Master's thesis

NTNU
Norwegian University of Science and Technology
Faculty of Social and Educational Sciences
Department of Sociology and Political Science

Lasse Holtar

Political Determinants of Trade:

An Empirical Analysis of Democracy and Chinese Trade, 1992-2019

Master's thesis in Political Science
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Abstract

Critics frequently argue that China undermines democracy by selectively engaging with states that are unsympathetic to Western values and norms. I investigate this claim empirically by assessing whether democracy in trading partners has influenced Chinese trade flows in the post-Cold War period. Specifically, I test changes in two different measures of democracy and a measure of human rights independently, and their potential effects on states' trade dependence on China, respectively. I further subdivide the sample to answer those who argue that China's economic engagement with developing parts of the world is especially worrisome. In short, I find that democracy does not influence Chinese trade flows negatively. Instead, my results indicate an opposite effect, wherein Chinese trade increases as states become more democratic and respective of human rights. These findings proved largely robust to alternative estimations techniques and variables. As such, I argue that at least some of the rampant criticism of China's global economic engagement is unwarranted.

Sammendrag

Kina beskyldes ofte for å undergrave demokratiets rolle i verden ved å selektivt engasjere stater som ikke er forenlige med vestlige verdier og normer. Jeg undersøker denne påstanden empirisk ved å vurdere hvorvidt demokratinivået til Kinas handelspartnere har påvirket kinesiske handelsstrømmer i tiden etter den kalde krigen. Mer spesifikt tester jeg to ulike mål på demokrati og ett mål på menneskerettigheter, og effekten disse har på Kinas bilaterale handelsstrømmer med omverdenen. Videre deler jeg landsutvalget i mindre deler for å svare de som hevder at Kinas tilstedeværelse i underutviklede deler av verden er spesielt kritikkverdig. Funnene fra denne undersøkelsen indikerer at demokrati ikke påvirker kinesiske handelsmønstre negativt. I stedet indikerer resultatene en motsatt effekt, i den forstand at kinesisk handel øker etter hvert som stater blir mer demokratiske og menneskerettighetsrespekterende. Følgende argumenterer jeg for at deler av kritikken som rettes mot Kinas økonomiske tilstedeværelse i verden er urettmessig.

Acknowledgments

I have long had a deep fascination with Chinese culture. However, it was not until I started studying political science – international politics specifically – that I became acutely aware of China's reemergence as a great power. Intrigued by China's recent growth both politically and economically, I decided to combine my interest in China with my academic interest in international affairs. I began with a bachelor thesis on the effects of China's rise on neighbor states' military spending and now continue with the subsequent study of the effects of trading partners' democracy on Chinese trade flows. This would never have been possible without the guidance and encouragement of all the inspiring professors I have had throughout the years.

My deepest gratitude goes out to my two extremely knowledgeable and supportive advisors this past year. First, Indra de Soysa has provided invaluable assistance with everything from data collection to research methodology. Although the pandemic has restricted our ability to meet in person, he has sat with me through innumerous hours of data coding via video chat, and always promptly responded to my countless emails. Second, despite having to navigate a move to the other side of the world in the middle of a pandemic, Paul Midford still found the time to offer his vital insight on theory and relevant literature. Special thanks also go out to friends and family, for the endless support and patience throughout what has undoubtedly been a difficult year for all.

Any remaining inaccuracies and errors are my own.

Trondheim, June 2021

Lasse Holtar

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1.0 Introduction

China's role in the world economy has grown dramatically in the post-Cold War period. A strong determinant of China's growing influence on the international economy has been the rapid growth of Chinese foreign trade. According to Sutter (2012, p. 77), international trade has played a key role in increasing Chinese influence around the world and in enabling China to support its development, finance its military buildup, and to maintain the legitimacy of the Chinese Communist Party (CCP). Thus, in the span of a single generation, a country long absent from international economic rankings has developed into the world's second largest economy (Allison, 2017, p. 6). In fact, China has surpassed the United States as an exporter and is rapidly catching up in terms of total trade (Ross, 2019, p. 303). As this trend develops, Chinese trading partners might rely more on China than on the United States, both as a market for exports and as a source of imports. Critics frequently argue that this poses a strategic challenge for the U.S. and the West. Allegedly, the rise of a nondemocratic, Asian rival to the U.S.-led Western order potentially undermines the growth of democracy throughout the world (de Soysa & Midford, 2012, p. 843).

This has led to a wave of scholarly debate and journalistic speculation about the future of the liberal world order. If the great wheel of power is indeed turning, they ask, what kind of global political order will emerge in the aftermath (Ikenberry, 2011, p. 56)? However, for all the attention given to its rise, we know surprisingly little about how China interacts with other countries. Some critics fear that China will use its newfound economic success to make the world safer and better for like-minded states. In this view, newly powerful states such as China have begun to advance their own ideas and agendas for global order (Ikenberry, 2011, p. 65). Others, however, view great powers such as China in purely balance-of-power terms, wherein the only thing that Beijing aims to advance is its own power and survival (Mearsheimer, 2014, p. 370). In this regard, demands of state survival in the international system means that domestic political systems are irrelevant to how great powers act in international politics. Regardless, the influence China exerts on the world economy through international trade is growing fast. This means that where, when and with whom China trades is an intrinsically important aspect of its rise.

Still, our understanding of authoritarian trade patterns, and the political determinants of Chinese trade flows in particular, is limited. This study hopes to fill this empirical gap by

providing a relevant and warranted addition to the ever-growing literature on China's rise. I quantitatively investigate China's suspected role in the promotion of authoritarianism by testing whether China uses its growing influence to selectively trade with undemocratic states. In other words, does democracy influence Chinese trade flows negatively? Contrary to a vast literature on the grievances of Chinese economic engagement, my research suggests no. That is, rather than systematically trading more with undemocratic regimes, Chinese trade increases as states become more democratic. This suggests that China engages economically with the world in a more pragmatic matter, perhaps as a response to an economic reality in which democratic states represent the biggest sources of income and wealth for a power-hungry Chinese state.

The remainder of this study proceeds as follows: First, I examine China's economic rise, its embrace of world trade, and its unique combination of state control and markets. I also discuss worries about China's rise and its possible effects on the future of democracy. Next, I review the relevant literature, clarifying the contending arguments and evidence about the political determinants of Chinese economic engagement with the world. Following this, I present the theoretical framework underpinning the analysis. From a theoretical point of view, I argue, the puzzle is why an authoritarian state such as China should have a preference for trading with a specific regime type at all. Thus, I make regime type relevant for Chinese foreign trade by focusing on the distinction between ideal-driven foreign policy on the one hand, and a more pragmatic realpolitik on the other. Based on this, I present competing hypotheses about what to expect from Chinese trade patterns. Next, I describe the variables and methods I use, before presenting the empirical tests and their results. I conclude with a short discussion of the results, as well as potential areas for future research into the topic.

2.0 China's rise to economic superpower

Napoleon has been attributed with warning Western nations to "Let China sleep, for when she wakes, she will shake the world" (Mahbubani, 2020, p. 259). With today's China joining the United States as a leading world economic power, few, if any, would argue with Napoleon's alleged predictions. Fifty years ago, the picture was completely different. In 1980, China was considered one of the poorest countries in the world. However, when the cultural revolution ended after Mao Zedong's death in 1976, Deng Xiaoping quickly undertook reforms designed to open China to the world. Pursuing what he defined as "socialism with Chinese characteristics," he liberated the latent energies of the Chinese people and initiated a set of developments which ultimately led to the reemergence of China as a great power (Kissinger, 2015, p. 225). From the onset of the post-Mao economic reforms up until 2015, the country's economy grew an astonishing 10% per year on average (Allison, 2017, p. 7).

According to the Rule of 72, a rule of thumb used to determine when an economy or investment will double, the Chinese economy has doubled every seven years. It should come as no surprise then that China has overtaken Japan as the world's second largest economy, only behind the U.S. The comparison with the U.S. is meaningful because it indicates just how much China's economy has developed. In 1980, China had 7% of U.S. GDP, 8% of U.S. imports and exports, and 16% of U.S. reserves. By 2015, these numbers had jumped to 61% of U.S. GDP, 73% of U.S. imports, 151% of U.S. exports and an astonishing 3140% of U.S. reserves measured in current U.S. dollars (Allison, 2017, p. 6). Although still behind in nominal terms, China is generally regarded as the world's biggest economy in purchasing power parity (PPP) terms. China went from enjoying a mere 4.5% of the world's GDP in PPP terms in 1950 to an impressive 18.6% in 2018. This stands in stark contrast to U.S. development, which has gone from 27.3% of GDP in PPP terms in 1950 to "only" 15% in 2018 (Mahbubani, 2020, p. 10). Even more, China was the largest trading partner for as many 130 countries in the world in 2017 —including all the major Asian economies (Allison, 2017, p. 21).

Driving this unprecedented growth has undoubtedly been international trade and the ever more integrated world economy. As Buckman (2004, p. 3) has noted, there is no escaping the pervasive influence of economic globalization. Whether we like it or not, we are all caught up in it. An open world economy can stimulate trade and investment to fuel economic growth,

raise living standards, and create a wealth base from which the state can extract resources to pursue its geopolitical goals. This is because an open system of trade, money, and finance creates efficiency gains that leave all states better off than if they simply remained national economies. Even so, it can also undermine domestic industry, destabilize domestic politics, and leave the society dependent on an external world it cannot control. Governments must continually manage this trade-off between economic interdependence and political autonomy and choose between the dangers and opportunities of world trade (Grieco, Ikenberry & Mastanduno, 2015, p. 307). As such, politics is at the very heart of international trade. This reality has not been lost on Chinese leaders, and as globalization has expanded over the years, the CCP has unleashed the dynamic forces of trade and investment in order to increase wealth and prosperity.

Hence, within the span of a single generation, China has gone from not even appearing on international economic rankings to becoming one of the world's leading economies (Allison, 2017, pp. 6-7). In the bigger picture, of course, this development represents the historical norm more than anything else. From Year 1 to 1820, the two largest economies in the world were always China and India. Only in the last 200 years has Europe, followed by the U.S., surpassed them. Viewed against the backdrop of 2,000 years of world history, the past 200 years of Western domination have been a major abnormality. Thus, it is perfectly natural to see the return of China bring this shift to an end (Mahbubani, 2020, p. 71). As both Allison (2017, p. 9) and Mahbubani (2020, p. 34) have pointed out, China, as it has since the 2008 worldwide financial crisis, continues to serve as the primary engine of global economic growth.

This is true now more than ever, as China appears to be handling the economic woes of the Covid-19 pandemic better than most. The Washington Post (Shih, 2021), citing the Chinese National Bureau of Statistics, reported that China's economy is growing faster today than what it did before the pandemic. More than a year after the first reports of a mysterious virus in China appeared, the pandemic has wreaked havoc on national economies across the globe. As other major nations and geopolitical competitors — from the U.S. and the E.U., to India and Japan — have struggled relentlessly to beat back wave after wave of outbreaks, China's containment success has seemingly buoyed its economy. Recent data show that China's gross domestic product rose by as much as 6.5% during the fourth quarter of 2020, exceeding the 6% growth from the end of 2019.

With the virus essentially contained by late spring of 2020, and only reemerging in relatively small and controllable outbreaks, Chinese sectors such as construction, heavy industry and, particularly, export manufacturing were jump-starting just as other countries plunged into economic crisis (Shih, 2021). Although signs of economic stagnation have been evident, China's handling of the economic pushback resulting from the pandemic has led some to predict that the country will overtake the U.S. as the world's biggest economy even sooner than previously expected (Cebr, 2020, p 71). Chinese leaders appear to share this optimism, as outlined in the recently released 14th Five Year Plan, which included broader goals for economic and social development over the next five-year period and through 2035. This involved an overreaching ambition of building a fully modernized economic system by 2035, focused on economic, scientific, and technological strength (Xinhuanet, 2021).

2.1 Staking its claims

Whether China eventually rises to No. 1 remains to be seen, of course. The country's success is by no means guaranteed. Nevertheless, it is clear that the U.S. is facing the starkest threat to its economic dominance since the heydays of the Soviet Union. This has challenged the U.S.'s ability to fundamentally shape the world trade order as it sees fit. China's size and importance to the world economy is simply too big to be circumvented, and many states have no realistic option but to comply with its wishes. Subsequently, China's views and support are now sought out in nearly every international forum. Even though China now shapes the course of the World Trade Organization (WTO) together with the U.S., it is growing steadily uneasy about the United States' disproportionate amount of influence in both the International Monetary Fund (IMF) and the World Bank. Unhappy about these inherited international arrangements, Chinese leaders have begun to forge new ones instead. After years of the United States' refusal to accommodate China's request for a larger share of votes in the World Bank, Beijing stunned Washington by establishing its own competitive institution, the Asian Infrastructure Investment Bank (AIIB), in 2013 (Allison, 2017, p. 22).

China also promoted the establishment of the New Development Bank, which may also challenge the World Bank and the IMF. In East Asia specifically, Beijing is a major driver of regional trade arrangements, using its massive continental market as a regional trade hub. In 2004, it concluded the China-ASEAN (Association of Southeast Asian Nations) Free Trade Agreement, which came into full force in 2010. Furthermore, in a rivalry with the U.S.-led

Trans-Pacific Partnership (TPP), China led the negotiations to create the Regional Comprehensive Economic Partnership (RCEP), which significantly expanded China's role as a regional trade hub (Ross, 2019, p. 303). It should therefore come as no surprise that today's China is an economically great power that wields growing influence over the international economic order.

This has led some to argue that China now possesses the necessary capabilities to "stake its claims" in the international economic order. This issue has taken on an even greater significance since China launched its Belt and Road Initiative (BRI) for developing a China-based economic order (Ross, 2019, p. 303). During President Xi Jinping's visit to Kazakhstan and Indonesia in October 2013, he outlined China's ambitious plans for what can only be described as a modern-day version of the ancient Silk Road trade routes. On land, the initiative mainly targets Central Asia and Europe, while the Maritime Silk Road mainly targets Southeast, South and North Asia. Thus, China's rise as a formidable global economic power has enabled it to significantly expand its influence. In 2018, the initiative encompassed as many as 900 projects, more than 80% of which were contracted to Chinese firms (Economy, 2018, p. 63).

The implementation of the BRI will give China greater access to energy and other natural resources, from countries such as Turkmenistan, Kazakhstan, and Russia, as well as enormous markets along the ancient Silk Road route, to power sustained economic growth at home and advance economic interests abroad (Yu, 2017, pp. 353-554). The infrastructure development, trade, and economic initiatives of the BRI strategy will help China forge strong bilateral trade and economic integration. This will again bolster connectivity and, its leaders hope, foster economic prosperity both in China as well as abroad (Yu, 2017, p. 357). But the efforts go far beyond mere infrastructure development and economic connectivity. According to Economy (2018, p. 63), the plan also gives China an opportunity to advance its strategic objectives. In line with this, Beijing has announced that it will establish special arbitration courts for BRI projects, thereby using the plan to promote an alternative legal system underpinned by Chinese rules.

2.2 Capitalism with Chinese characteristics

Closely related to this is the growing appeal of what Halper (2010, p. 121) described as an illiberal market model focused on state-guided capitalism. According to Bremmer (2009, pp. 41-42), the free market tide has receded and been replaced by state capitalism, a system in which the state functions as the principal economic actor and uses global markets primarily for political gain. This has four main actors: national oil corporations, state-owned enterprises, privately owned national champions, and sovereign wealth funds. While these actors are by no means unique to China, the level of political influence over them is. Recognizing the distinction between the benefits and dangers of world trade, China has actively consolidated large levers of economic power and influence on the central authority of the state. One essential feature of this is the existence of close ties binding those who govern China with those who run its enterprises. Although political involvement in the business sector is hardly limited to state capitalists alone, it is a question of magnitude. As Bremmer (2009, p. 43) has pointed out, state capitalism resembles more of a client-patron dynamic, which has brought politics, politicians, and bureaucrats into economic decision-making to an extent not seen since the Cold War.

State capitalist economies differ from freer market economies in two fundamental ways. First, policy makers do not employ state capitalism as a temporary set of reforms meant to quickly rebuild a shattered economy. Instead, they see it as a strategic long-term policy choice. Second, state capitalists see international markets mainly as a tool that serves the states' overall interests, or at least those of ruling elites, rather than as an engine of opportunity for the individual itself. Thus, they use markets to extend their own political and economic leverage, both within their own society as well as on the international stage. This is not the return of socialist central planning in a 21st century package. Rather, it is a form of bureaucratically engineered capitalism particular to each state that exercises it (Bremmer, 2010, p. 250).

This is especially worrisome given that China recently surpassed the U.S. as the country with the largest number of companies on the Fortune 500 list. Chinese firms marginally outpaced those from the U.S. 124 to 121, and are way ahead of third-place Japan, which now only has 53 companies on the list. In fact, China has more firms on the list than France, Germany, and Great Britain combined (Fortune, 2020). According to the Center for Strategic & International Studies (Blanchette, 2021), nearly 75% of these firms are also state-owned-

enterprises. This has enabled China to sustain what the Soviet Union could not — a thriving, semi-capitalist economy governed by an authoritarian one-party state. This dismisses the article of faith which links economic development with subsequent pressures for democratization. Instead, it suggests that authoritarianism and capitalism can coexist in the same country long term (Ambrosio, 2012, p. 384). Hence, critics argue that this model of capitalism, and especially the Chinese version of it, pose various problems for the liberal Western agendas, where powerful companies with significant market shares have become instruments of their government's foreign policy (Halper, 2010, pp. 124-125).

2.3 Responsible stakeholder or not?

This has fueled a fierce debate over China's increased trade relations, as well as whether China is willing and able to use its newfound economic success to act as a responsible stakeholder in the international system. As early as 2005, Robert Zoellick, the former deputy secretary of state and World Bank president, promoted the idea of China emerging as a "responsible stakeholder," stating that it should work to "sustain the international system that has enabled its success" (Zoellick, 2005). Etzioni (2017, p. 68) has argued that the term "stakeholder" is a highly communitarian one, because it holds that while the members of a given community are entitled to various rights, these go hand in hand with assuming responsibilities for the common good. In this regard, the "common good" refers to a set of normative assumptions by which a country is judged. These normative assumptions are formed within the existing world order and the institutions, laws, and norms that constitute it. Although there is no supra national global state of which one can be a loyal and responsible citizen, there is a nontrivial and growing body of established international law, as well as decisions made by international institutions, that nations are expected to heed and will be judged from (Etzioni, 2017, p. 71).

Not surprisingly, these standards are closely linked with liberal and democratic values, and it is within this framework that China's rise is often judged. As China's rise has run parallel with warnings of a "democratic rollback," proponents of an authoritarian resurgence have speculated that countries such as China and Russia contribute to a democratic recession worldwide (Brownlee, 2017, p. 1326). Whereas the premise of democracy's inevitable spread around the world was once considered an established fact (Fukuyama, 1992), the last decade has proved that the future of democracy is far more ambiguous. Huntington (1991) famously

wrote about a third wave of democratization that swept the world in the late 20th century, in which the democratic form of government spread among nation-states in different regions of the world.

In fact, while a Freedom House report found that 116 countries could be characterized as either "free" or "partly free" in 1987, this figure had increased to as many as 150 countries by 2007 (Freedom House, 2008). To thinkers like Francis Fukuyama (1992), this period made it apparent that political freedom, underpinned by economic freedom, marked the final phase in the development of human society: the so-called "end of history", at least in a moral sense. Nevertheless, Huntington (1991, pp. 15-16) also wrote about the subsequent reverse waves of democracy that followed shortly after the two previous waves of democracy. American political sociologist Larry Diamond first warned about such a reverse wave in his work "The Democratic Rollback: The Resurgence of the Predatory State," wherein he argued that the celebrations of democracy's triumph were premature (Diamond, 2008, p. 36). The recent trend in democracy worldwide is proof of this. From 2009 to 2019, the global share of democracies reduced from 54% to 49%, while the share of the world population living in "autocratizing" countries increased from 6% to 34%. This means that for the first time since 2001, democracies are in the minority (Lürhman, A., Maerz, S. F., Grahn, S., Alizada, Gastaldi, L., Hellmeier, S., … Lindberg, S. I., 2020, pp. 6-7).

As a result, a lot of ink has been spilled with regards to the increased worldwide engagement of powerful authoritarian states on the one hand, and the future of democracy on the other. Western politicians, media, and scholars have all been quick to note the dangers of a more dominant China using its newfound economic power to influence politics and policy across the globe. In line with this, nondemocratic powers such as China are increasingly blamed for authoritarian backlashes in formerly democratizing countries, as well as for the persistence of entrenched authoritarian regimes (Bader, Grävingholt & Kästner, 2010, p. 80). Already in 2008, the Economist (2008) accused China of undermining Western efforts to spread democracy and prosperity by coddling dictators across the globe.

3.0 Theory

3.1 Existing literature

Coinciding with this, research on authoritarianism has been growing at a steady pace and has evolved into one of the fastest growing areas in comparative politics and political economy (Croissant & Wurster, 2013, p. 1). However, while a number of studies have made important contributions to the understanding of the nature and internal dynamics of authoritarianism, its foreign policies, political motivations and external implications remain relatively under-studied compared with those of democracies. Although the question of how different types of authoritarian regimes cope and interact with their environment has received increased interest, such investigation has tended to focus on how Western states in particular influence authoritarian regimes. Thus, discussions about the external determinants of regime type display a long-standing bias toward democracy (Bader, 2015a, p. 655).

Nevertheless, the reemergence of authoritarian powers such as China and Russia have prompted serious debate over whether undemocratic great powers engage in the promotion of authoritarianism abroad. According to Obydenkova and Libman (2014, p. 347) the literature has generally argued that authoritarian states tend to support and help each other across different regimes. This is akin to what Hufbauer, Schott, and Elliot (1990, p. 12) labeled as "black-knight" support. Although this literature refers to both Russia and China as the most powerful authoritarian powers, the case of China is much less researched and arguably more controversial. In fact, Bader (2015a, p. 655) has argued that "China is increasingly engaging governments in regions beyond its immediate neighborhood — for example, in Africa and Latin America." In the literature concerning its emerging presence in the world, China is therefore often accused of undermining Western good governance and human rights conditionality and thus perpetuating authoritarian rule across the globe. According to this narrative, China's actions abroad have offered alternatives to the Western-led international institutions, made it easier for authoritarian states to coexist alongside democracies, and undermined liberal values in an effort to spread authoritarianism (Weiss, 2019).

In this regard, China is viewed as an actor that intentionally seeks to nurture specifically strong bonds with other lesser democratic states. This theory was supported by Taylor (2006, p. 958), who argued that "Beijing has adopted a discourse in Africa that effectively legitimizes human rights abuses and undemocratic practices under the guise of state

sovereignty and 'non-interference.'" Adding to this, Halper (2010, p. 99) detailed how Beijing has poured billions of dollars in gifts, low-interests' loans, debt relief, and infrastructure into the hands of rogue African regimes in order to increase its own leverage in the region. This is closely related to the growing "Beijing Consensus" literature started by Joshua Cooper Ramo (2004), who used the term to describe China's unique development approach as distinct from the better known "Washington Consensus".[1]

While the specific content of the Beijing Consensus has been the subject of scholarly debate, Ambrosio (2012, p. 382) has stated that "there is one characteristic that is widely accepted in the literature, even if downplayed by individual scholars: its authoritarian foundation". Not surprisingly, then, the introduction of the Beijing Consensus generated even more concern over the possible promotion of Chinese authoritarianism around the world (Halper, 2010; Ambrosio, 2012). In fact, some scholars have suggested that authoritarian solidarity is an important component in Chinese foreign policy in order to counterbalance democratic forces (Kleine-Ahlbrandt & Small, 2008). Others have supported this contention by arguing that great power authoritarian states such as China could be expected to nurture other well-established authoritarian regimes. In fact, in their study of leadership travel as an empirical indicator of Chinese foreign policy priorities, Kastner and Saunders (2012) found that Chinese leaders systematically spend more time travelling to authoritarian states than to democracies.

Still, Bader (2015b, p. 24) has maintained that no consensus exists on the nature of China's external behavior. While Vanderhill (2013) found that Russia, Iran and Venezuela's actively promote authoritarianism abroad, she omits China from her list of countries specifically seeking out other authoritarian states. Brand, McEwen-Fial and Muno (2015) found support for this by investigating China's alleged special relationship with autocratic states in Latin America. Their analysis indicated that China is not nurturing an "authoritarian nexus" in Latin American, and that regime type does not play a pivotal role for its engagement in the region (Brand et al., 2015, p. 21).

Furthermore, Dreher and Fuchs (2015) found that China does not pay substantially more attention to the internal politics of its aid recipients in the developing world compared to what

[1] See John Williamson (1993) for more on the Washington Consensus.

Western donors do. In fact, they found that Chinese aid is largely unrelated to recipient countries' regime type (Dreher & Fuchs, 2015, p. 1010). In a similar study a couple of years later, Broich (2017) tested whether African authoritarian regimes receive more Chinese development finance than democratic ones. His results indicate that Chinese development finance does not systematically flow to more authoritarian states in the region. Additionally, de Soysa and Midford (2012) found that Chinese arms transfers, particularly in Sub-Saharan Africa, were made in larger quantities to countries that respect the physical integrity rights of people as well as to countries higher on a scale of democracy than weapons transfers made by the U.S.

This raises the question of what patterns we might expect to see from Chinese trade in particular. Unfortunately, our empirical understanding of authoritarian trade patterns is still limited. Using bilateral event data on conflict and cooperation, Pollins (1989, p. 465) argued that importing decisions of economic agents are influenced by the place of origin of traded goods and services. Based on security concerns, risk-averse importers reward political friends and punish adversaries in order to minimize commercial risks related to potential trade disruptions. In line with this, Morrow, Siverson & Tabares (1998, p. 649) have argued that trade flows are greater between states with similar interests than those with dissimilar interests, by showing how close political relations increase trade relations in a dyad. Even so, much of this early literature is based on studies that identified a connection between shared levels of liberalism and increased bilateral trade, and thus represents some of the bias towards democracy studies that was described earlier.

Two seminal works stand out in this regard. In their landmark study "Democratic Trading Partners: The Liberal Connection, 1962-1989," Bliss and Russet (1988, p. 1127) found that democracy is significantly and positively related to trade flow and volume, arguing that "trade between pairs of states with democratic politics is greater than that between states not sharing such a polity type." Mansfield, Milner and Rosendorff (2000) confirmed Bliss and Russett's results by showing how two liberal countries tend to trade more with each other than a mixed-regime pair. Their research suggested that a democracy and an autocracy engage in roughly 15% to 20% less trade than a dyad composed of two democracies. Unfortunately, however, their model does not yield similar determinate predictions about whether trade between authoritarian regime pairs is more likely than between mixed pairs (Mansfield et al., 2000, p. 314). Hence, whether similarly less democratic states also prefer to

trade more with each other over other regime types seemingly remains unanswered by the academic literature.[2]

This paper seeks to fill this empirical gap by concentrating on Chinese trade, and thus constitutes a relevant addition to the already existing literature on the political determinants of trade. This, however, begets the need to make regime type theoretically relevant for foreign policy in general and Chinese trade in particular. The questions, then, are whether and why an authoritarian state such as China should prefer trading with a specific regime type at all. If we start from the assumption that economic interests are inherently relevant for foreign policy, we need to ask what ultimately decides a state's economic foreign policy orientation. China undoubtedly has much to gain from reliable and strong economic ties with countries around the world — but why should a state's specific regime type be an asset or a liability in that regard?

3.2 Idealpolitik or realpolitik?

A common distinction in this regard is the difference between "idealpolitik", driven by a state's own norms, rules, and ideological underpinnings, or "realpolitik", - driven more by strategic and pragmatic concerns. Idealpolitik, or idealism, is in many ways the opposite of realpolitik, wherein pure national interests are often put up against the goals of a more ideal-driven political orientation. Hence the distinction between "real" and "ideal." An authoritarian state that embodies an innovative model arising from a broader ideological family inspires emulation efforts and undertakes promotional and collaborative activities that extend to a global scale. By contrast, a nondemocratic great power that lacks an ideological mission is on the defensive, concentrates on the interest of political survival, and works hard to secure its immediate boundary against pro-democratic initiatives (Weyland, 2017, p. 1238). Accordingly, the way in which authoritarian regimes engage with the world differs depending on their inner motivations. Does the regime embody, pursue, and propagate a novel ideology or mission that crystalizes ideas and values of a broader ideational camp? Or does it lack an ideological project completely and thus pursue self-serving interests for its own preservation and power (Weyland, 2017, p. 1236)?

[2] At least from what I could gather after several months of systematic and well-organized literature searches.

Foreign policy driven by idealism is justified and motivated by the notion that ideas matter in international relations. These are all objectives that cannot be directly traced back to one's own purely power-maximizing motives. As was discussed earlier, these ideals are often more associated with a Western and liberal way of doing things in international relations, in which states are expected to act responsibly in order to ensure the "common good" in world affairs (Etzioni, 2017, p. 71). This does not mean, however, that non-Western states cannot have aspirational ideals and standards that they strive for and try to promote. In fact, under Mao, China actively sought to export its communist way of life to developing countries in Asia, Africa and Latin-America in effort to help fuel the struggle against the liberal world order. Since Mao's death in 1976, however, Beijing has dialed back on its direct and revolutionary foreign policy (de Soysa & Midford, 2012, p. 845).

Even though the old Marxist-Leninist ideas have seen a resurgence in China under Xi Jinping (Brown & Bērziņa-Čerenkova, 2018), it is far from clear whether the communist ideology plays a key role in modern China's foreign policy orientation. Even if it did, there are limits to the ability of ideology to ensure cooperation between authoritarian states (Obydenkova & Libman, 2014, p. 348). First, the extent to which a particular authoritarian regime is committed to a specific ideology at all varies significantly. Second, the ideologies of authoritarian regimes are very diverse, making cooperation between two random pairs of authoritarian states based solely on ideology questionable.

Hence, when debating whether China prefers to trade with similar countries, it makes more sense to consider whether it prefers to trade with similar regime types based on more institutional specifics as opposed to with countries with a similar ideology per se. Indeed, Kagan (2009, p. 60) has stated that autocrats do in fact believe in the merits of autocracy. Moreover, this is not out of purely cynical or self-serving reasons but because of the benefits they believe will flow to society. These might include the preservation of sovereign independence, political stability, social justice, cultural uniqueness, and, as in China's case, economic growth. In fact, by virtue of its own success, a regime can also become morally appealing to other states. The norms, practices, and institutions of a rising power such as China can be seen as more and more desirable and acceptable to a wide array of countries around the world (Gunitsky, 2018, p. 120).

To the extent to which Chinese foreign policy is driven by any such ideas, norms, and practices at all, it is based on its doctrine of "Five Principles of Peaceful Coexistence:" (1) mutual respect for territorial integrity and sovereignty; (2) mutual nonaggression; (3) non-interference in each other's internal affairs; (4) equality and mutual benefit; and (5) peaceful coexistence. These five principles have continued to figure prominently in Chinese foreign policy since the end of the Maoist period, and were reiterated in the late 1990s when China announced a new security concept and its second defense white paper (Gill, 2007, p. 108).

China therefore sees itself as a vocal defender of national sovereignty, which emphasizes noninterference and insists that different states have the right to develop political institutions consistent with their own cultures and historical experiences as they see fit. The question, then, should be whether this normative ideal of a world in which different political orders can exist, ultimately influences Chinese trade patterns. The theoretical literature on the domestic political factors of foreign policy suggests it just might. Starting from the assumption that foreign policy preferences are strongly influenced by domestic policies, it is reasonable to argue that governments are not indifferent with respect to the political regime types of other states (Bader et al., 2010, p. 85).

This is related to the normative aspect of the democratic peace theory and liberal theory more broadly, based on the commonality of norms and importance of particular values of democratic regimes. Herein lies the assumption that normative values triumph interests, and that the democratic great powers "hang together" because of a shared identity built on liberal norms that further peace and security and respect for human rights (de Soysa & Midford, 2012, p. 844). However, the fact that democracies are known to prefer democracies does not automatically make for a logical opposite argument about an authoritarian state's preference for dealing with other authoritarian states (Bader et al., 2010, p. 82). It nevertheless seems compelling to hypothesize the possibility of something akin to an authoritarian peace — that is, a lower likelihood of conflict between certain types of authoritarian regimes and greater cooperation between them. Although such cooperation could be explained by the ideational commonalities and incentives accounted for above, it could also be driven by the shared institutional specifics of certain regime types (Obydenkova & Libman, 2014, p. 348).

In line with this, Bader et. al. (2010, p. 96) have argued that authoritarian regional powers have an interest in being surrounded by other autocratic regimes. According to this logic,

authoritarian states have strong incentives to favor similarly structured states at least in nearby areas, mainly because of feared diffusion or spillover effects of democratization. Beyond its regional surroundings, however, they also gain from dealing with other less-democratic states because they share similar incentive systems. Generally speaking, one would assume that interaction between two or more counterparts is easier if all participants follow the same or similar incentive systems, simply because expectations on the outcome might be similar and anticipation of the other's action might be easier and probably also more precise (Bader et al., 2010, p. 87).

Authoritarian states are less accountable to their own populations and face less pressure to provide public goods. As a result, foreign powers could have an easier time purchasing compliance from authoritarian regimes than from democratic ones, as authoritarian leaders face less accountability to their citizens and enjoy more discretion when it comes to implementing a patron's preferred policies (Bueno de Mesquita & Smith 2007, p. 281; Bader et al., 2010, p. 85). From a great power's point of view this eases market access from the outside. In essence, the argument is that it is simpler to influence a less democratic government's spending decisions, its tax policies, or any other decision that directly or indirectly affects redistribution, than it would be with a democratic government, which is accountable to a broader populace. This fact creates incentives for a more powerful government to profit from an authoritarian state's existence (Bader et al., 2010, pp. 87-88). Thus, I find plausible theoretical reasons why an authoritarian great power such as China would prefer, and even benefit from, trade relations with similarly less democratic states, whether it is because of feared spillover effects of democratization or because they share similar incentive systems.

On the other hand, realists would argue that great powers such as China operate on the international arena irrespective of other states' regime types. They maintain that power still determines how great powers act in international relations, in which the "logic of consequence" trumps the "logic of appropriateness" when the powerful make foreign policy decisions. Krasner (1999, p. 5) has argued that all political and social environments are characterized by these two logics of actions, in which the former sees political action and outcomes, including institutions, as the product of rational calculating behavior designed to maximize a set of unexplained preferences. The latter, on the other hand, understands political action as a product of rules, roles, and identities that stipulate appropriate behavior in

given situations. Accordingly, realist would argue that idealist foreign policy statements are little more than rhetoric that serve great-power interests, while the foreign policy of great powers more often than not stem from strategic interests with the overriding goal of maximizing power and security (Mearsheimer, 2014, p. 25). As Thomas J. Christensen (1996, p. 45) noted, "realpolitik suggests attention to political realities, not legalities."

Accordingly, states frequently place political, military and economic interests above other concerns in their international relations. In fact, Beijing's possible support for system convergence accounted for above may simply reflect such a pragmatic focus on realizing certain foreign policy objectives. Bader et al. (2010, p. 89) have argued that an authoritarian state's preference for a specific kind of domestic regime comes second to their preference for political stability. This is because regime transitions are naturally volatile situations that could potentially cause negative externalities on trading partners. Countries in transition are prone to all kinds of systemic failures with potential fallout far beyond their national borders.

Thus, transition governments are difficult candidates with whom to have international relations. As their domestic basis is often still shaky and the settlement among competing elites is usually not consolidated, the absence of a stable political environment makes for a far less reliable situation than with both stable authoritarian and democratic regimes alike. To sum up, from the point of view of an authoritarian power, stability in a contiguous state is usually preferable, as it reinforces the likelihood of maintaining the status quo in bilateral and regional relations as well as domestically (Bader et al., 2010, pp. 89-90). This preference for stability in partner countries should happen irrespective of a state's regime type, as the recent trend in democracy around the world has shown that both democratic states and authoritarian states are capable of volatile regime transitions.

Nevertheless, many observers describe China's foreign relations as more pragmatically oriented toward engaging those governments that respond positively to Chinese interests, regardless of the character of their regimes. This reflects a pattern of conditioning engagement on matters of direct relevance to Chinese interests and legitimacy, as opposed to regime type specifically (Bader, 2015b, p. 25). Proponents of a more pragmatic realpolitik would argue that the predominant interest of the Chinese leadership is the survival of its regime. According to the logic of "mercantilist realism" this focus on political survival is inextricably linked with the economic performance of the state (Heginbotham & Samuels,

1998, p. 190). This emphasizes the importance of the state as a facilitator of growth, ensuring what Heginbotham and Samuels (1998, p. 171) label "technoeconomic security values."

As a result, the state must act strategically to promote the sociopolitical infrastructure that allows its society to emerge and prosper. Economic development and the benefits of international trade do not happen automatically in this view. This is because the state can enhance national economic power through industry and trade policies designed to create comparative advantages (Heginbotham & Samuels, 1998, p. 190). Given its unique mix of authoritarian leadership and capitalism, often referred to as state capitalism, the Chinese state arguably employs such realist mercantilists ideas in order to extend its own political and economic leverage. Consequently, whether the legitimacy of the regime is still based on revolutionary fervor, or on the inherent political appeal of its political regime, is questionable.

Instead, it can be argued that economic performance — that is, the ability of the regime to ensure that the economy delivers the necessary goods for the nation to develop— is of greater importance. Significantly slower growth would limit the state's ability to provide these goods, which would inevitably lead parts of the population to question the political monopoly of the CCP. The greater the questioning, the more tempted the regime could be to exercise repression, which would lead the population to question regime legitimacy even further. For the CCP, therefore, maintaining economic stability could be considered a political necessity (Grieco et al., 2015, p. 344-345).

Thus, recognizing the need for good economic relations with foreign countries as a means to achieve economic prosperity and regime survival, one could argue that China cannot afford to simply handpick trade partners based on any ideological underpinnings or regime type preferences that it might have. Sutter (2012, p. 20) has argued that China sees itself as generally well served by foreign policies that embrace economic globalization, and the norms associated with it, because it ultimately benefits the survival of the Chinese regime greatly. As Christensen (1996, p. 37) posited, "China may well be the high church of realpolitik in the post-Cold War world." If this view of a more traditional balance-of-power-oriented China is true, realist and neorealists schools in international relations would argue that there is no reason to assume that such an authoritarian power would prefer to trade with a different regime type than what democratic powers would. If a difference in regime type does not

translate into different foreign policies, neither power should have any preference for any regime type at all (Bader et al., 2010, p. 84).

In fact, if no such preference exists and the Chinese state depends on trade with the outside world for its own survival and growth, one might even argue that China could be expected to trade more with democratic states as opposed to undemocratic ones. That is, democracy could influence Chinese trade flows positively instead. This would not necessarily represent a preference for democratic state as such, but rather a response to an economic reality in which the biggest exporters and importers in the world are democratic market economies. This would ultimately provide a greater market for China's trade-oriented economic growth to sustain itself. Thus, I also find plausible theoretical reasons why a more pragmatic and power-maximizing China, irrespective of regime type specifics, would trade more with democracies.

3.3 Hypotheses

As de Soysa and Midford (2012, p. 844) have argued, whether a great power like China undermines democracy by selectively engaging with lesser democratic states should be an empirical question. There are several reasons to assume that if China has a systematic preference for a specific regime type, one can observe this preference at the level of Chinese trade with other countries. First, the sheer magnitude of Chinese trade with the world makes it a vital part of Chinese foreign policy, as its economy depends heavily on trade. Second, China has shown a preference for similar regimes in other foreign policy areas, such as security and energy (Jackson, 2010, p. 112; Swaine, 2011, pp. 219-220; Cooley, 2013). Finally, China's unique combination of state and market means that where, when and with whom it trades should be more of a political issue than it would be in more liberal countries.

Hence, I hypothesize that China's ability to use economic means to pursue its foreign policy goals is contingent on the government's capacity to control economic actors. Completely free markets are unlikely to show much correlation between political relations and trade decisions. In free market economies, states must adopt explicit policies to constrain markets such as imposing legal restrictions on trade to force compliance by private actors. In contrast, where the state maintains more control over firms, politicizing trade can be a quick and informal process. For the reasons outlined above, firms operating under such a system are more likely

to be responsive to government preferences. Looking within China, it is reasonable to expect a stronger correlation between political relations and trade as opposed to in freer market societies. Thus, Chinese trade follows the flag in the sense that economics and politics are inextricably intertwined.

This, of course, emphasizes the question of what the CCPs preference actually is and why a specific regime type would influence Chinese trade at all. The theoretical discussion above sought to answer this by analyzing the differences between more ideology-driven and interest-based motivations behind Chinese trade patterns. This discussion indicated that idealism and proponents of a "system convergence" would expect China to seek out trade relations with states that share both similar ideals, norms and incentive systems. Realism and proponents of a more pragmatic foreign policy, on the other hand, would expect to see a power-maximizing China which acts irrespective of regime type to increase national wealth and prosperity through international trade. In fact, if China's strategy is indeed to maximize its share of the world economy, one might even expect it to trade more with democratic regimes. Thus, I derive the following competing hypotheses about what to expect from Chinese trade patterns:

H_1: China's share of trade is higher among more authoritarian states
H_2: China's share of trade is higher among more democratic states and states that show higher respect for human rights

4.0 Research design

To examine whether Chinese trade flows are influenced by regime type, I quantitatively assess whether a state's democracy level affects its total trade with China. I focus on China because the combination of its own political system, economic size and steep trade trajectory makes it intrinsically important for the study of political economy in general and for the study of the political determinants of trade in particular. First, I test the effect of democracy on Chinese trade globally, before testing that effect in two additional subsamples consisting of underdeveloped states and African states respectively. I restrict the sample as both existing literature and theory suggest that China's preference for undemocratic regimes is greater within these groups. To test the degree to which changes in democracy results in changes in trade volume, I employ time-series cross-section (TSCS) data, a subgroup of panel data, consisting of different trade and democracy indicators.

No specific criteria have been used in the selection process, although countries lacking relevant data for the given time period are excluded. Thus, the sample is a world sample with some missing data.[3] The data are structured according to country and year: The unit of time is yearly aggregates, while the unit of analysis is the country-year for the years 1992–2019. I choose this time period for several reasons. First, I hypothesize that a potential regime-effect will be more observable in recent decades when China's political and economic power has experienced bigger growth levels. Further, to capture the period in which China's economic growth and international trade have been the greatest it is reasonable to allow some time for the economic reforms that followed the post-Maoist era to take effect. That way I can capture the period in which China's economic growth and international trade have been the greatest. Second, I want to exclude the Soviet Union as a nation in order to better assess the effects of democracy on Chinese trade within the unipolar Western-led era wherein democracy appeared to be at its peak after its dissolution. Nevertheless, I cannot assess this alleged relationship without knowing exactly what I am measuring. This requires defining and operationalizing my variables, as well as clarifying how these variables will be measured. With this in mind, I subsequently present the variables that will form the basis of my analyses.

[3] See Appendix A for a list of countries in sample.

4.1 Dependent variable

My dependent variable is a country's level of trade with China over time. I operationalize this by focusing on trade openness with China, meaning a country's level of trade with China as a percentage of the country's gross domestic product (GDP). This is a ratio of trade with China-to-GDP, measured as the sum of both exports to China and imports from China as a share of GDP in percent. Thus, a country's trade openness with China in particular indicates the relative importance of trade with China for a country's economy or, conversely, a country's current level of dependence on China for trade. All trade data are gathered from the International Monetary Fund's Direction of Trade Statistics (2021), in the form of Free on Board (FOB) exports and Cost, Insurance and Freight (CIF) imports measured in millions of U.S. dollars. According to the International Chamber of Commerce's "Incoterms" (n.d.), FOB and CIF are international shipping agreements used in the transportation of goods between a buyer and a seller. In an FOB agreement, the buyer, not the seller, is responsible for costs/liabilities once goods are shipped. In a CIF agreement, on the other hand, the seller is responsible for costs/liabilities until the buyer receives the goods.

IMF offers data on goods and values of exports in FOB U.S. dollars, and data on goods and values of imports in both FOB as well as CIF. However, because only a very small minority of the sample countries offer any import data in FOB, I will employ import data measured in CIF. Moving on, this measure is subsequently divided by a country's GDP constant, given in 2010 constant U.S. dollar terms, before it is multiplied by 100 in order to obtain a measure for total trade with China as a percentage of GDP. GDP data are gathered from the World Bank's World Development Indicators (World Bank, 2021). This is a continuous variable, ranging from low to high on a scale of 0.002 to 231.606. However, because skewed or pointy distributions can create problems for regression analyses, I log-transform the variable in order to pull in outliers and make the distribution more symmetrical (Mehmetoglu & Jacobsen, 2017, p. 329).

4.2 Independent variable

The independent variable that I expect will affect trade volume with China, is a country's democracy level over time. But classifying democracy, and regime types in general, is difficult. Long-standing conceptual and methodological discussions include whether democracy is best understood as a multidimensional, continuous, polychotomous, or

dichotomous concept, as well as discussions about the precise differentiation between democratic and various types of autocratic regimes. Still, the appropriate type of regime measure depends on the nature of the research question at hand (Lürhman, Tannenberg & Lindberg, 2018, p. 2). As I aim to look at the effects of changes in democracy overt time specifically, I agree with Bollen and Jackman (1989, p. 619) that because democracy is conceptually continuous in nature, it is best measured in continuous terms.

In line with this, I employ similar but distinct measures of democracy provided by the Varieties of Democracy (V-Dem) Project, creating different independent variables that will be tested independently of each other. These include continuous measures of liberal and electoral democracy. I focus on this distinction specifically because it is the most common within the democratic regime spectrum (Lührman et al., 2018, p. 4). The two democracy variables represent each end of the spectrum as far as democracies go, whereby electoral democracy represents the most basic criteria of any modern democracy, while liberal democracy represents the most complex form of modern democracy. Additionally, I also include a continuous measure of human rights, given in the form of a physical violence index. As such, I can test changes in Chinese trade across three similar but distinct measures of democratic norms, values and practices. These measures are all gathered from version 10 of the V-Dem Varieties of Democracy dataset (Coppedge, M., Gerring, J., Knutsen, C. H., Lindberg, S. I., Teorell, J., Altman, D., ... Ziblatt, D., 2020).

The variable for liberal democracy asks to what extent the ideal of liberal democracy is achieved. The liberal principle of democracy emphasizes the importance of protecting individual and minority rights against the tyranny of the state and the tyranny of the majority. The liberal model takes a negative view of political power insofar as it judges the quality of democracy by the limits placed on government. This is achieved by constitutionally protected civil liberties, strong rule of law, independent judiciary, and effective checks and balances that, together, limit the exercise of executive power. To make this a measure of liberal democracy, the index also takes into account the level of electoral democracy. Subsequently, the variable is an aggregate of V-Dem's liberal index and electoral (polyarchy) index. The liberal democracy variable is an interval variable, ranging from low to high on a scale of 0-1 (Coppedge, M. et al., 2020, p. 43).

The electoral democracy variable, on the other hand, asks to what extent the ideal of electoral democracy achieved. The electoral principle of democracy seeks to embody the core value of making rulers responsive to citizens, while also achieving a sufficient level of institutional guarantees of democracy such as freedom of association, suffrage, clean elections, an elected executive, and freedom of expression. In the V-Dem conceptual scheme, electoral democracy is understood as an essential element of any other conception of representative democracy — liberal, participatory, deliberative, egalitarian, or some other. Subsequently, electoral democracy serves as a baseline for the measure of democracy within a country. Including this variable allows me to distinguish between a measure of democracy that only minimally fulfills democratic prerequisites, and a measure that is characterized by an additional set of individual and minority rights beyond the electoral sphere. As with the liberal democracy variable, this is an interval variable, measured from low to high on a scale of 0-1 (Coppedge, M. et al., 2020, p. 42).

Lastly, the physical violence variable asks to what extent physical integrity rights are respected. I focus on physical integrity rights because they are considered the most fundamental human rights. This implies freedom from political killings and torture by the government and is related to the right of each human being to have autonomy and self-determination over their own body, where nonconsensual physical intrusion is regarded as a human rights violation. Democracy and human rights are often thought of as a symbiotic relationship, in which democracies naturally follow human rights. Even so, this relationship has proven ambiguous. In fact, a formal democracy may hide many authoritarian features that disobey basic human rights (Evans, 2001, p. 639; Zakaria, 1997, p. 23). As a result, including a measure of basic human rights allows me to see governance in practice that captures whether there is serious social dissent in a country as well as to see how a state reacts to such opposition above some level of institutional democracy (de Soysa & Midford, 2012, p. 847). As with the variables for democracy, this is an interval variable ranging from low to high on a scale of 0-1 (Coppedge, M. et al., 2020, p. 275).

4.3 Control variables

I also control for several other variables. These controls are not complete, but I want to estimate models that are parsimonious and include variables that meaningfully capture important aspects of the relationship between democracy and Chinese trade. As a rule of

thumb, it is useful to condition on controls that affect both the independent variable and the outcome (Imai, 2017, pp. 57-58). First, I control for the trade-to-GDP ratio in general, commonly known as trade openness. This is measured as the sum of a country's exports and imports as a share of that country's GDP in percent. Hence, a country's trade-to-GDP ratio indicates the relative importance of international trade for a country's economy. This is relevant because countries with a bigger share of trade-to-GDP should also be expected to enjoy a bigger share of trade with China, given Beijing's status as the main trading partner for most countries worldwide (Allison, 2017, p. 21). Further, several studies have shown that trade openness effect levels of democracy within states (López-Córdova & Meissner, 2008; Reuveny & Li, 2003; Rigobon & Rodrik, 2005). Thus, I control for the trade-to-GDP ratio in general by using data from the World Bank's World Development Indicators, given in current U.S. dollars (World Bank, 2021). As with the variable for Chinese trade as a percentage of GDP, this variable is log-transformed to reduce the effects of extreme values on the models.

Moreover, I also want to account for common determinants of supply and demand in international trade such as economic size and market size. Thus, I draw on the framework of economic gravity models, wherein factors indicating potential supply and demand are used to predict international bilateral trade flows. A well-established correlation in trade economics is the connection between a country's economy and its openness to trade. That is, economic size is directly related to both the type and the amount of trade a state conducts (Bliss & Russet, 1998, p. 1127). This is also strongly associated with a state's level of democracy in general (Lipset, 1959; Barro, 1999). With that in mind, I control for GDP per capita using data from the World Bank's World Development Indicators given in current U.S. dollars (World Bank, 2021). This is a measure of a country's gross domestic product divided by its population number, which gives an accurate indication of national wealth. This variable is then logged to reduce the effects of extreme values.

To account for potential market size, on the other hand, I control for total population size. As with economic size, population size is often used as a determinant of bilateral trade flows in gravity models. Although the directional effect is less clear, population size is closely related to the size of a national market. Still, countries with a smaller population size are generally more likely to have a larger trade-to-GDP ratio than countries with a higher population size. This means that international trade is of greater importance to the economies of smaller countries (Alesina, Spolaore, Wacziarg, 2000, p. 1286). As a result, we might expect smaller

countries to enjoy more trade with China as a percentage of their GDP as opposed to bigger countries. Furthermore, population size could also influence democracy, as there are strong theoretical arguments for both a positive and a negative link between size and democracy (Anckar, 2008, p. 434). With this in mind, I gather population size data from the World Bank's World Development Indicators and log-transform it in order to account for any extreme values in the sample.

Furthermore, I also include a measure of resource rents as a control. The economic rent of a natural resource equals the value of capital service flows rendered by the natural resources, or their share in the gross operating surplus. Its value is given by the value of extraction. This is then divided by total GDP in order to give a measure of resource rents as a percentage of a country's GDP (World Bank, 2021). I include this because one might expect it to effect where and with whom a resource-hungry China trades (Cáceres & Ear, 2013). As Economy and Levi (2014, p. 189) have noted, China feeds its rapidly rising consumption of natural resources mainly through international trade. In line with this, research on the so-called resource curse implies that resource importers have supported repressive regimes in supplier states diplomatically and economically (Watts, 2005; Azarvan, 2010). Moreover, the resource curse itself denotes a paradoxical situation in which natural resources negatively influence growth and democracy (Ross, 2015, p. 240). Data on resource rents are therefore gathered from the World Bank's World Development Indicators (2021) and log-transformed to reduce the effect of extreme values.

Next, I present an extensive list of all the variables accounted for above and their values, before moving on to the specific method that will be used in order to investigate the relationship between these different variables.[4] Prior to this, however, it should be noted that I employ past values of all the independent variables in my analysis. These are more commonly known as lagged variables. Due to causality issues, it is common to lag independent variables whenever the theory indicates that it takes time for them to influence the dependent variable. The main reason for this is that *x* should come before *y* in time (Mehmetoglu & Jakobsen, 2017, p. 254). A rule of thumb when it comes to lagging is to use

[4] I also include a covariance matrix, representing the bivariate relationships between the variables accounted for above. As made evident by table 5 in Appendix B, none of the independent variables are too highly correlated with each other.

the time unit already present in the data (Mehmetoglu & Jakobsen, 2017, p. 259). Thus, as evident by Table 1 below, I employ a one-year lag to all my independent variables.

Table 1. Descriptive statistics

	Obs	Mean	Std. Dev.	Min	Max
chinese trade/gdp (log)	4396	0.53	1.67	-6.25	5.45
Lagged-variables					
liberal democracy $_{t-1}$	4753	0.40	0.27	0.01	0.89
electoral democracy $_{t-1}$	4771	0.52	0.27	0.02	0.92
physical integrity rights $_{t-1}$	4773	0.66	0.28	0.02	0.98
trade/gdp (log) $_{t-1}$	4282	4.27	0.64	-3.86	6.09
gdp per capita (log) $_{t-1}$	4493	8.35	1.50	5.10	11.63
population (log) $_{t-1}$	4682	15.93	1.68	11.17	21.06
natural resources/gdp (log) $_{t-1}$	4516	1.50	1.17	0	4.47

4.4 Method

As with normal panel data there are several assumptions that must be satisfied when using TSCS-data, especially when the units are observed over a longer time period. Thus, TSCS-data potentially presents us with many interesting complications. Evaluating the variables above and the interplay among them indicates that such complications may in fact be present in the data. As Beck (2008, p. 490) has noted, we can treat these complications as an estimation nuisance or as interesting substantive issues to be modeled. No matter which approach one chooses, analysis of TSCS-data subsequently requires some amount of caution if serious errors are to be avoided. First, it is necessary to take into account the possible effects of autocorrelation and heteroskedasticity in the data. The prevalence of autocorrelation in the residuals breaches the assumption that the observations are independent of each other over time.

This problem is more common when working with repeated measures on the same unit, such as with TSCS-data. One consequence of this is that you run the risk of underestimating the

size of the standard errors, which in turn can affect the interpretation of the significance value and lead to conclusion being drawn about connections that are not necessarily present. Luckily, there are techniques for determining whether the problem exists, as well as ways to solve it. One such technique is to employ the test for serial correlation in linear panel-data models created by Drukker (2003). This implements a test for serial correlation in the errors of linear panel data as described by Wooldridge (2010). The test result indicates that the null hypotheses is strongly rejected, meaning that the model suffers from autocorrelation. Additionally, the occurrence of such autocorrelation often leads to heteroskedasticity, meaning that the model predicts some values of the dependent variable more precisely than others (Mehmetoglu & Jakobsen, 2017, p. 234). This can also be tested statistically, however, through the Breusch-Pagan/Cook-Weisberg test for heteroskedasticity (Breusch & Pagan, 1979; Cook & Weisberg, 1983). Not surprisingly, the test indicates the presence of heteroskedasticity. As a result, my model suffers from both autocorrelation and heteroskedasticity.

With TSCS-data, however, I also need to consider the possible effects of non-stationarity due to the time-series aspect in the data material. This is because I am investigating time series for each unit. Stationary data means that parameters of my data (such as the mean and variance) do not change over time. If non-stationarity is present, however, it can cause problems in my statistical inference. Two unrelated series that both have the same time trend could produce a false significant relationship – that is, misleading results occur due to a spurious relationship (Mehmetoglu & Jakobsen, 2017, pp. 252-253). I test for this by using the Augmented Dickey-Fuller test (Dickey & Fuller, 1979), in which the null hypothesis states that the variable contains a unit root, and the alternative is that the variable was generated by a stationarity process. However, as the test does not allow the use of panel data, I need to look at each country in the sample individually (Mehmetoglu & Jakobsen, 2017, p. 257). The test indicates the presence of a time trend in the data, as one would expect.

As discussed earlier, however, there are few things that can be done to remedy the above-mentioned statistical challenges within the data. Using certain estimation methods to account for both autocorrelation and heteroskedasticity is a sensible place to start. To ensure valid statistical inference when some of the regression model's underlying assumptions are violated, such as is the case here, it is common to rely on robust standard errors (Hoechle, 2007, p. 283). One approach is to obtain heteroskedasticity and autocorrelation consistent

standard errors. Yet although these techniques of estimating the covariance matrix are robust to various violations of the regression model assumption, they do not necessarily consider cross-sectional correlation in the model. This is important because, as Hoechle (2007, p. 282) has argued, assuming that the disturbances of a panel model are cross-sectionally independent is often inappropriate.

The reasons for possible spatial correlation in the disturbances of panel models are manifold. Typically, it arises because social norms, psychological behavior patterns, and herd behavior cannot be quantitatively measured and thus enter panel regressions as unobserved common factors (Hoechle, 2007, p. 310). With respect to geographical and country-level data, Hoechle (2007, p. 282) has also maintained that it would be difficult to convincingly argue why country- or state-level data should be spatially uncorrelated. We could, for example, expect such correlation to be likely studies of open economies in which shocks that affect one nation could also be expected to affect its trading partners. This also holds for other possible spillover effects when studying geographical data.

Because of the nature of my data, such correlation is reasonable to suspect.[5] Accordingly, I employ the estimation method developed by Hoechle (2007), which uses Driscoll and Kraay's (1998) covariance matrix estimator. This method assumes that the error structure is heteroskedastic and autocorrelated up to some lag, but also possibly correlated between the groups (panels). Driscoll-Kraay standard errors are robust to very general forms of such cross-sectional (spatial) and temporal dependence when the time dimension becomes large. This non-parametric technique of estimating standard errors does not place any restrictions on the limiting behavior of the number of panels *N*. Consequently, the size of the cross-sectional dimension in finite samples does not constitute a constraint on feasibility – even if the number of panels is much larger than *T* (Hoechle, 2007, p. 286). As my data consists of a large *N* relative to *T*, the use of Driscoll-Kraay standard errors to control for potential spatial correlation is optimal. Furthermore, in contrast to Driscoll and Kraay's (1998) original covariance matrix estimator, which is for use with balanced panels only, the method developed by Hoechle (2007, p. 310) works for both balanced and unbalanced panels such as mine.

[5] Testing for cross-sectional dependence proves futile as the data is too unbalanced (De Hoyos & Sarafidis, 2006). That said, it is still reasonable to suspect cross-sectional dependence to be present in the data.

Nevertheless, while this estimation technique deals with the issues of autocorrelation, heteroskedasticity, and general cross-sectional dependence, it does not, deal with the third issue often encountered in TSCS-data. While testing for the presence of non-stationarity earlier, it became apparent that there might be time trends in the data. There are several problems with this, however. First, a drawback of the Dickey-Fuller test (and others) used to determine such non-stationarity is that it has low statistical power. That is, it has very low power to distinguish between a unit root and a near-unit root process. As a result, there is a real probability of not rejecting the null hypothesis when the null hypothesis is false. This will lead the researcher to conclude that there is a unit root present more often than they should (Enders, 2010, p. 257). Second, while it is recommended that a lagged dependent variable (LDV) be included as a control to account for possible non-stationarity (Mehmetoglu & Jakobsen, 2017, p. 258), this could also prove problematic. Achen (2000) argues that lagged dependent variables can suppress the explanatory power of the other independent variables in the model. Subsequently, LDVs naturally soak up so much of the variance in the model that nothing else seems to matter.[6]

Moreover, I run fixed-effects regression with the robust Driscoll-Kraay standard errors described earlier. TSCS-data assumes that the units are heterogeneous. The simplest way to allow for such unit heterogeneity, according to Beck (2008, p. 483), is to allow the intercepts to vary by unit, the so-called "fixed-effects" model. This is equivalent to unit centering all observations, so that the only question of any concern is whether temporal variation in *x* is associated with temporal variation in *y*. As such, all cross-sectional effects are eliminated by the unit centering. The biggest benefit of fixed effects is that you can control for all unmeasured time invariant variables, as well as get consistent coefficients that change over time. At the same time, however, it also makes it impossible to estimate the impacts of any variables that do not vary over time, as well as makes it difficult to estimate the effects of variables that rarely change as well.

Even so, if fixed effects are needed in the model, failure to include them can lead to omitted variable bias if the fixed effects both explain *y* and at the same time are correlated with *x* (Beck, 2008, p. 483). A common way to determine whether to use a fixed effects model or

[6] Thus, my main model will not include a lagged dependent variable to account for possible non-stationarity. Even so, I will still include it in robustness tests.

not is to employ the Hausman (1978) test. This test checks a more consistent model (fixed effects) against a more efficient model (random effects) in order to ensure that the more efficient model also produces consistent results (Mehmetoglu & Jakobsen, 2017, p. 240). Because the test suggests the use of a fixed effects model, I subsequently employ Driscoll-Kraay robust standard errors with a two-way fixed effects (within) model that includes time-dummies to account for unobserved effects that vary over time.

5.0 Results

Table 2 reports the results of fixed-effect regression analyses, estimating the effects of democracy on the level of trade with China as a percentage of GDP in a global sample. In other words: How does democracy influence a country's trade with China, controlling for other factors? As mentioned earlier, I develop three separate models for liberal democracy, electoral democracy and basic human rights infringements respectively, all of which control for total trade as a percentage of GDP, GDP per capita, population size, and natural resources as a percentage of GDP. Thus, column 1 represents the model for liberal democracy, column 2 represents the model for electoral democracy, and column 3 represents the model for respect for physical integrity rights. All three models are ran using the Driscoll-Kraay robust standard errors developed by Hoechle (2007), which is robust to autocorrelation, heteroskedasticity, and potential cross-sectional dependence between units.

The results are reported on a scale where numbers above 0 are positive and numbers below are negative. However, as the dependent variable has been log-transformed, whereas the democracy-variables are not, the interpretation of the results is different. In this case, the coefficient reports a percentage change in *y* associated with a one-unit increase in *x.* That said, a direct interpretation of the coefficients' absolute value is not meaningful because of the nature of my data. I therefore use the standardized coefficient values to interpret the effect of democracy instead. The standardized coefficients are understood as the standard deviation change in the dependent variable when the independent variable is changed by one standard deviation, holding all other variables constant (Mehmetoglu & Jakobsen, 2017, p. 74). What this does is turn the interpretation of effects from the original metric into standard quantity that is observed in the dataset. The advantage of this is that a one standard deviation change is known to be a substantial change relative to the range of the independent variable. Furthermore, because I am running fixed effects models, I use the within standard deviation when calculating the standardized coefficients.

Although objections to the use of standardized coefficients have been raised, this has mainly been a problem when such coefficients are used to compare the relative effects of variables that vary in specific ways.[7] In general, however, these coefficients can also be used as a broad measure of effect size, quantifying the magnitude of the effect of the independent variable on

[7] See King (1986) for more on this.

the dependent variable. Mehmetoglu & Jakobsen (2017, pp. 74-75) have argued that the closer the standardized coefficient is to ±1, the stronger the relationship between the independent and dependent variable is. They consider less than or equal to 0.09 to be a small effect, between 0.1 and 0.2 to be a moderate effect, and greater than or equal to 0.2 to be a large effect.

Table 2. Fixed-effects regression with Driscoll-Kraay standard errors measuring the effect of democracy on Chinese trade dependence

Dependent variable = chinese trade/gdp (log)	(1)	(2)	(3)
liberal democracy $_{t-1}$	0.17**		
	(0.08)		
electoral democracy $_{t-1}$		0.18*	
		(0.09)	
physical integrity rights $_{t-1}$			0.38***
			(0.07)
total trade/gdp (log) $_{t-1}$	0.11**	0.11**	0.10**
	(0.05)	(0.05)	(0.05)
gdp per capita (log) $_{t-1}$	0.28***	0.28***	0.26***
	(0.09)	(0.09)	(0.09)
population size (log) $_{t-1}$	0.42***	0.37***	0.36***
	(0.10)	(0.09)	(0.09)
natural resources/gdp (log) $_{t-1}$	0.17***	0.18***	0.17***
	(0.04)	(0.04)	(0.04)
Constant	-8.15***	0.00	0.00
	(1.80)	(0.00)	(0.00)
Observations	3,972	3,982	3,984
Number of groups	164	164	164

Driscoll-Kraay standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1
Year dummies not shown

At first sight, the signs of the three coefficients indicate a positive association between each of the measures of democracy and Chinese trade as a percentage of GDP. We further observe that all the associations are statistically significant, that is, different from 0, at various significance levels because their respective p-values are all below the 0.01, or 1%, mark. *Liberal democracy* and *physical integrity rights* are significant at the 5% level, although *electoral democracy* is very close with a p-value of 0.057. Thus, we can briefly state that

liberal democracy, *electoral democracy* and *physical integrity rights* positively predict higher dependence on trade with China, ceteris paribus. Nevertheless, directly interpreting the size of these effects solely based on their unstandardized coefficients is not intuitive. Thus, for gauging the substantive effect of these significant results, I examine the magnitudes of the standardized coefficients described earlier in order to meaningfully identify and compare the importance of these three different variables on Chinese trade dependence.

As such, holding all other variables at their mean values, a standard deviation (within) increase in *liberal democracy* yields a 0.009, or 0.9%, increase in the standard deviation of trade share with China. With regard to *electoral democracy*, on the other hand, a unit increase in the standard deviation produces an increase in the standard deviation of *chinese trade/GDP* of 0.011, or 1.1%. Finally, an increase in the standard deviation of *physical integrity rights* leads to a 0.027, or 2.7%, increase in the standard deviation of the dependent variable. Given that all three variables are reported on the same interval scale, we can easily compare their magnitudes. We observe an increase in the effect of the standardized coefficient from model 1 to model 3, meaning that the effect of democracy becomes greater as the measure of democracy becomes smaller, so to speak. In sum, however, the effects on the standard deviation of *chinese trade/gdp* are all below the 0.09 mark, indicating that each of the independent variables have a rather weak, albeit still positive, effect on Chinese trade dependence. Notice also that all the control variables implemented are positively associated with increases in Chinese trade, as well as statistically significant at various points below the 5% mark.

The results from Table 2 clearly do not support those who advocate that China actively seeks out, and engages with, lesser democratic states. Instead, the results above point in the opposite direction, wherein states' trade dependence on China seems to *increase* with greater democracy incidence. In other words, because China could hardly be expected to seek out democratic states across the world out of ideational motivations and purposes, Beijing seemingly follows the money when seeking out trade partners. As was discussed earlier democracies are richer and therefore represent bigger potential markets, suggesting that following the money should lead China to trade more with democratic countries. This indicates that although Chinese trade policy could be motivated more by strategic objectives than normative ones, Chinese trade does not destabilize democracy by seeking out "bad" regimes across the world. In fact, quickly running democracy as a dependent variable and

Chinese trade as an independent variable indicates that Chinese trade dependence does not negatively predict changes in states' level of democracy, thereby yielding broadly similar conclusions about the allegedly bad relationship between Chinese trade and democracy.[8]

Even so, the above-mentioned results are construed using a global sample that includes myriad states differing in everything from region, size, political regime, and economic capabilities. Thus, I also run similar fixed-effect regressions using Driscoll-Kraay robust standard errors but exclude developed Western (including Japan) states from the model.[9] Of course, smaller samples will have lower variance than bigger samples. However, I still want to control for the possible effect these developed countries might have on the model as economic theory would suggest that developed countries both trade more and are more democratic than underdeveloped ones.[10] Hence, it would be reasonable to expect that these countries will drive up the effect of changes in democracy on Chinese trade to a certain extent. Additionally, trade relations between China and developed countries are naturally more symmetric, as opposed to the asymmetric trade relations one could expect to see between China and underdeveloped countries.[11] Thus, China's willingness to accommodate trade after regime type is arguably greater in underdeveloped countries. Table 3 elaborates on this assumption.

[8] See Table 6 in Appendix B.
[9] This is based upon Milanovic's (2006) "WENAO" categorization of major industrialized states in Western Europe, North America, and Oceania. These include Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, the U.K., and the U.S. I also include Iceland, Japan and Luxembourg on the list.
[10] See Przeworski and Limongi (1997) and Bliss and Russet (1998) for more information on this.
[11] See Hirschman (1980) and Abdelal and Kirshner (1999) for a discussion on asymmetric trade relations.

Table 3. Fixed-effects regression with Driscoll-Kraay standard errors measuring the effect of democracy on Chinese trade dependence in underdeveloped states

Dependent variable = chinese trade/gdp (log)	(1)	(2)	(3)
liberal democracy $_{t-1}$	0.11		
	(0.08)		
electoral democracy $_{t-1}$		0.13	
		(0.09)	
physical integrity rights $_{t-1}$			0.32***
			(0.07)
total trade/gdp (log) $_{t-1}$	0.14***	0.14***	0.13***
	(0.04)	(0.05)	(0.05)
gdp per capita (log) $_{t-1}$	0.03	0.03	0.01
	(0.09)	(0.09)	(0.09)
population size (log) $_{t-1}$	0.01	-0.03	-0.04
	(0.11)	(0.11)	(0.10)
natural resources/gdp (log) $_{t-1}$	0.15***	0.15***	0.15***
	(0.04)	(0.04)	(0.04)
Constant	-2.51	-1.86	1.60
	(1.97)	(1.91)	(1.94)
Observations	3,365	3,375	3,377
Number of groups	141	141	141

Driscoll-Kraay standard errors in parentheses

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

Year dummies not shown

Not surprisingly, the positive associations have reduced quite a bit from the previous models. Nevertheless, the unstandardized coefficients indicating the relationship between democracy and Chinese trade are still positive. That said, only the measure of respect for physical integrity rights in model 3 is statistically significant, with a p-value below the 0.01 mark. Thus, despite the positive effects described earlier, only respect for physical integrity rights predicts changes in trade dependence on China within underdeveloped states. By standardizing its coefficient, a one-unit increase in the standard deviation of *physical integrity rights* is associated with a 0.024, or 0.24% increase in the standard deviation of Chinese trade as a percentage of GDP. As was the case in the global sample this constitutes a weak, albeit still positive, effect. These results confirm that Chinese trade shares are not higher among human rights violators. Rather, the opposite seems to hold. Furthermore, looking at the

control variables specifically, we also notice that only *total trade/gdp* and *natural resources/gdp* positively predict changes in trade dependence on China

Evidently, excluding democratic advanced economies from the list does little to change the positive association accounted for in the initial models. Nevertheless, because the effects are no longer significant, excluding developed states means that liberal democracy and electoral democracy no longer predict changes in Chinese trade, as was the case in the global sample. Although neither of the two democracy coefficients are significant below 10%, the models presented above are still valuable insofar that they give an indication of the impact the inclusion of developed democratic states have. More importantly, they also provide further evidence of the highly significant correlation between basic human rights, measured as respect for physical integrity rights, and trade dependence on China.

Lastly, I also examine the effect of democracy on Chinese trade patterns within Africa specifically. This cuts the sample size even further, which obviously effect the variance of the models. However, as the earlier literature review showed, Chinese economic engagement in Africa has been under a lot of scrutiny. Critics frequently posit that China coddles with African dictators and supports undemocratic practices in the region.[12] Furthermore, because the region is also filled with underdeveloped states, the arguments relating to the models excluding developed countries from the sample also hold here. Thus, checking for the effect of democracy on Chinese trade volume within Africa alone makes sense. Perhaps China responds differently and less positively to increases in democracy within Africa? Table 4 presents the results from the models using an Africa-only sample.

[12] See the earlier literature review on Sino-African relations for more on this.

Table 4. Fixed-effects regression with Driscoll-Kraay standard errors measuring the effect of democracy on Chinese trade dependence in African states

Dependent variable = chinese trade/gdp (log)	(1)	(2)	(3)
liberal democracy $_{t-1}$	-0.03		
	(0.25)		
electoral democracy $_{t-1}$		0.10	
		(0.22)	
physical integrity rights $_{t-1}$			0.08
			(0.19)
total trade/gdp (log) $_{t-1}$	0.50***	0.50***	0.49***
	(0.11)	(0.11)	(0.12)
gdp per capita (log) $_{t-1}$	-0.11	-0.12	-0.15
	(0.18)	(0.18)	(0.17)
population size (log) $_{t-1}$	1.02**	1.05**	1.04**
	(0.49)	(0.47)	(0.48)
natural resources/gdp (log) $_{t-1}$	-0.01	-0.01	-0.00
	(0.08)	(0.07)	(0.08)
Constant	0.00	0.00	0.00
	(0.00)	(0.00)	(0.00)
Observations	962	962	964
Number of groups	41	41	41

Driscoll-Kraay standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1
Year dummies not shown

Noticeably, the positive association across all three model has disappeared. The culprit, so to speak, is the relationship between *liberal democracy* and *chinese trade/gdp* within African states taken as a whole. Even so, the positive association between democracy and Chinese trade accounted for earlier is still evident in the remaining two columns when looking at the effects of *electoral democracy* and *physical integrity rights*. Nevertheless, none of the measures are statistically significant at any relevant level. This means that while these findings are interesting, particularly the negative association between liberal democracy and chinese trade/gdp, neither of the main independent variables predicts changes in trade dependence on China. Thus, I will not elaborate on the magnitude of the effects or the strength of the relationships. In fact, the only meaningful effects on Chinese trade flows within the African sample stem from *total trade/gdp* and *population size*, as they are both significant below the 5% level.

The results taken together suggest that there is no systematic dependence of illiberal regimes on Chinese trade. This indicates that democracy does not influence Chinese trade flows negatively. Instead, the results indicate a Chinese inclination toward trading more with countries sympathetic to democratic values and practices, at least for a global sample. This is interesting given the rather grim coverage of Chinese economic engagement accounted for earlier. Nevertheless, I still want to study the robustness of these results. Robustness tests analyze model uncertainty by comparing a baseline model with plausible alternative model specifications. As such, robustness tests can increase the validity of my earlier inferences about the relationship between democracy and states' trade dependence on China. I therefore run a series of robustness checks and discuss possible extensions of the earlier models in the next section.

5.1 Robustness tests and extensions

First, I run the same regression analysis but with a different estimation technique. Here, I use the robust standard errors developed by Newey and West (1987) instead, which accounts for heteroskedasticity and autocorrelation. Table 7 in Appendix B shows the result of the regression analysis run with Newey-West standard errors, using a global sample. Not surprisingly, all three measures of democracy and human rights are still positively associated with *chinese trade/gdp*, although only *physical integrity rights* is statistically significant. I also run Newey-West standard errors with the smaller samples described earlier, yielding more or less the same results as before (not shown).

Next, I run a number of robustness checks for my main model using the initial fixed-effects regression analysis with Driscoll-Kraay standard errors. First, I include several other control variables to the model, such as the occurrence of civil war, peace years and political corruption.[13] If China has a specific preference for "bad" regimes that suppress democratic principles and basic human rights, one might also expect it to seek out states that are more prone to turmoil and bad governance as well. Although all the main independent variables are

[13] The first two variables are gathered from the Uppsala Conflict Data Program (2021), while the last variable is gathered from the V-dem v10 dataset (Coppedge, M. et al., 2020). The civil war variable is a dummy variable coded 1 if there have been 25 deaths in a single year between a rebel group and the government. The peace years-variable counts the number of years since the country was involved in a war or conflict. Lastly, the political corruption variable measures the pervasiveness of corruption within a country, running from less corrupt to more corrupt.

positively associated with *chinese trade/gdp*, only *physical integrity rights* predict changes in trade dependence on China. This is made evident by Table 8 in Appendix B.

I also include a fixed-effects model with a lagged dependent variable (LDV), which has the added benefit of reducing autocorrelation as well as potential non-stationarity. Table 9 in Appendix B presents the results from the model with earlier values of Chinese trade as a percentage of GDP included as a control. As with the other lagged variables in my initial baseline models, I employ a one-year lag of the variable's earlier values. Again, while the two measures of democracy are also positively associated with *chinese trade/gdp*, only *physical integrity rights* significantly predict changes in states' trade dependence on China.

Furthermore, I run a model excluding total trade as a percentage of GDP. Controlling for *total trade/gdp* in a model predicting changes in *chinese trade/gdp* is arguably a strict measure to implement. Thus, removing general trade dependence as a control should ease some of the constraints laid on the effects of democracy on Chinese trade dependence. Table 10 in Appendix B elaborates on this assumption. As opposed to the robustness tests and extensions accounted for above, all three measures of democracy and human rights are statistically significant at the 1% level and thus positively predict changes in states' trade dependence on China.

Lastly, I estimate a model with random effects as opposed to fixed effects to account for both variations within units and between units. As such, by running random effects instead I can test the robustness of my findings by including both omitted variables that are constant over time but vary between units, as well as others that are fixed between units but vary over time (Mehmetoglu & Jakobsen, 2017, p. 237). As evident by Table 11 in Appendix B, *liberal democracy* and *electoral democracy* are still positively associated with *chinese trade/gdp*, yet *physical integrity rights* is the only statistically significant effect. Taken together, my basic results seem robust to alternative testing procedures in many ways, including alternative estimations, models, and variables. This is evident by the fact that the basic results remained broadly the same, especially the effect of *physical integrity rights* on *chinese trade/gdp.*

6.0 Conclusions

Democracies are more vulnerable to authoritarianism than at any other point in the post–Cold War era. Thanks to globalization, authoritarian and democratic states have become tethered to each other in complicated ways that could harm the future of democracy. Thus, China's rise has led to much speculation about how an authoritarian rising-hegemon that radiates non-Western values has affected democracy. I sought to answer this by quantitively examining. China's possible role in authoritarian promotion through its burgeoning trade relations around the world. This was done by investigating changes in two different measures of democracy and a measure of human rights independently, and their potential effects on states' trade dependence on China respectively. I asked whether China undermines democracy through its trade relations by selectively engaging with states that are unsympathetic to Western values and norms. In other words, does democracy influence Chinese trade patterns negatively?

I argued that Beijing's ability to politicize international trade makes it an instrument of Chinese foreign policy, as well as an avenue where a potential preference for undemocratic regimes would be observable. Such a preference, I reasoned, would be in line with a broader theoretical framework based on idealpolitik and system convergence, maintaining that an authoritarian state such as China could be expected to seek out trade relations with states that share both similar ideals, norms and incentive systems. However, as the empirical analysis showed, trade dependence on China increased as states became more democratic and respecting of human rights. Taken as a whole, the correlations were stronger as the measure of democracy became narrower, so to speak. As such, the measure of human rights – specifically respect for physical integrity rights – is more strongly correlated with an increase in trade dependence on China than what the two democracy measures are. This proved true when I excluded developed states from my models as well, although neither the measures of democracy nor the measure of human rights predicted any changes in total trade with China within Africa. Furthermore, my initial results proved largely robust when tested using alternative models, estimation techniques, and variables.

It should be noted, however, that these results reflect the effects of specific measures of democracy and human rights. As was discussed earlier, measuring democracy, and political regimes in general, is a difficult process in which no consensus seems to exist. This means that whether different operationalizations of democracy, or even a different measure of democracy altogether, would have yielded similar results is unclear. As such, my results do

not bear on other conceptions of democracy —participatory, egalitarian, majoritarian, deliberative, etc. — or different conceptions of the types of democracy used. Nonetheless, comparing two different measures on opposite ends of the spectrum as far as democracies go, as well as a human rights measure that serves as a baseline for any measure of democracy, allows me to test changes in Chinese trade across three similar but distinct measures of democratic norms, values, and practices. Furthermore, my analysis indicates that total trade dependence, GDP per capita, population size and natural resources are strong determinants of Chinese trade with the world. For the smaller subsamples, however, only total trade dependence and natural resources significantly predicted increases in Chinese trade flows for underdeveloped states, whereas only total trade dependence and population size significantly predicted increase in Chinese trade for African states. While these controls were not complete by any means, I ran fixed effects to account for the effects of any possible unmeasured factors that change over time as well.

I do not claim on the basis of the empirical results presented above that China seeks to promote democracy or human rights by any means. Given China's own political system and staunch opposition to Western values, this would be hard to contend. Instead, it is arguably a response to an economic and political reality in which the biggest traders in the world are democratic market economies. As such, China's need for increased economic growth and prosperity as a means to ensure regime survival and increase its power vis-à-vis other states may naturally lead Beijing to trade more with more democratic states. In other words, pragmatic national interests, not idealism, seems to determine with whom China elects to trade. This, in turn, evidently means that China does not bolsters authoritarian regimes by systematically supporting them economically through increased levels of trade.

Thus, my findings lend empirical support to the already broad theoretical framework based on realism and how states engage with each other in an anarchic world. For realists, the fact that China appears to trade more with democracies should come as no shock. Faced with the choice between conditioning foreign policy on norms, rules, and ideological underpinning on the one hand, or strategic and pragmatic concerns for national interests on the other, realists' contend that great powers such as China always prefer the latter (Mearsheimer, 2014, pp. 2-3). As such, by trading more with democracies based on self-serving economic objectives for increased wealth and power, China behaves as a typical great power in an anarchic world system.

In other words, China's trade relations are at best amplifying existing trends rather than systematically creating a world in which authoritarian states can flourish and thrive – at least with regards to the bilateral economic interactions that this study investigates. Of course, China might very well have a foreign policy preference for undemocratic regimes in other ways that support and bolster their existence. For example, to the extent that China prevents the UN from intervening in authoritarian states it might greatly enhance their prospects for survival (Bader, 2015b, p. 51). As discussed previously, China has also shown a general preference for undemocratic regimes in areas such as security and energy (Jackson, 2010, p. 112; Swaine, 2011, pp. 219-220; Cooley, 2013). While this warrants criticism, this study nevertheless indicates that at least some of the rampant criticism of China's economic engagement is unjustified. This, in turn, constitutes an important addition to our somewhat limited understanding of authoritarian trade patterns in general, as well as to the research on the determinants of Chinese trade in particular.

As China's status and role as a major economic power continues to evolve, future research should build on the findings in this study to further expand our understanding of how authoritarian states interact economically with the world. Using different measures and operationalizations of democracy than those used here would be a great starting point. Furthermore, future research could build on the work of Mansfield et al., (2000) by investigating whether two authoritarian states in general will tend to trade more with each other than a mixed-regime pair. Regarding China specifically, however, future research might also investigate the effect of increased Chinese trade flows on the internal affairs of the partner state itself. Although this study focused on whether democracy influences Chinese trade flows specifically, this was briefly touched upon earlier. In fact, Flores-Macías and Kreps (2013) found that the more states trade with China, the more likely they are to converge with it on issues of foreign policy. As such, further investigating whether states are likelier to converge with China on domestic politics as a result of increased trade would be warranted. A vast theoretical literature on asymmetric trade relations and great power's ability to shape trading partners internally (Hirschman, 1980; Abdelal & Kirshner, 1999) make this an interesting avenue for future research on China's rise.

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Appendix A

List of countries –

Albania, Algeria, Angola, Argentina, Armenia, Australia, Austria, Azerbaijan, Bahrain, Bangladesh, Barbados, Belarus, Belgium, Benin, Bhutan, Bolivia, Bosnia and Herzegovina, Botswana, Brazil, Bulgaria, Burkina Faso, Burma/Myanmar, Burundi, Cambodia, Cameroon, Canada, Cape Verde, Central African Republic, Chad, Chile, Colombia, Comoros, Costa Rica, Croatia, Cuba, Cyprus, Czech Republic, Democratic Republic of the Congo, Denmark, Dominican Republic, Ecuador, Egypt, El Salvador, Equatorial Guinea, Eritrea, Estonia, Eswatini, Ethiopia, Fiji, Finland, France, Gabon, Georgia, Germany, Ghana, Greece, Guatemala, Guinea, Guinea-Bissau, Guyana, Haiti, Honduras, Hong Kong, Hungary, Iceland, India, Indonesia, Iran, Iraq, Ireland, Israel, Italy, Ivory Coast, Jamaica, Japan, Jordan, Kazakhstan, Kenya, Kuwait, Kyrgyzstan, Laos, Latvia, Lebanon, Lesotho, Liberia, Libya, Lithuania, Luxembourg, Madagascar, Malawi, Malaysia, Maldives, Mali, Malta, Mauritania, Mauritius, Mexico, Moldova, Mongolia, Montenegro, Morocco, Mozambique, Namibia, Nepal, Netherlands, New Zealand, Nicaragua, Niger, Nigeria, North Macedonia, Norway, Oman, Pakistan, Panama, Papua New Guinea, Paraguay, Peru, Philippines, Poland, Portugal, Qatar, Republic of the Congo, Romania, Russia, Rwanda, Saudi Arabia, Senegal, Serbia, Seychelles, Sierra Leone, Singapore, Slovakia, Slovenia, Solomon Islands, South Africa, South Korea, South Sudan, Spain, Sri Lanka, Sudan, Suriname, Sweden, Switzerland, Tajikistan, Tanzania, Thailand, The Gambia, Timor-Leste, Togo, Tunisia, Turkey, Turkmenistan, Uganda, Ukraine, United Arab Emirates, United Kingdom, United States of America, Uruguay, Uzbekistan, Vanuatu, Venezuela, Vietnam, Zambia, Zimbabwe.

Appendix B

Table 5. Correlation matrix

obs=3952	chinese trade/gdp (log)	liberal democracy	electoral democracy	physical integrity rights	trade/gdp (log)	gdp per capita (log)	population (log)	resources/ gdp (log)
chinese trade/gdp (log)	1.00							
liberal democracy	-0.10	1.00						
electoral democracy	-0.11	0.97	1.00					
physical integrity rights	-0.03	0.80	0.78	1.00				
trade/gdp (log)	0.24	0.08	0.07	0.24	1.00			
gdp per capita (log)	0.02	0.62	0.53	0.59	0.29	1.00		
population (log)	0.05	-0.03	-0.01	-0.21	-0.48	-0.10	1.00	
resources/gdp (log)	0.19	-0.56	-0.56	-.0.53	-0.13	-0.40	0.10	1.00

Table 6. Fixed-effects regression with Driscoll-Kraay standard errors with democracy as the dependent variable

	(1)	(2)	(3)
	liberal democracy	electoral democracy	physical integrity rights
chinese trade/gdp (log) $_{t-1}$	-0.00	-0.00	0.00
	(0.00)	(0.00)	(0.00)
total trade/gdp (log) $_{t-1}$	0.01***	0.03***	0.02***
	(0.00)	(0.00)	(0.01)
gdp per capita (log) $_{t-1}$	0.03**	0.02**	0.06***
	(0.01)	(0.01)	(0.02)
population size (log) $_{t-1}$	0.05***	0.11***	0.05**
	(0.01)	(0.01)	(0.02)
natural resources/gdp (log) $_{t-1}$	0.00	-0.00	0.01
	(0.00)	(0.00)	(0.00)
Constant	0.00	-1.52***	-0.77*
	(0.19)	(0.20)	(0.38)
Observations	3,954	3,936	3,964
Number of groups	164	164	164

Driscoll-Kraay standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1
Year dummies not shown

Table 7. Regression with Newey-West standard errors

Dependent variable = chinese trade/gdp (log)	(1)	(2)	(3)
liberal democracy $_{t-1}$	0.17		
	(0.17)		
electoral democracy $_{t-1}$		0.18	
		(0.16)	
physical integrity rights $_{t-1}$			0.38***
			(0.14)
total trade/gdp (log) $_{t-1}$	0.11***	0.11***	0.10**
	(0.04)	(0.04)	(0.04)
gdp per capita (log) $_{t-1}$	0.28***	0.28***	0.25***
	(0.10)	(0.10)	(0.10)
population size (log) $_{t-1}$	0.42***	0.37***	0.36***
	(0.12)	(0.12)	(0.12)
natural resources/gdp (log) $_{t-1}$	0.17***	0.18***	0.17***
	(0.04)	(0.04)	(0.04)
Constant	-9.94***	-9.21***	-8.81***
	(2.38)	(2.36)	(2.33)
Observations	3,972	3,982	3,984

Newey-West standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1
Year and country dummies not shown

Table 8. Fixed-effects regression with Driscoll-Kraay standard errors including civil war, peace years and corruption as controls

Dependent variable = chinese trade/gdp (log)	(1)	(2)	(3)
liberal democracy	0.14		
	(0.10)		
electoral democracy		0.15	
		(0.12)	
physical integrity rights			0.44**
			(0.10)
total trade/gdp (log) $_{t-1}$	0.11**	0.11**	0.10**
	(0.04)	(0.05)	(0.05)
gdp per capita (log) $_{t-1}$	0.32***	0.32***	0.29***
	(0.09)	(0.09)	(0.09)
population size (log) $_{t-1}$	0.40***	0.39***	0.36***
	(0.11)	(0.11)	(0.11)
natural resources/gdp (log) $_{t-1}$	0.18***	0.18***	0.18***
	(0.04)	(0.04)	(0.04)
civilwar $_{t-1}$	-0.08**	-0.08**	-0.05
	(0.03)	(0.03)	(0.03)
peaceyrs $_{t-1}$	-0.00	-0.00	-0.00
	(0.00)	(0.00)	(0.00)
corruption $_{t-1}$	0.07	0.07	0.21
	(0.13)	(0.13)	(0.14)
Constant	0.00	0.00	-10.49***
	(0.00)	(0.00)	(1.83)
Observations	3,751	3,751	3,753
Number of groups	161	161	161

Driscoll-Kraay standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1
Year dummies not shown

Table 9. Fixed-effects regression with Driscoll-Kraay standard errors including lag of dependent variable as a control

Dependent variable = chinese trade/gdp (log)	(1)	(2)	(3)
liberal democracy $_{t-1}$	0.09		
	(0.06)		
electoral democracy $_{t-1}$		0.08	
		(0.06)	
physical integrity rights $_{t-1}$			0.21***
			(0.06)
total trade/gdp (log) $_{t-1}$	0.04	0.04	0.03
	(0.03)	(0.03)	(0.03)
gdp per capita (log) $_{t-1}$	0.05	0.05	0.04
	(0.04)	(0.04)	(0.04)
population size (log) $_{t-1}$	0.17	0.15	0.16
	(0.11)	(0.10)	(0.10)
natural resources/gdp (log) $_{t-1}$	0.05*	0.05*	0.05*
	(0.03)	(0.03)	(0.03)
lag chinese trade/gdp (log) $_{t-1}$	0.69***	0.69***	0.69***
	(0.03)	(0.03)	(0.03)
Constant	-2.90	0.00	-2.74
	(2.10)	(0.00)	(1.97)
Observations	3,888	3,898	3,900
Number of groups	164	164	164

Driscoll-Kraay Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1
Year dummies not shown

Table 10. Fixed effects regression with Driscoll-Kraay standard errors excluding total trade/gdp as a control

Dependent variable = chinese trade/gdp (log)	(1)	(2)	(3)
libdem $_{t-1}$	0.31***		
	(0.09)		
electoral democracy $_{t-1}$		0.33***	
		(0.06)	
physical integrity rights $_{t-1}$			0.52***
			(0.08)
gdp per capita (log) $_{t-1}$	0.16**	0.16**	0.14**
	(0.06)	(0.06)	(0.06)
population size (log) $_{t-1}$	0.29**	0.25**	0.26**
	(0.11)	(0.11)	(0.11)
natural resources/gdp (log) $_{t-1}$	0.21***	0.21***	0.21***
	(0.04)	(0.04)	(0.04)
Constant	0.00	0.00	0.00
	(0.00)	(0.00)	(0.00)
Observations	4,202	4,212	4,214
Number of groups	168	168	168

Driscoll-Kraay Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1
Year dummies not shown

Table 11. Random-effects regression with Driscoll-Kraay standard errors

Dependent variable = chinese trade/gdp (log)	(1)	(2)	(3)
liberal democracy $_{t-1}$	0.08		
	(0.07)		
electoral democracy $_{t-1}$		0.10	
		(0.08)	
physical integrity rights $_{t-1}$			0.35***
			(0.07)
total trade/gdp (log) $_{t-1}$	0.13***	0.13***	0.12***
	(0.04)	(0.04)	(0.04)
gdp per capita (log) $_{t-1}$	0.09	0.09	0.06
	(0.11)	(0.11)	(0.11)
population size (log) $_{t-1}$	0.12	0.11	0.12
	(0.10)	(0.09)	(0.09)
natural resources/gdp (log) $_{t-1}$	0.18***	0.18***	0.19***
	(0.04)	(0.04)	(0.04)
Constant	0.00	0.00	0.00
	(0.00)	(0.00)	(0.00)
Observations	3,972	3,982	3,984
Number of groups	164	164	164

Driscoll-Kraay standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1
Year dummies not shown

NTNU

Norwegian University of
Science and Technology