



**THE GLOBAL TREND TOWARDS TRADE LIBERALISATION:A
THEORETICAL ANALYSIS OF REASONS FOR DEVELOPED AND
DEVELOPING COUNTRIES**

**TİCARİ LIBERALLEŞMEYE KÜRESEL YÖNELİM:GELİŞMİŞ VE
GELİŞMEKTE OLAN ÜLKELERİN YÖNELİM NEDENLERİNİN
KARŞILAŞTIRMALI BİR ANALİZİ**

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Abstract

There is a trend of ever expanding cases of trade liberalisation worldwide. The main question for academics is “why is there such a world-wide support for trade liberalisation?”. This paper will take on this research question. Current literature seem to focus on the differentiation of internal and external reasons. However, it will be argued in this paper that these factors may not work in the same way for every country. Instead, it will be suggested that there might be a significant difference between developed and developing countries. Hence, the paper will aim at contributing the academic discussion by providing a theoretical analysis of how these reasons differ for the developed and the developing. Hence, offering an alternative perspective for future discussion.

Keywords:Trade Liberalisation, Trade agreements, Developing Countries, Developed Countries, Asymmetric Relations.

Öz

Son dönemde dünyada ticari liberalleşme doğrultusunda önemli bir eğilim gözlenmektedir. Akademisyenler için temel soru “neden ticari liberalleşmeye dünya ölçeğinde bu denli büyük bir destek olduğudur”. Bu makale bu araştırma sorusu üzerine odaklanarak bir çok akademisyenin ayrı ayrı gösterdiği iç ve dış nedenlerin geçerli olabileceğinin kabul edilmesi gerektiğini belirtecektir. Ardından bu tartışmaya katkı olarak bu belirtilen nedenlerin her ülke için aynı şekilde işlediğinin kabul edilmesinin zor olduğu bunun yerine gelişmiş ve gelişmekte olan ülkeler için farklı destek nedenleri olabileceği ortaya konulmaya çalışılmaktadır. Böylece, bu akademik tartışma içerisinde kullanılacak farklı bir perspektif getirilmesi amaçlanmaktadır.

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Anahtar Kelimeler:*Ticari Liberalleşme, Ticaret Antlaşmaları, Gelişmekte Olan Ülkeler, Gelişmiş Ülkeler, Asimetrik İlişkiler.*

1. INTRODUCTION

There is a common belief among academicians that there has been a growing trend towards trade liberalisation in the world since 1980s (Milner, 1999; Rodrik, 1994:62). The number of members of the World Trade Organisation (WTO) has reached 153. A new round of General Agreement on Tariffs and Trade (GATT) was launched in 2001 in Doha for further trade liberalisation. In addition to well known examples such as customs union in the European Union (EU), European Free Trade Association (EFTA), The North American Free Trade Agreement (NAFTA); similar free trade areas are being formed continuously such as Bolivarian Alliance (ALBA) (Backer, 2010).² In some parts of the world such as Asia-Pacific region the increase in free trade agreements is rather impressive (Dent, 2010). Some of these agreements cover a considerable amount of world population and trade flow reaches to hundreds of billion dollars. For example the trade agreement that came into effect in 2010 between Association of South East Asian Nations (ASEAN) countries and China means a free trade area among 1.9 billion people and the trade flow reaches to 231 billion dollars (Chin and Stubbs, 2011:277). These are just the most recent examples of the current support for freer trade. What are the reasons for this general support to liberalisation of trade? This is the question which will be addressed in this paper. The core argument of the paper will be that the reasons for such a support differs significantly between developed and developing countries.

The literature on the topic mainly focuses on either internal or external factors contributing for such liberalisation trend. Although these suggested reasons are all appreciated here and the focus on differentiation between external and internal reasons is a welcome addition to the discussion, it is suspected here that these factors may not play the same role in every case. Instead, it will be suggested that these elements have different effects on different countries. It is believed in this paper that economic structure of a country may result in different cost-benefit perceptions of such economic cooperations. Therefore, the common classification of developed and developing countries will be used for this aim. Therefore, these factors will be evaluated for developed and developing countries separately. Then, it will be claimed that developed and developing countries may have different reasons for taking place in such free trade agreements.

Although there is a vast amount of literature about development- every one of which has a variety of criteria such as gross national product per capita, human rights or freedom level- (Payne, 2005, Leftwich, 2007) there is no consensus on a definition of developed or developing countries. For the sake of the aim of this paper, the `capital` element will be focused as it is believed to be the most meaningful difference between them as Milner and Kubota do (2005:116). Therefore in this paper, “developed

² ALBA is not a traditional free trade agreement. It can be considered as a regional integration project 1 with political, social and financial project along with a free trade regime among its members. It will be further explained under the heading 3.2.

countries” will point the countries that have production resources such as capital abundant enough to support their domestic industries. On the other hand, “developing countries” will be taken to mean those countries which do not have enough capital to support their domestic industries. Thereby, they are countries in need of foreign capital investment for their development.

While comparing these reasons for developed and developing countries the framework offered by the current literature will be used. Current literature offers two sets of reasons for such cooperations: Internal and External Factors. It is hard to differentiate internal reasons from external reasons since there is an interaction between them. For example, interdependence of states can be regarded either as a restrictive influence from outside on political preferences as Lake does (Cited in Cohen, 1990:267) or as an internal dynamic by affecting preferences of domestic actors as Milner does (1999). As for this paper, Cohen’s dichotomy, which he sums unit and cognitive levels as ‘domestic level’ and puts ‘system level’ on the other side, will be taken as an example (Cohen, 1990:268). Hence, internal elements will be defined as reasons which may have an effect on the process of decision making related to foreign trade policy.

Within such a framework, this paper will be divided into two main parts: reasons why developed countries support free trade and reasons why developing countries support free trade. Each part will be evaluated in terms of both internal and external factors. In the conclusion part a comparison of them both will be made.

2. THE REASONS FOR THE SUPPORT TO TRADE LIBERALISATION BY DEVELOPED COUNTRIES

2.1. Internal Factors for The Support of Developed Countries

Although most economic theories agree on the fact that liberal trade is better than protectionism (Rodrik, 1994:61), there is a discrepancy between these theories and practices of the decision makers (Cohen, 1990, 261). Despite the fact that free trade should be preferable in theory in practice most states show varying degrees of reluctance mostly due to domestic concerns. Hence, as Milner suggests application of protection, up to a certain amount by all countries, problematic for economists. For political scientists, on the other hand, protection is understandable, so their question is “why do states prefer trade liberalisation?” (Milner, 1999:91). So, what causes politicians to choose their trade policies? More importantly what causes them to choose free trade? In search of answers to these questions for developed countries this part will be focused on three domestic elements of trade policy; “preferences of policy makers”-affected by ideology and pressure groups-, “economic structure”- affecting both pressure groups and decision makers- and “regime type”.

The first domestic dynamic is the preferences of decision makers. This is mostly an ideological change caused by developments in the world economy. Some authors believe that failure of former protectionist policies resulted in a preference change of decision makers. For example, Goldstein explains

trade liberalisation of the United States (US) by a reaction of politicians to the failure of protectionism which led to the great depression (Goldstein, 1986:161-165). Accordingly, Hanson claims that the support of European governments to their import competing industries in 1970s and 1980s did not make them more competitive in international markets, so they decided to practice neoliberal ideology, which foresees that exposure of these industries to the global open market will cause them to be more competitive (Hanson, 1998:66). The effect of ideology can be best seen in the trade agreements the EU made even after the recent crisis. In light of Global Europe strategy the EU aimed at expanding its free trade area globally. Siles-Brugge provides the example of ideational factors enabling the free trade agreement between the EU and Korea in 2010 (2011). Thus, it can be claimed that ideology chosen by government officials have an effect on the support to free trade by developed countries. For developed economies, it can be argued that ‘everyone for himself’ understanding had to change due to restrictions on economic growth caused by mutual application of trade barriers. Hence, for developed countries the system had become self-destructive and free trade seemed the only way out to satisfy the hunger of these ever growing capitalist beasts.

Another reason for the support by developed countries is the effect of pressure groups. Both Stolper-Samuelson theory and Ricardo-Viner model show that some groups support liberalisation of trade because they gain from it (Milner, 1999:95). In this context, multi-national corporations (MNC), which have been mostly based in developed countries, can be seen as the main beneficiaries from free trade. They traditionally had a tendency to opt for lower barriers along with export-oriented industries (Milner and Yoffie, 1989:239). These groups can be claimed as the main supporters of trade liberalisation. Gilpin, also, appreciates MNCs’ effects on domestic policies when he explains US trade policy (Gilpin, 1978:418). Additionally, Macdonald and Schwartz give another example by showing how the two important non-governmental organisations (NGO) in Canada played an important role for ruling Conservative Party to pursue free trade with the US (Macdonald and Schwartz, 2002:139-140). In the light of these examples, pressure groups should be accepted as a factor effecting government policies in developed countries. In the case of developed countries MNCs seem to be primarily responsible for pressure towards free trade.

A third cause of such a ‘rush to free trade’ (Rodrik, 1994) by developed economies can be suggested as the economic structure. According to factors endowment theory, countries should focus on producing the goods for which they have abundant production factors and import the products that cannot be produced efficiently within that country due to scarcity or lack of necessary production factors. This provides the optimal situation to gain maximum wealth. Given the capital abundant nature of developed countries, it seems that, in order to maximize their wealth, the best trade policy for developed countries to lower their trade barriers and exchange goods with other countries since they simply cannot have the relative advantage in all sorts of industries. Hence, they will naturally gain from exporting capital-abundant goods and in return importing labour-intensive goods as a result of their economies being dominated by capital-intensive industries.

Lastly, regime type can be given as the final factor affecting developed countries' trade policies. Most developed countries in the world are governed by democratic principles. Hence, it can be claimed that democratic regime type in developed countries can indirectly effect the policy choice towards free trade by increasing the weight of pressure groups. As Milner and Kubota suggest, it may even be claimed that there is a parallel structure between democracy and trade liberalisation (Milner and Kubota, 2005). Although their claim is mainly on developing countries, Macdonald and Schwartz give a very good example for developed countries. They show how NGOs affected free trade debates in the democratic environment of Canada and USA (Macdonald and Schwartz, 2002:144). In light of these, regime type (democracy) should be acknowledged as an important factor affecting the trend towards free trade in the world.

In Summary, capital-intensive structure of developed economies, dominated by MNCs and trading corporations, creates a stronger pressure by supporters of free trade. Democracy, at the same time, increases the effects of these groups and makes them more influential on decision makers. In the final stage, government institutions -affected by neoliberal ideology- which causes them to ignore protectionist pressures as in the US (Goldstein, 1986:166), choose to support free trade. Thus, domestic factors for preference of free trade by developed countries can be a collective outcome of ideological preferences of political actors, economic structure, regime type and pressure groups (mostly MNCs).

2.2. External Factors For The Support Of Developed Countries

Another set of elements affecting trade policies of developed countries is the ones that they cannot fully control, external factors. These factors will be divided into three: Economic interdependence, effect of high politics and role of international organisations.

First external factor affecting the support of developed countries to the free trade is the Interdependent structure of the world economy. This interdependence results from different factors endowment of states. Additionally International actors such as MNCs sharpen this phenomenon by intra-firm trade with the change of production cycle. Miller and Yoffie argue that as they require greater scale economies, they become more dependent on foreign markets and demand for reciprocal access to the markets (Milner and Yoffie, 1989:240-242). Similarly, Conybeare explains the reduction of trade barriers between developed countries -such as the USA, Japan and European countries- by a game theory, "prisoners' dilemma." Briefly, he claims that the interdependence between countries makes them refrain from practicing protection against each other (Conyberare, 1984).

Secondly, politics also provides another important reason for the support to trade liberalisation by developed countries. As Gilpin Claims that: "...the pattern of international economic activity reflects the global balance of economic and military power (Gilpin, 1971:405). Similarly, Goldstein asserts that the change in the US trade policy from protectionism to liberalisation can be explained by the position of US' power in the world power distribution (Goldstein, 1986:162). Using the same arguments Gilpin gives the Cold War reason to American policy. According to him the Cold War caused the US to prefer

European countries over the Soviet Union. Therefore the US tried to force Europe to establish an open trading regime. It also tried to integrate Germany and Japan to this system by using trade agreements (Gilpin, 1971:409-412). Gowa considers military alliances as the cause of free trade cooperations, too (Gowa, 1989). Gowa and Mansfield show how Western countries came together to establish an open trade regime with the effect of security concerns and how this regime owed its success to bipolarity (Gowa and Mansfield, 1993). In the light of these arguments, one can conclude that the Cold War created the initial support by developed countries to the current trade liberalisation. In the latter stage it can be claimed that the end of cold war strengthened this process as it can be seen in the continuing talks between Russian Federation and World Trade Organisation (WTO), which began in 1993 with the GATT. Hence, although initial aim was different, the first steps taken under political considerations brought unintended consequences which led trade liberalisation to snowball beyond initially desired borders. Recent free trade agreements such as the one between the US and Korea show that these theoretical assumptions have empirical support, too. Sohn and Koo suggests that strategic cooperation between the two countries had an important effect on the trade agreement (Sohn and Koo, 2011).

Finally, international organisations can be counted as another cause of current support for trade liberalisation of developed countries by protecting the level of liberalisation. In doing so, their constraining role is significant. Hanson's EU example can be explanatory for the restrictive role of trading unions. Once EU becomes more constitutional, it brings a constraining effect on its members. Thus, the organisation helps protect the existing liberalisation by constituting a restrictive framework. He gives the example of how France had to pursue liberal trade policies, even though it has traditionally defended protectionism (Hanson, 1998:66-67). Hence, it can be claimed that international organisations emerge as actors playing the anchor role for already achieved trade unions and provide a framework for further liberalisation. To sum up, it can be claimed that the economic structure of the world, of which main characteristics is interdependence, along with security concerns of the Cold War created initial support of developed countries. International organisations, in addition to these, help keeping this system alive.

3. THE REASONS WHY DEVELOPING COUNTRIES SUPPORT TRADE LIBERALISATION

3.1. Internal Dynamics for the Support of Developing Countries

In this part, economic necessity caused by domestic economic structure and stressed by economic problems will be given as the main cause. Another explanation will be the effect of democratisation process. Finally economic crisis will be given as another factor contributing the trend. They will be explained in relation to how they affect preferences of policy makers.

First element affecting policy choices of politicians is economic necessity. According to Ricardo-Viner model while export-oriented industries will support liberal trade, import competing industries will oppose it. Considering labour intensive structure of developing countries' economies, one should expect them to choose opening their markets. Conversely, less developed countries (LDC)

traditionally preferred import substitution industrialisation (ISI) and practiced protectionism (Milner, 1999:100; Rodrik, 1994). However, “Since the early 1980s, developing countries have flocked to free trade as if it were the Holy Grail of economic development” (Rodrik, 1994). So, what changed their minds?

Economic necessity derives mostly from economic problems these countries face and their development strategies. Most economic problems can be claimed to be results of a lack of capital for financing their economic development. Because they do not have enough capital, they consider foreign direct investment (FDI) as a fuelling force for their development and growth (Palan et.al., 1999:145). Underdevelopment causes problems such as high unemployment. Hence, they find the solution of their unemployment problem in attracting MNCs, which require liberal economy and lower trade barriers, because they mean employment for less developed countries (Palan et.al., 1999:147). They also find FDI as a solution for the underdevelopment problem itself. Despite most such countries initially tried ISI strategy as a desired way of developing their economies in order to keep their economic independence, the strategy failed as they lacked capital to support such a choice. Unsuccessful ISI regimes of these states led them to adopt a new strategy, which is to use their cheap labour advantage. Therefore, they made necessary legislations for trade reform to support their export-oriented industries (Palan et.al, 1999:146-147). In the light of these elements, it can be concluded that economic necessity and desire of these states for development creates an environment suitable for trade reform towards free trade.

Another answer given to the question is democratisation. It is assumed that autocracies limit number of political actors who are able to influence decision makers. In most cases these are limited to a minority elite in such regimes. Milner and Kubota’s argue that democracy expands the variety of effective political actors and causes people -most of which are labourers- to create a pressure on decision-makers. Moreover, they also assert that labourers will gain from liberalisation through increase in their income and reduced price and increased quality of goods they consume. As a result, there will be more sympathy for reforms towards free trade by labourers. In sum, they claim that the more democratic a developing country is, in which labour is intensive, the more support there will be for liberal trade (Milner and Kubota, 2005:116). Verdier opposes democracy argument by claiming that democratic transformation creates as many advocates of protectionism as supporters of liberal trade (Verdier, 1998:1) as a result of negative consequences of free trade (Michael, 1997). However, most empirical research supports Milner and Kubota such as Baker’s (2003).

Rodrik gives another answer to the question. According to him, the main cause of trade liberalisation is the change in preferences of policy makers with the effect of the debt crisis of the 1980s. He claims that the crisis enabled politicians to overcome their worries caused by the political cost of distribution (Rodrik, 1994:62-69). It can be argued that economic crisis create an opportunity structure for large scale policy changes as they stamp the failure of existing economic policies and legitimise the need for reform in the eyes of the public. Although Rodrik’s focus on the world economic crisis in 1980s is understandable it is not only limited to the 80s. In addition to this, it can be argued that such economic

crises have also an anchoring effect on these countries. As these economic crises lead them to borrow even more from international resources they become more and more dependent on international economic system. Once they are initially converted to free trade it becomes difficult for them to revert back to ISI under the same opportunity structure repeating crises bring. Hence, it can be claimed that they become more and more embedded to free trade system in every crisis rather than going back and forth between ISI and free trade.

3.2. External Dynamics for the Support of Developing Countries

In this part, four main external elements affecting developing countries' choice of free trade will be given. These are economic structure of the world, the Cold War and the end of the Cold War, effect of ideology, and finally role of international institutions.

The first external factor which will be explained here is the world's economic structure under globalisation process. Developments in transports and telecommunication systems have changed the characteristics of production in world economy. These developments caused MNCs to produce parts of goods in different countries by enabling them to use skilled or unskilled labour with lower costs (See Feenstra, 1998). As a result, existence of more efficient MNCs has become one of the characteristics of current era (Gereffi, 1995:102-103). If this fact is considered with the existence of labour rich developing countries with economic problems such as high unemployment, it can be understood how suitable the conditions for a free trade reform for these countries. In other words, co-existence of developed countries, which are capital abundant, and developing countries, which have cheap labour and lack of capital, in a financial system that allows liquidity of funds created the best environment for a disintegrated production. For these reasons, it could be argued here that this structure pushed developing countries into a race to attract foreign investments by reducing their trade barriers. Another international factor can be suggested as the contagion effect. Baldwin and Jaimovich claim that free trade agreements mean discrimination among countries. Therefore, free trade agreements lead others as countries will try to protect themselves from third party agreements that will cause disadvantage their trade. Hence, free trade agreements seem to be contagious (Baldwin and Jaimovic, 2012:10). Hence, it can be claimed that developing countries are also forced by other free trade agreements to join further trade agreements in order to protect themselves from negative effects of third party agreements. This can be best seen in the recent example of Turkey's attempt to be part of the trade agreement between the EU and the US. Other regional integration examples such as ALBA like its predecessors Latin American Free Trade Association (LAFTA) and the Central American Common Market (CACM), however aim to protect its members from globalisation and negative effects of free trade with developed countries such as the US in a Post-liberal fashion. Hence, they attempt to create free trade areas among their members whilst trying to shield their members from free trade on a global scale by applying a common tariff against non-members (Chodor and McCarthy-Jones, 2013, pp.211-213). Even though they represent an ideological stand against hegemony of

developed countries in global economy, they ironically emerge as another example of regional free trade agreements.³

Another cause which can be attached to this trend towards liberalisation in developing world is the Cold War and the end of the Cold War. According to Gowa trade with lower barriers can occur easier within the same security alliance if the structure is a two-pole one (Gowa, 1989:1246-1247). From this point of view, it can be argued that a bipolar world structure and security concerns derived from it had an effect on countries to come together around two superpowers. This resulted in adaption of liberal ideas of the USA, as it is the core of one pole, and enabled them to cooperate in trade issues within the alliance. Another important development for trade liberalisation was the end of the Cold War. This was a victory for liberalism as Fukuyama calls it (1992). This had a twofold effect on trade reform towards liberalisation. First, it caused an enlargement of the area to spread for free trade by providing new countries which have left the communist bloc. Along with the failure of communist economy, these former communist countries turn their faces towards free trade. This becomes very significant in membership of People's Republic of China to WTO in 2001. Second, this event was seen as a proof of the idea that there were no alternatives to liberalism. Consequently, this idea resulted in acceleration of current reform efforts in various countries.

Spreading and accelerating effect of the Cold War takes us to the third reason affecting developing countries from the outside; ideology. In 1990s, 'Washington Consensus' which was derived from the ideas of American technocrats as a prescription for poor countries towards development became very popular with the collapse of communism (Naim, 2000:87). These ideas have been accepted by reformist leaders and the International Monetary Fund (IMF). As a result of the expansion of the consensus which includes liberalisation of trade, leaders chose to apply this prescription by themselves or were forced by the IMF, which adopted these ideas. Actually, their choices are quite questionable as Naim claims that developing countries had no choice other than adopting 'Washington Consensus' in the wake of debt crisis (Naim, 2000:92). Either by their own choice or through pressures from developed countries and international organisations, ideology rooted outside developing countries should be taken as a cause of the trend towards liberalisation of trade within these countries.

Finally, international organisations can be given as another source of external effects. They have two different effects on developing countries. For Some, they play a forum role for states to agree on some common grounds. In this respect, Milner points out that Uruguay round of the GATT talks attracted developing countries bringing new reductions in areas like textiles and agriculture in which they have special interests (Milner, 1999:94). For others like Gibb, international organisations on trade like the WTO are politically structured for supporting the trade regime constructed by main economic forces of

³ However, it should be noted that ALBA represents a dramatic turn from traditional free trade 2 agreements. It represents a more political stance than an economic one with a focus on autonomous regional development strategies and social justice. Having learned the lessons of the past, the agreement aims to establish solidarity among its members to promote an alternative development model to previous neo-liberal examples that focuses on social needs and state-led development rather than profits and market economy (Chodor and McCarthy-Jones, 2013, pp.215-220).

the world. He gives an example by showing how the EU used the WTO during the trade regime talks with South Africa to promote its best interests while imposing disadvantageous terms for South Africa (Gibb, 2003:900-901). There is also a strong relation between economic conditions of a state and effects of international organisations on that state. For example, economic crisis increases the need for foreign funds of countries. Consequently, this situation forces them to apply to international institutions such as World Bank and IMF to change their payment plans and ask for new funds (Payne, 2005:37). This reduces their bargaining power which leaves them open to external pressures. This makes bargaining one sided especially in Africa and they have to accept any terms these institutions force them including trade liberalisation (Rodrik, 1994:79). This can be seen in the IMF example regarding with Asian crisis of 1997. During this crisis, the IMF lent money to Indonesia and South Korea with the condition of trade liberalisation (Dash, 2003:276-279). Hence, it would be reasonable to suggest that international organisations use their soft power to force developing countries to liberalise their trade regime as a result of conditional character of lending to these countries.

4. CONCLUSION:A COMPARISON OF THE REASONS FOR DEVELOPING AND DEVELOPED COUNTRIES

In this paper, an answer for the question "Why do so many countries now support free trade?" was searched for developed and developing countries separately. The reason for this was the thesis that the answer of this question was different for developed and developing countries. In order to reason this argument, factors were divided as internal and external, because it was believed that this dichotomy would make the difference clearer.

Firstly, three domestic reasons were given for developed countries. First of these was capital abundant nature of their economic structures and a need for expansion of their domestic industries. Second element was effect of democracy as their regime type. Finally, preferences of decision-makers were shaped by the first two factors.

Secondly, external dynamics which were considered to have an effect on developed countries were addressed. Economic interdependence among countries and the effect of high politics were given as the causal elements. Then, international organisations were presented as a restrictive factor preventing them to quit liberal trade policies.

For the developing countries internal factors were analysed. First, economic necessity deriving from abundance of labour and shortage of capital to support domestic industries financially, was given as the structural reason. Then, strengthening effect of debt crisis and economic problems on the structural cause was evaluated. In addition to these, democratisation was described as a dynamic which made indirect political actors such as the NGOs and people more effective in political system. At the final stage, the relationship between all the factors above and preferences of policy makers was shown.

Finally, external causes effecting developing countries were divided into four. First of these was suitable environment caused by co-existence of capital abundant developed and labour rich developing countries, along with a changed production system under globalisation process. Second one was that security concerns derived from Cold War pushed blocs to cooperate in trade. An addition to this was the accelerative effect caused by the end of the Cold War. Then, ideology was given as a third external element, because it was believed that it took its roots from outside these countries and injected into these countries by developers of it directly or through international institutions. Thus, the final element, role of international organisations was made clear.

As for the comparison of reasons for developed and developing countries, how different elements affected these countries in different ways was stressed above. However, it must be accepted that level of development is not the only decisive factor affecting foreign trade policies of countries, as there may be others, such as size of the economy and characteristics of domestic elements. For this reason, empirical evolution is necessary for every individual country which emerges as the main restriction to this study. However, in relation with the effect of external factors, discrimination between developing and developed countries can be given as the main argument of this paper. Developed countries which are relatively capital abundant compared with developing countries will have an economy which is less vulnerable to external factors. On the other hand, the opposite will be valid for developing countries. Nevertheless, it is believed here that such a theoretical discussion of reasons for trade liberalisation in a way to compare developed and developing countries can be suggested as the main contribution of this paper to the discussions on the answer of why trade liberalisation grows ever popular among both developed and developing countries. Proposing that there might be different reasons for developed and developing countries to support free trade, this paper offers an alternative perspective that might be useful in further discussion of the topic.

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