The effects of China’s rise on Third World democratization

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Abstract

China is about to become a superpower of the 21\textsuperscript{th} century. The purpose of this paper is to examine the effects of China’s rise on Third World democracies. The theoretical context and recent scientific debates are examined and quantitative research is conducted on the issue. Using a theoretical framework focusing on the linkages between democratization, globalization and international power relations, it can be concluded that a rising superpower may have a negative impact on democratization; however, in the case of China recent literature shows that, despite of various accusations from both sides, there is no clear conclusion about Chinese effects at all. In order to get an overall picture about Chinese expansion, quantitative research was conducted and a multiple linear regression model was set up. The results show that the Chinese expansion had a negative effect in the mid-90’s but it has weakened first then completely disappeared by now; consequently the growing concerns about China’s role are mostly unfounded. Finally, the paper offers some plausible explanations which may contribute to an understanding of the dynamics of Chinese effects.
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1. Introduction

The economic and political rise of China has gained growing attention around the world. This global power shift which is “one of the most important transformations in modern history” (Gu et al, 2008:1) has considerable consequences in various fields. One of the most important and interesting ones is how China affects democratization around the world. China, the most populated authoritarian regime in history, exerts a growing influence over the fragile democracies and autocracies of the Third World and this has raised serious concerns in recent years. Undoubtedly, the issue has major importance. If, as many suggest, China’s rise has negative effects on democratization, the rising superpower will be easily the biggest obstacle of democratization in the next few decades. Therefore this study focuses on the hypothesis that China’s rise has a negative effect on democratization.

The paper consists of three main parts. In the first part a mainly theoretical approach is presented in order to highlight why China’s rise could affect democratization. In the second part, a multiple linear regression model will be introduced to test the hypothesis above and to get a broad picture of China’s effect on democratization. Finally, some possible explanations will be introduced which may help to understand the results of the quantitative analysis and can be the basis for further research.

2. Theoretical background

The purpose of this part is to highlight the theoretical background of the issue, i.e. how a rising superpower can effect democratization. First the linkage between globalization and democratization will be demonstrated; then it will be shown how the international balance of power may influence both globalization and democratization. Finally, the nature of Chinese expansion will be presented, focusing on the ongoing debate in the related literature

2.1. The effects of globalization on democratization

The first period of democratization studies was characterized by an internal focus but later the external factors have received increasingly more attention (Grugel, 2002). Nowadays the issues of international order and globalization are undoubtedly
parts of the democratization discourse while, of course, there are differences, for instance, between Huntington’s (1991) externally-driven and Grugel’s (2002) more internally-driven approach. It can be said that globalization shapes democratization in three ways: economically, politically and culturally (Grugel, 2002: 116-120). The economic way is related chiefly to the rise of global capitalism; in Huntington’s (1991) work this is a major cause of the first wave. The political effect of globalization is related primarily to the importance of global governance institutions which are regarded as supporters of (Western-type) democratization. Finally, the cultural way is based on globalized communication networks which facilitate the diffusion of democratic values.

In reality, the distinction is not so sharp. There are important links and interplays among the three dimensions, and their significance is different from country to country. For example, looking at Diamond’s (1999: 56-59) classification of democratic diffusions, the power model (where powerful states push democratization) can be linked to the political dimension. On the other hand we have a more cultural approach, the „world society” concept which focuses on the growing isomorphism. The „imitation” model emphasizing the imitation of successful countries is basically a cultural view. However, a key question of the imitation theory is why a country is seen as successful, and this leads back to the role of states and their relative power.

There are also differences in how effectively the international environment can influence a country’s domestic balance of power. According to Levitsky and Lay (2006) this depends on two dimensions: leverage and linkage. Leverage is the „governments’ vulnerability to external democratizing pressure” (e.g. conditionality or sanctions) and it depends on three factors: (1) „the country’s raw size and strength”; (2) whether there are important „competing issues in Western foreign policy agendas” regarding the country (e.g. oil-exporting countries); (3) „whether the state has an access to political, economic or military support from an alternative regional power”. Obviously, the first factor increases while the latter two decrease international pressure for democratization. The second dimension is the linkage to the West, which means a „concentration of ties between the country and EU, USA, and Western-dominated multilateral organizations”¹. (Levitsky-Lay, 2006: 200-202)

¹ The authors distinguish five dimensions of linkage: economic, geopolitical, social, communication, and transnational civil society linkages.
Having demonstrated the relevance of globalization for democratization, it is worth to see what kind of role the most powerful countries play in these processes.

2.2. The effects of the international balance of powers on globalization and democratization

All theories and dimensions of globalization presented above have one particularly important common point: how the international balance of powers (with an emphasis on great or superpowers) supports democratization. For example, Huntington (1991) writes that one of the major factors of the third wave is the change in global organizations’ policies which would have been impossible without a strong USA. Similarly, the power model (Diamond, 1999) assumes that there are countries which not only wish but are also able to push others towards democratization. And finally, Levitsky and Lay explicitly state that a competing non-democratic power can set back democratization. Following Grugel (2002) it has to be mentioned that the effects of a competing power are not only economic or military but also cultural; as a result a successful authoritarian regime may become a desirable ideal.

Taking a look at the 20th century, this role of non-democratic great powers is quite apparent. The rise of the Third Reich or the Soviet expansion had a direct and negative effect on democratization. In the Cold War era the presence of the Soviet Union as a strong undemocratic superpower obviously had a negative impact. In addition, as a result of growing tensions between the two blocks, the prioritized strategic considerations sometimes reduced the relative importance of democracy and human rights issues. This situation changed completely after the collapse of the Soviet Union (SU). The great powers and the one remaining superpower were more or less democratic, and international power relations became favorable for democratization. In addition, the end of the Cold War also meant the triumph of Western liberal democracy as the dominant ideal of governance².

Nevertheless, the global hegemony of democratic great powers seems to be challenged at the beginning of the 21st century. Although there are growing concerns regarding Russia’s turn into authoritarianism and its effect on former SU countries (Tolstrup, 2009), it seems that the major question is the role and effect of rising China.

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² Probably the clearest manifestation of this view is Fukuyama’s (1989) essay about the end of history. Even though the thesis was widely criticized, it can be accepted that democracy has become the hegemonic global idea about governance (Diamond, 1999: 62).
Being the most populated country in the world with one of the fastest GDP growth in last decades, China has become the world’s second largest economy (IMF, 2010). The economic rise has been accompanied by a strive for a similar political and military role in world politics (Chen-Feffer, 2009) and it can be concluded that China is about to become a superpower of the 21st century. This also means that a definitely authoritarian regime having one of the worst scores in FH reports has a growing effect on globalization processes and, therefore, on democratization as well.

2.3. The nature of Chinese expansion

As it was shown, globalization affects democratization three ways: economically, politically and culturally. A complex analysis of the Chinese effects on these three aspects is far beyond the scope of this study; nevertheless, there are some points which have to be clarified.

2.3.1. The economic aspect

The key question of this aspect is whether the growing Chinese engagement contributes to a strengthening of the middle class\(^3\) or only increases social inequalities and destroys stability. On the one hand it is quite clear that China has been one of the greatest contributors to the economic growth in the Third World, especially in Africa. This resulted in greater incomes (Ndumbe – Afam, 2008), lower debts (Sautman – Yan, 2007) and lower inflations (Carmody, 2009). On the other hand, the nature and distribution of this newly generated income have raised serious concerns because Chinese engagement is strongly characterized by resource-seeking (primarily oil) (Jiang, 2009). This may mean that only a narrow layer of society enjoys this fortune and thus the growing inequality hurts the chances of democratization. In addition, the Chinese resource-seeking may lead to the so-called Dutch disease which can seriously hit the competitiveness of these economies, decreasing the chances for a strong middle class.

Regarding the middle class the vital question is the aforementioned economic growth and the distribution of wealth. However, there are ongoing debates about the positive and negative effects on numerous fields, which affect the chances of middle class as well. For example, Chinese export is often blamed on killing the manufacture industries in the developing countries (Konings, 2007); but the decline of these

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\(^3\) A strong middle class is a foundation of democratization, and it was the major cause of the first wave, see: Huntington (1999).
industries may have started before China’s rise (Taylor – Xiao, 2009). An other, clearly positive argument is that China has greatly contributed to human capital in the Third World, particularly in Africa, through university scholarships (Ding, 2008) and assistance in educational programs (King, 2010; Nordtveit, 2011).

2.3.2. The political aspect

Concerning the political aspect it is quite obvious that China does not take part in the global pro-democracy agenda, but whether as an obstacle to democratization or simply as an uninterested, neutral player is a debated issue. Undoubtedly, the principles of Chinese foreign policy differ greatly from western ones; they do not include a support for democracy but put a great emphasis on national sovereignty, and thus the country can be regarded as „a forceful advocate of non-intervention” (Burnell, 2010:16). China also puts business ahead of political or ideological aspects (Meidan, 2006); and its behavior is characterized more by adaptation to local circumstances than an intention to change them (Jonathan, 2011). This could be seen as respect for other countries and neutral behavior regarding political regimes (including the issue of democratization), however, it is more commonly interpreted that „China will do business with anyone, regardless of their human rights and/or democratic record” (Taylor, 2008:65).

This is exactly what has been heavily criticized by governments, international organizations, NGOs and academics in recent years. China has been charged with not only ignoring human rights and democratic issues but weakening them. Various organizations and bodies from influential NGO’s like Human Rights Watch (2006) and Freedom House (see: Kurlantzick - Lin, 2009) to the US House of Representatives (2005) have expressed their growing concerns about the negative Chinese effect on human rights and democratization. Studies have proved that the growing Chinese presence has weakened Western leverages (Davies, 2011), and China has been regarded as a (sometimes direct) supporter of dictatorships and human rights abuses (Brookes – Shin, 2006; Walker – Cook, 2010).

4 The only major exception in this „no strings attached” investment and aid policy is the recognition of the One China principle.
5 Most of the them has focused on China’s role in Africa, however, there are numerous critics regarding Southeast Asia, Middle-East or Latin America. It has to be also mentioned that these criticisms dealt primarily with poorer countries and they have a limited relevance to wealthier states.
2.3.3. The cultural aspect

The common view is that the cultural aspect of the globalization helps the spreading of democracy through the diffusion of democratic values and ideas (see: chapter 2.1). China’s rise challenges this view at two parallel levels: the broadcasting devices and the actual content. The broadcasting devices refer to the fact that China owns a huge communication infrastructure. It has to be emphasized that this infrastructure is far more than a CCTV\(^6\) broadcast abroad: it includes every means of communication like the Chinese diaspora, the Beijing 2008 Olympic Games or the growing number of Confucius institutes\(^7\) around the world.

The actual content refers to the totality of all – implicit and explicit, direct and indirect, official or unofficial – communication messages from or about China. Naturally, this means an uncountable number and types of messages but with regard to democratization in the global discourse there is one particularly important group of messages which suggest that 1) China has been extremely successful in the past decades and 2) this success is the result of a specific development model which does not follow the western democratization agenda and has been carried out by a clearly authoritarian regime. As a result, China offers a distinct, one could say, authoritarian (Friedman, 2009) development model for many Third World countries. China is a positive example, and the Chinese development is a desirable goal in these countries. In this sense the existence of a successful China is in itself a threat on democratization.

2.3.4. A need for an analysis

To sum it up, China appears as a powerful player of the 21\(^{st}\) century and there are serious concerns and debates about its effect on democratization. Yet, most of the relevant assumptions and arguments are based on qualitative methods\(^8\) and they usually over-emphasize some extreme examples. Consequently, there is a need for a systematic quantitative analysis in order to get an answer to the fundamental hypothesis that China’s rise has a negative effect on democratization. The present paper is an attempt to do this.

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\(^6\) Chinese Central Television

\(^7\) About the role and spreading of Confucius Institutes, see: Yang (2010).

\(^8\) As far as I know, there has been only one quantitative research about this issue (see: Stumm, 2006) but it is limited to Africa and to a shorter period only. In addition it seems to suffer from serious methodological problems.
3. Analysis

Before introducing the analytical model, the major specifications are to be presented. First the analyzed countries, then the control variables and their data sources, and finally the analytical periods will be described.

3.1. Cases

The term „Third World”\(^9\) is used widely but not defined clearly. This paper identifies the Third World essentially as countries which remained non-aligned in the Cold War era. The concept thus includes every country in Central and South America, the Caribbean and Africa. In Asia, the East Asian countries and the former members of the Soviet Union are not parts of the analysis which therefore covers the Middle East, the South and the Southern Asian countries\(^10\). Non-independent states, overseas territories and the eight smallest states were excluded\(^11\). Furthermore, due to the lack of reliable data, three further countries\(^12\) were also dropped.

3.2. Variables

3.2.1. Variables (1): Chinese influence, the level of democracy

As it was demonstrated, the growing Chinese influence can manifest itself in three ways: economically, culturally and politically. Using a cultural or a political variable as a proxy of Chinese influence could have been possible but these variables are usually vaguely defined or limited to a sub-arena or using unreliable or incomparable data. Therefore an economic variable is more desirable. In addition, the connection between the three dimensions seems to be fairly unambiguous; for example, a country with a large Chinese economic presence is more likely to be influenced culturally as well.

As to the economic variables, there are three main options: aids, foreign direct investment (FDI) or foreign trade. The use of aids as a proxy has some problems: it is hard to quantify (Lum et al., 2009); aids represent only a small fraction of Chinese expansion; and probably they do not reflect the Chinese influence (Zafar, 2011). The problems of FDI are even more obvious: it only reflects the import of (a certain type of) capital and says nothing about a possible export dependence (e.g.: a monocultural

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\(^9\) The present paper uses the expressions Third World and the Developing World as synonyms.

\(^10\) Exceptions: Cuba and North-Korea are part of the analysis, while Turkey, Cyprus and Israel were excluded. For the list of the analyzed countries see: Appendix 1.

\(^11\) Smallest states: countries whose population was not more than 200 000 in 1994-2009.

\(^12\) Bhutan, Timor Leste and Eritrea
country whose largest export partner is China). Compared to these options, foreign trade appears to be a better proxy. Foreign trade covers almost every type of economical interaction with China and as such it is probably a good indicator of Chinese presence and influence in a country. In addition, foreign trade data are quite reliable and easily available. In order to reflect the Chinese influence, of course, not absolute trade figures but the share of Chinese trade in a specific country's foreign trade was used\textsuperscript{13}.

The definition of the level of democracy in this paper is based on the \textit{Freedom House Index} widely used in the field of democratization studies. Freedom House has published its annual report for almost forty years. The index assays the level of democracy in two dimensions (Political Rights and Civil Liberties), both of them measured on a scale of 1 to 7 where lower values indicate a higher level of democracy. In this paper the combined values of the two dimensions were used.

\textbf{3.2.2. Variables (2): Control variables}

In order to highlight the factual role of Chinese expansion in democratization, control variables had to be introduced. The logic behind the control variables is that a possible correlation between China’s trade share and democratization does not necessarily indicates an impact. The impact can be verified only if at least some of the basic factors of democratization are built into the model. These are not preconditions but rather “facilitating or obstructing factors” (Diamond, 1999:57) based on various approaches\textsuperscript{14}.

\textit{The modernization theory}, originally based on Lipset’s (1959) work, puts the emphasis on socio-economic development where three aspects can be distinguished: health, education and income. Health is most commonly measured with life expectancy, while in education both the level of literacy and the years of schooling are widely used. Finally, gross domestic product (GDP) per capita at purchasing power parity (PPP) used to be the dominant proxy of income for a long time. However, in recent years there has been a shift towards using gross national income (GNI) per capita at PPP since it appears to be a more accurate indicator\textsuperscript{15}. The relevance of socio-economic development seems to be fairly strong (Przeworski et al., 2000; 2006).

\textsuperscript{13} About the problem of trade sometimes changing hectically see: Appendix 2.
\textsuperscript{14} The distinction of the five approaches above is partly based on Papaioannou and Siourounis (2008).
\textsuperscript{15} For example, the Human Development Report has also used GNI instead of GDP from 2010 (UNDP, 2010).
Colaresi-Thompson, 2003) so I decided to use variables for each of the subfields. These are: life expectancy, level of literacy and GNI per capita at PPP.

*Social structure theories* focus, on one hand, on society’s ethnical, linguistic and religious fragmentation which is regarded as an obstacle to democratization (Hadenius, 1992; Barro, 1999). On the other hand, the country’s dominating religion also seems to be an important factor. While a few decades ago Protestantism was a clearly significant factor (Hadenius, 1992), nowadays the emphasis is largely on the negative correlation between Islam and democracy (Anderson, 2007; Papaioanno – Siourounis, 2008). Therefore two variables were derived from social structure theories: the ethno-linguistic fractionalization and the share of the Muslim population in the specific country.

The *resource curse theory* assumes that a country’s richness in certain natural resources can increase the durability of an authoritarian regime and thus set back democratization (Smith, 2004; Ulfelder, 2007). Even though diamonds and some other materials have been identified as a possible cause of resource curse, the theory has focused basically on oil-producing countries and empirically it has proven to be quite powerful. Therefore the oil-exporting country as a “dummy” control variable was used in the analysis.

The *early institutions theory* puts the focus on the colonial background of a country and argues that if colonizers set up despotic institutions it may make it harder to move towards democracy even in a long term (Acemoglu et al., 2001). However, the variables could be hardly regarded as exogenous and most of them become insignificant if control variables are used (Barro, 1999; Papaioanno – Siourounis, 2008). Thus only one variable – which seems to be significant and which is probably the most exogenous one – was derived from this theory: the number of years since the country won independence from a colonial power.

Finally, two additional *physical factors* had to be taken into consideration: the country’s size and whether it is an island or not. It appears that less populated countries and island countries are more likely to become democratic. There has been an ongoing debate about this issue for a long time\(^\text{16}\), but it is undoubtedly part of the

discourse, therefore I decided to use both population and islandness as control variables.

3.2. Data sources

The main data sources are the annual reports and databases of major international organizations. The Chinese trade share variable is computed from the International Monetary Fund’s (IMF) Direction of Trade Statistics yearbook and the World Trade Organization’s Statistical Database. Life expectancy and GNI per capita at PPP comes from the World Bank Database, and for literacy the UNESCO’s statistics and the UNDP’s Human Development Reports were used. The index of ethno-linguistic fragmentation comes from Alesina et al. (2003). The share of Muslim population and the countries’ computed age are both based on The World Factbook published by the United States Central Intelligence Agency. The source and definition of the oil-exporting country variable was derived from the IMF’s World Economic Outlook classifications. Finally, the population data is founded on the United States Census Bureau’s International Data Base.

3.3. Analytical periods

The intent of the research was to find out the effect of China’s rise on democratization. Since Chinese economic expansion has been an ongoing process for a long time, not only the last few years but the whole period between 1994 and 2009 was taken into consideration. This perspective also made it possible to highlight the potential changes of the effect’s intensity in time. However, a year-to-year analysis of sixteen years would have been unnecessarily detailed, and, in addition, fluctuation is often very much evident in foreign trade. If foreign trade is taken as a proxy of a China’s influence in a country, it is more meaningful to analyze general trends instead of yearly fluctuations. Year-to-year changes are unimportant compared to the general pattern of the trade share. Consequently, the sixteen years in question were divided into four four-year groups and these were analyzed separately but using the same methodology.

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17 For details, exact definitions and variable transformations see: Appendix 2.
18 The last year is 2009 because at the time of the quantitative research (November 2011) the IMF had not published the 2010 data yet.
19 Of course, actual control variable data are also different in the four groups.
Before introducing the analytical model it is worth to see the intensity of the Chinese expansion. The table below shows Chinese trade share in the Third World’s major regions in the four analytical periods.

Chart 1: The growth of Chinese trade by regions

Two important conclusions can be drawn from the table. First, the Chinese trade share in the Third World more than tripled in sixteen years\(^{20}\). Secondly, there is a growing convergence between the world regions; the trade shares are quite similar in the fourth period, apart from Latin America.

3.4. The analytical model and the findings

In order to assess the Chinese trade effect on democratization, a multiple linear regression model was created. The dependent variable is the Freedom House score while the explanatory variables are the Chinese trade share (CTS) and the control variables introduced above. In order to build a linear model and to apply the Ordinary Least Squares (OLS) method, some variables were transformed\(^{21}\).

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\(^{20}\) These data are actually the averaged trade shares in the periods; the difference between 1994 and 2009 values is even bigger.

\(^{21}\) The control variable of population was excluded, because no meaningful transformation could have been carried out.
The formal model:

\[ \text{FHI}_i = \beta_0 + \beta_1 (\text{CTS})_i + \beta_2 (\text{LIFE})_i + \beta_3 (\text{LIT})_i + \beta_4 (\text{GNI})_i + \beta_5 [(\text{GNI})_i]^2 + \beta_6 (\text{FRAG})_i + \beta_7 (\text{MUS})_i + \beta_8 (\text{OIL})_i + \beta_9 (\text{AGE})_i + \beta_{10} [(\text{AGE})_i]^2 + \beta_{11} (\text{ISL})_i + \varepsilon_i \]

The analysis followed a kind of „forward method” starting with only the Chinese trade share (CTS) and attempting to use as many control variables as possible until the CTS became insignificant or ran out of variables. However, the variables were not regarded equally important, and the goal was to control the Chinese trade share with the variables derived from different theoretical approaches. As a result, for example, a LIFE-MUS-OIL (Life expectancy, Muslim share, oil-country dummy) control variable combination was preferred to a LIFE-LIT-GNI-MUS (Life expectancy, Literacy, GNI/capita ppp, Muslim share) combination. In addition, since the modernization theory has a major importance in the related literature; no model was accepted without containing at least one related variable.

The table below summarizes the results. The main point is the role of Chinese Trade Share, therefore two types of models are shown here: the last one (as many control variables as possible) with significant Chinese Trade Share (CTS); and the first one where CTS becomes insignificant. The values show the standardized betas, significance levels are in parentheses.

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22 $\alpha=5\%$, in the cases of transformed quadratic variables the averages were used.
23 All models were tested to the basic assumptions of multiple linear regression and OLS; those failing were, of course, excluded. Nevertheless, in some cases the different testing methods led to contradictory results. For further information about the models see: appendix 3.
24 Except for model 2/b because this was the only case when CTS could be controlled with the early institution theory’s variable.
25 Ethno-linguistic fragmentation and population were not built into any of the models because of lack of significance and linearity problems.
26 The transformed variables’ standardized betas are not equivalents to the other betas.
<table>
<thead>
<tr>
<th></th>
<th>Modernization theory</th>
<th>Social structure</th>
<th>Resource Curse</th>
<th>Early institutions theory</th>
<th>Physical factors</th>
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<tr>
<td></td>
<td>Chinese trade share</td>
<td>Life expectancy</td>
<td>Gnp/capita (GNI)</td>
<td>Muslim share (MUS)</td>
<td>Oil-country dummy</td>
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<td></td>
<td>(CTS)</td>
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<td>1994-1997</td>
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<td>1/a</td>
<td>0.242 (0.001)</td>
<td>-0.307 (0.000)</td>
<td>0.411 (0.000)</td>
<td>0.275 (0.001)</td>
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<td>0.494 (0.000)</td>
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<td>1/b</td>
<td>0.234 (0.001)</td>
<td>-0.553 (0.000)</td>
<td>0.585 (0.000)</td>
<td>0.214 (0.006)</td>
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<td>0.546 (0.000)</td>
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<td>1998-2001</td>
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<td>2/a</td>
<td>0.121 (0.154)</td>
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<td>0.416 (0.000)</td>
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<td>0.393 (0.000)</td>
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<td>0.393 (0.000)</td>
<td>0.335 (0.001)</td>
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<td>0.578 (0.008)</td>
<td>0.314 (0.000)</td>
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<td>0.448 (0.000)</td>
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<td>0.374 (0.000)</td>
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<td>3/b</td>
<td>0.218 (0.015)</td>
<td>-0.547 (0.030)</td>
<td>0.556 (0.029)</td>
<td>0.392 (0.000)</td>
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<td>0.257 (0.000)</td>
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<td>3/c</td>
<td>0.141 (0.123)</td>
<td>-0.964 (0.000)</td>
<td>0.739 (0.001)</td>
<td>0.522 (0.000)</td>
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<td>0.289 (0.000)</td>
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<td>2002-2005</td>
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<td>4/a</td>
<td>0.126 (0.146)</td>
<td>-0.298 (0.001)</td>
<td>0.343 (0.000)</td>
<td>0.329 (0.000)</td>
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<td>0.349 (0.000)</td>
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<tr>
<td>4/b</td>
<td>0.231 (0.009)</td>
<td>-0.224 (0.011)</td>
<td>0.387 (0.000)</td>
<td>0.387 (0.000)</td>
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<td>0.234 (0.000)</td>
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<tr>
<td>4/c</td>
<td>0.125 (0.178)</td>
<td>-0.298 (0.002)</td>
<td>0.416 (0.000)</td>
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<td>0.242 (0.000)</td>
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In the first period, almost any combination of control variables resulted in models where Chinese trade was significant. Between 1994 and 1997 Chinese trade had a strong negative effect on democratization. The betas (0.242 and 0.234) indicate that the effect is about the same strength as being an oil-exporting country and stronger than the effect of islandness\textsuperscript{27}. In spite of this, between 2006 and 2009 Chinese trade is significant only in a very few cases. Even the most „successful” model contains only two control variables, and any other combination of (at least two) other control variables resulted in insignificant CTS or serious model problems. It can also be seen that the second and third periods’ models are somewhere between these results.

Nevertheless, the dynamic of Chinese trade share (CTS) effect is quite clear: (1) as we move forward along the time periods, there are fewer and fewer theoretical approaches whose control variables can be applied; (2) the standardized betas of significant CTSs are weakening\textsuperscript{28}; (3) the overall explanatory force of the models is decreasing. Finally, it can be said that in the fourth period the CTS is not a relevant factor any more because it remains significant only in very limited circumstances.

It means that the hypothesis that China’s rise has a negative effect on democratization has been proven wrong. In the mid-90s China certainly had, and around the millennium it may have had a negative effect on democratization, but from 2005 no effect has been apparent.

4. Three possible explanations

It is important to look at the possible factors behind the weakening and finally disappearing Chinese effect on democratization. Three different explanations will be presented. It has to be emphasized that these are not verified hypotheses even if there are signs indicating their relevance but possible explanations which may have a role in the aforementioned processes. Each of them reflects a different point of view; thus they do not rule out one another, and they may contribute to a more thorough understanding of the dynamics of the Chinese effects on democratization.

\textsuperscript{27} The islandness variable should be interpreted carefully, because the small states which were excluded earlier were mostly islands.

\textsuperscript{28} The second and third period’s characteristics are quite similar. In some aspect the 3/b model is as good as, or maybe somewhat better than the second period’s models but this is probably due to the fact that the quadratic GNI variable was used instead of LIF or LIT. For further information about the models see appendix 3.
4.1: The “Natural process”

A plausible answer can be found in the dynamics of China’s trade. In the early 90’s Chinese trade was less diversified and fairly limited. Thus some countries (e.g. North Korea) having a long relationship and alliance with Communist China may have had a relatively larger trade share as a heritage from the era when ideological factors had a stronger relevance. Later, however, the expansion of China was accompanied with a focus on business and not on ideology, and it seems that the heritage has lost its relevance and the new trade partners’ democratization was not affected by China at all. Nevertheless, this explanation mostly excludes Chinese policy-makers and cannot explain those conscious Chinese actions which have been determined by economic or strategic interest but, as a result of international condemnation, have been changed later. A possible explanation for such actions can be found in the next approach.

4.2. The “Smart Dragon”

This explanation was derived from Nye’s concept of power which has drawn much attention in recent years. Nye (2011) argues that the traditional (realist) definition of power is too narrow because it is not only the military or economic factors that matter but also the so-called soft power which can be defined as the ability of a state to attract others (Nye, 2004:6). Of course these are not isolated components of power; there are trade-offs between soft and hard power. For instance, the war in Iraq was a clear manifestation of the use of US hard power but the war had destructive consequences on US reputation and thus on its soft power (Nye, 2008). It also works in the other way round; greater attraction makes it easier to build tools for hard power, e.g. a military alliance. Therefore the major question is not how to build hard or soft power but how to have a better combination of them; the ability to do this is smart power (Nye, 2004:32).

From this angle China, as a country seeking superpower status, has to balance cautiously between hard and soft power aspects. Taking a look at recent Chinese actions, some clear signs of this kind of behavior can be recognized. For example, as a result of criticisms, China has shown considerable self-restraint in her textile imports (Carmody, 2009), Chinese companies have put a growing emphasis on environmental norms (Mol, 2011), and even in the “hardest” areas like the oil industry (see: Jiang

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29 Nye’s original article about soft power was published in Foreign Policy (Nye, 1990) but it has been shaped and refined in the last two decades, and this slightly modified concept will be used here.
[2009] about the SINOPEC investments in Gabon) and state sovereignty (see: Holslag [2008] about China’s changing policies concerning Darfur) China has adapted global (western) norms to a considerable extent. These shifts may explain the weakening negative Chinese effect on democratization: as Chinese engagement has grown, the negative effects have become more visible and drawn more international attention and condemnation which forced China to soften its positions.

4.3. The „Fragmented Dragon”

China is often regarded as a monolithic actor (and, for methodological reasons, this paper has done the same this far), but that assumption is far from reality. Statements like “China is anything but a unitary actor” (Alden – Hughes, 2009:563) may be slightly exaggerating but yes, there are quite serious differences in goals and tools within the Chinese state even at the highest levels. For instance, considering the soft and hard power distinction, the Ministry of Foreign Affairs\(^{30}\) is probably more interested in soft power while the concerns of the Ministry of Commerce\(^{31}\) and the army\(^{32}\) lie in hard power arenas such as economic and military power. It has to be also mentioned that the central control over different Chinese actors like companies, local governments and so on is dwindling and these actors sometimes launch their own policy initiatives (Taylor – Xiao, 2009). In this sense the weakening of Chinese effects can be caused by the changing power relations between the different, direct and indirect, Chinese policy-maker bodies.

4.4. An example – The case of Myanmar

Having outlined these possible explanations, it is worth to look at an example. Let us take Myanmar; the recent history of Sino–Myanmar relations has drawn great international attention among politicians and academics and in my opinion it is one of the most interesting examples of changing Chinese policies.

The modern stage of the relationship between China and Myanmar began around 1985 when China formally stopped supporting the Communist Party of Burma (CPB) which dissolved a few years later, removing the biggest obstacle between the two countries (Narayanan, 2010). The relationship became more important for both countries in 1988-1989 when in Myanmar the military interfered in politics and a Junta took over, while in China the Tiananmen Square demonstrations were brutally

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\(^{30}\)Officially: Ministry of Foreign Affairs of the People's Republic of China

\(^{31}\)Officially: Ministry of Commerce of the People's Republic of China

\(^{32}\)People’s Liberation Army (PLA)
beaten down. Both countries faced international condemnation and sanctions which increased mutual understanding. The 1990s saw a great expansion in economic and political relations. China essentially followed her strategic interests regarding Myanmar: securing access to the Indian Ocean, ensuring the security and stability of border areas, energy security, economic cooperation, coping with India’s rise and, finally, maintaining fraternal relations with Myanmar (Li – Lye, 2009). China did not really care about Western criticisms claiming that China supports an authoritarian regime and obstructs Western efforts for democratization.

However, things have changed in the 2000s. In 2007 demonstrations took place in Myanmar and the bloody response and repressive measures of the Junta led to international condemnation. China had to make a really difficult choice between supporting the regime, risking to cause serious harm to China’s reputation and endangering the 2008 Beijing Olympic Games, or leaving her closest ally in the region to its fate (D’Hooghe, 2008; Xiao, 2011). The situation was especially sensitive because China could not avoid taking responsibility, Myanmar being her neighbour and ally. China took a middle course: supported the UNSC Presidential Statement condemning Myanmar but refused to impose sanctions while, behind the scenes, started pushing Myanmar towards a softer internal policy. Chinese actions resulted in some real changes in the following years: the Junta accepted the seven-step democracy roadmap, the leader of the opposition was released, and finally in June 2010 the first elections were held after 20 years (Lee et al., 2009, Xiao, 2011). Myanmar is still very far from being a democracy, but apparently it has taken the first steps and China definitely had a major role in this.

5. Conclusion

The rise of China is probably among the most important processes in current international politics and has had and will have considerable effects in a number of fields. One of the most relevant ones which has drawn considerable academic and political attention is the connection between democratization and Chinese expansion around the world. The present paper is an attempt to assess this process.

The examination of the theoretical background proved that an authoritarian superpower can have enormous effects on democratization and therefore China’s rise is an issue of major importance for the process. However, the actual direction and
strength of this effect was unclear because most of the studies in recent literature have been based on qualitative analysis and overemphasized some extreme examples. In order to avoid these mistakes and oversimplifications, a systematic quantitative analysis was carried out and a multilinear regression model was set up.

The results showed that, up to about the millennium, China’s rise had a negative effect on democratization but it was weakening gradually and from 2005 no effect has been apparent. Therefore it can be concluded that the hypothesis China’s rise has a negative effect on democratization is wrong and the grave concerns around the world in this respect are basically unfounded.

The paper also highlights an interesting paradox of a rising, clearly authoritarian superpower having a decreasing and finally disappearing effect on democratization. The topic is to be studied further but the paper has introduced three different aspects which may contribute to the discussion of this theoretical and practical paradox. The first emphasizes the changing Chinese trade structure; the second frames Chinese policies as a cautious balancing act between hard and soft power interests, while the third focuses on the ongoing fragmentation of the Chinese state.
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Appendix 1: List of the analyzed countries

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<tr>
<th>Afghanistan</th>
<th>Chile</th>
<th>Haiti</th>
<th>Mexico</th>
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<td>Mozambique</td>
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<td>Argentina</td>
<td>Congo (rep.)</td>
<td>Indonesia</td>
<td>Namibia</td>
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Appendix 2: Variables

*Share of Chinese trade in the country’s foreign trade:* based on the IMF’s Direction of Trade Statistics (yearbooks between 1993 and 2010). Data used: „country’s DOTS trade with China” and country’s „DOTS World Total”. Import and export values were combined. In order to decrease fluctuation, a moving average smoothing was applied (m=3). For this calculation the 2010 trade share data had to be taken into consideration. Since the 2011 IMF yearbook containing data for 2010 had not been published at the time of the research, these data were estimated from the WTO’s Statistical Database.

*Level of democracy:* based on the Freedom House’s Report (2011). For the four time period the following data were taken into consideration: December 1997 (1. period); December 2001 (2.); December 2005 (3.); December 2009 (4.). Political rights and Civil liberties values were combined.
Island: a country is regarded as an island if it has no land border. The variable was defined as „dummy”. (1=island)


Muslim share: based on the CIA World Factbook (2011). Shia, Sunnite, Ismaili Alawi, Druze people were defined as Muslims. Missing pieces of data were made up from Alesina et al. (2003). The pieces of data come from different years but, because of the nature of the variable, this does not present a problem.

Ethnolinguistic fractionalization: data is based on the ethnical and the linguistic fractionalization index created by Alesina et al. (2003). The two values were averaged. The pieces of data come from different years but, because of the nature of the variable, this does not present a problem.

Oil-exporting country: the oil-exporting country definitions were derived from the classification of IMF’s World Economic Outlook report (1996, 2000, 2004, 2008). The variable was defined as „dummy”. (1=oil-exporting country)

Years since independence: based on the CIA World Factbook (2011). Years since independence=2010-(year of independence). Countries without a colonial background or with only short-lived occupations were coded as missing. From its quadratic form the variable was transformed to linear form.

Life expectancy: based on World Bank (2011). Indicator: Life expectancy at birth, total (years). In the four groups the year-to-year values were averaged. For the four periods the averaged values were taken into consideration.

Literacy: based on UNESCO (2011) and UNDP (2009). For the four time periods the following pieces of data were taken into consideration: 1996, 2000, 2004, 2008. When data were not available for the exact year the number was estimated (linear method).

GNI/capita at PPP: based on World Bank (2011). Indicator: GNI per capita, PPP (current international $). The variable was transformed from quadratic form to linear form. For the four periods the averaged values were taken into consideration.
Appendix 3: Models

The models were tested on the basic assumptions of OLS. In every tests an \( \alpha=5\% \) was applied. Non-linear curves were transformed or excluded. Some cases were on the border of acceptability; these were not excluded but they are in parentheses. The results of these models should be interpreted carefully. Multicollinearity is acceptable (VIF<1.3; CI<18) except for the models where the use of a quadratic variable increased the VIF values. (1/b model: VIF=3; CI=22). Models were tested with the Breusch-Pagan-Godfrey method and proved to be homoskedastic (2/a; 2/b models: Chi-square=11,525; 12,111; v=5). Normality was tested with the Kolmogorov-Smirnov, Shapiro-Wilk tests and Q-Q plot (4/b and 4/c: minor normality problems). Outliers were examined with the combination of Studentized Residuals and Centered Leverage Values and no variables was excluded (they should have been a significant outlier in both dimensions).