



Foreign aid and voting in international organizations: Evidence from the IWC[☆]



Christian Dippel^{*}

University of California, Los Angeles, United States
CCPR, United States
NBER, United States

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ABSTRACT

I use a unique dispute between major aid donors in the International Whaling Commission (IWC) to investigate whether donor nations change their aid giving in response to changes in aid recipients' voting behavior inside international organizations (IOs). This relationship is difficult to pin down in most IOs because agenda items constantly change and donor coalitions fluctuate with them. I exploit the fact that the IWC has, on the one hand, seen two fixed aid donor blocs opposing each other for three decades over a single issue, but has on the other hand seen rich variation in both membership and voting behavior of aid recipient countries. Using an identification strategy that relates changes in bilateral aid to within-recipient variation in IWC voting-bloc affiliation and fixed cross-sectional variation in donors' voting bloc, the evidence suggests that Japan rewards joining the pro-whaling bloc, and that countries who recently experienced aid reductions from the three big anti-whaling donors – the U.S., the U.K., and France – are more likely to join the pro-whaling bloc.

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1. Introduction

Do major aid donors use foreign aid disbursements to buy the votes of aid recipients in international organizations (IOs)? The best evidence comes from the U.N. Security Council, where the partially exogenous determination of membership has been used to identify the effect of membership on U.S. aid, World Bank loans, and IMF loans (Kuziemko and Werker, 2006; Dreher et al., 2009a, 2009b). Rewarding membership does not, however, necessarily imply vote-buying. It could instead be rewarding exposure or prominence. Because observed votes in the Security Council are usually unanimous, and because the permanent members' positions are usually aligned for those proposals that actually come to a vote, the Security Council data do not provide evidence of actual vote-buying.

We therefore need to look elsewhere for evidence that donors use their aid disbursements to influence voting in IOs. Unfortunately, in most IOs voting data is as difficult to interpret as in the Security Council. Any donor could be using aid to influence votes, and because donors are often broadly aligned we lack a control or counterfactual aid flow for any given donor. Furthermore, the relatively high-frequency voting data in IOs are difficult to map into low-frequency annual foreign aid

data, because many IOs' agendas change frequently within a year.¹ To address these issues, this paper exploits a unique dispute in the International Whaling Commission (IWC). This dispute has four key features: First, the IWC is a single-issue organization, focused entirely on commercial whale-catching (“whaling”), so that in practically all proposals in the data, the pro- and the anti-whaling positions are clearly distinguished. Second, major donors have been divided into two unchanged voting blocs since 1982, Japan on one side and France, Britain (U.K.) and the United States (U.S.) on the other. Third, there is substantial within-country over-time variation in IWC membership and voting behavior of aid recipients. Fourth, while aid recipients frequently change allegiance, they do have a clearly identified position in any given year, because all proposals in the IWC are voted on in one annual meeting.

These four features matter to the identification strategy in two ways: First, they allow coding voting behavior as a categorical measure of affiliation with a *voting bloc*. Every aid recipient IWC member is clearly affiliated with either the pro-whaling bloc or the anti-whaling bloc in a given year, with years of non-attendance or non-membership as the omitted category.² With this categorical treatment, a single regression

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^{*} University of California, Los Angeles, United States.

¹ This is especially problematic because we don't know the lead or lag structure with which aid may reward votes.

² Like most IOs, the IWC has an open membership policy. The omitted category also includes instances of “neutral” membership, when a country does not agree with either bloc on more than 75% of proposals in a year.

can estimate the effect of joining the IWC (into one of the voting-blocs) and the effect of changes in voting behavior thereafter. This is important because foreign aid could be used to entice either membership or voting, and focusing on only one of the two will miss part of the picture. Second, the dispute's unique nature means we can exploit the interaction of within-recipient over-time variation in voting-bloc affiliation with cross-donor variation in responses, giving rise to a triple-difference identification strategy in which bilateral aid from donor j to recipient i in year t changes as the result of an interaction between a change in i 's voting-bloc affiliation and donor j 's fixed bloc affiliation.³ This identification strategy is framed by a simple model of vote buying in which two rival lobbies ("pro" and "anti") compete in an IO with endogenous entry, and reward or punish voting in either bloc.

Focusing first on a restricted sample of only current IWC members (i.e., disregarding years before a country joined the IWC), I find strong evidence that voting with the pro-whaling bloc is rewarded by the pro-whaling donor bloc (Japan) and punished by the anti-whaling donor bloc (the U.K., the U.S., and France). There appears to be no changes in aid when aid recipients leave the anti-whaling bloc. Breaking the results down by donor shows that all three major anti-whaling donors significantly reduce their foreign aid payments when a country joins the pro-bloc. Extending the sample to include years before a country joined the IWC additionally captures the effect of joining the IWC (into a voting bloc) and consequently strengthens the results. Further extending the sample cross-sectionally to include all aid-recipient countries who were never IWC members allows me to introduce a battery of controls that are common in the aid literature (which usually studies the full universe of aid recipient countries). The results are robust to including all controls as well as donor-specific year fixed effects and donor-specific regional time trends.

The second part of the empirics studies the timing of aid-changes around the year a country enters the pro-whaling bloc (from either non-membership or membership in the other voting bloc). Japanese aid increases by about 9 dollars per capita one year after a country joined the pro-whaling bloc, increases by an additional 9 dollars per capita in the following year, and thereafter remains permanently higher by those 18 dollars per capita. Anti-whalers' aid decreases by about 15 dollars per capita one year after a country joined the pro-whaling bloc, an additional 3 dollars per capita in the following year, and thereafter remains permanently lower by around 19 dollars per capita. While Japanese aid only changes after – and therefore most likely in response to – joining the pro-whaling voting bloc, I find significant pre-trends in aid from anti-whaling donors. This suggests that countries that experience idiosyncratic reductions in aid from anti-whaling donors may select into joining the IWC's pro-whaling bloc.⁴ It is unclear to what extent the subsequent aid reductions from anti-whaling donors that I find are a punishment for joining as opposed to merely the continuation of unrelated pre-trends, although there are some evidence for punishment beyond the continuation of pre-trends.

As IOs go, the IWC is relatively small, but its unique structure nonetheless means that the findings presented here contribute to the literature on foreign aid in important ways. One, this is the first paper to show that major donors use foreign aid as reward and punishment for actual voting (as opposed to membership) in an IO. Second, while previous studies have focused on the U.S., IMF and World Bank, for whom the Security Council natural experiment showed significant effects (Kuziemko and Werker, 2006; Dreher et al., 2009a,2009b), this paper provides evidence for the three next-biggest donors after the U.S., namely Japan, the U.K., and France, suggesting that the majority of *all* aid is disbursed by

institutions that act strategically. Aside from the papers immediately concerned with the use of foreign aid to buy votes, this paper speaks to a broader literature on the political determinants of foreign aid flows. Several seminal studies have established links between donors' political and strategic objectives and their aid-giving (Burnside and Dollar, 2000; Easterly et al., 2004; Alesina and Dollar, 2000; Weder and Alesina, 2002). The paper most closely related to mine is Faye and Niehaus (2012), which uses a similar triple-difference methodology to investigate how bilateral aid changes when a recipient country's government faces an election, depending on that recipient country's government's political alignment with a given donor nation, as measured by U.N. General Assembly voting overlap.⁵ In the remainder of the paper, Section 2 provides background information on the institutional features of, and the ideological dispute in, the IWC, as well as detailed descriptives on the voting data. Section 3 lays out the other data and describes the sample. Section 4 presents the empirical strategy and the core results. Section 5 presents results on the timing of changes in aid. Section 6 concludes.

2. The IWC in context

2.1. Rules

The IWC is an IO whose official mission is to "provide for the proper conservation of whale stocks and thus make possible the orderly development of the whaling industry."⁶ The IWC has one meeting a year, in which it votes on issues such as continuing a moratorium on all commercial whaling, the issuing of special permits for scientific or aboriginal whaling and establishing ocean sanctuaries in which no whaling of any kind is permitted. Membership is voluntary, but decisions made in the IWC are binding for its members. Major decisions require a two-thirds majority; minor proposals (such as introducing an additional working language) require only a simple majority. Voting behavior is perfectly observable; there is no secret ballot (though Japan proposed to introduce it at every meeting from 2001 to 2006). Typical pro-whaling bills pertain to extending special-permit whaling quotas, permitting scientific whaling exemptions, or modifying the moratorium on whaling. Typical anti-whaling bills pertain to the extending ocean sanctuaries where no whaling of any kind is allowed or to tightening the moratorium further.⁷ Any country can join the IWC for a modest membership fee. There are no privileged members with veto power, and each member country has one vote in each proposal. The value of each member's vote is therefore the same, making vote-buying potentially attractive.

2.2. History

Few countries catch whales today, but membership in the IWC is open to any country, and today most IWC members have no commercial interests in whaling. IWC members include land-locked countries such as Switzerland and Luxembourg on the anti-whaling side, and Mongolia on the pro-whaling side. The IWC was founded in 1948; within 3 years of its foundation it comprised 10 member nations – all with commercial whaling interests. In the ensuing 15 years, its membership composition remained stable but then membership grew rapidly from 1976 until

⁵ Two previous studies have examined the effect of IWC voting behavior on Japanese aid disbursements (Miller and Dolšak, 2007 and Strand and Truman, 2009). However, the evidence in these studies is less than compelling: First, they consider only Japanese aid and therefore provide no plausible counterfactual to observed changes in aid flows. Second, both study only IWC members' voting behavior and ignore the effect of membership. Third, (based on my own replication exercise) neither study's results survive the inclusion of recipient fixed effects or clustering standard errors at the recipient level, both of which are standard practice.

⁶ <http://www.iwcoffice.org/commission/iwcmmain.html>.

⁷ For a full list of proposals that came up for a vote in recent years, see Miller and Dolšak (2007).

³ Unlike the studies on the U.N. Security Council (Kuziemko and Werker, 2006; Dreher et al., 2009a,2009b), this strategy does not rely on exogenous variation but on the comovement of variables. This approach is intuitively appealing when studying vote buying because an exogenously changed vote does not need to be bought with aid and exogenously changed aid does not need to be rewarded with a vote.

⁴ The results cannot speak to whether this happens on Japan's initiation or not.

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