

Governance in the Global Economy

Trade liberalization has long been thought to lead to the decline of repressive regimes. However, as autocratic states like Russia, Iran, and China have expanded their influence, Western nations are beginning to see that trade alone will not be a motivator for antagonist governments to behave in the desired ways. Even now, trade expansion is being used as a measure in the developed world to appease authoritarian regimes (Wilcock, 2022), and sanctions as a measure to discipline them (Smolinski, 2022), but to little avail. Recent events have cast further doubt on the long-discussed hypothetical relationship between economic openness and political reform.

The idea has generally been that globalization leads to economic growth, and economic growth thus leads to democracy. Another variation is that the trade-catalyzed growth of a middle class fosters democratic reform (Bhagwati, 2004). Such thought processes have motivated dollar-diplomatic efforts to bring repressive nations' governments out of the cold pecuniarily.

Lopez-Cordova and Meissner (2005), for example, find a very strong association between trade liberalization and global democratization over the past century and a half. Rigobon and Rodrick (2004), however, find a negative relationship between trade openness and democracy, noting that openness impacts the rule of law but not necessarily the governmental system itself. Some papers chart middle paths with distinctions such as the entrenchment of a given autocracy (Hankla and Kuthy, 2013) or the factor abundance of a nation as an underlying influence (Doces and Magee, 2015). But whether these relationships can be seen in actual domestic political reform is another question.

Present-day trade missions of this motivation cannot explain the aggression of today's despotic powers, and the gap between theory and practice has paved the way for modern

autocratic states to enact harsher, more repressive policies despite their global economic integration.

One example is China, a country that began implementing drastic market liberalization reforms in the 1970s (Ellman, 1986; Huan, 1986; Ito and Krueger, 1995). Despite vast increases in trade with foreign nations, China has come to typify authoritarianism in modern times. Abuses of press and human rights are commonplace (Human Rights Watch, 2022), and Chinese military provocations in the South China Sea have thrust nations like Taiwan dangerously close to the border between war and peace (Strozewski, 2022; Philips et al., 2016).

Even more recently is the case of Russia: The ongoing war brought on by its invasion of Ukraine has led to a swift and unprecedented level of exclusion from global trade and financial markets. Rather than seek to disable Russia's *military*, global powers instead focused on its *economy*. Within weeks of the invasion, Russia lost many of its major media, technology, transportation, and financial firms (New York Times, 2022; Funakoshi et al., 2022). American policymakers, hoping the economic pain will persuade the Russian government to acquiesce, have even openly called for regime change in Russia (Boyd, 2022). Still, Putin persists, and the war has yet to end in spite of setting the Russian economy back decades (Wilkie, 2022).

In both of these cases, trade has not been the panacea the policymakers of yesterday wished for. Market openness in China has come alongside systemic government oppression, while market closure in Russia has not yet stopped the unprovoked war it has started in Ukraine. Authoritarianism both grew and thrived in the two open economies, further demonstrating the insufficiency of trade as an instigator of democracy. Indeed, by filling these regimes' coffers, trade may have even empowered authoritarians beyond what would have otherwise been possible (Zhou and Xiao, 2018).



Ultimately, although trade expansion remains a valuable strategic tool, it should not be treated as the only viable option in the West's diplomatic arsenal. More than a mix of commercial relations and patience will be necessary to promote democratic reform in the nations most in need, and trade liberalization alone will not bring about the peace and stability for which we all hope.

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