constraints in more institutionalized autocracies are more likely to prevent autocrats from entering into trade agreements. Thus, where protectionism is institutionalized, it is more difficult for autocrats to gain domestic support for trade agreement memberships.

In contrast, since highly personalist dictators tend to be accountable to only a small audience, the general lack of political access for most interest groups implies that there will be less political contestation over trade policy in these states. Thus personalist dictators are less dependent on outside actors and consequently face fewer obstacles to joining PTAs if they perceive membership as beneficial. Highly personalist dictators may enter into trade agreements for several reasons: first, they may join a PTA in order to build legitimacy and signal that they are competent leaders. Secondly, they may seek to build regional and security alliances with other states. Thirdly, they may desire access to a particular economic good, such as a key natural resource. Note however, that these motivations do not imply a genuine preference for trade liberalization. Consistent with my overall argument, personalist dictators are still concerned that trade liberalization could empower economic actors that may threaten their rule, and they are concerned about decreasing rents and political sovereignty. As a result, personalist dictators will sign trade agreements only to the extent that they are not costly and do not threaten their rule, such as when they expect that the PTA will further consolidate their rule and aid in "coup proofing" their regime. In contrast, more institutionalized regimes tend to have a larger number of actors involved in policy-

making, and are generally subject to more constraints especially in economic policy-making. When protectionist coalitions become institutionalized in this manner, they can be very stable, making it more difficult for these states to commit to an international agreement that would change the trade policy status quo. Due to the larger size and more formal nature of coalitions in these regimes, there is often a greater number of actors who would lose from trade liberalization and who could act as effective veto players.

In addition, the lack of pre-existing institutional commitment mechanisms makes signing PTA potentially more valuable for personalist dictators. In the absence of formal state-business relations, the commitment problem I described previously can be more severe. On the other hand, due to their greater institutional capacity, there are generally more avenues for providing minor policy concessions under party-based systems that can substitute for an signing international treaty. Finally, personalist dictators tend to have many available avenues for rent extraction other than tariffs that would allow them to potentially make up for lost tariffs, so they may be less concerned about committing to a trade agreement than leaders of institutionalized regimes, where large-scale expropriation would be more difficult. Yet oftentimes institutionalized regimes are also heavily reliant on patronage, and leaders may be worried about potential reductions in rent. For all of these reasons, I expect institutionalized autocracies to generally enter into fewer trade agreements than more personalized dictatorships.

Hypothesis 1: Personalized nondemocracies are more likely to sign trade agreements than nondemocracies with higher degrees of institutionalization.

In addition, I argue that institutionalization is also a good predictor for the types of trade agreements states are likely to sign. As I argued in the previous section, dictators may view certain types of trade agreements as potentially costly and harmful to their rule. Thus, agreements that may promote democratization (e.g. through human rights clauses), costly policy harmonization, or redistribution away from core regime supporters will be unattractive in the eyes of dictators. I expect that personalist dictators will have greater discretion

over trade policy-making and will be less likely to sign these types of agreements. Instead, I argue that although they tend to enter into PTAs more frequently, highly personalized dictatorships tend to sign "shallower" trade agreements than more institutionalized dictatorships.

Hypothesis 2: Personalized autocracies tend to enter into shallower trade agreements than autocracies with higher degrees of institutionalization.

Depth is a composite measure that analyzes the extent of trade liberalization states commit to when signing a PTA. This includes whether liberalization covers all sectors or is limited to a select few sectors as well as the extent of policy harmonization required. Deeper agreements generally cover a wider range of sectors and topics and affect them to a greater extent. Deep commitments are also more likely to contain non-trade provisions such as human rights clauses. Thus, personalist leaders' greater policymaking discretion allows them to avoid entering into PTAs that require too great a commitment to liberalization in the eyes of these leaders. Since personalist leaders, similar to other authoritarian leaders, tend to prefer protectionism, they will agree to trade cooperation only to the extent that they perceive it to be helpful for regime consolidation. On the other hand, institutionalized regimes are less likely to enter into PTAs due to the greater domestic constraints they face; yet when they are able to overcome these obstacles to PTA entry, institutionalized leaders will then tend to enter into deeper commitments.

Personalist states also tend to be characterized by (1) an absence of domestic institutions necessary for implementing deeper trade integration and (2) a limited number of sectors/industries/firms connected to the ruling elite that may benefit from and lobby for these agreements. As a result, formal platforms for collective lobbying and bargaining over trade policies tend to be lacking in these states. In institutionalized states, on the other hand, interest group bargaining is more formalized and more complex, and the capacity for policy implementation is generally higher. As a result, these states will be able to make deeper commitment to trade liberalization given they are able to overcome obstacles to PTA entry.

Consequently, I expect that personalist nondemocracies will enter into PTAs that tend to be narrow in scope, tend to benefit fewer sectors, and will require less policy coordination compared to institutionalized nondemocracies.