

The Impact of Economic Globalization on Democratization in the Least Developed Countries (LDCs)

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Abstract: *Democratization studies have traditionally focused on the importance of domestic economic and political factors. Until the 1990s the international factors had been marginalized. Because the rise of democracy in both wider and narrower senses came approximately at the same time as the outset of globalization and the emergence of neo-modernist approaches to trade liberalization, a fundamental question arose: isn't the level of democracy influenced by the external factors much more than we have recognized so far? Globalization is one of the major external factors in the process. Therefore, the principal question of this paper is whether there is a direct correlation between democracy in the LDC countries group and the ongoing globalization? If so, what is this correlation? Comparing the level of democracy in LDCs since the beginning of the 1980s until today using the methodology of Freedom House and selected indicators for LDCs countries, we make the case that the ongoing globalization has a positive impact on the level of democracy in the group of t least developed countries.*

Introduction

During the 1990s, the idea of democratization and good governance as integral attributes of sustainable development has found its way into the development agenda of majority of donor countries. Together with this shift in the theoretical understanding of the development, other theories have begun to emerge — e.g. on the relation between development and democracy, between economic freedom and democracy, between development assistance and democracy as well as the topic presented in this article — the influence of economic globalization on democracy in the least developed countries (hereinafter LDCs).¹

In this relatively broad group of countries² we could find those whose level of democracy and human rights today is the same or even worse than twenty years ago. However, in most of them the situation with the political rights as well as civic freedoms has significantly improved since late eighties and early nineties. Samuel Huntington calls the 1980s to 1990s decade turn 'the third wave of democratization'. The democratization studies traditionally focus on the impact of domestic economic and political factors. (Lipset 1959; Moore 1966; Therborn 1977 or Przeworski 1991). Until 1990s, the international factors had been marginalized. However, as the rise of democracy in both wider and narrower sense came approximately at the same time as the outset of globalization, and at the same time when neo-modernistic approaches to trade liberalization have begun to emerge worldwide, this time coincidence has lead to the fundamental question: isn't the level of democracy influenced by the external factors to a bigger extent than we have admitted so far? Indeed, the answer is that the globalization is one of the major external factors in this respect. Therefore, the principal question of this article is whether there is a direct correlation between the development of democracy in the LDC countries group and the ongoing globalization? If so, what is this correlation? By studying the literature focused on the relationship between economic globalization and democracy, one can notice three approaches:

- economic globalization has a positive impact on democracy (with growing globalization the level of democracy rises as well in the given group of countries);
- economic globalization has a negative impact on democracy (with growing globalization the level of democracy decreases in the given group of countries);
- there is no direct relationship between economic globalization and democracy.

These claims are totally contradictory and each of them has its supporters and opponents in the academic community. No matter how elaborate the quantitative research might be, it will always depend on the limited amount of input variables from which the author is trying to draw conclusions. The purpose of this article is to review the fundamental theoretical grounds of all three approaches studying the causality between economic globalization and democracy, and, based on our own empirical research, endorse the first group of authors who claim that the ongoing globalization has a positive impact on the level of democracy in the group of least developed countries.

The internal structure of this text will correspond to its goals. The first chapter will present the theories of the positive impact of the economic globalization on democracy, then its negative aspects, and, lastly, the theoretical grounds of the approaches claiming that no direct relationship between these variables has been proven. The following chapter will comprise the comparisons of the level of democracy in LDCs since early '80s till today based on to the methodology of Freedom House and selected indicators for LDCs countries — e.g. share of the trade on the GDP, degree of custom barriers and level of economic freedoms in the same period of time. The final chapter will include the synthesis of the findings and the interpretation of results.

Theoretical approaches to relationship between the economic globalization and democracy

The ongoing globalization brings broader interconnection of individual national economies through international trade and more extensive information interchange. The growing economic integration also brings the increased openness of the market through the reduction of trade barriers. This basic thought, which is supported by sufficient amount of empirical evidence, confirms that globalization is tied with economic liberalization or, in other words, that the economic liberalization is one of the central attributes of the ongoing globalization. While the relationship between economic liberalization and globalization is not questioned, the assessments of impacts of economic liberalization on democracy are not that unambiguous in the academic literature.

Theory of the positive impact of economic globalization on democracy

Since the beginning of 1990s the set of theories on the positive impact of globalization on democracy represents the prevailing approach to studying the correlation between these two variables. Among the fundamental arguments supporting the positive impact of globalization on democracy is the idea that the indebtedness and necessity of loans to overcome the debt trap have led the LDCs countries to the need for loans from the IMF and WB. These bodies conditioned new loans on the willingness of the receiving countries to liberalize their economy. This effort caused the reduction of custom duties for the import of goods since 1990 by about 60%, which helped to significantly increase the share of trade on the GDP. The increasing importance of international trade led to a freer economy and this, in its turn, caused the democratization of the political regime (Haggard and Kaufman 1992, Rodrik 1994).

A similar, though more oriented to local factors, argument assumes that the economic crisis that most of the LDC countries were facing during the eighties, led to the re-assessment of the ISI (Import Substitution Industrialization) strategy towards EOI (Export Oriented Industrialization). The degree of protectionism drastically decreased, the economy became freer, and that meant a higher level of democracy (Edwards 1995).

According to the following argument, globalization also reduces the cost of information. Theoretically, this leads to a better informedness of the population, reduces the efficiency of censorship and allows extended contacts with foreign peers. With the assistance of foreign non-profit organizations it can pave the way to building an effective civic society (Sikkink 1997).

Along with the increasing openness in the economic sphere, more sophisticated information flows and boosted international contacts also increase the possibility of spreading the ideals of democracy (Starr 1991).

The last but not the least reason is the fact that together with trade liberalization and the increasing openness of the economy we are facing the increasing need for the enforceability of laws, which strengthens the transparency of courts and results in the growing decentralization of state power (Risse, Ropp and Sikkink 1999).

We could mention more arguments as for why the ongoing globalization strengthens democracy as its by-product in the emerging countries, but the above-mentioned reasons are the ones mentioned most often in the publications that believe that globalization has a benign impact on democracy.

Theory of the negative impact of the economic globalization on democracy

As noted in the introduction, besides the positive impact of globalization on democracy we can often encounter the opposite opinion, namely that the ongoing globalization does not enhance political rights and civic freedoms, but rather, on the contrary, brings the reduction thereof. The mainstream approach in this spectrum is the idea that globalization forces states to abandon their protective mechanisms designated to support their domestic markets. And because domestic companies in the LDC countries are usually not competitive, they cannot withstand the pressure of the newly liberalized market. Thus, globalization brings the collapse of domestic industries and service sphere and government must find the finance to compensate the losses. The government usually resorts to drawing from public budgets, meaning that the heaviest burden is laid onto the poorest population. This approach results in the increase of inequality between various society classes. In order to maintain public order the governments are forced to resort to more repressive measures, which weaken democracy (Rodrik 1997).

Another approach is related to the influx of foreign capital. The increased quantity of foreign companies and multinational companies on the domestic market result in the transfer of the profit and decision mechanisms in the economic area beyond the state border. However, the interests of decision makers of the foreign companies differ from the interests of the population of a given country. In the effort to appeal to foreign investors the governments of LDCs tend to neglect their voters' interests, thus posing a serious threat to democracy (Gill 1995).

The last concept is a rather old one and was introduced by Immanuel Wallerstein. According to him, the interconnection of economies deepens the dependence of LDC countries (the periphery) on the OECD countries (the core). Multinational companies relocate their production from the core to periphery due to lower costs of labor, lower work safety standards and lower environmental limits. All this is done in cooperation of elites from both the core and the periphery. The result is an increasing gap between the countries of the North and the South. Besides, the differences are also growing inside the emerging countries,

which ignites civic disorders and the elite, in the effort to maintain its power, resorts to the suppression of democracy (Wallerstein 1974).

Economic globalization has no direct impact on the level of democracy

There are two basic concepts in this line of thinking. First — the impact of globalization on democracy is overrated. In the world economy interconnected are mostly the developed countries rather than the emerging ones, let alone the LDCs, which are interconnected to a very small degree. The majority of international trade is done between the geographically vicinal countries and the most of foreign direct investments (FDI) is concentrated in only few countries. Because these are the developed countries and stable democracies, which are interconnected, the influence of globalization on the level of democracy in LDCs is minimal (Hirst 1997).

The supporters of the second concept claims that the impacts of globalization on democracy are very different from country to country and depend on many specific variables (e.g. on governmental economic policy, the method of privatization, political institutions setting, the globalization winners and losers identity, etc.). Thus, it is not possible to present one unambiguous general claim about the correlation between economic globalization and democracy (Li and Reuveny 2003).

Empirical evidence of relationship between economic globalization and democracy

This chapter will present selected specific data that will prove that the globalization has a positive impact on the level of democracy in the least developed countries. The first subchapter will describe the growing degree of interconnectedness of the emerging economies based on the Index of Economic Globalization (EGI). The next subchapter will present the influences of the trade liberalization on the economy of the emerging countries. The last subchapter of this empirical part will focus on the course of changes in the level of democracy in the same reference group of the poorest countries of the world.

The level of the economic globalization in the LDCs

Apart from the economical crisis, globalization is the most often cited phenomenon of the present time. It is an irreversible process that influences all the areas of our lives. Because globalization is a multi-dimensional phenomenon and we cannot explore all its facets here, in this text we will focus only on the economic side of globalization and its impacts on the poorest emerging countries of the world. If we aim to prove that economic globalization has an impact on the level of democracy in the LDCs, we must first define how to understand and measure this rather abstract term. There is a general consensus that globalization is the process of integration of national economies into the global economy through trade, investments and finances.³ From this viewpoint, we can consider the share of trade on the GDP, the share of foreign direct investments (FDI) on the GDP and the share of the private capital flows on the GDP as the three basic indicators of our study. These three variables together form the so-called Index of Economic Globalization (EGI) that shows the degree of integration of national economies into the global economy. The variables differ in their minimum and maximum limits so the values are averaged according to the methodology of the Human Development Index (HDI) and can have values in the range from 0 to 1000 where 0 stands for the lowest degree of the possible economic globalization and 1000 means the absolute degree of the economic globalization.⁴

Table 1: Index of Economic Globalization in LDCs (1975–2005)

<i>Countries</i>	Years covered					
	1975–1979	1980–1984	1985–1989	1990–1994	1995–1999	2000–2005
Angola	—	—	108	237	395	441
Bangladesh	—	—	19	25	45	57
Benin	123	133	94	143	124	114
Burkina Faso	57	58	53	49	—	—
Burundi	—	—	49	59	45	63
Chad	85	49	108	90	—	—
DRC	—	274	191	188	458	397
Ethiopia	—	23	19	30	—	—
Gambia	—	178	168	205	—	—
Guinea	—	—	—	—	81	87
Guinea-Bissau	—	—	204	161	—	172
Haiti	72	78	59	45	—	75
Yemen	—	—	—	—	—	120
Cambodia	—	—	—	—	—	255
Cape Verde	—	—	85	87	180	—
Comoros	—	—	126	95	—	—

<i>Countries</i>	1975–1979	1980–1984	1985–1989	1990–1994	1995–1999	2000–2005
Laos	—	—	63	95	167	—
Lesotho	184	217	220	218	—	336
Madagascar	51	40	52	63	—	76
Malawi	115	84	76	88	—	—
Maldives	—	—	—	—	300	302
Mali	60	62	77	91	137	220
Mauritania	282	224	195	275	261	—
Mozambique	—	92	43	79	128	191
Nepal	33	39	45	—	86	—
Niger	127	106	76	92	63	69
Rwanda	69	64	46	47	41	49
Samoa	—	—	—	—	145	—
Senegal	136	149	101	104	129	128
Sierra Leone	85	86	189	99	—	109
Central African republic	112	102	76	70	—	—
Sudan	34	43	22	—	51	143
Sao Tome & Principe	—	—	154	—	—	—
Solomon Islands	—	216	233	266	234	—
Tanzania	—	—	—	86	106	114
Togo	250	211	177	135	149	201
Uganda	—	—	36	49	74	92
Vanuatu	—	542	423	458	—	—
Zambia	—	144	239	—	159	—
Average	110,3	133,5	112,1	124,3	154,5	165,7

Source: ISMIHAN, M., OLGUN, H. Globalization of National Economies, 1975–2005. In *International Research Journal of Finance and Economics*, Issue 14 (2008), p. 76.

The authors of the Index of Economic Globalization, M. Ismihan and H. Olgun, were able to quantify, based on the share of trade, FDI, and private capital flows on the GDP, that in the rich countries the globalization goes at a faster pace than in the poor countries. However, the main benefit for our text has the finding that from the economic viewpoint the low-income countries are also significantly globalized. And despite the fact that the data are not available for all the time periods and all countries of the LDC group, a sample of 39 countries of the total number of 49 clearly shows the ongoing trend of integration of their national economies into the global economy.

Impacts of globalization on the economy of the emerging countries

Globalization started to show its signs in the emerging countries since the end of 1980s primarily through the liberalization of trade. This phenomenon was accompanied by the gradual opening of the emerging economies. While from 1960s until mid-1980s the LDCs highly favoured the ISI trade strategy that aimed to support the domestic production by building the maximum amount of trade barriers, since 1980s we can see a totally different strategy in the emerging countries, directed towards much more open economies. Since the beginning of 1980s customs duties on imported goods plummeted in LDCs from an average of 30% in 1982 to below 12% in 2000. The customs barriers to trade were thus reduced by almost 60%. This reduction has been accompanied by the reduction of non-tariff barriers which went down in the same period from an average of 38% to 17%. The non-tariff barriers to trade thus were reduced on the average by 55% (Milner and Kubota 2005).

Up until the 1980s the tariff and non-tariff barriers in international trade very effectively helped to maintain the protectionist sectors inside the individual national economies. Their gradual abandonment brought a significant rise of importance of international trade for the GDP production. The share of export and import in the creation of domestic GDP in the emerging countries increased in the period from 1975 to 2000 from below 58% up to 85% (in the same countries).

Another indicator of trade policy is the dichotomous categorization of economies into open and closed ones. Sachs and Warner define the economy as closed if any of the following apply: there is a state monopoly for the export of goods, the average customs duties exceed 40 % or the non-tariff barriers apply to more than 40 % of goods (Sachs and Warner 1995). If the national economy does not meet at least one of these conditions, it is described as open. According to these parameters, the share of open economies in emerging countries increased in the period of 1975–2000 from 15% to 64%, while the LDCs are more economically open and more liberalized than other emerging countries (The Least Developed Countries Report 2004).

Revealing is the influence of the economic liberalization on the degree of economic freedom. James Gwartney, Robert Lawson and Walter Block from Fraser Institute, who in 1984 for the first time introduced their Index of economic freedom (Economic freedom of the world — EFW) strongly contributed to the exploration of these variables. Since then the EFW index has been issued each year. It allows us to compare the values of economic freedoms for as many as 141 countries. Despite the fact that only 22 out of 49 LDCs are included on the index, it still allows us to assess the correlation between the economic liberalization, economic freedoms, and political freedoms. The index includes five areas of the economic freedoms: the size of government, legal structure and security of property rights, access to sound money, freedom to trade internationally and the regulation of credit, labor and business. These five areas consist of 42 sub-indexes which after averaging provide the resulting value of the degree of economic freedoms for individual countries on the scale from

1 to 10, where 1 means the lowest degree of economic freedoms and 10 stands for absolute freedom.⁵

Table 2: Index of economic freedom in LDCs (1975–2005)

<i>Countries\Years</i>	1975	1980	1985	1990	1995	2000	2005
Bangladesh	3,39	3,61	3,92	4,68	5,47	5,83	5,91
Benin	—	5,37	5,01	5,42	4,99	5,63	5,99
Burundi	4,24	4,27	4,68	4,84	4,47	4,96	4,8
Chad	—	—	4,59	4,69	4,65	5,12	5,06
Dem. Republic of Congo	4,03	2,92	3,58	3,28	3,54	3,72	4,54
Guinea-Bissau	—	—	—	3,21	3,77	4,29	4,94
Haiti	—	6,14	6,39	6,09	6,06	5,7	5,94
Madagascar	—	4,36	4,56	4,46	4,5	5,72	5,68
Malawi	5,13	4,64	4,81	4,89	4,48	4,7	5,74
Mali	5,28	5,33	4,97	5,06	5,16	5,9	5,82
Mozambique	—	—	—	—	—	—	5,49
Myanmar	—	5,31	4,87	3,78	4,48	4,31	4,22
Nepal	—	5,57	5,16	5,25	5,25	5,62	5,16
Niger	—	4,56	4,91	4,58	4,37	4,79	4,11
Rwanda	—	—	—	4,12	3,34	4,21	4,14
Senegal	4,69	5,01	5,38	4,76	5,91	5,77	5,85
Sierra Leone	5,6	5,39	3,6	3,87	4,31	5,02	5,98
Central African Republic	—	—	3,99	4,6	4,38	4,72	4,49
Tanzania	3,79	3,91	3,5	3,93	4,8	6,16	6,46
Togo	—	4,01	5,17	4,93	4,63	4,84	4,75
Uganda	—	3,21	2,8	3	5,05	6,53	6,59
Average	4,52	4,60	4,55	4,47	4,68	5,18	5,32

Source: Economic Freedom of the World 2008, p. 14–16.

These data clearly show a slight decrease in economic freedoms in the group of the poorest countries during the 1980's, but also displays their continuous growth since 1990 until today with the biggest leap experienced in the 1995–2000 period.

Democracy and its change in LDCs in 1975–2005 period

To be able to compare the level of democracy in individual countries, we need to specify the method of measuring the level of democracy. There are two basic methods to measure the level of democracy, and these results are being published in the Freedom House index and Polity IV index.⁶ For the purpose of this article we will use the first index. The Freedom House index has been published annually since 1973 and is based on the Gastil method of measuring political rights and civil liberties. The values of both political rights and civil liberties are in the scale of 1 to 7, while the countries with the highest level of freedom are indicated with 1 and the least free states have the value of 7. The level of political rights indicator is based on the following criteria:

- election process (the assessment of the fairness of the head of state and parliament elections as well as election law)
- political pluralism (the rights of citizens to be politically active, the status of the opposition, the level of non-interference of the army and religious groups into the political freedoms of citizens, the political rights of minorities)
- practical functioning of the government (level of corruption, transparency, and responsibility of politicians towards voters and the democratically elected bodies).

The level of civic liberties indicator is monitoring the freedom of media, religious tolerance, gathering right, court independence, level of public control of power elements of the state and a relatively broad category of personal freedoms and rights.

This way we can achieve the possibility to compare political rights and civil liberties for individual countries. Table 3 shows the freedom index for LDCs countries in 1975–2005 period.

Table 3: Index of political rights and civil liberties in LDCs (1975–2005)

Countries	1975			1980			1985			1990			1995			2000			2005		
	PR	CL	ST	PR	CL	ST	PR	CL	ST	PR	CL	ST	PR	CL	ST	PR	CL	ST	PR	CL	ST
Afghanistan	7	6	NF	7	7	NF	7	7	NF	7	7	NF	7	7	NF	7	7	NF	5	5	PF
Angola	6	6	NF	7	7	NF	7	7	NF	7	7	NF	6	6	NF	6	6	NF	6	5	NF
Bangladesh	7	5	NF	3	4	PF	5	5	PF	5	5	PF	3	4	PF	3	4	PF	4	4	PF
Benin	7	7	NF	7	6	NF	7	7	NF	6	4	PF	2	2	F	2	2	F	2	2	F
Bhutan	4	4	PF	5	5	PF	5	5	PF	6	5	PF	7	7	NF	7	6	NF	6	5	NF
Burkina Faso	6	4	PF	6	5	PF	7	6	NF	6	5	NF	5	4	PF	4	4	PF	5	3	PF
Burundi	7	6	NF	7	6	NF	7	6	NF	7	6	NF	6	7	NF	6	6	NF	3	5	PF
Chad	7	6	NF	7	6	NF	7	7	NF	7	6	NF	6	5	NF	6	5	NF	6	5	NF
DRC	7	7	NF	6	6	NF	7	7	NF	6	6	NF	7	6	NF	7	6	NF	6	6	NF

	1975			1980			1985			1990			1995			2000			2005		
Countries	PR	CL	ST	PR	CL	ST	PR	CL	ST	PR	CL	ST	PR	CL	ST	PR	CL	ST	PR	CL	ST
Djibouti	–	–	–	3	4	PF	6	6	NF	6	5	NF	5	6	NF	4	5	PF	5	5	PF
Eritrea	–	–	–	–	–	–	–	–	–	–	–	–	6	4	PF	7	5	NF	7	6	NF
Ethiopia	7	6	NF	7	7	NF	7	7	NF	7	7	NF	4	5	PF	5	5	PF	5	5	PF
Gambia	2	2	F	2	3	F	3	4	PF	2	2	F	7	6	NF	7	5	NF	5	4	PF
Guinea	7	7	NF	7	7	NF	7	5	NF	6	5	NF	6	5	NF	6	5	NF	6	5	NF
Guinea-Bissau	6	6	NF	6	6	NF	6	6	NF	6	5	NF	3	4	PF	4	5	PF	3	4	PF
Haiti	6	6	NF	7	6	NF	7	6	NF	4	4	PF	5	5	PF	6	5	NF	7	6	NF
Yemen	6,5	6	NF	6	6	NF	5,5	6	PF	6	5	PF	5	6	NF	5	6	NF	5	5	PF
Cambodia	7	7	NF	7	7	NF	7	7	NF	7	7	NF	6	6	NF	6	6	NF	6	5	NF
Cape Verde	5	5	PF	6	6	NF	6	7	NF	5	5	PF	1	2	F	1	2	F	1	1	F
Kiribati	–	–	–	2	2	F	1	2	F	1	2	F	1	1	F	1	1	F	1	1	F
Comoros	5	2	PF	4	5	PF	6	6	NF	5	5	PF	4	4	PF	6	4	PF	4	4	PF
Laos	6	6	NF	7	7	NF	7	7	NF	6	7	NF	7	6	NF	7	6	NF	7	6	NF
Lesotho	5	4	PF	5	5	PF	5	5	PF	6	5	NF	4	4	PF	4	4	PF	2	3	F
Liberia	6	4	PF	6	6	NF	5	5	PF	7	7	NF	7	6	NF	5	6	PF	4	4	PF
Madagascar	5	5	PF	6	6	NF	5	6	PF	4	4	PF	2	4	PF	2	4	PF	3	3	PF
Malawi	7	6	NF	6	7	NF	6	7	NF	7	6	NF	2	3	F	3	3	PF	4	4	PF
Maldives	4	4	PF	5	5	PF	5	5	PF	6	5	NF	6	6	NF	6	5	NF	6	5	NF
Mali	7	7	NF	7	6	NF	7	6	NF	6	5	NF	2	3	F	2	3	F	2	2	F
Mauritania	6	6	NF	7	6	NF	7	6	NF	7	6	NF	6	6	NF	6	5	NF	6	4	PF
Mozambique	6	6	NF	7	7	NF	6	7	NF	6	6	NF	3	4	PF	3	4	PF	3	4	PF
Myanmar	6	6	NF	7	6	NF	7	7	NF	7	7	NF	7	7	NF	7	7	NF	7	7	NF
Nepal	6	5	NF	3	4	PF	3	4	PF	4	4	PF	3	4	PF	3	4	PF	6	5	NF
Niger	7	6	NF	7	6	NF	7	6	NF	6	5	NF	3	5	PF	4	4	PF	3	3	PF
Equatorial Guinea	6	7	NF	7	6	NF	7	7	NF	7	7	NF	7	7	NF	7	7	NF	7	6	NF
Rwanda	7	5	NF	6	6	NF	6	6	NF	6	6	NF	7	6	NF	7	6	NF	6	5	NF
Samoa	4	2	PF	4	3	PF	4	3	PF	2	2	F	2	2	F	2	2	F	2	2	F

Countries	1975			1980			1985			1990			1995			2000			2005		
	PR	CL	ST	PR	CL	ST	PR	CL	ST	PR	CL	ST	PR	CL	ST	PR	CL	ST	PR	CL	ST
Senegal	6	4	PF	4	4	PF	3	4	PF	4	3	PF	4	5	PF	3	4	PF	2	3	F
Sierra Leone	6	5	PF	5	5	PF	5	5	PF	6	5	PF	7	6	NF	4	5	PF	4	3	PF
Somalia	7	6	NF	7	7	NF	7	7	NF	7	7	NF	7	7	NF	6	7	NF	6	7	NF
Central African Republic	7	7	NF	7	5	NF	7	6	NF	6	5	NF	3	4	PF	3	4	PF	5	4	PF
Sudan	6	6	NF	5	5	PF	6	6	NF	7	7	NF	7	7	NF	7	7	NF	7	7	NF
Sao Tome & Principe	5	5	PF	6	6	NF	7	7	NF	5	5	PF	1	2	F	1	2	F	2	2	F
Solomon Islands	-	-	-	2	2	F	2	3	F	1	1	F	1	2	F	4	4	PF	3	3	PF
Tanzania	6	6	NF	6	6	NF	6	6	NF	6	5	NF	5	5	PF	4	4	PF	4	3	PF
Togo	7	6	NF	7	6	NF	6	6	NF	6	6	NF	6	5	NF	5	5	PF	6	5	NF
Tuvalu	-	-	-	2	2	F	1	2	F	1	1	F	1	1	F	1	1	F	1	1	F
Uganda	7	7	NF	4	4	PF	5	4	PF	6	5	PF	5	4	PF	6	5	PF	5	4	PF
Vanuatu	-	-	-	2	3	F	2	4	PF	2	3	F	1	3	F	1	3	F	2	2	F
East Timor	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6	3	PF	3	3	PF
Zambia	5	5	PF	5	6	PF	5	5	PF	6	5	PF	3	4	PF	5	4	PF	4	4	PF
AVERAGE	6,04	5,44		5,5	5,38		5,62	5,65		5,46	5,06		4,51	4,69		4,6	4,56		4,4	4,1	

Source: Freedom in the World country ratings 1972–2007, Freedom House 2009

According to the Freedom House methodology, the countries with the highest level of freedoms receive grade 1, while the lowest level are graded 7. While in certain countries, e.g. Bhutan or Gambia, the level of democracy has decreased, in general the majority of LDC countries is much more democratic today than in the mid-1970s. In 1980s we have seen stagnation and the devaluation of democratic ideals in most of the countries, but since the 1990s the level of democracy is again on the rise.

Conclusion

Thus, we can make a synthesis of the findings and try to interpret the results. The best way would be to extract the data from the previous chapter into one table, which clearly expresses the relations between the average degree of the globalization of national economies, the freedom of economies and the level of democracy in the LDCs reference group of countries. The upper row shows the years to which the gathered data apply. The second row is for the economic globalization index, the third row contains the economic freedoms index, and the last row contains the Freedom house index. Because the rising values in rows 1 and 2 mean the increase, for the economic globalization index and the index of economic freedom (in order to achieve better readability in the index of democracy) the values are mirror inverted. Thus, the value of 2 means the lowest possible level of democracy and the value 14 means the absolute democracy.

Table 4: Relationship between economic globalization, economic freedom and the level of democracy in LDCs (1975–2005)

	1975	1980	1985	1990	1995	2000	2005
Index EGI	110,3	133,9	115,9	124,3	154,7	165,7	—
Index EFW	4,52	4,62	4,52	4,42	4,68	5,24	5,39
Index FH PR+CL	4,53	4,82	4,74	5,48	6,8	6,84	7,5

Table 4 clearly shows that the increase of the degree of integration of national economies to the global economy for all LDC countries results in the increase of economic freedoms and vice versa. The only exception is year 1990. After the drop of both variables in 1985 the level of economic globalization has been increasing in 1990, while the economic freedoms still maintained the momentum from the previous time period and slightly decreased. The summary level of democracy given by the political rights and civil liberties fully correlates with the degree of economic globalization. This confirms the hypothesis that the level of democracy is not influenced only by the domestic economic and political factors, but the external factors like the economic globalization studied in this text also have the material impact.

Table 5: Correlation between Index of economic globalization, economic freedom and Freedom House Index

		Index_EGI	Index_EFW	Index_FH_PR_CL
Index_EGI	Pearson Correlation	1	,832*	,926**
	Sig. (2-tailed)		,040	,008
	N	6	6	6
Index_EFW	Pearson Correlation	,832*	1	,698
	Sig. (2-tailed)	,040		,123
	N	6	6	6
Index_FH_PR_CL	Pearson Correlation	,926**	,698	1
	Sig. (2-tailed)	,008	,123	
	N	6	6	6

* Correlation is significant at the 0,05 level (2-tailed)

** Correlation is significant at the 0,01 level (2-tailed)

One of the possible explanations is the conflict theory of democracy. This theory says that in any non-consolidated democracy democratization requires certain heterogeneity of political elites. Globalization causes this heterogeneity of political elites by spurring trade liberalization and thus totally changes the established political habits. Autocratic regimes in the era before the advent of trade liberalization used to be extremely protectionist because they were supported by the elite that gained material benefits from economic isolationism. The elite primarily comprised the richest industrialists and army, who, in exchange for their loyalty, enjoyed very little competition in selected protected sectors of the economy. In return such advantages they politically supported the regime and accepted the non-free elections, which allowed the regime to stay in power and this maintained a sort of *status quo*. Thus, the traditional economic model was the ISI strategy (Import Substitution Industrialization). Due to mounting economic problems and the debt trap the LDC countries at the end of 1980s found themselves in the situation when under the promise of further loans from IMF and WB they forced by these institutions to pursue gradual liberalization of their economies. This resulted in lowering the custom duties and non-tariff limitations and the foreign capital and goods started to flow into the previously closed economies. The economies became more open and even the poorest countries were forced to accept the EOI strategy (Export Oriented Industrialization). This way the narrow group of elites had to accept foreign competition to their businesses and has lost the reason to unconditionally support the government. In an effort to ensure its grip on power the governments were forced to seek support elsewhere and strived to extend their election base through democratization. The preference for narrow groups of elites had to be replaced by the advantages of appealing to a broader electorate (Przeworski 1991; Acemoglu and Robinson 2001).

Because the influential groups, for whom liberalization is a disadvantage, still exist, the political spectrum is being polarized as well. A very interesting study in this regard was submitted in 2005 by Rudra, who claims that under these conditions the government has two options how to stay in power: either through democratization or political repressions. According to him, democratization can happen if the government is able to somehow ensure the privileges for the current elite and has the possibility to address the broader election base through larger social expenses. These investments are quite visible and thus effective. Their purpose is to compensate the losses to the groups affected by globalization as well as to gain popularity among a broader electorate. If the government cannot control and increase social expenses, it is very likely that it will choose the path of political repression (Rudra 2005). This theory may explain why the ongoing globalization brings in certain cases the increase of the level of democracy and, conversely, in certain cases it brings its decrease.

The data thus imply that apart from the internal factors (e.g. GDP growth, institutional environment, tradition, religion mix of population, etc.) the level of democracy in the group of the poorest countries is also influenced by the external impacts of economic globalization. The fact is that the ongoing globalization influences the level of democracy in a positive way. These results are in compliance with the neo-liberal economists' claims. However, this reflects only the relationship between economic globalization and democracy, not the relation between globalization and economic growth or the living standard of the LDCs population. These areas require a separate research.

Notes

- ¹ This is a group of countries defined by the UN Economic and Social Council according to the three following criteria: GDP per capita in the three subsequent years must be less than USD 750; bad social conditions based on the data on the access to health care, education, literacy and the nutrition values of the food supply (based on the Human Assets Index — HAI); economic vulnerability and instability (dependence on the fluctuation in the prices of agricultural crops, raw materials, finished products and services, percentage of people displaced due to natural disasters or war, etc.). As of December 2008, a total of 49 countries — 33 from Africa, 15 from Asia and 1 from America, meet the LDC criteria. In order for a country to be on this index, it must meet all three criteria in three subsequent years. The last countries falling in this LDC category were Senegal in 2000 and East Timor three years later. On the other hand, in 2007 the Cape Verde left this group.
- ² The complete list of these countries is included in the Annex 1.
- ³ For other possible definitions of globalization see Held and McGrew (2000).
- ⁴ For the methodology of calculation and specific data for individual countries see Ismihan and Olgun (2008).
- ⁵ The complete methodology and information to the EFW index can be found in the Economic Freedom of the World 2008 publication.
- ⁶ For more about the Polity IV index and data for individual countries, see Polity project website at <<http://www.systemicpeace.org/polity/polity4.htm>>.

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