

The Foreign Policy Consequences of Trade: China's Commercial Relations with Africa and Latin America, 1992–2006

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What are the foreign policy consequences of China's growing trade relations? In particular, are states that trade more heavily with China more likely to side with it on key foreign policy issues? Does a shift toward China come at the expense of American influence? We evaluate these questions using data on bilateral trade for China and developing countries in Africa and Latin America between 1992 and 2006. Using ordinary and two-stage least squares to control for endogeneity, we present the first systematic evidence that trade with China generates foreign policy consequences. The more states trade with China, the more likely they are to converge with it on issues of foreign policy. This has implications for the United States, whose foreign policy preferences have diverged from those of China during the period of study and who may find it harder to attract allies in international forums.

In the wake of the 2008 economic crisis,¹ a chorus of voices diagnosed the United States as a leader in decline and pointed to China as the likely successor.² It is not difficult to identify the source of these prognostications. Prior to the economic crisis, China's economy was growing quickly relative to the United States, but it was not on track to eclipse the United States until 2041. Since the crisis, differential growth rates have been remarkable. Between December 2007 and the third quarter of 2010, the United States' economy actually lost value. During this time, China's economy grew by 28%. At this rate, the size of China's economy would eclipse that of the United States in 2027 (*The Economist* 2010). Public opinion polls indicate that both developed and developing countries are starting to view China's economic rise with apprehension, mostly stemming from concerns about the implications of China's growing trade relationships (Fordham and Kleinberg 2011). Steve Kull (BBC 2011), the director of the Program on International Policy Attitudes, suggested the source

of the concern: "China may feel that it is only natural that it should seek advantages in its trading relations and a larger military footprint." Such advantages may result from China's trading relations whether it seeks them or not.

While opinion polls have begun to query how the international public feels about these growing commercial ties, a key question remains unanswered with respect to interstate relations: are countries that trade with China more likely to converge with it on issues of foreign policy? To date, much of the research related to this question has been qualitative in nature, based on case studies (Kirshner 2008; Medeiros et al. 2008; Ross 2006). Such case studies, while rich in detail, are often limited in number and make it difficult to explain the consequences of trade across time and space. We seek to fill this gap by conducting a cross-national study of trade over time to evaluate whether foreign policy consequences follow from China's growing commercial relations and how those consequences affect international leadership on key foreign policy questions.

¹Appendices for this article are available at <http://journals.cambridge.org/JOP>. Data and syntax to replicate these analyses will also be made available at <http://government.arts.cornell.edu/faculty/flores-macias/> by the date of publication.

²For example, Nye (2011) quotes a Chinese expert's view that "after the financial crisis, many Chinese believe we are rising and the U.S. is declining."

We assess this using United Nations General Assembly (UNGA) votes on a subset of issues that are known to be important to China: country-specific human rights resolutions. Using this subset of votes addresses two drawbacks of the standard measure of foreign policy convergence, overall UNGA voting. First, overall UNGA votes include procedural measures that may be unimportant to countries, so shifts in a country's voting record can be costless rather than meaningful indications of increased political proximity. Second, measures of overall proximity in UNGA votes do not show directionality of convergence, making it difficult to determine whether countries' foreign policies are generally shifting toward those of China or China is moving toward other countries.

Instead, country-specific human rights votes are appropriate because China has made it clear that these are important votes and votes on which it has been consistent over time. As China's Counselor to the Chinese Delegation to the United Nations has expressed, China has a "consistent position of opposing country specific resolutions on human rights... the Chinese delegation has always held that countries should seek to resolve their differences in the field of human rights" (Foreign Ministry 2009). Thus, the increase in the frequency with which other countries vote with China on these important issues is attributed to convergence *with* China as opposed to mutual convergence.

This article proceeds in several parts. First, it discusses theoretical expectations for the foreign policy consequences of trade, both in general and in the specific context of trade with China. Second, it outlines the research design, which tests whether China's burgeoning trade relations with Africa and Latin America have foreign policy consequences. Third, we discuss results. As we show, countries that have higher levels of trade with China and for whom that trade relationship is more salient are more likely to converge with China on important foreign policy issues. Both trade volume—the dollar value of total trade flows between countries—and trade salience—how important the commercial relationship is for China's trading partner—are strong predictors of foreign policy convergence. Given the dramatic increases in trade with China, the typical effect for African and Latin American countries is noteworthy.

The concluding section discusses the implications of these findings. As we note, this research lends support to theoretical perspectives that link foreign policy consequences with trade. It also helps mediate policy debates on the consequences of China's economic rise, finding that China's growing economy is

likely to confer international influence in its foreign policy priorities.

The Foreign Policy Consequences of Trade

In what has become known as the seminal work on the foreign policy consequences of trade, Hirschman (1945) asserted that increased trade and trade dependence between states produce foreign policy convergence. The more states trade, the more costly the interruptions to that trade relationship; both sides therefore have incentives to converge on matters of foreign policy, fearing that foreign policy disputes could interfere with the benefits of trade. As Hirschman notes, "the total gain from trade for any country is indeed nothing but another expression for the total impoverishment which would be inflicted upon it by a stoppage of trade... this connection can serve as a modern application of the ancient saying *fortuna est servitus*" (i.e., "a great fortune involves great obligation"; 1945, 18).

Differences in how the two sides value the trade relationship also impact incentives to maintain the trading relationship and therefore their respective bargaining positions. The side that can afford to walk away from the trade relationship at little cost to it economically is in a better bargaining position than the side that would suffer more if trade were disrupted. As such, disparities in trade dependence are what Hirschman referred to as an "effective weapon in the struggle for power" (1945, 17). Seeking to perpetuate the trade relationship, the state that is more dependent on the trade relationship should be more willing to grant political concessions than the less dependent state, which would suffer little from changes to the trade relationship. Pointing to the relationship between Germany and countries in Eastern Europe, Hirschman concluded that the dependence of the latter countries on Germany for their economic well-being explained their willingness to acquiesce to Germany's foreign policy demands (17).

Increased economic interdependence in the 1970s—the value of economic transactions in both absolute and relative terms (Cooper 1972, 159)—renewed discussions about their foreign policy consequences. Rosecrance (1986) updated Hirschman's earlier theorizing on trade volume, suggesting the more states trade, the more incentives they would have to maintain smooth trade relations; cooperation, not merely the avoidance of conflict, presents states with one way to do that.

Keohane and Nye, reinforcing Hirschman's claims on disparities of trade dependence, pointed to "asymmetrical interdependence as a source of power" (1977, 268). States that are dependent on a particular trade relationship, they argued, would tend to have less bargaining leverage than states for whom interruptions to trade were comparatively less costly. Asymmetries in the degree of dependence would tend to mean that more dependent states would have to make more sacrifices, including those dealing with foreign policy, to maintain the trade relationship, whereas less dependent states would find themselves with more political power and influence.

The assertion that foreign policy convergence follows in the wake of growing commercial ties has not passed without scrutiny. One line of criticism of Hirschman's argument is that he buttressed his claims with a case—Nazi Germany's efforts to leverage economic dependence among central European states in the interwar period—in which one actor was stronger not just economically but also militarily, politically, historically, and in a position of proximity that allowed it to exercise its power disparities over the less powerful actor. Finding that Germany was able to elicit foreign policy convergence from several neighboring states could have been the result of its asymmetric commercial relations, but it more plausibly resulted because Germany was a growing, feared power in close proximity to less powerful states. It is the latter reason, according to this power politics argument, that states such as Czechoslovakia would ultimately acquiesce to Germany's political demands, not because of economic dependence (Ross 2006). Studying the foreign policy consequences of trade by looking at relations between the Soviet Union and Eastern Europe or between the United States and Latin America, common examples in the literature on dependency (Cardoso 1977, 7–24; Prebisch 1959, 251–73), suffers similar problems. Focusing on relationships in which one country has had historical or regional hegemony makes it difficult to isolate the independent effects of trade.

A more general line of criticism is that asymmetric trade dependence is neither necessary nor sufficient for obtaining political influence. Disparities in the trade relationship do not necessarily translate into influence because states that are dependent on a particular trade relationship can rely on more intangible factors to help offset the bargaining disadvantage that Hirschman and Keohane and Nye would otherwise attribute to them: will, resolve, and willingness to suffer adverse economic consequences (Wagner 1988, 466–67). Holsti suggests that dependent states can "learn how to maximize their bargaining advantages and eventually develop the

intellectual, technical, and bureaucratic skills to manage their resources in such a way as to avoid exploitation" (1978, 515). Foreign policy consequences, according to this counterargument, may not follow from increasingly robust or asymmetric trade relations between states.

Given the rate at which China is increasing its trade relations with other states and the degree to which other states are increasingly dependent upon China for trade, these historical debates about the foreign policy consequences of trade are ripe for a revival. Few studies have directly examined the foreign policy consequences of trade with China, but those that do arrive at conflicting conclusions that mirror the historical discrepancies on the subject. Kirshner (2008) theorizes that increases in trade between countries strengthen the constituencies that favor closer foreign policy ties between those countries. As trade increases, constituencies that gain from trade become louder and more salient in their advocacy for closer foreign policy coordination (Abdelal and Kirshner 2000; Kirshner 2008). This position finds support from the work of Medeiros et al. (2008), which points to the way business interests in Japan, for example, support closer cooperation with, and outreach to, China on nontrade issues, realizing the potential trade benefits of doing so. If these theoretical expectations are correct, then increases in trade volume between China and its trade partners and increases in trade salience should increase the foreign policy convergence with China.

The theoretical and empirical perspectives linking foreign policy convergence with China's growing commercial relationships are at odds with research that is more skeptical of the relationship between trade and foreign policy consequences. In his study of how China's economic rise affects the foreign policy of East Asian countries, Ross concludes that "economic capabilities alone are insufficient to generate accommodation" (2006, 368) by less dominant states. The reason is that states in the region are more leery of China's military rise than they are enticed by the potential economic benefits of foreign policy cooperation. As a result, they are not accommodating China but are more likely to balance against it. Because Ross's study is limited to East Asia, his finding may be more an artifact of historical legacies—acrimonious wars involving China, Japan, Korea, and Taiwan, for example—than the independent effect of military power or non-effect of economic ties, however. Moreover, countries in the region are more likely to be suspicious of China's military rise than its economic rise, especially compared to the perception of countries outside the region for whom China's military power is not a

direct consideration.³ Ross's dismissal of the connection between commercial growth and foreign policy influence may not therefore extend beyond East Asia.

In perhaps the only cross-national study of whether foreign policy consequences follow from trade with China, Kastner (2010) finds that states are not more inclined to side with China on foreign policy if they are better integrated with it economically. On the basis of two static measures—states' reactions to the 2008 Taiwan UN referendum and to China's 2008 crackdown on protests in Tibet—Kastner finds no "systematic relationship between China's foreign economic ties and national policies on these issues" (2010, 1), a finding that is consistent with Ross's conclusion. If this particular finding and its theoretical grounding are correct, then increases in trade flows and trade salience between China and its partners should not independently affect foreign policy convergence between the two states.

As the previous discussion suggests, the literature on the foreign policy consequences of trade is divided between two main camps: those that expect to see foreign policy consequences of trade and those that see economic relationships as insufficient for eliciting foreign policy consequences. The studies that have tested these perspectives in the context of China have focused on particular case studies rather than systematic, cross-national analysis. Given the conflicting nature and limits of studies on the foreign policy consequences of trade with China, we believe additional study is warranted.

Testing the Foreign Policy Consequences of Trade

To test whether foreign policy consequences follow from trade, we evaluate the effects of increased trade volume and trade salience between China and developing countries in Latin America and Africa between 1992 and 2006. We focus on China because the combination of its economic size and steep trade trajectory make it intrinsically important for the study of political economy in general and for the study of the foreign policy consequences of trade in particular. Of the top five global economies, China's has grown the most quickly in the last two decades, pointing to its current economic power but also to a dynamic

economy that presages even greater heft in the future (World Bank 2011).

We investigate China's trade relations with Africa and Latin America since countries in these regions are outside the sphere of natural political influence China might have within its own region of Asia. As the *Economist* (2011) noted, "China has a competitive advantage that is rare among economic powers investing in faraway developing countries: a lack of ancient hostility." Because China's relations with developing countries in Africa and Latin America are not fraught with historical legacies, spheres of influence dynamics, and overwhelming military disparities that could characterize China's relations within Asia, we can better isolate the foreign policy consequences of trade than other studies (e.g., Cardoso 1977; Hirschman 1945; Ross 2006) that have focused on trade within regions in which one of the trade partners is a regional hegemon both economically and militarily.

Systematically assessing foreign policy convergence presents challenges in that it requires a measure of states' foreign policies and the degree to which they converge. One approach scholars have used is to rely on the similarity of states' alliance portfolios. The problem with this measure is that it is relatively static, since the formation and dissolution of formal alliances is infrequent, particularly in the post-World War II period (Signorino and Ritter 1999). A better option would be to focus on nonpermanent members' voting in the Security Council, but unfortunately, this measure has its own disadvantages. It provides a very limited universe of cases in the post-Cold War period since only 10 states occupy nonpermanent seats at a given time. Moreover, their two-year tenure offers an extremely limited time series, making it difficult to measure their voting patterns in a reliable, systematic way.

Given the inadequacies of alternative measures, it is not surprising that the commonly used measure is voting behavior in the UN General Assembly, since this forum includes all UN member states and a large number of votes per year. Unfortunately, this measure also has its drawbacks. One is that there are a number of UNGA votes that are procedural in nature and not particularly important to a state's national interest (Barro and Lee 2005; Wittkopf 1973). States do not expend any political capital in influencing the outcome of uncontroversial votes, for example, through lobbying, nor do they pay a penalty from more powerful states for how they vote. Convergence on such votes is likely to be a relatively meaningless measure.⁴

³Although China could conceivably invade an African or Latin American country, this scenario is extremely implausible.

⁴This criticism is along the lines of Keohane (1967) and Wang (1999).

A second problem is that, while the trade salience aspect of the argument expects convergence *with* China since the trade relationship is far less salient for China than it is for its African and Latin American trade partners, overall UNGA voting would not indicate convergence with whom. A more appropriate measure would be one that is based on votes that are important to China and that therefore distinguishes directionality of convergence.

With these two points in mind, we measure foreign policy convergence by including only UNGA votes on country-specific human rights resolutions. Country-specific votes are those that the Third Committee (Social, Humanitarian, and Cultural) advances on the situation of human rights in a particular country, for example in countries such as Iran, the Democratic Republic of North Korea, and Belarus, subjects of resolutions in 2006.⁵ Using this subset of votes addresses the two problems cited above. First, these resolutions represent an issue of considerable importance and concern to China. China adamantly defends state sovereignty, views external interference in a state's human rights as an unwelcome challenge (Kent 1999, 2), and takes visible international stands defending a state's sovereignty relative to human rights considerations (*Xinhua* 1991). China's Foreign Ministry summed up the country's position as follows: "the issue of human rights is, in essence, an internal affair of a country" and should not be subject to external interference, whether through outside intervention or censure (Foreign Ministry PRC 2000).⁶

Second, the position of noninterference with respect to a state's human rights is an issue on which China has been remarkably consistent over time, as the Chinese counselor cited in the introduction suggests. Some scholars have argued that China's position has evolved over time, from "a conception of rights that derived from the Marxist-Leninist roots of the Chinese Communist Party (CCP), to one that is developmentalist in approach but that gives some ground in the direction of universality and indivisibility of human rights" (Foot 2000, 4; Carlson 2005). At least in terms of country-specific votes on human rights, however, China is remarkably consistent. As Appendix A indicates, between 1992 and 2006, in only one instance did China support a resolution that

would express concern about the situation of human rights in another country.⁷ Instead, China routinely voices "opposition to country-specific resolutions aimed at developing countries" (62nd UNGA 2007). Thus, any pattern of convergence on issues of country-specific human rights votes is likely to reflect shifts of other countries toward China rather than the other way around.

Research Design

To test the degree to which increases in trade flows and trade salience result in foreign policy convergence with China, we use time-series cross section (TSCS) analysis on a dataset of trade between China and developing countries in Africa and Latin America. Our unit of analysis for this study is the dyad-year for the period of 1992–2006.⁸ We follow several strategies to address potential endogeneity concerns, that is, the possibility that states might also trade more with those states with whom they have similar foreign policies: we include both contemporaneous and lagged explanatory variables, and we use both ordinary least squares (OLS) and two stage least squares (2SLS) estimation techniques. We discuss these more fully below.

Data

Dependent Variable: Foreign Policy Convergence.

As discussed above, we use country-specific human rights votes in the UNGA to assess foreign policy convergence, based on Voeten and Merdzanovic's (2009) UNGA voting data. Appendix A lists the date of the vote, resolution number, target country, and China's vote on the particular country-specific human rights resolution between 1992 and 2006. Following Thacker (1999), we measure voting coincidence as follows. The measure takes the value of 1 if the country voted in agreement with China; a value of 0 if the country voted in disagreement with China; and a value of 0.5 if one country voted in favor or against but the other abstained.⁹ A yearly average is constructed by adding each country's voting coincidence

⁷The only instance was a 2006 resolution on "the human rights situation arising from the recent Israeli military operations in Lebanon."

⁸The period under study ends in 2006 due to the unavailability of trade data for subsequent years. It begins in 1992 because this is the first full year after the end of the Cold War, marked by the dissolution of the Soviet Union in 1991.

⁹We follow Thacker's logic for coding because there is evidence to suggest that an abstention should not be counted as a vote in opposition or disagreement (a 0).

⁵"Third Committee Adopts 46 Third Committee Texts on Human Rights Issues," GA/10562, available at <http://www.un.org/News/Press/docs/2006/ga10562.doc.htm>.

⁶China has also worked to prevent the UNGA's ability to censure allegations of human rights abuses in China itself (Lewis 1989).

with China and dividing the sum by the number of country-specific human rights votes that year. In order to facilitate interpretation in percentage terms, we apply a natural logarithm transformation to the convergence score.¹⁰

Independent Variables. To measure whether trade levels affect states' foreign policies, we measure *Total Trade* as $Imports_{ij,t} + Exports_{ij,t}$ in which the former measures the dollar value of the flow of goods from state j to state i and the latter is the flow from state i to state j , at time t (Barbieri and Levy 1999). Total trade is measured in billions of current U.S. dollars. As with all continuous independent variables not expressed as a percentage of GDP, we apply a natural logarithm transformation to account for potential nonlinearities and facilitate interpretation (Dreher, Nunnenkamp, and Thiele 2008).

We measure trade salience as the sum of exports and imports relative to output (Oneal and Russett 1999). Thus, the trade salience for country i with respect to country j at time t is $Salience_{i,t} = (Imports_{ij,t} + Exports_{ij,t}) / GDP_{i,t}$. Bilateral trade data come from the Correlates of War International Trade Data, v2.01, 1870–2006 (Barbieri, Keshk, and Pollins 2008). The source of GDP data, measured in billions of current U.S. dollars, is the World Bank World Development Indicators.

Control Variables. We use a number of standard control variables to account for the influence of factors that may affect states' foreign policies (Gartzke and Li 2003). We control for shared *regime type*, expecting that the closer two countries are in their type of political institutions, the more likely they might be to have similar foreign policies (Voeten 2000). This proximity in regime type is calculated using the Polity IV data set, which ranges from 10 to -10 to characterize a state's governing authority (Marshall and Jaggers, 2008). We use an indicator variable taking the value of one when both regimes in the dyad are nondemocracies—ranging from -10 to +5.¹¹

We also account for the possibility that countries with dubious human rights records might be more sympathetic to China's anti-interventionist position on human rights. To do so we include a *human rights* variable that reflects the trade partner's human rights practices. The source of this variable is the Political

Terror Scale (PTS), which relies on yearly country reports of Amnesty International and the U.S. State Department Country Reports on Human Rights Practices (Gibney, Cornett, and Wood 2011).¹²

We control for the potential influence of the United States by including three separate variables: *U.S. Foreign Aid*, *U.S. Trade Flows*, and *U.S. Trade Salience*. A number of scholars have found that considerations of political leverage outweigh other factors such as economic need as reasons why the United States commits foreign aid. Not surprisingly, recipients of foreign aid are more likely to align their foreign policies with the donor state (Alesina and Dollar 2000; Dreher, Nunnenkamp, and Thiele 2008; Kuziemko and Werker 2006). We therefore expect U.S. foreign aid to exert a negative effect on the extent to which developing countries' foreign policies converge with China. U.S. Foreign Aid is measured as total aid from the United States as a percentage of the recipient's GDP, with data from the U.S. State Department. We also include data on bilateral trade with the United States and trade salience with the United States to control for whether more robust trade relations with the United States dilute the foreign policy consequence of what may be growing but still comparatively smaller levels of trade volume and trade salience with respect to China. Therefore, we expect U.S. trade flows and U.S. trade salience to have a negative effect on convergence with China.¹³

To control for the effect of national power on states' foreign policy choices (Oneal and Russett 1999), we use the natural logarithm of the composite indicator of *national capability* (CINC), which incorporates demographic, industrial, and military indicators that "reflect the breadth and depth of the resources that a nation could bring to bear in instances" of conflict (Correlates of War 2005, 3). The source of the CINC score is the Correlates of War National Material Capabilities Dataset v.4.0.

We also include a *post-2003* time dummy to account for the possibility that convergence with China is partially due to rising anti-American sentiment.

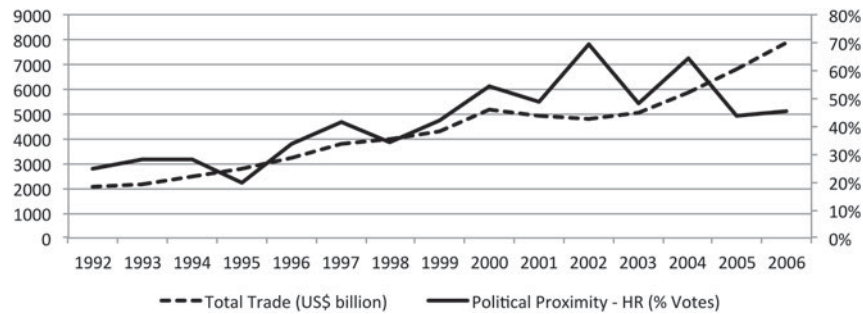
¹⁰Our findings do not change in the absence of this transformation. For summary statistics see Appendix B.

¹¹Democracies score a +6 to +10 on the polity scale. See Marshall and Jaggers (2008) and Oneal and Russett (1999, 99).

¹²The correlation coefficient between the measures of regime type and human rights is -0.35, which suggests it is worth including both as controls.

¹³We are unable to include Chinese aid because such data is unavailable for the period under study. As a study of Chinese aid in Africa admits, "there are chinks in the bamboo screen that hides China's aid figures from their citizens and from the rest of us" (Brautigam 2009, 166). This highlights the importance of following fixed effects estimation to address omitted variable bias.

FIGURE 1 Africa and Latin America's Average Trade Flows and Convergence on Country-Specific Human Rights Votes with China, 1992–2006



Source: Based on United Nations General Assembly Voting Data from Voeten and Merdzanovic 2009. Trade Data from COW Dyadic Trade Data and World Bank World Development Indicators.

Voeten (2004) for example, has pointed to increasing divergence from the United States within the UNGA. This is especially the case in the wake of the 2003 Iraq War, which could have prompted countries to side with China.

We do not include time invariant measures often found as controls in studies of trade and conflict (Oneal and Russett 1999)—such as contiguity, which could affect foreign policy convergence of two countries—because we follow fixed-effects estimation to address omitted variable bias.¹⁴ Since Asia is not included in this analysis, we do not anticipate this to be a problem. A detailed list of variables, definitions, and sources is found in Appendix B. Summary statistics are shown in Appendix C.

Model Specification and Estimation. Based on these variables, we specify six different OLS models, three for trade volume and three for trade salience. For both of these trade-related variables of interest, we model their foreign policy convergence with China at times t and $t-1$ in order to account for both contemporaneous and lagged effects. Following Oneal and Russett (1999), we also estimate models lagging all independent variables in order to ensure that they have not been affected by scores reflecting UNGA votes for a year yet to be explained. A total of 63 countries enter the OLS models with a minimum of three and a mean of 13.4 years (see Appendix D).¹⁵ All models include fixed effects to control for country-

specific unobserved factors that are constant over time and address omitted variable bias. Huber-White robust standard errors are reported in parentheses.

Findings. Descriptive statistics provide suggestive support for the propositions that growing commercial ties foster foreign policy convergence. Figure 1 shows that as China's trade volume with Africa and Latin America has grown, so generally has the convergence of foreign policies of these regions with China. Similarly, Figure 2 suggests that the more salient the trade relationship with China has become for African and Latin American economies, the more frequently these countries have voted with China on country-specific human rights votes in the UN General Assembly.

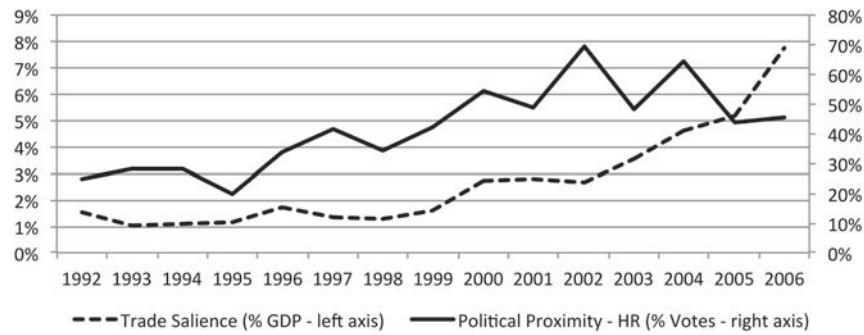
Statistical analysis offers additional support for these propositions. As Models 1, 2, and 3 in Table 1 show, trade flows exert a significant, positive effect on the degree of foreign policy convergence with China. The contemporaneous effect is significant at the 5% level and the lagged ($t-1$) effect is significant at the 1% level, both when only trade-related variables are lagged and when all predictors are lagged. That the lagged effect registers more significance is reasonable; political effects of trade are less likely to be felt in the same year as trade relationships increased but rather would experience some delay, which the empirical results bear out. The effect of trade—about 0.02% increase in convergence resulting from a 1% increase in trade flows—is substantial when compared to other factors believed to have an effect on whether states converge on issues of foreign policy (Dreher, Nunnenkamp, and Thiele 2008; Voeten 2000).

For example, this effect is higher than the negative effect of an increase of one point in the U.S. Aid-to-GDP ratio (-0.005). To put the substantive significance

¹⁴Fixed-effects estimation also precludes us from including a variable accounting for the countries' region (since it is time-invariant). However, country-specific effects provide a higher level of confidence than region-specific effects in addressing omitted variable bias.

¹⁵Unavailable data prevented us from including countries not listed Appendix D.

FIGURE 2 Africa and Latin America's Average Trade Salience and Convergence on Country-Specific Human Rights Votes with China, 1992–2006



Source: Based on United Nations General Assembly Voting Data from Voeten and Merdzanovic 2009, and Trade Data from COW Dyadic Trade Data and World Bank World Development Indicators.

of these effects in perspective in elasticity terms,¹⁶ an increase in trade flows by one standard deviation results in an increase in foreign policy convergence of about 8%, whereas a one standard deviation increase in U.S. Aid/GDP results in a 3% decrease in convergence. This finding suggests that high levels of trade between two countries tend to produce foreign policy convergence.

Models 4, 5, and 6 show that trade salience also exerts a positive effect on foreign policy convergence, significant at the 1% level in the lagged models. The effect of trade salience is lower than that of trade flows but also substantial in comparative perspective. In elasticity terms, a one standard deviation increase in trade salience results in a 4% increase in foreign policy convergence. This effect is larger than that of a one standard deviation increase in U.S. foreign aid (3% decrease). These results suggest that the more salient that dyadic trade relationship relative to that country's overall output, the more likely it is to side with China on important issues of foreign policy.

Addressing Endogeneity

These results from OLS estimation are unbiased as long as all the regressors are exogenous. However, trade-related variables—volume and salience—may be endogenous to foreign policy. Voting convergence on these issues suggests some proclivity towards or against liberal norms and countries that share such

norms may be more likely to trade with each other.¹⁷ Is trade producing foreign policy convergence or is the causal relationship the other way around?

To account for the possibility of an endogenous relationship between trade and foreign policy convergence, we estimate two stage least square (2SLS) regressions with instrumental variables in addition to including lags of the independent variables above. Should this relationship exist, 2SLS estimation would correct the potential bias in OLS due to the endogenous relationship (Angrist and Krueger 2001). The difficulty lies in finding an appropriate instrument that is strongly correlated with the potentially endogenous independent variables—trade volume and trade salience—but uncorrelated with the disturbances in each model. Weak instruments—those only weakly correlated with trade flows and trade salience—pose the danger of yielding inconsistent estimates depending on the percentage of the variance they are able to explain and on the sample size (Murray 2006).

Most studies concerned with a potentially endogenous relationship between trade and other variables rely on static cross-sections and are thus able to instrument trade with measures derived from the gravity model of trade, such as the great circle distance between two states' capitals or the size of the country (e.g., Rauch 1999). However, we cannot use the gravity model as an alternative because we follow fixed effects estimation in order to address omitted variable bias.

¹⁶Elasticity assesses the responsiveness of one variable to another, measured as the percent change in one variable with respect to the percent change in another.

¹⁷There is reason to believe that liberal countries trade more frequently, but it might be the case that less liberal countries—for example, those who oppose country-specific HR votes—would be more likely to trade (Bliss and Russett 1998).

TABLE 1 OLS Estimation of the Effect of Trade Flows and Trade Saliency on Foreign Policy Convergence, 1992–2006

	Trade (1)	Lagged (t-1) Effect of Trade (2)	Lagged (t-1) Effect of All Predictors (3)	Trade Saliency (4)	Lagged (t-1) Effect of Trade Saliency (5)	Lagged (t-1) Effect of All Predictors (6)
Trade Flows	0.018* (0.005)					
Trade Flows, t-1		0.019* (0.006)	0.019* (0.006)			
Trade Saliency				0.002 (0.001)		
Trade Saliency, t-1					0.004* (0.001)	0.004* (0.001)
National Capability	0.123* (0.058)	0.128* (0.057)		0.147* (0.056)	0.142* (0.056)	
National Capability, t-1			0.104 (0.055)			0.129* (0.055)
US Aid/GDP	-0.005 (0.005)	-0.004 (0.005)		-0.007 (0.006)	-0.003 (0.006)	
US Aid/GDP t-1			-0.002 (0.004)			-0.003 (0.006)
US Trade	0.029* (0.010)					
US Trade, t-1		-0.01 (0.01)	-0.018 (0.012)			
US Trade Saliency				-0.001 (0.001)		
US Trade Saliency, t-1					0.001 (0.001)	0.001 (0.001)
Regime	0.071 (0.037)	0.072 (0.038)		0.066 (0.038)	0.064 (0.038)	
Regime, t-1			0.048 (0.037)			0.034 (0.036)
Human Rights	-0.001 (0.011)	-0.001 (0.011)		-0.001 (0.011)	-0.001 (0.012)	
Human Rights, t-1			0.003 (0.01)			-0.001 (0.011)
Post-2003	-0.101* (0.018)	-0.084* (0.017)	-0.088* (0.017)	-0.054* (0.018)	-0.056* (0.018)	-0.056* (0.018)
Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
p-values	0.000	0.000	0.000	0.010	0.000	0.001
R ²	0.23	0.20	0.20	0.26	0.20	0.20
N	842	842	839	842	842	842

Note: Dependent variable is foreign policy convergence, measured as similarity in country-specific HR votes. All models include fixed effects. All values are rounded to the third decimal. Huber-White robust standard errors reported in parentheses. All significance tests are two-tailed: * indicates $p < 0.05$.

Therefore, we are unable to include time-invariant predictors, such as distance and size, as instruments.

Consequently, and in line with studies that rely on lagged instruments in order to ensure orthogonality with the disturbances, we employ lagged values of country i 's energy production as an instrument for

trade and trade saliency. The logic is that trade and trade saliency in Africa and Latin America are significantly related to countries' energy production, but there is no reason to believe that either of them is correlated with the error term in the equation predicting foreign policy convergence—i.e., a country's

energy production is not caused by its votes in the UNGA.¹⁸

We specify six models for 2SLS estimation—three for trade volume and three for trade salience—mirroring those of OLS estimation. Model 7 instruments trade at time t . Model 8 tests for the lagged effect of trade at time $t-1$. Model 9 tests for the lagged effect of all predictors at time $t-1$. We follow the same sequence for trade salience in models 10, 11, and 12. The results for the 2SLS estimation are shown in Table 2.

The 2SLS results lend strong support to the claim that trade and trade salience exert positive significant effects on foreign policy convergence with China.¹⁹ In all cases, the models with lagged variables attained higher levels of significance than those with contemporaneous variables, which increases our confidence that the reported lagged effects of trade are unaffected by UNGA votes yet to be explained, and suggests a better specification. In spite of the anticipated loss of efficiency characteristic of 2SLS estimation, trade coefficients are significant at the 5% level in Model 10 and at the 1% in the rest of the 2SLS Models. Additionally, the magnitude of the effect increased for both trade flows and trade salience, suggesting that OLS coefficients may have been biased downwards, a common effect of endogeneity known as attenuation bias (Bound and Krueger 1991).

Standard tests did not reject the validity of the instrument in any of the 2SLS models. As Table 2 suggest, the LM tests in all models reject the null that the equations are underidentified, and Kleibergen-Paap Wald tests reject the null that the equations are weakly identified. Our confidence in the strength of the instruments is high since the first-stage F statistic (including all exogenous variables) is much larger than 10—the general rule of thumb suggested by Staiger and Stock (1997)—in all models except for Model 10, whose F statistic is slightly below 10 (9.86). It is important to note that the number of observations decreases by 29% in all 2SLS models due to unavailable data for the instrumental variable.

Regarding controls, national capabilities is positive and significant across models, meaning that as this measure of power increases, states are more likely to vote with China on human rights votes. This suggests

that African and Latin American states' are better able to resist or disregard efforts to condemn human rights in specific countries as they become more powerful. Regime type is positive, suggesting that nondemocracies are more likely to align with China, although this variable falls short of significance in several models. The estimate for human rights is negative, but its standard errors are quite large.

The coefficient on the post-2003 dummy is negative and significant across models, suggesting that, *ceteris paribus*, countries were less likely to align with China after the Iraq War. Although this finding appears to run counter to expectations for the post-2003 period based on Voeten (2004), it is consistent with survey data suggesting that global attitudes toward China have declined during this time. As the Pew Research Center reports, while anti-Americanism remained extensive at that time, “the image of China has slipped significantly among the publics of other nations.” China’s expanding influence in Africa and Latin America is triggering considerable anxiety and is “starkly visible in the eyes of those publics” (Pew Research Center 2007). Therefore, as China has grown into the role of world power and become more involved in global affairs, increasingly negative views on China have ensued (Mertha 2012), affecting convergence.

Taken together, the OLS and 2SLS estimates suggest that trade flows and trade salience yield a positive significant effect on foreign policy convergence. Nonetheless, we base our conclusions on the most conservative estimates across the unbiased 2SLS models: a typical increase in trade flow results in an 18% increase in foreign policy convergence and a typical increase in trade salience leads to a 12% increase in convergence. That trade volume has a large substantive effect is consistent with the expectations of Hirschman (1945, 18), who suggests that the greater the “total net gain” of trade between states, the greater the magnitude of “impoverishment” that a state would face if trade were interrupted and, therefore, the incentives to cooperate with one’s trade partner. Similarly, the effect we find for trade salience corresponds to Hirschman’s view that a state more dependent on another for trade will be more likely to support the latter’s policy positions.

Robustness of Results

Our findings are robust to the following considerations. First, we tested different codings of the dependent variable. For example, we used an alternative measure of country-specific human rights votes in which

¹⁸It is worth noting that instrumental variable estimation techniques yield local average treatment effects (LATE) rather than average treatment effects (ATE). In our case, it allows us to estimate the effect on voting affinity with China caused by trade and trade salience, as determined by observed variation in the instrument.

¹⁹This does not rule out reverse causality—that China selects trading partners based on preexisting political affinity—but isolates the independent effects of trade on political relationships.

TABLE 2 Two-Stage Least Square Estimation of the Effect of Trade Flows and Trade Salience on Foreign Policy Convergence, 1992–2006

	Trade (7)	Lagged (t-1) Effect of Trade (8)	Lagged (t-1) Effect All Predictors (9)	Trade Salience (10)	Lagged (t-1) Effect of Trade Salience (11)	Lagged (t-1) Effect All Predictors (12)
Trade Flows	0.046* (0.013)					
Trade Flows, t-1		0.047* (0.012)	0.044* (0.014)			
Trade Salience				0.048* (0.021)		
Trade Salience, t-1					0.046* (0.014)	0.041* (0.002)
National Capability	0.244* (0.068)	0.234* (0.07)		0.372* (0.127)	0.271* (0.074)	
National Capability, t-1			0.162* (0.07)			0.205* (0.071)
US Aid/GDP	-0.025* (0.01)	-0.018 (0.01)		-0.037* (0.012)	-0.037* (0.009)	
US Aid/GDP, t-1			-0.011* (0.005)			-0.021* (0.007)
US Trade	0.007 (0.016)					
US Trade, t-1		-0.006 (0.01)	0.006 (0.016)			
US Trade Salience				-0.001 (0.003)		
US Trade Salience, t-1					0.000 (0.002)	0.000 (0.001)
Regime	0.052* (0.026)	0.055* (0.026)		0.035 (0.032)	0.039 (0.031)	
Regime, t-1			0.068* (0.027)			0.036 (0.027)
Human Rights	-0.006 (0.01)	-0.008 (0.009)		-0.015 (-0.023)	-0.002 (0.018)	
Human Rights, t-1			-0.001 (0.009)			0.000 (0.014)
Post-2003	-0.158* (0.028)	-0.145* (0.026)	-0.142* (0.027)	-0.223* (0.086)	-0.162* (0.04)	-0.153* (0.039)
Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
p-values	0.001	0.000	0.000	0.008	0.000	0.000
LM χ^2 (p-value)	0.000	0.000	0.000	0.013	0.012	0.000
F values	53.63	67.09	50.28	9.86	23.36	22.81
R ²	0.128	0.10	0.10	0.20	0.11	0.10
N	592	592	590	592	592	590

Note: Dependent variable is foreign policy convergence, measured as country-specific HR votes. All models include fixed effects. All values are rounded to the third decimal. Huber-White robust standard errors reported in parentheses. All significance tests are two-tailed: * indicates $p < 0.05$.

agreement with China is coded as 1, and a 0 otherwise (Barro and Lee 2005; Wittkopf 1973).

Second, we disaggregated one of the two main explanatory variables, total trade, into imports and

exports to see whether they have different effects on foreign policy convergence. To the extent that imports compete with local products, more imports could actually contribute to foreign policy hostility

since import-competing interests might be less sympathetic to the country whose goods must compete with what may be less expensive imports (Cutrone and Fordham 2010). In contrast, a state that exports large volumes of goods to a particular country and whose economy is relatively dependent on those goods might have incentives to maintain that trade relationship by avoiding political conflict with its partner (Frieden 2002; Gourevitch 1977; Kindleberger 1951). However, there was no observable difference between the effects of aggregate trade and that of its subcomponents.

Third, whenever possible, we operationalized control variables in different ways. For example, we estimated the effect of regime affinity using different thresholds (Barbieri 1996) and employed different periods for the time dummy (e.g., post-2002 to account for the possibility that anti-U.S. sentiment was contemporaneous with the start of the Iraq War rather than lagged). Similarly, we used two alternative measures of human rights violations from the Cingranelli-Richards (CIRI) Index (2010): the physical integrity rights index and the new empowerment rights index. None of these changes affected our findings in any meaningful way.

Fourth, we tested the possibility of time trends in the data—the nonstationarity of the panel data—by using a panel-specific, augmented Dickey-Fuller test for panel data (Fisher-type unit root test).²⁰ We rejected the null hypothesis of a unit root ($p=0.000$).

Fifth, we addressed the possibility of differences between Latin America and Africa by including a regional dummy. The fixed effects specification prevents us from including time invariant variables such as region, so we estimated the models without fixed effects (using random effects instead) and obtained similar results as in the original models. While removing fixed effects from the model makes us cautious about interpreting these results because of the potential for omitted variable bias, we find a positive and significant effect for Africa's HR vote convergence with China compared to that of Latin America. The difference may result from geographical proximity to China or because Latin America has historically resided in the United States' sphere of influence, hindering realignment toward China. However, the overall findings for the two major trade variables were the same as in the original models, both when we estimated the models for all regions and when we estimated them for each region separately.

²⁰The Fisher type test has the advantages of being an “exact test” (i.e., nonasymptotic), working with unbalanced panel data, and having “the highest power in distinguishing the null and the alternative” (Maddala and Wu 1999, 645).

Sixth, we tested whether our results were driven by changes in the voting agenda. Since states may be less inclined to vote against other states in their region, we accounted for the number of within-region target votes for Africa and Latin America, out of the total human rights votes per year. This variable's coefficient did not achieve conventional levels of significance and our results remained unchanged.

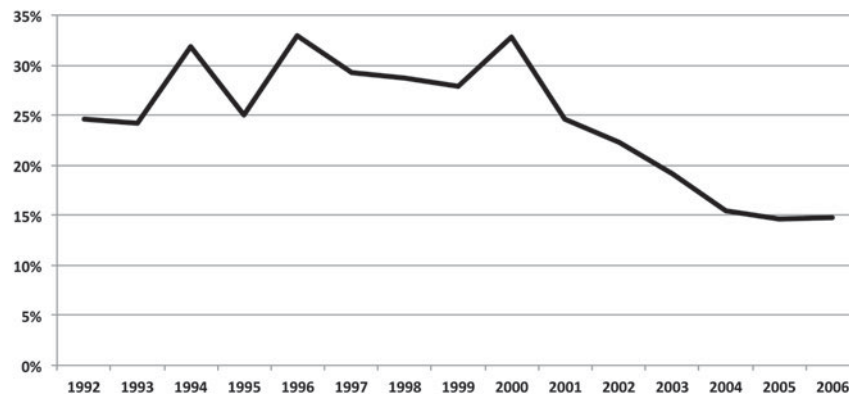
Seventh, we tested whether certain countries with a particularly strong commercial relationship with China were driving the analysis. We reestimated the models after excluding the five most influential countries regarding trade volume (Angola, Brazil, Chile, Mexico, South Africa) and trade salience (Angola, Benin, Congo, Togo, Sudan). We excluded the most influential country first, then the two most influential, and so on. None of our results changed meaningfully when excluding these countries from the models.

Implications for U.S. Foreign Policy

As the previous sections have shown, states that trade with China are more likely to side with it on such key foreign policy issues as human rights. Since more states are increasing their trade ties with China, this means that China will more easily locate allies on foreign policy issues that are important to it. The question that follows is whether this has implications with respect to states such as the United States, which has enjoyed unrivaled foreign policy influence in the post-Cold War world. It is possible that, as Medeiros et al. note, “the United States and China are jockeying for power and influence, but not in a zero-sum manner” (2008, xv). Such a perspective is consistent with liberal theory, which believes that rising economic tides can lift all boats so that “what is good for China is good for everyone” (Betts 1993/94, 55). In other words, China could be increasing its power and influence but without dislocating the influence and interests of the United States.

Evidence of this interpretation might be that increased trade prompts countries to converge with China on issues of importance to it while siding with the United States on other issues. Efforts to influence the observance of human rights in particular countries are a well-known policy concern for China. American elites may claim that these issues are important, but also routinely set aside country-specific human rights considerations when they conflict with other foreign policy goals (Cutrone and Fordham 2010). Thus, China's trading partners could be acting strategically, making concessions to China in the area of human rights while simultaneously appealing to the United States on issues

FIGURE 3 UNGA Voting Convergence between the U.S. and China, 1992–2006



Source: Based on United Nations General Assembly Voting Data from Voeten and Merdzanovic 2009.

that are known to be important to it, such as terrorism, proliferation, and the conflict in the Middle East.

If this interpretation were correct, then perhaps this pattern of trade-based convergence on a narrow issue would not manifest itself more broadly, such as on overall UNGA votes that are known to be important to the United States. As Dreher, Nunnenkamp, and Thiele (2008) note, numerous forms of diplomatic and economic pressure on the part of the United States suggest that the United States puts considerable stake in how states vote in the UNGA. To account for the possibility that increased trade leads states to align with China on an issue of importance to it—country-specific human rights—while with the United States on a broader array of issues, we reestimated the analysis using all UNGA votes instead of HR-specific votes as the dependent variable and obtain similar results as in the earlier models. States that have more robust or salient trade relationships with China are more likely to vote with China on a broader set of UNGA votes (see Appendix E.1 for OLS and E.2 for 2SLS). Additionally, during the same period under study, 1992–2006, the United States and China have diverged in their overall UNGA voting behavior (Figure 3).

The combination of broader voting similarity between China and its trade partners and divergence between China and the United States lends support to the possibility that as China's trade relations grow, it is attracting allies in international forums such as the UNGA while U.S. influence is diminishing. As discussed earlier, there are limitations to using all UNGA votes, including that the votes are nonbinding and therefore may not be a costly signal of a country's preferences and allegiances. Additionally, as with country specific human rights votes, increasingly less favorable views toward China may undermine voting affinity

with China. Nonetheless, these dynamics suggest that trade-inspired realignment towards China may affect both narrower, issue-specific considerations—such as human rights—but also broader questions of international influence.²¹

Conclusion

Despite China being the most rapidly growing economy in the world, there has been little systematic study of whether foreign policy consequences are likely to follow from its growing trade ties. Our finding that China and its trade partners are likely to converge on foreign policy the more they trade speaks to this important question and has important implications for both theory and policy.

First, it helps mediate unresolved theoretical debates about the connection between commercial relations and foreign policy. Early research focused on cases in which the dominant economic power was also hegemonic and proximate in military power, making it difficult to isolate the independent effects of trade. Later work focusing explicitly on China has been based on trade relationships with few countries, often within Asia, or on static measures of influence, leading to conflicting findings that do little to resolve the debate on whether foreign policy consequences result from trade. By using data on the growth of China's trade ties over time, in regions outside China's sphere of influence, and with measures of important

²¹The results in Appendix E.2 suggest that, contrary to our findings for the effect of trade on voting affinity, national capability may allow states to vote strategically, with differentiated behavior for human rights and the broader set of all UNGA votes.

foreign policy votes, we find supportive evidence that Hirschman's conclusion does travel outside its original European context.

Second, these results are relevant to contemporary policy debates about the consequences of China's economic rise (Bergsten 2008; Drezner 2009; Ikenberry 2008; Keller and Rawski 2007). That there would be notable economic consequences—both within China and abroad—of this rise is logical given China's annual rate of growth. Whether there are foreign policy consequences of that rise, however, and the nature of those consequences, is less obvious. Though China has premised its economic development on the principle of noninterference in the political affairs of the partner state and touts an approach that “does not mix business with politics” (Hanson 2008), our findings suggest that in practice the two are inextricably linked. Specifically, the higher the trade volume and the more salient a country's trade relationship with China, the more likely a country's foreign policy will converge with that of China. Thus, even in the absence of a purposeful plan, foreign policy consequences follow from trade. While there is strong evidence this is the case for country-specific human rights issues that are of high salience to China, it appears that this trend may extend to a broader array of international issues as well.

Acknowledgments

We would like to thank Katherine Barbieri, Allen Carlson, Erik Gartzke, Jonathan Kirshner, Katja Kleinberg, Yotam Margalit, Andrew Mertha, Pablo Pinto, Tonya Putnam, Ely Ratner, Nicolas van de Walle, Erik Voeten, Jessica Weeks, the editors and anonymous reviewers, and seminar participants at the Columbia University International Politics Seminar for comments on earlier versions of the article.

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