WHO BENEFITS? THE EFFECTS OF FOREIGN AID AND FOREIGN DIRECT INVESTMENT ON HUMAN RIGHTS

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The global emphasis on human rights has generated a surge of studies into what causes regimes to abuse the basic rights of their citizens. Causes of abuse can be internal or external in nature, based on economics, politics or cultures. This study examines the effects of foreign aid and foreign direct investment on three types of human rights: personal integrity, civil and political, and subsistence. I perform ordinary least squares regression analyses with panel-corrected standard errors on a pooled cross-sectional time series design incorporating 127 countries from 1976 to 1996. While my results are not significant, it is important to observe that there is a tendency toward negative relationships for the majority of the analyses.
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INTRODUCTION

For nearly sixty years, the issue of human rights has become increasingly visible over the globe. The Universal Declaration of Human Rights (General Assembly Resolution 217A (III), 10 December 1948), adopted by the United Nations, states the minimum political and social necessities for a dignified standard of life that is recognized by the international community. This global emphasis on human rights has generated a surge of studies into what causes regimes to abuse the basic rights of their citizens. These studies have ranged from the theoretical to the empirical and have provided useful insight into state behaviors regarding human rights. Causes of abuse can be internal or external in nature, based on economics, politics or cultures. In this study, I examine two external economic forces that can influence a country’s human rights records: foreign aid and foreign direct investment.

Jack Donnelly (1998) suggests that it is up to the stronger states to encourage others to comply with the International Bill of Human Rights. Strong nations can accomplish their foreign policy goals through two different means: persuasion or intervention. Persuasive actions are generally those that do not require force, while intervention is the use of force to interfere in another nation’s affairs. For example, prior to the start of the Cold War in 1945, the US used intervention as a major tool to influence the political, social, and economic development of less developed countries. During the Cold War, there was a movement away from the use of force and toward the use of aid and other persuasive methods as the primary instrument of foreign policy because sanctions became largely ineffective (Cingranelli, 1993).
There are three primary means the United States and other nations use to promote human rights: quiet diplomacy, public statements, and withholding or reducing foreign aid allocations. The most drastic and arguably the most effective of these is withholding aid. If a government has a poor human rights record, larger states can withhold economic and/or military aid to influence the violating country into respecting the basic rights of its’ citizens. In the United States, Congress passed the Foreign Assistance Act of 1973 which stated that US foreign assistance should not only be directed towards the poorest people of the world, but should also be based upon human rights conditions as well (Blanton, 1994). The Carter administration and Congress added human rights concerns to their evaluations of other countries to determine which countries should receive aid (Donnelly, 1998). In 1986, the European Foreign Ministers signed the Declaration on Human Rights and Foreign Policy, emphasizing the protection of human rights through the promotion of democratic ideals and economic development and discouraging excessive military spending (Zanger, 2000).

While there have been numerous studies to determine the effects of human rights on foreign aid decisions, not as much research has been done to determine if foreign aid allocation affects the human rights records of the recipient countries. Many of these studies have found that human rights play at least a small role in determining who receives aid, but is this practice of foreign policy successful in deterring states from abusing the rights of their citizens? Regan (1995) suggests that, although there is evidence that human rights did have an impact on foreign aid allocations during the
Carter and Reagan administrations, the aid had no visible impact on changes in the human rights practices of the recipient countries.

The majority of the research on foreign aid and human rights has been based solely on US foreign aid (Apodaca and Stohl, 1999; Blanton, 1994; Cingranelli, 1993; Cingranelli and Pasquarello, 1985; McCormick and Mitchell, 1988; Meernik et al., 1998; Poe et al., 1994, Regan, 1995; Schoultz, 1981; Shue, 1996). However, in recent years, more research has been done to include other developed nations as well (Alesina and Dollar, 2000; Apodaca, 2001; Barratt, 2004; Neumayer, 2003; Olsen, 1998; Zanger, 2000). The UN’s International Bill of Rights requests that all nations support human rights reforms. Therefore, all foreign aid received by recipient nations should be able to be used to determine if foreign aid tactics aid or hinder human rights reforms in developing countries.

Multinational corporations (MNCs) can also influence human rights practices in developing countries. One way is simply to choose not to invest in states that consistently violate the International Bill of Human Rights (Donnelly, 1998). The United Nations Commission on Transnational Corporations has requested that multinationals: “respect human rights; abstain from involvement in, and subversion of, domestic politics in host nations; practice nondiscrimination; respect host government proprieties on employment, the environment, and socioeconomic policy; and cease collaboration with racist politicians in South Africa” (Meyer, 1996, 369). However, there are no legal obligations on MNCs to promote human rights.
Some critics of MNCs suggest that the multinationals themselves are facilitators, as well as violators of human rights abuses. Billet (1991) suggests that MNCs perceive human rights reforms as fueling domestic conflict and do not like to invest in countries that are implementing those types of reforms. They prefer the benefits of regimes that disregard human rights reforms and the use of repression to deal with existing conflicts. MNCs invest in developing countries for several reasons not the least of which is the maintenance of markets and the availability of cheap labor and mineral resources. They also require stability which encourages repression by host governments in order to assuage the fears of investors and ensure profits. Numerous case studies in Latin America have shown that countries like Mexico, Brazil, Chile, Argentina, and Uruguay have transformed their governments into repressive regimes that discourage popular discontent to foster industrial growth by attracting massive investment.

While recent years have seen an increase in the amount of literature analyzing the effects of foreign aid and investment from multiple sources, the results of these studies have been mixed. Therefore, the purpose of this study is twofold: 1) to expand on previous literature to determine the effects of foreign aid and investment on human rights in developing countries; and 2) to determine what kind of basic human rights are being affected. I will first examine the results of similar studies and then perform regression analyses on three popular measures of human rights to determine the effects of outside economic factors on human rights.
REVIEW OF THE LITERATURE

Henry Shue (1996) defines a basic right as something that “provides the rational basis for a justified demand, that the actual enjoyment of a substance be socially guaranteed against standard threats” (13). If one attempts to enjoy any other right by sacrificing a basic right, it would be self-defeating. Basic rights are not honored unless people are provided with protection for enjoying the substance of their rights. Jack Donnelly (1998) defines human rights as “the rights that one has simply because one is human. They are held by all human beings, irrespective of any rights or duties individuals may (or may not) have as citizens, members of families, workers, or parts of any public or private organization or association” (18). Human rights are basic rights because they are one’s minimum reasonable demands upon society. Shue (1996) suggests that with every basic right are three types of duties: the duty to avoid depriving, the duty to protect from deprivation, and the duty to aid the deprived. To fulfill these duties, there must be the creation and maintenance of effective government and nongovernmental institutions to act as the ultimate barrier against deprivation.

In December of 1948, the Universal Declaration of Human Rights was unanimously adopted by the United Nations. The Declaration remains the most authoritative statement of human rights norms. The International Human Rights Covenants followed in 1966. The Covenants consisted of the International Covenant of Economic, Social, and Cultural Rights and the International Covenant on Civil and Political Rights. Through these documents, called the International Bill of Human Rights, states have agreed to follow internationally recognized human rights standards, but,
They did not grant the United Nations the power to investigate compliance of these standards (Donnelly, 1998). However, with new technologies and increasing globalization and interdependence, it is much more difficult for governments to hide their human rights violations (Leblang et al., 1999).

Foreign Aid

Foreign aid has been defined as “the voluntary transfer of resources or technology from one country to another at less than market rates (Cingranelli, 1993, 129).” Bilateral aid, which involves only two countries, is the earliest and most generally used type of foreign aid (Cingranelli, 1993; Milner, 2004). President Carter believed that all people have certain basic rights which include the right to be free from some types of government interference and the right to receive some types of benefit from the government. This policy had an affect on all US foreign policy, but had the largest impact on policy toward less developed countries where human rights violations are more prevalent. For instance, the Carter administration discontinued military assistance to several developing countries based on their human rights records as well as redirected some economic assistance away from human rights violators and regimes that were not using it to meet the basic needs of their people. This idea was progressive because it emphasized the hardships suffered by the Third World population rather than the problems of the states (Cingranelli, 1993).

After Carter, Reagan and Bush were more concerned with the containment of communism and human rights issues were pushed aside. In 1985, Reagan announced
the Reagan Doctrine that reflected the priorities of his foreign policy: containment, democratization, the expansion of the free enterprise system, and US national security. The Reagan and Bush administrations circumvented the human rights issue by equating the promotion of human rights with the promotion of democracy and did not recognize economic or personal integrity rights (Cingranelli, 1993).

While the majority of aid is given bilaterally, multilateral aid, financial assistance given to countries by intergovernmental organizations (IGO) through grants and low interest loans, is also used. Multilateral aid is theoretically more humanitarian in nature, given more on a need basis than bilateral aid. This makes multilateral aid an attractive alternative for governments who want to appease a skeptical public that favors IGOs as aid providers, but still provide aid to strategic allies (Milner, 2004).

There are two primary themes of research dealing with foreign aid and human rights. One argues that human rights practices affect the amount of foreign aid nations receive. The other argues that aid can affect the level of human rights abuses in recipient countries (Regan, 1995; Callaway, 2001). Quite a bit of research has been done to determine the effects of human rights records on the allocation of foreign aid, especially on US foreign aid, however the results of these studies have been inconclusive. One study by David Cingranelli and Thomas Pasquarello (1985) examined human rights practices of Latin American countries from 1979 to 1980 to determine if this had an effect on the US aid distribution in fiscal year 1982. They found that in FY 1982, El Salvador, a country with a very poor human rights record, received three times more US bilateral aid than other Latin American countries. In fact, in the late 1970s and
early 1980s, El Salvador had far worse human rights records than Nicaragua under Somoza or the Sandanistas, yet they received nearly $4 billion dollars for that decade (Donnelly, 1998). Cingranelli and Pasquarello concluded that El Salvador was not a routine case and deleted it as an outlier. They also examined aid in two stages. The first stage, the “gatekeeping” stage, is the decision by policymakers to give aid to certain countries. The second stage determines how much aid is given. They find that during the gatekeeping stage, economic aid was given regardless of human rights records and military aid had a weak, positive relationship. However, when they examined the level of aid given, they found that respect for human rights was an important consideration in how much economic aid was given, but once the decision has been made to give military aid, human rights no longer come into play.

In response to the Cingranelli and Pasquarello article, Mitchell and McCormick (1988) perform a similar study correcting for mistakes they believe were made by Cingranelli and Pasquarello. One of their primary complaints is that El Salvador was excluded from the study because it does not reflect routine aid decisions. The problem that arises is determining which decisions are routine and which are not. Mitchell and McCormick suggest that it is better to include all Latin American countries in the study rather than making questionable judgments about what is and is not routine. They found that by including El Salvador, the relationship is severely weakened between economic assistance and human rights, becoming statistically insignificant.

Other research has been built on Cingranelli and Pasquarello’s (1985) study. Poe et al. (1994) examined two different scales of human rights behavior to determine the
effects of human rights records on economic and military assistance using the two stage process of aid allocation. They controlled for factors that have been known to have an impact on foreign aid distribution and examined the data from 1983 to 1991. They also excluded El Salvador from their study as an outlier. Consistent with the Cingranelli and Pasquarello (1985) study, Poe et al. find that human rights abuses do seem to have an effect on US foreign aid allocation in routine cases. They suggest that, although there are several other strategic, political, and economic factors that weigh more heavily in determining aid allocations, a country’s human rights record is definitely added in the mix.

In a study on British foreign aid decisions, Barratt (2004) uses the two step process to determine where human rights fall in British foreign policy. She examined all recipient states for the years 1980-1996 and found that, in the gatekeeping stage, human rights was one of the most significant factors determining British foreign assistance, however this relationship was negative. Human rights were found to not be a factor when determining the aid allocation. Barratt concludes that British policy makers surmise that they will have a greater opportunity to guide states with poor human rights records if they continue to have diplomatic ties with them.

Blanton (1994) examines US bilateral economic and military aid to 23 countries in Latin America using only the second stage of the decision-making process. She creates four models to explain aid allocation: two attempt to account for economic aid and two attempt to account for military aid. She also examines two different time periods. The first is from 1979 to 1981 and the second is from 1982 to 1985. She finds
that for economic and military assistance for both time periods, the higher the level of human rights abuses, the less aid that country was likely to receive. Apodaca and Stohl (1999) examine different presidential administrations from Carter through Clinton to determine if human rights concerns are centered around US leadership. Again, they find that, although other national security interests have a more prominent role in aid decisions, human rights violations reduce the odds of receiving economic aid from the US during the Carter, Reagan, and Bush administrations, but the relationship was insignificant during the Clinton administration. Meernik, Krueger and Poe (1998) also used Cingranelli and Pasquarello’s two-step decision-making process. They hypothesize that human rights records do have an impact on aid decisions and that human rights will have even more of an impact after the Cold War. They examined 127 countries from 1977 to 1994 and found that both during and after the Cold War, the better a nation’s human rights record, the more likely they were to receive aid. However, as in Cingranelli and Pasquarello’s (1985) research, they found that once a country made it past the gatekeeping stage, recipients were not penalized for their human rights records.

In a study of official development aid and European countries, Sabine Zanger (2000) examines the effects of human rights, among other factors, on aid allocations. She chose to use the three largest European donors (Germany, Britain, and France) plus the European Community/European Union (EC/EU) from 1980 to 1995 and found that human rights, specifically security rights, had no affect on the allocation of aid from France or the EC/EU and the results from Britain and Germany were mixed. Germany
only showed human rights to be a factor in the first half of the 1980s while Britain only showed human rights to be a factor in the first half of the 1990s with both countries punishing human rights abuses.

While the majority of studies have dealt primarily with bilateral aid from specific developed states, there has been a recent increase in the amount of research having to deal with total bilateral and multilateral aid. Eric Neumayer (2003) examined bilateral and multilateral development assistance to 103 countries for the years 1983-1995 in three year averages and found that respect for human rights does play an important role in determining bilateral aid allocations but not multilateral aid allocations. This validates the argument that IGOs consider different factors when determining aid allocations, however, it does not appear that human rights are one of those factors. Milner (2004) suggests that multilateral aid is given based on need and the poorest states may not have the best human rights records.

It has been determined in several studies that human rights do have at least a small impact on foreign policymakers when deciding who receives foreign assistance. It is logical to question the effectiveness of this tactic on countries with poor human rights records. Some research has been done to examine this question. In the late 1970s, the new Bureau of Human Rights and Humanitarian Affairs saw the threat of aid reductions as a way to force recipients to lower their levels of repression. They found that this goal was unrealistic because most repressive governments refused to change their policies. The Bureau then began to view aid as a way to dissociate the US from those regimes rather than as a tool to reduce repression levels.
Schoultz (1981) found that in the 1979 US budget request, economic aid to Chile and Nicaragua among others was decreased because of human rights abuses while there were significant increases in aid to countries with good human rights records like Costa Rica, Guyana, and Jamaica. He also found that by the end of the 1970s, several Latin American countries had better human rights records. For instance, by 1980, the use of torture and physical abuse of prisoners had decreased considerably. However, several countries in the area did not have better human rights records after US foreign policy changes and it is difficult to determine if those countries that did have better records would have been better even if the United States had not encouraged them to do so. Schoultz (1981) found that some of the countries with improved records had not changed any policies to allow for public dissent, but instead had improved only after dissenters had been silenced or eliminated.

In a 1995 article, Patrick Regan examined the hypothesis that changes in foreign economic aid affects changes in the human rights practices of recipients. He examined the Amnesty International reports of 32 countries in Latin America and Asia that receive most of the foreign aid coming from the US. Controlling for the size of the population, the degree of democracy, the resources devoted to the military, and the level of economic development, he found that there appeared to be no relationship between changes in economic aid and political repression.

Multinational Corporations

Thomas Donaldson (1989) gives a simple definition of the multinational
corporation as “a national company in two or more countries operating in association, with one controlling the other in whole or in part” (30). These corporations are usually in the manufacturing or resource industries and are based in the US, Europe, or Japan (Eden, 1991; Modelski, 1972). They are becoming the primary instrument in the globalization and interdependence between national economies (Eden, 1991). Usually, citizens of the corporation’s home country own a majority of the stock as well as dominate the top management positions (Donaldson, 1989). They tend to be transnational in that ownership, management, production, and sales activities extend over several national jurisdictions. The main office is located in one country while its subsidiaries are located in other countries, usually developing countries. The primary objective of MNCs is to secure the most efficient and least costly locations for production facilities. Although these corporations are exporting capital and technology, the financial, managerial, and development aspects of production remain with the host country’s economy (Gilpin, 1987).

Foreign direct investment (FDI) is defined as “financial transfers by a multinational corporation from the country of the parent firm to the country of the host firm to finance a portion of its overseas operations. [It] occurs when a corporation headquartered in one nation invests in a corporation located in another nation, either by purchasing an existing enterprise or by providing capital to start a new one” (Spero and Hart, 1997, 98). FDI is motivated by taking advantage of lower costs of production, local tax benefits, and tariff schedules that encourage foreign production of component arts and intermediate goods. This has resulted in the rapid expansion of trade of
intermediate goods within corporations rather than the trade of final products associated with conventional trade (Gilpin, 1987). As the globe becomes more interdependent and issues like trade and investment begin to overshadow national security issues, multinationals are moving to prominence in global politics (Meyer, 1996). Globalization can allow for larger countries to infringe upon repressive nations’ sovereignty (Moore, 1998). Over the last few decades, there has been a shift in power over Third World policy outcomes to multinational corporations and other financial institutions from major national powers. This shift is progressing at a significant rate and is likely to continue at this rate in the future (Cingranelli, 1993).

Multinational corporations have been around for centuries. Trade is the oldest and most important relationship between countries and has been integral in the development of international relations. Robert Gilpin (1987) suggests that foreign investment has come in three waves to the developing world. The first wave began in the seventeenth and eighteenth centuries with Spanish, Dutch, and English companies establishing mines and plantations in the New World and parts of Asia. Many of these companies plundered and exploited the natives for their minerals and other resources. The second wave occurred during the late nineteenth century in Africa, Southeast Asia, and other regions when they were brought within different imperial systems. Exploitation was a common occurrence but European investments in the urban infrastructure are still important to many of these countries. The third wave began in the 1960s when less developed countries launched import-substitution strategies to encourage investment from multinationals of the US and other developed countries.
Many multinationals are more powerful and possess more resources than the majority of the member countries of the United Nations (Gilpin, 1987). With the exception of a few states, MNCs are the only institutions large and powerful enough to affect global human affairs (Donaldson, 1989). As of 1991, the largest 600 MNCs together generated a quarter of world gross domestic product (Eden, 1991). The 20 largest multinationals have annual incomes greater than those of 80 developing countries. Therefore, MNCs have become more important as a tool for protecting the interests of the most powerful nations (Meyer, 1996; 1998). They have been used as tools of diplomacy by their home states in order to coerce other governments to advance their national interests and to spread the ideology of the free enterprise system. In the United States, beginning with the Marshall Plan, many people have seen the MNC as a way to strengthen foreign economies and contain communism by demonstrating an alternative to communist or socialist models of economic development (Gilpin, 1987).

There have been several charges made against multinationals concerning the economic results of investment in developing countries. For instance, investment distorts the economy and the nature of economic development in developing countries (Evans, 1979). Multinationals are also accused of creating an economy of small inefficient firms incapable of motivating development. These subsidiaries exist only as satellites of the corporation rather than as the means for self-reliant growth (Gilpin, 1987). Another accusation toward multinationals is that they introduce inappropriate types of technology that hinder indigenous technological development and employ
capital-intensive productive techniques that cause unemployment and prevent the emergence of domestic technology. The most advanced technology remains in the hands of the multinationals and is not transferred to the host countries (Vaitsos, 1974). The workers in the developing countries learn how to use the technology, but are not given the information necessary to produce the technology or refine it. Therefore, they are always dependent on the MNC (Lall, 1991; Spero and Hart, 1997).

Investment also increases the likelihood for poor distribution of income in developing countries (Gilpin, 1987). Peter Evans and Michael Timberlake (1980) examine the effects of MNCs on development by examining the tertiary sector of the population in Third World countries. They argue that rapidly growing tertiary sectors, high levels of dependence on foreign investment, and high levels of inequality are empirically associated in developing countries. They hypothesize that the more foreign capital located in a given LDC, the higher the level of income inequality in that country and the greater the increase in the proportion of the labor forces employed in the tertiary sector, the greater the level of income inequality. They use two measures of economic dependence: profits from FDI that go to the host country and the total amount of FDI by OECD nations to less developed countries. They find that when foreign investment is relatively great, overall income inequality is also great. Also, these results appear to result from both a negative relationship of investment dependence with the relative amount of income held by the poorer countries and its positive relationship with the proportion of income accruing to the rich.
Development has also been an issue with human rights scholars regarding multinationals. Many agree that development is an important aspect of human rights. Donnelly (1999) suggests that democracy, development, and respect for human rights are interdependent of each other. He states that even in the cases where sustained economic development has been achieved by repressive regimes, there is little evidence to show that repression was necessary for development to occur. However, dependence on the developed world for economic development can be detrimental to human rights. Davenport (1995) hypothesized that the infiltration of the global economy into developing nations has increased the need for the protection of politicoeconomic relationships. This can allow for laborers to strike, political opponents to revolt, and expatriated capitalists to rebel. In order to prevent these kinds of activities from taking place, governments are more likely to use repression when dependency is high. Davenport finds that dependency actually does not have any statistical significance, however economic development is significant. He suggests that the dependency measure may not adequately represent the actual relationship between dependency and human rights.

Mitchell and McCormick (1988) examine three hypotheses on the economic side of human rights violations. One is that economic modernization leads to political stability and, therefore, to increased respect for human rights. The poorest countries with substantial social and political tensions created by economic scarcity would be most unstable and thus most apt to use repression in order to maintain control. The second hypothesis given by Mitchell and McCormick is based on Samuel Huntington’s
(1968) theory of a curvilinear relationship existing between the relative wealth of a nation and human rights violations. The very poor and the very rich countries would be less likely to have substantial levels of human rights violations, while those who are in the process of modernization would be more likely to exhibit such a pattern. Lastly, they suggest that there is an increase in human rights violations by countries that are more involved with external capitalist interests. In other words, the greater the economic association with the United States or other advanced capitalist countries, the greater the degree of human rights violations. They based their analysis on the 1985 Amnesty International reports and find that for their imprisonment model; the wealthier countries were less likely to hold a large number of political prisoners. They find for their torture model that those countries that are relatively wealthy, again, are less likely to use high levels of torture. Therefore they found no support for Huntington’s (1968) curvilinear relationship. When they measured the third hypothesis, they found that large amounts of investment is likely to cause countries to be in the high categories for both imprisonment and torture, however, when they controlled for population size, these relationships ceased to be significant.

Human rights research has also dealt with the moral responsibilities of MNCs to comply with international human rights laws in their subsidiary companies that tend to be overlooked. For instance, child labor, which has been abolished in developed nations, continues to be a problem in developing countries. In Central America, laborers work a six-day work week earning barely a dollar a day. They are largely not unionized and strikes are usually declared illegal. Donaldson (1989) suggests that it is not the
fault of the multinational that these problems are occurring, but it is due, instead, to
the lack of a clear understanding of what their responsibilities are. He suggests that
MNCs must comply with the following three conditions for rights: 1) the rights must
protect something of value; 2) the right must be subject to substantial and recurrent
threats; and 3) the obligations imposed by the rights must satisfy a
fairness/affordability test. Therefore, the rights to physical security, free speech and
association, the obstruction of a child’s development, political participation, and
subsistence must be met by the multinationals.

Bret Billet (1991) focuses on the effects of human rights reforms and regime
repression on the FDI behavior of multinational corporations in less developed
countries. He suggests that research must investigate the role of multinationals in
alleviating widespread political instability by encouraging economic growth and
development. He mentions two different schools of thought when dealing with human
rights and MNCs. The first he calls the “safeguarding model” where MNCs have an open
contempt for human rights reforms in developing countries because MNCs perceive that
reforms contribute to domestic conflict. It is argued that human rights reforms increase
the freedom individuals have to express their feelings on their social, political, and
economic positions and have the potential to cause greater political conflict.
Multinationals therefore perceive a higher degree of political risk and uncertainty
existing in these states and look toward those who forego human rights reforms in
favor of the use of repression to deal with existing and potential conflicts. For instance,
Mexico, Brazil, Chile, Argentina, and Uruguay altered their regimes to be extremely
repressive in order to encourage industrial growth by introducing massive foreign investment.

The second school of thought Billet calls the “international morality model” which suggests that MNCs prefer regimes that respect human rights and implement reforms. This model maintains that MNCs believe repression to be an act that increases political conflict rather than reduces it and, therefore, decreases the probability for the multinational to make a profit. Also, multinationals are afraid of being viewed by the public as repressive agents themselves which will encourage boycotts, divestment or disinvestments to be placed on these corporations by international activist groups. He measures regime repression and human rights reforms as his dependent variables and finds that there is no support for the safeguarding model for either of the dependent variables and finds evidence to support the international morality model. If this is true, do multinationals have a positive or negative effect on human rights?

John Rothgeb (1991) examines the effects of international dependence upon political stability. He employs a cross-national design that analyzes 84 countries classified as underdeveloped. His dependent variable is political conflict which is measured using the Conflict and Peace Data Bank which is an events-based dataset. His independent variable is measured in two ways: foreign investment in manufacturing and foreign investment in mining. He used synchronic and time lagged analyses to test for short and long term effects on conflict. He finds that there is no support for the view that investment negatively effects political conflict.
William Meyer (1996; 1998) examines two different theories to explain the effects of multinational corporations on human rights. The first theory is the “engines of development” thesis. Similar to Billet’s (1991) international morality model, this view states that there is a positive relationship between economic development and human rights. MNCs enhance development, therefore they promote human rights, specifically socioeconomic rights. The second theory is based on research by Stephen Hymer (1979).

Hymer (1979) states that there are two laws of economic development: the law of increasing size and the law of uneven development. He also states that the first law leads into the other one. There are three levels of multinational organization. Level III is concerned with day-to-day operations, Level II manages Level III, and Level I is the top management level. This organizational structure creates dual development. Level III is located in the rural periphery, Level II is located in the center periphery, and Level I is located in the industrialized centers. This causes specialization by nationality which, in turn, creates a division of labor based on nationality at the global level. Hymer also suggests that two-thirds of the third world population end up paying the greatest cost to maintain the system, but they do not reap any of the benefits. This causes a system of international domination by MNCs that leads to a deterioration of human rights in both the civil-political and the socioeconomic spheres. Therefore, in order to perpetuate their system of domination, multinationals must keep the excluded two-thirds of the population under control. In short, the organizational structure of MNCs creates dual development; dual development creates the need to control the masses; the
instruments of control can entail repression and curtailment of denials of civil and political rights for the populations of developing countries.

Other theorists who support Hymer’s view suggest that empirical studies show that MNCs in many developing countries have eliminated more jobs than they have created, absorbed local capital without bringing in external funds, and provided technology inappropriate to third world needs. Meyer (1998) examines human rights with the Freedom House index and the Physical Quality of Life Index (PQLI). He measures development as GNP and MNC presence as foreign direct investment. He finds a positive relationship between MNC presence and civil and political rights in the third world, which supports the engines of development thesis.

Julie Harrelson-Stephens (2003) attempts to explain the effects of foreign investment on security rights in 178 countries from 1976 to 1996. Controlling for level of democracy, internal and external conflict, and economic standing, she finds that investment is a significant factor in the respect for human rights. This supports the liberal theory that foreign investment increases development and, in turn, allows for more respect of human rights.

Combined Studies

In recent years, more research has been conducted into the combined effects of foreign aid and investment on human rights abuses. Again, the results have not been able to provide a general conclusion to these questions. Richards et al. (2001) examined the effects of what they call foreign economic penetration (FEP) on two
categories of human rights: personal integrity rights and political rights and civil liberties. FEP includes foreign direct investment, portfolio investment, foreign aid, and long-term debt. They employ ordered logit maximum likelihood analysis using a pooled cross-sectional time series design that includes 43 developing countries for the years 1981, 1984, 1987, 1990, 1993, and 1995. Using the natural log of their economic variables, they find that between foreign aid and foreign direct investment, only FDI was significant for the political and civil liberties model and neither was statistically significant for the physical integrity model.

Rhonda Callaway (2001), examines a larger sample than Richards et al. (2001), (i.e. 140 countries for the years 1976-1996) and she uses multiple outside economic factors, however she only bases her analysis on foreign aid, trade, and investment from the United States rather than from multiple countries. She employs an ordinary least squares regression technique with an AR(1) panel specific correction term to correct for autocorrelation and panel corrected standard errors to correct for heteroskedasticity with security rights (Political Terror Scale – Amnesty International ranks only) and subsistence rights (Physical Quality of Life Index) as her dependent variables. She finds that economic aid from the US negatively influences both security rights and subsistence rights, however investment from the US positively influences both categories of human rights.

Clair Apodaca (2001) studies the impact of the “global economy” on personal integrity rights using total official development assistance (multilateral and bilateral), foreign investment (FDI and portfolio investment), and export trade as her definition of
global economy. She examines 152 developing countries from 1990 through 1996 and finds that trade exports and FDI are statistically significant, resulting in better records for recipient countries. Bilateral aid is not found to be statistically significant at the conventional .05 level, but it is significant at the .07 level, just slightly beyond convention.

These three studies alone have shown the variety of conclusions that are being generated within this field. While they are becoming more revealing through larger samples and more variables, there is still the question of whether or not human rights truly are affected by foreign influences, particularly economic influences. There has yet to be a consensus of how if these economic factors relate to human rights abuses in developing countries.
THEORY

For the purposes of this study, I will make the assumption that, in general, the international community considers human rights to be an important aspect in their affairs with other countries, whether it be foreign policy decisions or decisions on where to invest. As evidence of this are the adoption of the Universal Declaration of Human Rights of 1948 and the Global Compact of 1999 by the United Nations. The question now becomes, how have developing countries benefited from this new global emphasis on human rights? There is a debate among scholars dealing with this question as it pertains to globalization: neoliberalism versus dependency theory.

Proponents of neoliberalism state that liberal economic policies, such as trade and foreign investment, advance economic growth and in turn promote social welfare. This includes foreign aid in that, if used effectively, can help recipient governments establish social policies that will benefit the local population. The interconnectedness of the liberal economic system would require states to work together to their mutual benefit which would result in a more peaceful and thriving system where states foster economic development which provides for greater socioeconomic equality by strengthening the middle class. Therefore, a free market economy along with foreign aid should result in increased levels of government respect for human rights (Meyer, 1996; Milner, 1998; Apodaca, 2001; Richards et al., 2001; Harrelson-Stephens, 2003).

Dependency theorists purport that, instead of promoting economic equality, in reality free markets exacerbate inequality which may lead to social unrest, causing states to repress public protestation of the injustice in order to maintain stability. Also,
as mentioned previously in this study, investors have the ability to threaten to leave the
host country if the government does not provide beneficial tax and labor policies for the
investors (Hymer, 1979; Evans and Timberlake, 1980; Meyer, 1996; Apodaca, 2001;
Richards et al., 2001). It is difficult for less developed countries to develop past their
current economic level when the technology and the knowledge of complete production
remain with the parent company in the home country rather than brought down to their
local subsidiaries (Evans and Timberlake, 1980; Apodaca, 2001). Official development
assistance (including multilateral aid) has been shown to reinforce this inequality by
attaching free market initiatives to their assistance, strengthening the suppression of
the lower classes in the host countries by benefiting the MNCs over development
(Richards et al., 2001).

In light of these theories, does more economic assistance through foreign aid
and investment help to alleviate human rights abuses in recipient/host countries?
Where foreign aid is concerned, past research has shown human rights records to
influence foreign aid decisions to a small degree. However, there have been several
cases where countries with poor human rights records have received foreign aid due to
other political factors. What effect does aid have on human rights when these other
factors tend to be weighted heavier in the decision-making process? Investment should
bring jobs and economic stability to their host countries which in turn should bring
political stability. Are corporations providing the means to bring their host countries out
of poverty or do the benefits of investment remain with the country’s elite and the
corporation itself? In this study, I take the dependency view and theorize that globalization negatively affects human rights.

The basic model I intend to examine in this study is that foreign aid and foreign direct investment have a negative effect on human rights. Although much of the literature has found either a positive relationship between investment, aid and human rights or no relationship at all, the results of similar studies have been varied enough to warrant a fresh look into this area. I will expand on the previous studies in an attempt to provide a more explanatory model of these economic factors on abuse that I expect will result in a negative relationship.

It is appropriate that foreign aid and foreign investment be studied together. Noam Chomsky and Edward Herman (1979) give a compelling argument to show that foreign aid, economic and military, is linked to the economic interests of the United States and other countries. Aid is used to maintain favorable conditions for investment including containment of reform measures that would conflict with investment and the prevention of revolution. Chomsky and Herman show that there is an increase in human rights violations in countries that have a greater economic association with advanced capitalist nations such as the United States. They studied ten US client countries two to three years before and after a significant political change. For example, they use information for Brazil three years prior to and three years after the 1964 coup. They discovered that for the majority of the sample countries, there was a positive relationship between US foreign aid and investment climate (eased tax laws and repressed labor) and a negative relationship between democracy and human rights. The
only two exceptions were South Korea and Thailand. Using the example of Brazil, Chomsky and Herman found that, in the three years following the coup, there was a decline in democratic institutions, there was an increase in human rights abuses, tax laws were eased, the labor force was repressed and overall aid and investment increased 112% from the three years prior to the coup.

It is assumed that factors for determining aid disbursements vary between donor countries, but until recently, the literature has predominantly examined US aid and human rights. Human rights will most likely play a different role in each state’s foreign policy and to varying degrees. For instance, each of the three largest donors, the US, Japan, and France, has different priorities. Japan has typically based its aid on UN voting patterns. The US has taken special interest in Israel and Egypt for aid, both of whom have scored poorly in various human rights indices. France has given primarily to former colonies, however two former French colonies, Algeria and Zaire, have scored poorly on the Political Terror Scale as well as “not free” on the Freedom House scale (Alesina and Dollar, 2000). This indicates that not only do human rights take a back seat to other foreign policy goals in the United States, but human rights are not as important as other geopolitical factors in determining aid from other OECD nations as well.

Other nations, including the US, have a history of providing support to regimes that continue to abuse human rights. For instance, during the 1980s, US foreign aid was funneled to countries like El Salvador, Honduras, Guatemala, the Philippines, Indonesia, and Zaire. All scored poorly on the human rights scales during this time,
however, they were all fighting leftist threats (Radelet, 2003). Therefore, it appears that an oppressive conservative regime could still receive aid from the US as long as the recipient was fighting a communist threat. On the other hand, the Scandinavian countries, who donate much larger percentages of their GDPs to aid, tend to provide aid to poorer countries rather than to political allies, which should theoretically alleviate some of the causes of human rights abuses, especially subsistence rights (Alesina and Dollar, 2000).

As mentioned earlier in this study, multilateral organizations are purported to have different agendas behind their development assistance from individual state donors in that they are not concerned with statist objectives. Many donor countries give up some level of control over multilateral aid donations. However, the multilateral agencies are still under the general rule of the major governmental powers and therefore strings get attached to multilateral assistance at the whim of those governments. In fact, states seeking assistance from IGOs like the International Monetary Fund and the World Bank are regularly required to agree to policies that will cut government spending on social welfare programs (Meyer, 1996; Apodaca, 2001; Richards et al., 2001; Milner, 2004).

Although much research has been done to examine the effects of human rights on foreign aid decisions, there have been much fewer studies that have examined the effects of assistance on human rights. Although few, similar studies have shown that, when human rights are a factor in aid decisions, then the reduction or denial of assistance has been ineffective in forcing recipients to decrease repression levels in
some cases. For instance, Argentina, as well as several other countries that were a focus of US human rights policy in the 1970s, remained serious violators of human rights even after the reduction of US foreign aid during the Carter administration (Schoultz, 1981). However, research has been varied on the results of foreign aid reduction on human rights. Even though Schoultz found that several countries did not improve their records, some countries showed significant improvement in the area of human rights. This result could be due to effective foreign policy or those countries had simply removed the dissenters.

Multinationals, as well as states, may take human rights into consideration when deciding where to invest, however, their only responsibility is to make profits for their shareholders, nor do they have the authority to protect civil and political liberties. They only have some influence over social and economic matters. However, MNCs are expected to observe the fundamental human rights of their employees and those that live in the communities in which they operate. Numerous codes of conduct exist such as the ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy of 1977 and the OECD Guidelines for Multinational Enterprises of 1976, which indicate a global expectation of human rights observance (Muchlinski, 2001). The most recent of these codes is the UN Global Compact of 1999 but without any legal ramifications for corporations that do not respect human rights, multinationals are not bound to obey them (Monshipouri et al., 2003).

Even though multinationals are expected to abide by these codes of conduct, they are not binding documents and therefore MNCs tend to examine other factors,
such as host government stability and relaxed labor laws to help insure their investment. Corporations that invest time and money in observing human rights will be at a disadvantage in relation to corporations that do not. Therefore, I theorize that corporations will tend to take advantage of countries whose policies provide better monetary incentives over social incentives and, in turn, will cause a negative relationship between investment and human rights.

Neoliberal theory argues that multinationals bring income and economic modernization to their host countries. They bring jobs, investment and technology that have the capability to bring much of the world out of poverty. Mitchell and McCormick (1988) suggest that this can lead to political stability and increased respect for human rights. However, some argue that rather than assist in political and economic stability, MNCs can hinder the host country because the benefits of a greater economy tend to go to the political and social elite rather than the average person. In Nigeria, oil companies have made a small number of people rich, but the majority of those living in the region remain poor. The nation’s economy has been poorly managed by regime after regime while those in authority have hidden the oil wealth in foreign bank accounts rather than investing it in social programs for the country like education and health services (Manby, 1999).

At the other end of the spectrum, regimes wanting to gain favor with MNCs and encourage investment may repress their citizens in order to keep the appearance of stability, with or without the knowledge of the corporation. With the local elites gaining the most from economic inequality, it is likely they will do whatever it takes to present a
stable political climate to attract more investment (Apodaca, 2001; Richards et al., 2001). Multinationals in Latin America have been attracted by a docile and powerless labor force due to increased repression of labor rights. In Chile in the 1970s and 1980s, General Pinochet’s regime was guilty of massive human rights violations. He also began extensive economic reforms that favored foreign investment. Chile’s Foreign Investment Statute of 1977 allows foreign ownership by MNCs up to 100% and MNCs are not required to sell any equity in their plants to Chilean nationals. These reforms tended to benefit the state’s elite and caused wages to fall and unemployment to rise to nearly 20%. When a labor movement began to rise, 11,000 workers were killed, tortured, or disappeared. Factory owners had complete control over the workers and labor rights were suspended (Meyer, 1998).

With this research, I attempt to provide a more explanatory model of the relationship between outside economic factors and human rights. One way to achieve this is to provide a better measurement of human rights. Henry Shue (1996) separates human rights into three categories: the right to be free from governmental violation of personal integrity, the right to subsistence, and the rights to civil and political liberties. It is difficult to establish one measure to examine all three of these concepts. The most utilized indices all measure only one of these concepts. The majority of studies has only examined one measure of human rights and in turn only explains one category of human rights violations. Many of the more recent works on human rights have done better at acknowledging this disparity, however they still typically use only two (Richards et al., 2001; Callaway, 2001; Harrelson-Stephens, 2003).
Besides limiting the definition of human rights, using one or two measures for abuse also compounds measurement problems with the current available data. For instance, the standards-based measures like the Political Terror Scale and the Freedom House Indices tend to be biased either for or against particular countries due to political ideologies. Scores may be based on whether or not the country is an ally with the United States, or they are based on the opinions of individuals who are biased themselves or may misinterpret the reports. An example of this is illustrated by the US State Department scores for Israel where Amnesty International tended to score Israeli human rights abuses as being more prevalent than did the US State Department (Poe et al., 2001).

Events-based measures are also apt to be unreliable because they tend to count the lesser events the same as more repressive events. For example, one account of censoring a newspaper article would count the same as one count of torture. Many events-based measures are also measured by newspaper accounts which in some countries are strictly monitored by the governments they are trying to assess (Lopez and Stohl, 1992; Milner, 1998). Rather than limit the research by examining one variable of human rights, I intend to study three measures of human rights, one for each of the categories described by Shue. Using more than one variable for human rights will allow for a more illustrative model on how investment and aid affect abuse in developing countries.

I also intend to expand on previous research by including a larger sample of countries. Earlier studies have tended to focus primarily on foreign aid and investment
from the United States; however, other developed countries also provide a large portion of aid and investment to developing countries. In response to William Meyer (1998), Jackie Smith with Melissa Bolyard and Anna Ippolito (1999) use total investment and find that there is actually no significant relationship between human rights and investment rather than the positive relationship that Meyer finds only examining US corporations. Not only is this relationship not significant, but they found that there is a slight negative relationship. Smith et al. suggest that only examining US investment does not allow for generalizations about this relationship. This problem also extends to the other side of the equation in determining human rights abuses. Several studies in foreign aid have focused on US aid to Latin American countries. King, Keohane and Verba (1994) suggest that in order to better evaluate a theory, we must collect as much observable data as possible. The more observations that are consistent with the theory, the more powerful the explanation and the more certain the results. I intend to follow the example of Smith et al. and King et al. and use investment and aid data from all countries and human rights data from all non-OECD countries for a twenty year time period.

The majority of research on foreign direct investment and human rights tend to use the dollar amount of investment to measure MNC presence. This may not be an accurate way to determine the importance of investment in the country. Investment as a percentage of the host country’s GDP is a more accurate determination of MNC importance in the host economy. If a nation has very little investment, then that country will be seen as not having much of an MNC presence. However, if the particular
country happens to also be extremely poor and receives little investment from multinationals, the investment may still account for a large portion of the GDP, and therefore more important to their economy. The same is true for foreign aid as well. Therefore, it seems more relevant to emphasize the importance of investment and aid in a country by measuring them as a percentage of GDP rather than the total dollar amount.

As mentioned previously, the general theory that I will examine in this study is that outside economic influences such as foreign aid and foreign direct investment have an affect on human rights. I take the dependency theory view and, in the following section, I formulate hypotheses that I analyze to prove or disprove this theory.
HYPOTHESES

Based on my theory, I have derived two primary hypotheses:

1. The more important the MNC presence in a particular developing country, the more likely that country will have a poor human rights record.

2. The more important foreign aid allocation is to a particular developing country’s economy, the more likely that country will have a poor human rights record.

The presence of MNCs is determined by the percent of the country’s GDP\(^1\) contributed by foreign direct investment.\(^2\) The importance of foreign aid allocation is determined by the percent of the country’s GNI\(^3\) contributed by foreign aid.\(^4\) These indicators were obtained from the World Bank’s *World Development Indicators* (2004).

As mentioned in the previous section, there is not an adequate measurement of human rights that encompasses all types of abuses. Quantitative data collection requires a clear definition of the subject. With human rights, the subject is so large and comes in so many different forms that it is difficult or impossible to define it as one general concept. If we use just a raw count of human rights violations, those evaluations will not be very revealing without differentiating between the different types

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\(^1\)GDP is defined as “the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources.” (World Bank, 2004).

\(^2\) Foreign direct investment is defined as “net inflows of investment to acquire a lasting management interest (10 percent or more of voting stock) in an enterprise operating in an economy other than that of the investor. It is the sum of equity capital, reinvestment of earnings, other long-term capital, and short-term capital as shown in the balance of payments.” (World Bank, 2004).

\(^3\) GNI is defined as “the sum of value added by all resident producers plus any product taxes (less subsidies) not included in the valuation of output plus net receipts of primary income (compensation of employees and property income) from abroad.” (World Bank, 2004).

\(^4\) Foreign aid is defined as “official development assistance (ODA) and official aid.” (World Bank, 2004)
of violations. Raw counts do not explain patterns of rights which are necessary for proper evaluations. Another obstacle to obtaining an adequate measure is the lack of information. Governments are naturally reluctant to advertise any abuses they commit, much less in forms consistent between countries. Also, registration systems for births and deaths in most developing countries are inadequate if they exist at all (Mitchell and McCormick, 1988; Goldstein, 1992; Gurr and Harff, 1992).

To address the concept of examining the three different categories of rights that Shue (1996) mentions, I have developed three subordinate hypotheses for each primary hypothesis:

1a. The more important the MNC presence in a particular developing country, the more likely that country will violate its citizens’ personal integrity rights.

2a. The more important foreign aid allocation is to a particular developing country’s economy, the more likely that country will violate its citizens’ personal integrity rights.

Physical integrity rights are the rights individuals have to be free from physical harm and coercion by their government. The most commonly used measure of personal integrity rights is the Political Terror Scale (PTS) created by Michael Stohl and Mark Gibney (Cingranelli and Richards, 1999). Coders examine the previous year’s terror descriptions from the State Department Country Reports and the Amnesty International reports for each country. Countries are coded on a scale of 1-5. Level 1 consists of those nations that are under a secure rule of law and people are rarely imprisoned, tortured, or murdered for their political views. Level 5 includes nations where government supported violence is extended to the entire population. Politically motivated murder, torture, and disappearances are commonplace (Gibney and Dalton,
To avoid some of the coder bias associated with standards-based data, the two scales have been averaged together and any cases with missing data from one of the reports were coded as the corresponding ranking from the other report (Poe and Tate, 1994; Poe, Tate, and Keith, 1999; Leblang, Milner, and Poe, 1999). To facilitate my analyses, I inverted the order of the scores for both the State Department and Amnesty International reports before averaging them together so that my results would show the correct direction of the relationship. In other words, my data show Level 1 countries as having the worst possible score and Level 5 as having the best possible score. Therefore, based on my hypotheses, I expect a negative relationship between aid and investment and personal integrity rights.

Another of Shue’s (1996) basic rights is the right to liberties. He suggests that economic and political liberties, especially the liberty of participation, are essential in the enjoyment of any other rights. Participation is the ability for those affected to influence governments as well as economic institutions to make or change policies that directly affect their security or subsistence rights. To examine civil and political liberties, the next two hypotheses are:

1b. The more important the MNC presence in a particular developing country, the more likely that country will violate its citizens’ civil and political liberties.

2b. The more important foreign aid allocation is to a particular developing country’s economy, the more likely that country will violate its citizens’ civil and political liberties.

This study uses the Freedom House index of civil and political liberties to examine these rights. Beginning in 1973, Freedom House, under Raymond Gastil, has ranked each country on two different scales: a political rights scale and the other a civil
liberties scale, each coded on a scale from 1 to 7 where 1 is the best possible score and 7 is the worst. Political rights refer to the ability of individuals to effectively participate in free and fair elections while civil liberties refer to the freedoms individuals have to develop political views outside the views of the state (Jaggers and Gurr, 1995).

Typically, these scales are combined to form one scale, but because they identify two different aspects of liberties, I leave them separate. As with the Political Terror Scale, the higher the ranking, the worse the human rights record. So, again, I inverted the scores so the correct direction of the relationship would be displayed in the results.

The third basic right according to Shue (1996) is the right to subsistence. He considers this to include providing subsistence to at least those who cannot provide for themselves. Therefore, hypotheses 1c and 2c are:

1c. The more important the MNC presence in a particular developing country, the more likely that country’s government will violate subsistence rights.

2c. The more important foreign aid is in a particular developing country’s economy, the more likely that country’s government will violate subsistence rights.

Moon (1991) suggests that basic needs are those minimally required to sustain life such as adequate food, water, health care, shelter, and minimum education. The most common indicators of national achievement of these basic needs are life expectancy, infant mortality, and literacy. One of the most widely known scales using these indicators is the Physical Quality of Life Index (PQLI) constructed by Morris David Morris for the Overseas Development Council. It was specifically designed to measure physical well-being and is a simple index for comparing the performance of states in meeting the fundamental needs of individuals. It is calculated by taking the arithmetic
mean of three indicators: infant mortality, life expectancy at age one, and basic literacy rate. The average is taken after the indicators are individually rated on a scale from 0 to 100. Zero represents the worst performance since 1950, 100 represents the best possible performance (Moon, 1991; Moon and Dixon, 1985; Leblang, Milner, and Poe, 1999). Using the PQLI as a measure of human rights will also assist with the measurement problem in that it is not a standards-based nor an events-based measurement which can balance out my two standards-based measures.

Control Variables

The control variables I will use are based on Poe and Tate’s (1994) study on the repression of personal integrity rights excluding those variables that were not found to be significant. These variables include: the lagged endogenous variable, population, the level of economic development, the percentage of economic growth, if the country was involved in a civil or international war, and if the country was a democracy.

Lagged Endogenous Variable

The use of a lagged dependent variable not only controls the effects of autocorrelation, but also past aid and investment will most likely affect current aid and investment levels. Bureaucracies tend to make decisions based on their past decisions as a result of their inability to agree on appropriations (Apodaca and Stohl, 1999; Poe and Tate, 1994; Poe, Tate, and Keith; 1999). The next hypothesis is:
3. The poorer a developing country’s human rights record in previous years, the more likely that country will have a poor human rights record in the current year.

**Population**

Population size can increase the likelihood for regimes to use repression. A large population can create scarcity which can push governments to repression as a way to cope. Also, a large population will increase the number of occasions on which governments can use repression. There are more people to participate in domestic rebellion (Poe and Tate, 1994; Poe, Tate, and Keith, 1999). The next hypothesis is:

4. The larger the population in a developing country, the more likely human rights will be repressed.

I will use the natural log of the total population in this study. The total population data were obtained from the World Bank’s *World Development Indicators* (2004).

**Economic Development**

The level of economic development can also be important in determining repression levels. The poorest countries tend to be the most unstable and therefore those governments are most likely to use repression in order to maintain control. When basic human needs are not being met, latent hostility felt by the population towards the government has greater potential for escalating. Governments will, in turn, use repression to deter this behavior (Poe and Tate, 1994; Davenport, 1995; Mitchell and McCormick, 1988). Mitchell and McCormick (1988) examine this “simple poverty thesis” versus Samuel Huntington’s (1968) theory that there is more repression in countries
that are in the process of modernizing, or in the “middle,” because poor people are too poor for politics and protest. Mitchell and McCormick found that the “simple poverty thesis” has more support than Huntington’s explanation. Meyer (1996) also found repression to be more likely to occur in poorer countries. The next hypothesis is:

5. The poorer a developing country is, the more likely that country’s human rights will be repressed.

To test economic development on human rights abuses, I will use the country’s per capita gross domestic product (PCGDP). Per capita GDP was obtained from the World Bank’s *World Development Indicators* (2004).

*Economic Growth*

Another economic factor that may be significant in predicting human rights abuses is the level of economic growth. Poe and Tate (1994) suggest that rapid economic growth could either benefit or hinder respect for human rights. There is the argument that it could reduce the burden on the socioeconomic system by expanding the country’s resource base and therefore reducing the perceived need for repression. On the other side of the argument, and what this study anticipates, is that rapid economic growth will actually cause a greater gap between the poor and the elite and that it is the elite that benefit and the poor remain unable to meet their basic needs. Therefore, the next hypothesis is:

6. The more economic growth in a developing country, the more likely that country will have a poor human rights record.
I use the percentage growth in the country’s per capita GDP to determine economic growth which was also obtained from the World Bank’s *World Development Indicators* (2004).

*International or Civil War*

Internal or external conflict can cause governments to use repression more often than in times of peace. Poe and Tate (1994) suggest that the domestic and international political realms are intertwined. An international conflict\(^5\) will affect repression by threatening the regime’s power and sovereignty. This is also true for internal conflicts, the most serious of which is the civil war. During a civil war,\(^6\) the authority of the regime is being threatened by an armed and organized resistance movement. The regime will use repression to keep the resistance movement in check.

The next two hypotheses are:

7. If a developing country is involved in an international conflict, the more likely that country will have a poor human rights record.

8. If a developing country is involved in a domestic conflict, the more likely that country will have a poor human rights record.

The measures of international and domestic conflict will be two dummy variables based on Poe and Tate’s (1994) study.

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\(^5\) International conflict data is a dummy variable used by Poe and Tate in their 1994 study. It is based on criteria developed by Small and Singer in 1982. Countries were coded as participating in an international war when (1) there were more than a thousand battle deaths by all participants and (2) the respective country had at least 100 fatalities or had at least a thousand participants.

\(^6\) Again, the civil war dummy variable was obtained from Poe and Tate (1994) which is based on Singer and Small (1994) where a country is determined to be in a civil war if the governments is involved as a direct participant and there is an effective resistance.
Democracy

Democracy can affect human rights as well. Donnelly (1999) suggests that democracy and human rights are mutually reinforcing. The Vienna Declaration defines a democracy as being “based on the freely expressed will of the people to determine their own political, economic, social, and cultural systems and their full participation in all aspects of their lives” (615). In a democracy, coercive groups not only have less power and influence over policy makers, but they also have more legitimate means to express their interests to the government like political parties and elections. Democracies allow citizens to hold potentially repressive leaders responsible for their actions before they become a threat. Leaders are less willing to opt for repression for fear of being ousted from office. Studies have shown that a rise in levels of democracy leads to a decrease in political repression (Poe and Tate, 1994; Poe, Tate and Keith, 1999; Davenport, 1995, 1999). The next hypothesis is:

9. The higher the level of democracy in a developing country, the less likely that country will be to have a poor human rights record.

To operationalize this variable, I will use Gurr’s Polity III democracy measure which includes three components. First, individuals must have the means to voice their opinions on political policies and leaders. Second, sufficient restraints must be placed on the power of the executive. Third, the government must ensure civil liberties (Leblang, Milner and Poe, 1999).
RESEARCH DESIGN

I will employ a pooled cross-sectional time series design incorporating data from 127 countries from 1976 to 1996. I define developing countries as any non-OECD nation. The statistical technique I use is ordinary least squares (OLS) regression with panel-corrected standard errors. Nathaniel Beck and Jonathan Katz (1995) developed this technique as an alternative to the Parks generalized least squares (GLS) method which produces exaggerated error terms in cross-sectional time series data. This method corrects for heteroskedasticity with consistent parameter estimates. To alleviate problems with autocorrelation, I use the lagged endogenous variable. I will also perform synchronic and lagged regressions to determine immediate and dynamic effects of my independent variables on human rights. Rather than lagging each of the independent variables, I will “lead” the dependent variables one and two years. This should allow enough time for new human rights policies to be implemented in developing countries based on foreign aid and investment. Therefore, my basic model is as follows:

\[
\text{Human Rights Violations}_{it} = \alpha + \beta_1 \text{Human Rights Violations}_{(t-1)i} + \beta_2 \text{Foreign Aid}_{it} + \beta_3 \text{Foreign Direct Investment}_{it} + \beta_4 \text{Population Size}_{it} + \beta_5 \text{Economic Development}_{it} + \beta_6 \text{Economic Growth}_{it} + \beta_7 \text{Civil War}_{it} + \beta_8 \text{International War}_{it} + \beta_9 \text{Democracy}_{it} + \epsilon_{it}
\]
ANALYSES

I performed a total of twelve regressions using the panel corrected standard errors time series design to determine the effects of aid and investment on my four human rights variables. The first set of analyses (Table 1) shows the results of foreign aid and investment on personal integrity rights. The chi-squares for this model are 5072.06 at the synchronic level, 4700.65 at t-1 and 4345.42 at t-2 with a probability of the model occurring by chance at close to zero at all three time points. Therefore, I can conclude that the null hypothesis for this model is rejected.

In examining the effects of foreign aid on personal integrity rights, I find that aid is not significant at any time period. Therefore, my hypothesis of a significant negative relationship between aid and integrity rights is not confirmed. It is important to note, however, that this relationship is negative as predicted, suggesting that either donor countries do not examine human rights records when allocating aid, or the use of aid as a deterrent to human rights abuses is ineffective. As with aid, the effect of investment on personal integrity rights is not significant at any time period. The sign for investment is also not in the predicted direction for integrity rights at the synchronic level and at t-2. The control variables for the PTS model are all statistically significant at the synchronic level and in the predicted directions with the exception of the economic development variable which is in the predicted direction but not significant at any time period. After one year, economic growth loses significance suggesting that economic growth has a more immediate effect on personal integrity rights and the effect wears off over time. International war becomes insignificant after two years, also showing a
<table>
<thead>
<tr>
<th>INDEPENDENT VARIABLES</th>
<th>t</th>
<th>t-1</th>
<th>t-2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Integrity Rights(_{(t-1)})</td>
<td>.72***</td>
<td>.72***</td>
<td>.72***</td>
</tr>
<tr>
<td></td>
<td>(.02)</td>
<td>(.02)</td>
<td>(.02)</td>
</tr>
<tr>
<td>Foreign Aid</td>
<td>-.001</td>
<td>-.001</td>
<td>-.001</td>
</tr>
<tr>
<td></td>
<td>(.001)</td>
<td>(.001)</td>
<td>(.001)</td>
</tr>
<tr>
<td>Foreign Direct Investment</td>
<td>3.35e-07</td>
<td>-3.08e-07</td>
<td>1.25e-06</td>
</tr>
<tr>
<td></td>
<td>(7.99e-07)</td>
<td>(8.73e-07)</td>
<td>(8.45e-07)</td>
</tr>
<tr>
<td>Population</td>
<td>-.07***</td>
<td>-.07***</td>
<td>-.07***</td>
</tr>
<tr>
<td></td>
<td>(.01)</td>
<td>(.01)</td>
<td>(.01)</td>
</tr>
<tr>
<td>Economic Development</td>
<td>4.04e-06</td>
<td>4.7e-06</td>
<td>4.74e-06</td>
</tr>
<tr>
<td></td>
<td>(3.96e-06)</td>
<td>(4.86e-06)</td>
<td>(5.13e-06)</td>
</tr>
<tr>
<td>Economic Growth</td>
<td>.007***</td>
<td>.003</td>
<td>.003</td>
</tr>
<tr>
<td></td>
<td>(.002)</td>
<td>(.002)</td>
<td>(.002)</td>
</tr>
<tr>
<td>International War</td>
<td>-.13*</td>
<td>-.13*</td>
<td>-.11</td>
</tr>
<tr>
<td></td>
<td>(.07)</td>
<td>(.07)</td>
<td>(.07)</td>
</tr>
<tr>
<td>Civil War</td>
<td>-.45***</td>
<td>-.45***</td>
<td>-.42***</td>
</tr>
<tr>
<td></td>
<td>(.06)</td>
<td>(.06)</td>
<td>(.06)</td>
</tr>
<tr>
<td>Democracy</td>
<td>.008***</td>
<td>.007***</td>
<td>.007***</td>
</tr>
<tr>
<td></td>
<td>(.002)</td>
<td>(.002)</td>
<td>(.002)</td>
</tr>
</tbody>
</table>

| No. of Observations                      | 1751   | 1730   | 1631   |
| Wald Chi-square                          | 5072.06 | 4700.65 | 4345.42 |
| Pr. > chi-square                         | 0.0000 | 0.0000 | 0.0000 |

Note: Main entries are the OLS coefficients, generated using STATA version 6. A lagged dependent variable is used to correct for autocorrelation. The robust standard errors used to correct for heteroskedasticity are in parentheses.

* \( p < .05 \) (two-tailed test).

** \( p < .01 \) (two-tailed test).

*** \( p < .001 \) (two-tailed test).
more immediate impact. The other control variables remain robust over the three years.

Table 2 shows the results of aid and investment on political rights. The chi-squares for each of the time periods are 18916.12, 13728.97, and 12083.89 respectively showing that this model is a good fit at each of the time periods. As with the previous model, neither aid nor investment is significant at any time period, but they are both in the predicted direction. Again, this suggests that foreign aid and foreign direct investment do not matter in the human rights abuses of developing countries, however, it appears that there are more instances of a negative relationship than a positive one.

There are a few other differences between this model and the personal integrity model. In the political rights model, population is no longer significant at any time point, whereas it was a very significant factor in determining abuse of personal integrity rights. Therefore, a regime is more likely to turn to physical abuse to control a large population rather than remove political rights. The civil war dummy variable, also highly significant in the integrity rights model, loses robustness over time so that it is no longer a factor after a two-year lag.

International war has become insignificant at the synchronic level but becomes significant at the 0.01 level after one year. This result is most likely dependent on the regime that gains power after a war. Economic development becomes highly significant in the political rights model where it was insignificant in the integrity rights model. Therefore, GDP is a large factor in determining political rights abuse but does little to affect personal integrity rights even after a lag of two years. Economic growth, as with
### TABLE 2

**Model of Political Liberties**

<table>
<thead>
<tr>
<th>INDEPENDENT VARIABLES</th>
<th>t</th>
<th>t-1</th>
<th>t-2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Political Liberties (t-1)</td>
<td>.64***</td>
<td>.77***</td>
<td>.85***</td>
</tr>
<tr>
<td></td>
<td>(.02)</td>
<td>(.02)</td>
<td>(.02)</td>
</tr>
<tr>
<td>Foreign Aid</td>
<td>-.002</td>
<td>-.003</td>
<td>-.0009</td>
</tr>
<tr>
<td></td>
<td>(.001)</td>
<td>(.002)</td>
<td>(.002)</td>
</tr>
<tr>
<td>Foreign Direct Investment</td>
<td>-7.73e-08</td>
<td>-5.57e-08</td>
<td>-2.02e-07</td>
</tr>
<tr>
<td></td>
<td>(3.32e-07)</td>
<td>(3.65e-07)</td>
<td>(4.04e-07)</td>
</tr>
<tr>
<td>Population</td>
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<td>-.006</td>
<td>-.007</td>
</tr>
<tr>
<td></td>
<td>(.01)</td>
<td>(.01)</td>
<td>(.01)</td>
</tr>
<tr>
<td>Economic Development</td>
<td>.00002***</td>
<td>.00002***</td>
<td>.00002***</td>
</tr>
<tr>
<td></td>
<td>(4.6e-06)</td>
<td>(5.12e-06)</td>
<td>(5.67e-06)</td>
</tr>
<tr>
<td>Economic Growth</td>
<td>.004**</td>
<td>-.0005</td>
<td>-.002</td>
</tr>
<tr>
<td></td>
<td>(.002)</td>
<td>(.002)</td>
<td>(.002)</td>
</tr>
<tr>
<td>International War</td>
<td>-.01</td>
<td>-.202**</td>
<td>-.16*</td>
</tr>
<tr>
<td></td>
<td>(.07)</td>
<td>(.07)</td>
<td>(.06)</td>
</tr>
<tr>
<td>Civil War</td>
<td>-.24***</td>
<td>-.19**</td>
<td>-.106</td>
</tr>
<tr>
<td></td>
<td>(.05)</td>
<td>(.06)</td>
<td>(.06)</td>
</tr>
<tr>
<td>Democracy</td>
<td>.09***</td>
<td>.05***</td>
<td>.02***</td>
</tr>
<tr>
<td></td>
<td>(.004)</td>
<td>(.005)</td>
<td>(.002)</td>
</tr>
<tr>
<td>No. of Observations</td>
<td>1803</td>
<td>1770</td>
<td>1658</td>
</tr>
<tr>
<td>Wald Chi-square</td>
<td>18916.12</td>
<td>13728.97</td>
<td>12083.89</td>
</tr>
<tr>
<td>Pr. &gt; chi-square</td>
<td>0.0000</td>
<td>0.0000</td>
<td>0.0000</td>
</tr>
</tbody>
</table>

Note: Main entries are the OLS coefficients, generated using STATA version 6. A lagged dependent variable is used to correct for autocorrelation. The robust standard errors used to correct for heteroskedasticity are in parentheses.

*p < .05 (two-tailed test).

**p < .01 (two-tailed test).

***p < .001 (two-tailed test).
the integrity rights model, is significant at the synchronic level and becomes insignificant at t-1 and t-2. However, this relationship changes direction during the lagged time periods to be a negative relationship. The democracy indicator, as expected, remains extremely significant in the predicted direction as democratic regimes are associated with having good political rights.

The results for the effects of aid and investment on civil rights can be found in Table 3. I expect these results to be similar to the political rights model due to the correlation between civil and political rights. The chi-squares for each of the time periods are 15187.51, 13158.53, 12237.51 respectively. Again, the aid and investment variables have no significance, however, as with the political rights model, both were in the predicted direction at all time periods. These results dispute some previous research that has shown aid and investment as having a positive influence on civil rights in less developed countries. Instead, regimes are slightly more likely to violate civil rights with more aid and investment.

The relationships between the control variables and civil rights are in the same direction as with the political rights model: all relationships are in the predicted direction with the exception of economic growth at the one-year lag and the two-year lag. The significance of the population indicator remains close to the same as the political rights model, except the synchronic relationship regains some significance at the 0.01 level, but it is still not as robust as the PTS model. The economic development indicator also loses significance from the political rights model, but remains significant at the synchronic and one-year lag levels.
<table>
<thead>
<tr>
<th>INDEPENDENT VARIABLES</th>
<th>t</th>
<th>t-1</th>
<th>t-2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Civil Liberties(_t-1)</td>
<td>.75***</td>
<td>.83***</td>
<td>.87***</td>
</tr>
<tr>
<td></td>
<td>(.02)</td>
<td>(.02)</td>
<td>(.02)</td>
</tr>
<tr>
<td>Foreign Aid</td>
<td>-.001</td>
<td>-.0008</td>
<td>-.002</td>
</tr>
<tr>
<td></td>
<td>(.001)</td>
<td>(.002)</td>
<td>(.002)</td>
</tr>
<tr>
<td>Foreign Direct Investment</td>
<td>-2.37e-07</td>
<td>-3.59e-08</td>
<td>-1.78e-07</td>
</tr>
<tr>
<td></td>
<td>(5.43e-07)</td>
<td>(6.53e-07)</td>
<td>(6.73e-07)</td>
</tr>
<tr>
<td>Population</td>
<td>-.02*</td>
<td>-.008</td>
<td>-.01</td>
</tr>
<tr>
<td></td>
<td>(.01)</td>
<td>(.01)</td>
<td>(.01)</td>
</tr>
<tr>
<td>Economic Development</td>
<td>.00001**</td>
<td>.00001*</td>
<td>.00001</td>
</tr>
<tr>
<td></td>
<td>(4.37e-06)</td>
<td>(5.17e-06)</td>
<td>(5.82e-06)</td>
</tr>
<tr>
<td>Economic Growth</td>
<td>.006**</td>
<td>-.0008</td>
<td>-.003</td>
</tr>
<tr>
<td></td>
<td>(.002)</td>
<td>(.002)</td>
<td>(.002)</td>
</tr>
<tr>
<td>International War</td>
<td>-.16*</td>
<td>-.12</td>
<td>-.13*</td>
</tr>
<tr>
<td></td>
<td>(.06)</td>
<td>(.06)</td>
<td>(.06)</td>
</tr>
<tr>
<td>Civil War</td>
<td>-.19***</td>
<td>-.13*</td>
<td>-.07</td>
</tr>
<tr>
<td></td>
<td>(.05)</td>
<td>(.06)</td>
<td>(.06)</td>
</tr>
<tr>
<td>Democracy</td>
<td>.05***</td>
<td>.02***</td>
<td>.01***</td>
</tr>
<tr>
<td></td>
<td>(.003)</td>
<td>(.004)</td>
<td>(.004)</td>
</tr>
<tr>
<td>No. of Observations</td>
<td>1803</td>
<td>1770</td>
<td>1658</td>
</tr>
<tr>
<td>Wald Chi-square</td>
<td>15187.51</td>
<td>13158.53</td>
<td>12237.51</td>
</tr>
<tr>
<td>Pr. &gt; chi-square</td>
<td>0.0000</td>
<td>0.0000</td>
<td>0.0000</td>
</tr>
</tbody>
</table>

Note: Main entries are the OLS coefficients, generated using STATA version 6. A lagged dependent variable is used to correct for autocorrelation. The robust standard errors used to correct for heteroskedasticity are in parentheses.

*\(p < .05\) (two-tailed test).
**\(p < .01\) (two-tailed test).
***\(p < .001\) (two-tailed test).
The civil war variable remains robust at the 0.001 level at the synchronic time period but the significance level declines the longer the lag so that it becomes insignificant at the two-year lag, which is similar to the political rights model, but less significant than the integrity rights model. The international war variable, on the other hand, is in the same direction, but had the opposite results regarding significance in the civil rights model than in the political rights model. In this model, international war is slightly significant at the synchronic and two-year lag time periods, but not significant after one year. The democracy indicator remains extremely robust at all time periods.

Table 4 shows the results for the subsistence rights model. This model produced the least significant results for a majority of the indicators. The Wald chi squares for each time period are 185762.11, 206655.45, and 183658.97 respectively with a close to zero probability of occurring by chance. Foreign aid is again not significant but is in the predicted direction for both the t and t-2 time periods. Investment is also not significant but is in the predicted direction at all time points. Although this relationship is not significant, it is still important to note that the general relationship between aid and investment and subsistence rights tends toward the predicted negative relationship.

There are significant differences between the subsistence rights model and the other models regarding the control variables. Primarily, the only instances of significance occurred for the population and economic development indicators at the one-year lag period and for economic growth at the synchronic period. Also, the signs of many of the coefficients have reversed to the unpredicted direction, specifically, the economic development, economic growth, civil war, and international war variables.
TABLE 4

Model of Subsistence Rights

<table>
<thead>
<tr>
<th>INDEPENDENT VARIABLES</th>
<th>t</th>
<th>t-1</th>
<th>t-2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subsistence Rights(_{(t-1)})</td>
<td>.98***</td>
<td>.99***</td>
<td>.99***</td>
</tr>
<tr>
<td></td>
<td>(.004)</td>
<td>(.004)</td>
<td>(.005)</td>
</tr>
<tr>
<td>Foreign Aid</td>
<td>-.02</td>
<td>.02</td>
<td>-.01</td>
</tr>
<tr>
<td></td>
<td>(.014)</td>
<td>(.01)</td>
<td>(.014)</td>
</tr>
<tr>
<td>Foreign Direct Investment</td>
<td>-6.81e-07</td>
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<td>-4.48e-07</td>
</tr>
<tr>
<td></td>
<td>(.00001)</td>
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<td>(.00001)</td>
</tr>
<tr>
<td>Population</td>
<td>-.01</td>
<td>.096**</td>
<td>.04</td>
</tr>
<tr>
<td></td>
<td>(.03)</td>
<td>(.03)</td>
<td>(.03)</td>
</tr>
<tr>
<td>Economic Development</td>
<td>-5.76e-06</td>
<td>.00004*</td>
<td>.00002</td>
</tr>
<tr>
<td></td>
<td>(.00001)</td>
<td>(.00002)</td>
<td>(.00002)</td>
</tr>
<tr>
<td>Economic Growth</td>
<td>.08***</td>
<td>-.02</td>
<td>-.004</td>
</tr>
<tr>
<td></td>
<td>(.01)</td>
<td>(.01)</td>
<td>(.01)</td>
</tr>
<tr>
<td>International War</td>
<td>.05</td>
<td>.08</td>
<td>-.15</td>
</tr>
<tr>
<td></td>
<td>(.44)</td>
<td>(.41)</td>
<td>(.38)</td>
</tr>
<tr>
<td>Civil War</td>
<td>-.009</td>
<td>.01</td>
<td>.22</td>
</tr>
<tr>
<td></td>
<td>(.19)</td>
<td>(.206)</td>
<td>(.22)</td>
</tr>
<tr>
<td>Democracy</td>
<td>-.001</td>
<td>-.009</td>
<td>-.003</td>
</tr>
<tr>
<td></td>
<td>(.006)</td>
<td>(.006)</td>
<td>(.006)</td>
</tr>
<tr>
<td>No. of Observations</td>
<td>1158</td>
<td>1143</td>
<td>1107</td>
</tr>
<tr>
<td>Wald Chi-square</td>
<td>185762.11</td>
<td>206655.45</td>
<td>183658.97</td>
</tr>
<tr>
<td>Pr. &gt; chi-square</td>
<td>0.0000</td>
<td>0.0000</td>
<td>0.0000</td>
</tr>
</tbody>
</table>

Note: Main entries are the OLS coefficients, generated using STATA version 6. A lagged dependent variable is used to correct for autocorrelation. The robust standard errors used to correct for heteroskedasticity are in parentheses.

*p < .05 (two-tailed test).

**p < .01 (two-tailed test).

***p < .001 (two-tailed test).
Therefore, overall, the control variables are not as good a fit with subsistence rights as they are with personal integrity rights or civil and political liberties.

In summary, comparing the effects of aid on the four different human rights indicators, I must reject my hypothesis that foreign aid has a significant negative effect on human rights. Interesting to note, however is that aid appears to have more influence over subsistence rights than personal integrity rights or civil liberties, especially at the synchronic level. The coefficient in this instance is more robust with the relationship occurring by chance 13 out of 100 times. Political rights at the one year lag produced a coefficient close to significant as well. Also, because the majority of the tests produced negative results, it shows that at least a few countries with poor human rights records receive large amounts of foreign aid.

Looking at the foreign investment results in general, as with foreign aid, I must reject my hypothesis of a negative relationship between investment and human rights. This suggests that FDI does not play a role in governmental abuse of human rights. In two cases, the direction of the coefficients was positive rather than negative. Both cases were in examining the Political Terror Scale: at time t and at time t-2. The coefficients for FDI were much smaller than the coefficients for aid, showing that aid is more of a factor in explaining human rights abuses than investment. The negative relationships between FDI and human rights, as with foreign aid, do indicate that there are enough instances where investment is associated with repressive regimes, especially regarding the two liberties indicators and subsistence rights. This signifies that one, investment can exacerbate income inequality, and therefore the poorer
classes are not able to meet their basic needs and two, countries would be more likely
to encourage investment through strategies such as the implementation of lax labor
laws or none at all over using political terror.

Population size is an excellent predictor of political terror for the three time
periods and the coefficients are in the predicted direction. It is not significant at all in
predicting political rights and only slightly significant at time t for civil liberties, although
the coefficients are in the predicted direction. The results for the physical quality of life
are considerably different. The t-1 model produced the only significant outcome for
population and the PQLI at the 0.01 level. However, the results are not in the predicted
direction, suggesting that when there is a larger population, subsistence rights are more
realized the following year. During the synchronic analysis though, the coefficient is in
the predicted direction but not significant.

The economic development indicator has varying results between the four
different models. It is not significant at all for the personal integrity model with the
probability of this relationship occurring by chance at each of the three time points at
close to thirty. Poe and Tate (1994) found this relationship to be significant in their
study of political repression. This is most likely because I use a smaller sample of
countries (Poe and Tate include the OECD states) and a longer period of time (Poe and
Tate use data from 1980-1987). The political liberties model has very different results
with the probability of the relationship occurring by chance at time “t” at less than one
out of 1000 and the probability of the relationship at times “t-1” and “t-2” occurring by
chance less than one out of 100 times. The relationship loses some significance in the
The political liberties and civil rights models show a stronger significance at the synchronic time period and least at t-2, indicating an immediate effect of the economy on these rights. In contrast, the subsistence rights model reveals a changed sign for economic development at time “t”, but returns to the predicted direction for times “t-1” and “t-2” and is significant at the 0.05 level at “t-1”, showing a latent, curvilinear relationship with subsistence rights.

Economic growth is an excellent immediate predictor of human rights, but not in the long term. In each of the four human rights models, economic growth was only significant at the synchronic level and did not continue through the two lagged periods. This suggests that economic surges have an immediate positive impact on all aspects of human rights although this influence does not roll over to the following years. Another interesting aspect of this analysis is that for the Freedom House and PQLI indicators, the direction of the coefficients changed to negative for the two lagged models. This suggests a period of stability and complacency when there is an economic surge that begins to go away after a year or two.

The international war dummy variable is not as good a predictor of human rights abuses in general as some of the other control variables, but it does provide some interesting information. At the synchronic level, international war was only slightly significant for the PTS and civil rights. Therefore, as predicted, governmental respect for personal integrity rights was put aside when the government was dealing with an
international war. One interesting aspect of this model comes when examining international war and the political and civil rights indicators. In the instance of the political rights model, the synchronic time period is not significant but the two lagged models are. However, the relationship is more significant at the one year lag than the two year lag. When looking at the civil rights model, the relationship is significant at the synchronic time period and at t-2, but not at the one-year lag. The other interesting item to note is not just that a country involved in an international war has no bearing on subsistence rights, but the results are in the opposite direction. One contributor to this effect could be that economies tend to grow during an international conflict. The United States during World Wars I and II can be used as an example. In each instance, the US was in an economic recession or depression before the war began and once the US entered the conflict, the economy began to grow.

The civil war dummy variable had differing results from the international war variable in explaining human rights abuses. The coefficients for the PTS models were extremely significant and in the predicted direction, supporting my hypothesis correct that if the country were involved in a civil war, that country’s government would be more likely to violate the personal integrity rights of that population. The effects of civil war appear to be continuous over time, only reducing in significance slightly over the three-year period studied but remaining at the 0.001 level. In examining the effects of civil war on political and civil liberties, I find similar results, but the significance declines at a faster rate, becoming insignificant after two years. This could possibly signify that, in general, countries involved in civil war tend to move toward democratic ideals in the
aftermath, or it could be explained by the general decay in effects after the end of the conflict. Civil war has no effect on my indicator of subsistence rights and as with the international war indicator, the relationship becomes positive during the two lagged time periods.

The level of democracy is also very significant in explaining personal integrity rights with significance at the 0.001 level for each of the three time periods. It is also significant in determining political and civil liberties. This is logical due to the similarity of the Freedom House index to the Polity data. The Freedom House index has also been used as an indicator of democracy level in several studies.\(^7\) Again, the PQLI indicator is not significant nor is it in the predicted direction for all three years. These negative results might indicate a propensity toward neo-liberal democracies where business interests are promoted above rights of the individual, causing more economic inequality between the classes.

The strongest predictor of repression is the lagged endogenous variable. In each of the regressions, this indicator produced large, statistically significant coefficients for all three time periods and all four human rights indicators. While the use of the lagged endogenous variable is useful in correcting for autocorrelation, it is important to note the strong relationship here, pointing out that the use of political repression does not change easily from year to year. Unless there is a drastic regime change, human rights abuses are only going to change minimally in one year, if at all.

\(^7\) Looking at the correlation matrix between the Freedom House indicators and the Polity III indicator, I find that my democracy variable is highly correlated to political and civil liberties at 0.85 and 0.78 respectively. I examined these two models without the use of the democracy control variable and found no significant differences between the new models and my original analyses.
However, when examining the correlation matrix between the variables, I discover that the lagged endogenous variable for political rights, civil rights, and subsistence rights are highly correlated at 0.94 for both political and civil rights and 0.996 for subsistence rights. This is due to the relative stability of these particular variables. They are less likely to change from one year to the next than political terror due to the nature of the variable. In particular, looking at the three factors that comprise the PQLI: life expectancy at age 1, literacy rate, and infant mortality rate; they can not change easily over the course of a year like state use of terror can, even if policies are put into effect to improve subsistence rights. Due to the highly significant results of my lagged endogenous variable, the rest of the variables in these models may have been understated. In light of this, I attempted to correct for autocorrelation without the use of the lagged endogenous variable, but I was unable to use the Beck and Katz (1995) method with my unbalanced panel. Instead, I had to use feasible generalized least squares which was determined by Beck and Katz to produce overconfidence in the standard errors, the results of which rendered puzzling outcomes. Therefore, my original method is the best solution for this particular panel of data.
CONCLUSIONS

The two primary hypotheses that I examined for this study were that the importance of MNC presence and receipt of foreign aid in non-OECD countries will cause those countries to have poor human rights records. The overall results of this research show that neither investment nor aid affect human rights abuses. These results could be due to a variety of different reasons, but I believe they are primarily due to the wide range of countries with their different political and economic systems which may be causing the results to conflict with each other enough so that they cancel each other out. For instance, as mentioned previously, different OECD nations base their foreign policy decisions on multiple factors. Human rights may play more of a role in some countries than others. Also, developing countries are going to have different ways of behaving when confronted with outside economic influences such as foreign aid and investment. Although there is no effect, it is interesting to note that, in all but three instances, the results were negative. This suggests that, even though other factors are better predictors of human rights abuses, there is a slight tendency for aid and investment to be affiliated with poor human rights records.

For foreign aid, this result supports previous research showing that the use of economic aid as a deterrence mechanism to human rights abuses is ineffective (Schoultz, 1981; Regan, 1995). This suggests that if countries give economic aid based on human rights abuses, it might be more effective to focus more on other bilateral

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8 I tested my models for outliers and removed those that consistently deviated from the norm (more than 1/2 of the time points produced results that caused the country to be an outlier) and found that this did not significantly change my results. The countries I removed were: Azerbaijan, Guinea-Bissau, Equatorial Guinea, Malawi, Ethiopia, Morocco, Iran, Syria, Israel, Kuwait, Bahrain, and Singapore.
interactions to encourage human rights reforms in these countries rather than restrict aid. However, it is possible that donor countries view denial or reduction of aid as a means to publicly dissociate themselves from abusive regimes in order to gain favor with their own populations.

Regarding foreign direct investment, the insignificant results of my analyses indicate that neither liberal theory nor dependency theory can accurately characterize the effects of investment on human rights, however, the overall negative results portray a tendency toward the dependency theory side. Personal integrity rights appear to be enhanced slightly by investment, however not after being lagged one year. Over time, the relationship between personal integrity rights and investment is fluctuating. This, as well as the relationship between foreign aid and subsistence rights, shows that there are other factors driving these relationships than just those included in this study that could possibly produce different results.

The control variables I examined primarily produced the expected results at the synchronic level when examining the Political Terror Scale with the exception of the economic development indicator. These results are similar to Poe and Tate’s (1994) study on personal integrity rights from which these variables were derived. In the two Freedom House models, it is the population indicator that becomes insignificant and the economic development indicator has become significant. In the PQLI models, only economic growth was significant at the synchronic level, while population and economic development became significant only after one year. These results are compelling, however, because this analysis shows that there are considerable differences between
the three different types of human rights that Shue (1996) addresses and are not
driven by the same factors. It may be more prudent to examine political and civil
liberties and subsistence rights with different control variables.

There are several things that could be done to expand this research that might
produce more significant results. First, as mentioned previously, different control
variables should be used to help explain the causes of the different categories of human
rights abuses. For instance, more economic indicators may be useful in examining the
effects of aid and investment on the PQLI. The three variables that were significant at
any time period for the PQLI are primarily economically based: population, per capita
GDP, and GDP growth.

Another way to expand on this research would be to examine the effects of aid
and investment on human rights at different levels of economic development within the
non-OECD countries. It is likely that in the lowest 20% of non-OECD countries, aid and
investment would be significant in their effects on human rights abuses, while at the
highest 20%, this may not be the case. The results from a study including this
separation would be much more explanatory. Lumping all non-OECD countries together
might have skewed the results and caused them to be insignificant.

A third issue that may have affected the results of this study is the use of the
PQLI to determine subsistence rights. The number of cases dropped significantly
between the PTS and Freedom House models and the PQLI model. There is a
substantial amount of data missing from the PQLI that could have affected the results
of this study. For instance, in many cases, one portion of the formula was not available
for every year for every country. In some instances, a portion was missing for an entire
country over the 21-year time period, forcing me to eliminate that country for the PQLI
models. Unfortunately, another more useful subsistence indicator is not available at this
time.

Testing my hypotheses with trade added into the mix would also provide a more
explanatory model of foreign economic influence. Trade is used to promote political
agendas along with foreign aid and foreign investment. It is also part of the neoliberal
economic system and would make sense to include it in a similar study.

In January 2004, the Millennium Challenge Account (MCA) was put into effect by
the United States Congress. The focus of this account, which is administered by the
Millennium Challenge Corporation (MCC), is to hold developing countries more
accountable for their actions with regards to development assistance. Aid will be
provided to those countries that “rule justly, invest in their people, and encourage
economic freedom” (2004). It will be interesting to expand this research in the future,
after the MCA has been well established, to discover how this account affects the
human rights records of recipient countries when more accountability is required to
receive foreign aid. The research on these important issues has only just begun and
there is still much more that we can learn from examining models such as those
presented here.
REFERENCES


