

## **Human Rights in OECD Aid Decisions**

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### *Abstract:*

Human rights matters in aid allocation when human rights abuses occur in countries that represent little economic value to potential donors. As a result, there are two processes driving aid allocation – one for economically valuable countries and another for countries of little economic value to donors.

Examining OECD (Organization for Economic Cooperation and Development) countries' aid from 1980-1996 demonstrates that the effects of human rights on aid allocation vary dramatically. Human rights abuses play no role on aid allocation in those countries that represent high economic value (or in a pooled sample), but lead to a decrease in aid in low economic value states. The analysis is extremely robust to multiple methods and operationalizations. The results suggest that failure to control for the different aid processes is likely to lead to erroneous inferences about the role of human rights. Human rights do matter – but only when states can afford to have them matter.

## **Introduction**

Countries like Canada, the United States and Australia ignored twenty years of fundamental abrogation of political and civil rights in East Timor by Indonesia, cutting aid only after the widely-publicized 1992 Santa Cruz Massacre and the 1997 riots. Why did donors not change their policies earlier? More generally, under what conditions do states' foreign policies consider human rights? We examine whether human rights abuses influence the provision of development assistance. We argue that there are two processes driving aid allocation – one for economically valuable countries and another for countries of little economic value to donors. Human rights violations in a recipient state will prompt aid reduction by donors only when the recipient is of little economic value to donors. States with high economic value pay little cost for their human rights abuses. The theory provides both a general argument about the factors and processes that influence aid levels, and a conditional argument about when human rights abuses are likely to influence aid allocation. We test our argument with statistical analyses of the foreign policies of OECD (Organization for Economic Cooperation and Development) member states.

Both realist arguments about states' quest for power and neo-liberal arguments about states' concerns about trade and economic cooperation suggest that nations rarely act altruistically. Human rights are, at most, only one of many factors that influence the aid decision process. Nevertheless, it is critical to identify whether human rights influence aid allocations and, if so, determining the factors that mitigate their effects. The role of human rights in democracies' foreign policies has often been addressed with primarily anecdotal evidence – especially as it applies outside of the United States. Are human rights, ostensibly at the heart of the democratic form of government, something for which states are willing to sacrifice gains in other arenas, or are they only pursued when it is not costly to do so? This is a critical question in a post-Cold War world, where spreading democracy has become a defining foreign policy goal, and where aid is increasingly relied upon as a policy tool. If human rights make no difference, then this would not only undercut a major justification for aid expenditures, but it would also undermine democratic peace arguments about the connection between regime type and conflict.

Potential aid recipients, of course, differ dramatically in terms of what they mean to donors. Donors consider their relationship with some recipients to be so valuable that they will give those states aid under most any circumstances. For example, some countries offer significant trade potential to donors, with fertile export markets and large or expanding economies. These countries will likely either go unpunished or be punished less severely than other recipients for commensurate human rights abuses, all else being equal (Gillies, 1989; Scharfe, 1996). As a result, we expect that the value to donors of its relationship with the recipient mitigates the effect of human rights abuses on contributions. In particular, we hypothesize that there are two processes of aid allocation, one for high economic value recipients and the other for those states that represent comparatively lower economic value. We argue, and find, that the effects of human rights vary systematically in a predicted direction depending on the economic value of the country. Those states that are not highly valuable receive less aid when they abuse human rights, while those recipients whose economies are highly valuable to donors suffer little reprisal for violations of human rights.

## **Aid**

As far back as the Marshall Plan and “Point IV” of the Truman doctrine, there was much debate over whether the primary aim of economic aid was altruistic or self-interested (Raffer and Singer, 1996). Today, as then, in most donor states aid considerations are driven by two concerns outside of simply helping poorer states to develop. The most obvious goal of aid is economic development and improvement of standards of living in the recipient state, among which are human rights. Such goals are pursued generally as a result of the efforts of the pro-development interest groups, which are generally not as well funded or well-connected as the business lobby. As a result, development goals, including human rights, which do not have clear concurrent benefits to some sector of a donor’s economy are generally given far less attention than are strategic and economic goals. Where they are taken into account, they are largely justified not as an end but as a means – a means to the strategic and economic goals discussed above. It is likely these dynamics will become increasingly important as the global economy becomes ever more interdependent.

Development goals are often couched in terms of humanitarianism and economic human rights, and this is the primary manner in which human rights dialogue enters the debate. Less often addressed is the fact that foreign aid usually serves to support whatever regime is in power, regardless of its record on human rights or democratization.

But again, from the very start of the modern aid programmes in donor states, aid has been defended largely not in altruistic terms but based on the good it can do for donor states. First, donors want to support strategic allies. These often include former colonies, whose ‘strategic’ value might be debated, but who are allies due to historical cultural, political, and economic ties, and who donor countries want to maintain as allies. Strategic concerns, especially during the Cold War, are a top foreign policy priority for many Western donor states in part because of the leadership of the US and the role of military and ex-military personnel in the governments of most donors.

Second, donors want to maximize domestic trade benefits for their domestic businesses. Trade benefits for domestic business are pursued largely as a result of the efforts of large, well-organized, and richly funded business lobbies in most donors. Such trade advantages are usually pursued through strategies like “tied aid” and special aid-for-trade deals or legislation such as the Aid and Trade Provision in Britain. But such tactics generally benefit a small proportion of the most well-connected companies in donor states and have little general economic benefit, especially when tied aid serves primarily as an export subsidy for businesses that are not otherwise optimally efficient. An important side-effect of this characteristic is that it biases aid towards helping richer developing countries, as several of the analyses presented later bear out.

#### *The Aid Allocation Process*

We believe that: human rights matters to aid allocation when such abuses occur in countries that represent little economic value to potential donors. Critically, rather than economic value simply representing another right hand side variable in the aid allocation equation, we hypothesize that there are

two processes driving aid allocation – one for economically valuable countries and the other for countries of little economic value to the donor. We test our hypothesis in two ways. First, we establish a standard model of aid allocation and show that, when all recipients are examined together, human rights plays no role in determining aid allocation. Second, we bifurcate our data into two samples, one of economically high value countries and the other of countries with comparatively low economic value and show that the effects of human rights on aid allocation varies dramatically between samples.

### *A Standard Model*

Drawing on the existing literature in this area (such as Cingranelli and Pasquarello, 1985; Cingranelli and Richards 1999; Gounder, 1996; Hofrenning, 1990; *Human Rights in United States and United Kingdom Foreign Policy: A Colloquium*, 1979; Lumsdaine, 1993; Milner, Poe, and Leblang, 1999; Poe, 1990, 1991, 1992; Poe, Tate, and Keith, 1999; Thorp, 1971) we present what we think represents both a representative and highly reasonable model of aid allocation. We see aid levels resulting from its use as a tool to promote four basic foreign policy goals. The first and most ostensible of these is recipient need, the primary variable emphasised in the mission statements of most donor country aid agencies. We measure this here, indirectly, by recipient population, though that also captures the potential markets for donor-produced goods and thus represents both an economic variable as well as an humanitarian aid concern. Donors also systematically target aid to support three other goals of foreign policy: strategic interests (Cingranelli and Richards 1999, Milner, Poe, and Leblang, 1999; Poe, 1990, 1991, 1992; Poe, Tate, and Keith, 1999) and economic concerns (Gillies, 1989; Scharfe, 1996), both of which have been traditionally important in aid programs throughout the 20<sup>th</sup> century, and, also, increasingly, but increasingly many donors have attempted to reward progress in democratization, good governance, and human rights (see, for instance, Department for International Development 2000, OECD 2005). We conceive of the economic value of the recipient as being a function of both the size and growth of the economy and trade with OECD countries. In the section on variables we discuss specifically how we operationalize these concepts and identify other factors, such as oil exports, that we

also control for. Here our purpose is to develop a simple, reasonable argument about the factors that influence aid allocation.

In order to analyze aid allocation before and after the Cold War, we include few purely strategic variables (e.g. alliances). In the diagnostics section we show that the inclusion of strategic factors has little to no effect on the results. Their absence simply keeps the model more parsimonious, and allows us to focus more clearly on our economic value story.

### *Two Processes, Two Samples*

Is the standard model likely to explain aid allocation effectively and, in particular, identify the conditions under which human rights abuses exert a negative effect on aid? We do not think so. We believe that economic value represents more than just a variable or two to add to a model along with other factors (Poe, 1992). Rather, we think that the economic value of the recipient state to donor nations delineates fundamentally different processes of aid allocation (Gillies, 1989; Scharfe, 1996). Economic interests represent a critical factor for aid allocation. Donors treat recipients that have high economic value differently they treat recipients with comparatively low economic value.

We anticipate that human rights abuses will have little to no effect on aid levels provided to economically valuable states, while abuses are likely to impact negatively aid to less valuable recipients. Given that we hypothesize different processes, we need to split our sample in two and conduct two separate analyses, each with their own parameter estimates and error terms (Green, 2003; Hanushek, and Jackson, 1977; Studemund, 1992). One sample includes high economic value recipients, the other, low. If indeed economically important states ‘get away’ with more than do economically unimportant ones, we should expect to see the human rights variables have more of an impact, especially in decisions to *decrease* aid, for less economically valuable states than they do for economically important ones.

### *Hypotheses*

We make five hypotheses, two are conditional, all are directional.

H1. *Human rights abuses will have no effect on aid allocations to high economic value recipient states.*

H2. *Human rights abuses will negatively effect aid allocations to low economic value states.*

H3. *Population is positively correlated with aid allocations.*

H4. *The end of the Cold War is positively correlated with aid allocations.*

H5. *Economic value is positively correlated with aid allocations.*

We next discuss how we empirically test these hypotheses.

### **Variables and Analyses**

We examine OECD aid allocations. Current members of the OECD are listed in Table I.

Why look at patterns reflected in total aid amounts going to recipients, when these are the outcome of decisions made at the level of individual donor-state foreign policy making apparatus? Looking at the OECD overall provides a baseline expectation for aid determinants for the entire aid-granting community. This allows us to understand the determinants and processes of aid decisions individual donor countries in context. Also, theoretically, by looking at aggregate data we attempt to minimize dyadic perturbations resulting from unique and idiosyncratic relations between donors and particular recipients (such as those due to past colonial relationships). In addition, as donor coordination has increased in recent years (see for instance OECD 1994), donors increasingly take into account what one another are doing in a recipient state, so as to neither unintentionally subvert nor duplicate each others efforts. Looking at aggregate aid levels allows us to more or less control for the fluctuations introduced by this kind of calculation. In addition, OECD decisions are less likely to exhibit the same kind of path-dependent self-interested behavior that drive individual aid decisions, since they represent the choices of a number of countries with interests that may wash each other out when examined as a group. So this pooled approach constitutes the most difficult possible test for the hypotheses. Finally, the incentive structures we argue matter to aid decisions we believe to be generalisable across all democratic donor states, and therefore we should see them persist in the macrolevel, notwithstanding donor-level perturbations. Moreover, rather than select donors on either the dependent or independent variable, we include the entire range of major donor states. Therefore, our aggregate approach seeks to augment standard dyadic approaches.

The OECD is the single most important donor state organization and OECD donors account for 95-99% of all annual bilateral aid. For states in transition, acceding to the OECD marks their arrival as a donor state. Though it excludes Arab donor states (whose aid figures are much harder to obtain in detail), it includes those who work most closely and transparently to coordinate their donation policies.

For the allocation decision, aid is operationalized as total aid from OECD countries to that state in the given year. Annual data on aid to all recipients from OECD states are available from the OECD's Creditor Reporting System (online at [www.oecd.org/crs/o](http://www.oecd.org/crs/o)).

We examine aid *amounts* and how they vary amongst all aid recipients. Thus, we are not looking at states that do not receive aid, which might be expected to vary in systematic ways from those that do. However, this is of concern for our analyses only if we think that selection effects are introduced that inflate or deflate the apparent influence of our independent variables. While similar characteristics of states are likely to influence whether they receive aid and how much they receive (ie, the strategic and economic importance of the state, its need, and its internal policies), this means that in most cases we are underestimating the effects of our independent variables. *A priori*, however, there is little reason to believe that this affects the relative importance of each of the independent variables, and therefore, we should be seeing a reasonably accurate portrait of their respective significance.

Examining the list of recipients, we see it is much more unusual to *not* be granted aid than to be granted it. In fact, in the last year of this study, 164 of 190 potential recipients receive aid. Therefore, a look at the states that did *not* receive aid is in some ways more revealing. States that did not receive aid are shown in Table II (column 1A), while the table also shows those that are identified as human rights abusers (1B), and those potential recipient states that are identified as having the best human rights records (1C). Five of the twenty-five states that did not receive aid (Brunei, Kuwait, Oman, Qatar, and United Arab Emirates) are oil exporters and relatively wealthy. There are also few clear patterns evident in terms of the human rights records of the states that are left off the list. The numbers in parentheses indicate the human rights scores of these states (higher numbers designate worse violation levels). Fifteen of these states were not evaluated by the State Department in 1996. Five had

the best possible human rights score at one, and three had scores of two. Only two have poor scores of four. Clearly human rights do not tell the whole story.

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Table II in here

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*Dependent Variable - Aid.* Our dependent variable is the total amount of aid provided to a recipient state from all OECD states. The unit of analysis is the recipient-year. This study spans the years 1980-1996. Selecting this time period allows us to determine the extent to which Cold War geostrategic concerns drove aid. Examining all potential recipients for the 17 years between 1980 and 1996 results in 1,241 total observations<sup>1</sup>. We conduct a pooled cross-sectional time-series regression analysis of the factors that influence aid amounts, including eight independent variables. We look only at ‘untied’ aid. Some donors dispense much of their aid in terms of ‘tied aid’ - that which can be spent only on certain items or on certain markets - usually, donors’ export markets - regardless of whether or not this is the most efficient use of the aid. Although this sort of aid is used less today, it is important to exclude it from the analyses as it explicitly is driven by one of the key independent variables – trade relations.

*Human rights record of the recipient.* Human rights abuses are measured using the Purdue Political Terror Scale (<http://www.unca.edu/politicalscience/faculty-staff/gibney.html>), originally compiled by Michael Stohl, now maintained by Mark Gibney, and derived from the US State Department's annual country reports as well as those of Amnesty International; only State Department scores are used here. (For a discussion of differences, see Barratt, 2002; Poe, Carey, and Vasquez, 1998). This is a five-point scale ranging from one (‘Countries... under a secure rule of law, people are not imprisoned for their views, and torture is rare or exceptional ...Political murders are extremely rare’) to five (‘The leaders of these societies place no limits on the means or thoroughness with which they pursue personal or ideological goals’) (Stohl, 1983). Table II provides examples of the potential OECD aid recipients who received a human rights score of one, the best (Table IIB), and five, the worst

(Table IIC) for the last year in the study. This variable is lagged one year to allow for collection of data in donor countries, as well as for the budgeting process to take place.

*Potential economic value of the recipient.* The two primary competitors for supremacy on foreign policy agendas are represented by sets of variables measuring the importance of the recipient to OECD donors in economic terms. *Potential economic value of the recipient to donors* is measured by the size of the economy of the recipient (GDP) and the annual growth rate of GDP (*GDP Growth Scaled*). In the case of the former, we measure GDP size using the natural log of the recipient's GDP to create a less positively skewed distribution (*Log GDP*).

The actual economic value of the recipient is measured by its trade relations with OECD states. These data are compiled from the US Central Intelligence Agency(CIA)'s *World Factbook* (various years) and the International Monetary Fund's *Direction of Trade Statistics* (also various years).

Many of the economic value and trade variables are not quite as easily interpretable for the overall OECD as would be the case for individual donors, and they do not mean quite the same thing. For example, if 70% of France's trade is with a specific recipient country, one might expect that recipient's economic and trade value to have a significant impact on French aid allocation to it. But such considerations may be dramatically diluted when we look at all OECD members together<sup>2</sup>.

*Oil.* Oil represents a uniquely critical export. We create the dummy variable *Oil Exporter*, and code it one for those states who are petroleum exporters and zero otherwise.

*End of the Cold War.* Whether the Cold War has ended is measured as a dummy variable, and code it zero before and including 1991, one after. Previous studies have shown this variable to be of substantial impact on aid decisions (Blanton, 2005; Cingranelli and Richards, 1999)

*Population* is included as a control variable.

We discuss the sample bifurcation process in the following section.

## **Results**

Donor countries take a variety of characteristics of recipients into account when allocating aid, including protection of human rights, and their economic relationship with the recipient. But the way

that recipients' human rights records impact donors aid decisions is complex. An OLS Regression of key economic factors, population and human rights records on the allocation of untied aid is shown in Model One located in Table III. Three factors routinely seen as important for the allocation of aid, *GDP Growth (scaled)*, *Log GDP*, and state *Population* have positive and statistically significant effects. But critical other factors, such as *Human Rights*, *End of the Cold War*, *Imports from OECD* and *Exports from OECD* and *Oil Exporter* have no systematic effect. That is, neither the end of the Cold War, nor a state's human rights record, nor any measure of economic activity with the OECD appears to affect the total amount of aid a state receives from OECD donors.

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Table III in here

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But is this the whole story? We do not think so. Economic value does not represent just an additional variable or two, such as those included in the specification in Model One, but rather identifies fundamentally different processes of aid allocation. Those countries that have strong economic value are treated systematically differently than those that have comparatively weaker economic value. The process of aid allocation varies depending on the economic value of the recipient, such that variables such as *Human Rights* have different effects among high economic value states than they do with low economic value states. Two different processes require two different efforts to estimate variable effects and two error terms (Green, 2003; Hanushek and Jackson, 1977; Studemund, 1992).

To capture these different processes of aid allocation, we want to identify those observations (country years) that represent especially valuable economic activity. What criteria determine a recipient's economic value to donors? We initially focus on a recipient's imports from OECD countries. We do this for a number of reasons. First, the notion of using aid to foster expanding markets for developed world exports has a long history in the justifications of aid allocation (dating back to the Marshall Plan and expressed legally in, for instance, Britain's now-abolished Aid and Trade Provision) and is a key part of other arguments about the interconnectedness of aid and development

(Cardoso, 1979, Evans, 1979), making imports both an obvious candidate and an important factor to examine. Second, exports to OECD countries are greatly influenced by oil (and to a lesser extent other natural resources), making exports a more complex factor. Third, we want a value that donors clearly can identify and recognize as belonging to those recipients that are most economically important to them. Thus more subtle notions, such as levels of technological innovation (for instance, patents) or educational investment, might have important long run economic value, but are unlikely to represent a visible criteria used to allocate aid in the regular aid allocation cycle. But critically, as we will show in the section on diagnostics, the choice over which factor, statistical method or operational procedure to use to split the sample into high economic value states and other states has virtually no effect on the results (for example, exports work almost identically to imports). Therefore, given that imports are a little easier to interpret and represent a concept tightly connected to traditional arguments about the role of aid and trade, we initially employ recipients' imports from OECD states to split our sample.

We create the variable *High OECD Imports*. We code an observation one (1) if it is in the top quartile (25%) of importers from OECD countries. A one for *High OECD Imports* signifies that an observation is seen by the OECD states as among the economically most valuable nations. We code the observation a zero for *High OECD Imports* if it is in the bottom 75% of all states in terms of volume of imports from all OECD states. For clarity, we reword this to say that an observation is either in the *High OECD Import* sampling group (those with ones on *High OECD Imports*) or the *Low OECD Imports* sampling group. The *High OECD Import* group has 310 observations and the *Low OECD Import* group has 931 observations.

The 75% cut off point is effective theoretically because it clearly identifies those states with the highest annual imports and thus those seen as economically most critical. Empirically, a higher cut off point might result in too few observations to conduct effective analyses – especially given our interests in fixed effects (discussed later). Again, however, we show in the diagnostic section that our criteria are extremely robust to alternative specifications including both higher and lower cut off points.

We first demonstrate that *High OECD Import* status affects aid. High OECD Importers received on average aid allocations of \$419,532,000 ranging from \$15,600 to \$7,494,871,000 while Low OECD Importers averaged \$111,878,000 ranging from \$7,800 to \$3,577,503,000. Thus, those who imported the most from OECD countries received on average over 300% more aid than those who imported less.

Similarly, the minimum and maximum aid allocations are higher for the *High OECD Importers* than for the *Low OECD Importers*. A bivariate analysis of *High OECD Import* status on *Untied Aid* results in a positive and strongly significant parameter estimate, suggesting that recipient economic value is systematically correlated with aid levels<sup>3</sup>.

Next, we identify both the factors that influence aid allocation within each group and whether the allocation processes are similar between groups. In order to answer these questions, we conduct two new analyses also displayed in Table III. The first, shown in Model Two, represents the aid allocation process for *Low OECD Importers* (those in the bottom 75%). The second, Model Three, examines aid allocation for *High OECD Importers* (those in the top 25% of importers).

Looking at estimates for the factors that affect aid allocation for *Low OECD Importers* (shown in Model Two in Table III), one sees that while the three factors that had statistically systematic effects in Model 1 (*GDP Growth*, *GDP* and *Population*) retain their statistical significance, other factors that reveal variation in the economic relationship of the recipient to OECD countries and reflect the recipient's human rights record now also play major roles in aid allocation. Crucially, the variable *Human Rights* has a significant and negative effect on aid allocation. *Low OECD Importers* with worse human rights records receive less aid. As anticipated, *Imports from OECD*, *End of the Cold War*, and *Oil Exporter* all have positive and statistically significant effects. Exports to OECD states is negative, suggesting that those states with export driven economies that are not oil based (such as the "Asian Tigers") are less likely to get aid. Conversely, the end of the Cold War leads to increased aid, as does an increase in recipient imports from OECD states and a recipients being an oil exporter. Note that this

model explains considerably more of the sample variance ( $R^2=.4$ ) than the model that included all observations ( $R^2=.16$ ).

Turning to the group of states that are *High OECD Importers*, shown in Model Three of Table III, we see that only *Population* and *End of Cold War* are statistically significant (and positive)<sup>4</sup>. Sample selection, focusing exclusively on *High OECD Importer* status, dominates all other factors. Not surprisingly, OECD states' economic ties with these aid recipients have little effect because they now have such little variation. That is, being a comparatively large importer of OECD products and services is both enough to guarantee aid and shield against the effects of other confounding factors – such as human rights abuses. For these highly economically valuable states with especially high imports from OECD states, variation in other factors is inconsequential to their receipt of aid. As a result, this model explains little of the observed variance a ( $R^2=.06$ ).

These analyses suggest that pooling all countries together masks the underlying process that influences aid allocation. *High OECD Importers* not only receive substantially more aid than *Low OECD Importers*, but their aid results from a different decision making process. *High OECD Imports* protect states from punishment from human rights violations. For these states, few other factors lead to any variation in aid allocation. Basically, for *High OECD Importers*, their economic value provides them with high aid recipient status and only the amount of aid per capita changes. But for *Low OECD Importers*, human rights records as well as variation in OECD economic ties influence how much aid they receive.

### **Diagnostics**

These results are extremely robust. In a pooled cross-sectional time series, we are always concerned about unspecified systematic temporal and spatial variation. We addressed these in a number of ways. First, we checked to make sure that we did not have serial auto-correlation; systematic variance across time in the error term. The Durbin-Watson for Models One, Two, and Three is 2.00, 2.01, and 2.00 respectively. Since proximity to 2.0 (on a 0-4 scale) is an indicator of no auto-correlation, these results strongly alleviate that concern.

Second, we included temporal dummies into Models One, Two and Three for each year, minus one, of the study. Results were largely the same – human rights matter for the low economic value states, and not for high economic value states or in the pooled sample (not shown – all results not shown were provided to the journal).

Third, we were concerned that our group measures might apply differently to particular states, or that our measures were simply state substitutes. To check for this we conducted a Fixed-Effect Regression, controlling for the effect of each state. Again, the results were the same (not shown).

Finally, we conduct a Fixed-Effect Regression controlling for both states and years. Controlling for each year and state in a pooled cross-sectional time series presents an especially demanding test. The results of the temporal and spatial fixed effect specifications are shown in Table IV.

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The fixed effect estimates for *Low OECD Importers* are shown in Model Four and *High OECD Importers* in Model Five. For *Low OECD Importers*, the variable *Human Rights* continues to have a strong and negative effect on aid allocation – even when year and state fixed effects are included. *Population* and *GDP Growth* are each positive and significant. For the *High OECD Importers*, state population is again the only significant factor. Explanatory power for the model of *Low OECD Importers* is high, with an overall  $R^2$  of .41, while between group  $R^2$  is .82. Explanatory power for the *High OECD Importers* is again quite small, with an overall  $R^2$  of .11 and a between group  $R^2$  of .15.

We used other economic indicators to bifurcate our sample. We reanalyzed Models One, Two and Three from Table III twice, first using *Exports to OECD* and second employing *Log of GDP* to split the samples. That is, we first determined high economic value as those in the top 25<sup>th</sup> percentile of exports and then second, as those in the top 25<sup>th</sup> percentile of GDP. We found that splitting the samples by those above or below the 75<sup>th</sup> percentile for either exports to the OECD or log of recipient GDP generated very similar results to those obtained and presented using imports (results not shown).

Lastly, we examined the robustness of the coding of *High OECD Importer* by recoding our cut off points four times. We alternatively employ the 60<sup>th</sup>, 65<sup>th</sup>, 70<sup>th</sup> and 80<sup>th</sup> percentiles of recipient state imports from OECD countries (the high OECD economic activity sample sizes get too small past the 80<sup>th</sup> percentile for our purposes). All eight models (those above and below each of the four new cutoffs) behaved very similarly to those shown. Human rights records were consistently significant and negative in the group that imported less and never a factor for the states that imported more (results not shown). Rarely, a control variable changed significance, but both variable estimates and model effects are strikingly similar whether 60%, 65%, 70%, 75% or 80% sample cut off points are used. The results are highly robust to a wide variety of ways to identify those states that have high economic importance.<sup>5</sup>

### **Conclusion**

In its attention to all OECD donors, to the interaction of domestic and international imperatives, and in its focus on economic and specifically trade interests, the perspective of this research is distinctly different from that of scholars who focus individually on the world's most powerful countries and suggest that strategic military concerns and ideological congruence are paramount in the decision whether to punish recipients with questionable human rights records (Poe, 1991, 1992), as well as to provide states with aid more generally (Organski, 1990).

We hypothesize that the aid process varies between those states that represent high and low economic value to OECD donors. Using this notion, we bifurcate our sample. We find strong support for each of our five hypotheses. As predicted, human rights abuses have no effect on aid allocations to those countries that are economically valuable. Conversely, donors do take human rights abuses into account when allocating aid to less economically valuable states. As anticipated, population, the end of the Cold War and economic value are all positively related to aid. But there is an unanticipated catch; the effects of the end of the Cold War and economic factors are strong in the low economic value sample, weak to non-existent in the pooled sample, and completely non-existent in the high economic value sample. Population is consistently statistically significant and positive.

Taken together, the empirical results provide strong evidence for both the existence of dual aid allocation processes and the variation in the importance of human rights abuses. The findings are especially robust, and hold when different cut off points are used, fixed effects analyses for both time and country are employed, and when different variables are used to bifurcate the sample. In short, there are two aid allocation processes and human rights matter – but only for the economically less valuable recipients.

This work fills a lacuna in the human rights literature by looking beyond the United States and in a comparative perspective at the bilateral aid decisions in the rest of OECD states. Similar questions have been ably addressed in the US context by a number of scholars (for instance, Cingranelli and Pasquarello, 1985; Hofrenning, 1990; Lumsdaine, 1993; Milner, Poe, and Leblang, 1999; Poe, 1990, 1991, 1992; Poe, Tate, and Keith, 1999), and it is important to begin to apply the findings and observations of this body of work beyond US shores. In addition, most work on human rights and foreign policy linkage in OECD states deals with comparative allocations amongst recipients rather than examining the policy that drives these allocations (Keenleyside, 1988; Lumsdaine, 1993; Scharfe, 1996). This paper makes significant strides in these directions.

The most explicit goal of aid is economic development and improvement of standards of living in the recipient state (which are not always, of course, the same thing). Such goals are pursued generally as a result of the efforts of the ‘development lobby’, which is generally not as well funded or as well-connected as the business lobby. As a result, development goals, which do not have clear concurrent benefits to some sector of a donor country’s economy, are often given less attention than are strategic and economic goals (especially during the Cold War era). Where development goals are taken into account, they are largely justified as a means rather than an end – a means to the strategic and economic goals discussed above. It is likely the latter will become increasingly important as the global economy becomes increasingly interconnected.

Development goals are often couched in terms of humanitarianism and economic rights, and this is the primary manner in which human rights dialogue enters the debate. Less often addressed is the

fact that foreign aid usually serves to support whatever regime is in power, regardless of its record on human rights or democratization. For example, in almost every case in which the USA withdrew aid from a country, it has done so for strategic reasons (during the Cold War, it generally happened when a potential recipient either severed diplomatic relations with the USA or moved closer to the Soviet Union (Thorp, 1971)).

Yet, we observe that aid is rarely withdrawn from recipients since policymakers in donor countries see 'negative benefits' when providing aid to many developing countries (Spicer, 1966). Negative benefits exist in instances where situation for both donor and recipient is likely to worsen if aid is withdrawn. As a result, despite encouragement to focus aid where it can presumably make a bigger difference, policymakers may believe that although their aid has failed to generate the anticipated effects, the situation for both donor and recipient would be worse if the aid was withdrawn. This provides a floor to variation, making statistical analysis more difficult and enhancing further the importance of our results.

But there is a caveat. OECD donors can sometimes provide aid to potential recipients with poor human rights records, not in response to current conditions, but in hopes of influencing future conditions in that recipient -- a strategy suggested by Matthews and Pratt (1988) as well as Breuning (2005). Our study suggests that this is not the case for low economic value states. But, should this occur even sometimes, than it would dampen the negative relationship between human rights and aid. In particular, should this strategy itself be a result of the bifurcated process that we discuss, such that aid is more likely to be used as a carrot to encourage economically valuable states to improve their conditions rather than a stick to punish low economically valuable states, then the lack statistically significant results we find for human rights and aid among economically valuable states might be misleading. Variation in the employment of the carrot-aid strategy thus represents a critical area for further research.

Realists might predict that strategic concerns, especially during the Cold War, would be a top foreign aid policy priority for many Western donor states. This is due in part to the leadership of the USA as

well as the role of military and ex-military personnel in the governments of most donors. These factors are likely critical in dyadic aid allocation studies, especially for the major powers, but also for more minor powers and major power allies. For instance, in some Canadian aid decisions strategic factors have proven to be paramount (Barratt, 2002). The kind of strategic factors in which one might be interested include shared alliance portfolios, the similarity of policy positions between recipient and donor, whether the recipient is a site of conflict or located at a key trade intersection, and the nuclear status of the recipient. One advantage of our approach is that OECD countries are likely to view similarly critical strategic aspects of recipient states. Some of these factors, such as policy positions and alliance portfolios, are of course difficult to measure in the context of gross aid receipts from all OECD donors, without disaggregating donors. By aggregating aid, we hope to neutralize the importance of these type of within group strategic factors on aid. In future work we hope to combine the pooled and dyadic approaches.

Whether the predictions of neoliberal and realist theorists are likely to be born out is also conditional on how much of donors' economies are made up by trade with any one aid recipient. Exports to any one recipient are unlikely to account for more than a very small portion of a nation's total economy (in most cases, it only comprises a fraction of a percent of overall revenues). Would the electorate even notice the loss or gain of a single export market (or, alternatively, import source)? While most citizens will not notice the loss of most bilateral relationships, relations with the fastest-growing markets are often highly publicized, and any dramatic change in an important relationship may be enough to convey to the public the impression of a lost opportunity. Policymakers therefore consider both the current and the possible future value of a given trade relationship.

Our bottom line is that economic value plays a crucial role in delineating two populations of states and that both the process generating aid and the amounts of aid varies between groups. The first, a group of less economically important states, receives less aid, and the aid they do receive is the result of a process that takes into account factors such as the recipient's human rights record. The second, a group of highly economically important states, receives large amounts of aid through a process that is

highly resistant to intervening factors and is especially resilient to the effects of human rights. These differing results are robust to variation in method and the employment of any combination of spatial and temporal fixed effects, variation in the economic quality used to split the sample, and the coding rules used to determine the sample split cut off point.

Human rights abuses continue apace despite the fact that policymakers and activists in democratic donors profess a firm commitment to civil and political rights. Determining when and why states take action in defense of those goals helps us understand why so many continue to be denied basic political and civil liberties, and what can be done about it by donors that possess the resources to encourage change.

**Table I: OECD States, 2006**

Australia  
Austria  
Belgium  
Canada  
Czech Republic  
Denmark  
Finland  
France  
Germany  
Greece

Hungary  
Iceland  
Ireland  
Italy  
Japan  
Korea  
Luxembourg  
Mexico  
Netherlands  
New Zealand

Norway  
Poland  
Portugal  
Slovak Republic  
Spain  
Sweden  
Switzerland  
Turkey  
United Kingdom  
United States

**Table II: Recipient States, Aid, and Human Rights**

**A. States That Did Not Receive Untied Aid, 1996**

Afghanistan (5)	Gibraltar (na)	St.Kitts (na)
Ant/Barbuda (na)	Grenada (na)	Taiwan (1)
Aruba (na)	Kuwait (2)	Timor (na)
Bahamas (na)	Macau (na)	Tokelau (na)
Bahrain (2)	Mayotte (na)	Turkmenistan (2)
Bermuda (na)	Myanmar (4)	UAE (1)
Brunei (1)	Nauru (na)	Wallis/Fortuna (na)
Cyprus (1)	Qatar (na)	
Falk. Is. (na)	Oman (1)	

(#) = state's human rights score (US State Department)

**B. US State Department's Worst Human Rights Performers, 1996**

*Level Five (worst) records in 1996 (N=12)*

Afghanistan	Colombia	Sierra Leone
Algeria	Iraq	Somalia
Angola	Liberia	Venezuela
Burundi	Rwanda	Zaire

**C. US State Department's Best Human Rights Performers, 1996**

*Level One (best) records in 1996 (N=21)*

Benin	Uruguay
Comoros	
Costa Rica	
Cyprus	
Czech Republic	
Eritrea	
Hungary	
Jordan	
Kyrgyzstan	
Laos	
Latvia	
Lesotho	
Macedonia	
Mali	
Poland	
Seychelles	
Singapore	
Slovakia	
Taiwan	
UAE	

**Table III: Aid and Economics**

	<b>Model (One) All Countries</b>	<b>Model (Two) Low OECD Imports</b>	<b>Model (Three) High OECD Imports</b>
<i>Human Rights</i>	-13,500.551 (1.15)	-11,179.970** (2.10)	-28,639.580 (0.48)
<i>GDP Growth (scaled)</i>	4,660.761** (2.04)	3,416.613*** (3.33)	-2,305.733 (0.23)
<i>Log GDP</i>	42,726.963*** (5.78)	9,391.216** (2.16)	45,794.710 (1.52)
<i>Population</i>	0.982*** (10.27)	2.925*** (20.77)	0.792*** (3.97)
<i>Oil Exporter</i>	25,827.565 (0.91)	20,238.950 (1.44)	32,041.840 (0.32)
<i>Exports to OECD</i>	-0.003 (0.37)	-3.152* (1.89)	-0.006 (0.41)
<i>Imports from OECD</i>	0.350 (0.50)	31.531*** (3.30)	-1.275 (0.86)
<i>End Cold War</i>	41,596.210 (1.62)	26,233.890** (2.17)	165,946.300* (1.70)
Constant	-185,241.108 (1.48)	-127,630.000** (2.28)	272,373.100 (0.48)
Observations	1241	931	310
Adjusted R <sup>2</sup>	0.16	0.40	0.06
Absolute value of t statistics in parentheses			
Two tailed tests			
* significant at 10%; ** significant at 5%; *** significant at 1%			

**Table IV: Fixed Effect Regression Analysis by State and Year<sup>6</sup>**

	<b>Model (Four) Low OECD Imports</b>	<b>Model (Five) High OECD Imports</b>
<i>Human Rights</i>	-18,111.100 *** (2.81)	-42,702.220 (0.87)
<i>GDP Growth (scaled)</i>	2,077.880** (2.09)	-4,049.701 (0.39)
<i>Log GDP</i>	4,831.765 (0.90)	49,795.83 (1.60)
<i>Population</i>	2.934*** (18.28)	0.757*** (3.72)
<i>Oil Exporter</i>	22,651.690 (0.79)	-3,906.068 (0.04)
<i>Exports to OECD</i>	-0.169 (0.08)	-0.003 (0.21)
<i>Imports from OECD</i>	11.051 (1.11)	-0.671 (0.43)
<i>End Cold War</i>	194,536.500 (1.18)	453,472.400 (.74)
Constant	165,330.7 (1.18)	(dropped)
Observations	920	306
Number of States	129	60
R-squared	.41	.11
Absolute value of z statistics in parentheses		
* significant at 10%; ** significant at 5%; *** significant at 1%		

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<sup>1</sup> The number of potential recipients varies somewhat over the course of this time period, growing with the increased number of states in the system, especially after 1991. By 1996 there are 190 states included in the dataset as potential recipients, up from 169 in 1980.

<sup>2</sup> In earlier editions of the CIA publication, trade partners are simply listed with no reference to how large a percentage of trade occurs with them. In most cases, it was possible to estimate from these lists what total amount of trade occurred with the OECD, but some of these estimates are rough. The estimation procedure consisted of calculating the percentage of listed trade partners that were OECD members and using this as a proxy for OECD trade percentage.

<sup>3</sup> Bivariate regression results (*High OECD Imports* on *Untied Aid*): coefficient of 307,654, significant at the .001 level,  $p < .000$ ,  $t = 10.07$ , 1241 observations, F of 101.41 significant at the .001 level –  $p < .000$  a R2 of .07, constant = 111,878,  $p < .000$ ,  $t = 7.33$ . All analyses conducted using Stata © 7.

<sup>4</sup> One might be concerned that population drives these results. But the state population and recipient imports from the OECD correlate at only .14 and in a multivariate regression of *Population* and *High OECD Import* on aid both variables have estimates that are strongly statistically significant (results not shown).

<sup>5</sup> We also recoded the cut off point we use in our main presentation in two ways – splitting the sample of *High OECD Importers* as those that exceeded the 75<sup>th</sup> percentile or those that met or exceeded the 75<sup>th</sup> percentile. Results were identical (not shown).

<sup>6</sup> Year dummies are not shown. Fixed-Effect Regression stratified by state number.