HOW POLITICAL REGIME AND TRADE LIBERALIZATION HELP TO RETHINK DEVELOPMENT IN CENTRAL AFRICA: Empirical Evidence

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INTRODUCTION

Macroeconomic policy's role in the different varieties of capitalism has been largely ignored. The varieties of capitalism literature, from Hall and Soskice (2001), differentiate and deal with developed economies according to a certain number of institutional characteristics: industrial relations, education and vocational training, corporate governance, inter-firm relations and intra-firm coordination. It distinguishes two types of capitalism: the liberal market economies (found in Unites States, in United Kingdom) and the coordinated market economies (presented in France, Germany, and Japan), which differ not only in their institutional features but also in certain macroeconomic characteristics, most notably comparative advantage and industrial specialization (AMABLE; AZIZI, 2011). How about developing countries in the global south today or particularly in Sub-Saharan African countries? These countries faced many problems: varieties of democracies, diversities of customs duties, varieties of development, diversities of culture and civilization, among others.

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Democratization is more of an abstract enterprise, centering on multi-party systems and national elections at regular intervals. Actually, the democratic processes on the ground are generally of less importance. Sometimes you get the feeling that even democratically elected leaders are not too keen on democracy on the ground. It cannot be granted that democratization actually leads to a democratic society, on the contrary, common fusing with patrimonial politics in the postcolonial state often leads to anti-democratic patterns. The gradual increased access to information is indeed of great importance, but even this access and communication possibilities do not in themselves lead to democratization (ARNFRED; UTAS, 2007). Democratization is the transition to a more democratic political regime. It may be the transition from an authoritarian regime to a full democracy, from an authoritarian political system to a semi-democracy or from a semi-authoritarian political system to a democratic political system. Different patterns of democratization are often used to explain other political phenomena, such as whether a country goes to a war or whether its economy grows. Democratization itself is influenced by various factors, including economic development, history, and civil society. There is considerable debate about the factors which affect or ultimately limit democratization. Factors, including economics, culture and history have been cited as impacting on the democratic process. Some of the more frequently mentioned factors are: wealth, education, natural resources, market economy, social equality, civil society, middle class, culture and civil culture, human empowerment and emancipative values, homogeneous population, previous experience with democracy, foreign intervention and age distribution.

Extending the measure of democratization, the Freedom House stands as one of the most comprehensive “freedom measures”, nationally and internationally. Freedom House categorizes all countries of the world, according to a seven point value system with over 200 questions on the survey and multiple survey representatives in various parts of every nation. The total raw points of every country place the country in one of three categories: free, partly free, or not free. One study simultaneously examining the relationship between market economy (measured with one Index of Economic Freedom), economic development (measured with Gross Domestic Product – GDP –/ per capita), and political freedom (measured with the Freedom House index) found that high economic freedom increases GDP/capita and a high GDP/capita increases economic freedom. A high GDP/capita also increases political freedom, but political freedom did not increase GDP/capita. There was no direct relationship either way between economic freedom and political freedom if keeping GDP/capita constant.

Measuring varieties of democracy, Coppedge and Wolfgang (1990) had addressed all of these demands with four innovations. First, rather than attempting to produce a single simple rating of "democracy", it seeks to capture six different conceptions of democracy: the pared-down, "minimalist" concept of electoral democracy, that is the foundation on which most of the other conceptions build; liberal democracy, which adds guarantees of basic civil and political rights and institutes checks and balances to guard against the tyranny of the majority; majoritarian democracy-partially at odds with liberal democracy which concentrates power in the hands of the majority; participatory democracy, which encourages the involvement of citizens in many stages of the political process; deliberative democracy, which requires governments to give reasoned and respectful justifications for their decisions; egalitarian democracy, which is inspired by the belief that political equality is unattainable without some degree of economic and social equality.

Second, varieties of democracy radically disaggregate all these concepts. Each conception is broken down into several "components" – more than thirty altogether, including such components as regular elections, competitiveness, legislative power, sub national autonomy, gender equality, and free media. These components are, in turn, broken down into 316 specific indicators, each of which is measured separately. One of the key benefits of this degree of specificity is improved measurement reliability: one can judge more confidently whether any journalists were killed in a given year than what "level of media freedom" prevailed; one can more reliably judge whether the legislature can override an executive veto than how tight "executive constraints" were.

Third, varieties of democracy are designed to have very broad historical and geographic coverage. To the extent possible, it is to rate all sovereign states and most non-sovereign territories, such as colonies, from 1900 to the present. This lengthy historical coverage is especially useful to scholars studying causal relationships, because many of these relationships seem to unfold over decades rather than year to year or month to month. If scholars can develop a better understanding of the forces that create and sustain democracy, they will be better able to advise practitioners who seek to promote it. Finally, this is designed to provide systematic estimates of the precision and reliability of its ratings. Other projects simply provide a score, such as a "3", with no indication of how accurate it is. Varieties of democracy would say that there is an 85% probability that such a score is a 3, for example, or that it is a "3, give or take 0,2". This does not mean that the existing indicators are more certain or precise; on the contrary, it means that we have no idea how imprecise they really are. No other major democracy index provides such estimates of precision and reliability. Calculating this information and making it public is essential for the responsible use of such data.

Trade liberalization is the term for the process whereby a country opens up its markets to international trade. For instance reduces the taxes (known as tariffs) and other limits (such as quotas) on goods coming in. It also often comes alongside increased rights for investors and pressures to privatize its economy. Trade liberalization can be a good thing in the right circumstances, if it's phased in correctly at the right time in a country's development. However, for many years European Union countries have used institutions like the World Bank and International Monetary Fund, conditions attached to aid and trade deals like those negotiated at the World Trade Organization to force developing poor countries to liberalize their economies. Economic Partnership Agreements are part of the same trend. There is now ample evidence which shows that this liberalization agenda actually increases poverty, especially when imposed from outside and not driven by country needs and timetables. Instead, poor countries need the freedom and right to protect and support their industries and farmers until they are strong enough to compete internationally.

Are political regimes and trade liberalization played an important role in thinking development in Central African region? Are free political regimes and free trade worked for rethinking transformation process in Central African region? Development is considered here as well-being and as a process of transforming the society. As the increase of well-being (material, social and security), it is synonymous to a good quality of life. This notion includes material well-being, often expressed as having enough bodily well-being (being strong, being in the right frame of mind and looking good). Social well-being includes caring for and settling children, having self-respect, peace, and good relations in the family and the community. Having security includes civil peace, a safe and secure environment, personal and physical security, and confidence in the future. Having freedom of choice and action includes being able to give, share and help other people in the community. Some of the key indicators of well-being are: rate of poverty, peace, freedom, life expectancy at birth, adult illiteracy, access to health care services, access to safe water, access to sanitation, infant mortality rate, maternal mortality rate, prevalence of malnutrition, population estimates, Gross Domestic Product (GDP) per capita (WORLD BANK, 2008).

Capturing the other dimensions of development, the multidimensional poverty index (MPI), as an index of acute multidimensional poverty (ALKIRE; SANTOS, 2010), reflects deprivations in very rudimentary services and core human functioning. Although deeply constrained by data limitations, the MPI reveals a different pattern of poverty than income poverty, as it illuminates a different set of deprivations. It MPI has three dimensions: health, education, and standard of living. These are measured using ten indicators. Poor households are identified and an aggregate measure constructed using the methodology proposed by Alkire and Foster (2007, 2009). Each dimension is equally weighted and each indicator within a dimension is also equally weighted. Concerning the transformation of society, policies that ensure that openness leads to that broad transformation must be adopted. It is crucial that trade and foreign direct investment (FDI) not be confined to small enclaves, even if those enclaves give a temporary boost to statistical measures of national output. For instance, a wealth of natural resources (gold or diamond) in an area far from a country's population base might well be successful at attracting foreign direct investment and increasing mineral exports, but may well do little to spur development over the long term.

If there is systematic differences in trade integration between political regime type (democracies or autocracies), this paper contributes to the broader debate about political regime, trade liberalization and development and the role of "good governance" in fostering economic progress. This subject is based on theoretical and empirical evidences such as the state theories (multiparty system, state failures, etc.), the theories of trade, the customs duties theories (VINER, 1950; MEADE, 1956; LIPSEY, 1957), the new theory of international trade (KRUGMAN, 1991), the theory of regional integration (BALASSA, 1960; HUGON, 1993; HETTNE, 2000), the development theories and the games theory analysis.

Can political regime and trade liberalization help to re-think development? This paper answers in the affirmative. Furthermore, it uses a much larger data set. And its empirical design demonstrates that political regime differences in trade policy, while playing a role, cannot fully account for the observed differences in trade flows. Both the observation that autocracies trade less and the observation that they trade less conditional on trade policy are consistent with the theoretical model uses to re-think development in Central Africa. But evidence is also presented that countries with a free or partly free political system, free press and effective political accountability trade more, suggesting that these particular transmission channels permitted to think the new model of development are important.

The main objective of this research is to estimate econometrically the impact of political regime type on trade flows in order to re-think economic development in central Africa. The article is organized as follows: the section 2 reviews the relevant literature, the section 3 presents the model of political regime and trade liberalization to re-think development and data collections, the section 4 develops the empirical results and discussions in detail and, for last, the section 5 summarizes the findings and offers some concluding remarks.

REVIEW OF THE LITERATURE

Why should a country in an early stage of development adopt democracy instead of authoritarianism? One reason is the inherent and universal importance of democracy itself such as freedom, human rights and participation. Another reason would be to expect democracy to provide the procedure to secure legitimacy and maintain unity of a multi-ethnic nation and the means to gain popular support to developmentalism and development projects. Moreover, in the world of the 21st century, it must be noted that no country, regardless of its development stage, could be admitted as a valid member of the international community and receive aid and cooperation unless it embraces a democratic form of government. From 1981 to 1996, Central African countries experienced significant episodes of violent conflict between government and opposition groups. These conflicts lasted as little as one month to more than twenty years. By 1998, some people may have lost their lives as a direct result of this political violence. Another people have become refugees. In illegitimate or quasi legitimate states, the state's own security forces often challenge the internationally recognized leadership. During the 1980s, many successful or unsuccessful military takeovers were recorded, affecting Central African countries. Some Central African heads of state lost their lives. Still, it is important to observe that the region is not monolithic; significant differences exist in political institutions and practice.

Different samples and periods may explain the divergent results of these researches, but they tend to support the Washington Consensus that democracy is economically advantageous for poor countries. If we turn to Central Africa, there is little empirical evidence to show that recently open politics have helped to improve economic conditions. The region's emerging democracies are not more prone than their predecessors are to adopt economic reform programs (SERIEUX, 1999). Nor did they perform better than the remaining authoritarian political regimes in presiding over economic growth, stable prices, or balanced budgets in the 1990s (VAN DE WALLE, 1999). Perhaps insufficient time has passed to observe positive economic results from Africa's "second independence". Another research does find that democracy is associated with faster growth in Africa over the longer period, 1960 to 1992 (FENG, 1996). Moreover, none of the data suggest that the fledgling democracies do worse in the economic arena compared to rival systems. Given democracy's inherent value, that itself is a strong argument for continuing to favor political liberalization in Africa.

Towards a new paradigm for development, Stiglitz (1998a) re-think development as a transformation of society, a movement from traditional relations, traditional ways of thinking, traditional ways of dealing with health and education, traditional methods of production, to more "modern" ways. For instance, a characteristic of traditional societies is the acceptance of the world as it is. The modern perspective recognizes change, it recognizes that we, as individuals and societies, can take actions that, for instance, reduce infant mortality, extend lifespan, and increase productivity. Key to these changes is the movement to "scientific" ways of thinking, identifying critical variables that affect outcomes, attempting to make inferences based on available data, recognizing what we know and what we do not know. All societies are a blend. Even in more "advanced" societies there are sectors and regions that remain wedded to traditional modes of operation, and people wedded to traditional ways of thinking. But while in more advanced societies, these constitute a relatively small proportion, in less advanced societies, they may predominate. Indeed, one characteristic of many less developed countries is the failure of the more advanced sectors to penetrate deeply into society, resulting in what many have called "dual" economies in which more advanced production methods may co-exist with very primitive technologies. Change is not an end in itself, but a means to other objectives. The changes that are associated with development provide individuals and societies more control over their own destiny. Development enriches the lives of individuals by widening their horizons and reducing their sense of isolation. It reduces the afflictions brought on by disease and poverty, not only increasing lifespan, but improving the vitality of life. Given this definition of development, it is clear that a development strategy must be aimed at facilitating the transformation of society, in identifying the barriers to, as well as potential catalysts for, change.

These notes outline some of the ingredients of such a new development strategy (STIGLITZ, 1998a). Approaching development from the perspective of transforming society has profound implications not only for what governments and aid agencies do, but how they proceed – how they engage, for instance, in participation and partnership. Thus, this paper can be seen as providing an analytic framework for much of the re-thinking that has been occurring in the last few years about how best to promote development. The experience of the past fifty years has demonstrated that development is possible, but not inevitable. The rapid growth of the countries of East Asia showed that development was possible, and that successful development could be accompanied by a reduction of poverty, widespread improvements in living standards, and even a process of democratization. It recognizes that an integral part of successful development is the increase in GDP per capita. But this is only part of the story, and even this will not be achieved unless the country adopts a broader development focus. If successful, the new development strategy will not only raise GDP per capita, but also living standards, as evidenced by standards of health and literacy. It will reduce poverty, but the main goal should be its elimination, a goal that the more successful economies have actually attained (at least by the *absolute* poverty standard). It will be sustainable, strengthening the environment.

In this new development strategy, trade can play a crucial role. In the model of international trade, openness to foreign goods is supposed to bring benefits primarily through its effects on the market price of imported goods. The magic of comparative advantage is that a poor country benefits from trade even if, in absolute terms, its productivity is lower than its trade partners' across the whole range of goods. Both rigorous empirical research and country experience suggest that the growth effects of engagement in the global marketplace are far larger than would be predicted by the standard model (ROMER, 1994). Many specifications of empirical growth regressions find that some indicators of external openness are strongly associated with per capita income growth (SACHS; WARNER, 1995). Countries, especially small and poor ones, have tried autarky have typically found themselves lagging far behind in development, for reasons that apparently stem in part from their closed borders. The most important gains from trade may come from the increased variety of goods to which an open trading system offers access (RODRIGUEZ-CLARE, 1996; STIGLITZ, 1997). That is, rather than just reducing the price of goods that are already available domestically, trade also offers access to many goods that simply were not available at any price under autarky. The new inputs bring down costs and spur innovation in the importing economy.

The issue of development and better distribution of world resources have long been components of the world trading system and it is widely recognized that there is a strong nexus between trade and development. Meanwhile, it is hard to refute the fact that international trade can be a powerful engine for a country economic development, the exact nature of the link between trade and development is constantly a subject of controversy within the ranks of academics and policy makers. Over time, the trade and development paradigm has shifted and this is reflected in the changes in the debate in the General Agreement on Tariffs and Trade (GATT) and subsequently the World Trade Organization (WTO). The time-honored and simple models of international trade, which show that unrestricted trade can lead to poverty alleviation in developing economies like those of Central African countries, have been criticized for its simplicity. It is true that in the time since these basic models of international trade were first formulated; major changes have taken place in the world economy. Yet, no model of large scale-economic activity may encompass all the complexity of the true reality. Wade (2008) argues that the WTO has become the world's most important multilateral organization. It represents a quantum leap in the regulation or "governance" of world trade and investment according to principles of free or almost free markets. It is a spearhead for the "internationalization" of the Washington Consensus on desirable economic policy for developing countries.

For this very reason, the WTO has become a dangerous organization for development and a more equal world (WADE, 2003). In order to re-think the trading system, Kwa (2007) has showed that neo-liberal trade liberalization experiments have failed in developing countries.

Neo-liberalism has been unsuccessful in bringing about broad-based development, because it has ignored the power imbalances along the value chain. The over enthusiasm regarding exports is also logically flawed. Not all countries can attain export surpluses. Others will end up with an import surplus and the contraction of their internal markets. The pressure to be competitive also pushes wages down, often shrinking rather than expanding people's purchasing power and standard of living. The multilateral institutions have been the primary agents advocating liberalization to the developing world, and their agenda has penalized rather than supported the poor. The current Doha Round is an example of an anti-development package that experts have already shown will cause further harm to low-income developing countries.

Brunetti and Weder (1995) review twenty earlier empirical studies. Three studies discover a positive relationship, and five discover a conditional relationship, between democracy and growth. Ten cross-national studies fail to turn up any significant relationship. Only two of the studies find that democracy affects economic growth negatively. Goldsmith (2001) looked at an additional dozen studies on the same topic. Using increasingly sophisticated methods, they are even more favorable for representative government. Only one finds a negative correlation between democracy and growth or development (GASIOROWSKI, 2000). The other eleven find a positive, mixed, or neutral correlation. All of the following studies uncovered a positive association between democracy and growth or social well-being: Feng 1996; Wickrama and Mulford, 1996; Leblang, 1997;

Przeworski and Limongi, 1997; Fedderke and Klitgaard, 1998; Nelson and Singh, 1998; and MINIER, 1998. None were detected by Burkhart and Lewis-Beck (1994). Inconclusive or mixed results were found by Helliwell, 1994; Mbaku, 1994 and Durham, 1999.

Is there a systematic relationship between economic and political liberalization? Does a country's political regime systematically affect its involvement in international trade? According to AIDT and Gassebner (2010), the first question has received much attention recently, with studies of the determinants of democracy (BARRO, 1999; ACEMOGLU et al. 2008) and economic freedom (BOOCKMANN; DREHER, 2003; DREHER; RUPPRECHT, 2007) as well as studies of the relationship between democracy and economic freedom (STURM; DE HAAN, 2003; GIAVAZZI; TABELLINI, 2005). The second, more specific question is much less well researched, and AIDT and Gassebner (2010) provide new answers. Knowledge of how political regimes influence international trade comes primarily from the political science literature. Seminal works find that democracy encourages trade. Mansfield, Milner and Rosendorff (2000) stress the congruence between the political regimes of pairs of trading countries. They show that pairs of democratic countries trade more than pairs consisting of a democracy and an autocracy. Morrow, Siverson and Tabares (1998) also find that democracies trade more with each other. Daumal (2008) finds that federalist systems increase international trade. Milner and Kubota (2005) study the relationship between political regime type and trade policy in a sample of developing countries and show that democratic political institutions are associated with liberal trade policy. So that countries that are not involved in international trade could be autocracies. Some researchers have argued that international trade encourages democratization (LI; REUVENY, 2003; RIGOBON; RODRIK, 2005; LOPEZ-CORDOVA;MEISNER, 2008).

Re-thinking the development agenda, Ocampo (2002) calls for a development based on five major premises: first a more balanced form of globalization based on a genuine respect for diversity; second a broad view of macroeconomic stability, which provides an adequate role for countercyclical policies; after the need to complement macroeconomic stability with active productive development policies; then strong social policies and the mainstreaming of social objectives into economic policies to guarantee adequate linkages between economic and social development; and finally the recognition that development involves broader human development goals. This author has recognized that one of the most positive events of the past decade has been the full realization that development comprises broader goals (STIGLITZ, 1998b). The concept of "human development" or the more recent concept of "development as freedom" (SEN, 1999) gives expression to this perspective, but it is clearly a long-standing and deeply-rooted element of development thinking. The most important manifestation is the gradual spread of global ideas and values, such as those of human rights, social development, gender equity, respect for ethnic and cultural diversity, and environmental protection.

From the Washington to the post-Washington Consensus towards an inclusive-neoliberal regime of development, Ruckert (2006) analyses the recent articulation. This articulation has been met with two fundamentally opposed responses. On the one hand, critics of the development establishment maintain that the post-Washington Consensus and the policy changes that it involves do not represent a shift away from neoliberal policy practices, while supporters of the international financial institutions (IFIs) argue that the post-Washington Consensus amounts to a fundamental rupture in development thinking and a progressive move away from policy conditionality towards country ownership and poverty reduction. Different interpretation of this recent shift in the development discourse argues that the bifurcation in the literature has led to a significant impasse in understanding the relevance of this policy shift. The post-Washington Consensus neither represents a fundamental rupture with the Washington Consensus (WILLIAMSON, 1990) nor an attempt to reproduce the same neoliberal policy regime. Moreover, a neo-Gramscian (GRAMSCI, 1971) reading of this inclusive-neoliberal development regime suggests that its introduction represents an attempt by the IFIs to resolve some of the legitimacy problems and contradictions that neoliberal policies faced in the global south. What should developing countries do to increase their growth rates and speed up the rates at which their citizens converge to the level of material well-being obtained in today's advanced nations? To re-think growth policies in the developing world, Rodrik (2003, 2004) recommended to "augmented" Washington Consensus (fiscal discipline, reorientation of public expenditures, tax reform, interest rate liberalization, unified and competitive exchange rates, trade liberalization, openness to FDI, privatization, deregulation, and secure Property Rights) the previous 10 items, plus: Corporate governance, anti-corruption, flexible labor markets, adherence to WTO disciplines, adherence to international financial codes and standards, "prudent" capital-account opening, non-intermediate exchange rate regimes, independent central banks/inflation targeting, social safety nets, and targeted poverty reduction.

If trade liberalization did not produce the expected boost to economic activity, it must be because labor markets were not sufficiently flexible, the fiscal system was not robust enough, and the educational system not good enough. If privatization did not work and proved unpopular, it must be because the appropriate regulatory system had not been put in place. If financial liberalization led to financial crises, it must be because the prudential regulation and corporate governance systems were too weak. If tight fiscal policies did not produce macroeconomic stability, it must be because they were not perceived as credible and hence credibility-enhancing institutions were required. If the poor did not receive much of the benefits and ended up feeling more insecure, it must be because targeted anti-poverty programs and social safety nets had not been put in place. And let's not forget corruption, which has the potential to blunt the effectiveness of any and all of these reforms if not tackled aggressively (RODRIK, 2004). The augmented Washington Consensus seems to be a non-starter. It is empirically at odds with the advanced countries' own historical development experience. It is too ambitious a reform agenda.

In order to develop the "development thinking" (KANBUR, 2004) and to analyze the co-evolution of the Washington Consensus and the economic development discourse, Kanbur (2008) gives an account of development debates of the past two decades, focusing on the Washington Consensus and on the broader economic development discourse in historical context. According to Draper (2010), it is important to contextualize the debate over the role of African states in the development of their countries and the associated "good governance" agenda. The danger of embarking on discussions of this kind is that we run the twin risks of engaging in "Afro-pessimism" which at worst is akin to racism connected with alleged continued imperial domination (ADEBAJO, 2009). Or indulging in what Mkandawire (2001) terms the "impossibility thesis" by which he identifies an implicit view in the "good governance" agenda that

African states are serially incapable of managing their own affairs owing to the nature of African politics, and therefore should not attempt to construct “developmental states” in the mode of East Asian models. Therefore, it is important to take into account the argument that the trouble with the “good governance” paradigm is that, it comes embedded in “neoliberal” policy prescriptions in terms of which African state capacities have been denuded in line with purportedly liberal conceptions of the “minimalist” or “night-watchman” state.

Ohno (2009) considers democratic developmentalism as “a political regime in which a developmental party remains in power for a long time by consecutively winning free elections which permit multiple parties, under which policies that punish rent seeking and encourage productive investment are implemented with a strong state guidance”. This should be construed as a new model which Africa is trying to attain rather than an already established and well-functioning political regime. The transformation of development strategy must begin with politics because, in the recognition of the African leaders, the developmental failure of Africa comes not only from the theoretical and technical shortcomings of economic policy but also, more fundamentally, from political factors such as the existence or absence of the will, the regime and the leaders that are determined to resist private profiteering and promote national development. For this reason, a political regime consistent with national development must be installed in parallel with or even before the formulation of concrete policy measures. Here, the developmental state is a regime that mobilizes available resources to build institutions, policies, and incentive systems to stimulate domestic value creation or productive investment. Moreover, this endeavor must be undertaken under the rules of democracy rather than authoritarianism. Under democratic developmentalism, the fruits of successful development are expected to win popular support, which is confirmed through a series of elections. Thus, the developmental state earns legitimacy and keeps its power for a long time through both economic performance and democratic procedure.

The problems of regional integration have long been recognized in Africa's political circles (ARNFRED; UTAS, 2007). Many decades ago, Nkrumah forcefully stated the case for regionalism in Africa. While different integration mechanisms have been successfully launched by other regions to improve their economic welfare, Africa lags behind with regards to economic growth and general living standards. In spite of the existence of a whole range of regional arrangements and a plethora of policy plans regional integration is yet to be a feature of Africa political economies and development. The Lagos Plan of Action and the Final Act of Lagos were adopted almost three decades ago setting out the vision for an integrated Africa by the beginning of the third millennium. The question, if trade promotes peace in reducing the probability of interstate conflict, has been in the focus of empirical research for the last 30 years. Up to today the answer is not conclusive, although a tendency exists that trade indeed reduces conflict (BARBIERIE, 1996, 2003; ONEAL; RUSSET, 1999, 2003; POLACHEK, 1980, 2007). A few researchers asked if conflict reduces trade and some evidence exists it does (LONG, 2008; MARTIN et al., 2008). Clearly the causality goes both ways and focusing on one direction only results in biased estimates by ignoring endogeneity. Furthermore the approaches are diverse, which makes it difficult to compare results. Diversity is not just introduced by covering different countries or years, or in using different regression techniques but also by the use of regressors. For instance, if a trade relationship involves two countries how to include a variable like polity, a measure of democracy? Is it the sum of the polity scores of two countries, the product, the lower score or the simple average?

METHODOLOGY AND DATA

First, the empirical model to be used is specified and, second, the data collections are presented.

EMPIRICAL MODEL SPECIFICATION

To attain this objective the gravity equation form is used and it is based on the potential concept from physics. The idea is that two objects attract each other because of their size and their distance. This idea goes back to Isard (1954) and was empirically applied in Tinbergen (1962) for the first time. The gravity equation has a basic form:

$$T_{ie} = \beta_0 Y_i^{\beta 1} Y_e^{\beta 2} D_{ie}^{\beta 3} \tag{1}$$

where Y_i and Y_e is the mass of an object or GDP and D_{ie} is the actual distance between two objects or two countries. The gravity model assumes that there is attraction between the GDP of two countries *i* and *j*, the same for attributes *i* and *e*. Attraction can be interpreted as dependence between two variables. The practical implication is that there is no need to construct summary variables containing the information for country *i* and *e*.

From Aidt and Gassebner (2010), we estimate the relationship between a country's political regime and its involvement in international trade, by testing the two main implications of the model by the propositions below: (1) the effective trade distortion is higher in autocracies than in democracies and, as a consequence, autocracies trade less with the rest of the world than do democracies; and (2) for given official trade policy, autocracies trade less with the rest of the world than do democracies because of differences in red tape and other unofficial trade distortions, Aidt and Gassebner (2010) answered the question posed by using a dyadic model of trade. In this model, the dependent variable is imports of country *i* from country *e* in year *t* rather than total trade flows between pairs of countries. This choice avoids what Baldwin (2006) calls the "silver-medal of gravity mistakes"-that is, the sizable upward bias that regressions with average bilateral trade flows as the dependent variable are subject to when trade is unbalanced. This follows from the fact that the log of the average is not equal to the average of the logs if the import and export flows are not identical in magnitude. For a formal proof, refer to Baldwin (2006).

More specifically, the baseline specification is the following dyadic panel model adapted from Aidt and Gassebner (2010) who estimate the importation as:

$$\begin{aligned}\ln(\text{import}_{iet}) = {} & \beta_1 \text{regime}_{it-1} + \beta_2 \text{regime}_{et-1} + \beta_3 \ln(\text{GDP}_{it}) + \beta_4 \ln(\text{GDP}_{et}) + \beta_5 \ln(\text{GDP}_{\text{p.c.}it}) \\ & + \beta_6 \ln(\text{GDP}_{\text{p.c.}et}) + \beta_7 \ln(\text{WTO}_{it}) + \beta_8 \ln(\text{WTO}_{et}) + \beta_5 \ln(\text{regional}_{iet}) \\ & + \gamma_{ie} + \delta_t + \varepsilon_{iet} \end{aligned} \tag{2}$$

where import_{iet} is imports of country *i* from country *e* in year *t*; regime_{it-1} and regime_{et-1} are lagged values of measures of regime type (democracy or autocracy) of the importing and exporting country (to be discussed below); GDP_{it} and GDP_{et} are real GDP of the importing and exporting country; $\text{GDP}_{\text{p.c.}it}$ and $\text{GDP}_{\text{p.c.}et}$ are GDP per capita of the importing and exporting country; WTO_{it} and WTO_{et} are dummy variables indicating whether the importer or exporter country is a member of the General Agreement on Tariffs and Trade/World Trade Organization (WTO); and regional_{iet} is a dummy variable taking the value of 1 if both the importer and the exporter are members of the same regional trade agreement. All regressions include fixed effects for the trading pair, γ_{ie}, as well as year fixed effects, δ_t. ε_{iet} represent the error term.

According to Alkire and Foster (2007, 2009), who have showed the intuitive and robust of the measure of development using MPI, it was possible to use this new index in this research but according to lack of data for many years we use Human Development Indicators (HDI) to capture the well-being. So the dependent variable here HDI can be written as follow:

$$\begin{aligned} HDI_{it} = {} & \beta_1 Regime_{it} + \beta_2 Import_{it} + \beta_3 Export_{it} + \beta_4 Pop_{it} + \beta_5 Inflat_{it} \\ & + \beta_6 WTO_{it} + \beta_7 Regional_{it} + \delta_t + \varepsilon_{ijt} \end{aligned} \quad (3)$$

where HDI_{it} is real HDI of the country *i* at the time *t;* Pop_{it} is population of the country *i* at the time *t*; $Inflat_{it}$ is the inflation rate of country *i* at the time *t*. Democracy is represented here by $Regime_{it,}$ which is a dummy variable taking 1 if the political regime in the country *i* is free and 0 else at the time *t*. $Import_{it}$ and $Export_{it}$ are respectively importation and exportation of the country *i* at the time *t*. $Regional_{it}$ is a dummy variable that takes 1 for CEMAC and 0 for CPGL. δ_t and ε_{ijt} are respectively the specific time effect and the error term. And $t = 1, 2,\ldots, 16$ years is time from 1995 to 2010, $i = 1, 2,\ldots,$ 11 countries.

In the current application, estimations using regression analysis, are done to evaluate first the impact of importation on HDI, second the impact of exportation on HDI and then the impact of democracy (political regime) on HDI. The panel considered here is balanced of 11 Central Africa countries with 176 observations.

Data collections

Since independence, eleven developing countries in Central African region (Angola, Burundi, Cameroon, Central African Republic, Chad, Congo Republic, Democratic Republic of Congo, Equatorial Guinea, Gabon, Rwanda, Sao Tomé and Principe) experienced regionalism (the Central African Economic Community CEEAC, Central African Monetary Community CEMAC, and the Economic Community of the Great Lakes CEPGL) and significant episodes of violent conflict between government and opposition groups. These conflicts lasted as little as one month to more than twenty years (several started before 1981 and others were still ongoing as of 1998). By 1998, some people may have lost their lives as a direct result of this political violence. Another people have become refugees. In illegitimate or quasi legitimate states, the state's own security forces often challenge the internationally recognized leadership. During the 1980s, many successful or unsuccessful military takeovers were recorded, affecting Central African countries. Some Central African heads of state lost their lives. Still, it is important to observe that the region is not monolithic. Significant differences exist in political institutions and practice.

Collier (2007) formulates four development traps observed in Central African region: the conflict trap (Angola, Central African Republic, Chad, Congo Republic, Democratic Republic of Congo), the natural resources trap (Angola, Cameroon, Central African Republic, Chad, Congo Republic, Democratic Republic of Congo, Equatorial Guinea), the trap of being landlocked (Burundi, Central

African Republic, Chad, Rwanda) with bad neighbors, and the bad governance trap (the eleven Central African countries). Essentially, wars and coups keep countries from growing and hence dependent on primary commodities. But because Central Africa countries are poor, stagnant, and dependent on primary commodities (oil; minerals: iron ore, diamonds, cobalt; and agricultural: cocoa, coffee, cotton and tea) they remain prone to wars, conflicts and coups. Incidentally, this trap has not being confined to the "bottom billion", but also affecting middle-income countries which stagnate at that level. Poor landlocked countries depend on their neighbors not just for their trade relationship, their economic infrastructure and access to the sea, but also as export markets. The problem is worse for resource-scarce countries as they face additional hurdles to development of infrastructure even if for resource extraction. These problems are compounded by agglomeration of economic activity in coastal locations with their easier access to global markets (WORLD BANK, 2000). Countries in the bottom billion that also have bad governance and bad policies are most likely to end up as "failed states" in which reform initiatives are quickly overwhelmed by those who benefit from disorder. However, if even good governance and good policies cannot propel a country into rapid growth, it does not have opportunities to grow. In this view it is possible for countries to break free of these traps.

The Freedom House, today an institution and a think tank, stands as one of the most comprehensive "freedom measures" nationally and internationally and by extension a measure of democratization. Freedom House categorizes all countries of the world according to a seven point value system with over 200 questions on the survey and multiple survey representatives in various parts of every nation. The total raw points of every country place the country in one of three categories: free, partly free, or not free. One study simultaneously examining the relationship between market economy (measured with one Index of Economic Freedom), economic development (measured with GDP per capita), and political freedom (measured with the Freedom House index) found that high economic freedom increases GDP per capita (i.e. development) and a high GDP per capita increases economic freedom. A high GDP per capita also increases political freedom but political freedom did not increase GDP per capita. There was no direct relationship either way between economic freedom and political freedom if keeping GDP per capita constant.

Free, partly free and not free political system, press freedom and political accountability go together and are features of democracies that tend to be absent in autocracies. The freedom of the press indicator published by Freedom House and the democratic accountability indicator from the International Country Risk Guide (KNACK; KEEFER, 1995) are used to measure these attributes empirically. Data from Bratton and Van De Walle (1997), Freedom House (1995 to 2010), Nohlen, Krennerich and Thibaut (1999), Derksen (1999), Goldsmith (2001), Undp (2010) and Word Development indicators (WDI) for many years will be also used. Trade, HDI, Population, Inflation, WTO, Regional and Regime data are respectively collected from IMF (2012) data and statistic.

EMPIRICAL RESULTS AND DISCUSSIONS

Results obtained from the estimations of the above models (fixed effect and random effect) are summarized in the Tables 1 and 2 as follow:

Table 1: Results from fixed effects model

Fixed-effects (within) regression — Number of obs = 176
Group variable: state — Number of groups = 11

R-sq: within = 0.2492 — Obs per group: min = 16
between = 0.2455 — avg = 16.0
overall = 0.2073 — max = 16

F(4,161) = 13.36
corr(u_i, Xb) = -0.7908 — Prob > F = 0.0000

hdi	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
wto	(dropped)					
regional	(dropped)					
regime	(dropped)					
inflation	-.0000114	5.55e-06	-2.05	0.042	-.0000223	-4.13e-07
population	.0049607	.0008462	5.86	0.000	.0032897	.0066317
export	-.0000575	.000039	-1.47	0.142	-.0001345	.0000195
import	.0000778	.0000785	0.99	0.323	-.0000772	.0002329
_cons	.3516499	.0096732	36.35	0.000	.3325471	.3707527
sigma_u	.17544559					
sigma_e	.02455805					
rho	.98078342	(fraction of variance due to u_i)				

F test that all u_i=0: F(10, 161) = 259.75 — Prob > F = 0.0000

Table 2: Results from random effects model

note: wto dropped because of collinearity

Random-effects GLS regression — Number of obs = 176
Group variable: state — Number of groups = 11

R-sq: within = 0.2486 — Obs per group: min = 16
between = 0.0288 — avg = 16.0
overall = 0.0325 — max = 16

Random effects u_i ~ Gaussian — Wald chi2(6) = 50.67
corr(u_i, X) = 0 (assumed) — Prob > chi2 = 0.0000

hdi	Coef.	Std. Err.	z	P>|z|	[95% Conf.	Interval]
regional	.1279116	.0898253	1.42	0.154	-.0481427	.303966
regime	.135838	.1003511	1.35	0.176	-.0608466	.3325225
inflation	-.0000122	5.56e-06	-2.19	0.028	-.0000231	-1.30e-06
population	.0044924	.000821	5.47	0.000	.0028832	.0061015
export	-.0000568	.0000391	-1.45	0.146	-.0001335	.0000199
import	.0000856	.0000787	1.09	0.277	-.0000686	.0002399
_cons	.2500575	.0702459	3.56	0.000	.1123781	.3877369
sigma_u	.14528969					
sigma_e	.02455805					
rho	.97222308	(fraction of variance due to u_i)				

The Table 3 below presents the test of difference in coefficients:

Table: 3: Results from the test of difference in coefficients

	---- Coefficients ---- (b) fix	(B) ran	(b-B) Difference	sqrt(diag(V_b-V_B)) S.E.
inflation	-.0000114	-.0000125	1.15e-06	.
population	.0049607	.0043387	.0006221	.0002123
export	-.0000575	-.0000565	-9.81e-07	.
import	.0000778	.0000883	-.0000105	.

```
                     b = consistent under Ho and Ha; obtained from xtreg
      B = inconsistent under Ha, efficient under Ho; obtained from xtreg

 Test:  Ho:  difference in coefficients not systematic

               chi2(4) = (b-B)'[(V_b-V_B)^(-1)](b-B)
                       =        8.58
             Prob>chi2 =      0.0725
             (V_b-V_B is not positive definite)
```

Table 1 presents the results of the regression analysis using fixed effects. The fixed effects model is a statistical model that represents the observed quantities in terms of explanatory variables that are treated as if the quantities were non-random. Because of collinearity (the property of lying on a single line, aligned), the variables Regime, Regional and WTO were dropped. The R-square within is 0,2492 ant the overall R-square is 0,2073 meaning that there is a correlation between HDI, inflation, importations and exportations.

Table 2 presents the results of the regression analysis using random effects. The random effects model is used in the analysis of hierarchical or panel data when one assumes no fixed effects (i.e. no individual effects). Because of collinearity, the variable WTO was dropped. The general least square (GLS) is used for the estimation. The overall R-square is 0.0325 showing that there is a correlation between HDI, inflation, importations and exportations.

The random effects is efficient, and should be used (over fixed effects) if the assumptions underlying it are believed to be satisfied. This can be tested by running random effects, then fixed effects, and doing a Hausman specification test. Using Hausman test (Table

3), the random effects is inconsistent under alternative hypothesis (Ha) and efficient under null hypothesis (Ho). The fixed effects is consistent under null hypothesis and alternative hypothesis.

Inflation and exports negatively affect populations' or consumers' well-being. Indeed the increase in inflation rate causes a reduction in purchasing power. An increased in exports commodities tends to decrease the quantity of goods available for the country of origin. Imports have a positive effect on the Human development indicators (HDI) probably because this variable tends to increase the quantity of goods available.

The variable political regime (capture here by regime) has a positive effect on the HDI. Indeed, this means the democratic political system positively affects the level of development. Instead of the existence of varieties of democracy and varieties of development the notion of democratic countries is inextricably linked to the concept of freedom. However, the constant term is positive. This means that for countries with other types of political system the HDI still positive. This result can be explained by the existence of varieties of democracy in Central Africa and by the fact that a democratic political system is not a necessary and sufficient condition for development.

CONCLUSION

The question that motivates this paper is simple: Can political regime and trade liberalization help to re-think development? The empirical model provides reasons why the answer is yes. Imports and democracy have a positive effect on the Human development indicators.

What policy implications can be drawn from this research? Trade liberalization and democracy are often seen as an engine of development. As Sachs and Warner (1995) put it, "Trade liberalization not only establishes powerful direct linkages between the economy and the world system, but also effectively forces the government to take actions on the other parts of the reform program…". This paper shows that instead the existence of varieties of democracy and varieties of development, autocracies are less integrated in world trade than democracies. This result corroborates with Aidt and Gassebner analysis in their 2010's research paper title "Do autocratic States trade less?".

In Central Africa region many countries have missed to channelize trade liberalization and democracy to build human well-being because of the lack of accountability and good governance. This is why the capacity building on "good governance agenda" fostered by many international institutions is a very important programme used to counterbalance the negative impact that varieties democracy regimes have on the regional economic integration in Central Africa and on economic growth.

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ABSTRACT

Can political regime and trade liberalization help to re-think development? This paper has documented the strong presumption that political regime and trade liberalization contribute positively to economic development. The main objective of this research is to estimate econometrically the impact of political regime on trade flows in order to channelize economic development in Central Africa countries. A panel of Central Africa countries has been used to test empirically the predictions. The empirical evidences show that there is a correlation between human development indicators, inflation, importations and exportations. Imports and democracy have a positive effect on the level of development in Central Africa countries. Findings show that the capacity building programme on "good governance agenda", fostered by many international institutions, is an important initiative to be used to counterbalance the negative impact that varieties of democracy systems have on economic development.

KEYWORDS: Political regime. Democracy. Trade liberalization. Development. Central Africa.

RESUMO

O regime político e a liberalização do comércio podem ajudar a repensar o desenvolvimento? Este trabalho tem documentado a forte presunção de que o regime político e a liberalização do comércio contribuem positivamente para o desenvolvimento econômico. O objetivo principal da pesquisa é estimar econometricamente o impacto do regime político sobre os fluxos comerciais, a fim de canalizar o desenvolvimento econômico em países da África Central. Um painel de países da África Central tem sido utilizado para testar empiricamente as previsões. As evidências empíricas mostram que há uma correlação entre os indicadores de desenvolvimento humano, inflações, importações e exportações, em que as importações e a democracia têm um efeito positivo sobre o nível de desenvolvimento dos países da África Central. Os resultados mostram que o programa de capacitação na «agenda da boa administração», promovida por muitas instituições internacionais, é uma iniciativa importante para ser utilizada para contrabalançar o impacto negativo que as variedades de sistemas de democracia têm no desenvolvimento econômico.

PALAVRAS-CHAVE: Regime político. Democracia. Liberalização do comércio. Desenvolvimento. Bem-estar. Integração regional. África Central.