Boundaries of Protectionism: Ethnic Politics and Elite Bargains in the Neo-Liberal Era

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Abstract

How does ethnic politics influence trade reform in low and middle-income countries? I argue that ethnic boundaries structure how liberalizing regimes co-opt protected elites. When state and industrial elites belong to the same ethnic group, shared ethnic ties help policymakers promise *favoritist* benefits - uncompetitive procurement, fiscal evasion, regulatory forbearance - for liberalizing policies. Lacking the coethnic sanctioning mechanisms to credibly make favoritist promises across ethnic lines, policymakers are more likely to retain *non-coethnic* industrialists' political and economic support by continuing protectionist policies, like tariffs. I develop and test this theory in Jordan. I compile an original import-competing industries (ICI) dataset and leverage exogenous ministerial turnover from cabinet dismissals to demonstrate that trade ministers are consistently more likely to protect *non-coethnic* import-competing industrialists in Free Trade Agreements (FTAs) and Temporary Tariff cases. Interviews with Jordanian industrialists, civil servants and former trade ministers suggest that ministers privilege *coethnic* industrialists with favoritist benefits that facilitate the removal of protectionist policies. Whether ethnic boundaries blur or sharpen state−capital lines shape how regimes sustain ruling coalitions under the strains of structural adjustment.

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1 Introduction

While the developing world has liberalized extensively over the last two decades, patterns of trade reform vary within and across low and middle-income countries. Existing scholarship argues that the makeup of ruling coalitions explains the segmented and unequal nature of trade liberalization in the developing world (De Mesquita et al., 2005; Henry and Springborg, 2010; Milner and Kubota, 2005; Van de Walle, 2001). Where ethnic politics matter, ethnic ties to policymakers are believed to help industrial elites contest trade reform (Chaudhry, 1989; Soludo et al., 2004). Ethnic loyalties, shared networks and informal institutions undermine state actors' willingness and capacity to implement liberalizing policies on their coethnics' protected industries. Instead, policymakers are expected to prioritize and limit trade reform to *non-coethnics'* industries.

This expectation has little empirical support. Developing countries where economic and state elites belong to the same ethnic group have in fact experienced *greater* trade reform over the last two decades than countries where economically dominant ethnic groups are excluded from policymaking. Figure 1 compares the Heritage Foundation's mean annual protectionist policy scores[1] between developing countries where the same ethnic group that dominates the economy also monopolizes the state or is included in ethnic power-sharing arrangements (Red), and developing countries where economically dominant ethnic groups are *excluded*[2] from the state (Blue). Indonesians of Chinese descent (Pepinsky, 2009), Central Asia's Russian communities (Peyrouse, 2008), Indo−Fijians (Shoup, 2007), Syria's Sunni bourgeoisie (Haddad, 2011) all represent economically dominant but politically *excluded* ethnic groups.[3] Approximately thirteen percent of developing countries with ethnic fractionalization scores greater than 0.01 are "Exclusionary" countries (Blue). Though lacking ethnic ties to their states' policymakers, economic elites in "Exclusionary" countries experienced *less* trade reform, even after controlling for common determinants for trade openness like population size and regime type.[4]

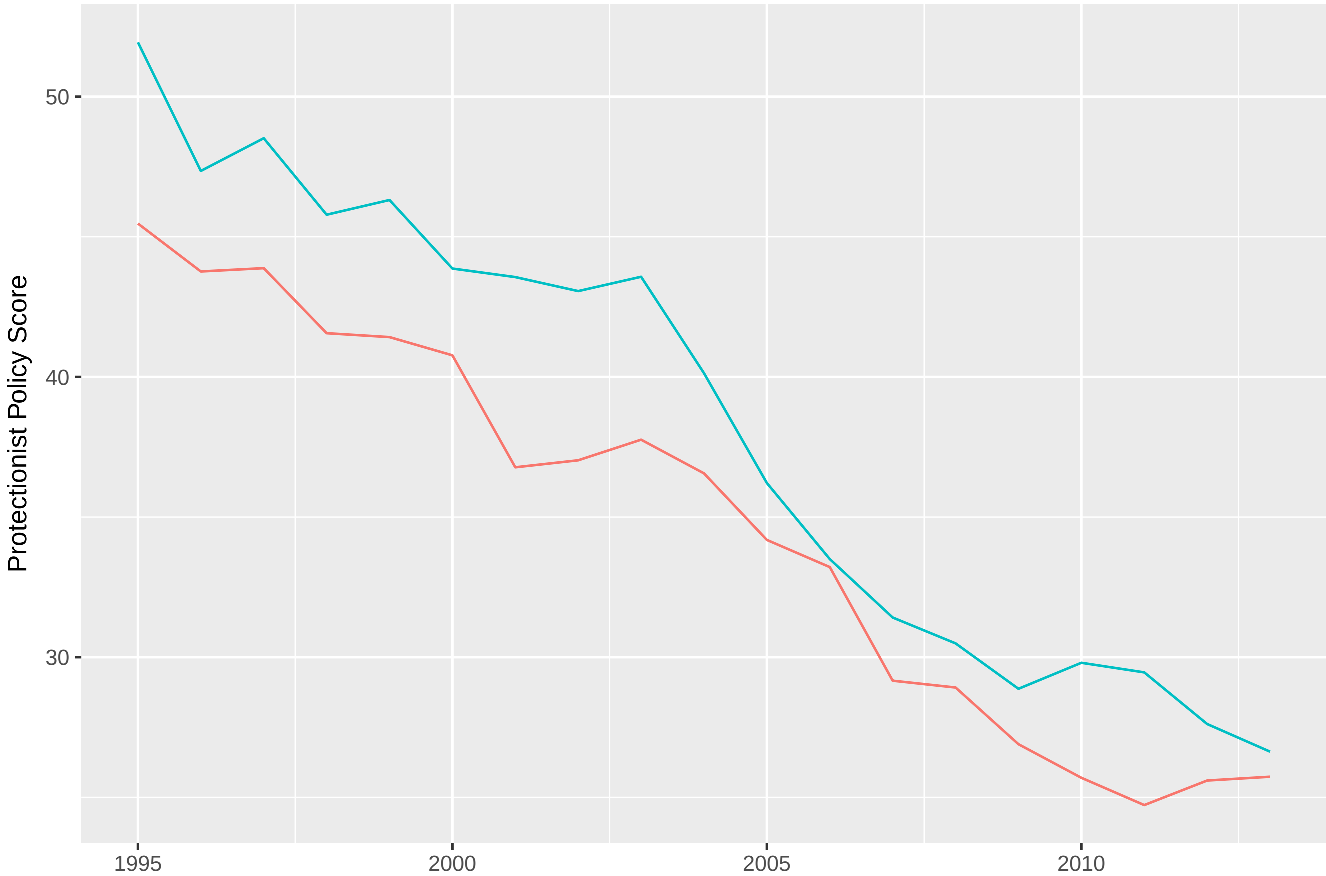
[1] Protectionist policy scores are the inverse of the Heritage Foundations' Trade Freedom scores. These scores incorporate a range of protectionist policies — tariffs, regulatory barriers, subsidies, government procurement policies — in measuring countries' trade regimes. *Higher* protectionist policy scores indicate *higher* levels of protectionism.

[2] Adopting the Ethnic Power Relations definition of political exclusion, the representatives of economically dominant ethnic groups in "Exclusionary" (Blue) countries do not have access to state power (Vogt et al., 2015).

[3] Table 7 in the Appendix identifies countries with ethnic groups the Ethnic Power Relations dataset categorizes as politically excluded (Vogt et al., 2015) in a given year and at least two secondary sources describe as economically dominant.

[4] Please see Table 8 in the Appendix.

Figure 1: Mean Annual Protectionist Policy Score for Exclusionary (Blue) and Inclusive Countries (Red)



This correlational evidence does not contradict arguments on how the make-up of coalitions structures patterns of trade liberalization (De Mesquita et al., 2005; Gray and Kucik, 2017; Milner and Kubota, 2005). Though members of politically excluded ethnic groups, the economic elites that benefit from protectionist policies in "Exclusionary" countries are by definition incorporated into ruling coalitions because they are protected (De Mesquita et al., 2005). Their protection suggests that these economic elites offer some political or economic value to their *non-coethnic* policymakers. The classic coalition arguments cannot explain, however, why economic elites from politically excluded ethnic groups are better at contesting trade liberalization than their peers in "Inclusive" countries.

I argue that ethnic boundaries shape the *types* of patronage that sustain state-business alliances under trade reform. When state and industrial elites belong to the same ethnic group, shared ethnic ties help liberalizing policymakers promise and deliver *favoritist* benefits in exchange for liberalizing policies. Favoritism is the preferential enforcement of state policies (Loewe et al., 2008). These measures are illicit and discriminatory. Common examples include the partial implementation (or non-implementation) of regulations and taxes, insider information, uncompetitive procurement and preferential access to policymakers. These are the re-organized forms of rents that characterize crony capitalism under Neo-Liberalism (Eibl and Malik, 2016; Richards et al., 2013; Schlumberger, 2008). I contribute to this literature by arguing that ethnic boundaries *impede* policymakers' ability to substitute the protectionist rents of state intervention with the favoritist rents of the Neo-Liberal Era.

I develop and test this theory in Jordan. A liberalizing economy marked by an "ethno-nationalist" (Minority at Risk Dataset, 2018) boundary between its public and private sector, Jordan offers a unique within-country analysis of how ethnic politics influence trade politics in times of structural adjustment. I assemble an original Import-Competing Industries (ICI) database that maps the ethnic make-up of over 1000 firm owners involved in manufacturing or importing 53 products across 18 industries.[5] I then leverage Jordan's ministerial ethnic quota system and exogenous ministerial turnover from cabinet dismissals to test whether Jordanian trade ministers are more likely to protect *non-coethnic* industrialists in trade policy. Congruent with my hypothesis, products with *higher* amounts of capital owned by Jordanian industrialists *without* ethnic ties to a sitting trade minister are more likely to be exempt from Free Trade Agreements (FTAs) and advance through the successive stages of Temporary Tariff cases. Interviews with over fifty industrialists, civil servants and former trade ministers suggest that, under internal and external pressures to liberalize, trade ministers privilege *coethnic* industrialists with favoritist benefits – like regulatory and fiscal forbearance, insider information, uncompetitive procurement – in exchange for trade reform.

This article begins with a brief review of existing work on ethnic politics and trade politics. It outlines two approaches with competing predictions on whether ethnic ties between state and economic elites obstruct or facilitate trade reform. The next section presents this article's theoretical contribution and argument. It proposes that ethnic boundaries influence the types of rents that preserve state-business alliances under trade reform. The following section presents these dynamics in Jordan and tests this theory in two realms of trade policy: Free Trade Agreements (FTAs) and Temporary Tariff cases. The penultimate section exhibits this theory's mechanism of coethnic favoritist benefits for liberalizing policies with evidence from interviews with Jordanian policymakers, industrialists and representatives of business associations. The conclusion proposes future avenues of research.

[5]Industries are defined at the 2 Digit HS Tariff line level

2 Literature Review: The Conventional vs. Revisionist Approach

Two views explain possible connections between ethnic politics[6] and trade reform. The conventional approach argues that ethnic ties between state elites and import-competing industrialists *obstruct* trade liberalization. Shared politically relevant ties to policymakers give business "an effective informal framework for opposing austerity measures (Chaudhry, 1989, p.103)."

Three mechanisms underlie this argument. The first is psychological. Trade policymakers' "ethnic altruism" (Franck and Rainer, 2012) towards coethnic' import-competing industrialists prevents them from implementing harmful economic policies. Ethnic favoritism motivates bureaucrats to "guard ethnic preserves within the economy and to block rival groups from advancing (Howard, 2012, p. 162)." They limit trade reform to *non-coethnics'* import-competing industries. A second mechanism is institutional. Ethnic ties to state elites accompany shared personal and kinship networks, and non-state institutions. These shared venues help industrialists hold coethnic state actors accountable through shaming (Tsai, 2007) or internal-policing (Fearon and Laitin, 1996). They give import-competing industrialists easier access (Ehrlich, 2007) to policymakers and lower lobbying costs. Congruently, politically relevant ethnic boundaries could help insulate liberalizing policymakers from *non-coethnics'* protectionist lobbying. A third mechanism points to clientelism. As with the provision of other forms of "pork" or patronage (Fearon, 1999, p.6), protection along ascriptive lines efficiently maintains political support in societies with salient ethnic cleavages (Posner, 2005). In sum, these logics predict that leaders of liberalizing regimes will prioritize protecting their coethnics' import-competing industries. Trade reform should therefore be politically easier when and where ethnic boundaries separate industrialists from policymakers.

The revisionist approach proposes the opposite. Ethnic *cleavages* between state and economic elites obstruct trade reform. Two mechanisms support this approach. The first focuses on cross-ethnic patronage. A new wave of ethnic politics scholarship questions the supremacy of ethnic favoritism in clientelism. It argues that politicians reward non-coethnics when they need them. Sectarian parties in Lebanon offer welfare services across sectarian lines in the run-up to elections (Cammett, 2014). Incumbent parties in Africa strategically allocate resources to different ethnic elites in exchange for votes (Arriola, 2009). African autocrats assign cabinet appointments proportionally across ethnic groups to counter-balance cross-ethnic *and* coethnic threats (Francois et al., 2015).

To extend this logic to trade politics, capital scarce regimes in the developing world

[6] Ethnicity in this article refers to nominal members of a group defined by inherited categories such as race, language, caste, tribe or religion (Chandra, 2006). The political relevancy of a type of ethnic categorization depends on political context (Posner, 2005).

need economic elites to invest, employ, export and attract foreign currency. Industrialists' financial resources (Grossman and Helpman, 1992), their fiscal contributions and mobility (Boix, 2003; Hirschman, 1970) embody their political influence (Lindblom, 1982).

Ethnic politics could taint these perceived dependencies. Industrial elites from politically excluded ethnic groups – *without* ethnic ties to policymakers – may be less invested in the regime's survival than their peers from politically included ethnic groups. They could be less be accepting of painful but necessary economic reforms, especially if they can invest elsewhere. Regimes may therefore be more attentive to industrial elites from politically excluded ethnic groups because they are more suspicious of their economic and political support. Given that economically dominant but politically excluded ethnic groups are generally minorities, state elites are unlikely to perceive these industrialists as direct threats to their rule. Nevertheless, they may still depend on these industrial elites to marshal their resources to assuage public discontent, especially during market transitions.

It might also be politically easier for state elites to enact harmful economic policies on their coethnics. The conventional approach posits that shared ethnic networks, organizations and institutions engender bottom-up accountability between coethnic industrialists and state elites. The revisionist account suggests the opposite. Coethnic networks and institutions promote top-down accountability. For example, Kasara argues that African leaders rely on coethnic intermediaries to disproportionately tax their coethnics' crops (Kasara, 2007). Applied to trade reform, liberalizing policymakers may leverage coethnic networks and organizations to shame, police or quell coethnic opponents to trade reform. These insights expect liberalizing leaders who depend on *all* industrialists' support to prioritize protecting *non-coethnics'* import-competing industries.

This reasoning faces limitations. The interests and influence of policymakers' *coethnics* are overlooked. Why would a leader's coethnic base support policies that distribute rewards to non-coethnics? The tools that enable leaders to sustain their coethnics' support while co-opting non-coethnics are unspecified. It also assumes that leaders can co-opt non-coethnics. How credible and sustainable is cross-ethnic patronage? How do voters or industrialists hold their non-coethnic patrons accountable if they lack the shared ethnic networks, associations or forums to sanction reneging? Finally, what costs do non-coethnics pay by accepting another group's political rule? Would non-coethnics expect *more* patronage given the political and economic uncertainties of enabling another group's rule in an ethnically divided society?

A second mechanism within the revisionist approach addresses these critiques by highlighting the non-material rewards that accompany ethnic politics. Gaikwad (2017)'s ongoing work in India proposes that ethnic altruism can disarm and compensate protectionist interests. He argues that political entrepreneurs in India strategically untangle the material and psychic benefits underlying ethnic politics (Chandra,

2007) during electoral campaigns. They use ethnic appeals to win over coethnic voters and material promises, like protectionist policies, to woo non-coethnics. In the context of trade reform, ethnic appeals may make it politically easier for state elites to liberalize their co-ethnics' import-competing industries.

Gaikwad (2017)'s argument improves the existing literature by taking non-material rewards seriously. Echoing Guisinger (2017) work in the US, it also pushes scholars to focus on individual *and* group-level interests. Import-competing industrialists may accept liberalization if their ethnic group collectively and disproportionately benefits from trade reform. However, one shouldn't dismiss the possible material rewards of having ethnic ties to policymakers. State elites can compensate coethnic import-competing industrialists in non-trade related domains like employment, procurement, regulation and taxation.

Finally, though advancing our understanding of the potential processes linking ethnic politics and trade politics, both the revisionist and conventional approach overlook *pro-trade* forces. International organizations and foreign states have a profound influence on many developing states' trade regimes. External actors' sticks (retaliatory trade measures) and carrots (aid, security pacts) shape, if not constrain, trade policymaking. These constraints were greatest after the fall of the Soviet Union. International financial institutions (IFIs), donor agencies and developed states by-and-large endorsed the trade liberalizing remedies of the Neo-Liberal era. This era spans the last thirty years. It represents a period when there was a wide ranging shift "in prevalent ideas and social relationships privileging more intense market competition, less state intervention (Hall and Lamont, 2013, p. 8)." Many policymakers (Naoi, 2015; Vreeland, 2003) and constituents in the developing world embraced these beliefs as well, especially following financial crises (Weyland, 1998) and democratic transitions (Milner and Kubota, 2005).

As Figure 1 demonstrates, developing states are *liberalizing* their trade regimes. The ratio of trade growth to GDP growth from 1990 to 2010 almost doubled (WTO, 2018, p.18), resulting in a rising "merchandise trade-to-GDP or openness ratios for all regions (Hoekman and Kostecki, 2009, p.8)." Whether due to internal convictions, domestic lobbying or external pressures, regimes have become increasingly reluctant to use protectionist policies as a means of patronage. From industrialists' perspectives, the *a priori* consequences of trade reform are uncertain, especially if it accompanies access to new markets. Ethnic boundaries may therefore mediate industrialists' trust in whether and how state elites will support them under a Neo-Liberal trade regime. Any theory examining the intersection of ethnic politics and trade politics in the contemporary developing world must address how state elites sustain industrial elites' support when the protectionist rewards that historically bound state-business alliances are rapidly dissolving.

Table 1 summarizes the predictions and mechanisms underlying the revisionist and conventional approaches. The last row in bold introduces this article's theoretical contribution.

Table 1: Literature Review

	Coethnic	Non-Coethnic	Mechanism
Conventional	Protection	Liberalization	Psychological Institutional, Clientelism
Revisionist (a)	Liberalization	Protection	Cross-Ethnic Patronage
Revisionist (b)	Liberalization + Ethnic Appeals	Protection	Material vs. Ethnic Rewards
Revisionist (c):	**Liberalization + Favoritist Benefits**	**Protection**	**Coethnic Favoritist Benefits for Liberalizing Policies**

3 Revisionism Revisited: Coethnic Favoritist Benefits for Liberalizing Policies

Ethnic boundaries structure how liberalizing regimes co-opt protectionist interests. When regimes confront external and internal pressures to liberalize, ethnic ties to import-competing industrialists enable favoritist benefits for continued support under trade reform. Lacking the shared networks and sanctioning mechanisms to credibly promise favoritist benefits across ethnic lines, policymakers are more likely to retain *non-coethnic* import-competing industrialists' support through the continuation of protectionist policies. The next paragraphs unpack this argument.

Two competing forces structure this argument. Whether due to internal or external pressures, developing regimes are opening their trade regimes. At the same time, liberalizing regimes depend on industrial elites' political and economic support. The protection offered to industrial elites in the pre-reform era confirms their political importance. Trade reform erodes protected industrialists' patronage. Divestment, capital flight and funding rivals are industrialists' main leverage on the regime. Liberalizing regimes must attend to these opposing interests. By enabling favoritist arrangements, ethnic ties to import-competing industrialists help state elites retain import-competing industrialists' support while acquiescing to liberalizing pressures.

Favoritism is the preferential enforcement of state policies (Loewe et al., 2008). State actors may allocate these favors to relatives (nepotism) or non-relatives (cronyism) (Gyimah-Boadi, 2000). These measures are illicit and discriminatory. Common examples include fiscal and regulatory forbearance, uncompetitive procurement, insider information and preferential access to policymakers. When the Arab states began liberalizing their economies in the early 1990s, historian Roger Owen warned that states were not stepping back, but "re-regulating (Owen, 2001)." "Deals not rules (Cammett, 2018)" characterized the region's political economy. The selective enforcement of economic and trade policy became a new means of maintaining ruling coalitions (Schlumberger, 2008).

Almost all of this literature, however, focuses on personal ties (Chekir and Diwan, 2014; Eibl and Malik, 2016) to the regime, or party membership (Li et al., 2008; Truex, 2014) more broadly. Unlike joining a ruling party or fostering personal connections to policymakers, industrialists have no agency over their inherited, ethnic group marker. This differentiates business politics in societies where ethnicity, as opposed to party, ideology or class, is a primary axis of political contention. Crucially, ethnic politics may also influence regimes' capacity to credibly replace existing protectionist rents with the favoritist rents of the Neo-Liberal Era.

Accepting favoritist benefits for disadvantageous economic policies requires trust and accountability. Import-competing industrialists must believe state elites will deliver on their promises for preferential treatment under the new trade regime. Discretionary, illicit and firm specific, favoritist rewards are less visible to local and international actors than the industry-wide *protectionist policies* they replace in favoritist deals. The informal nature of favoritist deals heightens the need for informal means of accountability.

Shared politically relevant ethinc ties to policymakers can help import-competing industrialists accept these illicit arrangements. Whether due to shared personal networks, norms or social sanctioning mechanisms (Habyarimana et al., 2007; Miguel and Gugerty, 2005; Whitt and Wilson, 2007), coethnic cooperation is an axiom of the ethnic politics literature. These mechanisms explain intra-ethnic international trade in weak institutional environments (Greif, 1993; Rauch and Trindade, 2002). While in-group policing may promote inter-ethnic cooperation (Fearon and Laitin, 1996), these within group power relations may also hold policymakers accountable to their sides of the favoritist bargain. Handley (2008) observes these dynamics in Sub-Saharan Africa. She finds that ethnic ties between state and economic elites enable "neo-patrimonial" rewards like government contracts and ministerial appointments that weaken the private sector's ability to contest liberalizing policies.

Favoritist deals can also benefit import-competing industrialists' ethnic groups. Guisinger (2017)'s work in the United States suggests that group level considerations are important in molding individuals' trade policy preferences. Liberalizing rulers can target coethnic industrialists' *communities* through the preferential allocation of public sector jobs, development projects and public sector spending. These group level benefits can help import-competing industrialists accept the concentrated costs of trade reform.

Import-competing industrialists with ethnic ties to policymakers may also be more invested in their liberalizing regime's survival. Regime survival continues their group's political dominance. Especially when conditional aid and military support accompany trade reform, import-competing industrialists with ethnic ties to state elites should be more accepting of economically disadvantageous policies. Favoritist arrangements also solidify ethnic power relations. Preferential state treatment for belonging to the "right" ethnic group engenders psychic benefits (Chandra, 2007) that should not be discounted.

Import-competing industrialists from politically excluded ethnic groups - groups *without* ethnic ties to policymakers - should be less accepting of liberalizing policies. Their groups' political grievances amplify non-coethnic industrial elites' threat of defection or exit. Banking on coethnic industrialists' continued support, liberalizing regimes will be more attentive to non-coethnic economic elites' trade preferences. For import-competing industrialists, this entails the continuation of protectionist policies over favoritist promises under trade reform.[7]

Maintaining protectionist policies, however, is costly. Tariffs and non-tariff barriers tax consumers and importers, upset allies, risk alienating donors and instigating retaliatory trade measures. Tax exemptions and subsidies might also incur international sanctioning in an international trading system that is expanding beyond simple tariff rates. External and local pressures to liberalize limit regimes' capacity to continue protecting *all* industrial elites. Operating under these Neo-Liberal constraints, state elites will prioritize protecting *non-coethnics'* import-competing industries, while using favoritist benefits to co-opt *coethnic* import-competing industrialists. Table 9 in the Appendix outlines the differences between favoritist benefits and protectionist policies.

Table 2 maps this theory's predictions. A hypothetical country has two ethnic groups (A (Red), B (Blue)) and actors (Policymaker, Import-Competing Manufacturer) deliberating over trade policy. I hypothesize that policymaker A is more likely to successfully liberalize import-competing manufacturer A's industry through favoritist benefits. Unable to credibly promise favoritist benefits to non-coethnic import-competing manufacturer B, policymaker A can only retain B's support by continuing protectionist policies.

[7] In terms of affecting trade *levels*, favoritist benefits are not inherently protectionist. They do not privilege domestic over international competition.

Table 2: Coethnic Favoritist Deals and Cross-Ethnic Protectionist Policies

	Import-Competing Manufacturer A	Import-Competing Manufacturer B
Policymaker A	Liberalizing Policies and Favoritist Benefits	Status Quo: Protectionist Policies

This logic also applies to pro-trade interests. An importer who belongs to the same ethnic group as a trade policymaker is less likely to mobilize for liberalizing policies like free trade agreements if he or she can use their ethnic ties to obtain favoritist benefits, like tariff evasion. The tariff evading importer may in fact prefer protectionist policies so as to undermine competition from importers of other ethnic groups. The coethnic importer may also be more accepting of the regime's justifications for tariffs to raise revenue or help local industry. Importers *without* ethnic ties to regime leaders are less likely to accept favoritist promises or the regime's protectionist justifications. They will lobby for liberalizing trade policies like international trade agreement that tie their government's hands.

Table 3: Coethnic Favoritist Deals and Cross-Ethnic Liberalizing Policies

	Importer A	Importer B
Policymaker A	Protectionist Policies and Favoritist Benefits (Tariff Evasion)	Liberalizing Policies

In sum, ethnic ties between regime and industrial elites in ethnically diverse countries diminish the importance of trade policy as a form of patronage under trade reform. Within ethnic group commitment and sanctioning mechanisms allow favoritist deals to maintain the state-business alliances that were forged in the preceding protectionist era. State and import-competing industrialists are therefore *less* resistant to *removing* protectionist policies when bound by ethnic ties. This reasoning mirrors Jha's work on economic complementarities between Hindus and Muslims and legacies of ethnic tolerance in South Asia (Jha, 2013). In trade politics, ethnic boundaries shape how economic and political elites sustain their political and economic interdependencies in times of economic reform.

3.1 Scope Conditions

Important scope conditions bound this theory. These dynamics are most applicable to developing economies. Trade liberalization disproportionately benefits labor over capital - the relatively scarce factor endowment - in these environments (Heckscher and Ohlin, 1991). New work questions these assumptions. Kim (2017) highlights *within* industry product differentiation in helping firms overcome their collective action problems to lobby *for* trade liberalization and access to new markets. Given the developing world's paucity of research and development and weak property rights relative to the developed world, *within* industry product differentiation is likely to be much less pronounced in a developing context. Osgood et al. (2017) identify "super star" exporters in the developing world as fifth columns for trade liberalization. Nevertheless, these "super stars" are unrepresentative of the developing world's manufacturers. This theory expects manufacturers, the generalized "losers" of trade liberalization in the developing world, to more effectively lobby for protectionist policies than a free trade coalition of consumers, laborers, importers and exporters. However, this theory does not discount the interests of importers. If state actors are primarily responsive to non-coethnic economic elites' trade policy preferences, they should be *less* likely to protect industries where the political and economic weight of non-coethnic importers outweighs non-coethnic manufacturers.

Second, this theory focuses on state and economic elites, defined as "relatively small groups or strata that exert great influence, authority of power of decision (Collier and Collier, 2002, p. 782)." Elite collective action underlies state capacity and regime type (Slater, 2010). Elite cohesion and commitment are also vital to major economic reform (Haggard and Kaufman, 1992, p.52). State and economic elites are therefore crucial to the bargains and rents that scaffold trade reform in developing countries with salient ethnic cleavages.

4 Ethnic Politics and Trade Reform in Jordan

Jordan provides an ideal case to examine how ethnic politics influence trade politics in times of economic reform. An "ethno-nationalist" boundary (Minority at Risk Dataset, 2018) demarcates Jordanian politics between citizens whose ancestors originate west (henceforth referred to as Palestinians and represent 60 % of the population) and east (henceforth referred to as East Bankers and represent 40 % of the population) of the Jordan river.[8] When the British government awarded the Hashemite monarchy Jordanian territory in the 1920s, the newly installed regime offered the country's

[8] Percentages are from the Ethnic Power Relations dataset (Cederman et al., 2009).

predominantly rural, East Bank inhabitants public sector employment (Marie Baylouny, 2008) and the mercantile, elite Palestinian population protectionist rewards such as import quotas (Amawi, 1993) and regulatory barriers to trade (Carroll, 2003; Greenwood, 2003, p.251). The arrival of Palestinians from Israel in 1948 doubled the Kingdom's population and brought a new class of Palestinian capitalists into the Jordanian economy (Gandolfo, 2012; Knowles, 2005). The ethnicized boundaries between the public and private sector solidified after the Jordanian − based Palestinian Liberation Organization (PLO) failed to topple the monarchy in the Black September insurgency of 1970. While East Bankers fought on both sides of the conflict, Palestinians were largely purged from the state, turning the public sector into an East Bank *"ethnocracy"* (Yom, 2015, p.211). Nevertheless, the Hashemite regime still needed Palestinian capitalists to industrialize. Import Substitution Industrialization (ISI) policies in the 1970s and 1980s helped co-opt the predominantly Palestinian economic elite (Moore, 2004, p.69), (Carroll, 2003, p.33),(Piro, 1998).[9]

The East Bank and Palestinian binary categorization is an obvious simplification (Marie Baylouny, 2008, p.278). Identities are flexible and context specific. There are important social, economic and historical differences within each group that shape their members' relations across groups and with the Hashemite regime. Intermarriage further muddies these distinctions. However, the Hashemite regime's institutionalized ethnic divide between the public and private sector anchors each group's collective welfare with their economic sector's welfare. Ethnic politics are inseparable from economic politics in these environments.

Economic crisis and conditional aid pushed the Jordanian monarchy to abandon its statist policies in the early 1990s (Knowles, 2005). Jordan's growing geopolitical significance following the Oslo accords and 9/11 motivated trade agreements with the US and the EU in exchange for developmental, military and political support (Al Khouri, 2008; Prados, 2002), (Carroll, 2003, p.92). For example, the World Bank's 3rd Economic Reform and Development Loan issued to Jordan in 2001 was conditional on "the removal of the remaining trade and investment barriers, an Association Agreement on trade relations with the EU; and accession to the World Trade Organization (WTO) (Knowles, 2005, p.107)." When current King Abdullah ascended to power in 2000, he vowed to liberalize the Jordanian economy (Anani, 2001). Mean weighted manufacturing tariff rates fell more than 15 percentage points during his first 16 years of rule (World Bank, 2017). While importers at Amman's Chamber of Commerce (ACC) championed Jordan's integration into the global economy (Carroll, 2003, p.90), many Jordanian manufacturers, particularly from well-established business families[10], opposed (Anani, 2001) and still oppose[11] trade liberalizing policies.

[9] Interview with Trade Minister 5, Nov. 9, 2017

[10] Interview with Western Diplomat A, Jun.15, 2014; Interview with USAID Contractor and trade specialist, *Skype Interview*, Jun. 17, 2016, Princeton, NJ, USA

[11] A recent statement by the Jordanian Investors Association (JIA), an association representing Jordan's largest industries, epitomizes many industrialists' frustrations with trade reform. Calling for an immediate halt to trade

Confronted by high unemployment and slow growth, the Hashemite regime depends on industrial elites. Industry contributed over a quarter of Jordan's 2016 GDP and hired a fifth of the labor force (Ghad, 2017). Almost 90 percent of Jordanian exports in 2016 came from industry, making it a critical source for foreign currency. Capital flight weakens the Hashemite regime. More Jordanian capital is invested in Abu Dhabi than the Amman stock exchange (Ghad, 2016). Almost three quarters of Jordanian firm owners in a recent email survey reported that they are considering moving operations abroad (Wakeel, 2017). Understanding how the Jordanian regime manages pressures to liberalize while retaining the political and economic support of its economic elites underscores the need to study the intersection of ethnic politics and trade politics.

4.1 Ethnic Quotas and Ministerial Turnover at the Ministry of Industry and Trade and Supply (MITS)

Jordan offers a rare, *within* country opportunity to assess how ethnic boundaries between industrialists and trade policymakers influence patterns of trade reform. Two institutional characteristics structure economic policymaking in Jordan. The first is an ethnic quota system that guarantees Palestinian elites some representation in policymaking. This practice dates to the origins of the Hashemite Kingdom. Fearful that Jordan's financially autonomous business class would side with political rivals, Jordan's first King Abdullah appointed members of elite Palestinian families into influential state positions to help guide statist policies (Piro, 1998, p. 29, 96). Today, an unwritten[12] and controversial[13] ethnic quota system between East Bank and Palestinian elites structures ministerial appointments. Figure 7 in the Appendix graphs the ratio of Palestinian ministers in cabinet from 2004 to 2012. To the frustrations of many Palestinian-Jordanians (News, 2008), ministers of Palestinian descent consistently occupy between 20 - 30 % of cabinet posts despite belonging to a group that represents at least two−thirds of the Jordanian population.

This ethnic quota system affects who leads the Ministry of Industry of Trade and Supply (MITS), the "*fulcrum*"[14] of Jordanian trade and industrial policy. Five of the last fifteen trade ministers were of Palestinian origin, covering almost 40 % of the months from 2000 to 2016 (see Figure 9 in the Appendix). In interviews with seven former trade ministers of both Palestinian[15] and East Bank[16] descent who

liberalization, the association blamed these "baffling" IMF backed policies for "paralyzing" industrialists' efforts to rescue their sectors from collapse (Jordan Investors Association, 2016).

[12] WikiLeaks Cable,$08AMMAN3365_a$

[13] See (Al Khaitan, 2013; David, 2010; Ryan, 2010)

[14] Interview with Jordanian Trade Lawyer A, Sep. 5, 2016, Amman, Jordan

[15] Trade Minister 1, 5, 7

[16] Trade Minister 2, 3, 4, 6

served between 2000 and 2016[17], ministers acknowledged the importance of ancestry in ministerial appointments.[18] However, in terms familiar to social scientists, one former minister explained "my origins were a necessary but insufficient condition for my appointment."[19] Education, professional background and expertise also matter.[20] Palestinian and East Bank trade ministers share similar professional, educational and demographic characteristics (see Table 13 in the Appendix).

High and unpredictable ministerial reshuffling is a second feature of Jordanian economic policymaking (Piro, 1998, p.81). Figure 2 graphs the number of newly appointed cabinet members for every month from 2000 to 2016. Constant ministerial reshuffling is a power balancing tactic that "simultaneously separates political elites from their social base while making them more dependent on the Palace (Becker and El-Said, 2013, p.127)." Cabinet shakeups tend to follow political scandals and growing public discontent. Two-thirds of cabinet members were replaced following hotel bombings in November 2005. Four years later, the King dismissed cabinet over corruption allegations.[21] A Prime Minister's heated dispute with the King over electoral laws provoked another cabinet reshuffle in April 2012 while the minister was on an official visit to Turkey (Al Samadi, 2013).

[17]Pre 2008: Trade Minister 3, 7, 2; Post 2008: Trade Minister 4, 5, 6, 1

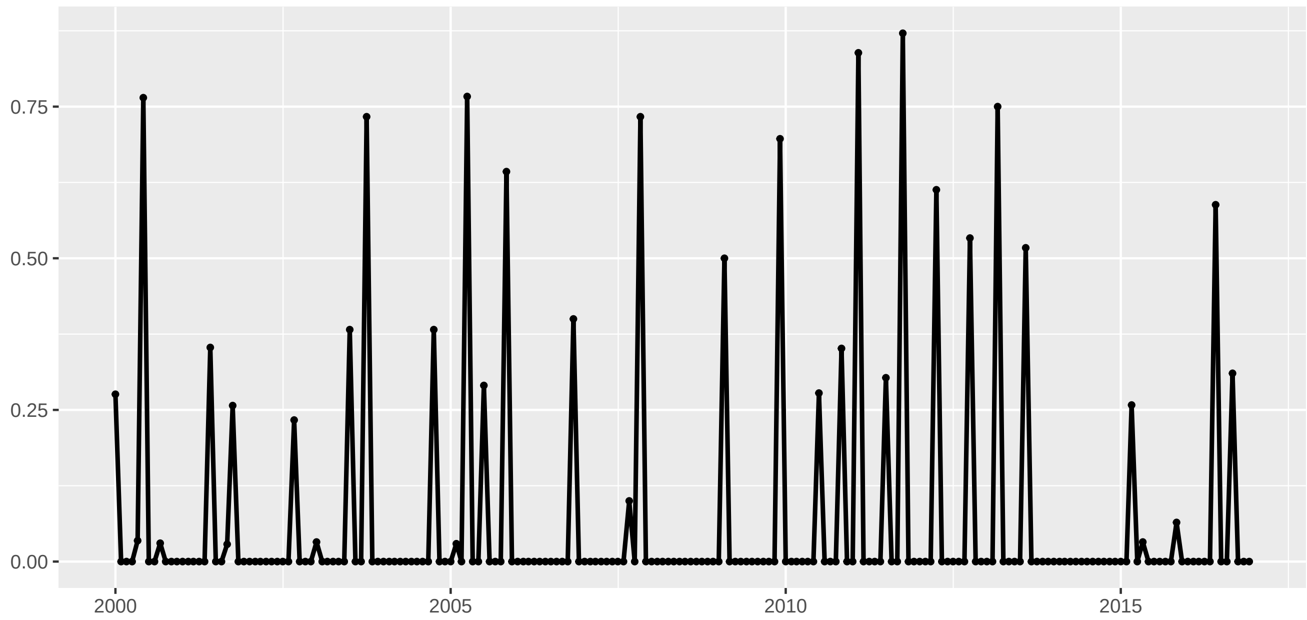
[18]Interviews with Trade Minister 2, 3, 4, 5, 6

[19]Interview with Trade Minister 3

[20]Interview with Trade Minister 4

[21]Wikileaks Cable. $09AMMAN26971_a$

Figure 2: Monthly Ratio of New Cabinet Assignments (Source: Office of the Prime Minister)



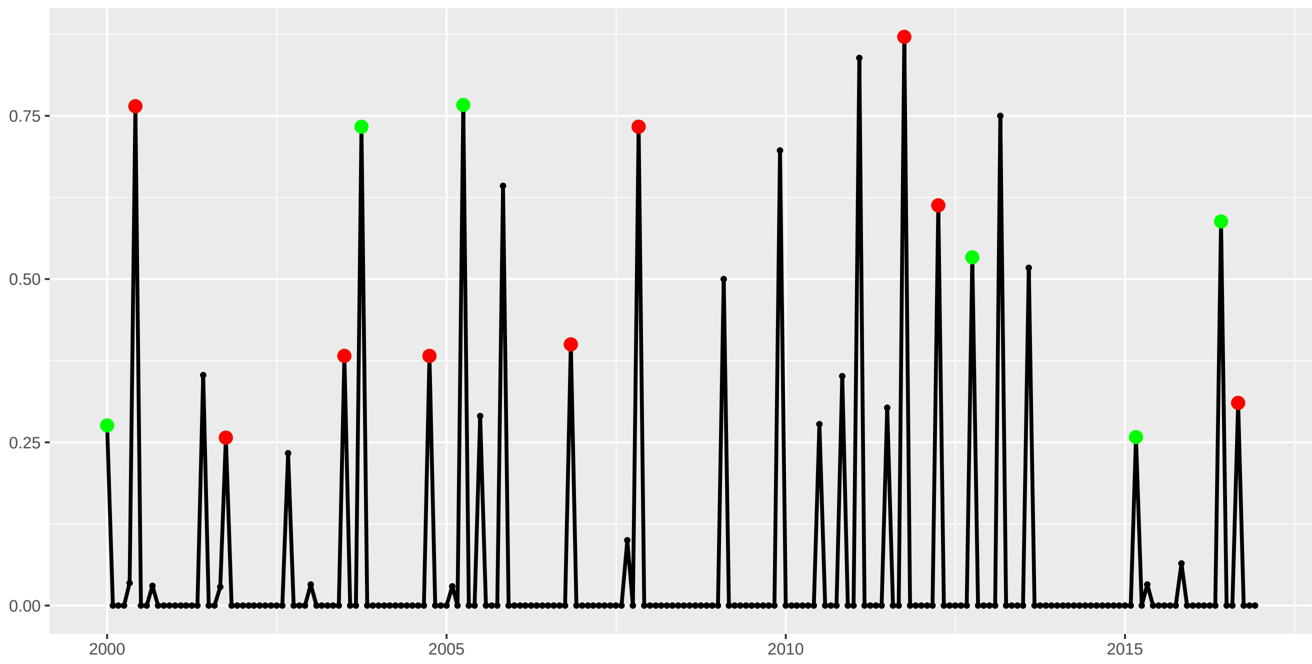
Trade ministers are victims of permanent reshuffling. There were fifteen trade ministers in the sixteen years following Jordan's ascension to the WTO. Trade ministers offered varied explanations for their dismissals. They blamed feuds with other cabinet members[22] and the Prime Minister.[23] One resigned in solidarity with a fired Prime Minister.[24] Another minister's tenure ended with his assignment to another ministry.[25] One claimed not to know why he was dismissed,[26] though rumors attribute his removal to the King's discovery that said minister did not speak proficient English.[27] The Arab Spring protests in February 2011 terminated trade minister Aamer Al Hadidi's tenure. Yarab Al Qada's appointment ended after mass protests against IMF−backed tax hikes in June 2018 provoked another cabinet dismissal.

Jordan's high ministerial turnover and ethnic quota system structures *who* oversees Jordanian trade policy and *where* they are from. Figure 3 applies green and red dots to the previous figure to indicate the appointment of a new Palestinian (green) or East Bank (red) trade minister. Patterns of appointing East Bank or Palestinian trade ministers are clearly unsystematic. The duration of ministerial tenures is also unpredictable. The last sixteen trade ministers remained in office for an average of fourteen months. The longest tenure of those sixteen lasted over three years (Aamer

[22] Interview with Trade Minister 3
[23] Interview with Trade Minister 5
[24] Interview with Trade Minister 6
[25] Interview with Trade Minister 7
[26] Interview with Trade Minister 2
[27] Interview with Jordanian Journalist C, Oct. 1, 2017

Al Hadidi). The shortest was three months (Mohamad Aboud Hamour). We do not know how long the current trade minister will remain in office, nor whether his replacement will be of Palestinian or East Bank origins. The high and plausibly exogenous turnover of Palestinian and East Bank trade ministers offers a unique, *within* country analysis of how the incorporation of trade policymakers from different ethnic groups influence trade policy over their coethnics' and non-coethnics' industries.

Figure 3: Monthly Ratio of New Cabinet Assignments (Source: Office of the Prime Minister)



Some may wonder that permanent ministerial reshuffling trivializes trade ministers' influence over trade policy. While high turnover renders some ministers "too hesitant and unmotivated" to embark on controversial reforms (Al Issa, 2007, p. 9)[28], other ministers actively distance themselves from these initiatives and promote their own agendas "as their links to their tribes or local constituencies" outweigh their temporary government position (Al Issa, 2007, p. 11). High and unpredictable turnover contributes to the highly personalistic nature of Jordanian trade policymaking. A former trade negotiator at the MITS complained that "a new minister might not believe in the predecessor's policies and change them, upsetting different economic sectors."[29] Industrialists loath the time needed to get to know new trade ministers.[30] A former secretary general of the Jordan Chamber of Industry joked that all of his recommendations to the ministry's employees were always "forgotten within the first 48 hours of

[28]Interview with CEO of Chocolate Manufacturing Firm, Oct. 25, 2016, Amman, Jordan
[29]Jordan Trade Negotiator A.
[30]CEO of leading sanitary paper manufacturer, Phone Interview, Oct. 1, 2016, Amman, Jordan

a new minister's appointment."[31] "If the government had a coherent economic vision," remarked another industrialist, "we would be less dependent on individual trade ministers."[32]

Jordanian trade ministers provide a *hard* test for this theory. Given King Abdullah's ostentatious support for trade liberalization (Orme, 2000), one would expect that the ethnicities of permanently reshuffled trade ministers have no effect on trade policy.

In the next sections, I leverage Jordan's high and plausibly exogenous ministerial turnover at the MITS to test whether trade ministers are more likely to support *non-coethnic* economic elites' interests in Free Trade Agreements and Temporary Tariff cases.

5 Protecting Non-Coethnics: Evidence from Free Trade Agreement (FTA) Exemptions

Jordan's Free Trade Agreements (FTA) offer a first test of the proposed theory. Free Trade Agreements (FTAs) allow WTO member states to defy Most-Favored Nation (MFN) treatment by providing lower tariff rates to privileged trading partners.

Many local actors and institutions craft Jordan's FTAs. King Abdullah II has also been very active in promoting trade reform (Orme, 2000). FTAs require inter-ministry coordination and parliamentary approval (Pitigala et al., 2008; Wright, 2005). Concurrent with trade politics across the world, a USAID report on trade policymaking in Jordan noted that "political interests tend to initiate and intervene in the negotiation process" for new trade agreements (Wright, 2005).

Trade ministers are not marginal to these processes. "On a technical level, ministers have no role in trade negotiations," commented a representative from the Ministry's Foreign Trade Policy Directorate, but "when we are stuck on special issues, when issues become *political*, then we call on the minister to discuss it with his or her counterpart."[33] These complications generally stem from which products are on the "sensitive list", the most protective or gradual tariff reduction schedules. How hard a minister bargains for this list depends on a case-by-case basis (Ibid).

I hypothesize that trade ministers are more likely to exempt non-coethnics' import-competing industries from FTAs. FTA exemptions embody a continuation of protectionist policies. I test this hypothesis using tariff reduction schedules from Jordan's FTAs with the United States (JUSFTA, 2000) and Turkey (JFTA, 2009). These are the largest economies to have signed FTAs with Jordan since it joined the WTO. The two trade ministers who signed these FTAs were of East Bank descent.[34] Negotia-

[31] Interview with former secretary general of the Jordan Chamber of Industry, Oct 10, 2016, Amman, Jordan.
[32] CEO of leading sanitary paper manufacturer
[33] Interview with representative of Ministry's Foreign Trade Policy Directorate, Amman, December 18 2016
[34] Wasaf A'zer in October 2000; Aamer Al-Hadidi in December 2009

tions over these agreements began before both ministers' tenures. Jordan's parliament, which then votes on these agreements, also disproportionately represents East Bank constituents (Schwedler, 2010). One might expect that it would be easier for Jordanian manufacturers of East Bank descent to lobby and obtain exemptions from FTAs under these conditions.

I predict the opposite. Import-competing products with higher amounts of capital owned by manufacturers of Palestinian descent − manufacturers *without* ethnic ties to these agreements' trade policymakers (Non-Coethnic Manufacturing Capital) − are *more* likely to be exempt from Free Trade Agreements. I also hypothesize that import-competing products with higher amounts of capital owned by importers of Palestinian descent (Non-Coethnic Importing Capital) are also *less* likely to be exempt from FTAs.

5.1 Mapping the Ethnic Makeup of Jordanian Industry: Import-Competing Industries (ICI) Database

Assessing these hypotheses requires mapping the ethnic make-up of Jordanian industrialists involved in manufacturing and importing import-competing products. I categorize all Jordanian products that have applied for temporary−tariff relief from 2000, when Jordan joined the WTO, to 2016 as representative of import−competing industries. Under Article XIX of the GATT, WTO member states can temporarily raise tariffs on products if an increase in imports (Bown and Crowley, 2005) "has caused, or threaten to cause serious injury" to a domestic industry (Article 4, Clause 1). Since joining the WTO, Jordanian industrialists have formally requested that 38 products obtain temporary tariff relief. These products span 16 different industries. I include an additional four industries[35] deemed at "risk" of international competition by USAID in 2004 (Wright, 2004, p.64) to account for industries threatened by international trade but which have not applied for temporary tariff relief. This produces a population of twenty industries across 55 products[36] that constitute the Import−Competing Industries (ICI) dataset. Table 14 in the Appendix lists these products. Given Jordan's high energy and labor costs most of the products in the ICI dataset are energy (aluminium, steel) and labor (shoes) intensive. There are also many non-differential products like pasta, paper and ceramic tiles. These industries suffered from China's ascension into the WTO and the loss of the Iraqi market after the US led invasion in 2004.

I collect publicly available firm registration data for all firms involved in manufacturing or importing the products in the ICI dataset with at least 10,000 Jordanian

[35] Categorized under ISIC Rev. 3

[36] Note each product has a minimum four digit HS Tariff Line classification

Dinars (approximately 14,000 USD) in registered capital.[37] I match firms to product lines using the Ministry of Industry and Trade and Supply (MITS) and the Company Control Directory (CCD)'s six digit industrial classification scheme. All single ownership firms are required to register at the MITS' registration directorate. Non-single ownership firms (limited liability, publicly owned, simple recommendation) are required to register at the CCD. These publicly available registration records include date of establishment, firm address, products, investors and owners' names and nationalities, and total registered capital. I exclude firms located in Special Economic Zones because they operate under a different legal landscape. Firm owners are obligated to notify the MITS and CCD and update their registration form whenever new investors acquire capital, more registered capital is issued, new products are produced, legal status changes or business operations are terminated. These changes are dated and listed in the MITS and CCD's online firm registration database. Though compliance varies[38], firms that update their registration forms provide temporal data.

I limit my analysis to firms that were manufacturing or importing the products in the ICI database in 2000 and 2009, the years the US and Turkish FTAs were signed. This produces a population of 715 firms (334 in manufacturing, 369 in importing) across 18 industries representing 53 products.

To map the ethnicity of the manufacturers and importers across these industries, I identify the largest contributor of registered capital for each manufacturing and importing firm associated with a product in the dataset each year. I use a dictionary of Jordanian and Palestinian family names (Ameeri 2014) to classify the ethnicity of a firm's largest investor. This dictionary compiles over 144 genealogical sources to specify the East Bank or Palestinian origins of family names. It has been used in published scholarly work on Jordan (Gao, 2016). I assign *all* of a firm's registered capital to its leading investor's ethnic group. I identify "East Bank" and "Palestinian" firms if a firm's largest investor is Jordanian and his or her surname has an exclusively East Bank or Palestinian listing in the tribal dictionary. Approximately a third of the surnames in the database are associated with East Bank *and* Palestinian families. I label firms "Mixed" if their largest investor is Jordanian and his or her surname has dual ethnic listings, or is missing from the tribal dictionary. In total, I categorize 117 unique Jordanian surnames as "East Banker", "Palestinian" or "Mixed" in this dataset. The fourth category, "Foreign", represents firms where the largest investor is non-Jordanian.

This classification method has limitations. Assigning all of a firm's registered capital to one group based on the ethnicity of its largest investor ignores multi-ethnic firms, or instances of Palestinians partnering with East Bankers to facilitate state-business relations (Abu-Odeh and Delvoie, 2000). Nevertheless, this rough measure largely accords with scholarly accounts of Palestinians' dominance over the Jordanian

[37]Registered capital is the amount of capital a firm can legally issue to shareholders
[38]Some firms never update their registration form.

private sector (Reiter, 2004).

Table 10 in the Appendix offers descriptive statistics of the firms of the ICI dataset for the FTA analysis. Forty one percent of firms are Palestinian, forty percent are Mixed. Foreigners and East Bankers represent approximately ten percent of firms each. The distribution of firm size in registered capital is heavily skewed. The median size is 60,000 JD (USD 85,000), while the mean firm size is 751,000 JD. The largest decile of firms in the dataset have over a million JD in registered capital. I checked the ethnic classifications of investors for firms in the top decile using online biographical and firm information. The mean firm has two investors of registered capital. The vast majority of firms in this dataset are not listed in the Amman Stock Exchange. While much of the business politics and crony capitalism literature focuses on publicly trade firms because of data constraints (Chekir and Diwan, 2014; Reiter, 2004; Truex, 2014), this dataset incorporates the broader population of firms.

Table 11 in the Appendix disaggregates these firm level characteristics across Palestinian, East Bank and Foreign owned firms. Congruent with existing work on Jordan's political economy, East Bank firms in the ICI dataset are more likely to be concentrated in extractive industries[39] (Reiter, 2004). East Bank and foreign owned firms tend to be much larger and more manufacturing oriented than Palestinian owned firms.

I add the total amount of registered capital invested in manufacturing or importing an import-competing product attributed to each group (Palestinian, East Banker, Mixed, Foreign). I match the ICI products' HS tariff line codes to each FTA's tariff schedules for these products. These agreements' tariff schedules are available from the WTO's Regional Trade Agreement profile of Jordan.[40] I match these agreements' product tariff line schedules to the closest product specification in the ICI dataset. Some of the product tariff line specifications from the FTA are more specific than the ICI product classification, creating more product observations than ICI products. For example, Import-Competing Product 2505 (natural sands, quartz) from the ICI dataset was matched with all six digit tariff lines with 2505 as the first four integers from the FTA agreements.

I exclude all products from the dataset with tariff rates at zero during the time of the FTA because they already operate in a free trade environment. This produces a population of 171 import-competing products - FTA agreement. Thirty eight (22 percent) of these products were exempt from any tariff reductions in at least one of the FTAs. The outcome variable in these logit models (*Exemption*) is a binary equal to 1 if a product in an FTA is exempt from tariff reductions.

For each product-FTA agreement, I control for the total amount of registered manufacturing capital and the total amount of registered importing capital. I also control for the amount of manufacturing capital and importing capital attributed to foreign-

[39] Defined as the Mineral, Metals, Chemicals and Stone sectors.

[40] http://rtais.wto.org/UI/PublicSearchByMemberResult.aspx?MemberCode=400lang=1redirect=1

ers. I log all explanatory and control variables. I use sector[41] fixed effects to account for sector-specific characteristics, like capital mobility, that could influence lobbying strength. I cluster standard errors at the ICI product level.

5.2 Hypotheses

I hypothesize that products with *higher* amounts of capital owned by Palestinian manufacturers (*Non-Coethnic Manufacturing Capital*) are *more* likely to be exempt from FTAs. Products with *higher* amounts of capital owned by Palestinian importers (*Non-Coethnic Importing Capital*) are *less* likely to be exempt from FTAs.

- H1a: *Higher* levels of *Non-Coethnic Manufacturing Capital* correlate with a *greater* likelihood of FTA exemption.
- H1b: *Higher* levels of *Non-Coethnic Importing Capital* correlate with a *lower* likelihood of FTA exemption.

I model this relationship as:
For product j in FTA$_i$

$$\textit{Free Trade Exemption} = \beta_1 X_1 + \beta_2 X_2 + \gamma_X$$

Where β_1 represents Non-Coethnic Manufacturing Capital (logged), β_2 equals Non-Coethnic Importing Capital (logged), and γ represents Foreign Manufacturing Capital (logged), Foreign Importing Capital (logged), Total Manufacturing Capital (logged), Total Importing Capital (logged), and sector fixed effects.

Higher amounts of Non-Coethnic Manufacturing and Import capital in this model equal *lower* amounts of Coethnic Manufacturing and Importing Capital, which are operationalized as the total amount of East Bank capital (logged) and Mixed capital (logged). Because I cannot disaggregate the ethnic origins of capital owners with "Mixed" family names, this modeling specification is a more conservative estimate of Non-Coethnic Manufacturing capital as there are likely to be Non-Coethnics that are grouped into this category. Indeed, given Palestinian-Jordanians' economic prevalence, one should expect that most firm owners with "Mixed" last names to be of Palestinian descent. I operationalize Non-Coethnic Manufacturing and Importing Capital as Palestinian plus Mixed Capital (logged) as a robustness check.

[41] First digit HS Product Line Level

5.3 Results

The first column of Table 12 supports Hypothesis 1a and 1b. ICI products with *higher* levels *Non-Coethnic Manufacturing Capital* are *more* likely to be exempt from FTAs (H1a). This positive relationship is significant at the five percent level. The coefficient implies that doubling the amount of registered capital associated with Palestinian manufacturing firms renders a product's odds of exemption 152 percent of what it would have been otherwise. Confirming Hypothesis 1b, products with *higher* levels *Non-Coethnic Importing Capital* are *less* likely to be exempt from FTAs. Doubling the amount of Palestinian capital invested in importing an import-competing product correlates with an odds of FTA exemption that is 72 percent of what it would have been otherwise. These results hold when modeling Non-Coethnic Manufacturing and Importing capital as representing Palestinian *and* Mixed capital (Column 2 of Table 12). Economic elites *without* ethnic ties to trade policymakers appear more successful at obtaining preferential trade policies than their peers with ethnic ties to policymakers.

These findings are at best correlational. The ethnic make up of the importers and manufacturers lobbying for a product's FTA exemption is not randomly determined. Though these models employ sector[42] fixed effects, they cannot rule out sector-level characteristics that determine the ethnic make up of an industry and its lobbying capacities. Jordan's capitalist class also changed significantly from 2000 to 2009. The US occupation of Iraq brought a wave of high income Iraqis to Amman. The international diversification of Jordan's industrial class coincided with the Kingdom's liberalizing reforms. The positive correlation between levels of Palestinian manufacturing capital and protectionist policies may simply reflect Palestinians' greater dominance of Jordan's industry in the earlier era. Finally, because both trade ministers that signed the US and Turkey FTAs were of East Bank origins, this analysis does not provide a counter-factual for how the inclusion of a Palestinian trade minister would have affected these outcomes. If ethnic ties between state elites and import-competing industrialists facilitate trade liberalization, we would expect trade ministers of Palestinian descent to be *less* likely to liberalize import-competing industries dominated by East Bank manufacturers.

The next section examines Jordanian temporary tariff cases from 2000 to 2016 to demonstrate that ministers from *both* ethnic groups are consistently more likely to support *non-coethnic* import-competing manufacturers.

[42]Defined as the first digit of an HS Tariff Line

6 Ethnic Boundaries and Temporary Tariff cases

Unlike Jordan's free trade agreements which required parliamentary approval and coordination with other ministries (Pitigala et al., 2008; Wright, 2005), trade ministers have significantly more discretion over temporary tariff or "safeguard" cases. WTO member states can temporarily raise tariffs on products if an increase in imports (Bown and Crowley, 2005) "has caused, or threaten to cause serious injury" to a domestic industry (Article 4, Clause 1). Member states investigate temporary tariff requests on behalf of local industry. If the investigation "proves" that imports seriously injured industry, the applicant can legally impose a tariff increase for four to eight years. Temporary tariffs - in addition to other temporary trade barriers like anti-dumping measures or countervailing duties - have increased dramatically in the developing world since the Great Recession (Bown and Crowley, 2013).

To obtain temporary tariff relief, Jordanian manufacturers representing at least a quarter of an industry's capital[43] must first send a letter to the trade minister requesting a petition (Regulation on the Safeguard of National Production, Article 7). Pending the trade minister's signature, the MITS' National Production Protection Directorate (NPPD) conducts a preliminary investigation of the manufacturers' claim of serious injury from imports. This requires a NPPD led corporate audit, to the disdain and trepidation of many temporary tariff applicants.[44]

The NPPD then submits its findings from the preliminary investigation to the trade minister. The minister then unilaterally decides whether to dismiss or elevate the safeguard petition in to a safeguard investigation (Article 11). The WTO's Safeguard Committee and at least two local newspapers must be notified if a safeguard investigation is initiated. Importers and foreign exporters are then invited to the ministry to argue against the measure or negotiate a compromise. A trade minister can terminate an investigation at any time (Article 18). Upon the investigation's conclusion, and following consultations with the NPPD, the minister submits his or her recommendation to the Prime Minister and the cabinet for their approval (Article 23).

How much influence trade ministers have on this final state or stage of a temporary tariff case varies by minister and case. Some former trade ministers[45], NDDP employees[46] and trade consultants[47] described cabinet deliberations over temporary tariff measures as a formality. Others recounted cabinet establishing alternative safe-

[43]Interview with Employee A at the National Production Protection Directorate, September 22, 2016, Amman, Jordan.

[44]Interview with Trade Lawyer B

[45]Trade Minister 1, 3, 4

[46]Interview with Employee B at the National Production Protection Directorate, September 30, 2016, Amman, Jordan.

[47]Skype Interview with USAID contractor and trade specialist, Jun 17 2016

guard investigative committees[48], disclosed rumors of cabinet members from other ministries overturning trade ministers' recommendations[49] or interfering in trade policy more broadly.[50]

The ambiguities pertaining to the definition of "serious injury" in Article XIX amplify trade ministers' discretion over the different states and outcomes of temporary tariff cases. Article XIX does not specify the extent to which relative or absolute increases in imports constitute a serious injury to industry. The uncertainties over the validity of manufacturers' evidence of injury compounds this ambiguity. One NPPD employee described assessing temporary tariff requests as "an art and a science."[51]

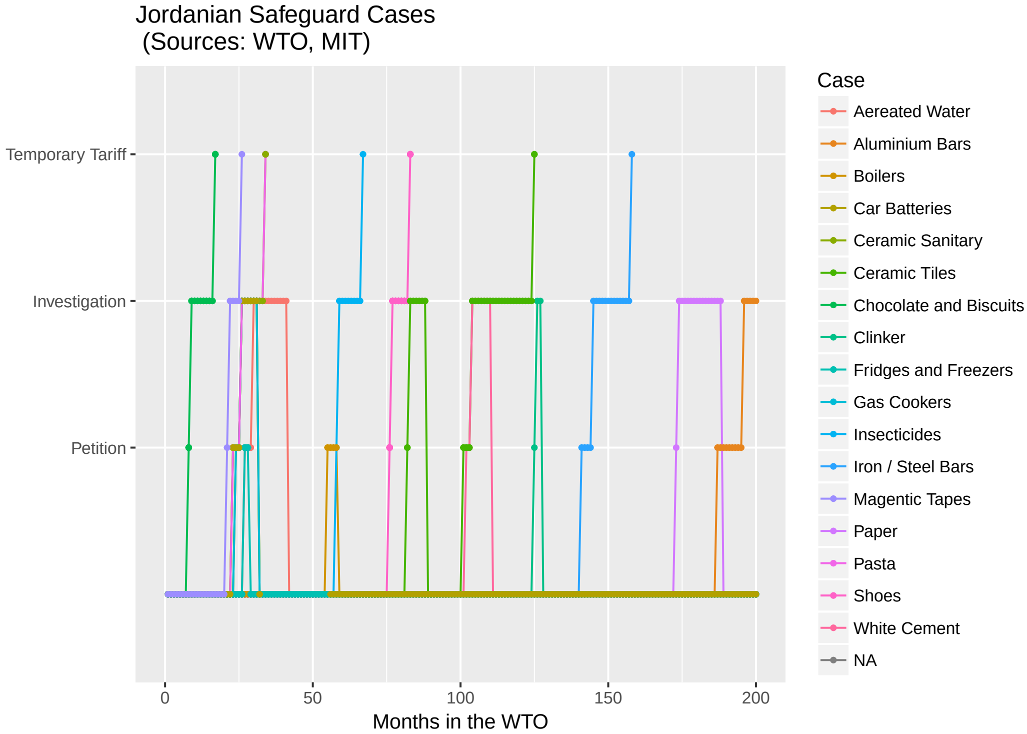
Unsurprisingly, many Jordanians view temporary tariff measures as reserved for industrialists with deep connections to the state.[52] "In Jordan today," explained a trade lawyer, "industries that do not need temporary tariff relief are getting it, and those who do need it, aren't."[53] The perceived cronyism shadowing temporary tariff measures is not unique to Jordan. Firms connected to the Royal Court are believed to receive the bulk of safeguard and anti−dumping measures in Morocco (Saadi, 2016, p.9).

Jordan is the Arab world's most prolific safeguard user. It has initiated 20 temporary tariff cases representing more than 30 product lines since joining the WTO. Seven of these cases resulted in temporary tariffs. Figure 4 (see Table 14 in the Appendix for more information) maps these cases' progression across time. It covers all industries representing the 34 products that experienced some state of a temporary tariff case in Jordan from 2000 to 2016. Safeguard cases generally consist of a basket of products within an industry. These products and the dates they passed through the sequential states of a temporary tariff case are available on the MITS' website[54] and the WTO's safeguard database (Bown, 2014).

The timing, duration and outcomes of the different states of temporary tariff cases vary. A petition for temporary protection for clinker (HS: 252310) was initiated in August 2010, upgraded to an investigation in September, and rejected the following month. The case for aluminium bars and rods (HS: 7604), however, was filed as a petition in October 2015 and elevated to an investigation ten months later. In May 2017 the Jordanian government imposed a temporary tariff.

[48] Interview with Trade Minister 2
[49] Interview with Jordanian Trade Lawyer C
[50] Interview with Trade Minister 7
[51] Interview with Public Sector Employee A.
[52] Interview with Jordanian Economist and trade specialist A, November 22, 2016, Amman, Jordan.
[53] Interview with Jordanian Trade Lawyer C
[54] http://www.mit.gov.jo/Pages/viewpage.aspx?pageID=137

Figure 4: Jordanian Temporary Tariff Cases (2000 - 2016)



Unfortunately, there are no records to my knowledge of rejected petition requests. One former trade minister estimated denying two or three temporary tariff requests a month during his tenure.[55] Another minister guessed ten to twelve petition rejections a year.[56] Some petition requests came as letters. Other requests were mentioned informally in meetings with private sector organizations or in the royal court.[57] As a result, Jordanians view temporary tariff cases as highly exclusive. One Jordanian journalist joked that the garden outside of the NDDP's office is swamped with industrialists crying over their safeguard rejections.[58] While the "control" population of industries in the ICI dataset may represent some industries whose petitions were rejected, we cannot know for sure. The ICI dataset thus disproportionately represents industries with enough clout to obtain a temporary tariff petition. Heads of these "connected" industries should be less dependent on individual trade ministers, thus downward biasing the effect of a minister's ethnic ties to import-competing manufacturers.

High and unpredictable ministerial turnover shadows temporary tariff cases. While some cases remained under the purview of one minister (biscuits), others experienced two (insecticides, shoes, paper) and even three (iron/steel bars, aluminium) ministerial changes.

Figure 5 maps temporary tariff cases in relation to the ethnic background of their supervising trade ministers. Table 15 in the Appendix aggregates the total number of

[55]Interview with Trade Minister 3
[56]Interview with Trade Minister 4
[57]Interview with Trade Minister 4
[58]Interview with Jordanian Journalist A, September 28, 2016, Amman, Jordan.

petitions, investigations and temporary tariffs under Palestinian and East Bank trade ministers.

Figure 5: Temporary Tariff Requests and Minister's Ethnicity Across Time

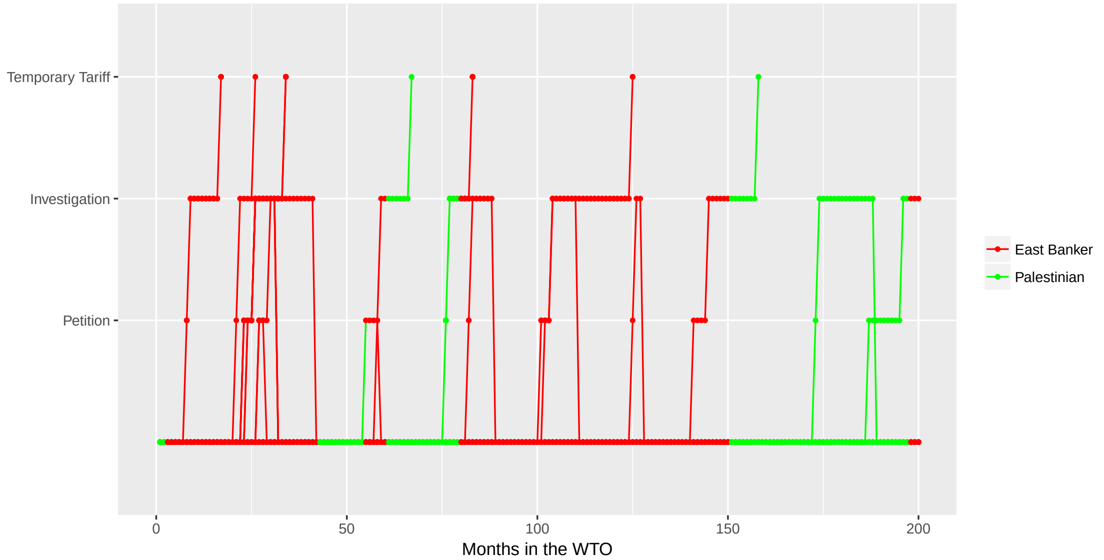


Figure 5 and Table 15 indicate that East Bank ministers are more active in promoting temporary tariff requests than their Palestinian peers. Considering Palestinian industrialists' dominance over Jordanian industry (Reiter, 2004), this provides initial but incomplete evidence of Non-Coethnic protectionism. East Bank ministers may be exclusively advancing temporary cases on behalf of East Bank manufacturers.

6.1 Hypotheses

I hypothesize that trade ministers should be more supportive of *non-coethnics'* requests for temporary tariff relief. This implies that a safeguard case pursued by an industry dominated by East Bank (Palestinian) manufacturers should be more likely to advance through the states of a temporary tariff case when a Palestinian (East Bank) presides over the MITS. This hypothesis counters stereotypes parroted by Western government officials[59] and hotly denied by Jordanians of East Bank[60] and Palestinian[61] descent that Palestinian-Jordanians are more "cosmopolitan" and open to globalization than East Bankers. Instead, I maintain that ethnic boundaries structure whether and how liberalizing policymakers from both ethnic groups co-opt import-competing industrialists.

I operationalize ethnic cleavages between trade ministers and import-competing

[59]Interview with Western Diplomat B

[60]Interview with Trade Minister 3, Interview with Jordanian Journalist C

[61]Interview with a former Secretary General of Jordan Chamber of Industry, Interview with Chairman of aluminium tube producing firm, Jan, 9, 2017, Amman, Jordan

industrialists as the amount of registered capital in manufacturing owned by Jordanians who are *not* of the same ethnic group as the presiding trade minister. For example, when a trade minister is of East Bank descent, all of product's manufacturing capital associated with Palestinian industrialists, and not "Mixed", "Foreign" or "East Bank" manufacturing capital, is categorized as *Non-Coethnic Manufacturing Capital.* While the amount of capital attributed to different groups is aggregated at the year level, ministerial tenures end at the month of a cabinet reshuffle. Thus levels of *Non-Coethnic Manufacturing Capital* can change on a monthly basis depending on the exogenous turnover of trade ministers. *Coethnic Manufacturing Capital* represents the amount of registered capital invested in manufacturing attributed to Jordanians who are of the same ethnic group as the sitting trade minister.

I focus on manufacturers in this analysis, and not importers, because they are the first movers in safeguard cases. They must organize and lobby trade ministers to obtain a petition. They must then work with the NDDP during the preliminary investigation state. It is only after these two states that local importers and foreign exporters are publicly notified of the safeguard investigation. Nevertheless, I still control for importers' influence in the ensuing analysis.

I hypothesize that products with *higher* levels of *Non-Coethnic Manufacturing Capital* should be *more* likely to advance through the states of a temporary tariff case (H2a). Congruently, products with *higher* levels of *Coethnic Manufacturing Capital* should be *less* likely to advance through the states of a temporary tariff case (H2b).

- H2a: Products with *higher* levels of *Non-Coethnic Manufacturing Capital* are *more* likely to advance through the states of a temporary tariff case.
- H2b: Products with *higher* levels of *Coethnic Manufacturing Capital* are *less* likely to advance through the states of a temporary tariff case.

6.2 Multi-State Modeling

I test these hypotheses with Multi-State Modeling (MSM). MSM models are typically used to track disease progression, where subjects can deteriorate or recover between different stages or states of an illness. This is survival modeling. Observations leave the dataset upon death. I apply this model to the sequential states of a temporary tariff case.

MSM suits the unidimensional sequencing of a temporary tariff case. Following the Markov assumption, a product's ability to move up a case tomorrow depends on its current state today. A product can only obtain temporary tariff relief after passing the investigation state and the preceding petition state. I treat temporary tariff protection as the equivalent "death" state in the MSM, and censor the product from the analysis upon receiving temporary tariff relief. No Jordanian product that received a temporary tariff subsequently reapplied for temporary protection. Products can move down the states of the investigation if they are denied temporary tariff relief.[62]

MSM modeling of temporary tariff cases requires modifying and expanding the ICI dataset. Adopting the same coding scheme of the FTA analysis, I include any firm with at least 10,000 JD in registered capital that reported importing or manufacturing one of the 51 product lines from 2000 till the year their product received temporary tariff relief or the end of 2016. This produces a population of 486 manufacturing firms and 536 importing firms. I aggregate each group's - East Banker, Palestinian, Foreign, Mixed - level of registered capital in manufacturing and importing per product per year.

The outcome of interest is a product's likelihood of *advancement* from one state of the temporary tariff case to another. Unlike with Hidden Markov Models, the dates when products move up (or down) the stages of a safeguard case are visible. In the 200 months following Jordan's ascension into the WTO, there were 108 "events" in which one of 34 products moved up or down the states of a temporary tariff case.

My unit of analysis is product-month. My dataset provides 5864 product- month observations. I use months as the sampling time of my model. Table 4 presents the population of events in the dataset.

Table 4: Temporary Tariff Case Events

From / To	Baseline	Petition	Investigation	Tariff
Baseline	5420	38	0	0
Petition	5	45	33	0
Investigation	12	0	243	20

Table 5 provides the transition probabilities across temporary tariff states using the population of products from the ICI dataset. A product has on average a one percent probability of moving up from its baseline status to a petition status the following month. Once in the petition state, it has an 73 percent probability of remaining a petition, a 30 percent probability of becoming an investigation and a 5 percent probability of being rejected the next month. Reflecting the longer durations of the investigation stage, products under investigation are 89 percent likely to remain under investigation the next month. They have an average 7 percent probability of obtaining temporary tariff relief and a 4 percent probability of rejection the following month.

[62] Under WTO law, a product denied temporary tariff relief after an investigation must wait two years before it cam reapply for temporary protection. I therefore exclude products denied temporary tariff relief for two years after their rejection.

Table 5: Transition Probabilities

	Baseline	Petition	Investigation	Temporary Tariff
Baseline	0.99	0.01	0	0
Petition	0.04	0.73	0.23	0
Investigation	0.04	0	0.89	0.07

I use the MSM package (Jackson et al., 2011) to assess whether the instantaneous risk or *transition intensity* of a product moving up the states of a safeguard case correlates with a product's amount of *Non-Coethnic Manufacturing Capital* (H2a) and *Coethnic Manufacturing Capital* (H2b). I test each explanatory variable in separate regressions. I control for a product's annual amount of Foreign Manufacturing Capital, Total Manufacturing Capital and Total Importing Capital. All of the variables in these regressions are logged. I constrain each variable to have the same effect across all states of a safeguard case.[63]

This produces the following model: For product j in month i

$$\textit{Safeguard Advancement} = \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4$$

Where β_1 represents one of the hypothesized explanatory variables, β_2 equals Foreign Manufacturing Capital (Logged), β_3 is Total Manufacturing Capital (Logged), and β_4 is Total Importing Capital (Logged).

Because each safeguard case represents a basket of products[64], the 108 "events" of products moving up or down the states of a temporary tariff case are not independent. I account for the inter-dependency of events by running 500 bootstrap samples where one randomly selected product per safeguard case is sampled with replacement. I then extract the median and 95% confidence intervals of the estimated hazard ratios for the two explanatory variables from the boot-strapped sample.

6.3 Findings

Table 6 summarizes the findings. It presents median, lower (0.025) and upper (0.975) confidence intervals from the population of transition hazard ratios for each explanatory variable drawn from the bootstrapped sample. Estimates that are greater (less) than one suggest a positive (negative) correlation between the explanatory variable and the hazard of advancing across the states of a temporary tariff case.

[63] I use a "BFGS" quasi-Newton optimization algorithm to facilitate convergence and set the maximum number of iterations to a 1000.

[64] For example, Safeguard Case 1: 180631, 180632, 190530

Table 6: Hazard Ratios for Temporary Tariff Case Advancement

Hypothesis	Explanatory Variable	Lower	Median	Upper	Confirm Hypothesis
H2a	Non-Coethnic Manufacturing Capital	1.00	1.01	1.02	Yes
H2b	Coethnic Manufacturing Capital	0.96	0.99	1.03	No

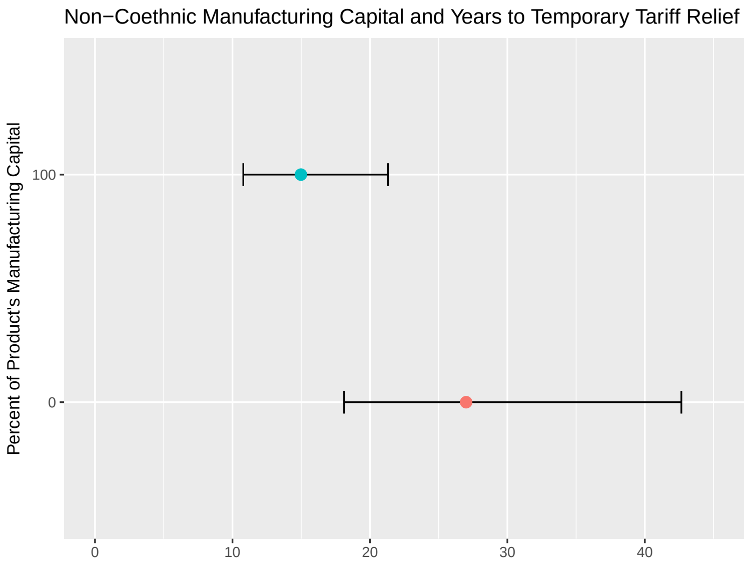
I find tentative support that higher amounts of *Non-Coethnic Manufacturing Capital* correlate with the likelihood of temporary tariff case advancement (H2a). A ten percent increase in a product's annual amount of *Non-Coethnic Manufacturing Capital* is associated with an approximately 10.01 percent increase in the hazard of advancing across the states of a temporary tariff case. This distribution of estimated hazard ratios is just short of statistic significance at the 95 % level.

Figure 6 displays the substantive effects of *Non-Coethnic Manufacturing Capital* on the duration of temporary tariff cases (H2a). Using the aforementioned model and boot-strapped sample, I compare the estimated times to obtain temporary tariff relief for an ICI product whose manufacturing capital is fully owned by manufacturers who are not of the same ethnic group as a sitting trade minister, versus an identical product completely owned by Coethnic and Mixed Manufacturing Capital owners. These estimates set all of the model's covariates to the data's means, with the exception of Foreign Manufacturing Capital, which is set to zero. The dots in the figure represent mean estimates. The horizontal lines are 95 percent confidence intervals. Shorter periods for obtaining temporary tariffs indicate greater support for protectionism.

These model specifications estimate that a product whose manufacturing capital is fully owned by "Non-Coethnic Manufacturers" would take fifteen years starting from Jordan's entrance into the WTO to obtain temporary tariff relief. This is a little over half the estimated duration for a counter-factual product bereft of *Non-Coethnic Manufacturing* Capital. This difference in mean estimated duration is significant at the five percent level. This estimated duration is reasonable considering that only 7 temporary tariff cases obtained temporary tariff relief in the sixteen years since Jordan joined the WTO. Echoing the preceding FTA exemption analysis, ethnic boundaries between state elites - as represented by trade ministers - and import-competing industrialists in temporary tariff cases appear to *strengthen* resistance to trade reform.

I find mixed evidence for the relationship between *Coethnic Manufacturing Capital* and temporary tariff case advancement (H2b). The median estimate suggests that a ten percent increase in *Coethnic Manufacturing Capital* correlates with a 10.01 percent *decrease* in the hazard of advancing across the states of a temporary tariff case. However, its distribution of hazard ratios is not statistically significant. Though I theorized a negative relationship between *Coethnic Manufacturing Capital* and the hazard of temporary tariff case advancement, this null finding does not undermine the protectionist implications of *Non-Coethnic Manufacturing Capital*. A positive relationship would imply that trade ministers favor coethnic *and* non-coethnic manufacturers over foreign ones. Instead, this null finding proposes that import-competing manufacturers with ethnic ties to a trade minister may be more indifferent to trade policy than their non-coethnic peers.

Figure 6:



7 Uncovering the Mechanism: Coethnic Favoritist Benefits for Liberalizing Policies

The preceding analysis demonstrates a positive relationship between *product* levels of *Non-Coethnic Manufacturing Capital* and the likelihood of protectionism. This theory's *mechanism*, however, operates among bargaining elites. It argues that ethnic ties to import-competing industrialists help liberalizing policymakers forge free-trade coalitions by promising favoritist benefits in exchange for liberalizing policies. To uncover this mechanism, I conducted over fifty interviews with Jordanian industrialists, journalists, civil servants and seven former trade ministers.

These interviews confirm the scope conditions that bound this theory. First, almost of all of my interviews with private sector and public sector actors, including trade ministers, as well as secondary sources, suggest that trade ministers *do* confront external and internal pressures to liberalize. Trade integration is the first "National

Objective" listed on the MITS website.[65] Trade ministers are subordinate to an ostensibly modernizing monarch who "rammed" through legislation to get Jordan into the WTO (Orme, 2000). International and bilateral treaty obligations[66] and fear of retaliatory trade measures[67] bind trade ministers' hands over trade policy. "Jordan's trade policy is easy," joked one former trade minister, "it does what it is told."[68] A Jordanian trade lawyer concurred. "Thirty years ago, industrialists would walk up to a trade minister and ask for a higher tariff. It's not that easy anymore."[69]

Second, while confronting pressures to liberalize, trade ministers are also pressured by Jordanian industrialists. Threats of capital flight, or the "Dubai option", surfaced in conversations with industrialists[70], heads of business associations[71] and a former trade minister.[72] Another trade minister lamented of aggrieved industrialists complaining to the press, parliamentarians or higher authorities.[73]

Finally, weak institutional accountability promotes favoritism at the MITS. "In Jordan you are either above the law or below it" noted a former trade minister.[74] A third of Jordanian business representatives in a 2006 survey listed "unequal" treatment as one of Jordan's main challenges in state−business relations (Loewe et al., 2008, p. 264).

Examples of favoritism at the MITS include trade ministers exempting privileged firms from licensing requirements (Al Madenah, 2012) and championing others in the press (News, 2012). Trade ministers have been accused of obstructing regulatory, customs [75] and bureaucratic procedures. A former trade negotiator at the MITS complained that industrialists bypass official procedure and go directly to trade ministers to solve their problems.[76] Personal connections to policymakers are highly prized in Jordan. In a 2000 survey of Jordanian elites, two−thirds reported that they needed to have personal connections to accomplish business at a government office. Almost half seek out personal connections before even beginning their task (Lust-Okar, 2009, p. 8). High ministerial discretion with minimal legal oversight (Al Oudat, 2017) promotes ministerial "deal-making." A high ranking donor representative described Jordanian ministers as "businessmen (Loewe et al., 2008, p.266)." He warned that ministers favor friends and family with "jobs in public administration, with govern-

[65]http://www.mit.gov.jo/Pages/viewpage.aspx?pageID=183

[66]Interview with Trade Minister 1, 4, 7; Interview with Chairman of Pharmaceutical firm A, Nov. 21, 2016, Amman, Jordan

[67]Interview with Trade Minister 2; General Secretary of White Cement firm; Jordanian Trade Lawyer B Oct. 2, 2016, Amman, Jordan; Jordanian Trade Lawyer C

[68]Interview with Trade Minister 7

[69]Interview with Trade Lawyer C

[70]Interview with Chairman of pharmaceutical firm A, Nov. 21, 2016, Amman, Jordan; Chairman of aluminium tube producing firm, Jan, 9, 2017

[71]Interview with Head of Young Entrepreneurs Association, Oct. 17, 2016, Amman, Jordan

[72]Interview with Trade Minister 5.

[73]Interview with Trade Minister 2.

[74]Interview with Trade Minister 2.

[75]http://www.sarayanews.com/print.php?id=122101

[76]Interview with Jordanian Trade Negotiator B, Nov. 23, 2016

ment contracts and with confidential information on profitable business opportunities, which of course, distorts competition (Loewe et al., 2008, p.270)." Bloggers[77] (News, 2016), industrialists[78], former MITS employees[79] and even former trade ministers[80] warned of conflicts of interests at the MITS.

Favoritism can help compensate import-competing industrialists for lower trade barriers. The favorable (non)-enforcement of taxes and regulations, preferential access to policymakers, insider information lighten the costs of doing business in a country with a perennially poor business environment.[81] Jordanian business elites may also profit from direct access to ministries that are issuing government contracts (Lust-Okar, 2009, p.11). In Jordan's parliament, Kao observes that ministers co-opt parliamentarians with targeted benefits to their constituents like debt forgiveness, public sector employment and development projects, in exchange for parliamentary support for unpopular policies (Kao, 2015, p.72). Similar tools and tactics of co-optation are likely to extend into trade politics.

I argue that favoritist deals are most likely confined among coethnics. Trade ministers of Palestinian and East Bank descent described encountering explicitly ancestral[82] or regional[83] appeals from industrialists and their representatives. Indeed, the illicit nature of these deals privileges coethnic interactions. More than eighty percent of Jordanian respondents in a recent survey reported agreeing or strongly agreeing that "one should worry about being cheated when dealing with people outside of one's own clan or tribe (Kao, 2015, p. 60)." Ministers are also expected to favor their coethnics. "Every minister has at least two agendas," explained a seasoned cabinet member. "The first is to his ministry. The second, third or more are to his family, tribe and region. To a certain extent, the regime wants ministers to favor *their people*," continued the former cabinet member, "this is the point of the quota system. It helps unite the Kingdom."[84] The redistributive impetus of ministerial posts in Jordan suggests that norms of trust instead of sanctioning underlies coethnic favoritism.

In addition to favoritist deals, ethnic ties between regime elites and import-competing manufacturers may facilitate trade reform by legitimating the costs of trade liberalization. Import-competing Palestinian elites may view greater representation and access to executive government through inclusive policies as a form of political compensation for economically disadvantageous reforms. When King Abdullah ascended to the throne, he engaged in a sustained effort to get the country's economic elites to

77 http://www.gerasanews.com/print/63697

78 Interview with General Secretary of White Cement firm, Oct. 1, 2017, Amman, Jordan; Interview with board Member of aluminium firm, general manager of ceramic importing firm

79 Jordanian Trade Negotiator B; Jordanian Trade Lawyer C, Oct. 9, 2017, Amman, Jordan

80 Interviews with Trade Minister 2, 4, 6

81 Jordan ranked 103rd out of 190 in the World Bank's Ease of Doing Business index.(Dupire, 2017)

82 Interview with Trade Minister 5

83 Interview with Trade Minister 6

84 Interview with former minister of political development, Nov. 28, 2017, Amman, Jordan

"buy into" economic reform by lending his ear to their advice on economic affairs.[85] Scholars at the time noted that "business was given a greater and more formal role" in the Jordanian coalition (Carroll, 2003, p. 4). Jordan's business elites, like their peers in Egypt (Brumberg, 1992), accepted trade liberalization and subsidy cuts under structural adjustment in exchange for greater influence over policymaking (Carroll, 2003). Greater political inclusion of historically excluded groups ameliorates if not deemphasizes the salience of ethnic relations. A former trade minister of Palestinian descent explained, "If the government issued a policy excluding all Palestinians from government, that's fine with me. But good luck getting Palestinian - Jordanians to invest here."[86] This minister views the political inclusion of Palestinians into cabinet as a means to legitimize liberalizing policies while sustaining Palestinian industrialists' investment in Jordan, their chief leverage on the regime.

With less access and trust in favoritist deals, import-competing manufacturers without ethnic ties to policymakers will be more assertive in lobbying for internationally recognized *protectionist policies* like temporary-tariffs or anti-dumping measures. Indeed, Jordan has had an active trade policy since joining the WTO, despite trade ministers' claim to the contrary. Jordan successfully lobbied the WTO in 2007 and 2015 to continue its tax exemption of exports, a measure prohibited under the WTO's Article 3 of the Agreement on Subsidies and Countervailing Duties (WTO, 2015, p.51). It also launched safeguard investigations despite objections from donor countries (the European Communities (WTO, 2009, 2010)) and regional allies (Egypt: (WTO, 2011); Turkey: (WTO, 2002)). This article suggests that industrialists *without* ethnic ties to trade policymakers were particularly active in these efforts.

8 Conclusion

This article offers an initial theoretical and empirical exploration of ethnic politics and trade reform in the developing world. It proposes that ethnic boundaries structure how regimes co-opt economic elites for unfavorable economic policies. Ethnic ties enable favoritist deals that retain import-competing elites' support under trade reform. Less able to sustain these informal arrangements across ethnic lines, state elites are more likely to retain *non-coethnic* industrialists' support by continuing protectionist policies.

I develop and test this theory in Jordan. I assemble an original dataset of Import-Competing Industries (ICIs) and leverage the county's unpredictable ministerial turnover to demonstrate that liberalizing trade policymakers are more likely to protect *non-coethnics'* import-competing industries. Interviews with Jordanian industrialists, civil servants and former trade ministers suggest that coethnic ties help policymakers cred-

[85]WikiLeaks cable $03AMMAN1063_a$

[86]Interview with Trade Minister 5

ibly promise favoritist benefits − lax fiscal enforcement, insider information, uncompetitive government procurement − in exchange for liberalizing policies.

This finding contributes to a broader literature on the segmented, politicized and often less effective nature of Neo-Liberal economic reform in the developing world (Eibl and Malik, 2016; Schlumberger, 2008; Van de Walle, 2001). It predicts that liberalizing reforms will be politically *harder* when and where ethnic boundaries separate state and industrial elites.

There are two immediate avenues for future research. The first explores the role of Foreign Direct Investment (FDI). This analysis treats foreign investment as a control variable. Future work should investigate whether and how FDI solidifies or disrupts state–capital alliances in developing states. Does FDI wane regimes in ethnically diverse states off of their traditional dependencies of non-coethnic (or even co-ethnic) industrialists? How do ethnic boundaries between state and capital elites structure the politics of capital liberalization? This theory on cross-ethnic protectionism and coethnic favoritism deserves to be tested on other policy dimensions of economic liberalization.

Second, if favoritist deals accompany liberalizing policies, as this and other (Richards et al., 2013; Schlumberger, 2008) work suggests, then academics and policymakers should complement visible, policy-oriented markers of trade openness with greater attention to broader institutional features, like governance, when assessing trade reform. A deeper understanding of the politics underlying the substitution of protectionist policies for favoritist deals, or even substitutions *across* protectionist policies[87], can help advance more equitable trade policies. In highlighting the importance of ethnic boundaries in shaping the retention of protectionist policies and allocation of favoritist benefits, this article hopes to promote these efforts.

[87] Jordan's tax exemptions to industrialists in response to lower tariffs for example (Richards et al., 2013, p.286)

9 Appendix

Table 7: Exclusionary and Inclusive States

Economically Dominant Ethnic Group	Country	Economic Dominance (Sources)	Political Exclusion Status (1995 - 2013) (EPR 2014)	State Status
Indo-Fijians	Fiji	(Shoup, 2007, p. 17)(Premdas, 1995, p.17)	Powerless (1995 - 1999)	Excluded
			Senior Partner (2000)	Included
			Powerless (2001 - 2006)	Excluded
			Junior Partner (2007 - 20013)	Included
Chinese	Indonesia	(Pepinsky, 2009; Shoup, 2007)	Discriminated (1995 - 2004)	Excluded
			Junior Partner (2005 - 2013)	Included
Palestinians	Jordan	(Marie Baylouny, 2008; Reiter, 2004)	Discriminated	Excluded
Russians	Kazakhstan	(Shoup, 2007, p.17) (Peyrouse, 2008, p.14)	Powerless	Included
Russians	Kyrgyzstan	(Shoup, 2007, p.17), (Peimani, 2009, p. 146)	Junior Partner (1995 - 2004)	Included
			Powerless (2007 - 20013)	Excluded
Chinese	Myanmar	(Shoup, 2007, p.17) (Tun, 2017, p.233)	Discriminated	Excluded
Mohajris	Pakistan	(Chua, 2004, p. 113);(Khan, 2004)	Powerless (1995 - 1999)	Excluded
			Junior Partner (2000 - 2008)	Included
			Powerless (2009 - 2013)	Excluded
Chinese	Philippines	(Palanca, 2017, p. 103); (Chua, 2004, p.34)	Discriminated	Excluded
Jews	Russia	(Chua, 2004); (Harding, 2007)	Powerless	Excluded
Sri Lankan Tamils	Sri Lanka	(Manogaran and Pfaffenberger, 1994, p. 208); (Shoup, 2007, p.17)	Autonomy	Excluded
Sunnis	Syria	(Haddad, 2011) (Waldner, 1999, p.90)	Powerless	Excluded
Russians	Tajikistan	(Peyrouse, 2008, p.14); (Peimani, 2009, p.163)	Powerless	Excluded
Russians	Turkmenistan	(Peyrouse, 2008, p.13); (Peimani, 2009, p.179)	Powerless	Excluded
Russians	Uzbekistan	(Peyrouse, 2008, p.5), (Peimani, 2009, p.198)	Powerless	Excluded
Chinese	Vietnam	(Chua, 2004, p.34); (Santasombat and Cheng, 2017, p.25)	Powerless	Excluded
Whites	Zimbabwe	(Shoup, 2007, p.17) (Dibie and Kawew, 2017, p. 206)	Junior Partner (1996 - 1999)	Included
			Discriminated (2000 - 2013)	Excluded
Chinese	Cambodia	(Chua, 2004, p.37), (Siphat, 2017, p. 192)	Junior Partner	Included
Bamileke	Cameroon	(Arriola, 2013, p. 248); (Hogenboom and Jilberto, 2007, p. 258)	Junior Partner	Included
Kikuyus	Kenya	(Arriola, 2013, p. 246), (Soludo et al., 2004, p. 30)	Discriminated (1995 - 2002)	Excluded
			Senior Partner (2003 - 2013)	Included
Chinese	Malaysia	(Ken and Ing, 2017, p. 86); (Shoup, 2007, p.17)	Junior Partner	Included
French-Mauritians	Mauritius	(Soludo et al., 2004, p. 30) (Handley, 2008)	Missing	Included
Whites	Namibia	(Chua, 2004, p.33) (Tapscott, 1993),	Junior Partner	Included
Igbo	Nigeria	(Chua, 2004, p. 108)	Powerless (1995 - 1998)	Excluded
			Junior Partner (1999 - 2013)	Included
Whites	South Africa	(Shoup, 2007, p.17) (Handley, 2008)	Junior Partner	Included
Ewe	Togo	(Chua, 2004, p. 11); (Attisso, 2012, p. 93)	Powerless (2000 - 2005)	Excluded
			Junior Partner (2005 - 2013)	Included

Inclusive States: Afghanistan, Albania, Algeria, Angola, Argentina, Armenia, Azerbaijan, Bahrain, Belarus, Benin, Bolivia, Bosnia and Herzegovina, Botswana, Brazil, Bulgaria, Burkina Faso, Burundi, Central African Republic, Chad, Chile, China, Colombia, Congo, Costa Rica, Cote D'Ivoire, Croatia, Cuba, Czech Republic, Democratic Republic of the Congo, Dominican Republic, Ecuador, Egypt, El Salvador, Eritrea, Estonia, Gabon, Gambia, Georgia, Ghana, Guatemala, Guinea, Guinea-Bissau, Haiti, Honduras, Hungary, India, Iran, Iraq, Israel, Jamaica, Kuwait, Laos, Latvia, Lebanon, Lesotho, Liberia, Libya, Lithuania, Macedonia, Madagascar, Malawi, Mali, Mauritania, Mexico, Moldova, Morocco, Mozambique, Nepal, Nicaragua, Niger, Oman, Panama, Papua New Guinea, Paraguay, Peru, Poland, Romania, Rwanda, Saudi Arabia, Senegal, Sierra Leone, Slovakia, Slovenia, Sudan, Swaziland, Tanzania, Thailand, Trinidad and Tobago, Tunisia, Turkey, Uganda, Ukraine, United Arab Emirates, Uruguay, Venezuela, Zambia.

Table 8: Exclusionary States and Trade Reform (Cross-Sectional)

	DV: Mean Protectionist Policy Score (2013 - 2010)	
	(1)	(2)
Exclusionary State (1 = Yes)	2.595 (4.221)	4.917* (2.802)
Protection Policy Score (1995)	0.309*** (0.074)	0.141** (0.061)
Democracy (1 = Yes)	0.067 (0.058)	−0.015 (0.034)
Manufacturing (Percent of GDP)	−0.150 (0.139)	−0.224** (0.100)
Population 1990 (Logged)	0.937 (0.693)	1.021 (0.634)
Constant	2.176 (11.400)	12.103 (10.609)
Observations	65	129
R^2	0.601	0.380
Adjusted R^2	0.536	0.333
Residual Std. Error	6.906 (df = 55)	8.413 (df = 119)
F Statistic	9.208*** (df = 9; 55)	8.111*** (df = 9; 119)
Note:		*p<0.1; **p<0.05; ***p<0.01

Model includes region fixed effects. The second column is imputed. Standard errors are clustered at the year level.

I limit my analysis to developing states with ethnic fractionalization scores greater than 0.01. Most countries' status as included or exclusionary states remained constant from 1995 to 2013. For the eight countries[88] whose status varies within this time period, I categorize their status based on whether their economic dominant ethnic groups were excluded from power according to the EPR dataset for the majority of years between 1995 and 2013. Among the 130 countries in this analysis, 16 are

[88] Nigeria, Togo, Fiji, Kyrgyzstan, Indonesia, Kenya, Pakistan, Zimbabwe

exclusionary states.[89]. The outcome variable is a country's mean protectionist policy scores from 2000 to 2013.[90] I control for countries' regime type (Democracy = 1), population size, protectionist policy score and manufacturing as percent of GDP in 1995. The data was imputed to account for the high levels of missing data for 1995 protectionist policy scores and manufacturing as a percent of GDP. This cross-sectional regression uses region fixed effects and standard errors are clustered at the country level.

[89]These states are Fiji, Indonesia, Jordan, Kazakhstan, Pakistan, the Philippines, Russia, Sri Lanka, Syria, Tajikistan, Togo, Turkmenistan, Uzbekistan, Vietnam, Zimbabwe

[90]I begin the average from 2000 because of the high missingness of protectionist policy scores prior to 2000

Table 9: Favoritist Benefits vs. Protectionist Policies

	Favoritist Benefits	Policies
Instruments	Fiscal and regulatory forbearance, insider information, preferential access to policymakers, uncompetitive procurement	Tariffs, technical barriers to trade, tax exemptions, subsidies
Characteristics	Informal, preferential, opaque	Formal, non-preferential, visible
Recipient	Firms	Industries
Main Beneficiary	Coethnic	Non-Coethnic

Table 10: Overview of ICI Firms in FTA and MFN Analysis

East Banker (Percent)	10
Palestinian (Percent)	41
Mixed (Percent)	39
Foreign (Percent)	10
Mean Registered Capital (000 JD)	751
Mean Year of Establishment	1998
Mean Number of Owners	3
Percent in Manufacturing	48
Percent in Extractive Industries	13
Number of Firms	715

Table 11: Summary Statistics of ICI Dataset

	Palestinian	East Banker	Foreign
Mean Registered Capital (000 JD)	407	2054	3067
Mean Date of Establishment	1998	1997	2002
Mean Number of Owners	4	3	2
Number of Firms (Percent of Firms)	297 (41)	74 (10)	64 (9)
Percent in Manufacturing	45	56	73
Percent in Extractive Industries	10	25	24

Table 12: Non-Coethnic Capital and FTA exemptions

	DV: FTA Exemption (1 = Yes)	
	(Palestinian Capital)	(Palestinian + Mixed Capital)
Non-Coethnic Manufacturing Capital	0.602^{**}	0.757^{***}
	(0.301)	(0.268)
Non-Coethnic Importing Capital	-0.487^{*}	-2.395^{***}
	(0.293)	(0.671)
Foreign Manufacturing Capital	−0.116	0.169
	(0.171)	(0.144)
Foreign Importing Capital	0.479^{***}	0.394^{***}
	(0.157)	(0.125)
Total Manufacturing Capital	0.724	0.066
	(0.552)	(0.489)
Total Importing Capital	0.986^{*}	3.350^{***}
	(0.537)	(0.956)
Constant	-35.873^{***}	-39.960^{***}
	(5.598)	(4.647)
Observations	171	171
Log Likelihood	−43.977	−34.503
AIC.	115.954	97.007
Note:		*p<0.1; **p<0.05; ***p<0.01

All capital variables are logged. Industry fixed effects. Standard errors are clustered at the ICI product level

Figure 7: Palestinian Ministers as a Share of Cabinet

Figure 8:

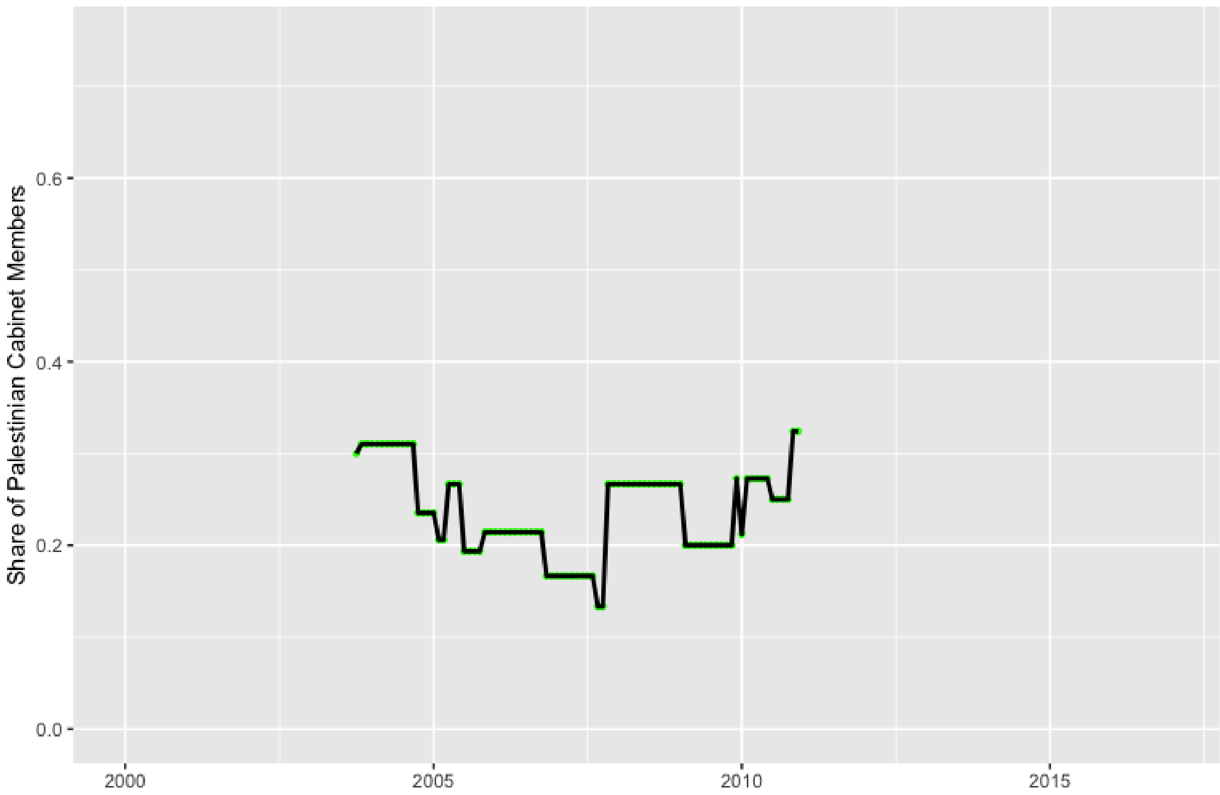


Figure 9: Jordanian Trade Ministers (2000 - 2016)

Name	Ethnic Background	Tenure	Months
Mohamad Halaiqua	Palestinian	Jan 2000 - May 2000	5
Wasaf A'zer	East Banker	Jun 2000 - Sep 2001	16
Salaheddin Al Bashir	East Banker	Oct 2001 - Jun 2003	21
Mohamad Aboud Hamour	East Banker	Jul 2003 - Sep 2003	3
Mohamad Halaiqa	Palestinian	Oct 2003 - Sep 2004	12
Ahmed Hendawi	East Banker	Oct 2004 - Mar 2005	6
Mohammed Shareef Al-Zubi	Palestinian	Apr 2005 - Oct 2006	19
Salem Al Khazaleh	East Banker	Nov 2006 - Oct 2007	12
Aamer Al Hadidi	East Banker	Nov 2007 - Jan 2011	39
Hani Al Mulki	East Banker (Syrian)	Feb 2011 - Sep 2011	8
Sami Qamua	East Banker	Oct 2011 - Mar 2012	6
Shabeeb Amari	East Banker	Apr 2012 - Sep 2012	6
Hatem Al Halawani	Palestinian	Oct 2012 - Feb 2015	29
Maha Ali	Palestinian	Mar 2015 - April 2016	14
Jawad Al Anani	Palestinian	May 2016 - Aug 2016	4
Yarab Qada	East Banker	Sep 2016 - Dec 2016	4

Table 13: Ministers' background information (Means)

	East Banker	Palestinian
Number	10	5
Age	51.3	54
Education*	2.3	2.2
Private Sector Experience*	0.67	0.60

Note: Education* (1 = BA, 2 = Masters, 3 = PhD), Private Sector = 1 if Minister has private sector experience prior to position, Age = when becoming minister.

Table 14: Population of product lines in the Import-Competing Industries (ICI) dataset

Products	HS Tariff Line (96)	Safeguard Case	Petition	Investigation	Date of Decision	Temporary Tariff
Chocolate, Biscuits	180631, 180632, 190530	Case 1	Nov. 2000	Dec. 2000	Aug. 2001	Yes
Magnetic Tapes	852311	Case 2	Dec. 2001	Jan. 2002	May. 2002	Yes
Pasta	190219, 190219*, 190211	Case 3	Feb. 2002	May. 2002	Jan. 2003	Yes
Ceramic Sanitary Items	691010, 691090	Case 4	Feb. 2002	May. 2002	Jan. 2003	Yes
Ceramic Tiles	60970, 690810, 690710, 690810	Case 5	Mar. 2002	May. 2002	Oct. 2002	No
Stoves and Gas Cookers	732111*,	Case 6	Mar. 2002	May. 2002	Nov. 2002	No
Car Batteries	850710	Case 7	Feb. 2002	May. 2002	Oct. 2002	No
Stoves and Gas Cookers	732111*,	Case 8	Mar. 2002	May. 2002	Nov. 2002	No
Aerated Water	220210	Case 9	Jun. 2002	Sep. 2002	Aug. 2003	No
Insecticides	380810	Case 10	Jan. 2005	Feb. 2005	Oct. 2005	Yes
Shoes	6401, 6402, 6403, 6404, 6405, 6406	Case 11	Jul. 2006	Aug. 2006	Feb. 2007	Yes
Ceramic Tiles	60970, 690810, 690710, 690890	Case 12	Jan. 2007	Feb. 2007	Jul. 2007	No
White Cement	252321	Case 13	Sep. 2008	Nov. 2008	May. 2009	No
Ceramic Tiles	609790, 690890	Case 14	Aug. 2008	Nov. 2008	Dec. 2008	No
Clinker	252310	Case 15	Aug. 2010	Sep. 2010	Oct. 2010	No
Hot Rolled Iron / Steel bars	721320, 7214	Case 16	Dec. 2011	Apr. 2012	May. 2013	Yes
Paper	480251, 480256	Case 17	Aug. 2014	Sep. 2014	Nov. 2014	No
Aluminium bars rods, profiles	7604	Case 18	Oct. 2015	Jul. 2016	May 2017	Yes
Refrigerator, Freezers	841810, 841821, 841822, 841829	Case 19	Jun. 2002	No		
Boilers	8403	Case 20	Oct. 2004	No		
Cargo Containers	8609	Control 1	No			
Leather, Raw Hides	4101	Control 2	No			
Polymers	3901, 3902, 3903, 3904	Control 3	No			
Tanks, Radiators	7309, 7322	Control 4	No			
Knit Fabrics	6001, 6002	Control 5	No			
Sands, Clays, Kaolin	2505, 2507, 2508	Control 6	No			
Dairy Products	0401, 0402, 0405, 0406	Control 7	No			

Table 15: Ministers and Temporary Tariff Cases

	Palestinian	East Banker
Ministers	5	10
Months	80	113
Petitions	3 (9)	13 (32)
Investigations	3 (9)	9 (27)
Temporary Tariffs	2 (3)	5 (19)

Note: Numbers in parenthesis represent number of products

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