

**SOUTH-SOUTH TRADE, TRADE-BASED POLICY DIFFUSION, AND POLITICAL  
AUTONOMY IN COUNTRIES OF THE GLOBAL SOUTH**

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University of Pittsburgh, 2016

The tremendous growth of South-South trade is among the key trends in international economics, yet it has received surprisingly little attention from scholars of international political economy. This dissertation helps to fill this void by providing the first systematic analysis of the political effects of South-South trade. Such analysis is appropriate given the foreign policy norm that uniquely characterizes South-South relations, including South-South trade: countries of the South espouse the practice of non-interference in the domestic affairs of their partners. In contrast, countries of the North typically seek to promote certain domestic policies among their partners in the Global South, such as human rights, democratic governance, certain foreign policy behaviors, and labor and environmental standards. In light of Southern non-interference and its contrast to the foreign policy norms of countries of the North, this dissertation assesses the effects of South-South trade on trade-based diffusion processes associated with labor laws, environmental standards, and voting within international organizations. In assessing each of these policy areas, the analysis considers three issues: first, whether the policy diffusion patterns associated with South-South are different from those associated with other types of trade flows; second, whether high levels of South-South trade weaken the effectiveness of trade-based policy promotion efforts by countries of the North; and third, whether variation in South-South trade levels moderates the relationships between domestic political variables and policy outcomes. These hypotheses correspond to a novel theory positing that trade-based efforts by Northern countries to promote the adoption of their favored policies by partners in the South are weaker where those Southern partners engage in high levels of South-South trade. In Southern countries where Northern efforts are rendered weak by high levels of South-South trade, it is further theorized that domestic level interests and institutions play a larger role in the policy process, as these interests and institutions are less constrained by interference from the North and not subject to comparable interference efforts from the South. The results provide mixed support for this theory, but they do clarify that South-South trade is accompanied by different policy diffusion patterns than other types of trade.

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## PREFACE

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## 1.0 INTRODUCTION

Trade between countries of the Global South has grown tremendously in recent decades. While South-South trade made up less than 20 percent of trade by Southern countries in 1980, it now makes up close to 50 percent (IMF, 2014). In 2008 South-South trade accounted for 46 percent of exports by Southern countries and 54 percent of their imports (Hochstetler, 2013), and in 2010 South-South exports reached \$3.5 trillion (United Nations Conference on Trade and Development, 2012). Scholars of international relations and political economy should clearly be attentive to this trend and to its political implications, but to this point there has been surprisingly little work in this area.<sup>1</sup> The dissertation that follows helps to fill this void in the literature, by presenting the first systematic analysis of the effects of South-South trade on politics.

Such an analysis is appropriate given the norm of non-interference that uniquely characterizes South-South trade and South-South relations more generally. Within this context, countries of the South claim not to try to affect the political behaviors of their partners. In contrast, countries of the North typically seek to promote certain domestic policies among their partners in the Global South, such as human rights, democratic governance, certain foreign policy behaviors, and labor and environmental standards.

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<sup>1</sup> There have been a few recent studies focusing on South-South trade, including analysis by Gourdon (2011) on South-South trade and wage inequality, and case study work on South-South trade and the environmental by Hochstetler (2013).

As Nathan (2009) explains, non-interference constitutes an alternative to the world order that formed in the era of US hegemony, “in which international regimes and institutions, often reflecting U.S. interests and values, limit the rights of sovereign states to develop and sell weapons of mass destruction, repress opposition and violate human rights, pursue mercantilist economic policies that interfere with free trade, and damage the environment.” The South’s alternative design for the world “stresses the equal, unfringeable sovereignty of all states large and small, Western and non-Western, rich and poor, democratic and authoritarian, each to run its own system as it sees fit, whether its methods suit Western standards or not.”

Given these different norms that encompass trade policy, South-South trade may have different political effects than North-South trade and trade dependency on countries of the North may have different political effects than trade dependency on countries of the South. The literature attests to the success of Northern efforts to promote their favored policies in dependent Southern countries, be those policies of economic liberalization (Tsai, 2001), democratization (Lavenex and Schimmelfennig, 2011), labor standards (Kim, 2012), or voting in the United Nations (Richardson, 1976). In contrast, given the norm of non-interference in South-South relations, there should not be comparable outside pressure from Southern trade partners (even dominant ones) to adopt particular policies.

These differing foreign policy norms associated with North-South and South-South relations inform a novel theory of trade direction and political independence. Specifically, I argue that whereas those countries that engage in high levels of North-South trade are pressured to adopt policies promoted by Northern partners, there is not comparable pressure from trade partners of the South that adhere to the norm of non-interference. Moreover, high levels of South-South trade likely afford countries of the South with leverage in their North-South

relations – leverage that they may use to rebuff policy promotion efforts by Northern trade partners.

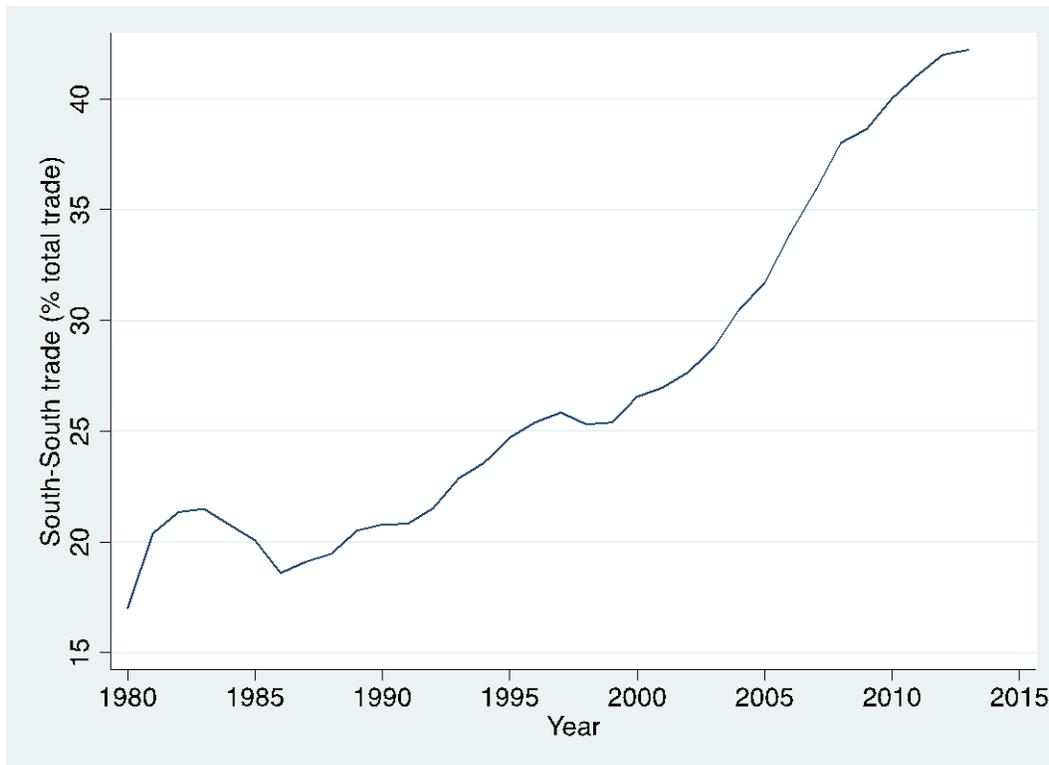
In countries where Northern efforts are rendered weak by high levels of South-South trade, domestic level interests and institutions are theorized to play a larger role in the policymaking process, as they are less constrained by efforts of Northern countries and not subject to comparable interference efforts by Southern partners. This would constitute political autonomy, which scholars of international relations have defined as the independence of states from external constraints on their policy behaviors (Nelson, 2008) or the independence of nations' domestic authority structures from interference by external actors (Krasner, 1999).

## **1.1 THE RISE OF SOUTH-SOUTH TRADE**

This theory takes on special significance in light of the great increase in South-South trade during the late 20<sup>th</sup> and early 21<sup>st</sup> Centuries. Figures 1, 2, and 3 demonstrate this increase and its nuances. Figure 1 illustrates the rise of South-South trade (as a percentage of total trade) for countries of the Global South.<sup>2</sup> This figure shows a gradual increase in South-South trade from less than 20 percent of Southern countries' trade in the the mid-1980s to over 40 percent in 2013.

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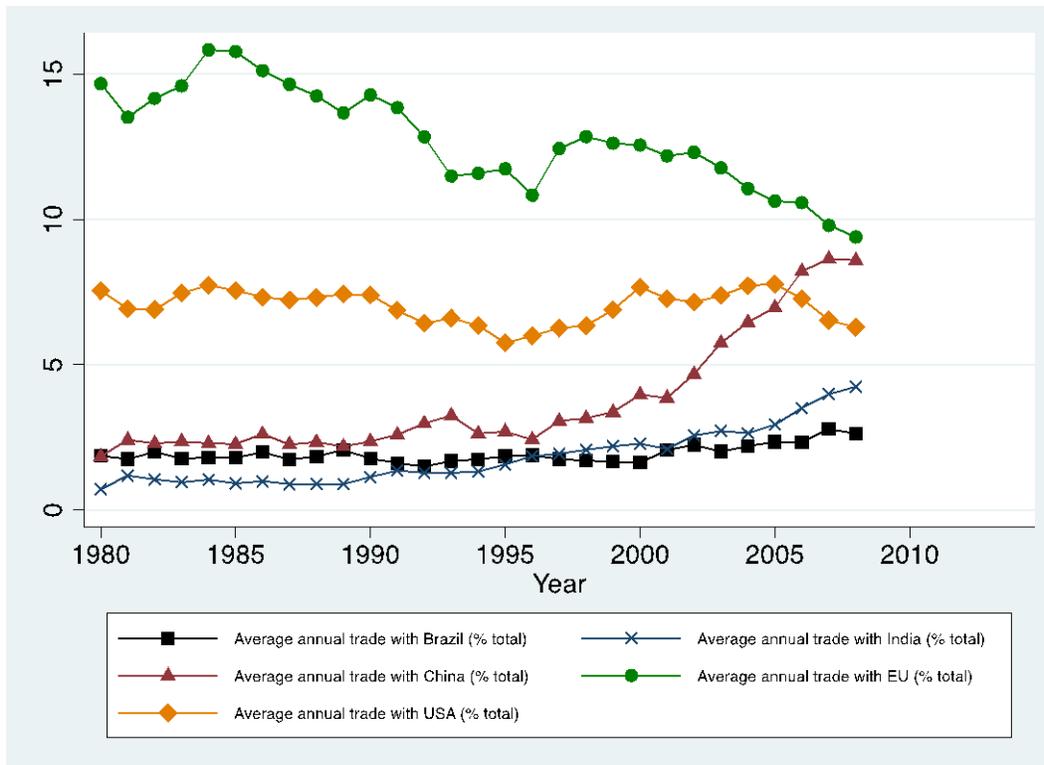
<sup>2</sup> As is explained in greater detail below, Southern countries are operationalized in this dissertation as countries that have been members or observers of the Non-Aligned Movement and South-South trade is operationalized as trade between these Non-Aligned Movement countries.



**Figure 1: Average annual South-South trade by sample countries, 1980-2013.**

**South-South trade is operationalized here as trade between Non-Aligned Movement countries. Data for this figure has been drawn from the IMF Direction of Trade Statistics.**

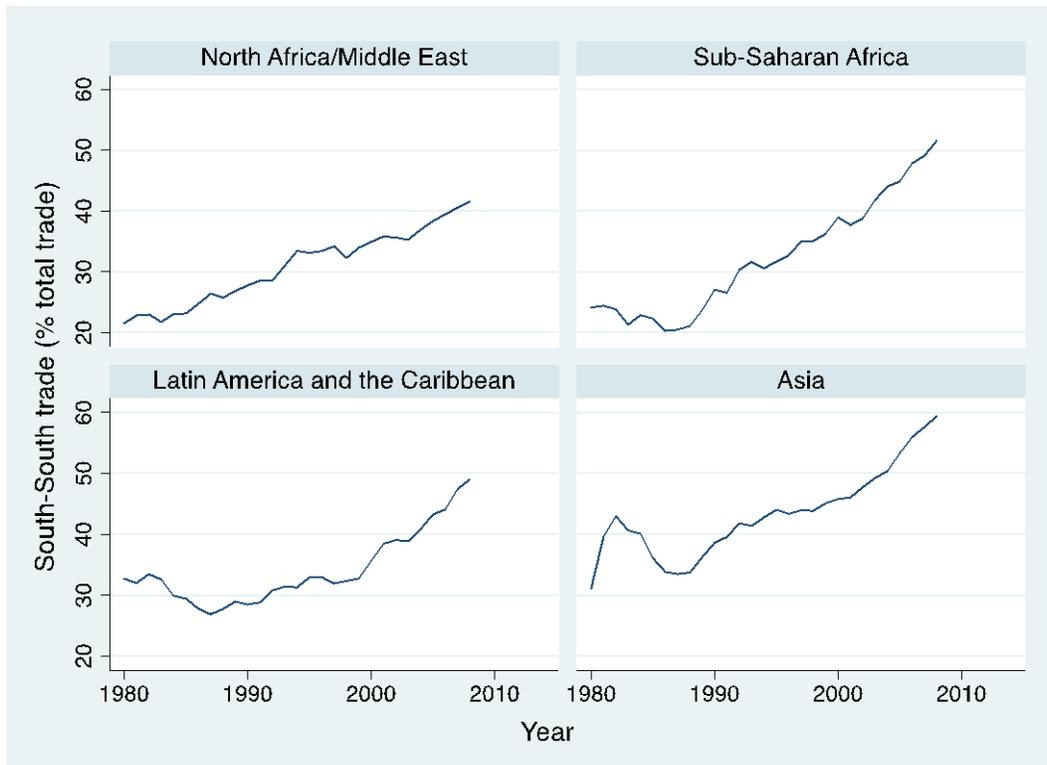
Figure 2 provides another view of this trend, focusing on trade with key countries of the North and of the South. Specifically, it provides Southern countries' average annual trade levels with the United States, the European Union, China, India, and Brazil, each as a percentage of total trade, from 1980-2008. As the figure demonstrates, there have been recent declines in trade with the United States and the European Union as shares of total trade, coinciding with increases in trade with China, India, and Brazil. The most pronounced shifts have been the decrease in Southern countries' trade with the European Union and the increase in Southern countries' trade with China.



**Figure 2: Share of Southern countries’ trade directed towards Brazil, China, the United States, India, and the European Union, from 1980 to 2008.**

**Data for this figure is from the IMF Direction of Trade Statistics.**

Figure 3 adds further documentation of the growth of South-South trade by demonstrating its rise across regions of the South. This figure provides data on South-South trade levels for four regions of the South: (1) North Africa and the Middle East, (2) Sub-Saharan Africa, (3) Latin America and the Caribbean, and (4) Asia. In each of these regions, there has been a steady increase in South-South trade as a share of total trade since the mid-to-late-1980s. In 2008, South-South trade constituted over forty percent of trade for all four regions and over fifty percent of trade for countries of Asia and Sub-Saharan Africa.



**Figure 3: South-South by region, 1980-2008.** Data for this figure is from the IMF *Direction of Trade Statistics*.

Additional charts (Figures 10-13 in the *Chapter One Appendix*) offer further detail by providing annual trade between the countries of Southern regions and the United States, the European Union, China, India, and Brazil, each as a percentage of total trade, from 1980-2008. These figures demonstrate the following:

- The European Union continues to hold the largest share of trade with countries of North Africa and the Middle East, but the shares of trade directed to China and India have grown in the 21<sup>st</sup> century (see Figure 10).
- In Sub-Saharan Africa, the trade dominance of the European Union has declined dramatically, from over 20 percent of trade in the mid-1980s to less than 10 percent in

2008. Simultaneously, trade with China has risen from under 5 percent to over 10 percent of total trade in the same time period (see Figure 11).

- In Latin America and the Caribbean, trade with the European Union and with the United States have declined while Brazil and China's shares of trade have increased (see Figure 12).
- In Asia, China and India's shares of trade have each surpassed those of the United States and the European Union, since 2000 (see Figure 13).

## **1.2 SECOND SECTION: POLICY AREAS OF INTEREST IN THIS DISSERTATION**

If the theory of this dissertation is correct and higher levels of South-South trade afford Southern countries greater leverage in their relations with the North and accompanying political autonomy, then this is likely to be most evident in policy areas that countries of the North have been demonstrated to influence through trade-based efforts. This dissertation focuses on three of these areas of politics, two domestically oriented internal policy areas and one internationally oriented external policy area.

The internal policy issues of interest are labor rights and environmental standards. These are particularly sensible policy issues to investigate, insomuch as they are key areas that Northern countries have sought to influence and that Southern countries have sought to protect through promotion of the non-interference ideology. The third area – one of international policy – is foreign policy conformity, measured by votes in the United Nations General Assembly. International politics merit scrutiny because it is less clear that non-interference extends to the international political arena. Southern countries may not be interested in influencing one others'

internal affairs, but it does not necessarily follow that they have no interests in influencing the foreign policies of their Southern partners. Voting at the United Nations is an appropriate foreign policy area to investigate, given its centrality to international governance and the near universality of United Nations membership.

The results of the analyses that follow provide mixed support for the theory. The policy area that is most consistent with theoretical expectations is labor law. My statistical analysis of this policy area demonstrates, first, that while the trade-based diffusion of pro-social labor rights laws is evident, South-South trade does not contribute to this “race to the top.” In addition, Southern countries that trade with the other countries of the South at high levels do not experience any trade-based diffusion of labor laws whatsoever. Case study analysis of Malaysia indicates that trade with countries of the South (particularly China) does afford that country with leverage in its North-South relations (particularly in its relations with the United States), and that this leverage has allowed Malaysia to resist trade-based efforts by its Northern partners to influence its labor policies. Moreover, additional statistical analysis indicates that South-South trade levels moderate the domestic political process, such that domestic level factors that would otherwise encourage weak labor protections are empowered by high levels of South-South trade, whereas those that are in line with the pro-social interests of the North are disempowered.

The analysis of environmental standards similarly shows that while trade-based diffusion of strong environmental standards is evident, South-South trade does not contribute to it. In addition, there is evidence that high levels of South-South trade weaken the trade-based diffusion of environmental standards from countries not of the South. However, the results do not indicate that variation in South-South trade levels affects the relationships between domestic political variables and environmental policy, as theorized.

Lastly, the results pertaining to South-South trade and foreign policy conformity do not indicate that countries of the South practice non-interference in their Southern partners' General Assembly voting. Instead, it would appear that South-South trade produces new pressures in the foreign policy arena, as countries of the South encourage foreign policy conformity through trade relationships in much the same way that Northern countries do. That said, results do indicate that countries of the North are less effective in influencing their Southern partners' foreign policy choices where those partners trade with the South at higher levels.

The dissertation's strongest finding is that South-South trade does not contribute to the trade-based diffusion of labor rights policies or environmental policies. The trade-based diffusion effect associated with these policies comes entirely from trade partners outside of the South. This finding suggests that Southern countries uniquely practice non-interference in their partners' internal political matters. In contrast, it appears that powerful Southern countries such as India, China, and Brazil do influence their Southern partners' foreign policy choices through trade, indicating that non-interference is more rhetoric than reality in the international policy arena.

The chapters that follow lay out the theory and hypotheses further, test them on their own terms and against other possible explanations derived from the literature, and analyze the results. *Chapter Two* provides a literature review that emphasizes the contrasting ideologies of the North and the South toward political interference, and then builds the theory that higher levels of South-South trade correspond to greater degrees of domestic political autonomy for countries of the South. Chapters *Three*, *Four*, and *Five* develop and test hypotheses derived from the theory, with attention to labor laws, environmental standards, and voting in the United Nations General Assembly. In *Chapter Six*, the implications of findings from previous chapters for countries of

the North and countries of the South are discussed, as are possible and probable policy responses from countries representing each bloc. The concluding chapter summarizes findings, discusses limitations of this dissertation, and outlines prospects for future research.

## **2.0 SOUTH-SOUTH TRADE, NON-INTERFERENCE, AND POLITICAL AUTONOMY IN COUNTRIES OF THE GLOBAL SOUTH**

This chapter develops the overarching theory of this dissertation: countries that direct a larger share of their trade to the South have a greater amount of political autonomy than do those countries that engage in lower levels of South-South trade. This theory is informed by evidence that countries of the North do successfully promote the adoption of their favored policies by trade dependent partners in the South, which scholars have attributed to the power asymmetry that accompanies trade dependence (Richardson and Kegley, Jr., 1980). However, for Southern countries that direct a larger share of their trade to other countries of the South, this Northern policy influence should not be so pronounced. Moreover, to the extent that Southern countries are disinclined to interfere with their partners' domestic politics due to the Southern norm of non-interference, whatever comparable leverage is held by Southern trade partners is unlikely to manifest itself in political interference, leaving a void in international level influence that may be filled by domestic level interest groups and institutions.

The remainder of this chapter develops this argument in greater detail. The first two sections contrast the norms regarding political interference associated with North-South and South-South trade. The next section re-introduces the theory of this dissertation: domestic-level interests and institutions play a larger role in the policymaking process in those countries that engage in higher levels of South-South trade. The fourth section discusses the dependent

variables that will be analyzed in order to test this theory. Next, alternative explanations are presented. The chapter ends with brief discussions of causality and a preview of *Chapter Three*.

## **2.1 EFFECTS OF NORTH-SOUTH TRADE ON POLITICS IN COUNTRIES OF THE SOUTH**

There are many examples of Northern countries seeking to influence domestic politics in Southern countries in an effort to promote their adoption of particular policies. This is evident in the democratization efforts of numerous US presidential administrations, in the Washington Consensus era promotion of liberal economic policies across the Global South, and in the incorporation of “behind the border” conditions into North-South trade and aid agreements. High levels of trade dependence on countries of the North puts pressure on Southern countries to adhere to these efforts by adopting the policies favored by their Northern partners. These policies typically include democratization, heightened labor and environmental standards, and liberal economic policies, among others, and reflect the liberal ideologies of Northern countries as well as the preferences of their domestic interest groups. In some cases, there is an overlap between ideology and interest groups, as in the case of promotion of labor rights, which have become incorporated into Northern foreign policy ideologies in large part through the lobbying efforts of labor-oriented domestic interest groups in Northern countries (Battista, 2008).

The literature on trade and policy conformity can be traced back to Hirschman (1945), who argued that trade dependence leads states to adopt the policies of their dominant partners, as dependent country states seek to prevent policy disputes that undermine their important trading relationships. This general argument informed subsequent work by Keohane and Nye (1977)

and Richardson and Kegley, Jr., (1980), each of which elaborated on the power asymmetries and accompanying policy pressures that are fostered by trade dependency. As Keohane and Nye explain: “dependence means a state of being determined or significantly affected by external forces” (8-9). In subsequent years, the role of trade in facilitating this policy influence was widely acknowledged and analyzed with regards to both states’ internally focused domestic policies and externally focused foreign policies.

With respect to domestic politics, literature has primarily emphasized the effects of trade dependency on policies of economic liberalism, either via downward effects on taxing and spending (Kaufman and Segura-Ubiergo, 2001) or via trade-based political pressures (Tsai, 2001). Additionally, literature has highlighted the effects of trade dependency for political regime type (Bollen, 1983; Lavenex and Schimmelfennig, 2011). Most recently, scholarship has identified a trade-based policy diffusion of labor rights (Greenhill et al., 2009) and environmental standards (Prakash and Potoski, 2006; Saikawa, 2013). In contrast to earlier race to the bottom work, these recent studies suggest that bilateral trade dependency on countries with high labor and environmental standards is accompanied by a race to the top or a “California effect,” as Vogel (1995) termed it.

Scholars have also focused on externally oriented foreign policies, with particular attention to foreign policy cooperation and convergence. With respect to foreign policy cooperation, in the form of peaceful dispute resolution, Polachek et al. (1999) argue that the most trade dependent countries “face the highest costs of potentially lost trade and hence engage in the least conflict and the most cooperation” (405). This argument is supported by Domke (1988) who finds that trade dependency reduces the onset of conflict. Likewise, Barbieri (2002) finds that countries characterized by asymmetrical trade dependence are less likely to engage in

military disputes with partner states, in contrast to states characterized by symmetrical trade interdependence.

With respect to foreign policy convergence, Richardson (1976), for example, found evidence that foreign policy convergence on salient issues accompanied trade dependence on the United States. A study by Ray (1981) shortly thereafter found evidence for foreign policy convergence between the the USSR and trade-dependent countries of Eastern Europe. Menkhaus and Kegley, Jr. (1988) conducted case study analysis of Somalia in order to better understand how that country's economic dependencies manifested themselves in foreign policy convergence with dominant states. They found that trade dependence was the central form of economic dependency that fostered foreign policy conformity, although they also acknowledged the importance of aid dependence. More recently, studies by Dreher and Sturm (2012) and Flores-Macías and Kreps (2013) have demonstrated statistically the significant effects of trade dependence on foreign policy convergence.

Clearly, trade dependence on countries of the North has been demonstrated to impede on the political independence of Southern countries on a host of issues. As Barbieri (2002) explains, “asymmetrical [trade] dependence affords the more independent state a position of power over the dependent state, such that the latter becomes vulnerable to political and economic manipulation” (13). The literature has been particularly attentive to the effects that North-South trade has on labor standards and voting in the United Nations, which are two areas of primary concern in this dissertation. In its analysis of North-South trade and political dependency in these two policy areas, the literature has provided statistical evidence and a number of theoretical causal mechanisms.

In the first area, labor standards, two mechanisms stand out as to how North-South trade relations put pressure on Southern countries to adopt stronger labor protections: the threat of sanctions and trade agreement conditions. Northern countries have threatened to sanction Southern countries for their poor labor rights records and in some instances followed through on these threats. For example, following the collapse of a garment factory in 2013, the United States downgraded Bangladesh's trade privileges (McMullen, 2013) and the European Union threatened to do the same. Three weeks later, Bangladesh responded to these efforts by adopting new laws requiring factories to allocate five percent of their profits for employee welfare, barring the country's labor ministry from sharing the the names of workers who wish to unionize with factory owners, and adding protections to improve building safety (Greenhouse, 2013).

In other cases, sanction based pressures are administered through threats to suspend World Trade Organization (WTO) benefits. Under US law, Washington must suspend the WTO's Generalized System of Preferences (GSP) privileges of any trading partner that is not making efforts to grant its workers labor rights, such as freedom of association, collective bargaining, and protections from child labor and forced labor. The US government has only selectively threatened the restriction of these privileges, with attention to geopolitical strategy as well as labor rights violations. Nevertheless, it has threatened to suspend privileges on numerous occasions and, in the process, persuaded trade dependent countries to improve their labor rights protections (Alagappa, 1994).

The case of Indonesia exemplifies this. In 1993, the US Trade Representative threatened Indonesia with suspension of GSP privileges, due to its persistent labor rights violations. Facing penalties to \$600 million in exports to the United States, the Indonesian government increased minimum wage, lifted restrictions to strikes, and eased union membership (Alagappa, 1994).

A similar process occurred more recently in Fiji. In 2012, labor unions in Fiji working with the AFL-CIO lobbied the US government to drop Fiji from the GSP due to its poor labor rights record. The US government opened an investigation, which remains ongoing. As Jitendra Singh, a trade representative with the Fiji Trade Commission in Washington, explained to me, the benefits derived from the GSP are important to Fiji, particularly given its reliance on the United States as a trade partner. The importance of GSP benefits, as well as Fiji's concerns about the reputational costs of being labeled a human rights violator, made resolution of this issue a high priority for its government.

The second mechanism by which Northern countries promote labor rights is through the formation of North-South preferential trade agreements (PTAs). North-South PTAs typically include conditions and incentives promoting labor and environmental standards, among other policies, by Southern partners (Ross and Chan, 2002; Dür et al., 2011). The inclusion of these conditions is likely attributable to a two-level game dynamic (Putnam, 1988), whereby Northern governments seek to promote PTA formation for international level reasons (Mansfield and Reinhardt, 2003; Chin and Stubbs, 2011), yet leaders also attempt to appease their domestic constituents in order to protect their political positions (Kim, 1999; Schoppa, 1997). Where countries of the South are dependent on North-South trade, they are under great pressure to sign these agreements and to adhere to their conditions.

The literature has generally found that these conditions are effective in promoting labor rights in Southern countries. For example, Kim (2012) demonstrated that countries that sign PTAs with the United States tend to adopt conditions before the PTA even goes into effect. Likewise, North-South PTAs involving the European Union have been demonstrated to lead Southern countries to adopt stronger labor standards, although adherence to the conditions tends

to occur only after the agreements have gone into effect (Postnikov and Bastiaens, 2014). The effect in either case is to compel national leaders to implement policies that would otherwise be impossible due to opposition from domestic interests (Baccini and Urpelainen, 2014).

Literature has also demonstrated the relationship between North-South trade and foreign policy conformity by Southern countries. Morrow et al. (1998), for example, found a correlation between countries' voting patterns in the United Nations and their trade with the United States: "states whose interests are closest to those of the United States, as measured by similarity of voting in the United Nations, have higher levels of trade with the United States than with other states" (650). Likewise, in their analysis of the relationship between bilateral trade and United Nations General Assembly voting, Richardson and Kegley, Jr., (1980) concluded that trade dependency with the United States "compromises the foreign policy behavior" of dependent partner countries (191).

Richardson and Kegley, Jr., theorized that a power asymmetry characterizes North-South trade relations, which compels Southern countries to support the policy objectives of their dominant trade partners at the United Nations. Specifically, according to Richardson and Kegley, Jr., three characteristics of North-South trade foster Southern dependence and, in turn, produce Northern influence: (1) North-South trade relationships benefit Southern economies to a greater extent than they do Northern economies, leaving a given Southern country more intent on the continuation of that beneficial trade relationship; (2) Southern countries suffer from deteriorating terms of trade in their North-South trade relations, which leaves Southern countries unable to shift to a different basket of exports and thus particularly reliant on the export relationships that they hold with key Northern partners; (3) the tariffs that Northern countries

apply tend to cover particular manufactured goods or sectors, making it difficult for their trade partners in the South to move into more sophisticated modes of production.

These three factors cumulatively produce an asymmetric trade dependence that leaves Southern countries more reliant on their Northern partners' markets than their Northern partners are on them. In an effort to maintain these relations, trade dependent Southern countries are especially likely to support the policy objectives of their dominant Northern partners, particularly the policy areas that are most salient to their dominant Northern partners. Richardson and Kegley, Jr., emphasized UN voting as a salient issue for countries of the North, and indeed a plethora of literature attesting to influence of Northern countries on UN voting by Southern countries (Richardson, 1976; Richardson and Kegley, Jr., 1980; Morrow et al., 1998; Dreher and Sturm, 2005; Dreher et al., 2008; Vreeland and Dreher, 2014). Inasmuch as labor and environmental standards are salient issues for countries of the North, they too are likely to be affected by these same dynamics.

## **2.2 NON-INTERFERENCE IN SOUTH-SOUTH RELATIONS**

In contrast, relations between Southern countries are not accompanied by the same kinds of attempts to promote the adoption of particular policies. This reflects the ideology of non-interference that has been emphasized by Southern countries and that has characterized their relations with one another.

The emphasis on non-interference in South-South relations can be traced back to the Five Principles of Peaceful Coexistence, which included the following: (1) mutual respect for each other's territorial integrity and sovereignty, (2) mutual non-aggression, (3) mutual non-

interference in each other's internal affairs, (4) equality and cooperation for mutual benefit, (5) peaceful coexistence. These Five Principles were developed by the Chinese Communist Party and first articulated by Mao Zedong in the 1940s. China's forging of the Principles reflected the anti-imperial ideologies of Communist Party members, as well as the country's strategic approach to maximizing its economic and political partnerships with other nations through a policy of non-discrimination on the basis of partners' domestic political regimes, labor practices, or any other domestic characteristics and practices (Richardson, 2010).

The Five Principles gained further traction in South-South relations with the establishment of the Agreement on Trade and Intercourse between the Tibet Region of China and India at the Sino-Indian Summit in 1954. The Five Principles framed negotiations between the two countries leading up to the agreement, helping them to overcome tensions and find mutual understanding based on their shared desires for territorial integrity and their "common experiences with colonialism, independence, and economic development" (Richardson, 2010: 13).

The Five Principles, including the provision for non-interference, were next incorporated into the 10-point "declaration on promotion of world peace and cooperation" that emerged from the Bandung Conference of newly independent Asian and African states in 1955, and that informed the 1961 founding of the Non-Aligned Movement. The inclusion of the non-interference provision, among the other Five Principles, was attributable to China's efforts to institutionalize its foreign policy ideology as well as an overlap in the views on external relations held by the Non-Aligned Movement countries and China. These states generally viewed foreign alliances, particularly alliances with former colonial powers, as potential threats to their

economic security and political sovereignty, and thus sought to promote a framework for international relations that would emphasize national sovereignty.

This Third World ideology of non-interference developed within the context of decolonization and reflected concerns about Northern infringement on the sovereignty of independent states. Yet it has persisted, forming a great difference in the ideological foundations that inform foreign politics in the North and in the South. The inclusion of non-interference provisions in subsequent South-South treaties and organizations, such as ASEAN (Acharya, 2009), CARICOM (Caribbean Community Secretariat, 1979), the African Union (Agbor and Mentan, 2013), and the CIS Treaty of Minsk (Malfliet, 1998), among others, further solidified its importance as a guiding principle for relations between Southern countries. Non-interference had become central to South-South relations.

It should be noted that Northern countries have, at times, embraced foreign policies of non-interference. The most notable example is the Roosevelt Administration's Good Neighbor policy toward Latin America, during which the United States renounced interference in the domestic affairs of Latin American countries and forged alliances and trade agreements with a host of dictatorial regimes (Butt 2013). In the post-World War II era, however, the general tendency of the North has been interference, whereas the countries of the South have generally emphasized non-interference. Northern countries expect that the peaceful coexistence of nations can only be achieved through the common adoption of particular domestic policies, including democracy and human rights. In contrast, Southern country governments generally contend that peaceful coexistence is contingent upon respect for the heterogeneity of domestic policies across nations.

The South's perspective is evident in the condition-free trade (Ross and Chan, 2002; Dür, 2011) and aid (Tan-Mullins et al., 2010) agreements between countries of the South, as well as the apparent immunity of trading relationships between Southern countries to outbreaks of civil conflict and authoritarianism by their partners (Taylor, 2006). China has been particularly noteworthy for its non-interference stance, as it has often emphasized the themes of “non-interference, anti-hegemonism, and resistance to the developed world as a continuous premise” for its relations with other Southern countries (Taylor, 2007: 90).

Beyond the ideological and anti-colonial elements contributing to non-interference, there are pragmatic reasons as to why countries are inclined to adopt such an approach to international affairs. Taylor (1998) argues that China's emphasis on non-interference has been intended to deflect criticism of its own human rights record. Likewise, Hanauer and Morris (2014) note that China's concerns about maintaining possession of would-be breakaway regions such as Xinjiang, Taiwan, and Tibet dissuade it from criticizing or sanctioning other countries over civil conflicts and dissident crackdowns. Moreover, non-interference policies allow Southern countries to engage in lucrative economic relationships without concern for infringements by their partners on the political rights of their own citizens. Thus, the willingness of Southern country states to look past the problematic behaviors of their partners is largely self-serving.

### **2.3 SOUTH-SOUTH TRADE AS AN AVENUE TO POLITICAL AUTONOMY FOR COUNTRIES OF THE SOUTH**

The previous sections have highlighted a contrast between North-South and South-South trade: whereas Northern countries use trade dominance to promote certain policy behaviors by their

Southern partners, Southern countries advocate non-interference in one another's political affairs. In light of these contrasting norms, trade dependence on countries of the North is likely to have very different political effects than trade dependency on the South. Specifically, while those countries that engage in high levels of North-South trade are pressured to adopt policies promoted by Northern partners, there may not be comparable pressure from trade partners of the South that adhere to the norm of non-interference.

Moreover, high levels of South-South trade likely afford countries of the South with leverage in their North-South relations – leverage that they may use to rebuff policy promotion efforts by Northern trade partners. As such, high levels of South-South trade may undermine efforts by Northern countries to advance their policy agendas through trade.

For example, while the United States has been effective in its efforts to promote labor rights in Indonesia and Fiji by threatening to drop those countries from the WTO's GSP, the same strategy was less effective in Malaysia. As had occurred with Indonesia and Fiji, in 1988 the AFL-CIO pressured the United States government to remove Malaysia's GSP benefits, in light of the country's poor labor standards. At that time, Malaysia did take minimal steps to improve its labor rights in order to retain GSP status (Levine, 1997). However, Malaysia's ability to rely on alternative trade partnerships subsequently lessened its willingness to succumb to Northern pressures by improving labor standards.<sup>3</sup>

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<sup>3</sup> Malaysia would go on to challenge trade-based efforts by the United States to promote labor standards through the World Trade Organization (WTO). Specifically, it led the Southern opposition to fight Northern efforts (led by the United States and France) to link trade to a minimum wage and to make support from the International Labour Organization (ILO) contingent on adherence to ILO labor rights mandates. Malaysia won the support of ASEAN, as well as China, Sudan, Egypt, India, Bangladesh, and Pakistan, among others. This Southern bloc was ultimately successful in preventing the implementation of either policy (Levine, 1997).

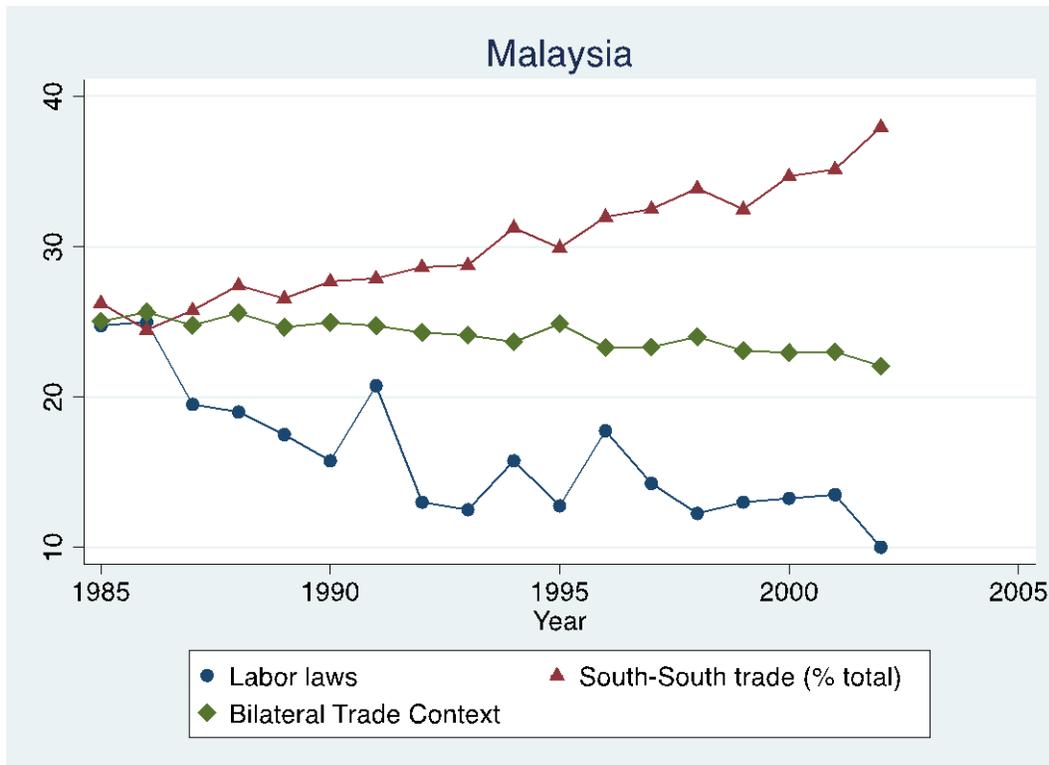
In light of Washington's imposition of human rights measures, including its threats to drop its GSP privileges due to labor rights violations, Malaysia has been particularly apprehensive about dependency on the United States. Acharya (2005) quotes and paraphrases former Malaysian Prime Minister Mohammed Mahathir's concerns about "Washington's tendency to be meddlesome over issues of political freedom and human rights" and to "impose things on others" including the "heavy handed promotion of values." In light of this tendency, Malaysia has welcomed economic engagement with China, which has afforded it leverage to resist "Washington's crusade on human rights (including its promotion of labour rights)" (143).

Indeed, as its trade dependency on the North declined and its South-South trade levels increased, Malaysia appears to have been relieved of effective labor rights promotion. As Figure 4 demonstrates, Malaysia's labor laws have generally decoupled from those of its trade partners as South-South trade has increased as a share of total trade. Specifically, the figure demonstrates that the correlation between Malaysia's *bilateral trade context* score and its *labor law* score<sup>4</sup> is generally weaker where South-South trade levels are higher. This supports Acharya's (2005) observation that Malaysia has found "China to be a useful partner on... human rights, especially in offsetting American pressure in this area" (147).<sup>5</sup>

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<sup>4</sup> *Bilateral trade context* is a measure, created by Greenhill et al. (2009), which weights a country's exports to each importing partner by the labor laws of those partners. The *labor law* score was also developed by Greenhill et al. Both variables are described in greater detail in *Chapter Three*.

<sup>5</sup> While beyond the time series being analyzed in this study, it bears mentioning that Malaysia did enter trade negotiations with the United States in 2006 (Glick, 2008). These negotiations collapsed due to demands by the United States that Malaysia improve its labor and environmental standards. The countries would later reenter negotiations within the context of the Trans-Pacific Partnership (TPP), ultimately coming to terms. TPP negotiations between the United States and Malaysia are discussed in greater detail in *Chapter Six*.



**Figure 4: Change in Malaysia *bilateral trade context* score relative to its *labor law* score as South-South trade increased from 1985-2002.**

Malaysia's experience supports the notion that high South-South trade levels afford countries of the South with leverage in their North-South relations – leverage that they use to rebuff the efforts of Northern countries to promote their adoption of labor rights policies. Indeed, as Hairil Yahri Yaacob, Malaysia's Economic Counsellor in Washington DC, acknowledged in an interview, bilateral trade dependence does afford the dominant country in the relationship with bargaining leverage in bilateral trade negotiations.

In countries like Malaysia where Northern efforts are rendered weak by high levels of South-South trade, domestic politics may play a larger role in the policymaking process, as domestic interests and institutions are less constrained by interference from the North and not subject to comparable interference efforts from the South. This would constitute political

autonomy, as defined by Krasner (1999) and Nelson (2008): the independence of states from external constraints on their policy behaviors or the independence of nations' domestic authority structures from interference by external actors. If countries that engage in high levels of South-South trade are indeed characterized by greater political autonomy, then domestic political factors should have a larger effect on policy outcomes in these countries than they do in countries that engage in lower levels of South-South trade.

Malaysia's experience again proves instructive. During the early years of the time series presented in Figure 4 (1985-2002), Malaysia's *labor law* score was in the mid-20s (24.75 in 1985 and 25 in 1986), putting it above the mean score for countries in the sample (22.52). Given Malaysia's domestic characteristics, which include poor democratic institutions (with Polity scores fluctuating between 3 and 4 over the time series) and union density (Malaysia's mean union density over the time series is 11.47, compared 30.16 for all countries in the sample), this *labor law* score seems quite high. However, as South-South trade grew and as labor rights laws simultaneously worsened, Malaysia's laws came to better reflect the domestic interests and institutions that characterized that country, as measured in terms of democracy and labor power.

## **2.4 DEPENDENT VARIABLES OF INTEREST**

If this dissertation's theory is correct, then the political autonomy accompanying high levels of South-South trade will be most clearly observable in the policy areas that Northern countries have sought to influence and that Southern countries have been indifferent toward. These areas include regime type, human rights, corruption, labor rights, and environmental standards. While each of these areas should provide a testing ground for the theory at hand, this dissertation's

attention to domestically oriented internal politics will focus specifically on labor rights and environmental standards.

Labor rights are often a point of contention between Northern and Southern countries in their trade negotiations, due to the demands of labor groups in Northern countries (Elliot, 2011). As such, labor rights conditions are often included in North-South trade agreements and excluded from South-South trade agreements (Ross and Chan, 2002; Dür, 2011). Given this divergence between Northern and Southern countries, labor rights are an appropriate policy area for this dissertation. In *Chapter Three*, which focuses on labor rights, the expectation will be that countries that engage in higher levels of South-South trade are less susceptible to the efforts by Northern countries to influence their labor policies. Moreover, given the expectation that Southern countries do not make efforts to influence the labor standards of their trade partners, the expectation will be that domestic interests and institutions play a larger role in the setting of labor standards in countries that direct a larger share of their trade to the South.

While the trade-based promotion of environmental standards has not received the degree of attention in the literature that labor rights promotion has, environmental standards are typically included among the non-trade “behind the border” conditions in preferential trade agreements (Postnikov, 2014) and they have been subject to trade-based diffusion (Prakash and Potoski, 2006; Marcoux and Urpelainen, 2012; Saikawa, 2013). In contrast, South-South trade agreements tend not to have these non-trade conditions (Dür et al., 2011) and, as Hairil Yahri Yaacob, Malaysia's Economic Counsellor in Washington DC, confirmed for me, Southern countries that abide by the norm of non-interference oppose the imposition of environmental standards by foreign partners.

A third policy area of interest is an international one: voting in the United Nations General Assembly. The purpose of this component of the dissertation is to test whether countries of the South also practice non-interference in the internationally oriented external political behaviors of their partners. While direct and formal negotiating for UN votes through trade agreements does not occur, as it does with labor and environmental standards, there is nevertheless considerable literature suggesting UN voting is a salient issue for Northern countries and that these countries use the leverage that is afforded to them through trade dominance to influence the voting behaviors of their Southern partners.

There is reason to be more skeptical of this hypothesis than of the others regarding labor and environmental standards, inasmuch as there are signs that Southern countries do, in fact, seek to influence one another's international policy choices. As Hanauer and Morris (2014) note of China, for example, "[d]espite its emphasis on non-interference, China does insist on one precondition for diplomatic relations with Beijing: It insists that African countries recognize the "One China" policy... Thus, while China consistently emphasizes its principle of de-politicization... Taiwan remains the one clear exception" (22). Whereas labor and environmental standards are probably not salient issues for Southern countries, UN voting may very well be and, if it is, dominant Southern trading partners are likely to use trade relations to influence the voting choices of their partners in much the same way that North countries have been demonstrated to. This will be considered in greater detail in *Chapter Five*.

## **2.5 SOUTH-SOUTH TRADE AMONG OTHER EXPLANATIONS FOR POLITICAL AUTONOMY**

Other explanations have also been advanced to explain political autonomy. Specifically, scholars seeking to explain autonomy typically highlight one of three structures of states' foreign economic relations. These structures are (1) economic isolation, (2) diversification of economic partnerships, and (3) South-South engagement. The paragraphs that follow consider arguments used to advance each of these theories and, in doing so, make the case that South-South trade offers the best theoretical explanation for political autonomy among trading states.

### **2.5.1 Explanation One: Autarky**

The first structure of foreign relations, isolation, holds that by remaining in a state of autarky, a country can shield itself from outside pressures. Countries that exemplify or have exemplified this trend include Burma in the 1960s and 1970s and Cuba in the post-Cold War era. While Cuba's isolationism was imposed from outside in the form of the US Embargo, Burma purposefully transitioned from a policy paradigm characterized by international economic integration and diplomatic engagement to one of autarky and isolationism, beginning in 1963. As Holsti (1982) explains:

Burma's turn inward after 1963 was occasioned not by any immediate security threat... but more by a judgment among the top military leaders and government officials that previous policies of keeping the country open to a flood of foreign aid advisors, missionaries, teachers and businessmen had led to excessive penetration, which was

threatening to complete the destruction of a society that had already undergone social disintegration under British colonial rule (105).

As the quote above notes, Burma was a country with extensive diplomatic and economic ties in its early post-colonial years. Under the Premiership of U Nu (1948-58, 1960-62), Burma participated in several international conferences, took positions within international organizations, established dozens of embassies abroad, and accepted aid, trade, and investment from the United States, the Soviet Union, and other states, as well as the International Monetary Fund and the World Bank. However, shortly after the 1962 military coup led by General Ne Win, Burma implemented a series of policies to bring the national economy and society under state control: the government nationalized the country's banks and foreign corporations, it limited foreign investment and trade, and it expelled foreigners and restricted tourism.

While acknowledging that pinning down a single explanation for Burma's drastic turn is a difficult task, Holsti attributes Burma's shift to the post-colonial cultural attitudes of anti-imperialism and accompanying concerns about creeping dependency that pervaded among the country's leadership and its population more generally. The choice to pursue isolationism and autarky was one intended to protect the country's political autonomy in the face of a seemingly impending turn toward dependency. As one official put it, "we would rather be poor and our own masters than slaves to a foreign power" (105).

In the context of dependency theory, this sort of isolationism is in keeping with the delinking logic that produced import substitution policies in Latin America. In this region, the approach ultimately collapsed under the weight of debt, leaving countries more dependent on the North than ever. Moreover, even if it is to be accepted that isolationism of the sort practiced by

Burma is successful in terms of creating political autonomy, this dissertation is interested in trading countries, not isolated ones. The other two structures of foreign relations that have been suggested to produce autonomy – diversification of economic partnerships and South-South engagement – are indeed openness-oriented.

### **2.5.2 Explanation Two: Diversification of Economic Partnerships**

The second structure of foreign relations that has been said to produce political autonomy is diversification of economic partnerships. The argument, as articulated by Lebovic and Hill (1988), holds that “through diversification, a nation can protect itself from influence attempts and external economic conditions, can reap bargaining advantages from the structure of trade, and can position itself to take advantage of opportunities in a geographically-wide area” (344). The notion that political dependency may be reduced through diversification of economic partnerships has been alluded to in previous political economy and development literature. Particularly noteworthy as antecedent literature is the “dependent development” model of Evans (1979), which saw development as being facilitated in part by the “partial nature of U.S. control over the periphery” during the era of US hegemony, which was a function of the inability of the United States to “exclude the capital of other center countries from the periphery” (23).

Subsequent case study work on Tanzania also focused on the relationship between diversification of economic partnerships on political autonomy. Following its independence in 1961, Tanzania was highly dependent on foreign aid from the North and the bulk of its exports were directed toward a few Northern countries. Despite economic linkages, relations between Tanzania and the Western countries became strained in the years immediately after independence. This souring of relations, in tandem with recognition of dependency, led the

country to reconsider its approach to foreign affairs, culminating in the Arusha Declaration of 1967, through which Tanzania adopted a socialist policy paradigm intended to foster national self-reliance. Among the initiatives adopted through the Arusha Declaration were diversification efforts, including diversification of the number of countries that it sent students to, participation in more treaties and diplomatic exchanges, diversification of aid sources, and diversification of trade partnerships (Shaw and Msabaha, 1981).

On the heels of this case study work on Tanzania, Lebovic and Hill (1988) conducted the first cross-national statistical analysis of the relationship between politics and trade partner diversification. Their findings provided some validation for the notion that trade partner diversification has political motivations and consequences. However, Lebovic and Hill's piece failed to spark interest or to compel follow-up analyses, nor did further attention to the politics of trade partner diversification materialize in the ensuing years.

Only recently has a small body of literature emerged with country-level and region-level studies contending that diversification of international economic relationships may alleviate the political dependence of countries in the Global South. These articles, which have focused on the Andean region of South America (Gamso, 2016) and the countries of Central Asia (Hanks, 2009), argue that Southern countries with a more diverse array of economic partners are characterized by greater political autonomy and that once-dependent Southern countries have reduced their political dependency on dominant states by diversifying their international economic partnerships. Within this context, these articles each claim that the diversifying countries in question have increased their political autonomy.

These pieces do tell a part of the story, as diversification of economic partnerships is likely to reduce the political influence of any individual partner state. However, this may merely

amount to a diversification of dependency, as opposed to political autonomy, insomuch as new partners may attempt to influence their economic dependents just as traditional partners have. Moreover, new partners should be successful in these efforts if the sorts of power asymmetries described by Richardson and Kegley, Jr., (1980) characterize these new trade relationships. Indeed, it does not appear that Tanzania achieved political autonomy through diversifying its economic partnerships. As Tanzania's president, Julius K. Nyerere, reported in 1977, ten years after the Arusha Declaration, "our nation is still economically dependent upon... economic and political decisions taken by other peoples without our participation or consent... Tanzania is still a dependent nation, not an interdependent one" (Shaw and Msabaha, 1981: 47).

Given this critique of the diversification theory and the experience of Tanzania, what matters may be the types of economic partners that a country trades with, not just the number of partners. Southern trade partners claim to practice non-interference, suggesting that dominant Southern partners do not utilize their power to influence domestic policy processes in their dependent partner states. In contrast, Northern partners interfere often in the pursuit of a range of policy objectives. Therefore, it is not merely diversification of partners that corresponds to political autonomy, but rather diversification toward partners that practice non-interference.

A further shortcoming of these pieces focusing on diversification of partnerships is that they provide only vague explanations as to the means by which diversification of economic partnerships may enhance political autonomy. Shifting the focus to South-South partnerships, which are central to the cases highlighted in the diversification literature, invites the contrast between Southern non-interference and Northern interference. An increase in the former at the expense of the latter could be creating the sort of political autonomy that these pieces seek to explain. Indeed, for the Andean countries of Latin America, the emergence of economic

partnerships with countries of the South, most notably Venezuela and China, have contributed most to the growth of political autonomy.

### **2.5.3 Explanation Three: South-South Engagement**

South-South cooperation in the form of economic engagement, political engagement, or both, is the third structure of foreign relations that has been said to lessen the dependency of Southern countries on the North. As a strategy, this approach can be traced back to the emergence of “macro nationalist” pan movements, which appeared in their respective regions in the post-independence eras. During Latin America’s independence movements there were collaborative efforts between independence leaders in various regions of the continent. After independence, Simón Bolívar made further regional integration efforts, on the ideological grounds of autonomy for Latin American peoples (Gilderhus, 1986). Likewise, the Arab League was formed in 1945, both to strengthen ties among member states and to protect the autonomy of member states in the context of Eastern and Western interference efforts (Barnett, 1998).

With respect to individual countries, the case of Brazil is useful for exemplifying this approach to seeking political autonomy through South-South engagement, beginning during the presidency of Ernesto Geisel (1974-1979). Geisel’s foreign policy consisted of efforts to foster stronger relations between Brazil and the countries of the South. Brazil’s engagement with China was a special priority, following the re-establishment of diplomatic relations in 1974 (Vigevani and Cepaluni, 2009). This effort continued in subsequent administrations, with President Luíz Inácio Lula da Silva in particular emphasizing South-South cooperation through regional integration and multilateral institutions, such as the BRIC, UNASUR, MERCOSUR, and CELAC (Burbach et al., 2013).

Other countries adopted a similar strategy. Uzbekistan has recently sought to develop South-South partnerships as a means to shielding itself from the labor-rights pressures of Northern partners (EurasiaNet.org, 2008). Likewise, at a recent forum hosted by Morocco's King Mohammad VI, the King emphasized the strategic necessity to forge South-South agreements, in order that "African countries... build self-confidence and self-reliance" (Morocco on the Move, 2014).

The literature on South-South engagement in general and the case of Brazil specifically emphasize the united front of sorts that countries of the Global South sought to forge against the North to reduce North-South power asymmetries. As Vigevani and Cepaluni (2009) write: "the intensification of South-South relations would objectively put the North-South dialogue on new terms, inasmuch as the coordinated action between developing countries could decrease international power asymmetries" (87). Likewise, Inoguchi (1981) emphasizes that altering North-South power dynamics was the motivating force compelling South-South engagement before and during the establishment of the New International Economic Order. Thus, the potential that South-South engagement can weaken the effectiveness of Northern interference efforts has been observed.

However, weakening Northern influence is and has been a means to an end for many Southern countries, as the true goal is political autonomy. For example, while Brazil has pursued "dependency reducer" strategies, in the form of South-South engagement and diversification of economic partnerships, these efforts were a means to the more critical end of political autonomy, as opposed to promoting South-South solidarity. In fact, Brazil has not been fully committed to the Southern agenda, as illustrated by its reluctance to become a full member of the Non-Aligned Movement.

As was discussed in regards to diversification as a strategy of weakening dependency, a shift away from one dependent relationship does not inherently foster autonomy. Rather it could produce new dependent relationships. As such, the type of partner in the new relationship matters as well. Brazil recognized this and thus forged South-South relations with similarly interference-adverse partners like China, which Brazil sought to engage with on the basis of mutual interests in “international autonomy, national sovereignty and territorial integrity” as well as “[shared] opposition to the US human rights diplomacy” (Altemani de Olivera, 2010: 36-37).

For dependent countries to reduce their political dependencies on particular dominant countries, they need only to diversify their economic partnerships. However, in order for them to achieve political autonomy, these new partnerships must be with countries that cannot or will not seek to impose their will in the manner that previously dominant countries did. Countries that practice the norm of non-interference in the domestic politics of their economic partners fit this mold. For a country, like Brazil, the route to autonomy is to forge relations with countries that practice non-interference, thereby reducing its susceptibility to the influence of interfering countries without becoming beholden to their new partners. With new Southern partners not filling the interference-void, domestic politics can instead emerge, thereby constituting an increase in domestic political autonomy. Indeed, the emergence of “Brazil’s foreign policy autonomy” has been credited to its “diversifying partnerships, especially among South-South relations” (Burbach et al., 2013: 122-123).

While there are numerous facets of South-South engagement, this dissertation highlights trade as the key form of engagement that can produce political autonomy. This decision to focus on trade has been made, first, because trade is the central pillar of economic relations between

countries and, second, because attention to trade provides a theoretical mechanism by which South-South trade may produce political autonomy.

As was noted in a previous section, North-South trade has been theorized to foster political dependency through three mechanisms: (1) North-South trade relationships benefit Southern economies to a greater extent than they do Northern economies; (2) Southern countries suffer from deteriorating terms of trade in their North-South trade relations; (3) the tariffs that Northern countries apply tend to cover particular manufactured goods or sectors (Richardson and Kegley, Jr., 1980). These three factors cumulatively produce an asymmetric trade dependence that leaves Southern countries more reliant on their Northern partners' markets than their Northern partners are on them. In an effort to maintain these relations, dependent Southern countries are likely to support the policy objectives of their dominant Northern partners to a greater extent than nondependent countries do. For countries with higher levels of South-South trade, however, the power asymmetry with the North will be less severe, leaving Northern countries with a weaker amount of influence. Moreover, inasmuch as Southern countries practice non-interference, power asymmetries between Southern countries should not result in comparable policy promotion efforts by the dominant partner.

#### **2.5.4 Empirical Strategy for Testing South-South Trade against Alternative Explanations**

While the previous sections made a theoretical argument for the importance of South-South trade relative to alternative theories, it is also necessary to control for these alternatives in the coming chapters' empirical analyses. To this end, statistical models will account for the importance of autarky (by incorporating a measure of trade as a percentage of GDP) and control for states'

degrees of diversification of economic partnerships (using a Herfindahl-Hirschman index for trade consolidation).

In addition, the possibility that the apparent phenomenon of autonomy through South-South trade is actually attributable solely to trade with China will be considered. After all, China was at the center of the founding of the non-interference ideology. However, while non-interference is most typically associated with China, it was also engrained in the founding documents of South-wide initiatives, such as Non-Aligned Movement, and has come to characterize many if not all South-South trade relationships. For example, a 2010 analysis of Africa's new South-South relationships by the United Nations Center for Trade and Development highlighted that these relationships "are based on the principle of non-interference in the internal affairs of partner countries. Consequently, they are not associated with policy conditionality as has been the case in relations with traditional partners" (United Nations Conference on Trade and Development, 2010: 3) and did so without mention of China. Moreover, while trade with China as a share of South-South trade has grown steadily, it still constitutes less than a quarter of total South-South trade (International Monetary Fund, 2014). Nevertheless, in light of the possibility that this is more a story about China than one about the South as a whole, statistical models to separately analyze the role of trade with China will also be analyzed.

## **2.6 CAUSAL DIRECTION: POLITIS OR ECONOMICS?**

An important question in this dissertation is: what is driving the increase in South-South trade? Is it that countries of the South have sought out South-South trade partnerships in order to

achieve political autonomy? Or is it that heightened supplies and demands from the Global South have led to an increase in South-South trade and that new autonomy is a byproduct? This presents a tricky causality question that is difficult to answer in an entirely satisfying way. However, the major theories of bilateral trade support the contention that economic factors have led to the increase in South-South trade. As such, this dissertation takes the position that the increase in South-South trade over the last few decades is attributable to economic factors and that this increase has, in turn, created political leverage for countries of the South.

Theories of international trade highlight economic variables, including factors of production, demand, and scale, as the determinants of bilateral trade relations between countries. Among these, the theories with the greatest implications for South-South trade highlight factors of production and demand preference (Parsan, 1993). In terms of factors of production, Heckscher-Ohlin (HO) is the theory that has provided the most insight into South-South trade. HO theorizes that countries export goods and services that are produced using their abundant factors intensively and import those that are produced with factors that are scarce to them. While simple models of HO are helpful only for understanding North-South trade, inasmuch as countries within the South are not assumed to have complementary factors, more nuanced variations of HO have been developed and applied to South-South trade in light of factor diversity within the South (Gourdon, 2011).

In contrast to the supply-side theories revolving around factors of production, theories of preference similarity highlight the demand-side dynamics that drive trade. These theories have their origins in Linder's theory (1961), which envisioned international trade as an extension of the domestic marketplace. Linder's theory argues that producers develop goods in accordance with the demands of the domestic marketplace. Thus, when they expand their operations toward

exports, producers are best able to cater to countries with similar demand structures to those of their home country customers. The implication is that countries with similar characteristics trade with each other at higher levels. Linder highlighted income as the most important such characteristic by far and that attention to income has persisted in economic analysis through gravity models. These models predict, with great accuracy, that bilateral trade between two countries grows as the national income of each country increases (Chaney, 2013).

These theories inform the conventional wisdom that bilateral trade relationships are attributable to economic variables, as opposed to political preferences. Even PTAs, which have an inherently political component, are largely explainable through purely economic characteristics of countries (Baier and Bergstrand, 2003). However, despite this theoretical and empirical evidence, it seems that individual Southern country governments purposely attempt to develop trade relationships with other Southern countries as part of an effort to achieve political autonomy. As was noted earlier, Uzbekistan has sought to increase its trading with Asian and Arab states in order to shield Uzbek officials from pressure exerted by the United States and the European Union over human rights and other political matters. Likewise, a report from the Ugandan newspaper *NewVision* ahead of a recent US-Africa summit contended that “most African leaders now seem to be moving towards China and abandoning the West because of China’s policy of non-interference in the domestic affairs of their states” (Etukuri, 2014).

These articles suggest that there is a purposeful effort to increase political autonomy through South-South partnerships and indeed, as has been noted throughout this chapter, countries of the South have made efforts for decades to increase their political autonomy through diversification of economic relations and the forging of South-South relations. However, it is not evident that these efforts have been successful. For years, countries of the South sought to

establish South-South bonds through formation of intergovernmental organizations, economic agreements, and ideological blocs, yet these efforts failed to spur great increases in South-South trade. The economic theories discussed above, indicate that these efforts failed due to low levels of demand and a lack of complementary production structures among Southern countries. Despite political efforts, economic factors left South-South trade levels very low until recently.

Only with the increase in demand from countries of the South for goods from other Southern countries, has South-South trade increased and political autonomy been realized. The implication is that political autonomy can be achieved only when market dynamics facilitate it. That is not to say that politics is without a place. Rather, the demand from the South that increases a country's South-South trade level affords that country political leverage in its dealings with Northern partners. Once this leverage has been afforded, Southern countries are able to use it in efforts to weaken the influence of Northern partners.

It is, then, the expectation of this dissertation that the political economy at work is one in which an exogenous economic treatment informs subsequent political outcomes. Taking this position helps to explain the ineffectiveness of previous efforts by Southern countries to promote South-South trade or to achieve political autonomy. That said, the problem of causality is still a pertinent one and so instrumental variable analyses will be conducted in the chapters that follow in an attempt to clarify this matter.

## **2.7 PREVIEW OF NEXT CHAPTER**

*Chapter Three*, the first of three hypothesis driven chapters, analyzes the effects of South-South trade on labor rights policy, with attention to three hypotheses. The first hypothesis considers

whether the labor policy diffusion patterns associated with South-South are different from those associated with other types of trade flows. This hypothesis is informed by the findings of Greenhill et al. (2009), which confirmed that bilateral trade is accompanied by the diffusion of good labor rights laws. By disaggregating bilateral trade to differentiate South-South trade from other types of trade flows, my analysis will determine whether Southern countries promote labor policy in the same manner that countries of the North have done. A result indicating that South-South trade does not contribute to the trade-based diffusion of labor policy will be an important finding in its own rights and, in addition, will provide the prerequisite basis for analyzing the second hypothesis.

This second hypothesis posits that high levels of South-South trade weaken the effectiveness of trade-based policy promotion efforts by countries of the North. This hypothesis considers that high levels of South-South trade offer countries of the South leverage in their trade relations with countries of the North – leverage that they use to weaken trade-based policy promotion efforts by those countries. Assuming this second hypothesis finds support, a third set of analyses will be conducted to determine whether variation in South-South trade levels moderates the relationships between domestic political variables and policy outcomes.

### **3.0 THE DE-CONSTRAINING EFFECT OF SOUTH-SOUTH TRADE ON THE DOMESTIC POLITICS OF LABOR LAW**

This chapter tests the application of the theory of interest to the policy area of labor rights policy. In doing so, it presents the first systematic analysis of the effects of South-South trade on labor rights in countries of the Global South. Specifically, it conducts analysis to differentiate the labor policy diffusion effects associated with South-South trade from those associated with other types of trade flows.

The results demonstrate that South-South trade does not contribute to the trade based diffusion of labor standards and that countries that engage in higher levels of South-South trade are characterized by less trade-based diffusion of labor laws altogether. These findings support the theory of this dissertation and its applicability to labor policy: high levels of South-South trade provide Southern countries with leverage in their North-South relations, which they use to mitigate the effectiveness of labor rights promotion by countries of the North.

After clarifying the international level impacts of South-South trade, further tests explore the implications for domestic politics. In Southern countries where Northern efforts are rendered weak by high levels of South-South trade, domestic interests and institutions that would otherwise be constrained by the North are found to play a larger role in the policymaking process.

The chapter proceeds as follows. First, the literature on trade and labor rights in countries of the Global South is reviewed, culminating in a reiteration of the theory of interest with respect to labor policy. Next, hypotheses and competing theories are discussed. Third, research designs and results for the international level hypotheses are presented. Fourth, domestic political implications are analyzed. Finally, concluding analysis is offered.

### **3.1 TRADE AND LABOR RIGHTS IN COUNTRIES OF THE GLOBAL SOUTH**

Labor rights in countries of the Global South have been the subject of much political economy literature, as researchers have sought to pinpoint the determinants of labor standards at domestic and international levels. At the domestic level, studies have identified the effects of GDP (Busse, 2004; Greenhill et al., 2009; Kim, 2012; Postnikov and Bastiaens, 2014), democracy (Neumayer and de Soysa, 2006; Mosley and Uno, 2007; Greenhill et al., 2009; Kim 2012), incidents of civil war (Greenhill et al., 2009), governing party ideology (Bradley, Huber, Moller, Nielsen, and Stephens, 2003; Mosley, 2008), labor power (Rudra, 2002), and veto players (Kim, 2012), among other factors. While domestic level factors are clearly important determinants of labor rights, evidence demonstrates that external factors such as international trade and foreign direct investment (FDI) are also important. Trade, in particular, has been highlighted in the literature (Neumayer and de Soysa, 2006; Mosley and Uno, 2007; Greenhill et al., 2009).

While trade in the aggregate and North-South trade relations have both been the subjects of considerable scholarship, little attention has been given to the effects of South-South trade on labor rights, although it has been observed that labor rights conditions are not common in South-South trade agreements (Ross and Chan, 2002; Dür et al., 2011) or South-South discourse

(Ewelukwa, 2011). What little empirical evidence has been produced indicates that South-South economic relations are being accompanied by poor labor conditions (International Labour Organization, 2005), but the generalizability of this case study work is uncertain. The inattention to labor standards in South-South trade relations is a void in the literature that this analysis helps to fill.

In contrast, scholars have been quite attentive to the largely positive effects of North-South trade relations on labor standards. Specifically, the literature has identified at least two mechanisms to explain how Northern countries compel their Southern trade partners to adopt policies favored by countries of the North, including strong labor standards. First, North-South PTAs typically contain “behind the border” conditions promoting the adoption of labor laws. These conditions have been demonstrated to effectively promote the adoption of strong labor laws by Southern signatories (Kim, 2012; Postnikov and Bastiaens, 2014).

The second mechanism is a function of the leverage asymmetry created by North-South trade itself, whereby countries of the South tend to be more reliant on their Northern partners’ markets than their Northern partners are on them. In an effort to maintain these relations, trade dependent Southern countries are likely to support the policy objectives of their dominant Northern partners, particularly in the policy areas that are most salient to their dominant Northern partners (Richardson and Kegley, Jr., 1980). Labor rights promotion is a key foreign policy priority to countries of the North, largely due to the efforts of strong pro-labor interests in Northern countries (Battista, 2008).

Given trade-based power asymmetry, dependent Southern countries are likely to respond to Northern pressures by adhering to their demands. With respect to labor rights, Northern countries have demonstrated their willingness to threaten and impose sanctions in order to

pressure Southern countries to improve their labor rights. These efforts have taken the form of bilateral sanctions (as in the case of Bangladesh, following the 2013 collapse of a garment factory) and suspension of WTO GSP privileges (as in the cases of Indonesia, Fiji, and Malaysia). As was discussed in *Chapter Two*, these approaches are effective in cases where the sanctioned country relies on trade with countries of the North.

South-South trade may have different political effects than North-South trade, largely because of the different norms that encompass trade policy. One particularly pertinent feature of South-South trade and South-South relations more generally is the norm of non-interference. The expectation of this chapter is that noninterference prevents countries of the South from promoting the adoption of labor laws by their trade partners. An empirical implication of such an expectation is that South-South trade differs from other forms of trade in that it is not accompanied by the diffusion of labor rights policies. Such a finding would significantly improve our understanding of the relationship between trade and labor rights by clarifying the conditions under which trade-based diffusion occurs. In doing so, it would present an advancement to the conventional wisdom, as the most cutting-edge literature on trade and diffusion has found that bilateral trade is accompanied by the diffusion of labor laws.

This cutting-edge literature, put forward by Greenhill et al. (2009), has identified labor policy convergence among bilateral trade partners. Specifically, Greenhill et al. find a “California effect,” whereby good labor rights laws diffuse to exporters from their importer partners: “strong legal protections of collective labor rights in a country’s export destinations are associated with more stringent labor laws in the exporting country” (Greenhill et al., 2009: 669). A wider implication that could be derived from this finding is that such a diffusion of good labor laws is transmitted through all bilateral trade partnerships, as there will always be one country in

a bilateral trade relationship with higher labor standards than the other. However, this implication would be challenged by evidence demonstrating that some types of trade partnerships are not accompanied by the diffusion of pro-social labor rights laws.

Until now the diffusion literature has not differentiated South-South trade from other trading relationships. The present chapter seeks to fill this void in the literature by doing just that. Specifically, I have disaggregated South-South trade from other trade flows, in an effort to differentiate the diffusion effects associated with each. After this component of the analysis concludes with the finding that these trading patterns are, indeed, accompanied by different sorts of diffusion outcomes, the analysis goes on to consider the sorts of diffusion patterns that characterize countries that engage in various levels of South-South trade.

In this latter component of the analysis, the expectation is that those countries that engage in high levels of South-South trade are subject to less trade-based diffusion of labor laws altogether. Supportive findings in this regard would suggest that high levels of South-South trade afford Southern countries a degree of leverage in their relations with countries beyond the South, which they in turn use to weaken the effectiveness of efforts by these countries to promote the adoption of labor rights laws.

In countries where these labor rights promotion efforts are rendered weak by high levels of South-South trade, domestic politics may play a larger role in the policymaking process, as domestic interests and institutions are less constrained by interference from the North and not subject to comparable interference efforts from the South. This would constitute political autonomy, as defined by Krasner (1999) and Nelson (2008): the independence of states from external constraints on their policy behaviors or the independence of nations' domestic authority structures from interference by external actors. If countries that engage in high levels of South-

South trade are indeed characterized by greater political autonomy, then domestic political factors should have a larger effect on policy outcomes in these countries than they do in countries that engage in lower levels of South-South trade.

### **3.2 HYPOTHESES AND COMPETING THEORIES**

The assessment of this theory begins with testing of two hypotheses using cross-national time-series data: (1) South-South trade is not accompanied by the trade-based diffusion of labor standards; (2) the trade-based diffusion effect on labor standards accompanying trade in general is weaker where South-South trade levels are higher. These hypotheses will clarify the effect of South-South trade on labor rights as well as the effects of various levels of South-South trade for the trade-based diffusion of labor rights generated by all bilateral trade partnerships.

*Hypothesis One* posits that South-South trade is not accompanied by trade-based diffusion of labor rights and, therefore, does not contribute to the California effect identified by Greenhill et al. (2009). In their study, Greenhill et al. draw their conclusion through analysis of all of the sample countries' bilateral trade relationships, but do not disaggregate different types of trade flows (e.g. North-South, South-South, North-North). The present analysis builds on this work by considering whether South-South trade has different diffusion effects than other forms of trade.

*Hypothesis Two* contends that the diffusion of labor standards produced through all bilateral trade relations is weaker where South-South trade levels are higher. This hypothesis reflects the expectation that higher levels of South-South trade weaken the trade dependency of a given Southern country on countries of the North, thereby providing that country with more

leverage in its North-South relations. Inasmuch as Southern countries typically do not want labor rights imposed on them,<sup>6</sup> they are inclined to use leverage that they gain to prevent such imposition.

In the process of testing the two hypotheses of interest, two alternative hypotheses will also be assessed. The first such hypothesis holds that resistance to labor rights promotion is being facilitated by diversification of trade partnerships, as opposed to South-South trade. Despite the critiques of diversification-oriented theories discussed in *Chapter Two*, the empirical model incorporates specifications to control and test for the role of trade partner diversification. The second alternative hypothesis posits that trade with China drives apparent differences between South-South trade and other types of trading partnerships.<sup>7</sup> In light of the possibility that this is more a story about trade with China than one about trade with the South as a whole, models that exclude China are also analyzed.

After clarifying the international level implications of South-South trade for the diffusion of labor rights laws, implications for domestic politics are addressed. As has been noted, the expectation is that South-South trade will weaken the effectiveness of Northern efforts to influence labor rights, thereby leaving a political void that may be filled by domestic politics. For this component of the study, analysis is conducted to determine whether domestic level interests and institutions have larger effects on labor laws in countries that engage in higher levels of South-South trade.

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<sup>6</sup> As an example, see discussion of Mexico's opposition to "behind the border" conditions during NAFTA negotiations in Elliot (2011).

<sup>7</sup> For analysis focusing on the supposed "Shanghai effect," see Adolph et al. (2015).

### 3.3 RESEARCH DESIGN OVERVIEW

The analysis that follows uses cross-national time series data to test the aforementioned hypotheses. The sample consists of 90 Southern countries and covers a time series of 17 years, from 1986 to 2002.<sup>8</sup> All countries in the sample have been members or observers of the Non-Aligned Movement, indicating their espousal of the organization's principle of non-interference.

Operationalizing the South as Non-Alignment Movement countries and South-South trade as trade between Non-Aligned Movement countries helps to reduce ambiguity as to what countries should be categorized as “developing.” For example, while the World Bank classifies South Korea and Chile as high-income countries (World Bank, 2013), these countries are routinely included in datasets of developing countries (e.g. Greenhill et al., 2009). This classification problem is compounded in time-series data, as countries may move across income classifications over the course of the time series. The present study aims to eliminate this ambiguity through classification along the ideological lines that divide countries of the South

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<sup>8</sup> This time-series is a function of the available data, particularly for the variable of *labor law*, which acts as the dependent variable throughout this analysis and is used for the composition of the independent variables. Data for this variable has been drawn from Greenhill et al. (2009), who use the same time series as is analyzed in this chapter. In an attempt to extend the time series, I generated alternative variables using the measure of worker rights produced by the CIRI Human Rights Data Project (Cingranelli, Richards, and Clay, 2014), which provides data through 2011. CIRI provides a longer time series, but in doing so measures labor rights using a less nuanced three-point scale: a score of “0” indicates severe restrictions of workers’ rights; a score of “1” indicates some restrictions of workers’ rights; and a score of “2” indicates full protection of workers’ rights. Results produced through analysis of new models using CIRI were neither consistent with the findings of Greenhill et al. (either in the time series ending in 2002 or the time series ending in 2011) nor with the findings presented throughout this paper. This is further reflected by the lack of correlation between independent variables composed using CIRI and those composed using data from Greenhill et al. (2009), corresponding to total trade, South-South trade, and non-South-South trade: -0.06, -0.0567, and 0.1589. Moreover, these findings varied considerably across model specifications. Going forward, it will be necessary to extend the time series for the nuanced labor law measures developed by Greenhill et al. in order to determine more recent trends in the relationship between South-South trade and labor law.

from others. The Non-Aligned Movement countries are those who have embraced their Southern placement and the norms that accompany this classification, including the norm of non-interference.<sup>9</sup> Moreover, the Non-Aligned Movement has explicitly opposed the linking of trade and labor standards (Roozendaal, 2002).

To test the first hypothesis, which posits that South-South trade is not accompanied by trade-based diffusion of labor rights, the present study replicates the analysis of Greenhill et al. (2009), but, in doing so, divides their key independent variable so as to disaggregate the effects of South-South trade from those of other types of bilateral trade relationships. To test the second hypothesis, which posits that the total trade-based diffusion of labor laws through all bilateral trade partnerships is weaker where South-South trade levels are higher, the moderating effect of South-South trade on the relationship between the trade-based diffusion variable designed by Greenhill et al. and the dependent variable of *labor law* is analyzed. After substantiating Hypotheses *One* and *Two*, a third set of analyses will determine the effects of South-South trade on the domestic politics of labor law by testing the moderating effect of South-South trade on the relationships between key domestic level variables and the dependent variable of *labor law*.

### **3.4 VARIABLES, DATA, EMPIRICAL MODELS, AND RESULTS**

#### **3.4.1 Dependent Variable**

In the international political economy literature, the standard labor rights variable has been that of Mosley and Uno (2007), who developed their measure through content analyses of labor-

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<sup>9</sup> Using this approach, Chile is categorized as a country of the South, while South Korea is not.

reports from the US State Department, the International Labour Organization, and the International Conference of Free Trade Unions. This measure, itself derived from an earlier effort by Kucera (2002), aggregated data on labor practices and on labor law to create a single measure, ranging from a minimum of zero to a maximum in the mid-30s. Greenhill et al. (2009) amended Mosley and Uno's measure to separate labor laws from labor practices. This separation proved fruitful, as Greenhill et al. demonstrated a trade-based diffusion of labor laws, but no such diffusion of labor practices. The Greenhill et al. measure capturing labor law will serve as the dependent variable in this chapter.

To construct the *Labor law* variable, Greenhill et al. assigned scores to countries on the basis of the repressiveness of their labor laws. Each repressive law was assigned a score and then those scores were summed up. For example, a country requiring authorities to approve collective agreements was assigned a score of 1.5 for that law; if that country also had a law requiring previous authorization from authorities to strike, the score would increase by another 1.5 points. Scores were then inverted such that higher scores became indicative of good labor protections. The labor law scores by this measure range from 0 to 28.5, providing a nuanced picture of labor law across countries.<sup>10</sup>

It should be noted that this labor law measure has both strengths and weaknesses, as do the “labor practice” variants of labor rights measures. Evidence suggests that labor law is more readily documentable than labor practices, as violations of practice may be underreported, particularly in Southern countries. For example, Kolben (2014), documents purposeful under-reporting of workers' rights violations by labor inspectors in Cambodia in exchange for bribes.

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<sup>10</sup> See Table 14 in the *Chapter Three Appendix* for full descriptive statistics of all variables used in this chapter.

Likewise, Bharadwaj, Lakdawala, and Li (2013) argue that child labor is likely underreported by parents in India, due to “social or other types of pressure”<sup>(27)</sup> However, given the gap between labor laws and practices, labor law also leaves something to be desired as a measure of labor rights.

Despite its flaws, it is proper to look at the role of labor law, as opposed to some other measure of labor rights, given the aforementioned finding that labor law is subject to a trade-based diffusion effect, while labor practice is not. Moreover, insomuch as this study is concerned with the states’ policies regarding labor rights, labor law is the sensible measure.<sup>11</sup>

### **3.4.2 Hypothesis One: Variables, Data, and Empirical Models**

*Hypothesis One* predicts that South-South trade does not contribute to the demonstrated diffusion of labor laws through bilateral trade. If validated, this will be presented to substantiate the notion that the non-interference norm that characterizes South-South trade relations prevents Southern countries from trying to influence the labor standards of their partners. Such a finding would demonstrate a clear deviation between South-South and North-South trade in this regard, as Northern countries do make explicit and generally successful efforts to influence their partners’ labor standards.

As noted above, Greenhill et al. conducted the key study demonstrating trade-based diffusion of labor rights. For this study, the authors created a *bilateral trade context* variable by

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<sup>11</sup> While labor law is the appropriate measure in this case, I nevertheless conducted analyses of the labor practices data from Greenhill et al. and, in doing so, did not find compelling evidence that either South-South trade nor other types of trade flows are accompanied by the trade-based diffusion of labor practices. This is not surprising given that previous work in this area has found that labor laws are subject to trade-based diffusion, while labor practices are not.

taking average labor law scores for the export partners of every country in the sample and weighting them by the volume of exports directed toward each partner country:

$$\begin{aligned}
 & \textit{Bilateral trade context}_i \\
 &= \sum_1^j \textit{Labor Law}_j \times \frac{\textit{Exports}_{ij}}{\textit{Total Exports}_i}
 \end{aligned}$$

In this variable, *Exports<sub>ij</sub>* captures the volume of exported goods and services sent from country *i* to country *j*; *Labor Law<sub>j</sub>* refers to the labor laws of the importing country, *j*; and *Total Exports<sub>i</sub>* denotes the volume of all of country *i*'s exports. Higher *bilateral trade context* scores correspond to higher levels of labor rights among trade partners.

In the Greenhill et al. study, the authors regressed the dependent variable of *labor law* against the corresponding *bilateral trade context* variable, as well as several controls. Their study found labor policy convergence of bilateral trade partners, which they interpreted as a California effect, whereby countries whose trade partners are characterized by high labor standards had adopted similarly strong labor laws.

As a prerequisite analysis, this portion of the Greenhill et al. analysis has been replicated and applied to the sample of Non-Aligned Movement countries. In addition to the independent variable of interest, *bilateral trade context*, the model includes control variables for *total trade* (as a percentage of GDP), *FDI inflows* (as a percentage of GDP), “hard” PTAs (coded “1” years in which a country belonged to at least one PTA in which the trading relationship is contingent on respect for human rights), “soft” PTAs, *GDP per capita* (log), the polity2 measure of

*democracy*, *population* (log), and *civil war*.<sup>12</sup> All independent variables are lagged one, two, and three years, and a lagged dependent variable has been included on the right side of the equation, following Greenhill et al. In addition, random effects have been included in the model and standard errors have been clustered by country (this, again, follows Greenhill et al.):

$$\text{Labor law}_{it} = \alpha + \beta_1 \text{Bilateral trade context}_{it-1} + \beta_2 \text{FDI inflows}_{it-1} + \beta_3 \text{Total trade}_{it-1} + \beta_4 \text{GDP per capita}_{it-1} + \beta_5 \text{Population}_{it-1} + \beta_6 \text{Democracy}_{it-1} + \beta_7 \text{Civil war}_{it-1} + \beta_8 \text{Hard PTA}_{it-1} + \beta_9 \text{Soft PTA}_{it-1} + \beta_{10} \text{Labor law}_{it-1} + u_{it}$$

As expected, this analysis does reveal a trade-based diffusion effect, as is evidenced by the significant and positive coefficients of *bilateral trade context* (see Table 1).

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<sup>12</sup> Data for these controls were drawn from Greenhill et al. (2009) and Marshall and Jaggers (2002).

DV: Labor law	1-Year Lag	2-Year Lag	3-Year Lag
Bilateral trade context	0.198*** (0.0642)	0.239*** (0.0542)	0.289*** (0.0749)
FDI inflows	0.00154 (0.0255)	0.0286 (0.0356)	0.0243 (0.0254)
Total trade	-0.00616 (0.00424)	-0.00595 (0.00503)	-0.00305 (0.00500)
GDP per capita	-0.465*** (0.169)	-0.439*** (0.170)	-0.478** (0.193)
Population	-0.371*** (0.0856)	-0.379*** (0.0965)	-0.344*** (0.104)
Democracy	0.0401** (0.0188)	0.0242 (0.0182)	0.0224 (0.0204)
Civil war	0.161 (0.199)	0.0170 (0.231)	-0.125 (0.228)
Hard PTA	0.865* (0.449)	0.757* (0.441)	0.459 (0.427)
Soft PTA	-0.258 (0.197)	-0.126 (0.228)	-0.122 (0.199)
Lagged dependent variable	0.640*** (0.0312)	0.622*** (0.0321)	0.611*** (0.0357)
Constant	13.008*** (2.382)	12.213*** (2.582)	10.725*** (2.873)
Observations	1,383	1,300	1,217
Number of Countries	87	87	87

Robust standard errors in parentheses

\*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$

**Table 1: Relationship between *bilateral trade context* and *labor laws* at one, two, and three year lags.**

Corresponds to Figure 2 on page 678 of Greenhill et al. (2009). The sample used in this replication includes only Non-Aligned Movement countries over the time series of 1986-2002. Independent variables have been lagged one, two, and three years. Random effects included and standard errors clustered by country, following Greenhill et al.

In order to assess *Hypothesis One*, which posits that South-South trade does not contribute to this trade based diffusion of labor law, the independent variable of *bilateral trade context* has been disaggregated to differentiate the diffusion effects associated with South-South trade from those associated with other types of trade flows. To this end, two measures have been

created, with one compiled using only South-South trade and the other compiled using trade to countries outside of the South. The measure created using only South-South trade is presented here:

$$\begin{aligned} & \textit{South-South bilateral trade context}_i \\ &= \sum_1^j \textit{Labor law}_j \times \frac{\textit{Exports}_{ij}}{\textit{Exports to South}_i} \end{aligned}$$

This equation for *South-South bilateral trade context* mirrors the *bilateral trade context* formula above, except that here the measure is limited to exports to the South, such that  $j$  countries are all countries of the Non-Aligned Movement, and *Total Exports<sub>i</sub>* has been replaced by *Exports to South<sub>i</sub>*. It bears mentioning that although the mean is larger for Greenhill et al.'s *bilateral trade context* measure, the variable constructed using only South-South trade actually has a higher standard deviation (3.562, compared to 2.304 for the original variable). Given this standard deviation, there are large enough differences in the labor standards of Southern countries that the presence of a diffusion effect should be observable.

With the exception of this alteration of the *bilateral trade context* variable, the data and model specifications used for the replication are identical to those used by Greenhill et al., with the same dependent variable, control variables, and time series. The trade data used to construct the diffusion variable was drawn from the International Monetary Fund (IMF) Direction of Trade Statistics (DOTS), which also served as the data source for Greenhill et al. The control variables again include *total trade*, *FDI inflows*, *hard PTAs*, *soft PTAs*, *GDP per capita* (log), the polity2 measure of *democracy*, *population* (log), and *civil war*, as well as the additional *bilateral trade context* variable corresponding to trade to countries outside of the South:

$$\textit{Non-South-South bilateral trade context}_i$$

$$= \sum_1^j Labor\ law_j \times \frac{Exports_{ij}}{Exports\ not\ to\ South_i}$$

For this additional *bilateral trade context* variable, the  $j$  countries are those not of the South and the denominator term *Exports to South<sub>i</sub>* has been replaced by *Exports not to South<sub>i</sub>*. The regression model for *Hypothesis One* is expressed like so:

$$Labor\ law_{it} = \alpha + \beta_1 SSbilateral\ trade\ context_{it-1} + \beta_2 Non-SSbilateral\ trade\ context_{it-1} + \beta_k (Control\ variables) + u_{it}$$

The regression outputs highlighted in the results section of the text utilize random effects, in line with the approach used by Greenhill et al., but fixed effects models have also been analyzed as robustness checks. In addition, following Greenhill et al., independent variables have been lagged one, two, and three years, to account for the likelihood that labor laws may change over several years. Standard errors have been clustered by country and a lagged dependent variable has been included in the random effects model to mitigate the problem of serial correlation and to account for the likelihood that the labor laws in prior years affect current labor laws.<sup>13</sup>

Finally, instrumental variables have been constructed for an additional analysis intended to address the potential problem of endogeneity. The concern is that regression results may be biased by a selection effect, whereby those countries that trade less heavily with the South may be predisposed towards stronger labor standards. In order to account for this possibility, exogenous instrumental variables corresponding to each of the independent variables of interest

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<sup>13</sup> The lagged dependent variable is not included in the fixed effects models, in keeping with concerns introduced by Nickell (1981).

– *bilateral trade context*, *South-South bilateral trade context*, and *non-South-South bilateral trade context* – have been created using estimated bilateral trade values derived with gravity equation estimations. Specifically, trade volume between partners was estimated by dividing the product of logged GDP by the logged distance between the countries:

$$\text{Estimated bilateral trade}_{ij} = \frac{\log \text{GDP}_i \times \log \text{GDP}_j}{\text{Distance}_{ij}}$$

These estimated bilateral trade values were then substituted into the aforementioned *bilateral trade context* equations to produce the instruments. For example, the instrumental variable corresponding to *South-South bilateral trade context* is measured like so:

$$\begin{aligned} & \text{Estimated South-South bilateral trade context}_i \\ &= \sum_1^j \text{Labor law}_j \times \frac{\text{Estimated Trade}_{ij}}{\text{Estimated Exports to Trade}_i} \end{aligned}$$

These instruments should be correlated to the (possibly) endogenous independent variables, but uncorrelated with the unobserved determinants of the dependent variable. Analysis of models featuring these exogenous instruments should help to assuage fears of an endogeneity problem.

### 3.4.3 Hypothesis One: Results

In keeping with *Hypothesis One*, the results demonstrate that South-South trade is not accompanied by the diffusion of labor laws. As Table 2 shows, the coefficients for *South-South (SS) Bilateral Trade Context* are not significant in any of the models, while coefficients for *Non-South-South (Non-SS) bilateral trade context* remain positive and highly significant, clarifying

that these countries are driving the trade-based diffusion of labor laws. Coefficients and significance levels for the control variables in the model are mostly consistent with Greenhill et al., as *GDP per capita*, *population*, and *democracy* are also significant at lags of one-year or more, in expected directions.

DV: Labor law	1-Year Lag	2-Year Lag	3-Year Lag
SS Bilateral Trade Context	-0.0118 (0.0323)	-0.0577 (0.0357)	-0.0576 (0.0395)
Non-SS Bilateral Trade Context	0.0710*** (0.0188)	0.0728*** (0.0189)	0.0731*** (0.0202)
FDI inflows	0.0242 (0.0212)	0.0382 (0.0269)	0.0353 (0.0221)
Total trade	-0.00810* (0.00418)	-0.00780 (0.00509)	-0.00565 (0.00487)
GDP per capita	-0.733*** (0.217)	-0.731*** (0.219)	-0.792*** (0.261)
Population	-0.359*** (0.0802)	-0.345*** (0.0871)	-0.307*** (0.0962)
Democracy	0.0367* (0.0212)	0.0232 (0.0191)	0.0228 (0.0234)
Civil War	0.0596 (0.170)	-0.0951 (0.207)	-0.292 (0.190)
Hard PTA	0.780 (0.628)	0.678 (0.672)	0.230 (0.759)
Soft PTA	-0.375* (0.210)	-0.218 (0.233)	-0.212 (0.206)
Lagged dependent variable	0.639*** (0.0314)	0.619*** (0.0337)	0.612*** (0.0372)
Constant	18.88*** (2.647)	19.28*** (2.876)	19.10*** (3.088)
Observations	1,264	1,186	1,108
Number of Countries	83	83	82

Robust standard errors in parentheses

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

Table 2: Trade-based diffusion of labor rights through South-South and non-South-South trade.

Independent variables have been lagged one, two, and three years. Sample includes only Non-Aligned Movement countries over a time series of 1986-2002. Random effects included and standard errors clustered by country.

These results support *Hypothesis One*: South-South trade does not produce a trade-based diffusion effect nor does it contribute to the California effect observed by Greenhill et al. An alternative model using country and year fixed effects produces similar results, providing an extra degree of robustness to these findings (see Table 15 in the *Chapter Three Appendix*). Analysis of instrumental variable models provides yet another layer of robustness, as exogenous instruments produce much the same results. Specifically, instruments corresponding to *bilateral trade context* and *Non-South-South bilateral trade context* produce positive and significant coefficients, while the instrument corresponding to *South-South bilateral trade context* produces a significant but negative coefficient<sup>14</sup> (see Table 16, in the *Chapter Three Appendix*).<sup>15</sup>

All things considered, the first hypothesis of this analysis has been validated: South-South trade is not accompanied by the diffusion of labor laws. These findings are consistent with the expectations of this chapter and provide a prerequisite for analyzing *Hypothesis Two*.

### **3.4.4 Hypothesis Two: Variables, Data, and Empirical Models**

*Hypothesis Two* posits that the total trade-based policy diffusion effect on labor laws, produced through all bilateral trade, is weaker where South-South trade levels are higher. Validation of this hypothesis will demonstrate that high South-South trade levels correspond to weaker trade-

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<sup>14</sup> The significant negative coefficient suggests that there is actually an inverse relationship between the labor laws of a country and those of its Southern partners. This may be indicative of sustained trade between Southern countries with good labor laws and those with poor labor laws.

<sup>15</sup> Analysis of first stage statistics indicates that the instrument corresponding to *Non-South-South bilateral trade context* is weak, as the F-statistic is under the generally accepted threshold of ten (5.10101) and falls below acceptable Walt test confidence levels. F-statistics for the other variables are both appropriately high (102.369 for *bilateral trade context* and 18.0932 for *South-South bilateral trade context*). Adjusted R<sup>2</sup> scores for the models are: 0.2167 for *bilateral trade context*, 0.1894 for *Non-South-South bilateral trade context*, and 0.1322 for *South-South bilateral trade context*.

based external influence on the labor standards of Southern countries, indicating that not only is South-South trade not accompanied by the diffusion of labor rights, but that countries that engage in high levels of South-South trade are not subject to trade-based diffusion of labor rights at all. The implication of a supportive finding would be that high levels of South-South trade provide leverage to Southern countries in their bilateral relations with countries that do promote labor standards, which they in turn use to weaken the influence of these partners on their labor standards.

In order to test this hypothesis, the moderating effect of South-South trade on the relationship between the independent variable, measuring trade-based diffusion, and the dependent variable, measuring labor rights laws, is assessed. Specifically, an interaction of the moderator and independent variables (e.g. *South-South trade\*bilateral trade context*) is incorporated into a regression model along with main effect and control variables. A significant interaction term indicates that the moderating variable is affecting the relationship between the independent and dependent variables. The nature of this moderation effect can be teased out by plotting marginal effects (Brambor et al., 2006) or by analyzing coefficients for the independent variable where the moderator is set at higher and lower levels (Holmbeck, 1997).

The *bilateral trade context* variable developed by Greenhill et al. (2009) acts as the independent variable in this component of the analysis. This variable captures the trade-based diffusion effect created by all bilateral trade partnerships. Specifically, as discussed above, this variable was constructed by weighting a given country's exports to each importing partner by the labor law scores of these partners. As was established through validation of *Hypothesis One*, South-South trade does not contribute to the positive diffusion effect of *bilateral trade context* on

*labor law*, nevertheless it is possible that the trade-based diffusion through non-Southern partner countries persists regardless of relative South-South trade volume.

In this analysis, the independent variable of *bilateral trade context* is interacted with the moderation variable: South-South trade as a percentage of total trade (*South-South Trade (% Total)*). The latter variable was, again, created using the IMF DOTS data. As discussed above, analysis of the interaction term will determine whether South-South trade levels moderate the relationship between *bilateral trade context* and the dependent variable, *labor law*, in countries of the South. If this relationship between the independent and dependent variables is weaker where the South-South trade levels are higher it will validate *Hypothesis Two*.<sup>16</sup>

In addition to the aforementioned main effect and interaction variables, several controls are included in the model. First, a measure of economic partner diversification must be considered in order to rule out the alternative hypothesis that the lack of trade-based diffusion is attributable to such diversification, as opposed to South-South trade. To this end, a *Herfindahl-Hirschman Index (HHI)* measure of trade partner consolidation is incorporated into the model.

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<sup>16</sup> An alternative and, perhaps, preferable approach to capturing the contrasting effects of South-South and North-South trade dependency would have been to interact a measure capturing trade dependency (e.g. trade as a percentage of GDP) with a variable measuring the shares of trade directed to the South and to the North. I analyzed several models along these lines, but these models did not produce significant results indicating that trade dependency is moderated by trade direction, as hypothesized here. One model that does indicate a moderation effect suggests that trade dependency (*trade as a percentage of GDP*) has a significant negative effect on labor rights where South-South trade levels are high, but no significant effect when they are low. The result may mean that South-South trade leads to poor labor laws while other types of trade flows have no effect, or it may be that trade with countries of the North mitigates the negative relationship between trade and labor rights – as *trade as a percentage of GDP* has a significant and negative relationship with labor law across the models featured in this chapter, in which it is used as a control variable (labeled *total trade*). The latter interpretation is more consistent with the theory of interest in this dissertation (see Table 17 in the *Chapter Three Appendix* for the specifications and results of this model). An approach along these lines is used more effectively in *Chapter Five*.

HHI measures the sum of squared share of trade to each of a country's trade partners. For a country with  $N$  trade partners,  $HHI = s_1^2 + s_2^2 + \dots + s_N^2$ , where  $s$  equals the share of trade directed toward each country ( $i$ ). A country with an HHI score of close to one is characterized by nearly total trade market consolidation, meaning that trade is almost exclusively directed toward a single partner. A lower score indicates greater deconsolidation of trade.<sup>17</sup>

This HHI variable is included in the model on its own and as an interaction with the *bilateral trade context* variable. Inclusion of the interaction term serves to test *Hypothesis Two* against the alternative theory that economic partner diversification is allowing Southern countries to shield themselves from the diffusion of labor laws from the North. Literature advancing this theory predicts that trade partner diversification corresponds to lesser external political influence for Southern countries, so a weaker diffusion effect where HHI score is lower would constitute a supportive finding for the alternative theory.

Another alternative hypothesis is that trade with China, as opposed to trade with the South as a whole, is responsible for the lack of trade-based diffusion of labor rights policies to Southern countries. This does not so much constitute an alternative theory as a refinement whereby the role of trade with China is identified as the driving force in the process. Given that trade with China constitutes a large share of South-South trade and insomuch as China has been central to the formation and institutionalization of the non-interference norm, there is reason to suspect that trade with China could be driving statistical outcomes supporting *Hypothesis Two*. In order to control for such a possibility, a variation of the moderator variable has been

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<sup>17</sup> Data for this HHI variable has been drawn from Babones and Farabee-Siers (2012), who calculated HHI scores for 180 countries using data from the IMF DOTS.

constructed in which trade with China is excluded. Analysis using this variable will be conducted to insure the robustness of the model to the exclusion of China.

In addition to these aforementioned variables intended to test competing hypotheses, other variables are also controlled for in order to isolate the effects of the primary parameters of interests.<sup>18</sup> These are *civil war*, *FDI inflows* (as a percentage of GDP), *democracy*, and *total trade* (as a percentage of GDP). The model is expressed like so:

$$\text{Labor law}_{it} = \alpha + \beta_1 \text{Bilateral trade context}_{it-1} + \beta_2 \text{South-South trade}_{it-1} + \beta_3 (\text{Bilateral trade context} * \text{South-South trade})_{it-1} + \beta_k (\text{Control variables}) + u_{it}$$

A number of additional model specifications have been incorporated into various models in an attempt to isolate key variables. The primary model featured in the text includes country fixed effects, in order to control for the effects of unobserved country-specific characteristics on the dependent variable. An additional model adds year fixed effects, in order to account for unexpected variation or specific events that may have affected the dependent variable during years in the sample. Finally, models with random effects and including a lagged dependent variable have been analyzed to account for serial correlation and the likelihood that labor laws in prior years influence current labor laws.

### 3.4.5 Hypothesis Two: Results

In keeping with the expectations of *Hypothesis Two*, the results show that variation in South-South trade moderates the trade-based diffusion of labor law. Specifically, the relationship

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<sup>18</sup> These control variables are drawn from the fixed effects models of Greenhill et al. (2009).

between *bilateral trade context* and *labor law* is weaker where South-South trade levels are higher. Moreover, this finding is robust to the inclusion of control variables, including controls designed to test for alternative explanations. Table 3 provides the results of the analysis.

DV: Labor law	Model 1	Model 2
Bilateral Trade Context (BTC)	0.299** (0.119)	0.339*** (0.122)
SS trade (% Total)	-0.0334*** (0.01000)	-0.0365*** (0.00967)
BTC*SS trade % total	-0.00777* (0.00401)	-0.0109*** (0.00389)
HHI		-4.904 (3.362)
BTC*HHI		-1.819** (0.799)
Civil war	0.142 (0.541)	0.131 (0.539)
Democracy	0.0527 (0.0358)	0.0609 (0.0370)
Total trade	-0.0252** (0.0108)	-0.0237** (0.0109)
FDI inflows	0.0441 (0.0316)	0.0420 (0.0318)
Constant	17.32*** (3.066)	18.16*** (3.300)
Country Fixed Effects	YES	YES
Year Fixed Effects	NO	NO
Observations	1,412	1,412
Number of Countries	90	90

Robust standard errors in parentheses

\*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$

**Table 3: Moderating effect of South-South trade on trade-based diffusion of labor rights.**

Model 1 demonstrates the interaction effect of *bilateral trade context* and South-South trade. Model 2 incorporates an additional control to the model to rule out the alternative hypothesis. The sample includes only Non-Aligned Movement countries over time-series of 1986-2002. Independent variables have been lagged one year. Country fixed effects are included.

In Table 3, Model 1 demonstrates that the relationship between *bilateral trade context* and *labor law* is conditional on variation in South-South trade level. The independent and

moderator variables have been interacted in this model, producing a term that is negative and significant. This indicates that relatively higher levels of South-South trade correspond to a weaker relationship between *bilateral trade context* on *labor law*.

Model 2 incorporates additional parameters in order to test this finding against the alternative hypothesis that diversification of trade partnerships decreases partners' political influence. The interaction effect of interest for this alternative hypothesis (*Bilateral trade context\*HHI*) is significant and negative, indicating that an increase in trade partner consolidation corresponds to a weakening of the trade-based diffusion of labor laws. This finding is not in line with the theoretical literature proposing that the diversification of economic partnerships weakens external influence. Nor does the inclusion of this variable meaningfully affect the significance level or the coefficient of the interaction term corresponding to *Hypothesis Two* (*Bilateral trade context\*SS trade % total*). These findings lend further support to *Hypothesis Two* and to the wider theory at hand by weakening the viability of the alternative theory that diversification of economic partnerships shields Southern countries from political influence and accompanying labor policy diffusion.

Models 1 and 2 show a significant interaction effect between *bilateral trade context* and *South-South trade (% total)*. In order to tease out the nature of this interaction effect, a marginal effect plot can be used to illustrate the significance levels of the independent variable on the dependent variable where the moderator variable is set at different levels. Figure 5 provides just such a marginal effect plot, demonstrating that *bilateral trade context* is significant where South-South trade levels constitute only a low share of total trade, but insignificant where South-South trade levels are higher.



**Figure 5: Marginal effect plot demonstrating that *bilateral trade context* is only a significant predictor of *labor law* where South-South trade levels are relatively low.**

An additional set of robustness checks have also been conducted, utilizing alternative variables and model specifications. First, year fixed effects have been included in the models, in addition to country fixed effects. The findings generally hold with the addition of year fixed effects, although less strongly so, as the interaction term is no longer significant in Model 1 and is significant at the 0.1 level in Model 2 (see Table 18, in the *Chapter Three Appendix*). Next, in line with the recommendation of Angrist and Pishke (2009), a set of models with random effects and a lagged dependent variable has been produced. The results for this model specification, which has the benefit of accounting for serial correlation and the likelihood that labor laws in prior years influence current labor laws, support *Hypothesis Two* (see Table 19, in the *Chapter Three Appendix*). Finally, model specifications in which *trade with China as a percentage of*

*total trade* has been excluded from the moderating variable and included as a separate control variable have been constructed. The findings indicate that the moderating effect of South-South trade on the trade-based diffusion of labor rights is not being driven by China (see Table 20, in the *Chapter Three Appendix*).

Overall, these results provide support for *Hypothesis Two* and the wider theory of interest: higher levels of South-South trade correspond to lesser trade-based diffusion of labor laws. This finding indicates that South-South trade has effects on the trade-based diffusion of labor rights policies through all bilateral partnerships. Moreover, it provides support for the theory that high levels of South-South trade afford Southern countries with leverage in their North-South relations – leverage that allows them to shield themselves from the imposition of labor rights laws from abroad.

### **3.5 IMPLICATIONS FOR DOMESTIC POLITICS**

If higher levels of South-South trade correspond to less external pressures on labor law in countries of the South, it implies that domestic politics with regard to these laws should also be different. Most importantly from the perspective of this dissertation, it would seem that in countries where Northern efforts are rendered weak by high levels of South-South trade, domestic interests and institutions should be expected to play a larger role in the policymaking process. In particular, it seems likely that those domestic level factors that would otherwise encourage weak labor protections would be empowered by high levels of South-South trade, as these forces run counter to the interests of the North and are therefore constrained by Northern

influence. Finding evidence of these sorts of dynamics would significantly strengthen the overall argument of this chapter regarding the effects of South-South trade.

Among the domestic level variables highlighted in the review of labor rights literature above, three stand out as domestic level interests and institutions that may play a larger role in the policymaking process in countries that engage in high levels of South-South trade: governing party ideology, democracy, and labor power. The following paragraphs discuss each of these three variables and the data used to analyze them in greater detail.

Governing party ideology is a key overarching measure of domestic politics and has been demonstrated to affect labor law in countries of the South, with countries governed by conservative parties being particularly likely to restrict labor rights (Bradley et al., 2003; Mosley, 2008). As such, I hypothesize that the political ideology of the governing party has a stronger correlation to labor standards in countries with higher levels of South-South trade. This is likely to be especially true of conservative political ideology. Pro-labor Northern pressures will weaken conservative domestic efforts where high levels of North-South trade render Northern influence strong. However, where trade with the South constitutes a larger share of total trade, Northern efforts should be less effective, allowing the domestic political process more influence over the setting of labor standards. For the *governing party ideology* variable utilized in this analysis, left parties have been coded as “1,” center parties as “2,” and right parties as “3.”<sup>19</sup>

Regime type is also a factor likely to be of importance for the advancement of labor rights. Workers in democratic states have outlets to express concerns about labor rights violations and can hold leadership accountable for poor labor standards. In contrast, autocratic states lack the accountability mechanisms necessary to persuade governments to implement

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<sup>19</sup> Data for this variable comes from Beck et al. (2001).

strong labor standards. Indeed, numerous works have identified democracy as an important determinant of labor standards (Mosley and Uno, 2007; Kim, 2012; Postnikov and Bastiaens, 2014). In line with the theory, the expectation will be that *democracy* is a stronger predictor of *labor law* where South-South trade levels are higher. However, it is also possible that the positive effect of democracy has been aided by Northern influence, in which case lesser Northern influence may be accompanied by a weaker role for democracy in the promotion of labor rights. Data for *democracy* comes, again, from the polity2 measure of Marshall and Jaggers (2002), which scales regime type on a twenty point scale in which “-10” indicates perfect autocracy and “10” indicates perfect democracy.

Labor power constitutes the third domestic level interest that contributes to labor standards. Well-organized labor movements can bargain effectively with states to promote the adoption of pro-social policies, including stringent labor laws. In line with the theory at hand, the domestic political autonomy afforded to Southern countries through high levels of South-South trade should correspond to a stronger role for labor power in the institutionalization of labor laws. Although it is, again, possible that the positive effect of labor power has been aided by Northern influence, in which case weaker Northern influence may be accompanied by a weaker role for labor power in the promotion of labor rights. Labor power is operationalized here using the potential labor power (*PLP*) variable developed by Rudra (2002). This variable measures the ratio of skilled to low-skilled workers, divided by surplus labor. In order to maximize the sample size for the *PLP* variable, measures composed by Rudra and Alemán (2008) have been combined into a single measure. In the few cases where *PLP* values from Rudra and Alemán overlap, averages of the two were taken.

To test the part of the theory positing that domestic level interests and institutions play a larger role in the political process where South-South trade levels are high, a moderation strategy not unlike that used to test *Hypothesis Two* will be utilized. Here, the independent variables will be *governing party ideology*, *democracy*, and *PLP*, and the moderation technique will determine whether the relationships between these variables and *labor law* are altered by variation in South-South trade level. Just as was the case in the testing of *Hypothesis Two*, the moderator variable is *South-South trade (% total)* and the dependent variable is *labor law*. The models are expressed like so, where *X* represents the domestic level independent variable:

$$\text{Labor law}_{it} = \alpha + \beta_1 X_{it-1} + \beta_2 \text{South-South trade}_{it-1} + \beta_3 (X * \text{South-South trade})_{it-1} + \beta_4 (\text{Control variables}) + u_{it}$$

If the relationships between these independent variables and *labor law* are stronger where South-South trade levels are higher, it will be indicative that domestic politics play a larger role in the policy process where high-levels of South-South trade have rendered external constraints weak, thereby amounting to an increase in political autonomy.

Control variables include those used in *Hypothesis Two*, as well as measures of other pertinent domestic level variables. The controls are for *total trade* (as a percentage of GDP), *FDI inflows* (as a percentage of GDP), *civil war*, *GDP per capita*, *veto-players*, *electoral system*, and *bilateral trade context*.<sup>20</sup> All independent variables have been lagged by one year, in keeping with expected causal direction. In addition, a Cold War dummy variable has been included, as have country fixed effects.

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<sup>20</sup> Data for these variables have been drawn from Beck et al. (2001) and Greenhill et al. (2009).

### 3.5.1 Implications for Domestic Politics: Findings

Indeed, results indicate that South-South trade levels do have a moderating effect on the domestic politics of labor law. Specifically, South-South trade levels have opposite effects on the *governing party ideology* and *democracy*, such that the former is a stronger predictor of *labor law* where South-South trade levels are higher, whereas the latter is a stronger predictor of *labor law* where South-South trade levels are lower. This indicates that those domestic level factors that would otherwise encourage weak labor protections are empowered by high levels of South-South trade, whereas those that are in line with the pro-social interests of the North are disempowered. Results (not shown) indicate that South-South trade levels do not have a moderating effect on the relationship between labor power (*PLP*) and *labor law*.

Table 4 provides results demonstrating the moderating effect of South-South trade on the relationship between *governing party ideology* and *labor law*. The table captures the marginal effect of *governing party ideology* at different levels of the moderating variable. In Model 1, *South-South trade (% total)* is set at a low level (one standard deviation below the mean), in Model 2 it is set to its mean, and in Model 3 it is set at a high level (one standard deviation above the mean). Where the moderating variable is low, the coefficient for *governing party ideology* is not significant. Where *South-South trade (% total)* is set at its mean, *governing party ideology* is shown to have a significant and negative effect on *labor law*, indicating that more conservative governance is accompanied by weaker labor standards. Finally, *governing party ideology* has a

significant and still-more negative coefficient where *South-South trade* (% total) is set at a high level.<sup>21</sup>

DV: Labor law	Model 1 SStrade%total set one SD below mean	Model 2 SStrade%total set at mean	Model 3 SStrade%trade set one SD above mean
Governing party ideology	-0.0492 (0.214)	-0.357* (0.193)	-0.664** (0.332)
South-South trade (% total)	-0.0116 (0.0126)	-0.0116 (0.0126)	-0.0116 (0.0126)
Governing party ideology*SS trade	-0.0156 (0.0102)	-0.0156 (0.0102)	-0.0156 (0.0102)
Civil war	0.0148 (0.767)	0.0148 (0.767)	0.0148 (0.767)
Bilateral trade context	0.129 (0.114)	0.129 (0.114)	0.129 (0.114)
Total trade	-0.00238 (0.00940)	-0.00238 (0.00940)	-0.00238 (0.00940)
FDI inflows	0.0169 (0.0335)	0.0169 (0.0335)	0.0169 (0.0335)
Democracy	0.0932** (0.0456)	0.0932** (0.0456)	0.0932** (0.0456)
GDP per capita	-0.856 (2.058)	-0.856 (2.058)	-0.856 (2.058)
Veto players	-0.158* (0.0832)	-0.158* (0.0832)	-0.158* (0.0832)
Political system	0.0724 (1.119)	0.0724 (1.119)	0.0724 (1.119)
Cold War dummy	-1.335** (0.588)	-1.335** (0.588)	-1.335** (0.588)
Constant	28.41* (15.96)	29.04* (15.90)	29.00* (15.97)
Observations	705	705	705
Number of Countries	62	62	62

Robust standard errors in parentheses

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

Table 4: Effect of South-South trade on relationship between *governing party ideology* and *labor law*.

Model 1 demonstrates that *governing party ideology* is not significant where *South-South trade* (% total) is set at a relatively low level (one standard deviation below the mean). Model 2 demonstrates that *governing party*

<sup>21</sup> It should be noted that the interaction term is not significant. However, this does not exclude the possibility of a moderation effect (Brambor et al., 2006).

*ideology* is significant with a negative coefficient where *South-South trade (% total)* is set at its mean level. Model 3 demonstrates that *governing party ideology* is significant with an even greater coefficient where *South-South trade (% total)* is set at a relatively high level (one standard deviation above the mean). Sample includes only Non-Aligned Movement countries over time series of 1986-2002. Independent variables lagged one year. Country fixed effects included.

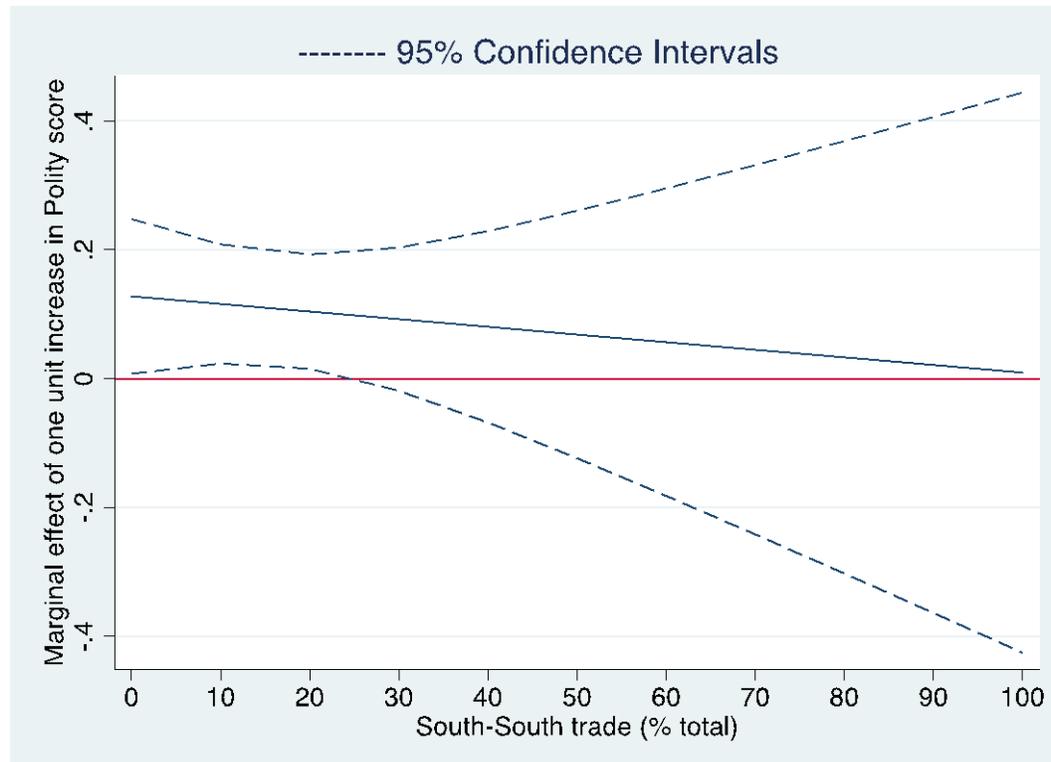
In contrast to *governing party ideology*, results indicate that democratic governance is a strong indicator of labor rights where South-South trade levels are relatively low, but is weaker where South-South trade levels are higher. As Table 5 demonstrates, where the moderating variable is set at a low level of one standard deviation below its mean (Model 1), the coefficient for *democracy* is positive and significant, indicating that labor laws are stronger where governments are more democratic. Where *South-South trade (% total)* is set at its mean (Model 2), the coefficient for *democracy* remains significant, but the coefficient is smaller. Finally, *democracy* is not significant where *South-South trade (% total)* is higher (Model 3). These findings indicate that democratic governance is empowered by relatively high levels of North-South trade and disempowered by higher levels of South-South trade, suggesting that those domestic level interests and institutions that share values with the North, such as democracy, experience greater influence on political processes where North-South trade levels are higher.

DV: Labor law	Model 1 SStrade%total set one SD below mean	Model 2 SStrade%total set at mean	Model 3 SStrade%trade set one SD above mean
Democracy	0.117** (0.0480)	0.0936* (0.0549)	0.0703 (0.0948)
South-South trade (% total)	-0.0107 (0.0166)	-0.0107 (0.0166)	-0.0107 (0.0166)
Democracy*SS trade	-0.00118 (0.00260)	-0.00118 (0.00260)	-0.00118 (0.00260)
Civil war	-0.271 (0.178)	-0.271 (0.178)	-0.271 (0.178)
Bilateral trade context	0.0766 (0.765)	0.0766 (0.765)	0.0766 (0.765)
Total trade	0.111 (0.113)	0.111 (0.113)	0.111 (0.113)
FDI inflows	-0.00245 (0.00937)	-0.00245 (0.00937)	-0.00245 (0.00937)
Governing party ideology	0.0137 (0.0347)	0.0137 (0.0347)	0.0137 (0.0347)
GDP per capita	-0.832 (2.052)	-0.832 (2.052)	-0.832 (2.052)
Veto players	-0.140* (0.0834)	-0.140* (0.0834)	-0.140* (0.0834)
Political system	0.113 (1.089)	0.113 (1.089)	0.113 (1.089)
Cold War dummy	-1.348** (0.584)	-1.348** (0.584)	-1.348** (0.584)
Constant	28.93* (15.83)	29.02* (15.82)	28.49* (15.92)
Country Fixed Effects	YES	YES	YES
Year Fixed Effects	NO	NO	NO
Observations	705	705	705
Number of Countries	62	62	62

Table 5: Effect of South-South trade on relationship between *democracy* and *labor law*.

Model 1 demonstrates that *democracy* is significant with a positive coefficient where *South-South trade (% total)* is set at a relatively low level (one standard deviation below the mean). Model 2 demonstrates that *democracy* is significant, but has a lower positive coefficient, where *South-South trade (% total)* is set at its mean level. Model 3 demonstrates that *democracy* is not significant where *South-South trade (% total)* is set at a relatively high level (one standard deviation above the mean). Sample includes only Non-Aligned Movement countries over time series of 1986-2002. Independent variables lagged one year. Country fixed effects included.

A marginal effects plot is also provided below, in Figure 6, to demonstrate this finding visually. The plot demonstrates that the relationship between democracy and labor law is significant where South-South trade levels are low, but that once South-South trade reaches approximately twenty-five percent of total trade, the relationship ceases to be significant.



**Figure 6: Marginal effect plot demonstrating that democratic governance is only a significant predictor of labor law where South-South trade levels are relatively low.**

Collectively, these findings indicate that South-South trade levels moderate the domestic political process, such that domestic level factors that would otherwise encourage weak labor protections (such as conservative governance) are empowered by high levels of South-South trade, whereas those that are in line with the pro-social interests of the North (such as democracy) are disempowered.

### 3.6 CONCLUSIONS

This chapter has presented the first systematic empirical analysis of the effects of South-South trade on labor rights. Its findings suggest that South-South trade acts quite differently than other types of trade flows in terms of effects on labor rights, and that the presence of high levels of South-South trade significantly diminishes the ability of those countries that do promote labor rights to affect changes in labor rights policies. In the process, South-South trade empowers interests in countries of the South that would otherwise be suppressed by constraints that accompany North-South trade.

In particular, using cross-national statistical analysis, this analysis has demonstrated that countries with higher levels of South-South trade experience less trade-based diffusion of labor rights from abroad. South-South trade is not accompanied by a diffusion of labor laws; moreover, high levels of South-South trade weaken the trade-based diffusion effect of trade between countries of the South and those not of the South. These findings are robust to a number of model specifications, including several designed to rule out alternative hypotheses. The results are driven neither by trade with China nor by the diversification of trade partnerships.

In Southern countries where Northern efforts are rendered weak by high levels of South-South trade, *governing party ideology* plays a larger role in the policymaking process. This is consistent with the expectation that domestic politics in countries that engage in high levels of South-South trade are empowered as they are less constrained by interference from the North and not subject to comparable interference efforts from the South. In contrast, *democracy* is demonstrated to be a stronger predictor of *labor law* in countries that engage in lower levels of South-South trade, indicating that trade with the North empowers those interests and institutions

within Southern countries that share policy values with the North and that these interests and institutions are disempowered by high levels of South-South trade.

These findings challenge conventional wisdom about trade-based diffusion and provide insights as to the effects of growing South-South trade on international and domestic political processes. In regards to trade-based diffusion, the most cutting edge literature has highlighted the California effect. However, my findings demonstrate that this effect is not transmitted through South-South trade. The key implication for researchers of the politics of trade is that attention should be paid to trade direction and to the norms that govern different trading relationships.

The findings presented in this chapter also indicate that South-South trade is undermining the effectiveness of Northern efforts to promote high labor standards in the Global South. Efforts by countries like the United States to encourage their partners in the South to adopt stringent labor laws are likely to be unsuccessful in those countries that engage in high levels of South-South trade. This may also be true of efforts to promote the adoption of laws corresponding to other policy areas of salience to the North (the next chapters considers two such policy areas: environmental standards and voting in the United Nations). Given this likelihood and in light of the ongoing growth of South-South trade, countries of the North must rethink their approaches to the promotion of labor rights and policy adoption more generally by countries of the South.

Finally, the findings suggest that South-South trade is affecting domestic political processes in countries of the South. Specifically, it is empowering domestic interests and institutions with values that conflict with those of the North (specifically, conservative governing

party ideology), while disempowering interests and institutions with values that align to those of the North (specifically, democracy). This is likely to have negative implications for labor rights.

#### **4.0 SOUTH-SOUTH TRADE AND THE TRADE-BASED DIFFUSION OF ENVIRONMENTAL STANDARDS: DOES SOUTH-SOUTH TRADE MODERATE THE RACE TO THE TOP?**

This chapter tests the application of the theory of interest to the policy area of environmental standards. In doing so, it presents the first systematic analysis of the effects of South-South trade on environmental policy in countries of the Global South. Specifically, it conducts analysis to differentiate the environmental policy diffusion effects associated with South-South trade from those associated with other types of trade flows.

The results demonstrate that South-South trade does not contribute to the trade based diffusion of environmental standards. Moreover, the evidence indicates that countries that engage in higher levels of South-South trade are characterized by less trade-based diffusion of environmental standards altogether. However, South-South trade does not appear to moderate the relationships between domestic political variables and environmental policy. These findings provide only partial support for the theory of this dissertation and its applicability to environmental policy.

The chapter proceeds as follows. First, the literature on trade and the environmental in countries of the Global South is reviewed, culminating in a discussion of the contrasting trade-based diffusion patterns that are likely to accompany South-South trade and other types of trade flows. Next, the theory of this dissertation is reiterated, with respect to environmental policy,

and hypotheses are presented. Third, the research design is discussed, including variables, data, and empirical models. Fourth results are presented. Finally, concluding analysis is offered.

#### **4.1 TRADE AND THE ENVIRONMENT**

Research has analyzed the relationship between trade and the environment through multiple angles. Scholars focusing on pollution levels, as opposed to environmental policy, have highlighted the effects of trade via scale, composition, and technique effects (Grossman and Kruger, 1995).<sup>22</sup> Those interested in environmental policy have, at times, argued that globalization is leading to a race to the bottom, as countries compete for trade and foreign investment by weakening environmental standards in an effort to reduce production costs. This line of reasoning is evident in pollution haven hypotheses (Cole, 2004; Copeland and Taylor, 2004; Akbostanci et al., 2007), which posit that dirty industries move to countries of the South in order to escape the stringent regulations that characterize Northern countries.

Empirical studies have generally not found strong support for the race to the bottom in environmental standards (Drezner, 2001; Potoski, 2001) and, likewise, studies of pollution haven hypotheses by Cole (2004) and Akbostanci et al. (2007) have produced only mixed support for that theory. In contrast, an alternative body of literature positing a race to the top in environmental standards have produced consistently supportive findings. These studies emphasize policy diffusion through bilateral relations, as good environmental practices diffuse

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<sup>22</sup> The effects of South-South trade on pollution levels in countries of the South has been analyzed in a recent piece (Hochstetler, 2013), which is the only research focusing on South-South trade and the environment of which I am aware.

from country-to-country. This body of literature began with Vogel (1995), who demonstrated that California's adoption of stringent emission standards promoted other states to follow suit. Vogel went on to show that this "California effect" was applicable at the international level as well, as advanced industrialized countries adopted stricter standards from their similarly developed bilateral trade partners.

Subsequently, scholars in this vein have argued that the diffusion of environmental standards may be transmitted through imitation, emulation, or learning (Busch & Jörgens, 2005) or through facets of economic globalization. Among conduits for diffusion through economic integration, bilateral trade (Prakash and Potoski, 2006; Marcoux and Urpelainen, 2012; Saikawa, 2013) and FDI have been highlighted (Prakash and Potoski, 2007; Zeng and Eastin, 2012).

With regards to the trade-based diffusion, Prakash and Potoski (2006) find that countries are more likely to adopt ISO 14001, a voluntary environmental regulation that stipulates process standards, when their major export partners have also adopted the regulation. Marcoux and Urpelainen (2012) add a layer of nuance to the findings of Prakash and Potoski by demonstrating that trade-based diffusion of ISO 14001 adoption is limited to countries that are "behind the global adoption curve" (p. 872), while Berliner and Prakash (2013) find that bilateral trade pressures only lead to ISO 14001 adoption in countries with poor regulatory governance. The trade-based diffusion framework has also been applied to automobile emission regulations. Specifically, Saikawa (2013) demonstrates that this compulsory environmental regulation is subject to trade-based diffusion and that it is diffused to both developed and developing countries.

Collectively, the aforementioned studies provide strong support for the notion that environmental policy is subject to trade-based diffusion. However, a question remains as to

whether diffusion is transmitted through all types of trade flows or merely some. In particular, there is reason to believe that South-South trade may not be accompanied by the diffusion of environmental standards, thereby contrasting with other types of trade flows, particularly North-South trade.

Countries of the Global North have explicitly sought to promote the adoption of environmental standards by their Southern partners through trade relations (Postnikov, 2014). However, Southern countries generally reject the inclusion of “behind the border” environmental policy conditions in their trade relations with one another and, indeed, references to environmental standards are rare in South-South trade agreements (Dür et al., 2011). This inattention to environmental standards in South-South trade discourse may reflect the norm of non-interference that pervades in South-South relations.<sup>23</sup>

## **4.2 APPLICATION OF THEORY AND HYPOTHESIS**

Given the contrasting foreign policy norms associated with North-South and South-South trade, it is appropriate to consider how environmental policy diffusion is affected by South-South trade by testing the application of this dissertation’s theory. If the theory is applicable, then three findings should be evident. First, South-South trade should not be accompanied by a trade-based diffusion of environmental policy, either due to the norm of non-interference that prevails among

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<sup>23</sup> Countries of the South have, at times, emphasized the norm of non-interference in an effort to prevent environmental policy promotion from their partners (Koh, 2012). Moreover, Malaysia's Economic Counsellor in Washington D.C., Hairil Yahri Yaacob, emphasized to me that non-interference also extends to the imposition (including the trade-based imposition) of environmental standards.

Southern countries or to a lack of norms concerning the promotion of environmental standards. Second, countries that engage in high levels of South-South trade should experience less trade-based diffusion of environmental policy altogether, as high levels of South-South trade offer leverage to Southern countries in their North-South relations – leverage that they use to rebuff the environmental policy promotion efforts of Northern trade partners. Third, domestic level political factors should play a larger role in the environmental policy process where South-South trade levels are higher, as the void left in the absence of Northern pressure is filled by domestic level interests and institutions.

In order to test this first hypothesis, two tests are conducted. The first seeks to demonstrate that there is a trade-based diffusion of environmental standards, specifically a California effect, whereby positive environmental standards diffuse from importer countries to their exporter partners. Such a finding will be consistent with earlier findings from Prakash and Potoski (2006) and Saikawa (2013), although it will advance on their findings by analyzing a holistic measure of environmental policy, as opposed to individual policies that these studies focused upon. The second test adds a layer of nuance to by disaggregating trade to differentiate the diffusion effects associated with South-South trade from those accompanying other types of trade flows. If the first hypothesis finds support, then further tests will be run to determine whether high levels of South-South trade correspond to less trade-based diffusion of environmental policy altogether (*Hypothesis Two*) and the implications for domestic political processes (*Hypothesis Three*).

### 4.3 RESEARCH DESIGN, VARIABLES, DATA, AND EMPIRICAL MODELS

The analysis that follows uses cross-national time-series data to test the aforementioned hypotheses. The sample consists of 59 Southern countries and covers a time-series of 11 years, from 2000 to 2010. All countries in the sample have been members or observers of the Non-Aligned Movement, indicating their espousal of the organization's principle of non-interference.

#### 4.3.1 Dependent Variable

The dependent variable for all of the statistical analyses conducted in this chapter is *Environmental Performance Indicator* score (*EPI*). This variable (Hsu et al., 2016), which was developed by Yale University's Center for Environmental Law and Policy and Colombia University's Center for International Earth Science Information Network, measures the environmental performance of state's policies by identifying targets for several core environmental categories and then measuring how close countries come to meeting them.

The EPI encompasses 25 performance indicators across ten policy categories corresponding to two objectives: *Environmental Public Health* and *Ecosystem Vitality*. The policy categories accompanying *Environmental Public Health* are *Environmental Burden of Disease*, *Air Pollution (Effects on Humans)*, and *Water (Effects on Humans)*. Policy categories for *Ecosystem Vitality* are *Air Pollution (Effects on Ecosystem)*, *Water (Effects on Ecosystem)*, *Biodiversity and Habitat*, *Agriculture*, *Forestry*, *Fisheries*, and *Climate Change*. Table 6 provides a breakdown of EPI objectives and policy categories, as well as the performance indicators that are used to measure the policy categories.

<b>Objectives</b>	<b>Policy Category</b>	<b>Performance Indicators</b>
<b>Environmental Public Health</b>	Environmental Burden of Disease	Child Mortality
	Air Pollution (Effects on Humans)	Indoor Air Pollution Particulate Matter
	Water (Effects on Humans)	Access to Drinking Water Access to Sanitation
<b>Ecosystem Vitality</b>	Air Pollution (Effects on Ecosystem)	Sulfur Dioxide Emissions (Per capita) Sulfur dioxide emissions (Per GDP)
	Water (Effects on Ecosystem)	Change in Water Quality
	Biodiversity and Habitat	Biome Protection Marine Protection Critical Habitat Protection
	Agriculture	Agricultural Subsidies Pesticide Regulation
	Forestry	Growing Stock Change Forest Loss Forest Cover Change
	Fisheries	Fishing Stocks Overexploited Coastal Shelf Fishing Pressure
	Climate Change	CO2 (Per Capita) CO2 (Per GDP) CO2Emissions Per Electricity Generation Renewable Electricity

**Table 6: Objectives, policy categories, and performance indicators encompassed in the *EPI* variable.**

To calculate EPI, the data for each performance indicator was standardized according to population, land area, GDP, and other common units of measurement, and then weights were assigned to each. Researchers then used the index scores to calculate the proximity-to-target of each country for each sample year, where each environmental performance target score is 100 and a given EPI score represents the proximity of the country to its environmental performance target. In practice, EPI scores range from 25.21509 to 69.32506, with a mean of 47.95813.<sup>24</sup>

<sup>24</sup> See Table 21 in the *Chapter Four Appendix* for descriptive statistics of all variables analyzed in this study.

### 4.3.2 Independent Variables

The independent variables in the models measure the environmental standards of sample countries' trade partners. Specifically, this study utilizes an equation along the lines of those used in other analyses of trade-based diffusion (Prakash and Potoski, 2006; Greenhill et al., 2009; Berliner and Prakash, 2013) to create a trade partner environmental performance variable for environmental standards. It does so by taking EPI scores for the export partners of every country in the sample and weighting them by the volume of exports directed toward each partner country:

*Trade partner environmental performance<sub>i</sub>*

$$= \sum_1^j EPI_j \times \frac{Exports_{ij}}{Total Exports_i}$$

In this variable,  $Exports_{ij}$  captures the volume of exported goods and services sent from country  $i$  to country  $j$ ;  $EPI_j$  refers to the environmental standards of the importing country,  $j$ ; and  $Total Exports_i$  denotes the volume of all of country  $i$ 's exports. Higher *trade partner environmental performance* scores correspond to better environmental performance among a country's trade partners.

In order to assess the first hypothesis, which posits that South-South trade does not contribute to this trade based diffusion of environmental standards, the independent variable of *trade partner environmental performance* has been altered to disaggregate the diffusion effects associated with South-South trade from those associated with other types of trade flows. To this end, two measures have been created, with one composed using only South-South trade (*Southern trade partner environmental performance*) and the other composed using trade to

countries outside of the South (*non-Southern trade partner environmental performance*). The measure composed using only South-South trade is presented here:

*Southern trade partner environmental performance<sub>i</sub>*

$$= \sum_1^j EPI_j \times \frac{Exports_{ij}}{Exports\ to\ South_i}$$

This equation for *Southern trade partner environmental performance* mirrors the *trade partner environmental performance* formula above, except that here the measure is limited to exports to the South, such that  $j$  countries are all countries of the Global South and the denominator term includes only exports to the South.

Likewise, the *Non-Southern trade partner environmental performance* variable that measures the environmental standards of sample countries' trade partners outside of the South, such that  $j$  countries are all countries not of the South and the denominator only includes exports to countries not of the South:

*Non-Southern trade partner environmental performance<sub>i</sub>*

$$= \sum_1^j EPI_j \times \frac{Exports_{ij}}{Exports\ not\ to\ South_i}$$

The trade data used to compile all three of these measures was drawn from the IMF DOTS.

### 4.3.3 Control Variables

Several control variables have been included in the analysis, in addition to the independent variables of primary interest, to account for other political and economic variables that may affect environmental policy. These variables are foreign direct investment (as a percentage of

GDP), GDP per capita (log), GDP squared, trade (as a percentage of GDP), foreign aid (as a percentage of GDP), regime type, population, and governing party ideology. Each of these variables is discussed in greater detail in the paragraphs that follow.

Foreign direct investment has been highlighted by Prakash and Potoski (2007) as a key variable contributing to the diffusion of environmental standards. They argue, specifically, that “competition to attract foreign direct investment (FDI) creates opportunities for multinational enterprises (MNEs) to diffuse corporate management practices from their countries-of-origin (home countries) to countries hosting their foreign operations” (723). In light of this likelihood, FDI inflows as a percentage of GDP (*FDI Inflows (% GDP)*) have been included in the model.

Following Saikawa (2013), a variable measuring Official Development Assistance and other foreign aid values as a percentage of GDP has also been included as a control (*Foreign Aid (% GDP)*). This variable is intended to capture an alternative source of pressure from donor countries in the North to improve environmental standards. As Saikawa argues, aid of this sort may act as a coercive form of pressure to adopt standards. Additionally, trade as a percentage of GDP (*Trade (% GDP)*) has been included in the models, following Saikawa and Prakash and Potoski (2006).

Several domestic level variables have also been controlled for. First, GDP per capita (*GDP Per Capita (log)*) has been controlled for, on the basis that wealthier countries’ citizens may be more inclined to demand better environmental regulations. Likewise, a control (*GDP Per Capita Squared*) has been included, following Prakash and Potoski (2007), in light of evidence indicating an environmental Kuznets Curve (Grossman and Krueger, 1995). Two domestic level political variables have also been controlled for, given the importance of domestic

level politics in the environmental policymaking process. These are *governing party ideology* and *democracy* for which the polity score has been used.

Data for variables measuring FDI, foreign aid, trade, and GDP per capita have been drawn from the World Bank's World Development Indicators. Data for *governing party ideology* has been drawn from Beck et al. (2001). Data for *democracy* has been drawn from the polity dataset (Marshall and Jaggers, 2002). All of the independent and control variables have been lagged one year. In addition, country fixed effects have been added to the models in order to control for the effects of unobserved country-specific characteristics on the dependent variable (models with random effects have also been analyzed as a robustness check).

In sum, the regression equations for Hypothesis One can be expressed like so:

$$EPI_{it} = \alpha + \beta_1 \text{Trade partner environmental performance}_{it-1} + \beta_k(\text{Control variables}) + u_{it}$$

$$EPI_{it} = \alpha + \beta_1 \text{Southern trade partner environmental performance}_{it-1} + \beta_2 \text{Non-Southern trade partner environmental performance}_{it-1} + \beta_k(\text{Control variables}) + u_{it}$$

#### 4.3.4 Endogeneity Control

As an additional robustness check, instrumental variables have been constructed for analysis intended to address the potential problem of endogeneity. The concern is that regression results may be biased by a selection effect, whereby those countries that trade less heavily with the South may be predisposed towards stronger environmental standards. In order to account for this possibility, exogenous instrumental variables corresponding to independent variables of interest – *Southern trade partner environmental performance*, and *non-Southern trade partner*

*environmental performance* – have been created using estimated bilateral trade values derived with gravity equation estimations. Specifically, trade volume between partners was estimated by dividing the product of logged GDP by the logged distance between the countries:

$$\text{Estimated bilateral trade}_{ij} = \frac{\log GDP_i \times \log GDP_j}{\text{Distance}_{ij}}$$

These estimated bilateral trade values were then substituted into the aforementioned equations to produce the instruments. For example, the instrumental variable corresponding to *Southern trade partner environmental performance* is measured like so:

$$\begin{aligned} & \text{Estimated Southern trade partner environmental performance}_i \\ &= \sum_1^j EPI_j \times \frac{\text{Estimated Trade}_{ij}}{\text{Estimated Exports to Trade}_i} \end{aligned}$$

These instruments should be correlated to the (possibly) endogenous independent variables, but uncorrelated with the unobserved determinants of the dependent variable. Analysis of models featuring these exogenous instruments should help to assuage fears of an endogeneity problem.

#### 4.4 RESULTS

The findings only partially support the theory of interest. While there does appear to be a trade-based diffusion of environmental policy, South-South trade does not contribute to this trade-based diffusion. Moreover, there is evidence that South-South trade levels moderate the trade-based diffusion of environmental standards, such that diffusion is only present where South-South trade levels are relatively low. However, the evidence does not support the notion that the

relationship between domestic politics and environmental policy is moderated by South-South trade levels.

#### **4.4.1 Hypothesis One: Findings**

As noted above, the results support *Hypothesis One*. Environmental standards are diffused to countries of the South through bilateral trade relations, producing a California effect, whereby exporter countries adopt strong environmental standards through trade relations with their importer partners. This trade-based diffusion is not transmitted through all trade relationships, however. Rather, the California effect is produced entirely through trade with countries not of the Global South, such that South-South trade is not contributing to this diffusion effect. These results are robust to various model specifications and instrumental variable analysis clarifies that they are not being driven by a selection effect.

The findings corresponding to the first test in *Hypothesis One* are presented in Table 7. These findings provide evidence that developing countries do adopt environmental standards that mirror those of their trade partners. Specifically, the independent variable of interest (*trade partner environmental performance*) is significant and positive, indicating that countries' environmental standards typically parallel those of their partners.

The significance of control variables also merit mention. GDP per capita is significant and positive, suggesting that developing countries with higher incomes are characterized by better environmental performance. Regime type is significant and negative, suggesting that countries with higher levels of democracy display weaker environmental performance.

Dependent Variable:	Environmental Performance Indicator (EPI)
Trade Partner Env. Performance	0.0755* (0.0396)
FDI Inflows (% GDP)	0.0154 (0.0361)
GDP Per Capita (log)	0.974** (0.467)
Trade (% GDP)	-0.00663 (0.00533)
Foreign Aid (% GDP)	-0.00390 (0.00799)
Regime Type	-0.175** (0.0811)
GDP Per Capita Squared	3.98e-09 (4.64e-09)
Governing Party Ideology	0.145 (0.469)
Constant	37.95*** (3.699)
Observations	336
Number of Countries	59
Country Fixed Effects	YES

Robust standard errors in parentheses

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

**Table 7: Results showing trade-based diffusion of environmental standards through all trade partnerships.**

**The sample includes only Non-Aligned Movement countries over the time-series of 2000-2010. Independent variables have been lagged one year. Country fixed effects included.**

It should be noted that the independent variable displayed in Table 7 is only significant at the ten percent level, leaving a higher than preferable level of uncertainty about this finding. It must also be noted that, based on this result alone, it is uncertain whether trade-based diffusion is producing a California effect or a race to the bottom in environmental standards. Fortunately, as is discussed in below, the next set of findings offer clarifications that assuage both of these issues.

Table 8 clarifies the nuances of the trade-based diffusion of environmental standards by demonstrating that the diffusion effect is transmitted only through trade with countries not of the South. As the findings demonstrate, the environmental performance of sample countries does not have a significant relationship with the environmental performance of Southern trade partners (*South Partner Env. Performance*). However, the environmental performance of sample countries is positively and significantly related to the environmental performance of non-Southern trade partners (*Non-South Partner Env. Performance*).

Dependent Variable:	Environmental Performance Indicator (EPI)
South Partner Env. Performance	0.0521 (0.0372)
Non-South Partner Env. Performance	0.0911** (0.0451)
FDI Inflows (% GDP)	0.00297 (0.0386)
GDP Per Capita (log)	0.824 (0.494)
Trade (% GDP)	-0.00506 (0.00544)
Foreign Aid (% GDP)	-0.00471 (0.00801)
Regime Type	-0.177** (0.0840)
GDP Per Capita Squared	3.92e-09 (4.29e-09)
Governing Party Ideology	0.191 (0.452)
Constant	35.37*** (4.350)
Observations	336
Number of Countries	59
Country Fixed Effects	YES

Robust standard errors in parentheses

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

**Table 8: Results showing environmental policy diffusion through South-South and non-South-South trade.**

**Independent variables have been lagged one year. Sample includes only Non-Aligned Movement countries over a time-series of 2000-2010. Country fixed effects included.**

This finding is important in three respects. First, it clarifies the contrasting diffusion effects associated with different types of trade flows, by demonstrating that South-South trade does not contribute to the trade-based diffusion of environmental standards. This may reflect the norm of non-interference that typifies South-South relations, in keeping with the argument of this dissertation. Second, it explains the unacceptably high level of uncertainty that characterized the findings presented in Table 7, as the independent variable presented in that table aggregated both Southern partners (that do not affect environmental performance) and non-South countries (that do). Third, this finding helps to clarify that trade is in fact producing a California effect, as opposed to a race to the bottom, inasmuch as the environmental performances of non-Southern countries are, by and large, better than those of sample countries.

In an effort to further demonstrate the robustness of these findings, analyses have been conducted using alternative model specifications and instrumental variables. First, variations of the models with random effects have been analyzed (see Table 22 and Table 23 in the *Chapter Four Appendix*). These models demonstrate essentially the same findings as the fixed effects models, providing an extra layer of confidence. Next, instrumental variable models have been analyzed, in order to account for the possibility that a selection effect is biasing regression results (see Table 24 in the *Chapter Four Appendix*). As these models demonstrate, exogenous instruments produce results consistent with those presented in Table 8, thereby supporting *Hypothesis One* and clarifying that the results are not driven by a selection effect.

#### 4.4.2 Hypothesis Two

Having established that South-South trade is not accompanied by the trade-based diffusion of environmental standards and, thus, that the California effect is entirely produced by trade with countries not of the South, the prerequisite has been met to test Hypothesis Two: countries that engage in high levels of South-South trade experience less trade-based diffusion of environmental policy altogether.

In order to test this hypothesis, the independent variable (*Trade partner environmental performance*) has been interacted with South-South trade as a percentage of total trade (*South-South trade (% total)*), in order to determine whether variation in the latter variable moderates the relationship between the independent variable and the dependent variable (*EPI*).<sup>25</sup> The regression equation is expressed like so:

$$EPI_{it} = \alpha + \beta_1 \text{Trade partner environmental performance}_{it-1} + \beta_2 \text{South-South trade}_{it-1} + \beta_3 (\text{Trade partner environmental performance} * \text{South-South trade})_{it-1} + \beta_k (\text{Control variables}) + u_{it}$$

If the relationship between the independent and dependent variables is weaker where South-South trade levels are higher, it will demonstrate that the trade-based diffusion of environmental policy is weaker where South-South trade levels are higher, thereby indicating

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<sup>25</sup> The control variables utilized in *Hypothesis Two* tests are the same as those used in *Hypothesis One* tests. In addition, HHI, the the measure of trade partner consolidation discussed in *Chapter Three*, has been incorporated into models testing *Hypothesis Two* (both as a main effect variable and in an interaction with the independent variable), in order to test the competing hypothesis positing that trade partner diversification, as opposed to South-South trade, is actually affording countries of the South with the leverage in their North-South relations that weakens the effectiveness of environmental policy promotion efforts by countries of the North.

that high levels of South-South trade weaken the effectiveness of environmental policy promotion efforts by countries of the North.

The results of tests corresponding to *Hypothesis Two* are mixed but ultimately supportive. The primary test of the hypothesis reveals only a very weak moderation effect. Using the approach recommended by Holmbeck (1997) to display moderation effects, Table 9 demonstrates this finding over three models. In Model 1, South-South trade has been set at one standard deviation below its mean and, here, the relationship between the independent variable (partner countries' environmental standards: *Trade Partner Env. Performance*) and the dependent variable (*EPI*) is significant, but only at the 10% level. In Models 2 and 3, South-South trade has been set at its mean and at one standard deviation above its mean, respectively. In these models, the relationship between the independent variable and the dependent variable is significant. In addition, the interaction term is not significant in any of the models.

DV: Environmental performance Indicator	Model 1 SStrade%total set one SD below mean	Model 2 SStrade%total set at mean	Model 3 SStrade%trade set one SD above mean
Trade Partner Env. Performance	0.133* (0.0788)	0.0852 (0.0522)	0.0373 (0.0446)
South-South Trade (% Total)	0.0161 (0.0103)	0.0161 (0.0103)	0.0161 (0.0103)
Trade Partner Env. Performance *South-South Trade	-0.00239 (0.00185)	-0.00239 (0.00185)	-0.00239 (0.00185)
HHI	-2.943 (2.611)	-2.943 (2.611)	-2.943 (2.611)
Trade Partner Env. Performance *HHI	-0.668* (0.366)	-0.668* (0.366)	-0.668* (0.366)
FDI Inflows (% GDP)	-0.0432 (0.0364)	-0.0432 (0.0364)	-0.0432 (0.0364)
GDP Per Capita (log)	4.374*** (1.465)	4.374*** (1.465)	4.374*** (1.465)
Trade (% GDP)	0.000721 (0.00508)	0.000721 (0.00508)	0.000721 (0.00508)
Foreign Aid (% GDP)	-0.0126 (0.00752)	-0.0126 (0.00752)	-0.0126 (0.00752)
Regime Type	-0.0203 (0.0655)	-0.0203 (0.0655)	-0.0203 (0.0655)
GDP Per Capita Squared	-5.18e-10 (8.33e-09)	-5.18e-10 (8.33e-09)	-5.18e-10 (8.33e-09)
Governing Party Ideology	0.663 (0.512)	0.663 (0.512)	0.663 (0.512)
Constant	8.869 (11.30)	11.10 (11.09)	14.49 (11.11)
Observations	272	272	272
Number of Countries	43	43	43
Country Fixed Effects	YES	YES	YES

Robust standard errors in parentheses

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

**Table 9: Moderating effect of South-South trade on trade-based diffusion of environmental policy.**

Model 1 demonstrates that *Trade partner environmental performance* is significant with a positive coefficient where *South-South trade (% total)* is set at a relatively low level (one standard deviation below the mean).

Model 2 demonstrates that *Trade partner environmental performance* is not significant where *South-South trade (% total)* is set at its mean level. Model 3 demonstrates that *Trade partner environmental performance* is not significant where *South-South trade (% total)* is set at a relatively high level (one standard deviation above the mean). Sample includes only Non-Aligned Movement countries over time series of 2000-2010.

Independent variables lagged one year. Country fixed effects included.

An alternative model shows more supportive results. In this variant of the model, the interaction term is between *Non-Southern trade partner environmental performance* and *South-South trade (% total)*. Results of this model, demonstrated with the regression output in Table 10 and the marginal effects plot in Figure 7, provide stronger evidence of a moderation effect. Specifically, the significance of the interaction term in Table 10 demonstrates that the diffusion effects associated with trade with countries not of the South is conditional on the percentage of South-South trade.

Dependent Variable:	Environmental Performance Indicator (EPI)
Non-South Partner Env. Performance	0.0966* (0.0526)
South-South Trade (% Total)	0.0139* (0.00814)
Non-South Partner Env. Performance *South-South Trade	-0.00236** (0.000936)
HHI	-1.162 (3.453)
Trade Partner Env. Performance *HHI	0.174 (0.554)
FDI Inflows (% GDP)	-0.0194 (0.0361)
GDP Per Capita (log)	4.141*** (1.465)
Trade (% GDP)	0.00181 (0.00487)
Foreign Aid (% GDP)	-0.00958 (0.00757)
Regime Type	-0.0184 (0.0665)
GDP Per Capita Squared	1.95e-09 (8.47e-09)
Governing Party Ideology	0.608 (0.508)
Constant	11.01 (11.07)
Observations	272
Number of Countries	43
Country Fixed Effects	YES

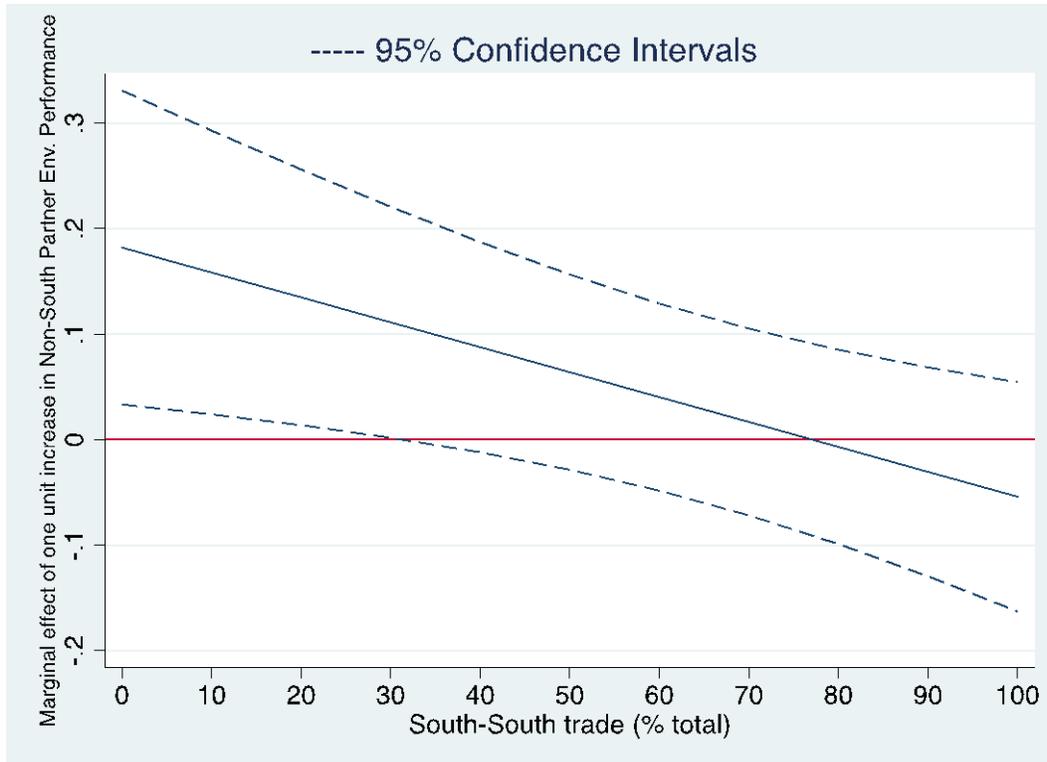
Robust standard errors in parentheses

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

**Table 10: Effects of South-South trade on diffusion of environmental policy through non-South-South trade.**

This regression output demonstrates the significant interaction effect of *Non-South trade partner environmental performance* and *South-South trade (% total)*. The sample includes only Non-Aligned Movement countries over time-series of 2000-2010. Independent variables have been lagged one year. Country fixed effects are included.

In order to tease out the nature of the interaction effect, a marginal effects plot has been presented, in Figure 7. This plot clarifies that the diffusion effect of non-South trade partners' environmental standards on the environmental policy of countries in the Global South is positive and significant where South-South trade makes up only a small percentage of total trade, but that this effect disappears once South-South trade reaches approximately thirty percent.



**Figure 7: Marginal effects plot demonstrating that *Non-South partner environmental performance* is only a significant predictor of environmental policy where South-South trade levels are relatively low.**

Collectively, these findings provide support for *Hypothesis Two*. Trade-based diffusion of environmental policy is less evident where South-South trade levels are higher, indicating that high levels of South-South trade afford countries of the South with leverage in their international

relations – leverage that they use to rebuff the environmental policy promotion efforts of the partners.<sup>26</sup>

#### 4.4.3 Hypothesis Three: Findings

The final set of hypotheses pertain to the moderating effects of South-South trade on the domestic politics of environmental policy. To test these hypotheses, *South-South trade (% total)* was interacted with variables corresponding to key domestic level variables of interest (*governing party ideology* and *regime type*) in order to determine whether the relationships between these domestic level variables and the dependent variable (*EPI*) is conditional on a countries' South-South trade levels.<sup>27</sup>

The results (not shown) do not support *Hypothesis Three*, as neither of these variables' relationships to the dependent variable are affected by variation in South-South trade. In fact, these variables are not significant predictors of environmental policy regardless of South-South trade level and the interaction terms are not significant. While these results are not supportive of *Hypothesis Three* or of the corresponding segment of this dissertation's theory, it may be that

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<sup>26</sup> As a final alternative model for testing *Hypothesis Two*, trade dependency (measured as trade as a percentage of GDP) has been interacted with *South-South trade (% total)*. As was the case in the *Chapter Three* test discussed in footnote 16, the finding suggests that trade dependency has a significant negative effect on environmental standards where South-South trade levels are high, but no significant effect when they are low. The result may mean that South-South trade leads to poor environmental standards while other types of trade flows have no effect, or it may be that trade with countries of the North mitigates the negative relationship between trade and environmental standards. The latter interpretation is more consistent with the theory of interest in this dissertation (see Table 25 in the *Chapter Four Appendix* for the specifications and results of this model).

<sup>27</sup> Again, the control variables in these models are the same as those used to test Hypothesis One, fixed effects were included, and independent variables were lagged one year.

these are not the optimal domestic level independent variables to conduct this analysis with, since they are not significant predictors regardless of South-South trade level.

## 4.5 CONCLUSIONS

This chapter has presented the first systematic analysis of the effects of South-South trade on environmental standards in countries of the Global South. Its findings show mixed support for the dissertation theory of interest, but they nevertheless provide a significant advancement of our understanding of trade-based environmental policy diffusion. While recent literature has consistently shown that bilateral trade produces a race to the top in environmental standards through trade based diffusion (Prakash and Potoski, 2006; Marcoux and Urpelainen, 2012; Saikawa, 2013), my findings demonstrate that South-South trade does not contribute to this California effect. Moreover, the results of this chapter indicate that countries that engage in higher levels of South-South trade are characterized by less trade-based diffusion of environmental standards altogether. However, South-South trade does not appear to moderate the relationships between domestic political variables and environmental policy.

**5.0 SOUTH-SOUTH TRADE AND FOREIGN POLICY (NON)CONFORMITY:  
EFFECTS OF TRADE DIRECTION ON THE POLITICS OF GENERAL ASSEMBLY  
VOTING BY COUNTRIES OF THE GLOBAL SOUTH**

Up to this point, this dissertation has focused on the implications of South-South non-interference for the domestically oriented internal politics of countries in the Global South. However, this chapter considers the prospect that South-South trade levels have implications beyond the domestic policy realm. Specifically, it applies the dissertation theory to the internationally oriented external policy arena, in order to determine how South-South trade affects international and domestic politics of foreign policy conformity by countries of the South.

Countries of the North<sup>28</sup> have routinely used their trade dominance to reward foreign policy allies and to punish opponents. For example, the United States has a long history of using trade relations to attract foreign policy allies, dating back at least to the Good Neighbor Policy efforts to amass support among Latin American countries for war against Germany (Smith, 2013). More recently, in 2003, the US government delayed the signing of a free trade deal with Chile, which Chile's ambassador to the United States, Andres Bianchi, attributed to Chile's reluctance to support the resolution on the Iraq war: "To be absolutely honest, the signing of the agreement has been influenced by our decision at the Security Council." In contrast, Washington

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<sup>28</sup> In this chapter, countries of the North include the United States, countries of the European Union, Canada, Australia, New Zealand, and Japan, in line with the classifications of Dür et al. (2011).

rewarded its allies in the Iraq war (Singapore and Australia, specifically) with free trade agreements (Armstrong, 2015). In addition, statistical evidence has attested to the systematic efforts of other Northern countries to promote conformity with their foreign policy goals through economic transfers (Dreher and Sturm, 2012).

In contrast to countries of the North, Southern states espouse the foreign policy norm of non-interference in one another's political affairs. This contrast informs the theory of this dissertation, which is applied to voting in international organizations in this chapter, in the form of a theory of trade direction and foreign policy non-conformity: High levels of South-South trade reduce trade dependency on the North, thereby affording Southern countries leverage in their North-South relations; within this context, Northern countries are less able to successfully influence foreign policy behaviors in countries that engage in high levels of South-South trade. Moreover, inasmuch as countries of the South claim to practice non-interference, Southern trade partners do not use trade as a tool to promote policy adoption, as countries of the North do.

In order to assess this theory, the chapter that follows tests three hypotheses. First, trade dependency on countries of the North is accompanied by foreign policy convergence with the North. Second, the relationship between trade dependency on the North and foreign policy convergence with the North is strong where South-South trade is relatively low, but weak where South-South trade levels are relatively high. Third, trade dependency on countries of the South is not accompanied by foreign policy convergence with those countries. Validation of this third hypothesis will support the notion that non-interference prevents trade dependence on countries of the South from producing the same sort of foreign policy convergence that accompanies North-South trade. If all three hypotheses find support, then the moderating effects of South-

South trade on relevant domestic political variables will be analyzed. These hypotheses are tested using data covering 90 countries of the Global South, over a 29-year period (1980-2008).

The results offer mixed support for the theory of interest. Trade dependency on countries of the North is accompanied by foreign policy convergence, measured as voting similarity in the General Assembly, and the evidence suggests that this relationship is moderated by South-South trade, as hypothesized. However, it appears that South-South trade relationships are also accompanied by foreign policy convergence, as trade dependency on China, India, and Brazil are all shown to be accompanied by General Assembly voting similarities to those countries. The implication is that non-interference is more rhetoric than reality, at least as pertains to pressures to conform on foreign policy. When combined with the findings in *Chapter Three* and *Chapter Four*, the results suggest that the theory of this dissertation applies to domestically oriented internal policy, but is not so readily applicable to the foreign policy arena.

The remainder of this chapter proceeds as follows. First, the relevant literature on trade and foreign policy convergence is reviewed. Second, the theory is reiterated and applied to this policy area, in part through analysis of two illustrative case studies. Next, hypotheses are introduced. Fourth, the data, variables, and methods are explained. Finally, results are presented and concluding analysis provided.

## **5.1 TRADE AND FOREIGN POLICY CONFORMITY**

That rich countries in the Global North use their economic clout to influence the foreign policy choices of their partners in the South has been well established by the literature. For example, trade (Richardson and Kegley Jr., 1980; Menkhaus and Kegley Jr., 1988; Dixon and Moon,

1985; Dreher and Sturm, 2012) and aid (Gates and Hoeffler, 2004; Alesina and Dollar, 2000; Dreher et al., 2008; Dreher and Sturm, 2012) from the North have been demonstrated to correlate to the way that Southern countries vote in the United Nations General Assembly. In addition to the direct influence that Northern states exert through bilateral aid and trade, indirect influence through Northern control of key international organizations has also been demonstrated (Dreher and Sturm, 2012). Richardson and Kegley, Jr. (1980) argue that this amounts to a quid pro quo between dominant and dependent countries, as economically dependent countries offer General Assembly votes as a “partial payment in exchange for the maintenance of benefits they derive from their economic ties to the dominant country” (198).

Richardson and Kegley, Jr., go on to emphasize a power asymmetry characterizing North-South trade relations that compels Southern countries to support the policy objectives of their dominant Northern partners. Specifically, they highlight three characteristics of North-South trade that foster Southern dependence and, in turn, produce Northern influence: (1) North-South trade relationships benefit Southern economies to a greater extent than they do Northern economies, leaving a given Southern country more intent on the continuation of that beneficial trade relationship; (2) Southern countries suffer from deteriorating terms of trade in their North-South trade relations, which leaves Southern countries unable to shift to a different basket of exports and thus particularly reliant on the export relationships that they hold with key Northern partners; (3) the tariffs that Northern countries apply tend to cover particular manufactured goods or sectors, making it difficult for their trade partners in the South to move into more sophisticated modes of production.

These three factors cumulatively produce an asymmetric trade dependence that leaves Southern countries more reliant on their Northern partners' markets than their Northern partners

are on them. In an effort to maintain these relations, trade dependent Southern countries are likely to support the policy objectives of their dominant Northern partners, particularly in the policy areas that are most salient to their dominant Northern partners. Foreign policy support is an issue of great salience for countries of the North, as is evidenced by the aforementioned findings that Northern countries use their economic clout to influence the foreign policies of their partners.

More recently, similar interest has emerged in the foreign policy implications of countries' economic relations with China (Ross, 2006; Kirshner, 2008; Medeiros et al., 2008; Kastner, 2010; Flores-Macías and Kreps, 2013). This literature has produced mixed findings. Ross (2006), Kirshner (2008), and Kastner (2010) find little support for the notion that trade with China is exerting political influence. In contrast, Flores-Macías and Kreps (2013) find correlations between trade dependency on China and foreign policy convergence with China on human rights oriented General Assembly votes.

## **5.2 SOUTH-SOUTH TRADE: FOREIGN POLICY NON-CONFORMITY?**

While the aforementioned literature on the foreign policy implications of trade with China provides an important starting point for understanding the effects of South-South trade on foreign policy behaviors, there remains a lack of a systematic analysis attending to trade direction and the contrasting foreign policy norms regarding interference that govern North-South and South-South trade. The expectation of this chapter is that those countries that conduct higher levels of South-South trade relative to North-South trade are less trade dependent on the

North and, therefore, likely to be subject to less political influence from the Northern countries. This lack of Northern influence will be evident in the General Assembly voting of Southern countries, which will deviate from the North to a greater extent where South-South trade constitutes a larger share of total trade.

Moreover, in light of Southern non-interference, this chapter goes on to predict that countries of the South will not subject their Southern partners to trade-based interference in their foreign policy behaviors. This will amount to a net reduction in outside influence for those countries that engage in high levels of South-South trade, as the pressure from countries of the North is weaker and countries of the South do not use their trade-based leverage to promote political interests.

Despite the South's espousal of non-interference, there is some reason to think that Southern countries may be just as inclined to attempt to alter the foreign policy decisions of partner states as their Northern counterparts have been demonstrated to be. China, in particular, has often promoted on the "One China" principle as a condition for countries seeking stronger relations with Beijing (Hanauer and Morris, 2014), including trade relations (Jacob, 2010). Moreover, Flores-Macías and Kreps (2013) found that Latin American and African countries that trade heavily with China are more inclined to vote with China on General Assembly votes pertaining to human rights, although they do acknowledge that "the results... suggest that, contrary to our findings [trade with China] may allow states to vote strategically, with differentiated behavior for human rights and the broader set of all [General Assembly] votes" (369). In light of this ambiguity, the empirical design of this chapter will attempt to clarify the foreign policy consequences of South-South trade, including trade between China and countries of the South.

### 5.3 HYPOTHESES

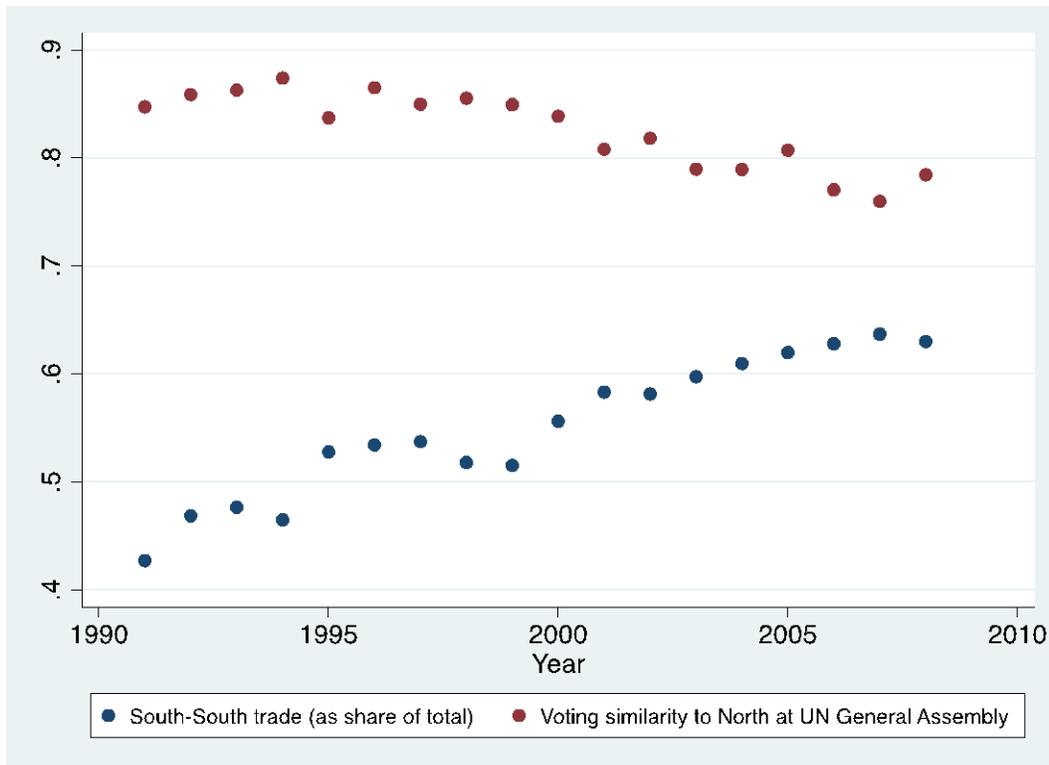
The analysis that follows begins by testing two hypotheses in order to assess the theory that high levels of South-South trade afford leverage to Southern countries in their North-South relations – leverage that they, in turn, use to weaken the foreign influence of the North. The first hypothesis posits that trade dependency on the North is accompanied by foreign policy convergence with Northern countries, measured as voting similarity to the North in the United Nations General Assembly. The second hypothesis predicts that the relationship between trade dependency and foreign policy convergence with the North is strong where North-South trade constitutes the bulk of total trade, but weak where South-South trade levels are relatively high.

These hypotheses can be illustrated with the experiences of Ecuador and Argentina. For each of these countries, trade dependency on the United States had been accompanied by foreign policy convergence. Given the evidence presented earlier in the literature review, this likely reflects US pressure and accompanying foreign policy conformity by these Southern countries. However, increases in South-South trade allowed both countries to diverge from the foreign policy agenda of the United States and from the North more generally.

Ecuador's economic dependency and susceptibility to foreign pressures have been documented (Hey and Klak, 1999; Hey, 2003). During the 1990s, when it was characterized by tremendous economic dependence on Washington, Ecuador did indeed conform to US foreign policy objectives. For example, the Ecuador gave the US military access to its Amazon region and to the Manta air force base for counternarcotic operations (Hey, 2003). Ecuador also severed relations with Nicaragua, in an episode that has been attributed to US pressure (Pineo, 2010). However, as South-South economic relations with China, Venezuela, and other Southern countries increased in the 2000s, Ecuador's foreign policy posture changed. It ended the US

government's lease on the Manta airbase, boycotted the 2012 Summit of the Americas in protest of Cuba's exclusion, and granted political asylum to Julian Assange (Gamsso, 2016).

Likewise, Russell and Tokatlian (2011) argue that Argentina had been known for "coupling" with the Northern foreign policy agenda and "bandwagoning with U.S. strategic interests, at both a global and a regional level." They explain further that "[Argentina] strives to participate actively in the creation and maintenance of international regimes that coincide with Washington's position, especially on sensitive issues linked to global security... Washington is the guiding light" (129). However, recently Argentina has adopted a new foreign policy paradigm, characterized by "alienating traditional allies such as the United States while reorienting its foreign relations towards radical outliers like Venezuela and Iran" (Noriega and Cardenas, 2013). This trend has coincided with an increase in South-South trade and, indeed, it is evident that as Argentina's South-South trade has increased relative to its North-South trade, so too has its General Assembly voting similarity to the North decreased, and vice versa (see Figure 8).



**Figure 8: Inverse relationship between Argentina’s South-South trade and its voting similarity to the North in the United Nations General Assembly, 1991-2008.**

**Data from IMF DOTS and Voeten (2013).**

Following the assessment of these first two hypotheses, another set of analyses will be conducted to test a third hypothesis: countries of the South will not subject their Southern partners to trade-based interference in their foreign policy behaviors. Validation of this third hypothesis will support the notion that non-interference prevents trade dependency on countries of the South from producing the same sort of foreign policy convergence that accompanies North-South trade.

Collectively, these hypotheses will clarify the effects of North-South and South-South trade on foreign policy conformity, as well as the implications of high levels of South-South trade for the effectiveness of trade-based interference from the North. Specifically, validation of

these hypotheses will demonstrate that high levels of South-South trade correspond to low levels of net external influence on foreign policy behavior. This relaxation of external influence should amount to an increase in political autonomy, defined as the independence of states from external constraints on their policy behaviors (Nelson, 2008) or the independence of nations' domestic authority structures from interference by external actors (Krasner, 1999). If the three hypotheses find support, additional analysis to assess domestic political implications will be analyzed.

## **5.4 DATA, VARIABLES, AND METHODS**

The sample for this analysis covers 90 countries of the Global South over a time series of 29 years, from 1980 to 2008. All countries in the sample have been members or observers of the Non-Aligned Movement, demonstrating their espousal of the organization's principle of non-interference. As noted above, Northern countries are those of Western Europe (operationalized as members of the European Union), the United States, Japan, Australia, New Zealand, and Canada, following the classification of Dür et al. (2011).

### **5.4.1 Dependent Variables**

The dependent variables in this analysis are measures of *General Assembly voting similarity to the North*, as well as voting similarity to key Southern countries. Following Thacker (1999) and Flores-Macías and Kreps (2013), the measures have been created by assigning countries with scores for each vote over the time series, corresponding to the vote of North and South countries

of interest. If the countries recorded the same vote on a resolution, the sample country was given a score of “1,” if they voted differently, the country was given a score of “0,” and if the sample country abstained or was absent, then it was given a score of “0.5.” For the variable *voting similarity to the North*, voting similarity scores for all Northern countries were averaged into a single value. Annual similarity scores were then compiled by taking the average score for each year. Data for all voting similarity variables have been drawn from Voeten (2013).

While the decision to operationalize foreign policy convergence as *General Assembly voting similarity* is not without its controversies, it is consistent with much of the literature in this area (Richardson and Kegley, Jr., 1980; Menkhaus and Kegley, Jr., 1988; Kim and Russett, 1996; Dreher et al., 2008; Dreher et al, 2012; Flores-Macías and Kreps, 2013). Indeed, this is the best measure available for cross national time series data analysis. Nevertheless, there are well-documented weaknesses and strengths to this measure, which merit review.

The major weaknesses are, first, that the General Assembly is not particularly powerful, especially when compared to the Security Council and, second, that many General Assembly votes are procedural and of little importance to any given state’s national interests (Wittkopf, 1973; Barro and Lee, 2005; Flores-Macías and Kreps, 2013). The first major strength is the vastness of General Assembly voting data. All member states of the United Nations participate in the General Assembly and there are many votes per year. Moreover, while votes tend not to be binding, they do have importance as public displays of policy preference and alignment. General Assembly votes, therefore, “reflect rather adequately a state’s foreign policy orientation” (Menkhaus and Kegley, Jr., 1988). Finally, it should be noted that General Assembly votes are largely concerned with North-South issues (Menkhaus and Kegley, Jr., 1988; Kim and Russett, 1996), making them a particularly appropriate measure for the present study.

It should also be noted that alternative measures of foreign policy convergence are not without shortcomings, particularly in panel data analysis. For example, although Security Council votes are clearly of greater importance than General Assembly votes, this measure offers few cases to analyze and a very limited time series. Likewise, alliance portfolios offer a useful counter measure, but lack sufficient variation, as formal alliances do not change frequently (Flores-Macías and Kreps, 2013).

Another issue concerns whether to use all General Assembly votes, or some subset of votes. The most common approach in the literature has been to use all votes (Richardson and Kegley, Jr., 1980; Dreher et al., 2008; Dreher et al, 2012), although some scholars have opted instead to focus on a subsection (e.g. Flores-Macías and Kreps, 2013). Advocates of a subset of votes have expressed concern that many votes are of little strategic importance. For example, Andersen et al. (2006) call for utilization of non-key votes, for which countries may be more sincere. Likewise, Flores-Macías and Kreps (2013) utilize a subset of votes focusing on human rights as a means to isolating a particularly salient issue area. Others have defended the all-votes approach, noting the subjectivity associated with selecting “important” votes (Dreher et al., 2008) and finding little substantive difference in results of analyses of all votes and subsets of votes (Wittkopf, 1973).

In this analysis, both approaches have been utilized. The measure including all General Assembly votes has been analyzed to showcase broad trends, while subsets of votes have also been analyzed to clarify particular types of General Assembly votes that are influenced by trade dependency. While the text focuses primarily on the dependent variables measured using all votes, results for subsets are mentioned in the text and outputs for subsets of votes are featured in

the *Chapter Five Appendix*. These subsets include votes concerning human rights, colonialism, economic development, arms control, the Middle East, and nuclear weapons.

#### 5.4.2 Independent and Moderating Variables

Three independent variables are utilized in the test of the three hypotheses. To test the first hypothesis, which posits that trade dependency on the North is accompanied by voting similarly to the North in the General Assembly, trade dependency on the North is measured as trade with countries of the North as a share of GDP (*trade with the North/GDP*). To calculate this variable, import and export data from the IMF DOTS and GDP data from the World Bank's World Development Indicators (WDI) were utilized. The regression model for the first hypothesis takes the following form:

$$\text{Voting similarity to the North}_{it} = \alpha + \beta_1 \text{Trade with North/GDP}_{it-1} + \beta_k (\text{Control variables}) + u_{it}$$

The second hypothesis posits that the relationship between trade dependency and foreign policy convergence with the North is strong where South-South trade constitutes a small share of total trade, but weak where South-South trade levels are relatively higher. Here, the independent variable is *trade as a percentage of GDP*, with data again drawn from DOTS and WDI. To conduct this analysis, this independent variable is interacted with *South-South trade (% total)*, which was compiled using DOTS data. The expectation is that as South-South trade increases, the positive relationship between *trade as a percentage of GDP* and *voting similarity to the North* will weaken. The regression model for the second hypothesis takes the following form:

$$\text{Voting similarity to the North}_{it} = \alpha + \beta_1 \text{Trade \% GDP}_{it-1} + \beta_2 \text{South-South trade}_{it-1} + \beta_3 (\text{Trade \% GDP} * \text{South-South trade})_{it-1} + \beta_4 (\text{Control variables}) + u_{it}$$

Validation of these hypothesis will demonstrate the effects of trade direction on foreign policy convergence with the North, however they will not clarify whether trade dependency on countries of the South is accompanied by voting similarity to those countries. In order to clarify this matter, tests of the third hypothesis analyze the relationships between trade dependency on select Southern countries and voting similarity to those countries. For this part of the analysis, the independent variables are the following measures of trade dependency: *trade with China (% GDP)*, *trade with India (% GDP)*, and *trade with Brazil (% GDP)*.

These Southern countries were selected because they engaged in the highest levels of South-South trade over the time series in their respective regions. In statistical tests, the dependent variables are regressed against corresponding independent variables. For example, *voting similarity to India* is regressed against *trade with India (% GDP)*:

$$\text{Voting similarity to the India}_{it} = \alpha + \beta_1 \text{Trade with India (\% GDP)}_{it-1} + \beta_k (\text{Control variables}) + u_{it}$$

The expectation is that trade dependency on these countries will not be accompanied by General Assembly voting convergence, as these countries claim not to interfere in the politics of their partners.

### 5.4.3 Control Variables

Several controls have been included, in order to isolate the relationship between independent and dependent variables. These variables seek to control for domestic and international level factors

that may affect General Assembly voting by countries of the South. Most of these controls have been drawn from relevant literature, but one (the *HHI* measure of trade partner consolidation) is included in order to account for an alternative hypothesis: that political independence from the North is attributable to diversification of economic partnerships, as opposed to South-South trade. This hypothesis contends that diversification of economic partnerships affords countries of the South with leverage in each of their bilateral partnerships, thereby decreasing their dependency on any one partner.

A second international level control is for *bilateral aid from the North as a percentage of GDP*. This variable has been included in light of the role that foreign aid has been demonstrated to play in General Assembly voting (Dreher et al., 2008) and in order to isolate trade among other forms of bilateral transfer. This variable was compiled using WDI data.

Additional variables control for domestic level interests and institutions that have been highlighted as contributing factors in the literature on General Assembly voting. These include, *democracy* (Thacker, 1999; Dreher and Sturm, 2012), *governing party ideology* (Potrafke, 2009), *regime change* (Moon, 1985), *negative regime transition* and *adverse negative regime transition* (Hagan, 1989), and *national capability* (Dreher and Sturm, 2012; Flores-Macías and Kreps, 2013). Each variable is discussed in greater detail below.

*Democracy* has been highlighted as key Northern norm. Therefore, democratic countries in the South may be particularly likely to engage in voting behaviors similar to countries of the North (Thacker, 1999; Voeten, 2000; Dreher and Sturm, 2012). *Democracy*, which has been operationalized using the *polity2* measure from the Polity IV dataset (Marshall and Jaggers, 2002), is expected to be positively correlated to *voting similarity to the North*, given democratic norms of Northern countries.

*Governing party ideology* has also been highlighted in the literature, with scholars observing that ideologically alike governments tend to vote similarly to one another. Specifically, it has been noted that the United States tends not to be allied with leftist governments (Potrafke, 2009), suggesting that right governance will be positively correlated to *voting similarity to the North*. The *governing party ideology* variable utilized in this analysis has been drawn from Beck et al. (2001). Left parties are coded as “1,” center parties as “2,” and right parties as “3.”

Measures of regime change and regime transition are also included as controls, in light of the emphasis on these factors in the literature. For example, Hagan (1989) highlighted regime change and, in particular, revolutionary regime change, as a key domestic level variable contributing to changes in United Nations voting patterns. In order to account for these factors, variables measuring *regime change*, *negative regime transition*, and *adverse negative regime transition* have all been included in the model. Data for these variables has been drawn from the Polity IV dataset. Each variable is a dummy, where “1” indicates *regime change*, *negative regime transition*, or *adverse negative regime transition*, and “0” indicates no such occurrence.

A final domestic level control is *national capability* variable, an index based on total and urban populations, iron and steel production, energy consumption, and military personnel and expenditure. This variable, which has been drawn from the Correlates of War National Material Capabilities dataset (Singer, 1987), is intended to control for likely effects of national power on foreign policy behaviors. This measure was also included as a control by Dreher and Sturm (2012) and Flores-Macías and Kreps (2013), among others.

Finally, a time-oriented control has been included in order to account for an important juncture in international politics that may have implications for General Assembly voting.

Following Flores-Macías and Kreps (2013), this is a dummy for post-2003. The inclusion of this variable is based on the anti-American and anti-Western sentiment that followed the invasion of Iraq, which has been shown to have been accompanied by a divergence of voting similarity to the United States at the General Assembly (Voeten, 2004).<sup>29</sup>

All control and independent variables have been lagged by one year, in keeping with expected causal direction. Country fixed effects have been included to control for unobserved country-specific characteristics. In the first hypothesis test, Driscoll-Kraay standard errors are used to account for heteroscedasticity and serial correlation. In the subsequent tests for *Hypothesis Two* and *Hypothesis Three*, serial correlation was not detected, but robust standard errors are included to account for heteroscedasticity.

## 5.5 RESULTS

The results are consistent with the first two hypotheses. There is a positive and significant relationship between trade dependency on the North (*trade with the North/GDP*) and *voting similarity to the North* at the General Assembly. The relationship between trade dependency and foreign policy convergence with the North is strong where South-South trade constitutes a small share of total trade, but weak where South-South trade levels are relatively high. These two findings support of the first element of the theory: that South-South trade affords Southern states with leverage in their North-South relations, which they use to weaken the effectiveness of Northern pressures to conform to Northern foreign policy interests.

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<sup>29</sup> See Table 26 in the *Chapter Five Appendix* for descriptive statistics.

The second element of the theory posits that trade dependency on countries of the South will not be accompanied by General Assembly voting convergence, as these countries claim not to interfere in the politics of their partners. However, the results do not support this contention. Dependency on Southern countries is accompanied by some degree of foreign policy convergence. The implication is that while South-South trade may weaken the influence of the North, it is accompanied by alternative pressures from partners in the South. The results are described in greater detail in the paragraphs that follow.

### **5.5.1 Hypothesis One: Results**

In order to test the hypothesis that South-South trade weakens the positive relationship between trade dependency on the North and General Assembly voting similarity to the North, it must first be demonstrated that such a relationship exists. The test of the first hypothesis does just that and, indeed, the results supports the existence of a positive relationship between trade dependency on the North (*trade with the North/GDP*) and *voting similarity to the North* at the General Assembly.

These results, which are displayed in Table 11, show a positive and statistically significant relationship between these two variables. *Democracy*, *national capability*, and the *post-2003 dummy* variable are also significant. The positive and significant coefficient for *democracy* is consistent with the expectation that democratic countries of the South share foreign policy norms with countries of the North. Likewise, the finding that countries voted less often

with the North after 2003 suggests that war with Iraq led Southern countries to vote less often with the North.<sup>30</sup>

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<sup>30</sup> These results presented in Table 11 pertain to all General Assembly votes, but the independent variable is significant and positive across several variants of the dependent variables focusing on subsets of votes as well. Specifically, the relationship holds for votes related to human rights, colonialism, and the Middle East (see Table 27 in the *Chapter Five Appendix*). In addition, instrumental variable analyses were run using an estimate of the independent variable (trade with North/GDP) derived using a gravity equation estimate of trade. While the instruments generally did not produce significant results, leaving the problem of endogeneity largely unresolved, one exception was for the model pertaining to the dependent variable measuring voting similarity to the North on votes related to colonialism. Here, the instrument produced a significant and positive relationship, consistent with the finding presented in Table 27. The results for this instrumental variable analysis are presented in Table 28, in the *Chapter Five Appendix*.

Dependent Variable:	Voting similarity to the North (All votes)
Trade with North/GDP	0.0799*** (0.0205)
Bilateral aid from the North (% GDP)	5.03e-05 (0.000106)
Democracy	0.00609*** (0.00104)
HHI	-0.00397 (0.0238)
National capability	0.308* (0.168)
Governing party ideology	0.00716* (0.00419)
Regime Change	-0.00675 (0.00566)
Negative regime transition	0.0289 (0.0213)
Adverse negative regime transition	-0.00278 (0.0255)
Post-2003 dummy	-0.0138 (0.0115)
Constant	0.651*** (0.0149)
Observations	1,138
Number of Countries	73
Country FE	YES

Driscoll-Kraay standard errors in parentheses

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

Table 11: Results showing positive and significant relationship between trade dependency on the North (*Trade with North/GDP*) and *Voting similarity to the North*.

Sample includes Non-Aligned Movement countries over a time series of 1980-2008. Country Fixed Effects included.

## 5.5.2 Hypothesis Two: Results

Having established that trade dependence on the North is accompanied by foreign policy convergence, the second hypothesis posits that higher South-South trade levels correspond to a

weaker relationship between trade dependency and General Assembly voting convergence with the North. Indeed, the results support this hypothesis, as the relationship between trade dependency (*trade as a percentage of GDP*) and *voting similarity to the North* is significant where *South-South trade (% total)* is low, but not significant where South-South trade levels are relatively higher. These results are displayed using techniques recommended by Holmbeck (1997) and Brambor et al. (2006). Holmbeck (1997) calls for the analysis of regressions with the value of the moderator (*South-South trade (% total)*) set at higher and lower levels, while Brambor et al. (2006) call for the utilization of marginal effects plots.

Following Holmbeck (1997), Table 12 demonstrates the effect of variation in South-South trade on the relationship between the independent variable (*trade as a percentage of GDP*) and the dependent variable (*voting similarity to the North*). Model 1 displays the significant and positive relationship between the independent and dependent variables where *South-South trade (% total)* has been set at one standard deviation below its mean. As is demonstrated in Model 2, the relationship continues to be significant where *South-South trade (% total)* is set at its mean value. However, as Model 3 shows, the relationship becomes non-significant where *South-South trade (% total)* is set at one standard deviation above its mean.<sup>31</sup> Again, *democracy*, *national capability*, and the *post-2003 dummy* variable are significant.

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<sup>31</sup> It should be noted that while the interaction term is not significant, this does not exclude the possibility of a moderation effect (Brambor et al., 2006).

DV: Voting similarity to the North	Model 1 SS/NS trade set one standard deviation below the mean	Model 2 SS/NS trade centered at mean	Model 3 SS/NS trade set one standard deviation above the mean
Trade (% GDP)	0.000437*** (0.000164)	0.000343** (0.000137)	0.000250 (0.000217)
South-South trade (% total)	0.00125*** (0.000411)	0.00125*** (0.000411)	0.00125*** (0.000411)
Trade (% GDP)*South-South trade	-5.30e-06 (7.66e-06)	-5.30e-06 (7.66e-06)	-5.30e-06 (7.66e-06)
Bilateral aid from the North (% GDP)	6.24e-05 (9.03e-05)	6.24e-05 (9.03e-05)	6.24e-05 (9.03e-05)
Democracy	0.00550*** (0.000738)	0.00550*** (0.000738)	0.00550*** (0.000738)
HHI	0.0636 (0.0482)	0.0636 (0.0482)	0.0636 (0.0482)
National capability	0.523*** (0.143)	0.523*** (0.143)	0.523*** (0.143)
Governing party ideology	0.00419 (0.00537)	0.00419 (0.00537)	0.00419 (0.00537)
Regime Change	-0.00592 (0.00865)	-0.00592 (0.00865)	-0.00592 (0.00865)
Negative regime transition	0.0146 (0.0141)	0.0146 (0.0141)	0.0146 (0.0141)
Adverse negative regime transition	0.00300 (0.0267)	0.00300 (0.0267)	0.00300 (0.0267)
Post-2003 dummy	-0.0199*** (0.00633)	-0.0199*** (0.00633)	-0.0199*** (0.00633)
Constant	0.598*** (0.0265)	0.585*** (0.0281)	0.657*** (0.0233)
Observations	1,168	1,168	1,168
Number of Countries	73	73	73
Country FE	YES	YES	YES

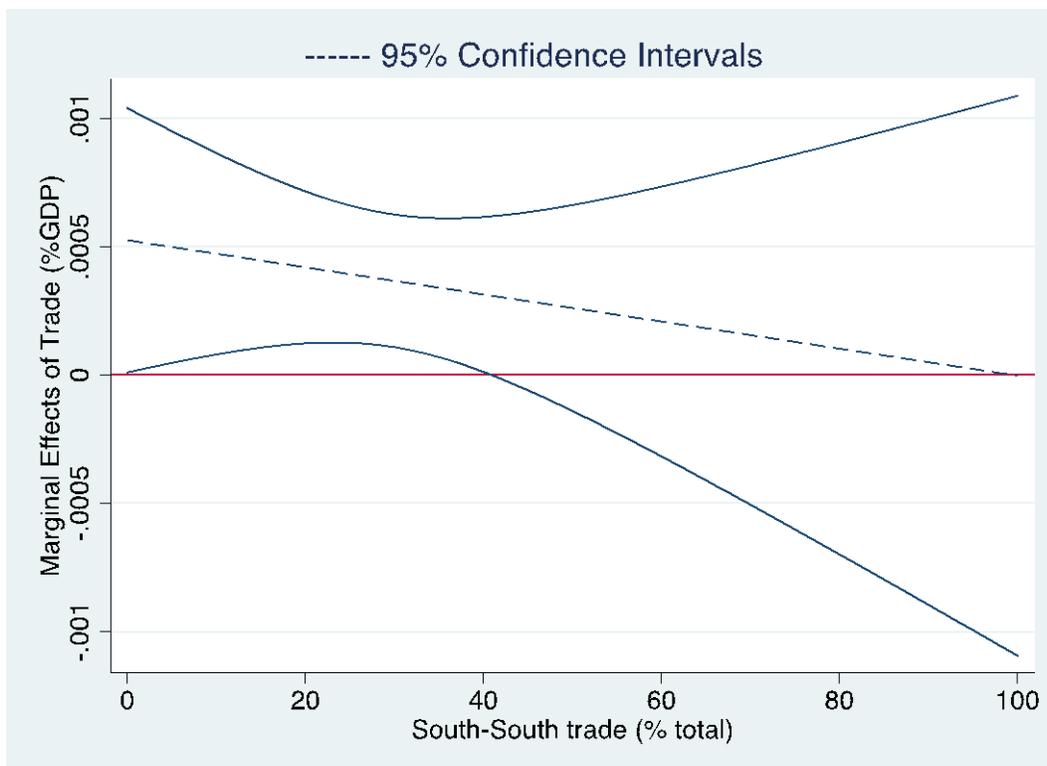
Robust standard errors in parentheses

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

**Table 12: Results showing that the relationship between *trade as a percentage of GDP* and *voting similarity to the North* is only significant where *South-South trade (% total)* is low.**

Model 1 displays results where *South-South trade (% total)* has been set at one standard deviation below its mean. Model 2 displays the results where *South-South trade (% total)* is set at its mean value. Model 3 displays the results where *South-South trade (% total)* is set at one standard deviation above its mean. Sample includes Non-Aligned Movement countries over a time series of 1980-2008. Independent variables lagged one year; country fixed effects included.

Following Brambor et al. (2006), Figure 9 provides a plot that demonstrates the marginal effects of an increase in *trade as a percentage of GDP* on *voting similarity to the North*, at various levels of South-South trade. These results provide further support for the hypothesis, illustrating that the relationship between the independent and dependent variables is only significant where South-South trade constitutes less than approximately 40 percent of total trade.



**Figure 9: Marginal effect plot showing that the relationship between trade dependency and *voting similarity to the North* is only significant at relatively low levels of South-South trade.**

### 5.5.3 Hypothesis Three: Results

The analysis so far has clarified that dependence on North-South trade leads countries of the South to adopt the foreign policy norms of the North, but that this foreign policy convergence does not accompany trade dependency where South-South trade levels are relatively high. However, there remains a possibility that dominant Southern countries attempt to alter the foreign policy decisions of trade dependent partner states as well, despite their espousal of the non-interference ideology. In light of this possibility, the third component of this analysis seeks to clarify whether there is a relationship between trade dependence on countries of the South and voting similarity to these countries in the General Assembly.

Results for this portion of the analysis indicate that, in contrast to expectations, some degree of foreign policy convergence accompanies South-South trade relationships. As Table 13 shows, trade dependency on China (*Trade with China (% GDP)*) and India (*Trade with India (% GDP)*) have significant and positive relationships to dependent variables measuring General assembly voting similarity to each of the countries.

Dependent Variable:	Voting similarity to China (All votes)	Voting similarity to India (All votes)	Voting similarity to Brazil (All votes)
Bilateral aid from the North (% GDP)	-0.000243** (9.62e-05)	-0.000226** (8.73e-05)	-2.13e-05 (5.94e-05)
Democracy	-0.00240*** (0.000462)	-0.00419*** (0.000937)	0.000641 (0.000671)
HHI	-0.0362 (0.0371)	-0.0704 (0.0588)	-0.00401 (0.0338)
National capability	-0.748* (0.424)	-0.245 (0.188)	-0.738 (0.497)
Governing party ideology	-0.00532 (0.00356)	-0.00756 (0.00470)	-0.00505 (0.00335)
Regime Change	0.00294 (0.00791)	-0.000226 (0.0105)	-0.00297 (0.00491)
Negative regime transition	-0.0436** (0.0189)	-0.0178 (0.0171)	-0.00710 (0.0131)
Adverse negative regime transition	0.0225 (0.0201)	-0.0155 (0.0229)	0.00928 (0.0171)
Post-2003 dummy	0.0274*** (0.00808)	-0.00830 (0.00696)	0.00475 (0.00384)
Trade with China (% GDP)	0.00178** (0.000819)		
Trade with India (% GDP)		0.00158* (0.000874)	
Trade with Brazil (% GDP)			0.000403 (0.000336)
Constant	0.941*** (0.0159)	0.941*** (0.0251)	0.940*** (0.0144)
Observations	770	959	937
Number of Countries	73	72	72
Country FE	YES	YES	YES

Robust standard errors in parentheses

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

**Table 13: Relationships between trade dependency on select countries of the South (China, India and Brazil) and voting similarity to these countries in the General Assembly.**

Sample includes Non-Aligned Movement countries over a time series of 1980-2008. Independent variables lagged one year; country fixed effects included.

The results presented in Table 13 focus on all General Assembly votes, but analysis of subsets of votes suggest the issue areas on which particular Southern countries effectively

achieve foreign policy conformity (see Tables 29, 30, 31, and 32 in the *Chapter Five Appendix*).<sup>32</sup>

Collectively, the findings suggest that, despite the Southern norm of non-interference, countries of the South do use trade relations to achieve foreign policy conformity in the General Assembly. Trade dependency on China, India, and Brazil have all been demonstrated to be accompanied by General Assembly voting convergence of one form or another. The implication is that non-interference may be more rhetoric than reality, at least in the arena of foreign policy.

## 5.6 CONCLUDING DISCUSSION AND LIMITATIONS OF STUDY

This chapter has provided the first systematic analysis differentiating the effects of North-South and South-South trade on foreign policy adherence. Its results suggest, first, that trade dependency on the North and leads to foreign policy conformity with the North. Northern pressure to conform appears to be alleviated by high levels of South-South trade, which creates

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<sup>32</sup> For example, trade dependency on Brazil (*Trade with Brazil (% GDP)*) is accompanied by convergence with Brazil on votes related to colonialism and economic development; trade dependency on China is accompanied by convergence with China on votes related to economic development and the Middle East; trade dependency on India is accompanied by convergence with India on votes labeled “important” in Voeten’s coding. In addition, instrumental variable models have been analyzed, corresponding to significant relationships between voting similarity on subsets of votes and trade dependency with Brazil, India, and China. These models used an estimate of the independent variable (*trade with China (% GDP)*, *India (% GDP)*, or *Brazil (% GDP)*) derived using a gravity equation estimate of trade. While the instruments using the full model did not produce significant results, reduced variants of the models did demonstrate significant findings using exogenous instruments for three relationships: (1) trade dependency on Brazil and voting similarity to Brazil on issues of economic development, (2) trade dependency on China and voting similarity to China on issues of economic development, and (3) trade dependency on India and voting similarity on all votes. The results for this instrumental variable analysis are presented in Table 33, in the *Chapter Five Appendix*.

leverage for Southern countries in their North-South relations. However, South-South trade may come with its own pressures for foreign policy alignment, as trade dependency on countries of the South is also accompanied by foreign policy convergence with those Southern countries.

The finding that trade dependency on the North is accompanied by pressure to adhere to Northern foreign policy interests is not surprising, given the large body of evidence demonstrating these pressures. However, the pressures from the South are relatively unexpected, given the Southern norm of non-interference. The results presented in this study suggest that non-interference may be more rhetoric than reality, at least in the arena of foreign policy.

These findings have implications for both Northern and Southern countries. For countries of the North, the likelihood is that efforts to promote particular foreign policies will be weaker where South-South trade levels are higher. These Northern countries must, therefore, rethink the approaches that they use to promote their foreign policy goals. For trade dependent countries of the South, balancing competing pressures from trade partners in the North and in the South will become increasingly important as South-South trade continues to increase.

It must be noted that this study is not without its limitations, with two in particular standing out. First, the operationalization of foreign policy conformity as General Assembly voting convergence has weaknesses. As discussed above, the General Assembly is relatively powerless and many votes within the General Assembly are procedural. Future research should consider other measures of foreign policy expression, such as Security Council votes or alliance portfolios.

The second issue is one of endogeneity. The concern here is that those countries that trade heavily with the North (or with countries of the South) are otherwise predisposed toward

voting similarity to the North (or to countries of the South). While controls and instrumental variables have been utilized for this study, there remains the possibility of a selection effect.

## **6.0 POLICY IMPLICATIONS OF EMPIRICAL FINDINGS FOR COUNTRIES OF THE NORTH AND OF THE SOUTH**

The prior chapters have identified political effects of South-South trade at domestic and international levels. The results generally support the application of the theory to internally focused domestic level policies (labor laws and environmental standards), but not to externally focused international level policies (voting in the United Nations General Assembly). The paragraphs that follow summarize the specific findings of each chapter and then introduce the implications for countries of the North and of the South. The remainder of the chapter focuses on these implications in greater detail.

*Chapter Three* demonstrates that South-South trade is not accompanied by the diffusion of labor laws – in contrast to other types of trade flows – and, moreover, that those countries that engage in higher levels of South-South trade are characterized by less trade-based diffusion of labor law altogether. Within this context, the role of domestic politics in the setting of labor policy, such that domestic level factors that would otherwise encourage weak labor protections (e.g. conservative governance) are empowered by high levels of South-South trade, whereas those that are in line with the pro-social interests of the North (e.g. democracy) are disempowered.

*Chapter Four* shows that South-South trade has similar effects on environmental policy, as South-South trade differs from other trade flows in that it does not contribute to the trade-

based diffusion of environmental standards. Furthermore, those countries that engage in higher levels of South-South trade experience less trade-based diffusion of environmental standards from abroad altogether. However, in contrast to labor policy, variation in South-South trade levels does not appear to mediate the relationship between domestic politics and environmental policy.

*Chapter Five* demonstrates that while high levels of South-South trade do correspond to a weaker relationship between North-South trade and General Assembly voting convergence with the North, South-South trade relationships also generate foreign policy convergence, as trade dependency on China, India, and Brazil are all shown to be accompanied by General Assembly voting similarity to those countries.

With respect to the theory of interest in this dissertation – that those countries that engage in high levels of South-South trade are characterized by greater political autonomy than are those that trade with the South at lower levels, due to the Southern norm of non-interference – my findings suggest that while Southern countries do practice non-interference in the labor rights policies and the environmental policies of their partners, the non-interference norm does not prevent countries of the South from pressuring their trade partners to vote with them at the United Nations. As noted, these findings suggest that the theory of this dissertation applies to domestically oriented internal policies, but is not so readily applicable to the international policy arena.

These results have implications for countries of the North. Specifically, as the effectiveness of trade-based policy promotion efforts by countries of the North are weaker in countries where South-South trade levels are higher, it is likely that ongoing growth of South-South trade will be accompanied by further weakening of Northern influence in these countries

and an accompanying decrease in the diffusion of Northern policy norms. This has clear implications for world order, as it may be contributing to the decline of the international regime forged under US hegemony and reinforced through North-South trade relations. It is likely to have policy implications as well, as countries of the North to may be inclined to seek alternative means of promoting their policy agenda.

For countries of the South, it does appear that trade reliance on dominant countries of the South (specifically, China, India, and Brazil) is being accompanied by political pressures to adhere to the international level foreign policy desires of the most powerful Southern countries. In contrast, these pressures are not apparent in labor rights laws or environmental standards, as neither of these policies are subject to trade-based policy diffusion from countries of the South. In addition, domestic level interest and institutions have larger effects on labor rights policies in countries that engage in high levels of South-South trade. Again, this is consistent with the definitions of political autonomy as the independence of states from external constraints on their policy behaviors (Nelson, 2008) or the independence of nations' domestic authority structures from interference by external actors (Krasner, 1999). The same dynamic may be at work in other domestic policy areas, such as democratization, women's rights, and other facets of human rights, which countries of the North actively promote and countries of the South are indifferent towards. Moreover, as countries' South-South trade levels continue to increase, they are likely to experience further political autonomy.

While countries of the South may welcome this political autonomy, particularly in the short term, they may also find that it hinders their development. To the extent that South-South trade encourages a weakening of labor rights, through its empowerment of interests and institutions that oppose strict labor standards, it is likely to be accompanied by wage stagnation,

heightened poverty and inequality, and the deterioration of workplace infrastructure. These negative effects on economic development will compound the primary product export dependency and deteriorating terms of trade that have already been demonstrated to accompany South-South trade (Gallagher and Porzecanski, 2010).

Likewise, while Southern country governments are likely to be opposed to the imposition of environmental regulations from abroad, the cessation of the race to the top in environmental standards as South-South trade rises may also be undesirable, as environmental degradation is already among the largest causes of death within countries of the Global South (Global Alliance on Health and Pollution, 2014) and this trend may be exacerbated by environmental policy stagnancy. Finally, the addition of new pressures in terms of UN voting behaviors as South-South trade grows is likely to be unwelcome. Given the new dependencies and impediments to development that appear to be accompanying South-South trade, there is reason to suspect that countries of the South may attempt to implement new policies to limit or otherwise manage South-South trade relationships.

The remainder of this chapter proceeds as follows. Over the next two sections, the implications of this dissertation's findings for countries of the North and for countries of the South are discussed. Subsequently, possible and probable policy responses for countries representing each bloc are reviewed in greater depth, relying in part on qualitative data from interviews with relevant policymakers.<sup>33</sup> The chapter ends with a summary and discussion of its findings.

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<sup>33</sup> I conducted interviews with trade representatives, embassy officials, and economic officers representing the following countries: Malaysia, Fiji, Azerbaijan, Ukraine, Colombia, and Malta.

## **6.1 IMPLICATIONS OF GROWING SOUTH-SOUTH TRADE FOR THE NORTH'S PROMOTION OF HUMAN RIGHTS**

The empirical chapters of this dissertation indicate that the effectiveness of trade-based policy promotion efforts by countries of the North are weaker where South-South trade levels are higher. This is true of Northern promotion of labor rights and environmental standards, as well as Northern efforts to secure of foreign policy adherence. It is likely that this pattern also holds in other policy areas promoted by the North through trade, including various other facets of human rights; moreover, it is likely that further growth of South-South trade will be accompanied by further weakening of Northern influence. Growing South-South trade appears to be, then, both a product of and a contributor to the decline of the world order that formed under US hegemony, in which, as Nathan (2009) explains, “international regimes and institutions, often reflecting U.S. interests and values, limit the rights of sovereign states to develop and sell weapons of mass destruction, repress opposition and violate human rights, pursue mercantilist economic policies that interfere with free trade, and damage the environment.”

As South-South trade increasingly weakens Northern trade dominance and the policy influence that accompanies trade dominance, countries of the North will have to seek alternative means for promoting their policy agenda. This may include utilization of other economic tools, such as foreign aid or foreign investment, or efforts to appeal to countries of the South through bilateral and multilateral organizations, agreements, and institutions. If Northern countries fail to find effective non-trade means to promoting their interests, then there will indeed be an international governance void, which may be filled by domestic level interests and institutions in

Southern countries, as is the case in the realm of labor rights, or by powerful Southern countries, as is the case in General Assembly voting.

In addition to the findings presented in *Chapter Five* of this dissertation, there are is evidence that China, in particular, is seeking to pressure its trade partners in the South to adhere to its foreign policy desires (Flores- Macías and Kreps, 2013; Levin, 2015). Hope has been expressed that China will use its growing trade-based leverage with countries of the South to promote human rights (Human Rights Watch, 2006), as countries of the North do. However, such hopes do not align with China’s alternative vision of world order, based on the norm of non-interference, which “stresses the equal, unfringeable sovereignty of all states large and small, Western and non-Western, rich and poor, democratic and authoritarian, each to run its own system as it sees fit, whether its methods suit Western standards or not” (Nathan, 2009). Moreover, to the extent that China seems interested in interfering with the politics of its trade dependent partners, these efforts and their effects seem to be at odds with Northern interests and detrimental to human rights (Flores- Macías and Kreps, 2013).

The likelihood is, then, that Northern influence in countries of the South will be further weakened as South-South trade continues to grow, with a reduction in effective policy promotion accompanying this waning influence. Inasmuch as emerging powers, most notably China, seem disinterested in promoting labor rights, environmental standards, and human rights more generally, there is likely to be a net reduction in international level advancement and governance in these areas. If the findings of this dissertation regarding labor rights are generalizable to other policy areas, then this void will be filled by domestic level political forces with non-pro-social policy objectives. Such an outcome is likely to be accompanied by a worsening of these sorts of rights, thereby undermining the Northern agenda for the advancement of human rights across the

Global South. Powerful southern countries appear to be less apathetic toward the foreign policy behaviors of their partners, but their own foreign policy agendas appear to differ significantly from those of Northern countries. In both cases – domestic level protections of human rights and foreign policy convergence with the North – the growth of South-South trade is likely to be accompanied by a setting back of the Northern agenda for international governance.

## **6.2 DEVELOPMENT IMPLICATIONS OF GROWING SOUTH-SOUTH TRADE FOR COUNTRIES OF THE SOUTH**

In addition to the political implications, South-South trade may be hindering economic development in countries of the South. With regards to labor rights policy and perhaps, other domestically oriented human rights policies, high levels of South-South trade are accompanied by political autonomy, as domestic level interests and institutions play a large role in the absence of international level pressures. If this is a dynamic process, then as South-South trade levels grow so too should political autonomy, as the void in international pressure left by declining relative levels of North-South trade is filled by domestic politics. Furthermore, as noted above, the likelihood is that growing political autonomy for countries of the South will be accompanied by a weakening of labor rights, as the empowered political interests and institutions are conservative opponents of pro-social labor policy. It is quite probable that the deterioration of labor rights likely to accompany the growth South-South trade will have negative implications for economic development, as wages stagnate and decline, poverty and inequality increase, and workplace infrastructure wilts.

South-South trade may be hindering economic development through non-political processes as well. Gallagher and Porzecanski (2010) argue that South-South trade between China and the countries of Latin America and the Caribbean (LAC) is undermining the industrialization of LAC countries. They observe that LAC exports to China are composed almost entirely of primary products and speculate that this will exacerbate deteriorating terms of trade and foster Dutch Disease in the region.<sup>34</sup> Likewise, Gourdon (2011) finds that South-South trade is being accompanied by heightened wage inequality in countries of the South, in light of changes to the composition of traded goods.

Cumulatively, political and non-political effects of South-South trade appear to have several kinds of negative impacts on economic development in countries of the South. Thus, while governments and some interest groups in Southern countries may welcome South-South trade relationships that simultaneously boost trade flows and foster political autonomy, these relationships are not without negative implications.

Moreover, while South-South trade may be fostering political autonomy in some domestic policy areas, it is being accompanied by new pressures on smaller and less powerful developing countries to adhere to the foreign policy desires of China, among other powerful countries of the South. In the case of China, there is strong reason to believe that this pressure to adhere to foreign policy desires will further weaken human rights outcomes in the South: foreign policy adherence manifests itself in United Nations voting convergence and China has been

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<sup>34</sup> It should also be noted that primary product dependency is among the factors highlighted by Richardson and Kegley, Jr. (1980) that contributes to political dependency.

strongly and consistently opposed to country specific human rights resolutions at the United Nations.<sup>35</sup>

The findings collectively demonstrate that South South trade is promoting both political autonomy and new dependencies for countries of the South, but in both cases the effects on human rights are likely to be negative. Moreover, the likely implications of growing South-South trade for development, both through political and non-political channels, is troubling. Given these findings, it may be that Southern countries would be wise to pursue policy efforts to manage their trade relationships in a way that protects them from the negative facets of South-South trade. In the next section, the trade policy options for countries of the South, as well as for countries of the North, are reviewed in greater depth.

### **6.3 POLICY OPTIONS FOR COUNTRIES OF THE NORTH AND SOUTH**

The analysis so far has suggested that new policy efforts to counter the negative effects of South-South trade may be desirable both for countries of the North and for countries of the South. For countries of the North, the key policy implication appears to be that alternatives to trade-based policy promotion will be increasingly important as South-South trade continues to grow. For countries of the South, policies to manage trade relationships in a way that limits the negative effects of South-South trade are key.

Two approaches stand out for countries of the North seeking alternatives to trade-based policy promotion. First, countries of the North may use other kinds of economic transfers to

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<sup>35</sup> For its part, China has presented its opposition to human rights initiatives at the United Nations as “guardianship of noninterference” (Samaranayake, 2014: 225).

accomplish their goals, such as foreign aid or investment. These approaches have been demonstrated to effectively promote policy adherence (e.g., Dreher et al., 2008), but they too may be rendered less effective as non-trade economic transfers from the South continue to increase. Non-trade Southern transfers are indeed growing; for example, foreign investment outflow from China is reaching levels comparable to outflows from the United States (Anderlini, 2015).<sup>36</sup> An alternative option for countries of the North is to use institutional efforts to achieve their goals, such as promotion of norms through international organizations and bilateral and multinational agreements. As was noted in *Chapter Three*, Northern countries have effectively promoted their interests through clauses in bilateral agreements (e.g. Kim, 2012); however, here too there is a likelihood that changing leverage dynamics associated with growing South-South trade levels will alter the willingness of Southern countries to accept these sorts of conditions in North-South agreements.

The imperative for countries of the South is to manage trade relationships in a way that limits the negative effects accompanying South-South trade, including deteriorating labor rights, underdevelopment, and new dependencies in the foreign policy arena. Policies to mitigate these problems should either redirect some portion trade away from the South or reduce trade dependency altogether. Policies of the former sort that supplant South-South trade with trade flows to the North, such as the forging of new North-South trade agreements, will be accompanied by Northern pressures of various kinds, but to the extent that these pressures are in support of pro-social policies there is reason to expect them to be development friendly. Policies of the latter sort may include export bans and subsidies to local industries. These policies may

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<sup>36</sup> The one major study, to my knowledge, of non-trade South-South economic transfers actually showed a positive relationship between South-South FDI and environmental standards (Zeng and Eastin, 2012), but further research is needed.

alleviate the problems associated with South-South trade – new dependencies and development-impeding exacerbation of primary product dependency – without leading to renewed susceptibility to Northern pressures.

At least some countries are embracing policies along these lines. For example, Indonesia instituted a ban on exports of raw nickel ore and a tax on other mineral exports in 2014. Officials emphasized that the purpose of the policy was to increase the country's value-added industries (Cochrane, 2014), but the policy had the accompanying effect of reducing China's consumption of Indonesian raw materials. With the ban in place on Indonesian ore, China increased its imports of nickel ore from the Philippines, leading that country to consider its own export ban (Stewart, 2015). This practice has yet to become widespread, but further adoption of policies along these lines is plausible going forward.

#### **6.4 IS THE SOUTH TURNING AWAY FROM NON-INTERFERENCE?**

Another possibility is that countries of the South will turn away from the norm of non-interference. Recent actions by China have led to suggestions that it may be moving away from non-interference in favor of a more involved approach. Specifically, China has increased its participation in UN peacekeeping missions, sent combat troops to Mali in 2013, and even supported UN sanctions on Libyan officials during the 2011 civil uprising (Johnson, 2014). These activities followed threats to Chinese business interests in these regions, as opposed to ideology-driven promotion of human rights norms. Nevertheless, they represent a departure from China's non-interference stance, which has traditionally included opposition to UN sanctions (Samaranayake, 2014).

Malaysia, a country that was highlighted in *Chapter Two* as having successfully rebuffed interference efforts by the United States, has also recently acted in a manner that indicates a new willingness to accept interference efforts by trade partners. Specifically, Malaysia joined the Trans-Pacific Partnership (TPP) in 2015 and, in doing so, accepted some accompanying labor policy conditions, such as legislation to ease unionization efforts and to prevent employers from retaining workers' passports (Samuels, 2016). Hairil Yahri Yaacob, Malaysia's Economic Counsellor in Washington DC, explained to me that Malaysia's newfound willingness to accept the kinds of conditions that had led to the collapse of bilateral trade negotiations with the United States in 2008, reflected Malaysia's desire to grow its trade relations with Washington to balance China's growing power in the region, particularly in light of a growing rift with China over disputed islands in the South China Sea. Within this geopolitical context, Malaysia was willing to accept some "behind the border" conditions from Washington.

It should be noted that the United States also made large concessions to Malaysia by altering language in the agreement that would otherwise have excluded Malaysia due to its labor rights abuses (particularly human trafficking and forced labor). Ahmed, Grim, and Barron-Lopez (2015) argue that the United States was willing to make these concessions because it considered Malaysia's participation in the TPP essential, due to the accompanying access to the Strait of Malacca. My analysis suggest that Malaysia was able to negotiate effectively and, in doing so, to gain concessions from the United States, because it was not excessively reliant on trade with the United States.

The experiences of Malaysia and China suggest that while non-interference remains a priority for countries of the South, it is but one of several priorities and geopolitical factors may compel Southern countries to deviate from this norm. In China's case, the geopolitical factors

include threats to Chinese business interests in partner countries, whereas for Malaysia the geopolitical issues include the balancing of Chinese power in East Asia.

## **6.5 CONCLUSIONS**

This chapter has explored the implications of growing South-South trade for countries of the North and of the South. In light of these implications, possible and probable policy choices of North and South countries are explored. This analysis has been informed, in part, by qualitative data from interviews with relevant policymakers.

With respect to countries of the North, the key implication is that South-South trade is weakening the effectiveness of trade-based efforts by Northern countries to promote their policy objectives. That those Southern countries that engage in higher levels of South-South trade are less affected by trade-based policy promotion efforts is evident in the findings concerning labor and environmental policies, as well as foreign policy convergence. This chapter has extrapolated from these findings that increases in South-South trade will lead to further reductions in Northern influence and in an accompanying reduction in effective policy promotion. The key policy implication for countries of the North appears to be that alternatives to trade-based policy promotion will be increasingly important as South-South trade continues to grow.

For countries of the South, growing South-South trade is expected to be accompanied by new policy pressures from countries of the South in the foreign policy arena, and by deterioration of human rights and economic development. In order to mitigate these problems, Southern countries may seek either to redirect trade towards countries of the North or to reduce trade dependency altogether.

*Chapter Seven* concludes this dissertation in three sections. First, dissertation findings are summarized and concluding analysis is provided. Next, limitations and shortcomings of the studies in this dissertation are reviewed. Finally, avenues for future research are discussed, with specific attention to the steps that will be taken to develop this dissertation into a book and a series of articles.

## 7.0 CONCLUSION

This dissertation has provided the first systematic analysis of the political effects of South-South trade. In doing so, it developed and tested a novel theory positing that those countries that engage in higher levels of South-South trade are characterized by greater political independence than are those that trade with the South at relatively lower levels. The theory takes, as its starting point, the differing norms that characterize North-South and South-South trade relations, whereby countries in the North promote the adoption of certain domestic policies among their trade partners and those of the South subscribe to the norm of non-interference in the domestic affairs of partners. In light of these contrasting norms, trade dependency on the North has very different political effects than trade dependency on the South: whereas those countries that engage in high levels of North-South trade are pressured to adopt policies promoted by Northern partners, there may not be comparable pressure from trade partners of the South that adhere to the norm of non-interference.

Moreover, high levels of South-South trade likely afford countries of the South with leverage in their North-South relations – leverage that they may use to rebuff policy promotion efforts by Northern trade partners. In countries where Northern efforts are rendered weak by high levels of South-South trade, domestic interests and institutions are theorized to play a larger role in the policymaking process, as they are less constrained by efforts of Northern countries and not subject to comparable interference efforts by Southern partners.

The empirical analysis used statistical methods, supplemented by interviews with officials representing countries of the South, to test a series of hypotheses corresponding to this theory: first, countries of the South do not contribute to trade-based policy diffusion, second, Southern countries that engage in high levels of South-South trade experience less trade-based policy diffusion from abroad altogether and, third, domestic political factors play a larger role in the policymaking process in countries that engage in higher levels of South-South trade. These hypotheses have been analyzed with attention to each of the policy areas of interest – labor rights policy, environmental standards, and voting behaviors in the United Nations.

The results of the analyses provide mixed support for the theory. The policy area that is most consistent with theoretical expectations is labor laws. My analysis of this policy area using statistical methods demonstrates, first, that while trade-based diffusion of good labor rights laws is evident, South-South trade does not contribute to it. In addition, Southern countries that trade with other countries of the South at high levels do not experience any trade-based diffusion of labor rights whatsoever. This second statistical finding is supported further by case study analysis of Malaysia, which indicates that trade with China has allowed Malaysia to resist trade-based efforts by the United States to promote labor rights. Moreover, additional statistical analysis indicates that South-South trade levels moderate the domestic political process, such that domestic level factors that would otherwise encourage weak labor protections are empowered by high levels of South-South trade, whereas those that are in line with the pro-social interests of the North are disempowered.

The analysis of environmental standards similarly shows that while trade-based diffusion of environmental standards is evident, South-South trade does not contribute to it. In addition, there is evidence that high levels of South-South trade weaken the trade-based diffusion of

environmental standards from countries not of the South. However, the results do not suggest that variation in South-South trade levels affect the relationships between domestic political variables and environmental policy, as theorized.

Finally, the results pertaining to South-South trade and foreign policy conformity do not indicate that countries of the South practice non-interference in regards to their Southern partners' voting behaviors in the United Nations General Assembly. Instead, it would appear that South-South trade produces new pressures in the foreign policy arena, as trade-dominant Southern countries encourage foreign policy conformity through trade relationships in much the same way that Northern countries do. These results suggest that South-South trade is leading to new political dependencies in the foreign policy realm, as Southern countries characterized by trade dependency on China, India, and Brazil are experiencing foreign policy convergence with those countries.

In light of these findings, *Chapter Six* considers wider implications for countries of the North and of the South, as well as possible and probable policy responses for countries of both blocs. For countries of the North, it appears that South-South trade is the weakening the effectiveness of trade-based efforts by Northern countries to promote their policy objectives. If these Northern countries wish not to lose political influence, they must find alternatives to trade-based policy promotion as South-South trade continues to grow. For countries of the South, South-South trade appears to be accompanied by new policy pressures from countries of the South in the foreign policy arena, and by hindrances to human rights and economic development. In order to mitigate these problems, Southern countries may seek either to redirect trade towards countries of the North or to reduce trade dependency altogether.

## 7.1 LIMITATIONS AND WEAKNESSES OF THIS DISSERTATION

This dissertation is not without its limitations and weaknesses, both theoretically and empirically. Three shortcomings stand out. First while the hypotheses tested in Chapters *Three*, *Four*, and *Four* are supportive of the theory at hand, they are not sufficient to substantiate it, particularly in terms of its application to other policy areas. Second, there may be unexplored alternative hypotheses concerning, for example, economic factors that affect trade direction. Finally, there are remains a causality problem that this dissertation has not entirely been able to deal with, despite theoretical and empirical efforts to do so. The paragraphs that follow explore each of these limitations in greater detail.

The first issue concerns the adequacy of the analysis to substantiate the theory of interest in this dissertation and to demonstrate its generalizability. The hypotheses were selected in order to test the application of the theory to two internal policy areas (labor policy and environmental policy) and to one international policy area (voting in the United Nations General Assembly). While it is tempting to generalize these findings to other policy areas – and, indeed, such generalizations are, at times, suggested – the empirical evidence for these generalizations is lacking.

In addition, the methodology used in the analyses may not be entirely convincing. In particular, while findings presented in chapters *Three*, *Four*, and *Five* are supportive of a causal effect, it is not able to demonstrate the theorized causal mechanism. While brief case studies have been analyzed and interviews conducted, these are intended only to be illustrative. To demonstrate that the theorized causal mechanism is the correct one, in depth case study work will be necessary.

The final issue is one of causality. It has been argued throughout this dissertation that the increase in South-South trade over the last few decades is attributable to economic factors and that this increase has, in turn, created political leverage for countries of the South. This causal argument was advanced theoretically in *Chapter Two* and through analysis of instrumental variables in the empirical chapters. While the theoretical and empirical findings do provide some support to the causal argument of this dissertation, causality is difficult to establish in an entirely satisfying way and questions likely remain for readers of this dissertation.

## 7.2 FUTURE RESEARCH

Going forward, I am eager to extend this line of research to produce a series of articles and a book project. Completing the book manuscript is a project that I plan to work on over the next few years, but in the meantime I hope to publish several research articles focusing on trade-based policy diffusion. These analyses will differentiate the trade-based diffusion patterns associated with South-South trade from those associated with other types of trade flows. I have written a series of working papers that explore this matter, with two corresponding to *Chapters Three* and *Four* of this dissertation (on labor rights and environmental standards) and another considering the trade-based diffusion of ISO 14001 (another type of environmental regulation). In each of these papers, the findings confirm that South-South trade is associated different diffusion patterns than other types of trade are. Going forward, I plan to refine these papers further and to conduct additional investigations. The next project on my agenda, which will build on the work of Cao et al. (2013), will explore South-South trade and the trade-based diffusion of human rights.

For the book project, I plan to apply the theory of this dissertation to additional policy areas, such as women's rights, democratization, and human rights. However, in doing so I will explore trends within regions, as well as the broad, worldwide trends that were analyzed in this dissertation. Doing so will require further disaggregation of the data and the sample, as well as in depth case study work. For this case study work, I will begin by expanding on the brief case studies that are presented in *Chapter Two* and *Chapter Five*, which pertain to Indonesia, Fiji, Malaysia, Ecuador, and Argentina.

Overall, I believe that the future research that I have discussed in this chapter can make an important contribution to the literature on trade-based diffusion. The politics of South-South trade is an important and timely research topic, given the ongoing growth of South-South trade, and I am eager to be among the researchers contributing to our understanding of it.

APPENDIX A

CHAPTER ONE APPENDIX

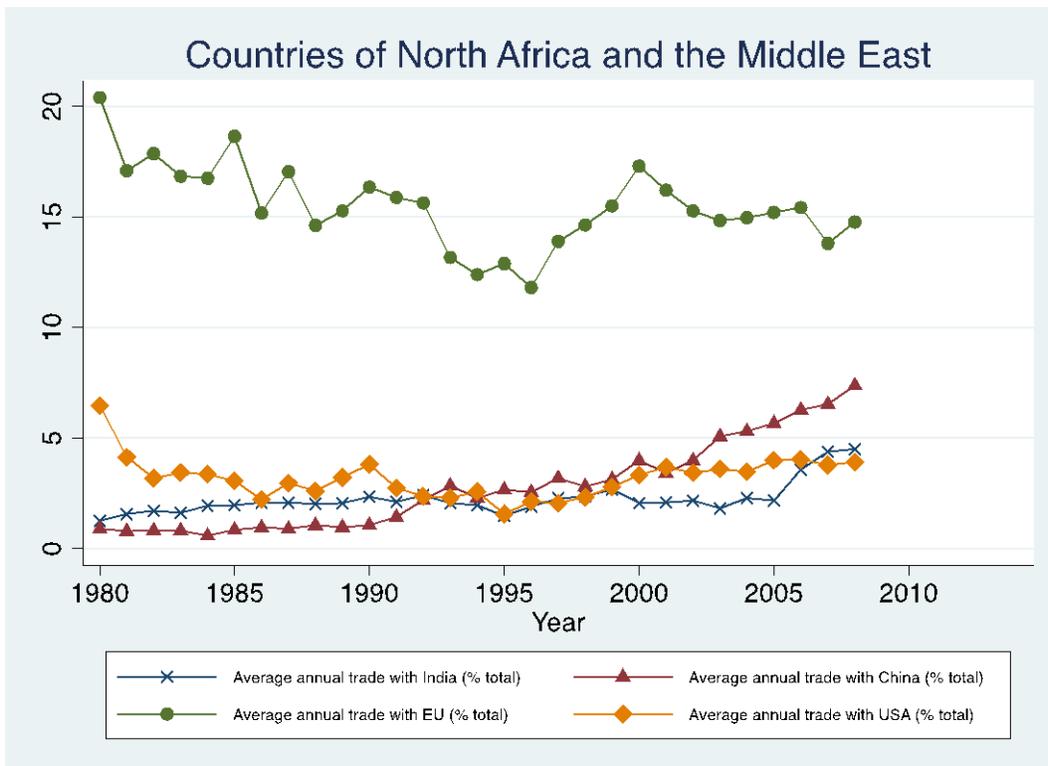
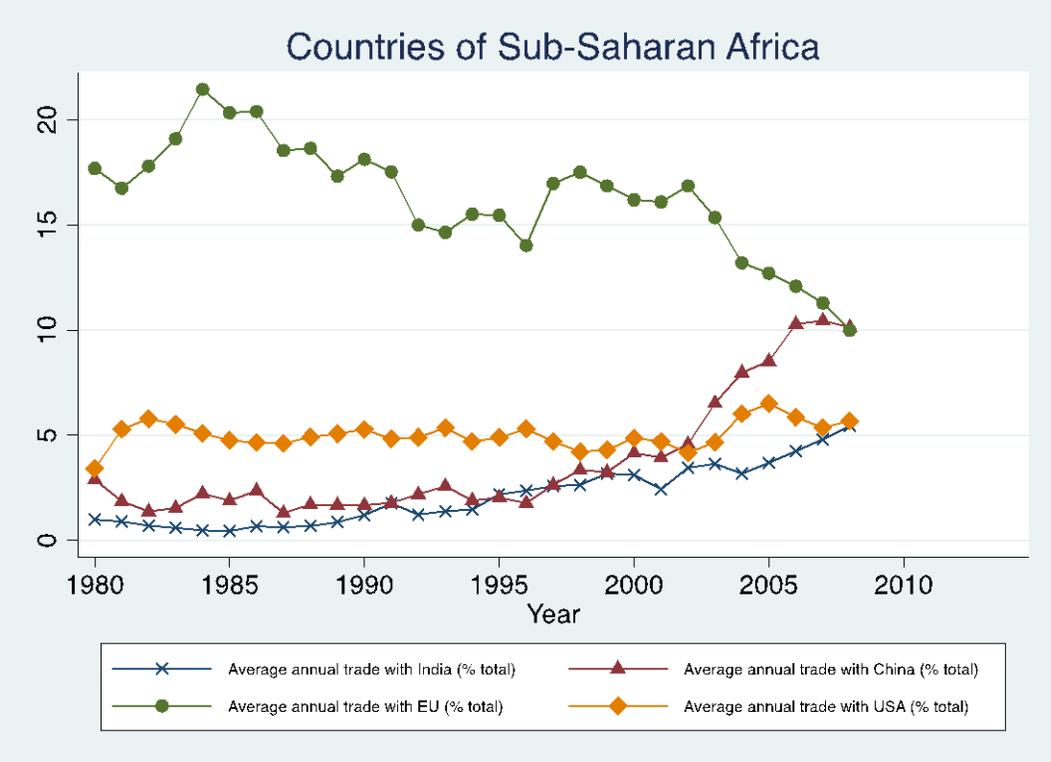
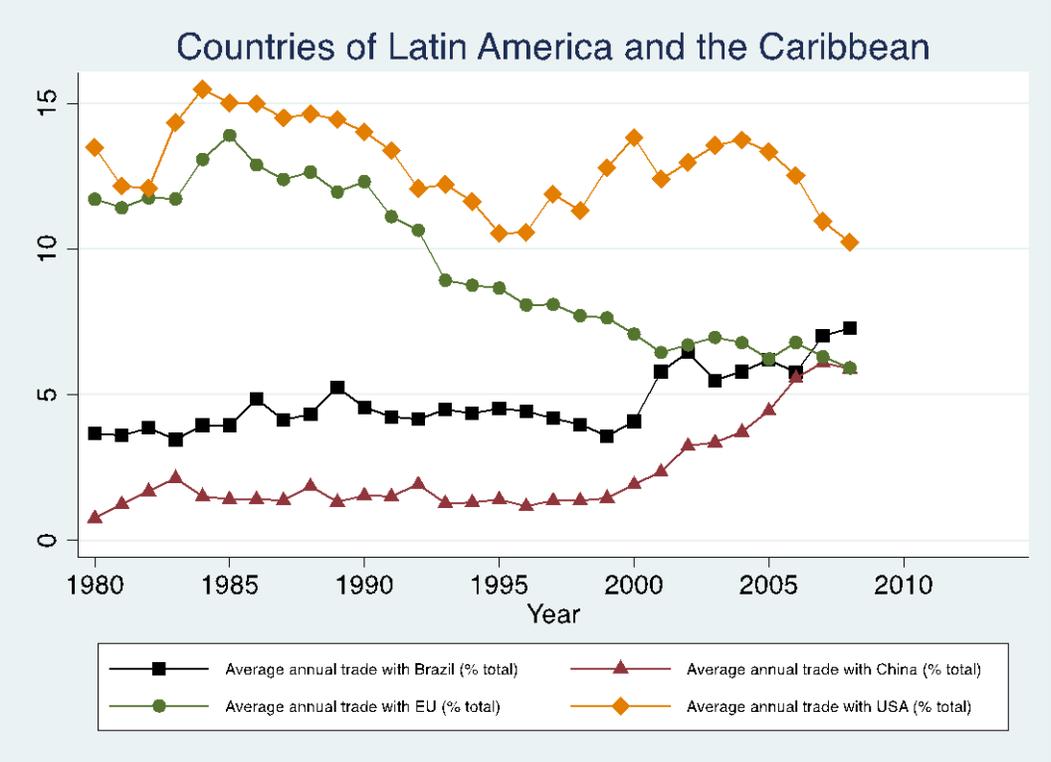


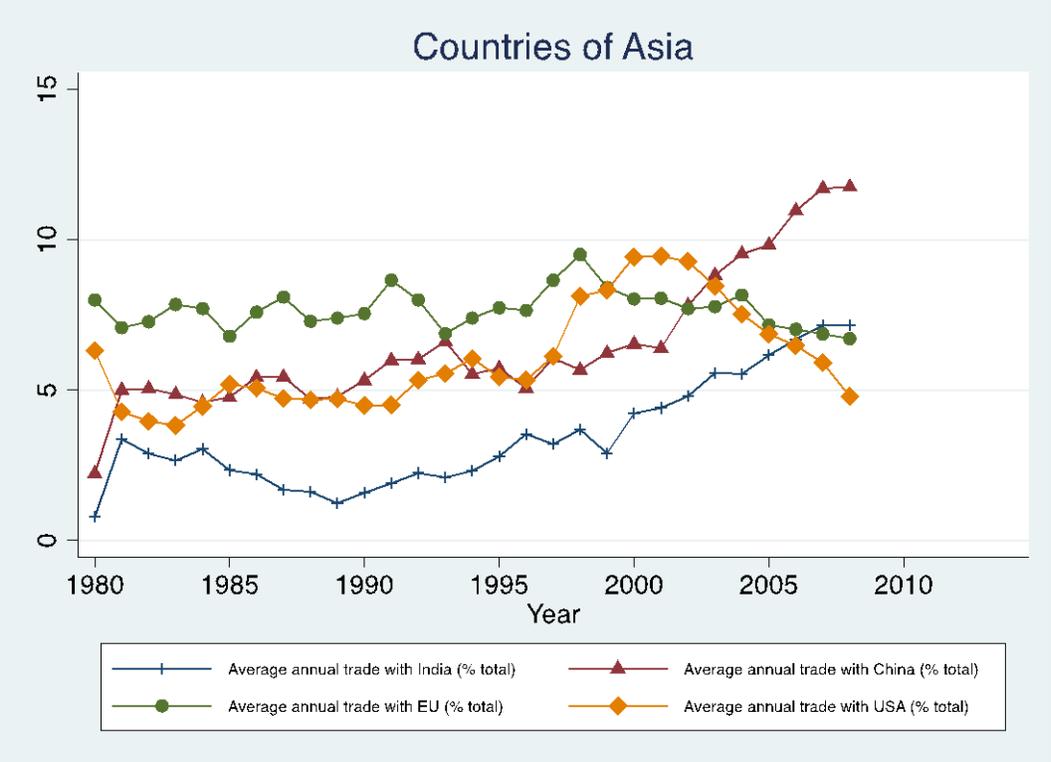
Figure 10: Shares of trade from Southern countries of North Africa and the Middle East directed towards China, the United States, India, and the European Union, from 1980 to 2008.



**Figure 11: Shares of trade from Southern countries of Sub-Saharan Africa directed towards China, the United States, India, and the European Union, from 1980 to 2008.**



**Figure 12: Shares of trade from Southern countries of Latin America and the Caribbean directed towards China, the United States, Brazil, and the European Union, from 1980 to 2008.**



**Figure 13: Shares of trade from Southern countries of Asia directed towards China, the United States, India, and the European Union, from 1980 to 2008.**

## APPENDIX B

### CHAPTER THREE APPENDIX

Variable	Mean	SD	Min	Max
Labor Laws	22.478	5.697	0	28.5
Bilateral trade context (All Partners)	24.603	2.304	10.422	28.416
Bilateral trade context (South Partners)	7.162	3.562	0	23.668
Bilateral Trade context (Non-South Partners)	15.949	7	0	28.182
FDI inflows	2.788	7.094	-82.873	145.21
Total trade	74.916	41.081	1.531	282.402
GDP per capita (logged)	7.835	.931	5.83	10.086
Population	15.388	2.023	10.6	20.97
Democracy	-.667	6.759	-10	10
Civil war	.202	.401	0	1
Hard PTA	.02	.142	0	1
Soft PTA	.176	.381	0	1
South-South trade % total	24.529	16.822	0.288	86.959
Herfindahl-Hirschman Index	0.372	0.106	0.206	0.92
South-South trade % total (China excluded)	23.263	15.627	0.083	86.411
Trade to China % total	2.916	4.438	0.001	38.575

Table 14: Descriptive statistics for all variables in *Chapter Three*.

DV: Labor law	1-Year Lag	2-Year Lag	3-Year Lag	1-Year Lag	2-Year Lag	3-Year Lag
SS bilateral trade context	0.0332 (0.0414)	-0.00709 (0.0518)	-0.0168 (0.0416)	-0.0285 (0.0508)	-0.0591 (0.0549)	-0.0508 (0.0459)
Non-SS bilateral trade context	0.0980*** (0.0366)	0.0828*** (0.0287)	0.0670** (0.0255)	0.0933** (0.0397)	0.0763** (0.0326)	0.0663** (0.0282)
FDI inflows	0.0497* (0.0257)	0.00321 (0.0193)	0.0253** (0.0123)	0.0386 (0.0339)	-0.00685 (0.0167)	0.0182 (0.0133)
Total trade	-0.00889 (0.0117)	-0.00633 (0.0101)	-0.00400 (0.00797)	-0.0233* (0.0120)	-0.0177 (0.0110)	-0.0123 (0.00915)
Democracy	0.0775** (0.0370)	0.0339 (0.0321)	-0.0219 (0.0320)	-0.00220 (0.0356)	-0.0255 (0.0320)	-0.0709** (0.0326)
Civil war	0.655 (0.438)	0.576 (0.406)	0.203 (0.402)	0.692 (0.514)	0.564 (0.478)	0.247 (0.459)
Hard PTA	-0.717 (0.600)	-0.567 (0.549)	-1.327** (0.551)	-1.963*** (0.625)	-1.600** (0.612)	-2.243*** (0.562)
Soft PTA	-0.435 (0.514)	-0.361 (0.520)	-0.280 (0.458)	-1.635*** (0.392)	-1.419*** (0.416)	-1.165*** (0.350)
Constant	23.41*** (1.198)	23.31*** (1.052)	23.29*** (0.912)	22.79*** (1.213)	22.86*** (1.012)	22.43*** (0.914)
Country Fixed Effects	YES	YES	YES	YES	YES	YES
Year Fixed Effects	YES	YES	YES	NO	NO	NO
Observations	1,309	1,230	1,151	1,309	1,230	1,151
Number of Countries	87	87	86	87	87	86

Robust standard errors in parentheses

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

Table 15: Trade-based diffusion of labor laws through South-South and non-South-South trade; fixed effects.

Independent variables have been lagged at one, two, and three years. Control variables are drawn from the fixed effects model used by Greenhill et al. 2009. Sample includes only Non-Aligned Movement countries over time-series of 1986-2002. Country fixed effects and year fixed effects models included.

DV: Labor law	Model 1	Model 2	Model 3
BTC Instrument	1.467*** (0.233)		
NonSS BTC Instrument		1.025** (0.470)	
SS BTC Instrument			-1.621*** (0.465)
FDI inflows	-0.0127 (0.0433)	0.166* (0.0964)	0.151** (0.0689)
Total trade	-0.00763 (0.00502)	-0.0189*** (0.00639)	-0.0223*** (0.00679)
GDP per capita	-0.637*** (0.235)	-3.513*** (0.922)	-2.280*** (0.307)
Population	-0.694*** (0.111)	-0.613*** (0.203)	-0.943*** (0.153)
Democracy	0.0848*** (0.0228)	0.0939*** (0.0316)	0.0753** (0.0356)
Civil war	0.453 (0.337)	-0.589 (0.643)	-0.257 (0.538)
Hard PTA	2.836*** (0.988)	-0.0465 (1.659)	1.463 (1.524)
Soft PTA	0.00440 (0.387)	-1.795** (0.890)	-0.229 (0.602)
SS BTC		0.337 (0.240)	
Non SS BTC			-0.0463 (0.0917)
Constant	2.442 (8.298)	39.98*** (6.577)	69.06*** (6.708)
Observations	1,015	921	922

Standard errors in parentheses

\*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$

Table 16: Two stage least square tests of relationships between *bilateral trade context* variables and *labor law*. Model 1 includes instrument corresponding to *bilateral trade context* (BTC Instrument). Model 2 includes instrument corresponding to Non-South-South *bilateral trade context* (NonSS BTC Instrument). Model 3 includes instrument corresponding to South-South *bilateral trade context* (SS BTC Instrument). Sample includes only Non-Aligned Movement countries over time-series of 1986-2002. Independent variables have been lagged one year.

DV: Labor law	Model 1 SStrade volume set one SD below mean	Model 2 SStrade volume set at mean	Model 3 SStrade volume set one SD above mean
Trade (% GDP)	0.00846 (0.0219)	-0.0174 (0.0114)	-0.0432** (0.0215)
South-South trade volume	0 (5.44e-11)	0 (5.44e-11)	0 (5.44e-11)
Trade (% GDP *South-South trade volume	-0 (0)	-0 (0)	-0 (0)
HHI	-3.909 (3.429)	-3.909 (3.429)	-3.909 (3.429)
Civil war	0.0763 (0.482)	0.0763 (0.482)	0.0763 (0.482)
Democracy	0.120*** (0.0376)	0.120*** (0.0376)	0.120*** (0.0376)
FDI	0.0466* (0.0235)	0.0466* (0.0235)	0.0466* (0.0235)
Constant	23.44*** (3.513)	27.09*** (1.467)	31.69*** (5.048)
Country Fixed Effects	YES	YES	YES
Year Fixed Effects	YES	YES	YES
Observations	1,412	1,412	1,412
Number of Countries	90	90	90

Robust standard errors in parentheses

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

Table 17: Moderating effects of South-South trade on relationship between trade dependency and *labor law*.

Model 1 demonstrates that *trade as a percentage of GDP* is significant with a negative coefficient where *South-South trade volume* is set at a relatively high level (one standard deviation above the mean). The coefficient for trade as a percentage of GDP is not significant where South-South trade volume is set at its mean (in Model 2) or where it is set one standard deviation below its mean (Model 3). Sample includes only Non-Aligned Movement countries over time series of 1986-2002. Independent variables lagged one year. Country fixed and year effects included.

DV: Labor law	Model 1	Model 2
Bilateral Trade Context (BTC)	0.116 (0.131)	0.164 (0.136)
SS trade % total	-0.00818 (0.0118)	-0.0125 (0.0117)
BTC*SS trade % total	-0.00420 (0.00411)	-0.00705* (0.00393)
HHI		-5.250 (3.599)
BTC*HHI		-1.425* (0.811)
Civil war	0.127 (0.492)	0.111 (0.488)
Democracy	0.117*** (0.0378)	0.123*** (0.0385)
Total trade	-0.0150 (0.0107)	-0.0141 (0.0108)
FDI inflows	0.0515** (0.0223)	0.0495** (0.0230)
Constant	22.53*** (3.494)	23.32*** (3.718)
Country Fixed Effects	YES	YES
Year Fixed Effects	YES	YES
Observations	1,412	1,412
Number of Countries	90	90

Robust standard errors in parentheses

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

**Table 18: Moderating effect of South-South trade on trade-based diffusion of *labor law*; fixed effects.**

Model 1 demonstrates the interaction effect of *bilateral trade context* and South-South trade. Model 2 incorporates an additional control to the model to rule out the alternative hypothesis. Sample includes only Non-Aligned Movement countries over time-series of 1986-2002. Independent variables have been lagged one year. Country and year fixed effects are included.

DV: Labor law	Model 1	Model 2
Bilateral Trade Context (BTC)	0.183** (0.0717)	0.189** (0.0751)
SS trade % total	-0.0134* (0.00691)	-0.0162** (0.00742)
BTC*SS trade % total	-0.00475** (0.00236)	-0.00668** (0.00265)
HHI		-0.981 (0.971)
BTC*HHI		-0.616 (0.420)
Civil war	-0.0571 (0.207)	-0.103 (0.207)
Democracy	0.0244 (0.0165)	0.0313* (0.0172)
Total trade	-0.00342 (0.00402)	-0.00330 (0.00399)
FDI inflows	0.0194 (0.0139)	0.0200 (0.0140)
Lagged dependent variable	0.673*** (0.0314)	0.670*** (0.0322)
Constant	3.160* (1.730)	3.511* (1.842)
Country Fixed Effects	NO	NO
Year Fixed Effects	NO	NO
Observations	1,412	1,412
Number of Countries	90	90

Robust standard errors in parentheses

\*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$

**Table 19: Moderating effect of South-South trade on trade-based diffusion of *labor law*; random effects.**

Model 1 demonstrates the interaction effect of *bilateral trade context* and South-South trade. Model 2 incorporates an additional control to the model to rule out the alternative hypothesis. Sample includes only Non-Aligned Movement countries over time-series of 1986-2002. Independent variables have been lagged one year. Random effects are included.

DV: Labor law	Model 1	Model 2
Bilateral Trade Context (BTC)	0.414** (0.163)	0.399** (0.170)
SS trade % total (China excluded)	-0.0417 (0.0695)	-0.0453 (0.0656)
BTC*SS trade % total (China excluded)	-0.00922** (0.00421)	-0.0116*** (0.00419)
HHI		-4.471 (3.888)
BTC*HHI		-3.273*** (0.938)
Trade with China % total	-0.00238 (0.0668)	-0.00265 (0.0625)
Civil war	0.206 (0.702)	0.206 (0.697)
Democracy	0.0441 (0.0471)	0.0622 (0.0470)
Total trade	-0.0256** (0.0129)	-0.0255* (0.0128)
FDI inflows	0.0444 (0.0355)	0.0414 (0.0368)
Constant	14.46*** (4.216)	16.66*** (4.483)
Country Fixed Effects	YES	YES
Year Fixed Effects	NO	NO
Observations	1,073	1,073
Number of Countries	87	87

Robust standard errors in parentheses

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

Table 20: Effect of South-South trade on trade-based diffusion of *labor law*; trade with China separated.

Model 1 demonstrates the interaction effect of *bilateral trade context* and South-South trade, excluding trade with China. Model 2 incorporates an additional control to the model to rule out the alternative hypothesis. Sample includes only Non-Aligned Movement countries over time-series of 1986-2002. Independent variables have been lagged one year. Country fixed effects are included.

## APPENDIX C

### CHAPTER FOUR APPENDIX

Variable	Mean	SD	Min	Max
Environmental Performance Indicator	47.958	8.001	25.216	69.435
Trade Partner Environmental Performance	51.967	7.148	10.869	66.33
Southern Partner Env. Performance	41.608	9.324	0	59.451
Non-Southern Partner Env. Performance	58.192	6.611	4.809	76.226
FDI inflows (% GDP)	5.029	8.342	-16.589	173.45
GDP per capita (logged)	7.515	1.357	4.904	10.988
Trade (% GDP)	88.48	49.744	.3088	439.657
Regime Type	1.321	6.39	-10	10
Foreign Aid (% GDP)	6.409	8.895	-2.408	60.609
GDP Per Capita Squared	8.33e+07	3.24e+08	18175.33	3.5e+09
Governing Party Ideology	1.338	.474	1	2
South-South Trade (% Total)	36.188	19.991	.713	96.222
HHI	.355	.103	.184	.824

Table 21: Descriptive statistics for all variables in Chapter Four.

Dependent Variable:	Environmental Performance Indicator (EPI)
Trade Partner Env. Performance	0.0740* (0.0385)
FDI Inflows (% GDP)	0.0184 (0.0373)
GDP Per Capita (log)	0.787* (0.433)
Trade (% GDP)	-0.00665 (0.00533)
Foreign Aid (% GDP)	-0.00528 (0.00805)
Regime Type	-0.136** (0.0696)
GDP Per Capita Squared	3.86e-09 (3.95e-09)
Governing Party Ideology	0.143 (0.465)
Constant	39.51*** (3.385)
Observations	336
Number of Countries	59
Country Fixed Effects	NO

Robust standard errors in parentheses

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

**Table 22: Results showing trade-based diffusion of environmental standards through all trade partnerships.**

**The sample includes only Non-Aligned Movement countries over the time-series of 2000-2010. Independent variables have been lagged one year. Random effects included.**

Dependent Variable:	Environmental Performance Indicator (EPI)
South Partner Env. Performance	0.0572 (0.0366)
Non-South Partner Env. Performance	0.0912** (0.0451)
FDI Inflows (% GDP)	0.00484 (0.0402)
GDP Per Capita (log)	0.630 (0.445)
Trade (% GDP)	-0.00515 (0.00546)
Foreign Aid (% GDP)	-0.00606 (0.00810)
Regime Type	-0.139* (0.0716)
Population	3.94e-09 (3.63e-09)
Governing Party Ideology	0.186 (0.447)
Constant	36.63*** (4.127)
Observations	336
Number of Countries	59
Country Fixed Effects	NO

Robust standard errors in parentheses

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

**Table 23: Results showing environmental policy diffusion through South-South and non-South-South trade.**

**Independent variables have been lagged one year. Sample includes only Non-Aligned Movement countries over a time-series of 2000-2010. Random effects included.**

Dependent Variable:	Environmental performance Indicator	
Non-South Partner Env. Performance (Instrument)	0.454** (0.177)	
South Partner Env. Performance (Instrument)		-0.0254 (0.0850)
FDI Inflows (% GDP)	0.0127 (0.0523)	0.0600 (0.0409)
GDP Per Capita (log)	1.011** (0.509)	1.254* (0.682)
Trade (% GDP)	-0.00383 (0.00688)	-0.0112** (0.00511)
Foreign Aid (% GDP)	-0.00782 (0.0108)	-0.00911 (0.00884)
Regime Type	-0.349*** (0.103)	-0.160** (0.0694)
GDP Per Capita Squared	-3.12e-09 (6.83e-09)	1.62e-09 (5.22e-09)
Governing Party Ideology	-0.113 (0.372)	-0.0760 (0.330)
Constant	16.52 (10.67)	42.05*** (3.034)
Observations	265	265
Number of Countries	49	49

Standard errors in parentheses

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

**Table 24: Two stage least square tests of relationships between *Partner Environmental Performance* variables and *Environmental Performance Indicator*.**

Model 2 includes instrument corresponding to Southern partner' environmental performance (*South-South Partner Env. Performance (Instrument)*). Sample includes only Non-Aligned Movement countries over time-series of 2002-2010. Independent variables have been lagged one year.

DV: Environmental performance Indicator	Model 1 SStrade%total set one SD below mean	Model 2 SStrade%total set at mean	Model 3 SStrade%trade set one SD above mean
Trade (% GDP)	0.000596 (0.00540)	-0.0118** (0.00584)	-0.0241** (0.0105)
South-South trade (% total trade)	0.000591 (0.00704)	0.000591 (0.00704)	0.000591 (0.00704)
Trade*South-South Trade	-0.000619** (0.000300)	-0.000619** (0.000300)	-0.000619** (0.000300)
FDI Inflows	0.0258 (0.0279)	0.0258 (0.0279)	0.0258 (0.0279)
GDP Per Capita (log)	0.761 (0.517)	0.761 (0.517)	0.761 (0.517)
Foreign Aid (% GDP)	-0.00568 (0.00863)	-0.00568 (0.00863)	-0.00568 (0.00863)
Regime Type	-0.156* (0.0876)	-0.156* (0.0876)	-0.156* (0.0876)
GDP Per Capita Squared	3.62e-09 (4.57e-09)	3.62e-09 (4.57e-09)	3.62e-09 (4.57e-09)
Governing Party Ideology	0.158 (0.472)	0.158 (0.472)	0.158 (0.472)
Constant	42.76*** (3.613)	43.83*** (3.698)	44.93*** (3.679)
Observations	337	337	337
Number of Countries	58	58	58

Robust standard errors in parentheses

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

**Table 25: Moderating effects of South-South trade on relationship between trade dependency and Environmental Performance Indicator.**

Model 1 demonstrates that *trade as a percentage of GDP* is significant with a negative coefficient where *South-South trade (% GDP)* is set at a relatively high level (one standard deviation above the mean). The coefficient for *trade as a percentage of GDP* remains significant and negative where *South-South trade* is set at its mean (in Model 2). However, where it is set one standard deviation below its mean (Model 3), the coefficient for *trade as a percentage of GDP* is positive and not significant. Sample includes only Non-Aligned Movement countries over time series of 2000-2010. Independent variables lagged one year. Country fixed effects included.

## APPENDIX D

### CHAPTER FIVE APPENDIX

Variable	Mean	SD	Min	Max
South-South trade (% total)	34.476	17.701	0	98.308
Trade with North/GDP	0.247	0.202	0.0046	4.032
Trade with Brazil (% GDP)	0.3297	3.3449	0	143.226
Trade with India (% GDP)	0.392	3.941	0	153.435
Trade with China (% GDP)	1.178	7.605	0	145.772
Trade (% GDP)	76.236	45.13	0.309	531.737
Herfindahl-Hirschman Index (HHI)	0.371	0.106	0.184	0.92
Bilateral aid from the North (% GDP)	9.474	14.399	-5.5	204.189
Democracy	-0.74	6.695	-10	10
National capability	0.004	0.014	0.000	0.199
Governing party ideology	1.69	0.897	1	3
Regime change	0.109	0.312	0	1
Negative regime transition	0.033	0.178	0	1
Adverse negative regime transition	0.012	0.109	0	1
Post-2003 dummy	0.218	0.413	0	1
Voting similarity to the North	0.689	0.075	0.463	1
Voting similarity to China	0.922	0.048	0.526	1
Voting similarity to India	0.889	0.059	0.458	1
Voting similarity to Brazil	0.924	0.041	0.5	1

**Table 26: Descriptive statistics for all variables in Chapter Five.**

Dependent Variable:	Voting Similarity to North (Human Rights)	Voting Similarity to North (Colonialism)	Voting similarity to North (Middle East)
Trade with North/GDP	0.209*** (0.0627)	0.247** (0.0953)	0.111* (0.0560)
Bilateral aid from the North (% GDP)	0.000671* (0.000351)	-3.11e-05 (0.000308)	-1.85e-05 (0.000163)
Democracy	-0.000801 (0.00120)	0.0121*** (0.00380)	0.0108*** (0.00117)
HHI	0.0545 (0.0741)	0.0266 (0.0590)	-0.00471 (0.0340)
National capability	-1.274* (0.712)	2.890** (1.049)	1.941*** (0.657)
Governing party ideology	-0.0206** (0.00897)	0.0120* (0.00599)	0.0119*** (0.00223)
Regime Change	-0.00188 (0.0141)	-0.0266 (0.0187)	-0.00431 (0.0121)
Negative regime transition	-0.0546* (0.0307)	0.0265 (0.0563)	0.00377 (0.0224)
Adverse negative regime transition	-0.0328 (0.0356)	0.0998*** (0.0286)	0.103* (0.0506)
Post-2003 dummy	-0.151*** (0.0427)	0.0919* (0.0505)	0.00909 (0.0231)
Constant	0.578*** (0.0370)	0.547*** (0.0402)	0.712*** (0.0211)
Observations	1,128	1,120	1,135
Number of Countries	73	73	73
Country FE	YES	YES	YES

Driscoll-Kraay standard errors in parentheses

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

Table 27: Positive and significant relationship between trade dependency on the North (*Trade with North/GDP*) and foreign policy convergence with the North on votes related to human rights, colonialism, the Middle East, and arms control.

Sample includes Non-Aligned Movement countries over a time series of 1980-2008. Country Fixed Effects included.

Dependent Variable:	Voting similarity to the North (All Colonialism)
Trade with North/GDP (Instrument)	1.128** (0.512)
Bilateral aid from the North (% GDP)	-0.000263 (0.000457)
Democracy	0.00785* (0.00407)
HHI	0.341** (0.172)
National capability	2.255** (1.136)
Governing party ideology	0.00158 (0.0223)
Regime change	-0.00408 (0.0212)
Negative regime transition	-0.0138 (0.0766)
Adverse negative regime transition	0.0529 (0.115)
Post-2003 dummy	0.0147 (0.0412)
Constant	0.306*** (0.108)
Observations	712
Number of Countries	59
Country FE	YES

Robust standard errors in parentheses

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

**Table 28: Positive and significant relationship between trade dependency on the North and foreign policy convergence with the North on votes related to colonialism; instrumental variable analysis.**

**Sample includes Non-Aligned Movement countries over a time series of 1980-2008. Country Fixed Effects included.**

Dependent Variable	Voting similarity to China (Colonialism)	Voting similarity to India (Colonialism)	Voting similarity to Brazil (Colonialism)
Bilateral aid from the North (% GDP)	-0.000377** (0.000150)	-0.000175* (0.000105)	-7.94e-05 (9.61e-05)
Democracy	0.000401 (0.00155)	0.000337 (0.00125)	0.000707 (0.00112)
HHI	-0.0949 (0.0822)	-0.0895 (0.0778)	-0.0992 (0.0757)
National capability	-0.286 (0.272)	-0.145 (0.183)	0.165 (0.190)
Governing party ideology	-0.00180 (0.00477)	-0.000375 (0.00365)	0.00245 (0.00300)
Regime Change	-0.0301 (0.0219)	-0.0315 (0.0201)	-0.0296 (0.0215)
Negative regime transition	-0.0235 (0.0320)	0.000850 (0.0262)	0.00796 (0.0275)
Adverse negative regime transition	0.0722** (0.0287)	0.0287 (0.0275)	0.0305 (0.0257)
Post-2003 dummy	0.00981 (0.00780)	0.00529 (0.00735)	0.00215 (0.00805)
Trade with China (% GDP)	0.00156 (0.00296)		
Trade with India (% GDP)		0.00148 (0.00184)	
Trade with Brazil (% GDP)			0.00250** (0.00114)
Constant	1.008*** (0.0339)	1.004*** (0.0326)	1.000*** (0.0312)
Observations	761	947	928
Number of Countries	73	72	72
Country FE	YES	YES	YES

Robust standard errors in parentheses

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

**Table 29: Results showing relationship between trade dependency on China, India and Brazil, and voting similarity to these countries in General Assembly votes related to colonialism.**

Sample includes Non-Aligned Movement countries over a time series of 1980-2008. Independent variables lagged one year; country fixed effects included.

Dependent Variable	Voting similarity to China (Important)	Voting similarity to India (Important)	Voting similarity to Brazil (Important)
Bilateral aid from the North (% GDP)	-0.000886*** (0.000261)	-0.000999*** (0.000234)	-0.000340** (0.000170)
Democracy	-0.00386** (0.00157)	-0.00402 (0.00278)	0.00558*** (0.00142)
HHI	-0.0898 (0.153)	-0.0939 (0.101)	0.00183 (0.0664)
National capability	-0.168 (1.116)	0.667* (0.352)	-1.278*** (0.342)
Governing party ideology	0.00274 (0.0116)	-0.0118 (0.0105)	0.00553 (0.00485)
Regime Change	-0.0109 (0.0218)	-0.00364 (0.0212)	0.0121 (0.0142)
Negative regime transition	-0.135*** (0.0271)	-0.0579 (0.0473)	0.0411 (0.0347)
Adverse negative regime transition	0.105* (0.0567)	0.0738 (0.0569)	-0.00474 (0.0591)
Post-2003 dummy	0.0300 (0.0194)	0.0668*** (0.0135)	0.00505 (0.0124)
Trade with China (% GDP)	0.00401 (0.00247)		
Trade with India (% GDP)		0.00585*** (0.00180)	
Trade with Brazil (% GDP)			0.000182 (0.000770)
Constant	0.832*** (0.0609)	0.842*** (0.0460)	0.838*** (0.0276)
Observations	730	910	891
Number of Countries	73	72	72
Country FE	YES	YES	YES

Robust standard errors in parentheses

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

Table 30: Results showing relationship between trade dependency on China, India and Brazil, and voting similarity to these countries in “important” General Assembly votes.

Sample includes Non-Aligned Movement countries over a time series of 1980-2008. Independent variables lagged one year; country fixed effects included.

Dependent Variable	Voting similarity to China (Economic Development)	Voting similarity to India (Economic Development)	Voting similarity to Brazil (Economic Development)
Bilateral aid from the North (% GDP)	-0.000170 (0.000139)	3.90e-05 (0.000120)	8.05e-05 (0.000130)
Democracy	-0.00117 (0.000842)	-0.00111 (0.000895)	-0.000967 (0.000942)
HHI	-0.0409 (0.0509)	-0.0287 (0.0584)	-0.0700 (0.0534)
National capability	-0.819** (0.352)	-0.291 (0.274)	-0.193 (0.232)
Governing party ideology	-0.00228 (0.00522)	-0.00466 (0.00486)	-0.00350 (0.00471)
Regime Change	0.0164 (0.0113)	0.0209* (0.0123)	-0.00152 (0.0115)
Negative regime transition	-0.0242 (0.0208)	-0.0619*** (0.0177)	-0.0109 (0.0196)
Adverse negative regime transition	0.0281 (0.0354)	0.0297 (0.0268)	0.0266 (0.0424)
Post-2003 dummy	0.0544*** (0.0145)	0.0495*** (0.0121)	0.0449*** (0.0102)
Trade with China (% GDP)	0.00385* (0.00219)		
Trade with India (% GDP)		-8.86e-05 (0.00148)	
Trade with Brazil (% GDP)			0.00287** (0.00128)
Constant	0.974*** (0.0199)	0.973*** (0.0245)	0.995*** (0.0216)
Observations	767	954	935
Number of Countries	73	72	72
Country FE	YES	YES	YES

Robust standard errors in parentheses

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

**Table 31: Results showing relationship between trade dependency on China, India and Brazil, and voting similarity to these countries in General Assembly votes related to economic development.**

Sample includes Non-Aligned Movement countries over a time series of 1980-2008. Independent variables lagged one year; country fixed effects included.

Dependent Variable	Voting similarity to China (Middle East)	Voting similarity to India (Middle East)	Voting similarity to Brazil (Middle East)
Bilateral aid from the North (% GDP)	-0.000491** (0.000203)	-0.000217 (0.000157)	-0.000192 (0.000144)
Democracy	0.000577 (0.00113)	-0.000319 (0.00110)	0.000731 (0.000960)
HHI	0.0120 (0.0751)	0.0151 (0.0529)	0.0170 (0.0506)
National capability	-0.298 (0.275)	-0.180 (0.159)	0.00708 (0.225)
Governing party ideology	-0.00994 (0.00774)	-0.00364 (0.00590)	-0.00103 (0.00510)
Regime Change	-0.0282** (0.0121)	-0.0208* (0.0106)	-0.0200* (0.0109)
Negative regime transition	-0.0316 (0.0389)	-0.0100 (0.0256)	-0.00305 (0.0232)
Adverse negative regime transition	0.0599* (0.0349)	0.0172 (0.0315)	0.0256 (0.0306)
Post-2003 dummy	0.00466 (0.0103)	-0.00512 (0.0103)	0.0116 (0.00813)
Trade with China (% GDP)	0.00262** (0.00116)		
Trade with India (% GDP)		0.00371 (0.0203)	
Trade with Brazil (% GDP)			0.000979 (0.000846)
Constant	0.978*** (0.0221)	0.957*** (0.0203)	0.952*** (0.0183)
Observations	766	953	934
Number of Countries	73	72	72
Country FE	YES	YES	YES

Robust standard errors in parentheses

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

**Table 32: Results showing relationship between trade dependency on China, India and Brazil, and voting similarity to these countries in General Assembly votes related to the Middle East.**

Sample includes Non-Aligned Movement countries over a time series of 1980-2008. Independent variables lagged one year; country fixed effects included.

Dependent variable:	Voting similarity to Brazil (Economic Development)	Voting similarity to China (Economic Development)	Voting similarity to India (All Votes)
Bilateral aid from the North (% GDP)	0.000328* (0.000198)	0.000221 (0.000277)	-0.000342 (0.000328)
HHI	-0.0536 (0.0326)	-0.0668 (0.0415)	-0.0992*** (0.0281)
National capability	0.0974 (0.0808)	0.0739 (0.400)	0.292*** (0.0735)
Governing party ideology	0.00593 (0.00451)	0.00411 (0.00503)	-0.00646 (0.00404)
Regime change	-0.0180 (0.0235)	0.0256 (0.0176)	-0.0326 (0.0399)
Negative regime change	-0.0244 (0.0426)	-0.0545 (0.0486)	0.0568 (0.0475)
Adverse negative regime change	0.0753** (0.0375)	0.0584 (0.0684)	0.0158 (0.0310)
Post-2003 dummy	0.0390*** (0.00570)	0.0424*** (0.00995)	-0.0249*** (0.00553)
Trade with Brazil (Instrument)	0.0243* (0.0136)		
Trade with China (Instrument)		0.00721** (0.00347)	
Trade with India (Instrument)			0.0417* (0.0253)
Constant	0.958*** (0.0135)	0.953*** (0.0186)	0.923*** (0.0122)
Observations	653	559	673

Robust standard errors in parentheses

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

**Table 33: Positive and significant relationships between trade dependency on Brazil, India, and China, and foreign policy convergence with those countries in the General Assembly; instrumental variable analyses.**

**Sample includes Non-Aligned Movement countries over a time series of 1980-2008.**

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