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Multinational Investment, Trade and the Right to Physical Integrity: Context Matters

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Abstract: The effect of foreign capital and trade on the right to physical integrity is one of the central issues in human rights scholarship. While there continue to be claims for both a negative and a positive association, the empirical evidence remains mixed. In this paper, the argument is made that the relationship between foreign economic penetration and repression is context-dependent. Countries with high levels of human and physical capital and a sound institutional setting tend to profit from beneficial spillovers in terms of increasing economic development and social equality, which eventually decreases repression levels. In stark contrast, foreign investment and trade often gives rise to uneven development in countries with low levels of education and institutional quality. In these contexts, foreign economic penetration will bring about more repression of security rights. The main implications of the argument are tested for a panel of 114 developing countries in the period of 1984-2010. The results of the empirical analysis provide considerable support for the notion of context-dependence.

Introduction[1]

Human rights scholarship is divided over the question of the relationship between multinational investment, trade and the right to physical integrity. The optimistic view, usually attributed to the liberal school, holds that what will from now on be called foreign economic penetration[2] (FEP) encourages economic growth, and thereby decreases the repression of physical integrity rights. Meanwhile, associates of dependency school contend that foreign economic penetration leads to the exploitation of Third World countries and thereby lowers state respect for security rights.[3] Given the rapid pace at which economic globalization proceeds and the central role human rights protection occupies both in democratic theory (Beetham 2004; Locke 1970; Saward 1994) and with respect to human freedom (Sen 1999), the question of the impact of foreign capital and trade on the right to physical integrity has attracted the interest of political scientists, international lawyers, sociologists, and economists alike. However, in spite of dozens of studies, the empirical evidence remains mixed. While some researchers, both quantitative and qualitative, find that economic flows entail increases in the repression of security rights (e.g., Anderson 1999; Evans 1999; London and Williams 1988; Meyer 1998; Mitchell and McCormick 1988; Monshipouri et al. 2003; Timberlake and Williams 1984), others find evidence in support of the more optimistic liberal view (Apodaca 2001; Cingranelli and Richards 1999a; Dreher et al. 2012; Hafner-Burton 2005; Meyer 1996; Richards et al. 2001; Spar 1998, 1999), and still others provide evidence contradicting the arguments of both liberals and dependistas (Smith et al. 1999).

Thus, it seems that based on the evidence at hand, neither the liberal nor the dependency school arguments can be fully dismissed (Meyer 1998). Rather, we have to admit that the empirical world is more complex than our traditional theories suggest. This leads to the inevitable conclusion that we have to start reflecting the empirical complexity in our theories. This article draws on recent work (Letnes 2004; Spar 1999) and presents an argument that the effect of foreign capital and trade on state respect for security rights is context-dependent. My argument rests on the insight that both traditional

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[2] The term foreign economic penetration is borrowed from Richards et al. (2001).
[3] Throughout this article, the terms ‚physical integrity rights' and 'security rights' are used interchangeably.

views share one assumption: both introduce the same intervening variables within the causal chain running from foreign economic penetration to repression levels. More specifically, both schools agree that it is the degree to which multinational investment and trade generate economic development and social (in-)equality which sets in motion a set of political and social processes that eventually influence national human rights policies. If we accept this basic presumption, we should come to a better understanding of the economic globalization-repression nexus providing we inquire about the factors that condition the effect of foreign economic penetration on development and equality.

In line with this logic, it is argued that the ability of a country to absorb potential beneficial spillovers is an important mediator of the foreign economic penetration-repression nexus. This ability depends foremost on the levels of human capital and institutional quality: on the one hand, in countries with high levels of human capital and sound institutions, foreign capital and trade tend to bring about beneficial linkages to the local economy as well as technological and organizational upgrading – and thereby contribute to economic development and social equality. We should thus in turn expect foreign economic penetration to bring about a mitigation of political conflict, a strengthening of governmental capacity and eventually a decline in repression levels in countries above a certain threshold of absorptive capacity. On the other hand, mainly due to the lack of potential for linkages to the domestic economy and the inability of local business to compete, foreign economic penetration is likely to raise overall unemployment levels in contexts with a badly educated workforce and low institutional quality. Meanwhile, a small domestic elite is likely to profit substantially by way of increasing tax revenue and corruption. In a low absorptive capacity environment, we can therefore expect the growing number of poor to insurrect against the increasingly uneven distribution of income and the elite to employ more repression in order to avoid redistribution.

The main implications of the argument are tested along with the traditional views, using a global sample of a maximum of 114 developing countries over 27 years (1984-2010). In contrast to most previous studies, a composite measure of foreign economic penetration is employed instead of single indicators, which enables an assessment of its overall effect. Specifically, data on foreign direct investment (FDI) and exports is combined in order to capture the various ways foreign economic actors can penetrate the economies of developing countries. Moreover, it is made use of three different

proxies for absorptive capacity: economic wealth, literacy rate and executive constraints. The results of the empirical analysis provide considerable support for the notion of context-dependence while weakening the arguments of both liberals and dependistas.

The remainder of the article is organized as follows. First, the two traditional accounts are summarized. Then, the absorptive capacity argument is outlined. The third section discusses the research design. Section four presents the results of the empirical analysis, and the last section concludes.

The Two Traditional Accounts

Having its roots in neoliberal as well as in modernization theory, the liberal school sees multinational investment and trade as an 'engine of development' that will ultimately lead to better physical integrity rights records. Specifically, international flows of capital and goods are argued to promote economic growth by bringing in know-how and technology, by increasing the efficiency of domestic markets and by the creation of new jobs (Gilpin 1987; Meyer 1996; Richards et al. 2001). Flows of capital and goods are therefore expected to enable a bigger part of the population to meet its basic needs, such as food, shelter, and health care (McCorquodale and Fairbrother 1999). It is argued, moreover, that the rise in national income leads to a broadened tax base, which will enable the political elite to improve social services, such as schools and hospitals (Calloway and Harrelson-Stephens 2004). Economic development, in other words, is held to widen the policy options of the domestic political elite, resulting "in a trickle-down effect wherein socio-economic benefits accrue from an expanding economy" (Richards et al. 2001: 220).

Liberals argue that these socio-economic improvements will favor the emergence or the enlargement of a middle class – to which they assign an integral role not only with respect to democratization and the functioning of a stable democracy, but also with respect to governmental human rights records. On the one hand, it is held that the financially more secure and better educated middle class members, in stark contrast to the poor, tend to punish extremist groups and reward moderate ones (Lipset 1959). The rise of the middle class is thus expected to mitigate political conflict and to discourage political violence – which should in turn lower the need for repression. On the other

hand, the economically secure middle class is often held to strive for more popular participation and to challenge authoritarian regimes (Lerner 1964). With the rise of the middle class, the demand for fundamental human rights will thus increase, making repression an unattractive strategy for the political elite striving to stay in power.

In stark contrast to liberal thought, the Marxist-inspired dependency school predicts foreign economic penetration to increase the level of repression of the rights to physical integrity. At the heart of this negative view of economic globalization lies the division of the world economy in a two-tier structure consisting of a dominant core that exploits the less-developed periphery (Galtung 1971; Hymer 1979; Wallerstein 1979). Dependency scholars argue that the penetration of the markets of the periphery tends to undermine national development, an assumption for which they give at least two reasons. First, local producers are often unable to compete with the incoming multinational corporations (MNCs) and are hence driven out of business (Apodaca 2001; Moran 1998). Meanwhile, the resulting job loss will in most cases not be absorbed by the job opportunities provided by MNCs because they mainly employ capital-intensive production techniques. With the demise of local business, unemployment rates are expected to rise (Gilpin 1987). And second, the few job opportunities MNCs offer in peripheral countries tend to be low-paid manufacturing or mining jobs, whereas the specialized and well-paid managerial positions tend to be concentrated in the core's centers. In the words of Stephen Hymer (1979: 396), the global capitalist system leads to "a division of labor based on nationality", which further contributes to the exploitation and impoverishment of the masses in the periphery.

At the same time, it is argued that the small peripheral elite often benefits from the increasing economic flows into their country because MNCs use parts of their profits to co-opt the local elite (Timberlake and Williams 1984). As it tends to personally profit from the exploitation of the masses, the peripheral elite often has a natural interest in upholding a political climate conducive to foreign investors (Richards et al. 2001). In combination, then, the impoverishment of the peripheral masses and the enrichment of the local elite are expected to raise repression levels: at some point, the poor will revolt against global capitalism and the vast inequalities it generates both at the global and the domestic level. Confronted with riots and potential rebellions, the domestic elite will frequently

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choose to suppress the masses in order to uphold the political system from which it personally profits (Hymer 1979; Meyer 1996). The uneven development caused by global capitalism, in other words, creates incentives for the periphery's elite to control the poor by the use of repression.

Towards a more Differentiated Picture

As outlined in the introduction, the empirical evidence concerning the effect of foreign economic penetration on the repression of security rights remains ambiguous. So far, these differing findings have been attributed mainly to methodological and technical reasons. Hafner-Burton (2005), for instance, shows in a recent paper that the usage of different measures of economic globalization leads to rather different conclusions. Serious concerns, moreover, have been raised with regard to current human rights statistics (Hafner-Burton and Ron 2009). And there is of course the usual concern about sample bias in the case study literature (cf. King et al. 1994), which tends to concentrate on cases where the presence of MNCs led to severe human rights violations. However, we are in no position to reject any of the two views outright based on the evidence at hand. The continuing dissent cannot be dismissed solely by pointing to technical issues. Rather, we must admit that both the dependency and the liberal perspective have been weakened to at least some extent (Meyer 1998). Since neither of the traditional accounts can *by itself* explain the economic globalization-repression nexus, we have to adjust our theories so that they are better apt to capture the complexity of the empirical world. In the remainder of this section, the argument will be presented that the relation between foreign economic penetration and the right to physical integrity is context-specific.

The Argument

Though leading to contradictory expectations, the liberal and the dependency views share two crucial similarities. First, both introduce the same intervening variables within the causal chain running from foreign economic penetration to the repression of security rights: economic development and social inequality (Letnes 2004). Liberals, on the one hand, basically argue that foreign capital and trade *promote economic growth* and empower a middle class (i.e., *decrease inequality*), leading to lower levels of violent political conflict and to more demand for human rights, and thus eventually to less repression. Dependistas, on the other hand, argue that the foreign penetration of the peripheral markets

benefits a small domestic elite only (i.e., *increases inequality*) while it causes *economic stagnation or even degeneration for the masses*, hence creating the need for the peripheral elite to repress the redistributive demands of the have-nots. Second, both liberals and adherents of dependency school suggest that foreign economic penetration has a uniform and unconditional effect on repression levels in developing countries – always positive (dependency) or always negative (liberals).

However, contrary to both traditional accounts, globalization has had rather heterogeneous effects on economic development and inequality levels across different countries (Colen et al. 2009). If we accept the basic premise of both schools that it is the degree to which economic flows affect development and inequality which sets in motion a set of political and social processes that eventually influence national human rights policies, we should be able to come to a better understanding of the globalization-repression nexus providing we inquire about the factors that condition the effect of foreign economic penetration on economic development and inequality (cf. Letnes 2004 for a similar argument). In other words, the same variables that determine whether the integration of a country into the world economy benefits long-term economic growth and reduces social inequality should be expected to determine whether foreign economic penetration promotes the protection of the right to physical integrity, and vice versa.

Context Matters

Aiming to unveil the causes of the heterogeneous effects of globalization, the recent economics literature has singled out one factor as an especially important determinant of the effect of foreign capital and trade on economic performance: a country's ability to absorb potential spillovers in the form of technological and organizational upgrading as well as beneficial linkages to the local economy (Borensztein et al. 1998; Dunning and Lundan 2008; Letnes 2004; Li and Liu 2005; Narula and Dunning 2000; Xu 2000). This ability, it is argued, depends foremost on a country's level of created assets such as institutions, human capital and infrastructure. Two of the most important assets needed to absorb spillovers – institutional quality and human capital will now be adressed.

Human capital, in addition to being an important prerequisite for economic development by itself (Nelson and Phelps 1966), indirectly affects growth levels as well as inequality by providing the basis for the utilization of the potential benefits of economic globalization. This is, on the one hand, due to

the fact that multinationals entering a country with a sufficiently skilled workforce are far more likely to link with the local economy (Nunnenkamp 2004). The chances for foreign investment to promote growth are much bigger if linkages are formed between MNCs, local suppliers, and local retailers. Domestic firms, on the other hand, need human capital to make use of the advanced technologies economic integration brings into the country (Borensztein et al. 1998). Foreign economic actors, i.e., MNCs, often possess advanced knowledge, such as technology or management structures, that allow them to produce new goods at lower cost. Hence, domestic economies can profit substantially by way of technology and knowledge spillovers, whether in the form of an upgrading of skills and technology or by an upgrading of the management system (Dunning and Lundan 2008). However, the domestic economies will profit only if sufficient human capital is available to apply this knowledge. Thus, the ability to learn is a fundamental requirement for a country to absorb beneficial spillovers (Dunning and Narula 1997).

From this, it follows logically that institutional quality is equally important for a country's absorptive capacity. It is the government which is responsible for providing universal access to education; and countries with good institutions are generally expected to invest more in public goods, such as human capital (Acemoglu et al. 2001; North 1981, Rodrik et al. 2004). There are, however, also other arguments for the importance of institutional quality with respect to a country's ability to profit from foreign investment and trade. First, the state needs to provide and maintain a good infrastructure along with a transparent and consistent institutional setting that provides effective constraints in particular on the executive, protects the rule of law, secures property rights and encourages innovation. Second, in order to sustain development and fight inequality, income levels have to be held at a reasonable level. A well-designed welfare system is necessary for ensuring that those not lucky enough to profit from globalization are adequately compensated. All of this underlines the importance of institutional quality for the absorption of the beneficial spillovers foreign investment and trade provide. Only a good and democratic institutional environment can guarantee the rule of law, adequate levels of redistribution and the provision of sufficient amounts public goods (Dunning and Lundan 2008).

In sum, a country's absorptive capacity appears a major mediator of the effect of foreign economic penetration on development and inequality. In turn, it should then be expected that a country's absorptive capacity mediates also the impact of foreign economic penetration on repression. Two rather different scenarios emerge. On the one hand, in countries above a certain threshold of absorptive capacity, multinational investment and trade tend to contribute to economic development by technological upgrading and by providing linkages to the local economy. The tax base, moreover, broadens, while the good institutions ensure that this money is efficiently used, e.g., for the provision of public goods such as education or safety nets. The combination of the increase in job opportunities and redistribution will decrease social inequality and eventually contribute to the enlargement of a middle class. Following the liberal account, this can be expected to decrease repression levels. The rising middle class will mitigate political conflict by punishing extremist groups, while those that remain poor will issue less redistributive demands because they either profit from the increase in job opportunities themselves or from the increase in welfare benefits. Either reduces the need for the political elite to repress the integrity rights of the people. Moreover, the rising number of economically more satisfied and better educated middle class members will demand more participation and protection of fundamental rights, thus making repression a more costly strategy. And finally, the increasing tax revenue will foster governmental capacity and thereby further contribute to a better enforcement of human rights standards (Howard-Hassmann 2005). In particular, civil servants and soldiers can be paid better, which gives these an incentive to stay in their offices and abide by bureaucratic rules, such as fairness and impartiality, as well as more fundamental standards, such as human rights. With higher pay, civil servants and the military are no longer reliant upon the informal sector or on taking bribes every time they fulfill a citizen's request. In addition, the increasing revenues make possible a better education of the military, the police and other civil servants in how to conform to international human rights standards.

The picture is less optimistic when absorptive capacity is low. Then, foreign investment and trade are likely to lead to uneven development. On the one hand, the economic situation of the masses is likely to worsen because the capital-intensive production techniques of incoming MNCs in combination with the lack of potential for beneficial linkages to the local economy tend to produce

higher unemployment levels. Meanwhile, MNCs are effectively forced to allocate the well-paid managerial positions in the Western centers, in particular because of the low supply of human capital. Because local producers are at the same time driven out of business, the peripheral poor are forced to accept the few low-paid jobs the MNCs provide. This gives rise to the nationality-based division of labor and to the economic degeneration of the masses emphasized by Hymer (1979). On the other hand, alliances between the domestic elite and MNCs can be expected below a certain threshold of absorptive capacity. Both have strong incentives to maintain the status quo: the MNCs are able to acquire immensely cheap products which they can sell elsewhere, whereas the local elite profits from the multinationals' taxes and/or bribes. This configuration is very likely a vicious circle: because of the impoverishment of the masses, the domestic elite becomes increasingly economically detached from its own citizenry and dependent on the foreign economic actors. Following the logic of the rentier state (Ross 1999, 2001), the elite then has no longer to invest in costly public goods, such as education, in order to ensure compliance by its citizens but can rather use a patronage system to maintain power – which will further aggravate the problem of low absorptive capacity. Following the arguments provided by dependency school, the combination of low absorptive capacity and foreign economic penetration is likely to increase repression levels. The elite, willing to maintain a climate that is conducive to foreign investment and trade, will answer the inevitable insurrection of the poor against the uneven distribution of income by suppression.

Implications

The argument that a country's absorptive capacity conditions the effect of foreign economic penetration on the right to physical integrity leads to the following two testable implications:

1) *When absorptive capacity is high, an increase in foreign economic penetration tends to decrease the level of repression of the right to physical integrity.*

2) *When absorptive capacity is low, an increase in foreign economic penetration tends to lead to higher levels of repression of the right to physical integrity.*

Research Design

Data and Measures

Repression of the Right to Physical Integrity. The dependent variable in this investigation is the level of repression of the right to physical integrity, which is measured by the CIRI Physical Integrity Rights Index (Cingranelli and Richards 2011). Note that the CIRI index assesses government respect for the right to physical integrity, i.e., the inverse of repression levels. Thus, a positive coefficient sign will indicate less repression, and vice versa. Cingranelli and Richards (1999b: 407) define the right to physical integrity as "the entitlements individuals have in international law to be free from arbitrary physical harm and coercion by their government". According to them, the right to physical integrity encompasses in particular the right not to be subjected to torture, political imprisonment, extrajudicial killing, and disappearance. The CIRI index assesses government respect for all four of these rights, employing content analysis of the Amnesty International (AI) annual reports and the U.S. State Department Country Reports on Human Rights Practices. The AI assessment is treated as authoritative if the two differ in order to remove potential biases in favor of U.S. allies (Cingranelli and Richards 2010).[4] Respect for all four types of rights is coded on an ordinal scale ranging from 0 to 2, whereby 0 represents "practiced frequently", 1 "practiced occasionally", and 2 "have not occurred". Coding is based on reported numbers where they are available. Specifically, a country receives a score of 2 if there are no violations, a score of 1 if there are 1 to 49 violations, and a score of 0 if there are 50 or more violations (Cingranelli and Richards 1999b). However, in practice, these numeric thresholds are seldom used to produce scores because the reports rarely provide such detailed information. Instead, most scores are based on qualitative descriptions. For instance, violations of a particular right that are described as 'widespread' or 'systematic' are coded as 0 (Cingranelli and Richards 2010). The CIRI Physical Integrity Rights Index represents the added scores of all four types of physical integrity rights; accordingly, it ranges from 0 (no respect for all four rights) to 8 (full respect for all four rights).

    Foreign Economic Penetration. Most previous studies of the foreign economic penetration-repression nexus employed single indicators as measures of economic globalization, such as net

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[4] However, Poe et al. (2001) show that there is significant and increasing agreement between the AI and the State Department reports.

inflows of foreign direct investment (FDI). However, the usage of single indicators is problematic when one wants to assess the overall effect. Single indicators of economic globalization capture different processes or different actors (Hafner-Burton 2005), which can lead to omitted variable bias (Dreher et al. 2012). Thus, a more comprehensive approach is necessary for an investigation into the overall effect of foreign economic penetration.

Two different solutions are proposed in the literature. Richards et al. (2001), on the one hand, throw several measures of multinational economic flows into the same regression model. This strategy, however, is problematic because the different indicators are often correlated and will thus cause multicollinearity. Trade and FDI, two of the most important aspects of economic integration, are generally considered complementary in some cases and substitutes in others (Henisz 2000). For instance, MNCs may choose to invest in countries where property rights are adequately protected, whereas they may opt to substitute at least part of the investment by trade in countries where their economic activity faces serious risks. We are thus left with the second strategy: using a composite measure. So far, to the best of my knowledge, only one index has been applied in quantitative human rights scholarship (Dreher et al. 2012): the KOF Index of Economic Globalization (Dreher 2006; Dreher et al. 2008). But the usage of the KOF index in the context of human rights research appears problematic as well. First, the index rests in part on data on economic openness, including measures of import barriers, tariff rates and capital controls. However, all existing theoretical arguments suggest that it is flows of capital and goods – and not economic restrictions – that affect repression levels. Because economic openness does not *necessarily* imply higher levels of foreign investment and trade, its inclusion into the measurement is deficient. Second, the KOF Index of Economic Globalization is highly correlated to another aspect of globalization, social globalization, which makes it impossible to discern their effects on repression levels (cf. Dreher et al. 2012). And third, even the sub-index incorporating data on actual economic flows (foreign investment and trade) only is less than optimal for the present purpose as it combines data on inward and outward investment as well as imports and exports. Neither outward investment nor imports adequately reflect the theoretical mechanisms at work; the theoretical focus lies on inflows of capital and their consequences (technology spillovers, linkages to local economy vs. economic dependence on foreign actors) rather than on outflows.

Thus, a new composite measure of foreign economic penetration is constructed. It aims to capture the various ways foreign economic actors and in particular MNCs can penetrate the economy of a developing country. The measure includes data on FDI inward stock and flows (UNCTAD 2011) and on exports of goods and services (World Bank 2012). The method of constructing the composite score leans on the one used for the KOF index proposed in Dreher (2006) and Dreher et al. (2008). In a first

Table 1: Foreign Economic Penetration

Component	Weight	Source
FDI Inward Stock / GDP	44.2%	UNCTAD (2011)
FDI Inward Flows / GDP	30.4%	UNCTAD (2011)
Exports / GDP	25.4%	World Bank (2012)

step, the data is weighted by Gross Domestic Product (GDP), using data from the UNCTAD. In the second step, all three individual variables are transformed in a way that they approach normal distribution (using a Box-Cox power transformation) and are then rescaled to a scale of .1 to 10. In the subsequent third step, the individual variables are weighted (cf. table 1) and added up to the measure of foreign economic penetration. The weights are determined by principal factor analysis. In the last step, the measure of foreign economic penetration is rescaled to a scale of .1 to 10.

Absorptive Capacity. A country's ability to absorb potential positive spillovers of foreign capital and trade is a rather complex, multidimensional concept encompassing in particular human capital, infrastructure and institutional quality. To my knowledge, there is no measure available that factors in all relevant aspects. A threefold strategy is thus adopted. First, economic wealth is employed as a proxy for a country's absorptive capacity *in toto*. Economic wealth seems a good surrogate because it captures all components of absorptive capacity at the same time. At least on average, economically more developed countries tend to have higher levels of human capital and infrastructure as well as to be more democratic and less corrupt, i.e., they tend to have better institutional quality. Economic wealth is operationalized by logged GDP per capita based on purchasing power parity (PPP) in constant 2005 international dollars. The data is culled from the Penn World Tables (Heston et al. 2011).

Second, literacy rates are used to proxy for one of the most important components of absorptive capacity, human capital. The data is retrieved from the World Development Indicators (World Bank 2012). The average values of each decade are used because literacy rates are only seldom measured on an annual basis and in order to address measurement error. Third, the executive constraints measure from the Polity IV data set (Marshall and Jaggers 2010) is employed in order to proxy for another vital part of absorptive capacity: institutional quality. Arguably, the extent of institutionalized constraints on the decision-making of state executives is a vital component of the quality of institutions.

Controls

An evaluation of the effect of foreign economic penetration on repression levels requires a reasonable baseline model of state terror. In particular, we have to control for those factors that are believed to be associated with both economic flows and repression levels. Conflict levels constitute such a factor. Governments involved in domestic or external conflicts tend to exert strong control over their citizens in order to maintain power and are often willing to use force to defend their authority (Poe and Tate 1994). On the other hand, political instability might scare off potential foreign investors, thus lowering the amount of foreign capital a country receives. Conflict levels are controlled for using data on civil and international armed conflict (Gleditsch et al. 2002; Themnér and Wallensteen 2011).

A second factor often held to affect both repression and economic flows is economic standing. High-income countries as well as those having high growth rates tend to attract more investment (Asiedu 2002) and to produce more goods that can be exported. Moreover, citizens in wealthier countries are also often argued to present little threat to the political elite, thus lowering the need for repression. Meanwhile, some argue that rapid short-term economic growth can also increase social inequalities and hence be a destabilizing force that will tempt regimes to repress (Henderson 1991; Mitchell and McCormick 1988; Pritchard 1989; Poe and Tate 1994; Poe et al. 1999). Annual GDP growth rates are employed along with logged GDP per capita (PPP) to control for economic standing (World Bank 2012; Heston et al. 2011). Note that GDP per capita serves a double function where economic wealth is used as proxy for absorptive capacity: control and mediator of the effect of foreign economic penetration on respect for human rights.

Another possible confounder, often neglected in previous research, is the level of social interconnectedness. The integration of societies via, for example, global communication media or the internet is argued to increase government respect for human rights as it puts international pressure on governments to comply with human rights standards (Rosenau 2003). Non-governmental organizations (NGOs), for instance, use global human rights standards in order to pressure national governments to improve their human rights protection (Hafner-Burton and Tsutsui 2005; Keck and Sikkink 1998; Risse et al. 1999). Therefore, governments in countries with tight links to the international society have to address human rights issues in order to avoid bad publicity. However, at the same time, a country's degree of social interconnectedness is obviously correlated to other aspects of globalization, such as international economic flows. Omitting the social aspect of globalization may thus cause the foreign economic penetration variable to take up some of its effects. It is made use of the KOF Index of Social Globalization (Dreher 2006; Dreher et al. 2008) to control for the level of social interconnectedness.

In addition, it is controlled for a set of variables that have been repeatedly shown to influence repression levels both statistically and substantively significant: demographic factors, democracy, regime type, cultural influences, resource dependence, and past practice (cf., e.g., Mitchell and McCormick 1988; Poe and Tate 1994; Poe et al. 1999). Compare the appendix for detailed operationalizations, data sources and descriptive statistics.

Models and Methods

The basic aim of this article is an investigation of the conditional effect of foreign economic penetration on repression levels. Time-series cross-section (TSCS) models are useful for this purpose because they allow for a simultaneous test of cross-sectional and longitudinal effects. It is made use of a global sample of a maximum of 114 developing countries[5] that covers a time frame of 27 years

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[5] The definition of a developing country follows the World Bank. In particular, the sample covers: Albania, Algeria, Angola, Argentina, Armenia, Azerbaijan, Bangladesh, Belarus, Benin, Bhutan, Bolivia, Botswana, Brazil, Bulgaria, Burkina Faso, Burundi, Cambodia, Cameroon, Cape Verde, Central African Republic, Chad, Chile, China, Colombia, Comoros, Congo (DRC), Congo (Rep.), Costa Rica, Cuba, Djibouti, Dominican Republic, Ecuador, Egypt, El Salvador, Eritrea, Ethiopia, Fiji, Gabon, Gambia, Georgia, Ghana, Guatemala, Guinea, Guinea-Bissau, Guyana, Haiti, Honduras, India, Indonesia, Iran, Ivory Coast, Jamaica, Jordan, Kazakhstan, Kenya, Kyrgyzstan, Laos, Latvia, Lebanon, Lesotho, Liberia, Libya, Lithuania, Macedonia, Madagascar, Malawi, Malaysia, Mali, Mauritania, Mauritius, Mexico, Moldova, Mongolia, Morocco, Mozambique, Namibia, Nepal, Nicaragua, Niger, Nigeria, Pakistan, Panama, Papua New Guinea, Paraguay,

(1984-2010). The focus on developing countries is warranted because these are the critical test cases: both the sorrows and hopes as regards the foreign economic penetration-repression nexus lie on the developing world. The unit of analysis is country-year.

TSCS analysis is complicated by the fact that standard ordinary least squares (OLS)-specifications are inadequate due to the usual presence of non-spherical errors and unobserved between-unit heterogeneity (Beck 2001; Hsiao 2003). Most existing studies of the foreign economic penetration-repression nexus try to overcome these problems by using some variant of the well-known Beck and Katz approach (Beck and Katz 1995). That is, they pool all observations, employ OLS or some variant, and try to counter autocorrelation, spatial correlation and panel heteroskedasticity by the introduction of a lagged dependent variable (LDV) and the calculation of Huber/White or panel-corrected (PCSEs) standard errors (e.g., Apodaca 2001; Dreher et al. 2012; Meyer 1996; Richards et al. 2001). Yet, complete pooling approaches can be a dangerous strategy because they address only one problem of TSCS analysis, i.e., the issue of non-spherical errors, and leave unaddressed the second fundamental problem: unobserved unit heterogeneity (Green et al. 2001; Wilson and Butler 2007). More specifically, the pooling of all observations constrains the unobserved unit heterogeneity to zero and thereby implies that all countries are completely homogeneous. This is a rather strict assumption which, if not satisfied, can lead to biased parameter estimates.[6]

Instead of a complete pooling approach, random intercept models will be employed. Random intercept – or, more generally, multilevel – models account for unit heterogeneity by the decomposition of the error term into a level-1 (time) and a level-2 (country) component.[7] The former varies from observation to observation in a way similar to an OLS residual, whereas the level-2 error component remains constant across units and thus represents unmeasured differences between the units (Rabe-Hesketh and Skrondal 2008; Raudenbush and Bryk 2002; Snijders and Bosker 1999).

Peru, Philippines, Romania, Russia, Rwanda, Senegal, Serbia, Sierra Leone, Solomon Islands, South Africa, Sri Lanka, Sudan, Swaziland, Syria, Tajikistan, Tanzania, Thailand, Togo, Tunisia, Turkey, Turkmenistan, Uganda, Ukraine, Uruguay, Uzbekistan, Venezuela, Vietnam, Yemen, Zambia, and Zimbabwe.

[6] In fact, likelihood-ratio tests suggest that there is significant unobserved heterogeneity at the country level in every model in the empirical analysis.

[7] Both the level-1 and the level-2 errors are assumed to be a random draw from a normal distribution. Note that I do not employ an explicit correction for the standard errors. This seems justified because threats to their accuracy are minimal in multilevel models due to the accounting for cluster-level heterogeneity.

Moreover, when compared to the other prominent approach for modeling unit heterogeneity, i.e., country fixed effects (FE), an additional attribute of multilevel models make them an attractive choice: their ability to deliver optimal estimates of the effects of contextual variables (Beck and Katz 2001; Hox 2011; Shor et al. 2007). Conversely, the coefficients in FE models will be inefficient in many cases because the lion's share of the variation of contextual variables is cross-sectional rather than longitudinal. This attribute of multilevel models is particularly important for the present purpose because we are interested in the question whether the effect of foreign economic penetration on repression levels is moderated by absorptive capacity, an inherently sluggish concept.

Regarding the specification of the model, note that all independent variables are lagged by three years. While most existing studies employ shorter lags (or do not lag at all), the three-year lag aims at better reflecting the theoretical argument that a series of social and political processes are in-between foreign economic penetration and its effect on repression. What is more, the lagging addresses – to at least some extent – possible endogeneity concerns (cf. Meyer 1998). Furthermore, and as is standard in the human rights literature, a lagged dependent variable is included. Neglecting past practice may well lead to biased estimates because government bureaucracies tend to make incremental decisions, whereby past decisions are often used as a baseline for present decisions (Wildavsky 1984; Poe et al. 1999). Thus, continuity in levels of repression should be expected. At the same time, the introduction of a lagged dependent serves the purpose of modeling autocorrelation (Keele and Kelly 2006). Lastly, a control for time trends in the data is included. There is some evidence that the increasing availability of human rights information over time has generally led to longer human rights reports. This is problematic because longer reports tend to be rated worse (Poe et al. 2001). Three-year dummies are entered in order to capture such potential time trends in the data. In addition, the three-year dummies take care of unobserved common exogenous shocks, such as the end of the Cold War or 9/11. This leads to the following base model (in matrix notation):

$$Y_{tj} = \beta_0 + \beta_1 X_{1t-3j} + \beta_3 X_{2t-3j} + \beta_3 X_{1t-3j} * X_{2t-3j} + \beta_4 Z_{1t-3j} + \beta_4 Z_{2j} + \beta_5 Y_{t-3j} + w_t + u_j + e_{tj}$$

where the subscripts t and j denote the year of observation and the country, Y is the observed level of repression, X_1 the level of foreign economic penetration, X_2 the level of absorptive capacity, Z_1 and Z_2

a vector of all level-1 and level-2 control variables, respectively, β_0 the fixed intercept, $\beta_1 - \beta_n$ the fixed regression coefficients, w_t the time fixed effects, u_j the level-2 error term or random intercept, and e_{tj} the level-1 error term. Note the interaction term that aims to capture the potential conditioning effect of absorptive capacity. All models are estimated by maximum likelihood.

Results

As explained earlier, the main implications of the argument are tested using three different measures of absorptive capacity. Table 2.a and 2.b give the results. Let me focus first on models 1 and 2, where economic wealth is used as proxy for absorptive capacity. The former model provides a test of the arguments of the liberal and the dependency school arguments that foreign economic penetration has an unconditional positive or negative effect on state respect for the right to physical integrity. We can see that the level of foreign economic penetration has no direct, unconditional effect on repression levels. While the sign is negative, the level of statistical significance is far off from conventional levels. This contradicts both traditional accounts. Consider now model 2, which includes an interaction between foreign economic penetration and absorptive capacity as measured by economic wealth. Note first the results of a likelihood ratio test of model 2 versus model 1, which indicates that the introduction of the interaction term improves model fit on the 1%-level of significance. A comparison of the information criteria leads to the same conclusion[8]; and so does the fact that the estimated standard deviations of the random effects are smaller in model 2. This indicates that the amount of unexplained variance at both level-1 (longitudinal) and level-2 (cross-sectional) decreases with the introduction of the interaction term.

However, an improvement of model fit says nothing about the substantial effect. Because the inclusion of an interaction term renders impossible a direct interpretation of coefficient estimates, the marginal effect of foreign economic penetration is graphically illustrated (cf. Brambor et al. 2006). Figure 1 shows its marginal effect over logged GDP per capita (PPP). We can see that the effect of foreign economic penetration does indeed depend on economic wealth: while the marginal effect is negative in low income countries, it is positive in high income countries. However, the logarithmized

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[8] Information criteria such as the AIC and the BIC allow for comparing the appropriateness of different models fit on the same data by combining fit and complexity. The model with smaller values for the information criterion is considered to be better (Hamaker et al. 2011).

Table 2.a: Random Intercept Models of CIRI Physical Integrity Rights Index, 1984-2010

	Model 1 Econ. Wealth		Model 2 Econ. Wealth		Model 3 Literacy		Model 4 Literacy	
Variables	β	S.E.	β	S.E.	β	S.E.	β	S.E.
Foreign Economic Penetration	-.016	.026	-.677***	.167	-.021	.032	-.331***	.08
Economic Wealth (log)	.028	.079	-.344***	.121	.087	.099	.091	.098
Foreign Economic Penetration X Economic Wealth (log)			.086***	.022				
Literacy					-.002	.004	-.019***	.006
Foreign Economic Penetration X Literacy							.004***	.001
Social Globalization	.009	.005	.003	.006	.008	.006	.004	.006
Democracy (Polity IV)	.034***	.008	.036***	.008	.031***	.009	.033***	.009
Population Size (log)	-.474***	.039	-.476***	.038	-.507***	.048	-.51***	.048
Population Growth	.067**	.033	.066**	.033	.063	.039	.091**	.04
Economic Growth	-.007	.005	-.008*	.005	-.014**	.006	-.016***	.006
Civil War (Low Intensity)	-.44***	.097	-.464***	.097	-.26**	.107	-.285***	.107
Civil War (High Intensity)	-1.079***	.138	-1.137***	.138	-.887***	.161	-.935***	.16
International War	.015	.182	.007	.181	.048	.191	.068	.19
Military Regime	-.151	.101	-.172*	.1	-.281**	.131	-.245*	.13
Communist Regime	.442*	.256	.558**	.254	.579	.356	.583*	.354
Fuels Exporter	-.34	.213	-.302	.209	-.386	.274	-.349	.273
British Colony	-.034	.15	.002	.148	-.107	.183	.002	.184
French Colony	.085	.161	.122	.159	.177	.208	.316	.209
Iberian Colony	-.139	.16	-.113	.157	-.064	.186	.011	.186
Past Practice (Y_{t-3})	.31***	.019	.305***	.019	.292***	.023	.285***	.023
Intercept	7.174***	.668	10.146***	.996	7.325***	.832	8.481***	.873
Random Effects	*Std. Dev.*	*S.E.*	*Std. Dev.*	*S.E.*	*Std. Dev.*	*S.E.*	*Std. Dev.*	*S.E.*
Level-1 (Time)	1.25***	.048	1.248***	.018	1.162***	.021	1.156***	.021
Level-2 (Country)	.483***	.018	.47***	.047	.558***	.058	.556***	.058
Model Properties								
N (Level-1)	2510		2510		1682		1682	
N (Level-2)	114		114		107		107	
Deviance	8406.924		8390.968		5434.944		5417.366	
AIC	8462.924		8448.968		5492.944		5477.366	
BIC	8626.11		8617.981		5650.349		5640.198	
LR Test vs. Additive Model (chi2)			15.96***				17.58***	

Note: the βs are unstandardized coefficients; * p < .10, ** p < .05, *** p < .01 (two-tailed test); all independent variables are lagged by 3 years; all models contain 3-year time dummies (not reported) and are estimated by maximum likelihood.

Table 2.b: *Random Intercept Models of CIRI Physical Integrity Rights Index, 1984-2010*

Variables	Model 5 Ex. Constraints β	S.E.	Model 6 Ex. Constraints β	S.E.
Foreign Economic Penetration	-.005	.027	-.118***	.042
Executive Constraints	.08***	.027	-.078	.052
Foreign Economic Penetration X Executive Constraints			.033***	.009
Economic Wealth (log)	-.005	.081	.009	.08
Social Globalization	.011*	.005	.008	.005
Democracy (ACLP)	.193	.118	.217*	.118
Population Size (log)	-.47***	.039	-.457***	.039
Population Growth	.079**	.033	.079**	.033
Economic Growth	-.007	.005	-.008	.005
Civil War (Low Intensity)	-.431***	.099	-.439***	.098
Civil War (High Intensity)	-1.046***	.141	-1.067***	.141
International War	.01	.182	.005	.182
Military Regime	-.086	.106	-.111	.106
Communist Regime	.423*	.253	.396	.251
Fuels Exporter	-.273	.213	-.235	.211
British Colony	-.06	.151	-.041	.15
French Colony	.068	.162	.103	.161
Iberian Colony	-.125	.159	-.142	.158
Past Practice (Y_{t-3})	.309***	.02	.305***	.02
Intercept	6.904***	.668	7.286***	.673
Random Effects	*Std. Dev.*	*S.E.*	*Std. Dev.*	*S.E.*
Level-1 (Time)	1.247***	.018	1.244***	.018
Level-2 (Country)	.5***	.048	.474***	.048
Model Properties				
N (Level-1)	2449		2449	
N (Level-2)	114		114	
Deviance	8188.619		8176.219	
AIC	8246.619		8236.22	
BIC	8414.918		8410.323	
LR Test vs. Additive Model (chi2)			12.4***	

*Note: the βs are unstandardized coefficients; * p < .10, ** p < .05, *** p < .01 (two-tailed test); all independent variables are lagged by 3 years; all models contain 3-year time dummies (not reported) and are estimated by maximum likelihood.*

Figure 1:   Marginal Effect of FEP over Economic Wealth

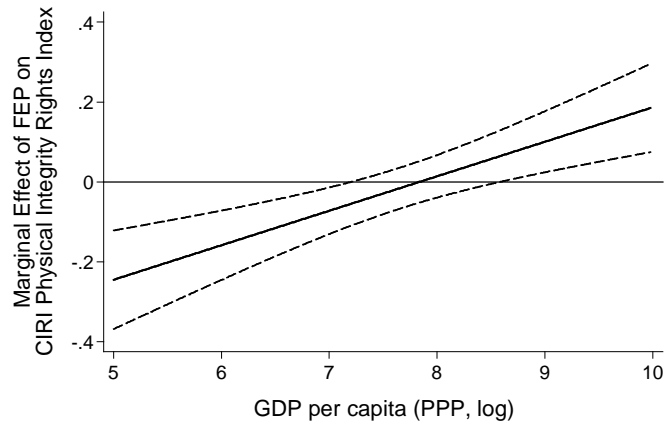*Figure 3:   Marginal Effect of FEP over Literacy Rate*
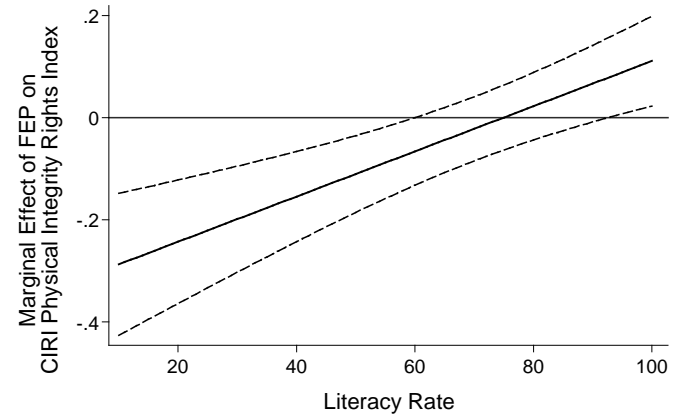

Figure 2:   Marginal Effect of FEP over Economic Wealth
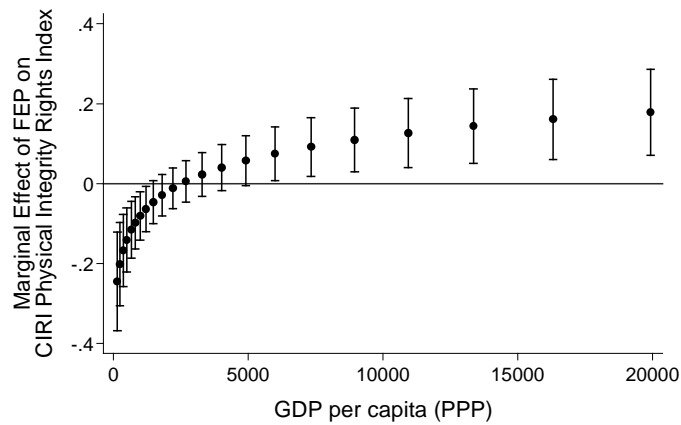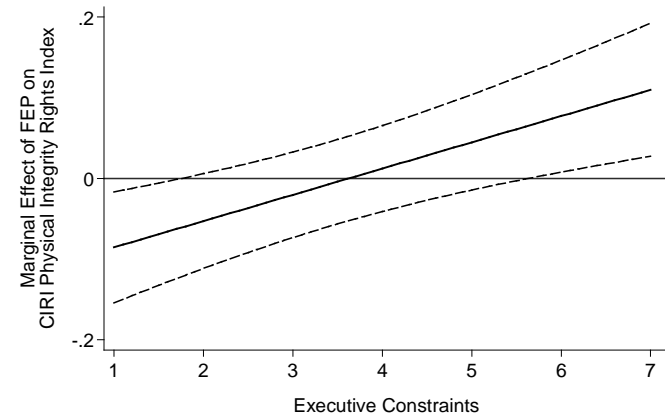

Figure 4: Marginal Effect of FEP over Executive Constraints

Note: in figure 1, 3, and 4, the solid lines give the marginal effect and the dashed lines give the 95% confidence interval. In figure 2, the dots give the marginal effect and the bars the 95%-confidence interval.

scale is rather unintuitive. See thus figure 2, which presents the same graph, except that the logged GDP per capita is re-transformed. It becomes visible that foreign economic penetration has a statistically significant (5%-level) negative effect on state respect for the right to physical integrity if per capita income is below roughly 1,350 international dollars. Meanwhile, it has a significant positive effect if per capita income is higher than about 5,400 international dollars. The number of observations falling into these regions of significance is quite considerable. GDP per capita is below 1,350 international dollars in about 830 of our total of 2,510 country-years (i.e., 33% of the sample) and above these 5,400 international dollars in roughly 640 (i.e., 25% of the sample). Importantly, the conditional effect is substantially significant as well. Consider the following two examples falling roughly in the middle of the regions of significance. Model 2 predicts that a one-unit increase in the level of foreign economic penetration decreases government respect for the right to physical integrity by about .1 in a country with a per capita income of 800 international dollars while increasing government respect by about the same amount in a country with a per capita income of 7,500 international dollars. The size of these effects equals roughly the effect of a three-unit change on the 21-point Polity IV-scale. In sum, we find considerable support for the notion of context-dependence.

Let us now see the results for the two other measures of absorptive capacity.[9] Models 3 and 4 show the results for literacy rate, whereas models 5 and 6 give the estimates for the executive constraints measure.[10] All in all, the results lend further support to the absorptive capacity thesis. On the one hand, foreign economic penetration continues to have no statistically significant unconditional effect (cf. models 3 and 5). On the other hand, both the literacy rate and executive constraints seem to mediate the effect of multinational investment and trade on the right to physical integrity in the way the absorptive capacity thesis suggests (cf. models 4 and 6). Again, model fit increases significantly when the interaction terms are included, as suggested by likelihood ratio tests; and again, the models including the interaction term leave less variance (both level-1 and level-2) unexplained. Figures 3 and

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[9] Note that proxying for absorptive capacity by a measure other than GDP per capita allows for a separate control of economic wealth.

[10] In models 5 and 6, the democratic regime dummy presented in Alvarez et al. (1996) is used instead of the combined Polity IV score as measure of democracy because the measure of executive constraints employed in these models is part of the Polity IV scale. The democratic regime dummy seems an adequate surrogate because it is essentially a measure of vertical accountability, as opposed to the executive constraints scale, which is a measure of horizontal accountability. Thus, the democracy dummy is unlikely to cause multicollinearity.

4 illustrate the marginal effect over literacy rate and executive constraints, respectively. In line with the findings for GDP per capita, the figures indicate that foreign economic penetration has a negative effect on government respect for the right to physical integrity when the literacy rate and the constraints on the executive are low and a positive effect when the literacy rate or the executive constraints are high. Meanwhile, both the size of the effects and the regions of significance are comparable to the analysis with economic wealth.[11]

Importantly, most of the estimated parameters for the control variables are in accord with previous studies. The level of democracy as well as past practice seem strong predictors of government respect for the right to physical integrity, while civil conflict and population size are both associated with higher levels of repression. Meanwhile, in line with some of past research, external conflict seems not a robust predictor of the repression of physical integrity rights (Richards et al. 2001). When we turn to regime type, we can see that countries with an experience of a military regime tend to fare worse with regards to human rights standards, whereas, somewhat unexpected, communist regimes tend to have better records. However, Poe et al. (1999) presented a similar finding.

Deviating from previous empirical work, the level of social integration, cultural influences (i.e., colonial experience) and natural resource abundance have no consistent statistically significant effect. Especially the latter finding should not come as too big a surprise in light of the ongoing debates both on the adequate measurement and the effects of resource abundance (e.g., Brückner 2010; Brunnschweiler and Bulte 2008; Collier and Hoeffler 2009; Isham et al. 2005; Herb 2005; Ross 1999, 2001; Sachs and Warner 1999). Moreover, population growth has a rather robust positive effect on state respect for the right to physical integrity, calling for further research on the question of the relation between demography and human rights. Perhaps even more surprising, economic development has no statistically significant effect on state respect for the right to physical integrity. This finding stands in contrast to almost all previous empirical research on the determinants of

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[11] Model 4 predicts a statistically significant (95%) negative effect of foreign economic penetration so long as the literacy rate is below 60% and a significant (95%) positive effect if the literacy rate is 93% or higher, representing about 31% and 21% of the sample, respectively. Model 6 predicts a statistically significant (95%) negative effect if the 7-point executive constraints scale takes on the lowest value, i.e., 1, and a significant (95%) positive effect in case of the two highest values, i.e., 6 and 7. However, the marginal effect at the second-lowest value of the constraints measures misses the 95%-level just barely and is significant at the 90%-level. About 12% (25%) and 32% of the sample fall within these regions of significance.

repression (Davenport 2007; for an exception cf. Richards et al. 2001). However, unlike most previous research, this study focuses on developing countries, operationalizes economic wealth by per capita income adjusted for purchase power parity and employs a three-year lag of all independent variables. What is more, following the general argument presented in this article, it is possible to make intuitive sense out of this result. Namely, it may well be that economic development can have both a negative and a positive effect that overall cancel each other out, depending on whether economic development benefits a large share of the population or only a small fraction. In the former case, the bulk of citizens may tend to be more satisfied, which could in turn decrease repression levels, whereas in the latter case, the increasing inequality may create unrest and stimulate opposition to the ruling elite, thus increasing the need to repress the eventual revolts. In fact, the parameter estimates for economic growth support this interpretation. While not statistically significant in every model, the sign is consistently negative. This provides an indication that short-term economic growth can indeed be a destabilizing force because it often increases social inequality.

Sensitivity Analyses

Regional Differences. Sub-Sahara African countries are heavily over-represented in the negative regions of significance, i.e., the models presented so far predict a negative effect of foreign economic penetration in a much bigger part of Sub-Sahara Africa than, e.g., of Latin America. This may raise the concern that it is not absorptive capacity that mediates the effect of foreign economic penetration, but rather Sub-Sahara Africa-specific cultural or geographic factors that are captured by the different measures of absorptive capacity. However, the results remain stable when region dummies are added to the regressions (the results can be obtained upon request). Moreover, the results are robust to dropping all Sub-Sahara African countries. The first two columns in table A3.a, A3.b, and A3.c show that foreign economic penetration continues to have no direct effect on repression when excluding Sub-Sahara African countries, as well as that absorptive capacity continues to mediate the effect in accordance to the theoretical argument, irrespective of whether it is measured by economic wealth, literacy rate or executive constraints. The fact that the estimates are not driven by regional differences reassures our confidence in the results.

Country Fixed Effects. A major complaint lodged against the random effects models employed in this paper relates to the restrictive assumption that the random intercepts are uncorrelated with the explanatory variables (Goldstein 2011). The critics contend that this assumption is unlikely to ever be satisfied, because the unobserved unit heterogeneity will almost always be correlated with the independent variables. It is therefore often held that unit fixed effects models, which do not incorporate this strict assumption, better account for unobserved unit heterogeneity (Green et al. 2001). A specification including country fixed effects simultaneously counters the possibility of cluster confounding (i.e., confounding distinct within- and between-cluster effects into a single average effect) because the estimated parameters represent purely within-cluster (longitudinal) effects (Kittel 1999; Skrondal and Rabe-Hesketh 2008; Zorn 2001). The second pairs of columns in tables A3.a, A3.b, and A3.c give the results of country fixed effects models with panel-corrected standard errors. The substantial conclusions remain, though the regions of significance of the marginal effect of foreign economic penetration in the models testing the absorptive capacity thesis become somewhat smaller. However, this is likely due to the relatively low amount of longitudinal variation of the three measures of absorptive capacity.

Actual Economic Flows. Tables A4.a and A4.b present the estimates for another measure of foreign economic penetration: the sub-index Actual Economic Flows from the KOF Index of Globalization (Dreher 2006; Dreher et al. 2008). As argued earlier, this measure may not adequately reflect the theoretical concept. Nevertheless, the confidence in the results is strengthened by the fact that the results remain stable also when using this measure of foreign economic penetration.

Political Terror Scale (PTS). The CIRI Physical Integrity Rights Index is only one out of two prominent measures of repression of the right to physical integrity. Tables A5.a and A5.b present the results when we repeat the same exercise for the other prominent measure: the Political Terror Scale (Gibney et al. 2006). Ordered probit models with standard errors clustered at the country level were estimated to do justice to the ordinal nature of the dependent variable.[12] The basic conclusions remain

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[12] Of course, both the PTS and the CIRI index are ordinal in nature. However, while the CIRI index offers a 9-point scale, the PTS has only 5 categories. The almost double amount of categories of the former allows the usage of estimators designed for continuous data (Beck 2001), whereas the much shorter scale of the PTS makes it necessary to choose an estimator that accounts for the ordinal nature of the dependent variable. Note

the same. However, the marginal effect of foreign economic penetration over executive constraints is never statistically significant. Still, absorptive capacity as measured by economic wealth and literacy rate continues to mediate the foreign economic penetration-repression nexus in the way suggested by the implications. All in all, the results for the PTS provide further support for the absorptive capacity thesis.

Additional analyses. In addition to what has been discussed so far, several other robustness tests were conducted (the results of which are available upon request). First, a 5-year lag of all independent variables was employed instead of the 3-year lag. Second, one-year time dummies were used instead of the three-year time dummies. Third, data on FDI inward stock was used as measure of foreign economic penetration. The basic conclusions remain the same.

Conclusion

In spite of numerous empirical inquiries, a consensus on the consequences of the increased flows of capital and goods for the protection of security rights has not yet evolved. Most researchers interested in this aspect of globalization nevertheless stick to the deterministic arguments of liberals and dependistas and continually re-test them. In this article, the argument was made that we should stop disputing whether liberals or dependistas are right and should instead consider the contradictory empirical evidence as complementary. Neither of the two theories seems to make robust predictions, and this clearly points to the need to adjust our theoretical arguments so that they better reflect the apparent complexity of the foreign economic penetration-repression nexus.

In line with this, a new theoretical framework that was presented that combines liberal and neo-Marxist thought by detailing the context under which each of the traditional views is likely to hold. This led to the identification of two very different scenarios. Which one of these plays out depends first and foremost on the ability of a country to absorb the potential beneficial spillovers foreign economic penetration provides. In the more optimistic case, foreign economic penetration creates jobs and thereby ameliorates the economic fate not only of those who are lucky enough to profit from the increased employment opportunities, but – because of the increase in national revenue and therefore in

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that in contrast to the CIRI index, higher values in the PTS indicate higher repression levels. A positive sign indicates thus more repression, and vice versa.

the resources available for redistributive purposes – also of those who remain (or become) unemployed. In this scenario, the ensuing economic development and social equality will contribute to lower repression levels. In stark contrast, foreign economic penetration benefits an exclusive, very small fraction of citizens only in the pessimistic case while damaging the local economy. Here, the elite will increasingly employ repression in order to uphold the political system from which it personally profits as well as to suppress the redistributive demands of the increasing share of poor.

Empirical support for the main implications of the argument was demonstrated. Using the CIRI Physical Integrity Rights Index, a composite measure of foreign economic penetration and three different proxies for absorptive capacity, strong evidence for the proposition of contextual effects was found. That is, the relationship between foreign economic penetration and the repression of the right to physical integrity seems indeed conditioned on absorptive capacity. While foreign economic penetration is associated with greater state respect for security rights in further developed societies with a sound institutional setting and high levels of human capital, it brings about more repression of security rights in less developed countries with bad institutions and education levels. Notably, this result is not driven by regional differences and robust to the inclusion of country fixed effects. It holds furthermore when alternative measures of repression and foreign economic penetration are used. Meanwhile, no unconditional, direct effect of foreign economic penetration was found in any model, which lends the notion of context-dependence further support.

These results suggest that the rapidly progressing globalization of the economies puts at stake the human freedom of those who are already vastly underprivileged while weakening the basis of democracy still further in those places where authoritarian regimes are already the rule rather than the exception. However, at the same time, the insight that contextual factors mediate the relationship between foreign economic penetration and repression could also provide the answer. Contrary to the neo-Marxist view, economic globalization seems not to threaten the rights of the masses in every developing country. Context matters. Thus, efforts at ameliorating human capital, infrastructure and institutional quality in the least developed countries could pay off not only as such, but also in terms of improved human rights records. Of course, these are no short-term solutions. But the creation of conditions enabling countries to profit from economic globalization may be the only practicable way

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to counter its negative implications. The one thing we cannot do is to stop the globalization of trade and economies (Sen 1999). But it may be possible to halt the malign dynamics associated with it in the least developed countries by designing and investing in policies directed particularly at improvements of absorptive capacity. Hence, governments have a crucial role. They have to create and sustain the assets necessary so that all can profit from economic globalization.

However, the main lesson is certainly that future research on the complex relationship between multinational investment, trade and repression should not blindly assume uniform effects but think of and make explicit the context and conditions under which the propositions hold. In other words, the question we pose should not be *whether* economic globalization is good or bad for human rights, but rather *under what circumstances* it is good or bad for human rights.

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Appendix

Table A1:   Operationalizations and Data Sources

Variable	Expected Effect	Operationalization	Source
Dependent Variable			
Repression		CIRI Physical Integrity Rights Index, ranging from 0 (no respect for the right to physical integrity) to 8 (full respect for the right to physical integrity).	Cingranelli and Richards (2011)
Independent Variables			
Foreign Economic Penetration	+/-	Index that aims at capturing the various ways foreign economic actors can penetrate an economy, including data on FDI inward stock and flows as well as exports of goods and services.	UNCTAD (2011), World Bank (2012)
Economic Wealth	+ /Mediator	Logged GDP per capita based on purchasing power parity (PPP) in constant 2005 I\$.	Heston et al. (2011)
Literacy Rate	Mediator	10y-mean of the adult literacy rate.	World Bank (2012)
Executive Constraints	Mediator	Assesses the extent of institutionalized constraints on the decision-making powers of chief executives. It ranges from 1 (unlimited authority) to 7 (executive parity/subordination).	Marshall and Jaggers (2010).
Civil War (Low Intensity)	-	Dummy variable coded 1 if a country has experienced 25 to 999 battle-related deaths in an interstate or an internationalized internal armed conflict in a given year, 0 otherwise.	Gleditsch et al. (2002); Themnér and Wallensteen (2011)
Civil War (High Intensity)	-	Dummy variable coded 1 if a country has experienced at least 1,000 battle-related deaths in an interstate or an internationalized internal armed conflict in a given year, 0 otherwise.	Gleditsch et al. (2002); Themnér and Wallensteen (2011)
International War	-	Dummy variable coded 1 if a country has experienced at least 1,000 battle-related deaths in an interstate armed conflict in a given year, 0 otherwise.	Gleditsch et al. (2002); Themnér and Wallensteen (2011)
Economic Growth	+/-	GDP growth in annual percent.	World Bank (2012)
Population Size	-	Logged total population.	World Bank (2012)
Population Growth	-	Population growth in annual percent.	World Bank (2012)
Democracy	+	Variant I: the combined Polity IV score that measures the degree of institutionalized democracy and autocracy. It ranges from -10 (full autocracy) to 10 (full democracy).	Marshall and Jaggers (2010)
		Variant II: the democratic regime dummy presented in Alvarez et al. (1996).	Cheibub et al. (2010)
Military Regime	-	Dummy variable coded 1 if the regime is a military dictatorship, 0 otherwise.	Cheibub et al. (2010)
Communist Regime	-	Dummy variable coded 1 if the ruler is the communist party leader, 0 otherwise.	Cheibub et al. (2010)
Fuels Exporter	-	Dummy variable coded 1 if a country is a major fuels exporter, i.e., if fuels exports account for more than 50% of total exports of goods and services, 0 otherwise.	Easterly and Sewadeh (2001)
Colonial Experience	+/-	Three dummy variables coded 1 if a country is a former British, French, or Iberian colony, 0 otherwise. A country is considered a former colony if it was colonized for a relatively long period of time and if there was a substantial participation in the governance of the colonized country.	Mayer and Zignago (2011)
Social Globalization	+	The KOF Index of Social Globalization measures the level of social globalization along three categories: (1) personal contacts capture the direct interaction among people living in different countries, (2) information flows measure the potential flow of ideas and images, and (3) cultural proximity assesses the influence of external culture. It ranges from .1 (lowest) to 10 (highest).	Dreher (2006); Dreher et al. (2008)

Past Practice	+	CIRI Physical Integrity Rights Index (lagged), ranging from 0 (no respect for the right to physical integrity) to 8 (full respect for the right to physical integrity).	Cingranelli and Richards (2011)

Sensitivity Analyses

Economic Flows (KOF)	+/-	The KOF Sub-Index Actual Economic Flows measures the degree to which a country is exposed to foreign capital and trade. The Index ranges from 1 to 100.	Dreher (2006; Dreher et al. (2008)
Political Terror Scale (PTS)		The PTS measures levels of state-sanctioned political violence on a 5-category ordinal scale.	Gibney et al. (2006)

Table A2:   Descriptive Statistics

Variable	Obs.	Mean	Std. Dev.	Min.	Max.
Phys. Int. Rights Index (CIRI)	2,510	4.137	2.039	0	8
Foreign Economic Penetration	2,510	4.931	1.687	.893	9.935
GDP p. Capita (PPP, log)	2,510	7.758	.96	5.067	9.895
Literacy Rate (10y-mean)	1,682	71.101	23.317	10.895	99.814
Executive Constraints	2,449	3.991	2.11	1	7
Social Globalization	2,510	30.548	13.64	6.33	75.65
Democracy (Polity IV)	2,510	.637	6.64	-10	10
Democracy (ACLP)	2,449	.399	.49	0	1
Population Size (log)	2,510	9.262	1.507	6.082	14.086
Population Growth	2,510	1.95	1.258	-7.533	11.18
Economic Growth	2,510	3.691	6.056	-50.248	106.28
Civil War (Low Intensity)	2,510	.142	.3494	0	1
Civil War (High Intensity)	2,510	.065	.246	0	1
International War	2,510	.027	.161	0	1
Military Regime	2,510	.24	.427	0	1
Communist Regime	2,510	.044	.204	0	1
Fuels Exporter	2,510	.079	.27	0	1
British Colony	2,510	.281	.45	0	1
French Colony	2,510	.247	.431	0	1
Iberian Colony	2,510	.23	.421	0	1
Past Practice	2,510	4.211	2.098	0	8
Economic Flows (KOF)	2,514	49.843	19.629	4.63	98.72
Political Terror Scale (PTS)	2,921	2.839	1.029	1	5

Table A3.a: RI and FE Models of CIRI Physical Integrity Rights Index, 1984-2010

	Model 7 w/o SSA		Model 8 w/o SSA		Model 9 Fixed Effects		Model 10 Fixed Effects	
Variables	β	*S.E.*	β	*S.E.*	β	*S.E.*	β	*S.E.*
Foreign Economic Penetration	.016	.035	-1.015***	.281	-.03	.027	-.795***	.202
Economic Wealth (log)	-.113	.122	-.693***	.198	-.337*	.196	-.83***	.212
Foreign Economic Penetration X Economic Wealth (log)			.128***	.034			.099***	.025
Social Globalization	.005	.006	.002	.007	-.002	.008	-.01	.008
Democracy (Polity IV)	.029***	.01	.03***	.01	.019*	.01	.022**	.01
Population Size (log)	-.448***	.043	-.468***	.043	-1.218***	.356	-.845**	.393
Population Growth	-.04	.053	-.051	.053	.132***	.047	.139***	.048
Economic Growth	-.012**	.006	-.012**	.006	-.008	.005	-.008	.005
Civil War (Low Intensity)	-.44***	.115	-.468***	.115	-.396***	.108	-.422***	.108
Civil War (High Intensity)	-1.156***	.171	-1.173***	.17	-1.074***	.172	-1.128***	.174
International War	.162	.198	.089	.2	-.012	.185	-.019	.181
Military Regime	-.199	.14	-.174	.14	-.217*	.122	-.198*	.12
Communist Regime	.295	.25	.406	.25	-.019	.418	.11	.412
Fuels Exporter	-.368	.269	-.315	.268				
British Colony	-.077	.192	-.079	.191				
French Colony	.107	.212	.151	.211				
Iberian Colony	-.057	.174	-.008	.174				
Past Practice (Y_{t-3})	.343***	.024	.335***	.024	.259***	.046	.255***	.045
Intercept	8.063***	.992	13.025***		16.849***	3.78	17.96***	3.69
Random Effects	*Std. Dev.*	*S.E.*	*Std. Dev.*	*S.E.*	*Std. Dev.*	*S.E.*	*Std. Dev.*	*S.E.*
Level-1 (Time)	1.173***	.022	1.168***	.022				
Level-2 (Country)	.432***	.06	.43***	.06				
Model Properties								
N (Level-1)	1506		1506		2510		2510	
N (Level-2)	71		71		114		114	
Deviance	4848.737		4835.094					
AIC	4904.737		4893.093					
BIC	5053.619		5047.292					
R^2					.645		.647	
LR Test vs. Additive Model (chi2)			13.64***					

*Note: the βs are unstandardized coefficients; * p < .10, ** p < .05, *** p < .01 (two-tailed test); all independent variables are lagged by 3 years; all models contain 3-year time dummies (not reported); models 7 and 8 are random intercept models and are estimated by maximum likelihood; models 9 and 10 contain country fixed effects (not reported) and are estimated by OLS with panel-corrected standard errors (PCSEs).*

Table A3.b: RI and FE Models of CIRI Physical Integrity Rights Index, 1984-2010

Variables	Model 11 w/o SSA β	Model 11 w/o SSA S.E.	Model 12 w/o SSA β	Model 12 w/o SSA S.E.	Model 13 Fixed Effects β	Model 13 Fixed Effects S.E.	Model 14 Fixed Effects β	Model 14 Fixed Effects S.E.
Foreign Economic Penetration	.032	.044	-.348***	.136	-.048	.04	-.358***	.095
Literacy Rate	-.012**	.006	-.029***	.008	-.018*	.01	-.029***	.01
Foreign Economic Penetration X Literacy Rate			.005***	.002			.004***	.001
Economic Wealth (log)	-.165	.155	-.17	.158	-.44*	.262	-.414	.256
Social Globalization	.009	.008	.008	.008	.004	.009	.002	.009
Democracy (Polity IV)	.029**	.012	.028*	.012	.018	.012	.021*	.012
Population Size (log)	-.538***	.06	-.551***	.062	-.51**	.537	-.082	.56
Population Growth	-.241***	.089	-.223**	.09	.137***	.046	.161***	.047
Economic Growth	-.019**	.008	-.022***	.008	-.017**	.007	-.017**	.007
Civil War (Low Intensity)	-.237*	.126	-.242*	.125	-.168	.119	-.205*	.119
Civil War (High Intensity)	-.928***	.201	-.898***	.201	-.809***	.185	-.856***	.186
International War	.175	.2	.163	.199	.001	.18	.038	.175
Military Regime	-.32*	.169	-.334**	.171	-.269*	.147	-.249*	.144
Communist Regime	.547	.362	.566	.377				
Fuels Exporter	-.255	.36	-.249	.375				
British Colony	-.152	.278	-.032	.291				
French Colony	.082	.274	.242	.291				
Iberian Colony	.147	.218	.247	.228				
Past Practice (Y_{t-3})	.288***	.029	.275***	.028	.225***	.051	.221***	.05
Intercept	10.93***	1.35	12.422***	1.44	14.591***	4.56	11.78**	4.72

Random Effects	Std. Dev.	S.E.	Std. Dev.	S.E.	Std. Dev.	S.E.	Std. Dev.	S.E.
Level-1 (Time)	1.122***	.025	1.115***	.025				
Level-2 (Country)	.536***	.075	.567***	.077				

Model Properties								
N (Level-1)	1099		1099		1682		1682	
N (Level-2)	65		65		107		107	
Deviance	3469.992		3461.543					
AIC	3527.992		3521.543					
BIC	3673.055		3671.609					
R^2					.693		.695	
LR Test vs. Additive Model (chi2)			8.45***					

*Note: the βs are unstandardized coefficients; * p < .10, ** p < .05, *** p < .01 (two-tailed test); all independent variables are lagged by 3 years; all models contain 3-year time dummies (not reported); models 11 and 12 are random intercept models and are estimated by maximum likelihood; models 13 and 14 contain country fixed effects (not reported) and are estimated by OLS with panel-corrected standard errors (PCSEs).*

Table A3.c: RI and FE Models of CIRI Physical Integrity Rights Index, 1984-2010

	Model 15 w/o SSA		Model 16 w/o SSA		Model 17 Fixed Effects		Model 18 Fixed Effects	
Variables	*β*	*S.E.*	*β*	*S.E.*	*β*	*S.E.*	*β*	*S.E.*
Foreign Economic Penetration	.035	.036	-.205***	.06	-.024	.029	-.135***	.046
Executive Constraints	.062*	.033	-.211***	.064	.068**	.031	-.079	.062
Foreign Economic Penetration X Executive Constraints			.058***	.012			.031***	.01
Economic Wealth (log)	-.116	.121	-.113	.123	-.398*	.213	-.352*	.21
Social Globalization	.006	.006	.002	.007	.001	.008	-.002	.008
Democracy (ACLP)	.2	.147	.186	.147	.045	.148	.089	.15
Population Size (log)	-.447***	.043	-.427***	.045	-1.038***	.355	-.686*	.377
Population Growth	-.039	.053	-.053	.053	.145***	.047	.148***	.047
Economic Growth	-.013**	.006	-.013**	.006	-.008	.005	-.008	.005
Civil War (Low Intensity)	-.452***	.116	-.476***	.116	-.386***	.107	-.389***	.107
Civil War (High Intensity)	-1.091***	.173	-1.133***	.173	-1.034***	.169	-1.053***	.169
International War	.148	.198	.083	.198	-.018	.183	-.022	.181
Military Regime	-.133	.143	-.178	.144	-.137	.125	-.127	.124
Communist Regime	.285	.242	.166	.25	-.031	.434	-.07	.428
Fuels Exporter	-.346	.265	-.312	.275				
British Colony	-.069	.188	-.043	.195				
French Colony	.105	.209	.151	.217				
Iberian Colony	-.053	.209	-.075	.177				
Past Practice (Y_{t-3})	.338***	.024	.321***	.024	.257***	.046	.252***	.046
Intercept	7.724***	.972	8.84***	1.01	15.61***	3.79	13.12***	3.87
Random Effects	*Std. Dev.*	*S.E.*	*Std. Dev.*	*S.E.*	*Std. Dev.*	*S.E.*	*Std. Dev.*	*S.E.*
Level-1 (Time)	1.172***	.022	1.159***	.022				
Level-2 (Country)	.42***	.059	.448***	.061				
Model Properties								
N (Level-1)	1491		1491		2449		2449	
N (Level-2)	71		71		114		114	
Deviance	4794.226		4769.923					
AIC	4852.226		4829.923					
BIC	5006.135		4989.139					
R^2					.644		.646	
LR Test vs. Additive Model (chi2)			24.3***					

*Note: the βs are unstandardized coefficients; * p < .10, ** p < .05, *** p < .01 (two-tailed test); all independent variables are lagged by 3 years; all models contain 3-year time dummies (not reported); models 15 and 16 are random intercept models and are estimated by maximum likelihood; models 17 and 18 contain country fixed effects (not reported) and are estimated by OLS with panel-corrected standard errors (PCSEs).*

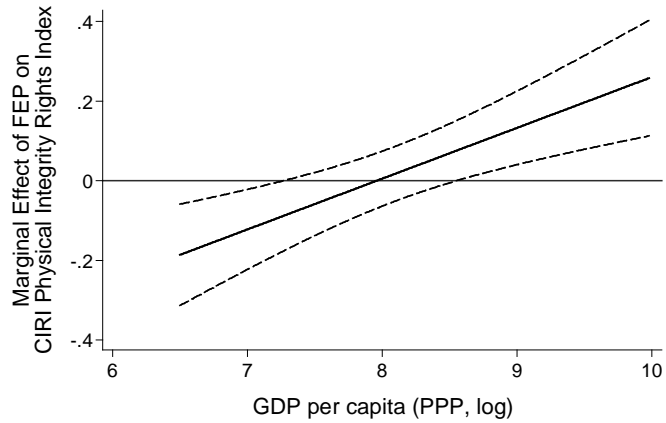*Figure A1:   Marginal Effect of FEP over Econ. Wealth (Model 8)*

Figure A3:   Marginal Effect of FEP over Literacy Rate (Model 12)
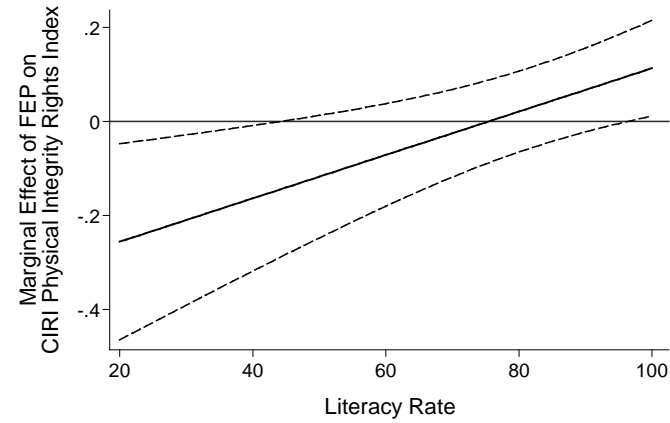

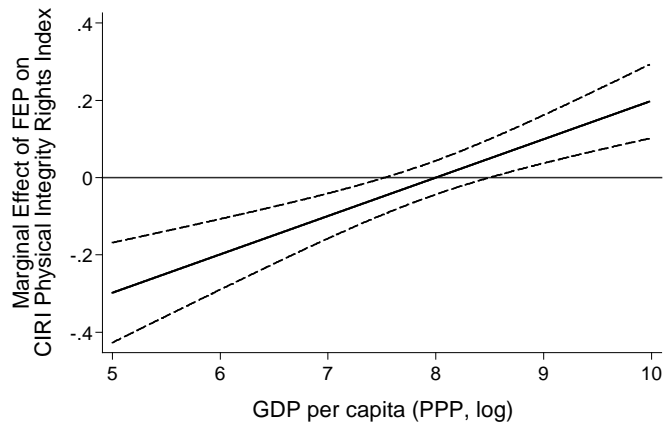*Figure A2:   Marginal Effect of FEP over Econ. Wealth (Model 10)*
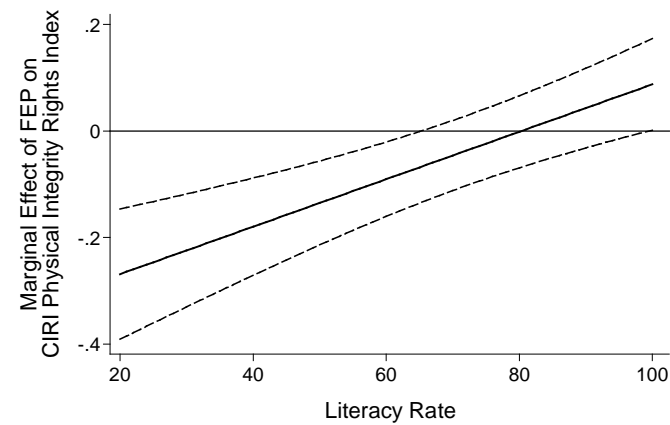

Figure A4:   Marginal Effect of FEP over Literacy Rate (Model 14)

Note: in figures 5-8, the solid lines give the marginal effect. In figures 5 and 7, the dashed lines give the 95% confidence interval. In figures 6 and 8, the dashed lines give the 90% confidence interval.

Figure A5:   Marginal Effect of FEP over Executive Constraints (Model 16)
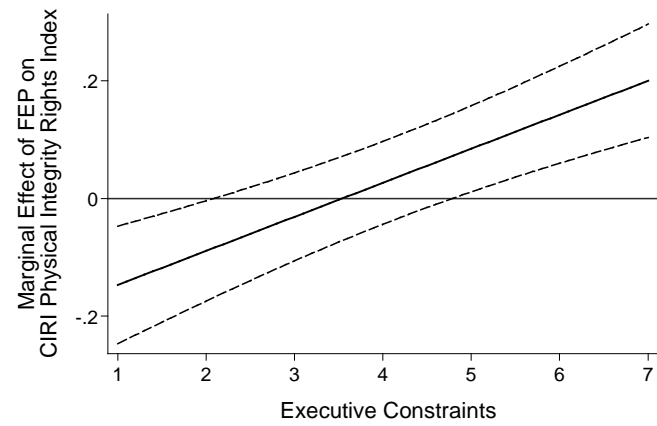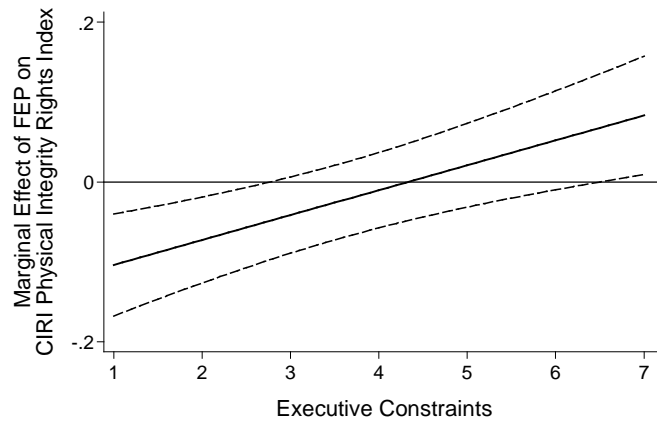

Figure A6:   Marginal Effect of FEP over Executive Constraints (Model 18)

Note: in figures 9 and 10, the solid lines give the marginal effect. In figure 9, the dashed lines give the 95% confidence interval. In figure 10, the dashed lines give the 90% confidence interval.

Table A4.a: Random Intercept Models of CIRI Physical Integrity Rights Index, 1984-2010

	Model 19 Econ. Wealth		Model 20 Econ. Wealth		Model 21 Literacy		Model 22 Literacy	
Variables	*β*	*S.E.*	*β*	*S.E.*	*β*	*S.E.*	*β*	*S.E.*
Economic Flows (KOF)	-.001	.003	-.069***	.016	-.001	.003	-.024***	.008
Economic Wealth (log)	.022	.08	-.397***	.125	.099	.102	.087	.103
Economic Flows (KOF) X Economic Wealth (log)			.009***	.002				
Literacy					-.003	.004	-.015***	.006
Economic Flows (KOF) X Literacy							<.001***	<.01
Social Globalization	.007	.005	.003	.006	.006	.007	.004	.007
Democracy (Polity IV)	.032***	.008	.033***	.008	.03***	.01	.03***	.01
Population Size (log)	-.459***	.039	-.46***	.038	-.515***	.05	-.524***	.05
Population Growth	.045	.033	.038	.032	.054	.039	.071*	.04
Economic Growth	-.008*	.005	-.009**	.005	-.014**	.01	-.016***	.006
Civil War (Low Intensity)	-.46***	.098	-.483***	.1	-.264**	.108	-.271**	.108
Civil War (High Intensity)	-1.1***	.139	-1.148***	.138	-.906***	.161	-.906***	.161
International War	-.015	.183	-.031	.183	.01	.191	-0.000	.191
Military Regime	-.187*	.101	-.222**	.101	-.337**	.133	-.318**	.133
Communist Regime	.273	.247	.355	.245	.828**	.41	.789*	.413
Fuels Exporter	-.341	.212	-.317	.209	-.389	.277	-.354	.279
British Colony	-.042	.156	-.034	.154	-.115	.194	-.028	.197
French Colony	.088	.165	.103	.163	.134	.214	.245	.218
Iberian Colony	-.111	.164	-.096	.162	-.025	.194	-.004	.196
Past Practice (Y_{t-3})	.313***	.019	.308***	.019	.284***	.023	.28***	.023
Intercept	7.169***	.657	10.443***	.994	7.457***	.83	8.416***	.886
Random Effects	*Std. Dev.*	*S.E.*	*Std. Dev.*	*S.E.*	*Std. Dev.*	*S.E.*	*Std. Dev.*	*S.E.*
Level-1 (Time)	1.265***	.018	1.261***	.018	1.163***	.021	1.159***	.021
Level-2 (Country)	.474***	.048	.466***	.048	.565***	.059	.57***	.059
Model Properties								
N (Level-1)	2514		2514		1677		1677	
N (Level-2)	111		111		104		104	
Deviance	8471.321		8452.3		5422.556		5412.751	
AIC	8527.321		8510.3		5480.556		5472.751	
BIC	8690.551		8679.359		5637.874		5635.494	
LR Test vs. Additive Model (chi2)			19.02***				9.81***	

*Note: the βs are unstandardized coefficients; * p < .10, ** p < .05, *** p < .01 (two-tailed test); all independent variables are lagged by 3 years; all models contain 3-year time dummies (not reported) and are estimated by maximum likelihood.*

Table A4.b: Random Intercept Models of CIRI Physical Integrity Rights Index, 1984-2010

Variables	Model 23 Ex. Constraints β	S.E.	Model 24 Ex. Constraints β	S.E.
Economic Flows (KOF)	<.001	.003	-.01**	.004
Executive Constraints	.076***	.027	-.059	.049
Economic Flows (KOF) X Executive Constraints			.003***	.001
Economic Wealth (log)	-.018	.081	-.016	.081
Social Globalization	.009	.006	.008	.006
Democracy (ACLP)	.181	.118	.215*	.118
Population Size (log)	-.456***	.039	-.451***	.039
Population Growth	.058*	.038	.058*	.033
Economic Growth	-.008*	.005	-.008*	.005
Civil War (Low Intensity)	-.461***	.1	-.478***	.1
Civil War (High Intensity)	1.078***	.142	-1.106***	.142
International War	-.013	.184	-.016	.183
Military Regime	-.128	.107	-.139	.107
Communist Regime	.194	.247	.17	.247
Fuels Exporter	-.272	.213	-.208	.214
British Colony	-.079	.157	-.065	.157
French Colony	.072	.167	.102	.167
Iberian Colony	-.106	.166	-.114	.165
Past Practice (Y_{t-3})	.309	.02	.305***	.02
Intercept	6.991***	.657	7.455***	.671
Random Effects	*Std. Dev.*	*S.E.*	*Std. Dev.*	*S.E.*
Level-1 (Time)	1.26***	.019	1.257***	.018
Level-2 (Country)	.476***	.048	.475***	.048
Model Properties				
N (Level-1)	2455		2455	
N (Level-2)	111		111	
Deviance	8254.396		8242.447	
AIC	8312.396		8303.447	
BIC	8480.766		8477.624	
LR Test vs. Additive Model (chi2)			10.95***	

*Note: the βs are unstandardized coefficients; * p < .10, ** p < .05, *** p < .01 (two-tailed test); all independent variables are lagged by 3 years; all models contain 3-year time dummies (not reported) and are estimated by maximum likelihood.*

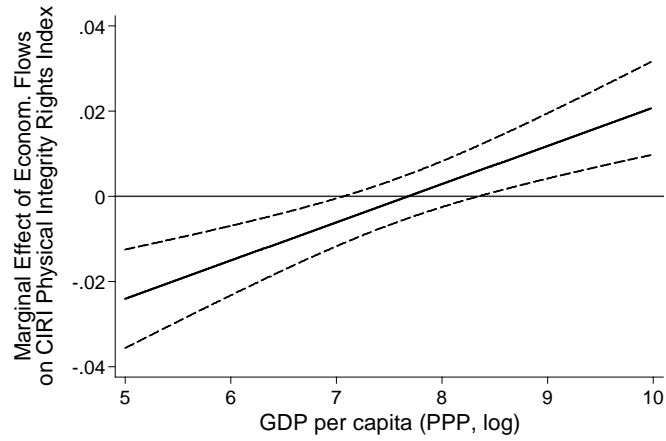*Figure A7:   Marginal Effect of FEP over Econ. Wealth (Model 20)*

Figure A9:   Marginal Effect of FEP over Exec. Constraints (Model 24)
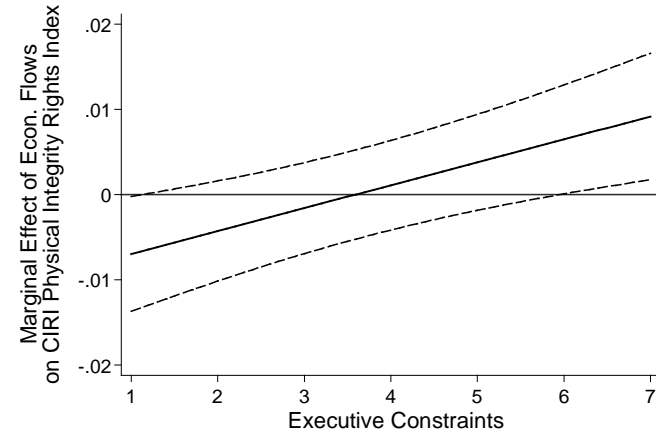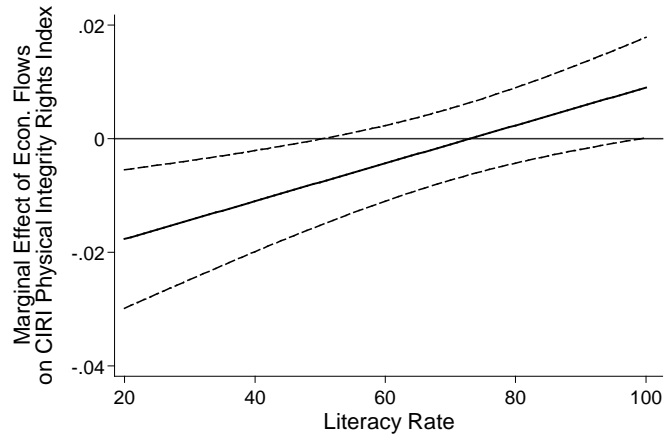

Figure A8:   Marginal Effect of FEP Literacy Rate (Model 22)

Note: in figures 11-13, the solid lines give the marginal effect and the dashed lines the 95% confidence interval.

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Table A5.a: Ordered Probit Models of Political Terror Scale (PTS), 1979-2010

	Model 25 Econ. Wealth		Model 26 Econ. Wealth		Model 27 Literacy		Model 28 Literacy	
Variables	β	*S.E.*	β	*S.E.*	β	*S.E.*	β	*S.E.*
Foreign Economic Penetration	-.002	.024	.529***	.156	.003	.025	.169***	.062
Economic Wealth (log)	.053	.065	.337***	.107	.005	.071	-.01	.069
Foreign Economic Penetration X Economic Wealth (log)			-.07***	.02				
Literacy					.002	.003	.012	.005
Foreign Economic Penetration X Literacy							-.002***	.001
Social Globalization	-.01**	.004	-.006	.004	-.011	.005	-.009*	.005
Democracy (Polity IV)	-.016**	.007	-.016**	.007	-.007	.008	-.006	.008
Population Size (log)	.227***	.024	.233***	.025	.221***	.035	.227***	.035
Population Growth	-.001	.04	-.002	.039	-.003	.064	-.02	.062
Economic Growth	.001	.006	.002	.005	.003	.01	.004	.009
Civil War (Low Intensity)	.464***	.108	.482***	.106	.315***	.107	.316***	.105
Civil War (High Intensity)	.727***	.126	.782***	.129	.742***	.145	.768***	.15
International War	-.188	.166	-.177	.165	-.17	.185	-.158	.19
Military Regime	.204***	.079	.245***	.08	.288***	.094	.287***	.095
Communist Regime	-.385**	.155	-.449***	.147	-.425**	.207	-.443**	.179
Fuels Exporter	.076	.109	.064	.115	.211	.15	.205	.153
British Colony	-.015	.109	-.051	.11	.018	.137	-.034	.138
French Colony	-.118	.106	-.168	.11	-.21	.136	-.275**	.138
Iberian Colony	.077	.117	.046	.115	-.079	.131	-.118	.137
Past Practice (Y_{t-3})	.612***	.043	.595***	.043	.661***	.052	.647***	.053
Thresholds	β	*S.E.*	β	*S.E.*	β	*S.E.*	β	*S.E.*
Cut 1	2.057***	.503	4.3***	.883	1.711***	.62	2.229***	.662
Cut 2	3.67***	.492	5.924***	.878	3.3***	.611	3.824***	.658
Cut 3	5.07***	.516	7.33***	.901	4.781***	.637	5.314***	.684
Cut 4	6.388***	.538	8.652***	.915	6.214***	.663	6.751***	.707
Model Properties								
N (Level-1)	2921		2921		1801		1801	
N (Level-2)	114		114		108		108	
Deviance	6338.161		6314.594		3833.246		3821.413	
AIC	6400.161		6378.594		3893.246		3883.413	
BIC	6585.531		6569.944		4058.129		4053.792	
LR Test vs. Additive Model (chi2)			23.57***				11.83***	

Note: the βs are unstandardized coefficients; the S.E.s are robust standard errors, clustered at the country-level; * p < .10, ** p < .05, *** p < .01 (two-tailed test); all independent variables are lagged by 3 yeasr; all models contain 3-year time dummies (not reported) and are estimated by maximum likelihood.

Table A5.b: Ordered Probit Models of Political Terror Scale (PTS), 1979-2010

Variables	Model 29 Ex. Constraints		Model 30 Ex. Constraints	
	β	*S.E.*	*β*	*S.E.*
Foreign Economic Penetration	-.01	.025	.06	.041
Executive Constraints	-.048*	.028	.054	.064
Foreign Economic Penetration X Executive Constraints			-.021*	.011
Economic Wealth (log)	.078	.065	.075	.064
Social Globalization	-.011**	.005	-.01**	.005
Democracy (ACLP)	-.034	.117	-.044	.117
Population Size (log)	.222***	.024	.215***	.025
Population Growth	-.015	.038	-.015	.038
Economic Growth	.003	.005	.003	.005
Civil War (Low Intensity)	.453***	.116	.454***	.108
Civil War (High Intensity)	.742***	.116	.744***	.117
International War	-.168	.164	-.185	.17
Military Regime	.182**	.078	.212***	.08
Communist Regime	-.361**	.142	-.328**	.153
Fuels Exporter	.027	.109	.004	.109
British Colony	.055	.101	.04	.102
French Colony	-.072	.097	-.102	.099
Iberian Colony	.108	.112	.11	.111
Past Practice (Y_{t-3})	.613***	.043	.608***	.042
Thresholds	*β*	*S.E.*	*β*	*S.E.*
Cut 1	2.004***	.491	2.255***	.506
Cut 2	3.608***	.482	3.864***	.498
Cut 3	5.034***	.507	5.293***	.524
Cut 4	6.374***	.528	6.635***	.545
Model Properties				
N (Level-1)	2818		2818	
N (Level-2)	114		1147	
Deviance	6077.955		6067.032	
AIC	6137.955		6129.032	
BIC	6316.268		6313.29	
LR Test vs. Additive Model (chi2)			10.92***	

*Note: the βs are unstandardized coefficients; the S.E.s are robust standard errors, clustered at the country-level; * p < .10,*
*** p < .05, *** p < .01 (two-tailed test); all independent variables are lagged by 3 years; all models contain 3-year time*
dummies (not reported) and are estimated by maximum likelihood.

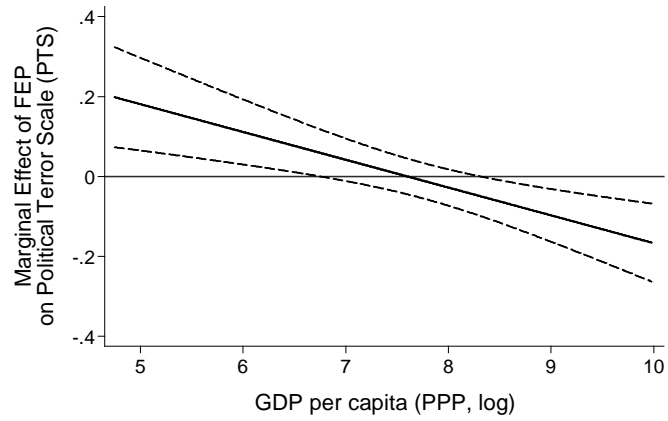*Figure A10:   Marginal Effect of FEP over Econ. Wealth (Model 28)*   *Figure A12:   Marginal Effect of FEP over Exec. Constraints (Model 32)*
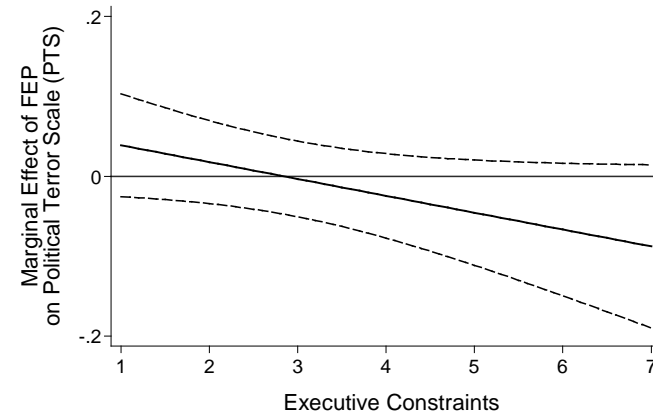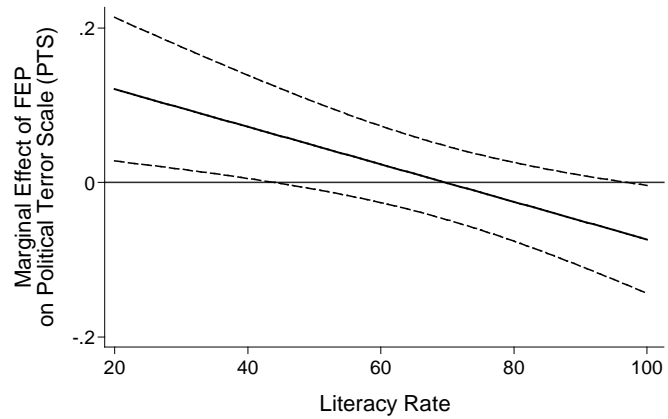

Figure A11:   Marginal Effect of FEP Literacy Rate (Model 30)

Note: in figures 14-16, the solid lines give the marginal effect and the dashed lines the 95% confidence interval.

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