Effects of Foreign Aid and Colonial Relations on Trade Reciprocity
With Evidence from the Uruguay Round (1986-94)

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ABSTRACT

Colonial ties and foreign aid are often hypothesized as impacting North-South trade relations but few empirical studies examine this relationship in the context of trade negotiations that determine market access for the developing world. This paper tests two propositions in the context of North-South trade negotiations: (1) post-colonial paternalism negatively impacts trade reciprocity; (2) foreign aid is a substitute for making meaningful trade concessions. Singh (2017) operationalized colonial-era derived paternalism as a latent variable with a Paternalism Strength Index and demonstrated that paternalistic countries do not make trade concessions to the developing world. This paper goes further. After showing the hyperbola or inverse relationship between receipts of foreign aid and agricultural concessions received, the paper provides evidence that provision of foreign aid (in the case of agriculture), and presence of paternalism (in the cases of agriculture and merchandise trade) worsened the ability of the developing world to receive meaningful trade concessions at the Uruguay Round. The paper posits two implications in the conclusions: (1) paternalistic countries manipulate the developing countries with foreign aid (a side payment) *prior to or instead of* making trade concessions, and adds another layer to the thesis that developing countries are influenced with foreign aid *after* receiving trade concessions (Carnegie 2015); (2) the paper further questions 'grand' theories of North-South relations such as those pointing out the utility of paternalism (Barnett 2011) or international hierarchies (Lake 2009).

Colonial era patterns and foreign aid are often hypothesized as continuing economic relations that increase or intensify the developing world's dependency on the developed world. This paper provides evidence for the latter relationship. It tests two propositions in the context of North-South trade negotiations: (1) post-colonial paternalism negatively impacts trade reciprocity; (2) foreign aid is a substitute for making meaningful trade concessions. The relationship is tested for agriculture and merchandise concessions during the Uruguay Round of trade talks (1986-94) at the General Agreement on Tariffs and Trade. GATT trade negotiations, the precursor to the World Trade Organization. GATT/WTO is aptly suited for testing the political economy of economic relations because, in abstract, it accords equal status to all countries and trade is governed with reciprocity.

The paper confirms that colonial patterns, measured through an index on paternalism, affect trade concessions in both agriculture and manufacturing, and foreign aid negatively affects trade reciprocity in agriculture, and finds weak evidence for the same in manufacturing. The paper also provides descriptive evidence of paternalism through a content analysis of press releases from the United States Trade Representative for the 1983-94 period.

Bringing in the effects of foreign aid on reciprocity in trade negotiations adds another layer to analysis of post-colonial North-South relations. Singh (2017) operationalized colonial-era derived paternalism as a latent variable with a Paternalism Strength Index and demonstrated that paternalistic countries do not make trade concessions to the developing world. This paper goes further. After showing the hyperbola or inverse relationship between receipts of foreign aid and agricultural concessions received, that suggest a substitution effect, the paper provides evidence that provision of foreign aid and presence of paternalism worsened the ability of the developing world to

receive meaningful trade concessions in agriculture at the Uruguay Round. In both cases, being an ex-colony also negatively affects the ability to receive trade concessions. These relationships hold over and above two factors that generally affect trade concessions: (1) the overall prosperity of the country, therefore also showing that paternalism and prosperity are distinct phenomena; (2) political pluralism or domestic audience costs incurred toward making trade concessions that are often cited as barriers, especially toward agricultural exports from the Global South.

A brief conceptual note

The foreign aid literature is chiefly concerned with the effects of donor aid in recipient countries, but in the last 2 decades there's been an upswing of interest in donor characteristics beyond the general observation that foreign aid is an instrument of foreign policy (Lumsdaine 1993; Radelet 2006). This paper borrows from the understandings of donor characteristics to then address the effects of aid on North-South trade negotiations. Specifically, the empirics of the paper test the null hypothesis that foreign aid, colonial status, and socio-tropic preferences among donor countries, measured through a paternalism index, have no impact on the developing world's gains at trade concessions at multilateral negotiations.

The preferences of donor countries are important for suppositions regarding its effects. If donors make strategic calculations in awarding foreign aid, they would then revise these calculations or adjust aid amounts if the effects were not forthcoming. Milner and Tingley (2010) offer the most extensive analysis of donor preferences derived from domestic political economy, in their case that of the United States. Their essay opens the way for examining the links between foreign aid and international trade: it takes into

account the materials interests of domestic constituencies and also the ideology of legislators in votes for or against foreign aid in the U.S. Congress. A few of Milner and Tingley's (2010) conclusions are especially important: (1) Productive factors in domestic constituencies favor foreign aid: capital rich constituencies do so because giving foreign aid increases consumption of donor's capital-intensive goods in the recipient countries; (2) agriculturally rich districts expect that food aid programs will help with their production and thus support it; (3) Ideologically, they also note that while Republicans tend not to support foreign unless it yields trade benefits to their constituencies, Democrats support foreign aid in lieu of international trade to which they may be opposed. In sum, materially and ideologically, donor countries support foreign aid to cater to their domestic interests.

Recent work on socio-tropic and cultural preferences in trade shows that domestic trade preferences do not always conform to straight-forward materialistic utility maximization calculations for actors, be they trade unions, businesses, or legislators (Sabet 2012; Mansfield and Mutz 2009; Skonieczny 2001). There's also a more general literature in political economy showing that preferences can have cultural origins (Singh et al 2018; Goff 2007; Throsby 2001).

The relevant sociology and culture of preferences in this paper takes into account the history of colonial ties and the way these ties have shaped North-South interactions in the post-colonial era. One obvious null hypothesis would be that colonial ties do not affect trade reciprocity toward the Global South or, specifically, ex-colonial countries. The expectation here is that historical colonial ties do not affect the technical tasks of tariff and non-tariff reductions at trade negotiations. However, the historical literature on colonial ties has posited dependency relations among the former colonial and now developing countries to show that they face immiserizing growth with lack of export diversification

(GATT 1958). The latter relationship of being stuck to export a few primary commodities is made worse with higher levels of tariffs for manufactured products known as tariff differentials (Balassa 1965; Grubel and Johnson 1967); side payments in the form of unilateral preferences rather than reciprocal trade concessions (Srinivasan 1998); a general historical literature that shows that developing countries are excluded from multilateral negotiations (Singh 2000; Odell 2006); and recent literature to show that developing countries are coerced into making greater trade concessions at regional and bilateral negotiations with developed countries than they would at multilateral negotiations (Marchetti and Roy 2009; Sell 2010). Not all of these factors are related to colonial ties, but the historical trajectories can be traced to them. Colonial masters relegated the colonies to being primary producers (therefore immiserizing growth); colonies faced high tariffs on manufactured good (therefore, tariff differentials in the post-colonial era); and developing countries were generally excluded from meaningful trade negotiations until the Uruguay Round (1986-894). The latter factor makes it especially interesting to test the hypothesis regarding colonial ties with results from Uruguay Round negotiations.

Another burgeoning literature on paternalism harkens back to colonial era ties but seeks to show that Northern paternalism results in positive benefits for the developing world. Barnett (2011; 2012) has posited post-colonial paternalism to be largely benevolent. His empirical examples are drawn from humanitarian interventions. Paternalism – assuming a relationship of care between a parent and a child – may very well follow from shared beliefs regarding global responsibility and ethics of care. In fact, the ideology that Democrats imbibe in the Milner and Tingley (2010) essay would seem to conform to such positive paternalism. Going beyond the paternalism of humanitarian interventions, a related literature on the presence of international hierarchies posits the latter to be

beneficial to the developing world for the provision of public goods (Lake 2009 & 2017). The studies cited above, mostly from economists, would question the positive effects of paternalism in trade relations.

The way to make sense of the effects of paternalism (or hierarchies) is to test its effects (as Lake 2009 does). This paper later develops a Paternalism Strength Index, derived from a factor analysis of relevant economic, political and cultural interactions deriving North-South relations.[1] In brief paternalism strength index measures the economic and political strength and the cultural distance among countries.[2] PSI is then tested for its effects on trade reciprocity. Singh (2017) found that PSI is negatively associated with trade reciprocity toward the South in agriculture, manufacturing and services. This paper goes further in modeling in the interactive effects between paternalism and foreign aid.

Finally, we turn to trade reciprocity in negotiations – the outcome variable in this paper. Fuchs, Dreher and Nunnekamp (2014) provide evidence of the substitution effect between foreign aid and imports from the developing world. However, this may lead to the erroneous conclusion that the developed world markets are open to the developing world or, as the authors themselves admit, the problem of endogeneity or causality whereby imports are restricted when foreign aid is provided. This paper does not resolve the endogeneity problem but tests if developed countries that provide foreign aid restrict trade

[1] Many empirical studies model colonial relations through a dummy variable on the colonial status of the country in the 20th century. This is useful but as this shows an insufficient variable to measure the effects of colonialism.

[2] In a classic colonial relationship, the country is economically weak (measure through lack of export market diversification), lacks international political clout (measured through the UNGA voting index), and is culturally distant from the Global North (Hofstede's cultural distance scale). Therefore, this paper's factor analysis incorporates these 3 indices to construct a Paternalism Strength Index

concessions in agricultural and manufacturing negotiations.

Reciprocity has been variously understood in negotiations but the consensus is that it implies some balance either in the approach, or in the actual trade concessions states make to each other (Rhodes 1989). In practice this can mean equal concessions or sacrifices among negotiators, a tit-for-tat, or responding to an overall pattern of concessions among negotiators (Albin 2015, 44-45). Reciprocity is often explained in the context of GATT/WTO's Article I on Most Favored Nation, the most famous principle governing international trade, which emphasizes that "any advantage, favour, privilege or immunity granted by any contracting party to any product originating in or destined for any other country shall be accorded immediately and unconditionally to the like product originating in or destined for the territories of all other contracting parties." This abjures parties from not only according specific privileges to a sub-set of parties or products but also from seeking these privileges only for themselves. Bagwell and Staiger (2001) argue that reciprocity understood in the context of MFN provides the most efficient economic outcome. They also interpret the GATT history and literature to note that reciprocity is meant to be a "broad manner in which governments seem to approach trade negotiations"(p. 299).[3] Negotiation practice may be different.

This study finds that paternalism, foreign aid, and colonial ties negatively affect trade reciprocity toward the developing world. It finds these variables to be statistically significant and with meaningful coefficients for understanding outcomes of trade negotiations. Paternalistic countries garner more trade concessions than those that are not paternalistic, and foreign aid is negatively related to receipt of trade concessions in

[3] Bagwell and Staiger (2001) do accord that GATT Article XXVIII imposes balanced or "substantially equivalent tariff concession" if a government renegotiates a tariff

agriculture. These relationships hold over and above two other important factors often taken to expand trade concessions: (1) political pluralism in the country that may restrict trade concessions due to domestic audience costs (Milner and Kubota 2005); (2) overall prosperity of the country that needs to be distinguished from paternalism.

Toward Empirical Substantiation

This section explains the methodological strategy and the data sources for this paper. The three main explanatory factors in this paper are foreign aid, paternalism, and status as a colony. The foreign aid indicator is straightforward, using the official development assistance from the World Bank. The 1990 figures are chosen for the study as it served as a mid-point for the Uruguay Round. This study did not find much of a difference in results between DAC assistance and official development assistance and, therefore, used the latter indicator as aid funneled through multilateral organizations can also have political purposes (Fleck and Kilby 2006). Due to the hyperbola-like relation between foreign aid and agriculture concessions, the ODA variable was converted to a dichotomous variable to try to capture this relationship in the different models. For merchandise trade, cubed values of ODA were employed rather than logged values because the latter would drop the many zero values of foreign aid (log of zero is not defined). The colonial status of a country in the 20th century, a dummy variable, is captured from CEPII Geodistant database.[4]

[4] CEPII Geodistant database: http://www.cepii.fr/CEPII/en/bdd_modele/bdd.asp. A value of 1 indicates if colonized by Western Europe or the U.S. Japanese or Chinese colonies are excluded. Also excludes are developed countries: Hong Kong, Singapore, Israel.

The next step toward empirical substantiation of colonial ties is to operationalize paternalistic preferences and, subsequently, to demonstrate their effect on the developing world. This is shown through the effect on trade negotiations of a paternalism strength index that the author developed in previous research (Singh 2017). In a classic colonial relationship, the colony produced a few products and exported them to a few countries (usually the colonial master); it was forced to go along with the colonial master's preferences in international forums, and it was culturally 'othered' or described as culturally distant from the colonial master. In order to operationalize this relationship in the post-colonial context, the PSI employed three indices (themselves composites of several variables) for cultural, political, and economic hierarchies to discern if a latent factor is common to them. The indices are: (1) cultural distance from a 'hybrid' colonizer averaging values for six European colonial powers and the United States (Hofstede 2015); (2) values of the affinity index toward the U.S. in the UN General Assembly (Voeten 2015);[5] (3) a measure of export market concentration from the World Bank, which shows how many countries as well as how may products a country exports on a scale of 0 to 100. Except for the Hofstede's cultural distance scores, the other data are for 1990 or, if unavailable, the closest year after 1990.

The three indices mentioned above allow for a factor analysis -- roughly common elements in variables, or statistically the principal components from a correlation matrix of the variables. Factor analysis is also known as latent variable analysis and helps to obtain a measure of phenomena not readily observable in practice for subliminal phenomena such

[5] Dreher and Sturm (2012) show that countries receiving loans and concessions from IMF and World Bank tend to support with G7 in the UNGA. This paper instead incorporates the UNGA voting patterns in a paternalism index and along with foreign aid, it shows the influence of both on receipt of concessions at trade negotiations.

as paternalism and racism (Bartholomew et al 2011). However, a group of behavioral factors can yield a measure through a search of latent common components to these variables. The paternalism measure described here looks for these common components across political, cultural, and economic indices.[6] Table 1 lists the values of the Paternalism Strength Index, which varies from -.81 for Albania to 3.17 for the United States. Almost all countries in the developing world have negative values.

TABLE 1 HERE

One of the central economic relationships of the colonial era was relegation of the colonies to production of a few export commodities (agricultural or more resources). Therefore, the inclusion of the export market concentration here is relevant. The export market concentration index in this case is a better measure of paternalistic relations than the Herfindahl-Hirschman Market Concentration Index. The former examines the dispersion of products across trading partners, while the latter only examines number of trading partners and not products. The Export Market Concentrations Index is also known as the Export Market Diversification Index. The values for these data come from the World Integrated Trade Solutions database of the World Bank.

The cultural distance indicator is a composite index calculated from Hofstede's four-part criteria measuring cultural distances of countries from each other from 0 to 100. These indicators are: power distance (PD) measuring degree of inequality in society, individualism (IDV) measuring connections of people to each other, degree of masculinity (MAS) in society, and the uncertainty avoidance index (UAI) that measures reactions to the unknown

[6] Foreign aid is taken as a separate factor in the models because it did not yield meaningful values theoretically or empirically, including common properties, in the factor analysis.

in any society.[7] In order to measure the cultural distance of a developing country, I first developed a 'hybrid colonizer' that provided the value for seven colonizers (Britain, France, Germany, Netherland, Portugal, Spain, and the United States) and then calculated the cultural distance of every country from this hybrid colony. The cultural distance scores from the hybrid colonizer vary from 12.2 for Luxembourg to 84.6 for Guatemala in the data set. The assumption in Hofstede's scores, based on a survey of 117,000 IBM employees around the world between 1967-1973, is that cultures change slowly and, therefore, the values remain relevant. They are especially relevant for this paper evaluating paternalism in period beginning with the 1980s.

The affinity index for U.S. is taken from Anton Strezhnev and Erik Voeten's "United Nations General Assembly Voting Data" that provides values for least (-1) to most similar (+1) for voting with the United States in 1990. The United States, as the agenda-setter in trade, is used as a proxy for the developed world.

Trade reciprocity scores are taken from a widely sued study (Finger et al 1996) because it includes values for tariff and non-tariff barriers in percentage terms. However, the data for tariff concessions received minus given dyads is limited to 45 countries in available data. Therefore, this paper employs results from agriculture and merchandise trade concessions received, which raises the observations to above 70 countries, depending on the model, in the analyses below. These data are not paired with concessions given but, importantly, with a bigger sample size, they can account better for explanatory factors such as effects of being a former colony or include relevant controls. The dataset creators also note that the 'concessions received' data reflects the 'concessions given' data as a baseline

[7] Further information on each of these indices can be found at The Hofstede Centre: http://geert-hofstede.com/national-culture.html

(Finger et al 1996, 20). In addition, while concessions received is not a reciprocal measure per se, the countries included here, from the total of 123 countries who signed the Uruguay Round agreement, made up more than 95 percent of the trade among WTO members.[8] Therefore, one can assume that these concessions were informed with some overall notion of 'specific reciprocity' (Keohane 1986) implying congruence between concessions received and given. Furthermore, these concessions do not include preferential schemes such as GSP, which means that the concessions relate to reciprocity rather than non-reciprocal trade measures.

Empirical Results

The next step is to show the effects of foreign aid, colonial status, and paternalism on trade reciprocity in negotiations for which this paper goes beyond the tests in Singh (2017) which established that PSI is positively associated with trade concessions toward the developing world. These earlier PSI tests held through binary and multiple regression models for agriculture, manufacturing, and services trade even after controlling for known explanations for non-reciprocity including principal supplier relationship, strategic trade theory, and audience costs.[9] In other words, paternalism explains the lack of trade concessions to the developing world over and above other known explanations.

[8] The data includes a few countries that acceded after the Uruguay Round

[9] Strategic trade theory predicts that trade concessions (or an open trade policy) are contingent upon utility maximization strategies that employ specific import restrictions and export incentives, sometimes linked to a conception of the national interest. We can expect prosperous states in the Global North to negotiate reciprocal concessions with Global South countries with large markets in seeking increasing returns, and benevolently offer reciprocal or non-reciprocal trade access, as needed, only to those with small markets. See Bagwell and Staiger 2002; Krugman 1987, Milner and Yoffie 1989, Milner 1988.

This paper models in the effects of foreign aid along with the Paternalism Strength Index. The quantitative tests in this paper are for the multilateral Uruguay Round of trade (1986-94), the latest round for which trade reciprocity data are available. Since 1947, General Agreement on Tariffs and Trade has carried out eight successful and one unsuccessful multilateral rounds of trade negotiations among its member states. Figure 1 provides a look at the substitution effects of foreign aid: countries that receive foreign aid do not receive trade concessions in agriculture, suggesting that foreign aid may be a side-payment. As noted above, studies acknowledge that foreign aid is inherently political. This paper adds the understanding that paternalistic countries would rather provide foreign aid than trade concessions. Models 1 to 7 in Table 1 provide the effects of paternalism and foreign aid on trade concessions received in agriculture. Models 1-7 in Table 2 provide the same for manufacturing, although in manufacturing foreign aid has no measurable effect on receipt of trade concessions despite the coefficient being statistically significant in the various interaction terms used in the models. However, the negative sign of the coefficient and its statistical significance do point to the fact that developing countries are *not* net beneficiaries in any respect of any kind of trade concession benevolence due to the paternalism of developed countries, whether measured through PSI or through official development assistance.[10]

FIGURE 1 & TABLE 2 HERE

[10] While not shown in the table, when foreign aid was run as a dichotomous variable and regressed against merchandise concessions received, the coefficient has a statistically significant negative value of 0.36 meaning that countries receiving foreign aid have their merchandise concession reduced by 0.36 percent on average.

Collectively, the results show that while paternalism is positively related to receipt of trade concessions in agriculture and manufacturing, its effects increase even more when combined with giving foreign aid in agriculture. In agriculture, both paternalism and foreign aid diminish the value of concessions to the developing world (Table 1). Notice that the coefficient for foreign aid is almost double that of paternalism in agriculture, further demonstrating the hyperbola effect seen earlier: giving foreign aid may be enough to wipe out any trade concessions in agriculture to the developing world. Also, as the model get fully specified with additional variables and controls, the interactive term and the ex-colonial status of countries both account for negative provision of trade concessions in agriculture. The interactive term, which picks up both the paternalism and foreign aid effects, shows that for those countries receiving foreign aid, any increase in paternalism values (though all still negative) results in an average reduction of agricultural tariff concessions from 1.66 to 2.4 percent (Table 1: Models 3-7). Being an ex-colony reduces tariffs by another 1.7 percent (Table 1: Models 6-7).

Real world examples of foreign aid limiting reciprocal concessions to the developing world are easy to find. Cotton is symbolic of the developing world's efforts to pry open developed world agricultural markets and play by free trade rules. At the 2003 WTO ministerial at Cancun, Mexico, trade ministers from the so-called Cotton Four (C4) countries -- Benin, Burkina Faso, Mali, and Chad -- gave an emotional press conference calling for an elimination of trade subsidies in the U.S. The latter responded with vague promises of reciprocity and eventually gave foreign aid instead, none of which was for cotton, and definitely less than what these countries would have earned from cotton exports. Cotton made up 40 percent of C4 exports for 10 million of its farmers. The C4 argued that U.S. subsides accounted for $400 million in losses for their farmers (Williams 2005).

Similarly, Brazil and the United States reached a political compromise 1 October 2014 over a prominent trade dispute in cotton after a decade of successive Brazilian legal victories at the World Trade Organization.[11] The outcome allowed the U.S. to maintain its domestic subsidies in exchange for a $300 million payment to Brazil. However, in 2009, the WTO had authorized Brazil to impose $830 million of sanctions in the form of retaliatory tariffs on key products, including pharmaceuticals, if U.S. did not eliminate its subsidies. Again, instead of providing real trade concessions through reduction of their tariffs or subsidies, the U.S. provided quantitative carve outs, in this case a lump sum payment.

In general, provision of non-reciprocal trade preferences, such as through the Generalized System of Preferences in the United States, although not the subject of this paper has been shown in various analysis to be a side-payment or clearly an insufficient measure for developing world's exports in agriculture, that also produces economic inefficiencies and dependencies. Hudec's (1986: 116) straightforward assessment is that GSP was a "tool used to win friends and punish enemies." Meier (1980) notes that the developed countries granted these preferences "begrudgingly", noting them as instances of trade diversion and protection, and slipped in exceptions, escape clauses, and quantitative restrictions. However, Hudec (pp. 58-59) also admits that GSP expressed "moral commitments" and the developed world danced to "the whip of these agreed principles." An early study (Karsenty and Laird 1987) showed that GSP exports to the "donor" countries were only two percent higher than what they would have been without the preferences. In the U.S., restrictions applied to the coverage of products, countries, and the scope of the agreement. In 1996, GSP applied to 4500 products from 140 countries to a total of $16.9

[11] See, United States, Subsidies on Upland Cotton. https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds267_e.htm

billion, but this was less than 2 percent of the total U.S. trade and 16 percent of the total imports from developing countries (Holliday 1997: 8-11). It is frequently pointed out that a majority of the benefits accrued to a small number of countries, with the top ten countries accounting for 85 percent of the benefits (Holliday 1997: 13), and top four (Hong Kong, Korea, Taiwan and Brazil) accounting for 50 percent of the benefits (Karsenty and Laird 1987). In summary, GSP is not a substitute but a side-payment to deflect from reciprocal trade concessions.

The pattern of paternalism carries over into manufacturing, although here the influence of foreign aid and being an ex-colony is less inimical to receiving trade concessions. Table 3 shows that the presence of paternalism is positively related to the receipt of concessions in manufacturing products (Model 2). Further, the interaction term shows for any given level of paternalism, those countries that receive higher levels of foreign aid receive less merchandise trade concessions. As most of the developing world is a net recipient of foreign aid and the developed world is not, this result is particularly relevant for showing the developing world's dilemma. However, the relatively low value of the interactive term coefficient in the models also shows that on average paternalism and foreign aid have less of an effect on developing world's concessions received in percentage terms for merchandise trade than they do in agriculture. This may be due to many reasons: overall, most of developing world's exports are still in primary commodities; second, once developing countries diversify their exports through manufacturing they are better able to respond to nay paternalistic manipulation and effect concessions for themselves at trade negotiations.[12]

[12] Singh (2017) found that developing countries that ranked higher on the export market concentration index got more concessions in merchandise trade negotiations than those that did not.

[TABLE 3 HERE]

Some descriptive evidence of paternalism for all products can be provided from the author's coding of press releases from the United States Trade Representative for the 1982-93 period obtained through a Freedom of Information Act (FOIA) request. The period corresponds to the agenda-setting stages and the close of the Uruguay Round of trade negotiations. These press releases which pertain to 137 trade partners and just about every trade issue can be taken to be representative of the official record of U.S. trade policy. Each mention of the 137 countries and groups was manually coded via NVivo for the characterization of the trading country or group in one of the five following ways for tone: favorable, unfavorable, mixed, neutral, and paternalistic. The operational definition for each of these measures is provided in Appendix 1. Only the dominant characterization was recorded, thus each press release warranted only one characterization for tone. This yielded 1462 references for tone, which are summarized in Table 4. These data show that 69 percent of the total references from the United States toward the non-OECD countries were paternalistic, which made up a total of 93 percent of the total paternalistic references that the United States made.[13] However, 40 percent of the total references from the United States toward OECD were unfavorable, but only 14 percent toward the non-OECD were unfavorable. Only six percent of the total references to the OECD countries were paternalistic and were in press statements on issues such as GSP or regions such as NAFTA in which OECD countries were also included; thus, there are no paternalistic references directed solely at any one OECD country. The dominant tone of the trade policy toward the

[13] These data are aggregations of the country level data. NVivo can also report on the number of press releases that mention an OECD or a non-OECD country. Although the two are related, the aggregation of country-level data was more appropriate in this case

U.S.'s major trading partners is quite aggressive (unfavorable in tone), while toward the developing world it was paternalistic or benevolent. It is important to remember that the tone does not mean concessions received or given.

[TABLE 4 HERE]

Unilateral trade concessions in agriculture leave the developing world in position of being talked down to or paternalized. Most of the references to paternalism toward the developing world in USTR press releases pertained to the granting of preferential access which includes the following in the period covered here: The Generalized System of Preferences, Sugar Rate Quotas, Multi-Fibre Arrangement, Caribbean Basin Initiative, Andean Trade Preferences, and Enterprise of the Americas Initiative. In terms of trade issues that garnered paternalistic references, 18 percent pertained to agricultural issues, 14 percent to investment issues, 8 percent to intellectual property, 5 percent to manufacturing, and 3 percent to services. The highest number of paternalistic press releases was in the "several issues" category, which included GSP. The annual reports on GSP renewal and petitions against issuing GSP, latter mostly from U.S. producers or interest groups, were often the longest press releases. They list countries and quotas granted in specific products. In the case of petitioners, these press releases list interest groups or firms seeking revocation of GSP usually on the grounds of workers' rights, or insufficient intellectual property rights laws. In terms of countries, of the total 710 paternalistic tone references in the data set, high-low paternalism references included countries as follows:

- 20 or more paternalistic references: Colombia (21), Brazil (20)
- 10-19 paternalistic references: Thailand (19), Mexico (18), Honduras (17), Argentina (15), Costa Rica (15), Malawi (14), India (15), Belize (10)

- 0-9 paternalistic references: Cote d'Ivoire (9), Chile (6), Egypt (4), Turkey (5), all EC states (0), Japan (0).

Conclusion

The paper shows the effects of colonialism and foreign aid on trade concessions made at two levels: (1) colonial ties tested through a dummy variable and through a paternalism index negatively affect market access or trade concessions received in agriculture and manufacturing; (2) over and above paternalism, provision of foreign aid further restricts trade concessions in agriculture and there's some weak evidence (through the interaction term), it may negatively affect trade concessions in manufacturing.

This paper adds to the supposition that foreign aid has a substitution effect for trade. While Fuchs et al (2014) test this proposition for imports from the developing world, this paper tests this for trade concessions given at multilateral negotiations. The findings add a nuance to the literature that shows resources rich countries give foreign aid to make demands and meet strategic goals after making trade concessions (Milner and Tingley 2010; Carothers and de Gramont 2013; Carnegie 2015). Foreign aid may be a way of deflecting from making trade concessions themselves.

Finally, the findings in this paper contrary to recent literature that posits beneficial effects of paternalism in international relations (Barnett 2012) but consistent with the literature that questions the value of post-colonial paternalism (Crawford 2002; Vitalis 2000 and 2012). The way to move forward on testing the effects of foreign aid and paternalism is to test their influences on a range of international transactions. This paper provides evidence from international trade.

TABLE 1: PATERNALISM STRENGHT INDEX VALUES			
Albania	-0.8109284	Libya	-0.5820554
Argentina	-0.3223387	Luxembourg	1.052012
Australia	0.4893678	Malawi	-0.1609605
Austria	0.6255863	Malaysia	-0.6184586
Bangladesh	-0.5839211	Malta	-0.0210197
Belgium	1.932742	Mexico	-0.5499941
Bhutan	-0.7720973	Morocco	-0.3670844
Brazil	-0.2480851	Mozambique	-0.7336348
Bulgaria	0.2372405	Namibia	-0.569971
Burkina Faso	-0.6901152	Nepal	-0.4660807
Cabo Verde	-0.73989	Netherands	1.515262
Canada	0.9359984	New Zealand	0.3072304
Chile	-0.5126343	Nigeria	-0.5884925
China	-0.0829096	Norway	0.5674079
Colombia	-0.6423934	Pakistan	-0.3258992
Costa Rica	-0.3496192	Panama	-0.0779771
Czech Republic	0.7054436	Peru	-0.5733998
Denmark	0.5367373	Philippines	-0.5733998
Dominican Republic	-0.3609271	Poland	0.6356289
Ecuador	-0.690582	Portugal	0.6027461
Egypt, Arab Rep.	-0.4937889	Romania	0.1547732
Ethiopia	-0.6743574	Russian Fed.	-0.3307148
Fiji	-0.6021034	Saudi Arabia	-0.6708078
Finland	0.5047826	Senegal	-0.5532253
France	2.483069	Sierra Leone	-0.6597261
Germany	1.867206	Singapore	-0.4701186
Ghana	-0.6950196	Spain	0.7712071
Guatemala	-0.797995	Sri Lanka	-0.5704128
Honduras	-0.4982734	Suriname	-0.5871229
Hungary	0.3347276	Sweden	0.4970181
Iceland	0.3765892	Switzerland	1.374652
India	-0.3069715	Syrian Arab Rep.	-0.5193524
Indonesia	-0.5714398	Tanzania	-0.5912595
Iran, Islamic Rep.	-0.397204	Thailand	-0.333317
Ireland	0.3429839	Trin. and Tobago	-0.597253
Israel	1.41593	Turkey	0.213421
Italy	2.200504	Ukraine	-0.5985859
Jamaica	-0.6140104	U.A.E.	-0.6127051
Japan	1.158722	United Kingdom	2.339722
Jordan	-0.5578369	United States	3.1736
Kenya	-0.5004151	Uruguay	-0.4202677
Korea, Rep.	0.8186827	Venezuela, RB	-0.6455445
Kuwait	-0.6885493	Vietnam	-0.5873122
Lebanon	-0.5356991	Zambia	-0.5311572

FIGURE 1:

Percentage Agriculture Concessions Received and Official Development Assistance as Percentage of GNP

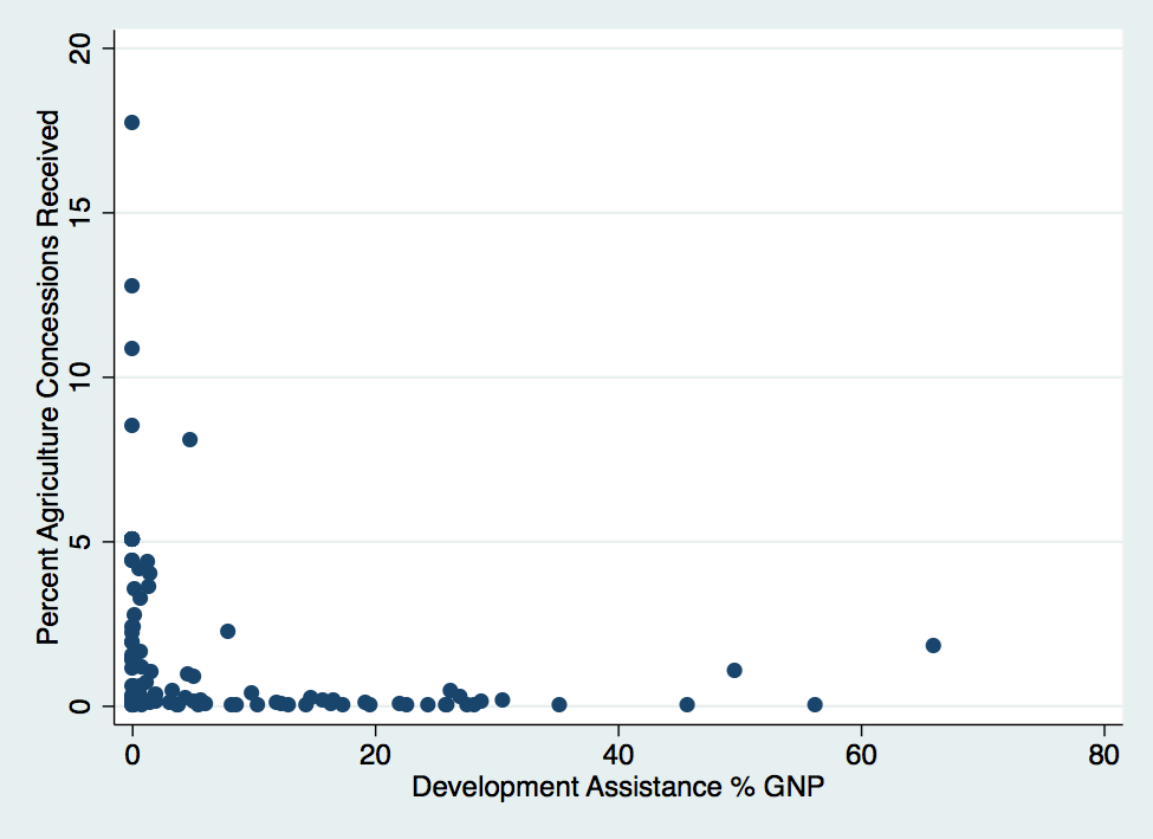

TABLE 2: EFFECTS OF PATERNALISM AND FOREIGN AID ON TRADE CONCESSIONS RECEIVED AT THE URUGUAY ROUND (1986-94)

DV: Concessions Received	AGRICULTURE CONCESSIONS RECEIVED						
	1	2	3	4 robust std errors	5 robust std errors	6 robust std errors	7 robust std. errors
Foreign Aid++	-3.24*** (.68)		-2.11** (.85)	-1.45 (1.06)	-1.12 (1.12)	-1.68 (1.1)	-.35 (.91)
Paternalism Strength Index		1.7*** (.37)	1.21** (.52)	0.99 (1.12)	1.27 (.94)	1.27 (.94)	1.22 (.93)
Foreign Aid and Paternalism Interaction			-1.03 (1.66)	-1.66* (.86)	-1.87** (.91)	-1.67* (.94)	-2.4*** (.84)
European Colony				-1.58 (.96) t stat -1.64	-1.59 (1.96) t stat -1.65	-1.71* (1.01)	-1.74* 1.04
Political Pluralism (Polity IV)						-.07 (.09)	-.12 (.11)
GDP Per Capita Constant Prices (logged)					.16 (.24)		.7 (.45)
Constant	3.98*** (.66)	1.96*** (.33)	3.03*** (.64)	3.35** (1.45)	1.78 (2.67)	3.94** (1.74)	-2.52 (3.27)
R-Squared	.27	.23	.29	.31	.31	.34	.37
No. of Observations	108	74	74	74	74	68	68

OLS Estimates, standard error in parentheses
Statistical significance: *p<.10; **p<.05; ***p<.01

++Foreign Aid:
Agriculture: binary values used for Agriculture because of the hyperbola in figure 1. Variable takes value of 1 if foreign aid>.1 percent of Gross National Product

TABLE 3: EFFECTS OF PATERNALISM AND FOREIGN AID ON TRADE CONCESSIONS RECEIVED AT THE URUGUAY ROUND (1986-94)

DV: Concessions Received	MANUFACTURING CONCESSIONS RECEIVED						
	1	2 robust std errors	3 robust std errors	4 robust std errors	5 robust std errors	6 robust std errors	7 (robust std. errors)
Foreign Aid+ (see note below for omission in models)	-.00 (0.00)		0.00*** (0.00)				
Paternalism Strength Index		.31*** (.06)	.32*** (.06)	.31*** (.06)	.25*** (.08)	.18*** (.07)	.24*** (.84)
Foreign Aid and Paternalism Interaction				-0.00*** (0.00)	-0.00*** (-0.00)	-0.00*** (0.00)	-0.00*** (-0.00)
European Colony					-.18 (.17)	-.20 (.17)	-.33* (.18)
Political Pluralism (Polity IV)						.02 (.01)	.02* (.01)
GDP Per Capita Constant Prices (logged)							-.11** (.05)
Constant	1.26*** (.09)	1.26*** (.06)	1.25*** (.06)	1.26*** (.06)	1.36*** (.12)	1.30*** (.14)	2.27*** (.46)
R-Squared	.00	.19	.26	.26	.27	.32	.35
No. of Observations	125	80	77	77	77	71	71

OLS Estimates, standard error in parentheses;
Statistical significance: *p<.10; **p<.05; ***p<.01

+Foreign Aid Cubed: Preserves zero values of foreign aid (as opposed to logged values). In order to maximize the value results from limited observations (and limit heteroskadasticity), models 4-7 pick up the effect of foreign aid via the interaction term

Note:
There is no meaningful binary relation between foreign aid and merchandise receipts except for a small negative statistically significant (at 95%) coefficient of -0.36 when the foreign aid variable is run as a binary, implying that merchandise concessions on average are reduced by 0.36 percent for all countries receiving foreign aid.

Due to high multicollinearity between Cubed values of development assistance and the interaction terms, the former is omitted in models 4-7. The choice is dictated by the ability of the interaction terms to pick up the influence of both variables

TABLE 4

CHARACTERIZATION OF SENTIMENT TOWARD TRADING PARTNERS IN USTR PRESS RELEASES 1982-93

(Parenthetical figures are rounded percentages of the total references to each group)

	Paternalistic	**Favorable**	**Unfavorable**	**Mixed**	**Neutral**	**Total**
Total	710	234	291	129	98	1462
Non OECD	662 (69)	92 (10)	134 (14)	38 (4)	40 (4)	966 (100)
OCED	19 (6)	86 (26)	133 (40)	58 (17)	40 (12)	336 (100)
CEES	25 (40)	18 (29)	8 (13)	9 (14)	3 (5)	63 (100)
All World	4 (4)	38 (39)	16 (16)	24 (25)	15 (15)	97 (100)

Source: Author's content analysis of United States Trade Representative Press Releases (1982-93)

APPENDIX 1
NODE CLASSIFICATION DESCRIPTIONS FOR UNITED STATES'
TONE/SENTIMENT TOWARD TRDING PARTNERS

PATERNALISITC.
Moralistic, preachy, or patronizing statements toward the trade partner, often pointing out or providing benefit of non-reciprocal market access, or FDI from the United States. Offers of assistance, and measures that are also beneficial to the U.S. but announced as if it helps the other country only (including GSP, BITs). Most GSP press releases contain language of "help" to the developing world. Also includes patronizing and manipulative statements such as telling countries like China & India to be willing to bring their laws in tune with international rules.

FAVORABLE
Praise for the trading partner (often after signing a treaty), lists benefits for the U.S., withdrawal of trade sanctions with praise. Praises partner for U.S. trade restrictions such as VERs, OMAs, and MFA, etc.

UNFAVORABLE
Critiques foreign trade policies and positions, lists costs imposed on the U.S., threatens sanctions, full of 'asks' from trading partner, points out distortions in the trading partner's policy but omits that of the U.S. in the same issue, initiates investigations such as Section 301, points out something is lacking in the trade partner's policies or something that the U.S. is withholding (e.g. MFN withheld to Romania in 1990), points out trade barriers in partner and often critical of them.

MIXED
Mix of favorable and unfavorable nodal classifications. Also cautions press releases that delay favorable or unfavorable assessments of the trading partner.
Does not include paternalistic statements.

NEUTRAL
None of the other classifications. Neither praising nor critiquing trade partners.

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