

# A DARK SIDE OF COOPERATION: WHEN INTERNATIONAL ORGANIZATIONS SPREAD POLITICAL VICE

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## Abstract

Much of the literature on international organizations (IOs) has focused on the beneficial value they provide to members. Yet depending on their membership, some of the very same mechanisms that incentivize good governance can instead incentivize political vice. Our central argument is that state participation in vice-ridden international networks is likely to incentivize political vice domestically. This process may occur for two reasons. First, groups of vice-ridden states are highly reticent to create, monitor or enforce good governance standards against other IO members. Second, leaders may witness the value of political vice to their IO peers and learn to act the same way. Using a variety of data sources and estimation strategies, we demonstrate that countries that participate in a network of vice-ridden IOs are significantly more likely to experience an increase in vice domestically than are countries that participate in a network of more honest brokers.

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International organizations (IOs) serve many beneficial purposes (Mansfield and Pevehouse 2006; Hafner-Burton 2013; Schneider and Slantchev 2013). Their value lies in their ability to reduce transaction costs, link issues, monitor behavior, enforce rules and diffuse norms and knowledge. Often, they exert influence over the traditions and institutions by which authority in a country is exercised by creating a network of actors interacting within and across multiple organizations (Hafner-Burton, Kahler and Montgomery 2008). When political leaders interact frequently over time, they foster the ability to transmit both goods and information that affect political incentives. For example, groups of democratic leaders are more willing than groups of autocrats to impose and enforce conditions for membership in regional organizations that transmit norms of democracy (Pevehouse 2002). Similarly, human rights practices tend to improve when a state participates in a network of IOs with other rights-protecting members (Greenhill 2015).

Our central argument is that, depending on the makeup of the organizations, some of the very same mechanisms that incentivize good governance within IO member states can instead incentivize the abuse of power. This process may occur for two reasons. The first reason involves enforcement—or lack thereof. Leaders of vice-ridden states should be reticent to delegate authority to monitor or enforce good governance standards against themselves or other member states. A second way that vice begets vice is through socialization—or learning. Through repeated interaction, the sharing of information, and the creation of norm entrepreneurs, political elites can be swayed by their IO peers into believing that a certain policy or form of governance is suitable. When surrounded by cultures of vice, people can become convinced that political misconduct is acceptable and perhaps even desirable. However, there are conditions for vice to spread within a network of organizations. Leaders must not only believe that their misconduct will go unnoticed or unenforced by their international network, but also by their local governments.

To evaluate the empirical implications of our theoretical argument, we employ data on government participation in international organizations over the 1986-2011 period. While there are many forms of political vice that could spread through these organizations, our primary empirical focus in this article is government corruption. In particular, we examine the relationship between a country's exposure to member-corrupted IOs and their future levels of corruption. Our analysis provides support for our theory. Countries that participate in a network

of highly corrupted IOs are significantly more likely to experience an increase in domestic corruption than are countries that participate in a network of more honest brokers. That effect—robust to a wide array of model specifications and governance indicators—is dampened in environments characterized by strong rule of law and by participation in IOs with formal anti-corruption mandates.

#### NATIONAL CORRUPTION AND INTERNATIONAL ORGANIZATIONS

Political corruption is the misuse of public office for private gain entailing dishonest or fraudulent conduct by those in power (Svensson 2005). Corruption is a type of vice that is globally widespread, very costly (the OECD estimates the costs are greater than 5% of global GDP), and which operates as an obstacle to development (OECD 2014). Corruption directly affects the quality of governance, including how governments are chosen, supervised and replaced, their capacity to create and implement effective policy, and the extent to which citizens and the state respect the institutions that govern interactions among them. Among its many harmful effects, corruption adversely affects economic performance, including domestic economic growth and local government investment (Dreher and Siemers 2009). It deters direct foreign investment (Mathur and Singh 2011), exacerbates income inequality (Gupta et al. 1998), and can impede trade and aid (Lambsdorff 1999).

There is a long tradition of scholarship seeking to explain this variation. Understandably, that tradition has focused mainly on the domestic origins of the problem, including market structure, income, wealth and economic freedoms (Graeff and Hehlkop 2003), the nature of domestic political institutions (Sandholtz and Koetzle 2000), and cultural and social factors like religion and historical tradition (Svensson 2005). Recently, scholars have turned their attention to the international factors that could influence the domestic prevalence of corruption. Among those factors are open trade and competition (Gerring and Thacker 2005; Sandholtz and Koetzle 2000), foreign direct investment (Larrain and Tavares 2004)—although perhaps not in the developing world (Pinto and Zhu 2015)—and global economic integration (Sandholtz and Gray 2003).

Alongside this rise in a focus on the international sources of state corruption was the fairly rapid rise of the issue on the global agenda and the resulting development of a body of international anti-corruption regimes (Wang and Rosenau 2001; Posadas 2000). Despite this development, scholars remain principally focused on domestic or economic explanations for state abuse of power. Among the few studies that systematically explore the relationship between

membership in IOs and corruption, all (to our knowledge) conclude that membership generally is a good thing, dampening the likelihood that public officials will misuse their power for private gain. In a published analysis of 153 countries from 1997-98, Sandholtz and Gray (2003) find that greater degrees of international integration, measured partly by a state's membership in IOs, lead to lower levels of state corruption. In a recent paper covering a greater time span, Pevehouse (2010) finds that membership in economic (primarily regional) IOs also corresponds to lower state corruption levels, as does membership in organizations that have mainly honest members. Aaronson and Abouharb (2014), meanwhile, make the specific case that membership in the WTO corresponds to better domestic governance. Behind these preliminary findings are a host of potential explanations for why—and how—IOs might influence corruption specifically, and the quality of governance more broadly.

#### MECHANISMS OF INFLUENCE

IOs seek to spread norms of appropriate behavior, such as good governance, that improve the quality of cooperation and the size of benefits states reap from membership. One way they do so is by providing information about the expectations for member behavior, establishing rules and standards. For example, the EU has established an *acquis communautaire* that lays out precise expectations for membership. Among those expectations are specific requirements regarding the free movement of goods, workers and capital across borders, as well as a range of standards covering everything from agriculture and rural development to energy, taxation, and social policy. In principle, all EU member states and their citizens are required to conform to the *acquis* and all countries seeking membership in the EU must accept the full set of standards, which includes a wide range of markers for good governance (Schneider 2007, 2009).

IOs can also provide a source for monitoring member behavior in accordance with the rules and expectations of membership, increasing the likelihood of detecting defection. For example, the International Atomic Energy Agency has generated “safeguards” to determine whether members of the Non-Proliferation Treaty are in compliance with their commitments. Its verification methods include on-site inspections of member state facilities to confirm the non-diversion of declared nuclear material, as well as containment and surveillance techniques to ensure that member states behave according to the common norms (Smith 1987). The resulting increase in the likelihood of detection can generate reputations for compliance, which can affect

members' incentives for cooperation and compliance with norms of appropriate behavior (Tomz 2007).

Some IOs also provide enforcement and dispute resolution, which can generate legal, diplomatic or economic pressures that shape incentives for good governance. These provisions can both help to determine liability and to generate costs for member states that breach the rules. For example, the World Bank's International Centre for Settlement of Investment Disputes (ICSID) provides a mechanism to boost investor confidence. It allows investors to invoke international arbitration by filing complaints when they feel wronged by a foreign host government (Milner 2014; Hafner-Burton et al. 2016). These complaints can generate massive political fallout and financial costs in the billions of dollars for governments found at fault. These costs associated with enforcement and dispute resolution—if made credible—can delegitimize the defector government at home, influence public and elite perceptions about the government, create credible guarantees for pro-compliance interest groups, raise the costs of domestic policy change, and help to “lock in” better governance policies (Milner 1998; Mansfield et al. 2000, 2002; Pevehouse 2002, 2005; Bueth and Milner 2008, 2014).

IOs can also incentivize good governance by linking issues. For example, a growing number of trade agreements have come to play a role in governing state compliance with human rights. When they supply standards that tie material benefits of economic integration to compliance with human rights principles, trade agreements have encouraged some of their members to adopt new—and more progressive—human rights policies and practices at home. In some cases, these institutions also provide monitoring and enforcement procedures to raise the likelihood that violations of human rights will be detected and offending governments punished through the reduction or removal of trade-related benefits (Hafner-Burton 2005; Kim 2012; Hafner-Burton et al. 2016).

Alongside the provision of standards that can be monitored and enforced is another, related, way in which IOs can influence their membership: socialization (Checkel 2005; Goodman and Jinks 2013; Greenhill 2015). Repeated interactions between leaders often create close personal connections (Lewis 2005). IOs provide venues for those interactions through the conduct of frequent meetings and prolonged contact, communication and negotiation that can shape leader preferences and interests (Finnemore 1996). In this way, IOs can act as a conduit for the creation and diffusion of norms that influential actors may eventually internalize (Johnston 2001). Often,

these IO-driven processes are discussed in terms of the creation of a shared sense of mutual identity based on values, trust, and a moral code (Risse Kappen 1995). This sense of community and identity may develop unconsciously, as actors adopt the culture and policies that look similar to their peers (Meyer et al. 1997).

Socialization through membership in IOs can happen both within and across organizations. A good example of the former process is the way in which national officials have become socialized into the culture of the European Union's Committee of Permanent Representatives, internalizing group-standards which in turn have affected their bargaining behavior (Lewis 2005). Socialization can also occur across organizations, the logic being that most states hold membership in multiple—often many dozens of—organizations, and it is this broader environment of interactions that shapes how leaders think about their interests (Bearce and Bondanella 2007; Ingram et al. 2005). Socialization can also work in tandem with monitoring and enforcement efforts, as those more immediate incentives to conform to expectations can foster longer-run beliefs about what is appropriate.

#### A DARK SIDE OF COOPERATION

Our central argument is that some of the very same organizational mechanisms of influence that can incentivize good governance among members can also incentivize the abuse of power. In effect, the abuse of power can be contagious among leaders and IOs can be conduits for its spread into domestic politics.

Membership in IOs requires participation by high level political elites, such as ambassadors, diplomats and heads of state (or their agents), who attend regular meetings, engage in frequent dialogue and negotiations, and make decisions that can ultimately affect millions of people. For example, in the EU domestic politicians are highly enmeshed in European-level negotiations. The ministers of national governments meet on a regular basis in the Council of the European Union to discuss legislation; senior ambassadors meet daily to discuss EU policies; and heads of states meet at least four times a year in the context of the European Council. But even in less integrated organizations, such as regional trade or development organizations, involvement of high-ranking government actors in organizational decision-making is frequent. For example, in the Association of Southeast Asian Nations (ASEAN) – an organization that is oftentimes seen as a counter model to the highly formalized nature of the EU – heads of states meet twice a year

at a summit to discuss and resolve regional issues. In addition to the formal summit meetings, political leaders meet in several informal talks, including the East Asia Summit, the Commemorative Summit as well as other regular meetings such as the ASEAN Ministerial Meeting and smaller committee meetings usually attended by ministers instead of head of states.

Whether they are heads of states or cabinet ministers, these actors almost always meet the three criteria that must be present for corruption to emerge or spread.<sup>1</sup> They are by definition politically powerful at home. While their degree and form of power vary, they almost always possess some form of discretionary influence over the allocation of their state's resources, including the ability to design, administer and implement rules and regulations. Many also possess the power to control and disperse—or to influence those who control and disperse—'capturable' rents at home. While they must represent their nation's laws and interests, ambassadors to IOs—like other forms of diplomats—often wield considerable authority to shape their government's policies on matters as far ranging as war, trade and aid. Meanwhile, senior ministers and heads of state clearly wield influence over their country's regulatory and redistribution policies. For example, the individuals who meet to discuss issues of international finance in the regular ASEAN Finance Ministers Meetings are the same individuals who head their countries' finance ministries at home to shape and implement domestic policies. And the individuals who decide over corruption policies in the EU in the Justice and Home Affairs Council use their positions as justice ministers in national cabinets to implement national policies on the same issues. That these politically powerful leaders (as well as politicians at lower levels) can be embroiled in political vice such as corruption is nothing new. There were several high-level corruption cases in the EU just last year, involving for example the Spanish Prime Minister, Mariano Rajoy (as well as a large number of politicians from his party), and the Romanian Finance Minister, Darius Valcov, in two separate cases.

IOs with highly vice-ridden membership are likely to act differently in several ways that could affect the spread of political vice among members. First, while IOs can generate formal standards for member participation, such as the *acquis* in the context of the EU, they can also

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<sup>1</sup> The presence of corruption almost always entails the co-existence of three factors (Jain 2001). First, an actor must have discretionary power over the allocation of resources—this often includes the ability to design and administer rules and regulations. Second, the actor must have the ability to control and disperse 'capturable' rents. Third, there must be a reasonably low probability of detection or penalty. Given the presence of these factors, however, there is still great variation in whether a government or leader will engage in or facilitate corruption.

decline to provide formal standards against the abuse of power. One of many examples includes the African Petroleum Producers' Association. This organization, which serves as a platform for 18 African petroleum producing countries to cooperate—including the highly corrupted governments of Angola and Sudan—contains no anti-corruption or good governance provisions of any kind. Whereas the decision to set institutional standards intolerant of member corruption plausibly increases the prospects of detection and penalty, the decision against standards removes corruption from the official IO agenda and its jurisdiction of authority.

Second, IOs with highly vice-ridden members are unlikely to invest in the monitoring of political vice, and thus unlikely to independently detect or draw attention to the presence of bad governance. Those engaged in the abuse of power have no incentives to create procedures to scrutinize that behavior, either against themselves or against their organizational peers who might act in the same manner. Perhaps more importantly, leaders in these types of organizations are also unlikely to invest in any enforcement or punitive reaction against political vice, which reduces the reputational and material costs associated with the abuse of power. When a corrupt leader is enmeshed in many interactions with many other corrupted leaders, they are not likely to pressure their counterparts to enact, and implement, policies that favor democracy, trade liberalization, human rights, or anticorruption.<sup>2</sup> They are likely to look the other way because they too are engaged in bad governance that they neither want to draw attention to nor discipline. Instead of alleviating the credibility gap, corrupted IOs can make the gap bigger by ensuring that there are fewer institutional costs involved in engaging in vice-ridden behavior.

A prominent example of this phenomenon is the African Union, which adopted a Convention on Preventing and Combating Corruption (in force since 2006) that it has failed to effectively implement or enforce. According to Transparency International's recent estimates, almost 75 million people in Sub-Saharan Africa alone paid bribes in 2014 in order to buy off police or judges or buy access to basic services (Transparency International 2015).<sup>3</sup> Moreover, the organization has routinely turned a blind eye to corruption scandals among its prominent membership—such as the many ongoing accusations against Jacob Zuma, current President of South Africa (The Guardian 2013). And it has gone so far as to formally refuse to enforce the

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<sup>2</sup> This is consistent with Pevehouse 2002, who argues that if external guarantees and threats are not credible, IOs will no longer help to foster democracy.

<sup>3</sup> The estimates were created in partnership with Afrobarometer, which spoke to 43,143 people across 28 countries in Sub-Saharan Africa.

International Criminal Court's (ICC) arrest warrants against the highly corrupted president of Sudan, President Omar al-Bashir, for war crimes. Indeed, in 2015, against the ICC's orders, Bashir freely travelled to South Africa to attend an African Union summit and Zuma's government refused to arrest him, claiming that Bashir was immune from prosecution (The Guardian 2016).

Such institutional practices of turning a blind eye to bad governance are hardly an African problem. Another example is the Organization of American States (OAS), whose charter formally advocates a broad range of good governance principles including the "effective exercise of representative democracy", the elimination of extreme poverty and the promotion of social justice (Article 3). With regards to enforcement of its own principles, however, the OAS has largely disregarded its members' policies, limiting its enforcement actions to the suspension of membership only in the extreme context of political coups (Duxbury 2011). According to Transparency International, while more Latin countries are adopting laws or joining initiatives to reduce corruption, massive corruption schemes involving powerful elites remain prevalent and punishment scarce (Transparency International 2014).

Third, and related, vice-ridden IOs are unlikely to formally link good governance to their main goals. Leaders in these organizations will eschew issue linkage to good governance criteria not only at the institutional level, by avoiding conditionality, but also at a personal level, by turning a blind eye to their peers' acts of bad governance on one issue in exchange for reciprocity on another issue. Perhaps the best known—and widely documented—example is vote buying, where leaders representing one country offer material benefits, such as foreign aid or IMF loans, to leaders from another country in exchange for their vote in an IO (Dreher et al. 2009; Lockwood 2013). In these ways, IOs can generate a low provision of information about expectations for good governance and for the likelihood of detecting or punishing acts such as corruption. Potential costs for engaging in bad governance are not credible, and vice-ridden IOs will not generate dependable guarantees for interest groups that seek change for better governance.

Finally, these IOs can provide a forum to socialize, or teach, leaders to believe that political vice is normal, acceptable, or beneficial to them personally or to their government generally. Repeatedly witnessing corruption by elite entrepreneurs, as well as its benefits to other leaders and their impunity from recrimination, can convince a leader that abusing power is a legitimate

way of doing business. It may even generate a sense of trust—or a code—among leaders, who come to adopt the corrupt culture and policies that look similar to their peers. In the same way that obesity, smoking and substance abuse spread quickly through social networks (Fowler and Christakis 2009),<sup>4</sup> so too can the incentive to abuse power, which may help to explain why, in 2015, British officials thought it was acceptable to engage in a secret vote-trading deal with the government of Saudi Arabia to ensure that both states were granted membership to the UN Human Rights Council (The Guardian, September 29, 2015). A lack of monitoring and enforcement efforts further supports this socialization process, as leaders learn not only the value of political vice but also that they are immune from punishment—neither the UK nor Saudi Arabia were punished for the vote trade and both presently sit on the Council.

For all of these reasons, which are neither mutually exclusive nor easy to distinguish empirically, our central hypothesis is that *a country's membership in a network of IOs with highly corrupt membership will increase that country's propensity to engage in corruption at the national level*. However, there also must be a *reasonably low probability of detection and especially of penalty* for corruption to thrive and spread among political elites. That probability is shaped by two factors. At the international level, IOs with highly corrupted members become conduits for the spread of vice by eschewing the creation or enforcement of good governance standards intended to increase the likelihood of detection and enforcement. At the domestic level, it is more difficult to pursue vice in countries that have already developed highly stable institutions to prevent corruption. The power of local enforcement institutions—particularly law enforcement and courts—to hold leaders accountable for political misconduct are particularly relevant in this respect. Stable and independent law enforcement and courts are more likely and motivated to monitor, detect, and sanction corrupt practices. They raise the domestic costs of engaging in political vice and should therefore help deter—or at least dampen—the decision to engage in political vice domestically. This, in turn, might mitigate the relationship between a country's entrenchment in corrupted IOs and their leaders' pursuit of political vice domestically.

## RESEARCH DESIGN

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<sup>4</sup> Sociologists also find a socialization effect for corruption at the workplace, where newcomers are taught to accept and perform corrupt practices, especially if corruption is endemic and condoned by the prevailing culture in that organization (Ashforth et al. 2008).

In the empirical analysis, we examine the relationship between a country's exposure to member-corrupted IOs and their future levels of corruption. Our data set builds on the Correlates of War IGO Data Set Version 3.0 (Pevehouse et al. 2015), and covers data on the membership of over 190 countries in 315 active regional organizations for the 1986-2011 period.<sup>5</sup> Similar to Pevehouse (2002, 2005, 2010), we focus our primary analysis on regional organizations because these types of institutions tend to operate with higher levels of interaction among leaders of neighboring states that often share common elements of language, culture and history; these frequent interactions are central to the operation of both theoretical mechanisms through which vice can spread in a network. As we show below, these regional organizations cover a variety of issues, including economic, political, and social goals. The level of analysis is the country-year.

### *Dependent Variable*

We expect that a country's engagement in a network of highly corrupt IOs increases the likelihood that it experiences an increase in corruption at the domestic level. We therefore measure our dependent variable as a country's average level of *Corruption* in any given three-year period. To measure corruption, we rely on corruption data provided by the International Country Risk Guide (ICRG), which provides an assessment of political risks associated with corruption within a country's political system, including financial corruption in the form of demands for special payments and bribes, excessive patronage, nepotism, job reservations, 'favor-for favors', secret party funding, and suspiciously close ties between politics and business.<sup>6</sup> The ICRG's corruption measure registers small values for high corruption and large values for low corruption. Since we are interested in whether membership in corrupted IO networks increases domestic corruption, we calculate the inverse of the ICRG measure: the variable, as we have transformed it, ranges from 0 to -6, with 0 representing high corruption and -6 representing low corruption.

Many scholars argue that it is difficult to analyze effects of corruption in time series analysis because of the slow-changing nature of corruption and thus call for the use of periods or single cross sections (Treisman 2007). One main disadvantage of using a single cross section is that one

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<sup>5</sup> All regional IOs in the data set are listed in Appendix A.

<sup>6</sup> There exist alternative corruption indicators, notably the corruption score of the World Governance Indicators, the Transparency International's corruption index, and the World Bank Enterprise Survey's Bribery Index. The correlation between these indicators tends to be very high (above 0.9), and we show that our main results are robust to using these alternative corruption indicators.

either has to use the entire sample period under analysis – and averaging variables over a 30-year period is problematic for many reasons – or to pick particular (smaller) time periods to average across – where the choice of the period is arbitrary. To find a balance between the problems that are created by either using annual or cross-sectional data, we begin by using 3-year periods that allow sufficient time for effects while not lumping historical events into one category. We also show that the core results are robust to estimations that analyze five-year periods, a single cross-section, as well as annual data.

### *Independent Variable*

Our main explanatory variable is the “average IO corruption” of a country in a network of organizations with different levels of corruption among member states. To calculate *Average IO Corruption*, we proceed in four steps:

- 1) For each organization, we calculate the average level of corruption for all member states in each year (*excluding the corruption score of the country under observation*).<sup>7</sup> For the calculation, we include only those countries that have full membership in the IO.
- 2) For each country and year, we average the corruption score of individual IOs across all organizations in which the country is a full member.
- 3) We multiply this average score by -1, such that larger values of *Average IO Corruption* imply participation in more corrupt networks of IOs, and smaller values imply participation in less corrupt networks of IOs.
- 4) We average the data over three-year periods, corresponding with the periods of the dependent variable.

Our measure of *Average IO Corruption* varies both across countries and over time as a function of both changing memberships in IOs and also changes in other countries’ corruption scores. Figure 1 provides an illustration for Thailand between 1986 and 2011. The round dots provide information on the country’s *Average IO Corruption*, while the diamonds indicate Thailand’s domestic *Corruption* score for each year. For both measures, larger values indicate higher levels of corruption. The graph illustrates how *Corruption* and *Average IO Corruption* co-vary over time. During the 1990s, Thailand was participant in a network of less corrupted IOs (represented

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<sup>7</sup> The results do not change substantively if we include the country under observation in the calculations. Results of the alternative calculations are available upon request.

by lower *Average IO Corruption* scores), including organizations such as the APEC and the Asian Development Bank. During the first decade of the 2000s, however, Thailand’s associations changed noticeably in character, as it both joined new organizations with more corrupted members—such as the International Tripartite Rubber Organization (ITRO) in 2001—and saw an increase in corruption by its existing IO member peers, such as in ASEAN, APEC, and the Asian-Oceanic Postal Union (AOPU). This shift towards greater *Average IO Corruption* in the network is in close sync with a worsening of the country’s *Corruption* scores at the national level. Note that changes in national *Corruption* tend to lag behind changes in the country’s *Average IO Corruption* score for about a couple years.

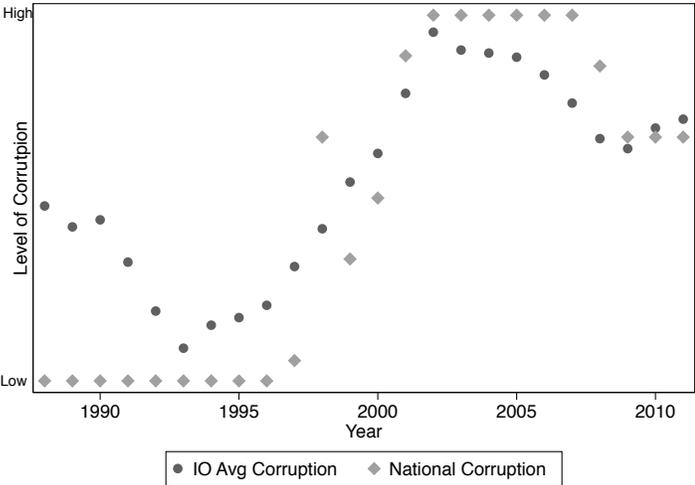


Figure 1: Average IO Corruption and National Corruption of Thailand

Thailand is just one illustration of the variation in *Average IO Corruption*. Generally, we find over-time variation in most countries’ *Average IO Corruption* score.<sup>8</sup> Sometimes these changes are consistently positive, sometimes they are consistently negative, and sometimes they are both positive and negative (as in the Thailand example). In our main analysis, we analyze the impact of both positive and negative changes in the IO *Average IO Corruption* score. We also show that our results hold when only analyzing cases where countries experience an increase in IO corruption *Average IO Corruption*.

*Control Variables*

<sup>8</sup> Appendix B further provides a further example using Poland.

We control for a number of potential confounding factors that are commonly included in the literature seeking explanations for corruption. We control for the level of democracy and regime durability. *Democracy* is measured as the level of democratic quality using Polity IV data (our results are robust to using Freedom House data). *Regime Durability*, also drawn from Polity IV, is measured as the number of years that any given regime survived (Marshall et al. 2013). We also control for the level of economic development, economic growth, and trade openness. We measure the level of economic *Development* as the log of per capita GDP of a country in any given year in constant 2005 prices and *Economic growth* as the annual growth of per capita GDP in percent (Gleditsch 2002). *Trade Openness* is the sum of a country's exports and imports, divided by its GDP (Barbieri and Keshk 2012). Whereas we keep our main models as parsimonious as possible, we include a number of additional control variables in our robustness checks, which we discuss below. All control variables are averaged across three-year periods for the main estimations. Appendix C provides descriptive statistics for all variables.

### *Model Specification*

The time-series cross-sectional nature of the data raises concerns of heteroscedasticity and serial correlation. We estimate a panel model with fixed effects (and thus only use within country variation to identify effects). The fixed effects estimator controls for unobserved country heterogeneity that is constant over time. This procedure is warranted because the time independent country effects are significant in the regression and the results of the Hausman test suggests that alternatives would render the coefficients inconsistent and biased. The main model is specified as

$$Y_{it} = \alpha + \beta E_{it} + \gamma X_{it} + v_i + u_{it}, \quad (1)$$

where  $Y_{it}$  denotes the extent of *Corruption* for each country-year,  $E_{it}$  is the variable for *Average IO Corruption*,  $X_{it}$  is the vector of control variables,  $\alpha$  is the constant,  $v_i$  are fixed country effects, and  $u_{it}$  is the error term. The coefficients for  $E_{it}$  and  $X_{it}$  are denoted by  $\beta$  and  $\gamma$  respectively. We use robust standard errors to deal with problems of heteroscedasticity.

### EMPIRICAL RESULTS

Table 1 presents the results of our main analysis. Model 1 is the baseline, which only includes our measure of *Average IO Corruption*. Model 2 is our main model on the full sample,

which includes the entire set of control variables discussed in the research design section. Model 3 re-estimates this model only on the sample of non-OECD countries, and Model 4 estimates the model on the sample of OECD countries. Overall, the model fits the data very well. The highly significant F-tests and the reasonably large  $R^2$  across all model specifications indicate that together the variables explain a large amount of variation in the data. The likelihood that they jointly do not exert any effect on national corruption is extremely low.

*Table 1 The Effects of Average IO Corruption on National Corruption, 1986-2012*

	<i>Model 1</i> (Baseline)	<i>Model 2</i> (Full)	<i>Model 3</i> (Non-OECD)	<i>Model 4</i> (OECD)
Avg IO Corruption	0.916** (0.043)	0.360** (0.037)	0.148** (0.065)	0.172** (0.033)
Democracy		-0.043** (0.005)	-0.033** (0.006)	-0.247** (0.052)
PC GDP (log)		-0.187** (0.012)	-0.163** (0.014)	-0.828** (0.172)
PC GDP Growth (%)		0.002 (0.006)	-0.000 (0.005)	0.074** (0.020)
Trade Openness		-0.039 (0.028)	0.006 (0.053)	-0.036** (0.007)
Regime Durability		-0.011** (0.001)	-0.005** (0.001)	-0.003** (0.001)
Constant	-0.692** (0.106)	-0.056 (0.109)	-0.793** (0.099)	6.853** (1.663)
Observations	1187	1004	810	192
$R^2$	0.356	0.505	0.155	0.341
F-Test	463.03**	1573.06**	909.55**	19.73**

DV: National Corruption (ICRG)

Standard errors in parentheses

\*  $p < 0.10$ , \*\*  $p < 0.05$

Turning to the substantive effects, we find support for the central observable implication of our theoretical argument. The level of *Average IO Corruption* is positively and significantly correlated with a country's change in corruption score. A one-unit increase in a country's *Average IO Corruption* score—representing an increase in their association with a network of highly corrupted IOs—leads to a 0.4-unit increase in their national *Corruption* score. Given that *Corruption* can vary between -6 (lowest) and 0 (highest), the increase implies a 15% move on the minimum-maximum *Corruption* scale. Over all models (including the robustness checks that

are discussed below), the coefficient ranges from 0.15 to 1.02 with an average of 0.41, which provides confidence that the substantive results are relatively robust. Moreover, *Average IO Corruption* exerts a significant effect on national corruption independent of whether we use the full sample, the non-OECD sample, or the OECD sample.

Whereas we are interested in the effects of *Average IO Corruption* in highly corrupted networks, it could be that the observed effect is driven not by an increase in corrupted participation but by a decline in *Average IO Corruption* (towards a network characterized by less corruption). Our current operationalization allows us to analyze whether *Average IO Corruption* and national corruption levels are positively correlated, but this positive correlation could owe to the virtues effect only. To analyze this possibility, we split the sample into observations with *Average IO Corruption* growth (the vice argument) and with *Average IO Corruption* decline (the virtue argument). The first sample (results in Model 1 of Table 2) only includes country-year observations where the country's *Average IO Corruption* experienced a decrease in corruption. A significantly positive coefficient in this sample would indicate that a decline in *Average IO Corruption* would lead to a *decline* in national corruption, in line with the existing reasoning in the literature. The second sample (results in Model 2 of Table 2) only includes country-year observations where the country's *Average IO Corruption* experienced an increase in corruption (vice). A significantly positive coefficient in this sample would indicate that an increase in *Average IO Corruption* leads to an *increase* in national corruption, thereby supporting our main theoretical argument. In Model 3 of Table 2 we analyze whether the vice effect of *Average IO Corruption* holds for members that have lower corruption than the average membership in the IOs that they are members in. A significantly positive coefficient in this sample would indicate that that an increase in *Average IO Corruption* leads to an increase in national corruption of countries that originally were less corrupt than the IOs in which they are members in.

Table 2 presents the results, and shows that the degree of member-driven corruption in an IO network indeed has an effect on members' domestic politics in both directions. Countries that participate in a network of less highly corrupt IOs (Model 1) likely experience a significant decline in domestic corruption (note though that the p-value for this effects is 0.061; just below the level of conventional statistical significance), while countries that participate in a network of highly corrupt IOs (Model 2) likely experience a significant increase in domestic corruption. In addition, the results in Model 3 indicate that governments experience a worsening of their

national corruption even if they were initially less corrupt than the average membership in the IOs in which they are members.

*Table 2 Vices and Virtues of Average IO Corruption*

	Model 1 (Virtue)	Model 2 (Vice)	Model 3 (Vice/Distance)
Avg IO Corruption	0.227* (0.104)	0.380** (0.062)	0.588** (0.047)
Democracy	-0.036** (0.005)	-0.049** (0.008)	-0.030** (0.002)
PC GDP (log)	-0.261** (0.052)	-0.153** (0.030)	-0.069** (0.021)
PC GDP Growth (%)	-0.001 (0.006)	0.005 (0.009)	0.008 (0.011)
Trade Openness	-0.023 (0.070)	-0.045 (0.025)	-0.039** (0.010)
Regime Durability	-0.011** (0.001)	-0.011** (0.001)	-0.009** (0.001)
Constant	0.298 (0.303)	-0.332* (0.168)	-1.027** (0.106)
Observations	405	599	428
R <sup>2</sup>	0.372	0.567	0.708
F-Test	154.09**	327664.69**	878.01**

DV: National Corruption (ICRG)

Standard errors in parentheses

\* p<0.10, \*\* p<0.05

The findings for the control variables are largely consistent with the existing literature. *Democracy* has a negative and significant impact on corruption; as countries become more democratic, they also tend to become less corrupt. *Regime Durability* also significantly decreases the level of corruption. Similar to other studies, we also find that the level of economic *Development*, and *Economic growth* have negative effects on the level of corruption. The other control variables point in the expected direction, but the effects are not significant at conventional levels.

#### *Anti-Corruption Mandates*

Whereas it is beyond the scope of this paper to analyze the causal mechanism of our theory in greater depth, here we provide some descriptive evidence in line with our argumentation that more highly corrupted IOs are less likely to have anti-corruption mandates than less corrupted IOs, and we show that the relationship between *Average IO Corruption* and national *Corruption*

depends to some degree on whether states participate in organizations that have anti-corruption mandates creating standards and platforms for enforcement. This is germane to our theoretical argument that corrupted IOs are unlikely to create or enforce institutional standards against member corruption. Using a wide array of sources on our sample of regional organizations, we collected information on whether each IO had adopted anti-corruption mandates as well as formal mechanisms to enforce these mandates. Using box plots, Figure 2 demonstrates that there is a correlation between the degree of member state corruption in an IO and whether that organization has an enforceable anti-corruption mandate. The y-axis presents the value for *Avg IO Corruption*. The left-side plot represents IOs without mandates, while the right-side plot represents organizations with anti-corruption mandates *and* built-in monitoring mechanisms.<sup>9</sup> The slightly lower mean and the greater distribution of values at the lower side of the box on the right provide some first support that IOs with enforceable mandates do tend to have better-governed members.<sup>10</sup>

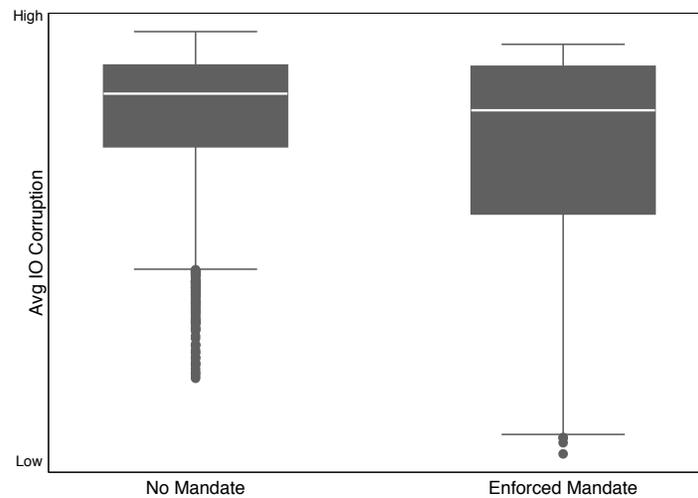


Figure 2. *Avg IO Corruption and Enforceable Anti-Corruption Mandates*

<sup>9</sup> Appendix D shows that the results are similar if we take into account non-enforceable anti-corruption mandates, although the differences are (expectedly) weaker.

<sup>10</sup> Note, the differences are significant but substantially not very strong. Furthermore, it is impossible to establish causality and arguably, the existence of anti-corruption mandates will lower average IO corruption. Nevertheless, the graph illustrates that there are differences between the two groups of IOs, and we hope that future research will disentangle some of the causal mechanisms in greater detail (including some of the other mechanisms such as socialization or issue-linkages).

Another implication of our argument was that the effect should be conditional on the absence of monitoring and enforcement of anti-corruption mandates. To test this conditional influence, we re-calculate our *Average IO Corruption* measure for the subsets of organizations with and without anti-corruption mandates. Table 3 provides the results. Model 1 is the main model where the *Average IO Corruption* measure includes all regional organizations. Model 2 includes the *Average IO Corruption* variable that was calculated on the basis of the subsample of organizations *with* anti-corruption mandates—and thus some policy for enforcement—and in Model 3 the *Average IO Corruption* variable includes the subsample of regional organizations *without* anti-corruption mandates.

As expected, participation in organizations that have anti-corruption mandates is much less likely to lead to increased incidences of national corruption than participation in organizations without anti-corruption mandates. Whereas the coefficient on *Average IO Corruption* is similar in size and significance to the coefficient in the main model in Model 3, it reduces by more than 50% in size and declines in significance ( $p < 0.107$ ) when we analyze the effect of *Average IO Corruption* in regional organizations with anti-corruption mandates. This finding hints to the possibility that participation in IOs with anti-corruption standards can at least help mitigate the problem that political vice spreads into the domestic realm.

*Table 3: Corruption Mandates and the Dark Side of Cooperation*

	Model 1 (All)	Model 2 (Mandate)	Model 3 (No Mandate)
Avg IO Corruption	0.360** (0.037)	0.146 (0.080)	0.338** (0.030)
Democracy	-0.043** (0.005)	-0.056** (0.006)	-0.044** (0.005)
PC GDP (log)	-0.187** (0.012)	-0.248** (0.030)	-0.192** (0.011)
PC GDP Growth (%)	0.002 (0.006)	0.004 (0.006)	0.002 (0.006)
Trade Openness	-0.039 (0.028)	-0.126** (0.026)	-0.039 (0.028)
Regime Durability	-0.011** (0.001)	-0.011** (0.001)	-0.011** (0.001)
Constant	-0.056 (0.109)	0.097 (0.253)	-0.078 (0.093)
Observations	1004	897	995
R <sup>2</sup>	0.505	0.510	0.508

F-Test	1573.06**	8336.04**	1573.90**
DV: National Corruption (ICRG). Standard errors in parentheses.* p<0.10, ** p<0.05			

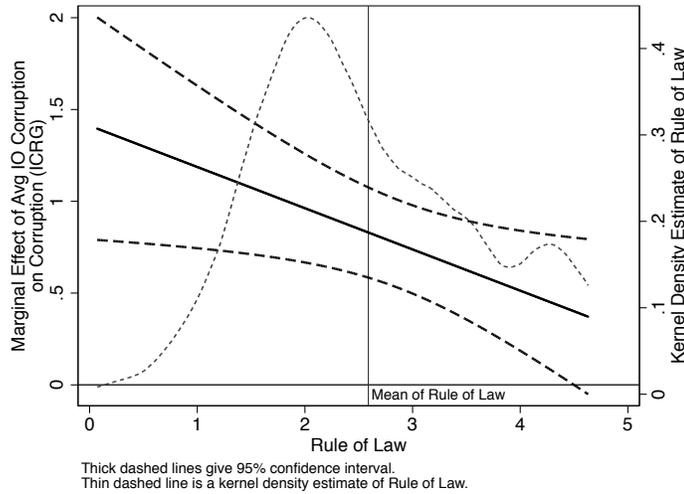
### *Domestic Enforcement*

Our theoretical argument also implies that bad governance is less easily transmitted to countries that have highly capable and independent enforcement institutions, which are likely to raise the domestic costs of engaging in political vice. To substantiate this implication, we analyze whether the *Average IO Corruption* effect is conditional on the capacity of local enforcement institutions to deter leaders from acting on these incentives by raising the domestic costs of engaging in political vice. We approximate the strength of local enforcement institutions by employing the World Bank’s *Rule of Law* indicator, which gauges perceptions of the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts. We then interact *Rule of Law* with *Average IO Corruption* and re-estimate our core model (Table 1, Model 2) including the interaction effect.

To interpret the interaction results, we present the results graphically in Figure 3 (a full set of estimates is in Appendix E). The solid line presents the marginal effects together with 95% confidence intervals (dashed lines). We also include the Kernel density estimate for *Rule of Law*, whereby the horizontal solid line presents the mean value in the sample. The findings largely support our argument. Where courts have greater capacity to enforce contracts independently from government intervention, membership in vice-ridden IO networks is less likely to foster the spread of corruption domestically. However, the contagion effect remains significant for independent judiciaries as well as for intermediate levels of the rule of law—only at the highest level of the rule of law does the effect likely dissipate.<sup>11</sup>

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<sup>11</sup> As an alternative to the World Bank measure of Rule of Law, Stanton and Linzer (2015) have developed a measurement model to generate a new time series, cross-sectional measure of *Judicial Independence (S&L)*, which is available through 2010. When we use this measure instead we find a slight, though insignificant, decline. Results are available in Appendix E.



*Figure 2: The Effect of Average IO Corruption for Different Levels of Domestic "Rule of Law"*

### *Robustness Checks*

To ensure that our main empirical results are robust, we have also conducted a large number of additional tests, which we discuss only briefly here because of space constraints. Full results and explanations can be found in the appendix. One major concern is omitted variable bias (OVB), where factors that drive corruption in a country could also drive its leaders' initial decision to become enmeshed in more corrupt IOs. Appendix F describes our methodological approach to this problem and demonstrates that OVB is likely not a problem in our case.

Appendix G provides results of estimations, which include additional control variables such as the average corruption in a country's geographic region (to test whether it is the regional diffusion of corruption rather than the influence of the IO that drives our effect), the number of IO memberships, inter- and intrastate conflict, FDI inflows, whether the country is a presidential system, the government's vote share, the mean district magnitude, and the percentage of protestants. Although some of these variables exert important influence on incidences of national corruption, they do not affect our main results.

Appendix H demonstrates that the findings are robust to using different subjective and objective measures of corruption, including the WGI score, the CPI score, the GCI score, and the Bribery Score. Our empirical analysis focuses on corruption as one important indicator of the quality of governance, however, our theory is generalizable to other forms of vice-ridden

behavior that leaders can choose to adopt (at least those where institutions and practices can be revised more easily).

Appendix I analyzes whether our statistical results are robust to using other indicators of bad governance, including Voice and Accountability, Rule of Law, Regulatory Quality, and Government Effectiveness. The results show that our findings on the diffusion of corruption carry over to other governance indicators (with the exception of the Voice and Accountability indicator).

Appendix J demonstrates that our results are robust across different types of IOs (i.e. regional IOs, all IOs, economic IOs, political IOs, and social IOs).

Appendices K and L analyze the robustness of our results to changes in the model specification. For example, we estimated models that included a lagged dependent variable, a lagged independent variable, random effects specifications, period fixed effects, or region fixed effects (Appendix K). We also estimated our model on annual data, five-year period data, and a single cross section (Appendix I). Our main findings are robust to these alterations.

## CONCLUSION

One of the central reasons that states delegate to IOs is to promote good governance—an accountable process for decision making and implementation—among members. While IOs are not always successful in achieving these goals, an abundance of studies emphasizes their beneficial effects. Alongside their positive virtues, however, is another—darker side—to cooperation that has received far less attention. Who leaders cooperate with affects how IOs influence their politics. Vices—such as corruption and the abuse of political power—risk spreading among political leaders participating in networks of organizations characterized by vice-ridden memberships. Vice-ridden organizations are unlikely to create, monitor or enforce standards to promote good governance, and leaders surrounded by vice may come to believe that the abuse of power is common, acceptable, and even desirable. This effect is only partially abated in the context of strong and independent local enforcement institutions or the presence of international anti-corruption mandates.

The value added of our approach is threefold. First, the study of corruption has been mainly focused on domestic explanations for leaders' abuse of power. Yet there is every reason to believe that IOs can and do exert a strong influence on domestic political outcomes such as

corruption and quality of governance (Pevehouse 2010). Understanding the ways in which these organizations may affect states' governance practices offers to provide new insight into the sources of political vice, and thus perhaps also the remedies. One implication is that extending IO memberships to countries characterized by extensive corruption may serve to exacerbate—and spread—the problem much in the same way that extending membership to repressive states has done so (Hafner-Burton 2013; Greenhill 2015). This suggests that policies of engagement—by encouraging formal institutional cooperation with vice-ridden states—may at times have deleterious consequences.

Second, our approach adds to the growing scholarship on social networks in international relations (Hafner-Burton and Montgomery 2006, 2008; Lupu and Traag 2013; Greenhill 2015). We highlight the crucial point that states—and their leading decision makers—are often enmeshed in a complex web of IOs (Raustiala and Victor 2004). We argue that political leaders can learn and adapt—and therefore socialize into—corrupt networks in international organizations in a very similar way that newcomers in private organizations do. And we explain why it is often that web rather than any single membership in an IO that shapes leaders' political incentives.

Finally, our research highlights a more complex, darker side of cooperation. While IOs are generally designed to solve cooperation problems and promote better governance, their makeup in terms of who seeks and is let into these clubs can also have a pernicious effect on their members. The effects on states of international cooperation through institutions look different depending on who is at the table. Whereas existing studies have focused mainly on the positive effects of international integration to reduce political vice, our analysis emphasizes the ways in which integration can promote the spread of bad governance.

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