

# Trade as a Potent Threat

## A Firm-Centered Approach to Economic Statecraft

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# Theory & Hypotheses

## ▶ Firms drive US economic statecraft

- ▶ firms want free trade (Arkolakis et al., 2019; Baccini et al., 2018) & protection of IP rights (Drahos and Braithwaite, 2002; Helpman et al., 2004; Osgood et al., 2017)
- ▶ US trade deficit, The Trade Act of 1974, the National Trade Estimate report, and firms

## ▶ Emerging economies susceptible to 301 actions

- ▶ lack of resources to retaliate (Carter and Stone, 2015; Davis, 2023; Dreher and Sturm, 2012)
- ▶ trade dependence on the United States (Sell, 2003)

## ▶ Ideological appeasement

- ▶ UNGA voting as a proxy for ideology (Voeten, 2021)
- ▶ voting compliance related to US aid disbursements (Carter and Stone, 2015); IMF lending (Stone, 2008; 2011); World Bank loans (Dreher and Sturm, 2012); exclusive club membership, e.g., OECD, EU (Davis, 2023)

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# Hypotheses

1. Firm lobbying  $\rightarrow$  negative NTE
2. Negative NTE  $\rightarrow$  trade sanctions, esp. for emerging economies
3. Targeted states converge on the US ideal point in UNGA voting space.

# Data

# The National Trade Estimate reports

Years 2004 - 2022; 60-80 countries per year; country-year observations



## Sneak Peek at the NTE

## NTE

## TRUCK MARKET

The 2021 U.S. truck sales dip by three million from 2020, roughly equal to the decline in 2019. Strong 2021 recovery pushed volume of total trucks and trailers toward the 1.1 billion mark, roughly equal to the 2019 level. The 2021 recovery was aided by a 1.1 million increase in light trucks and trailers, and a 0.7 million increase in medium-duty trucks. The 2021 recovery was aided by a 0.7 million increase in medium-duty trucks.

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## REPAIR MARKET

## Trucks and Trailers

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PERIODIC TRADE BALANCES

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examination. Without such collaboration, the EU is now generally being addressed together at the second level of end-of-revision talks.

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## NTE Position Estimates

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- ▶ Functional form:

$$y_{ijt} \sim \text{Poisson}(\lambda_{ijt})$$
$$\lambda_{ijt} = \exp(\alpha_{it} + \psi_j + \beta_j * \theta_{it})$$

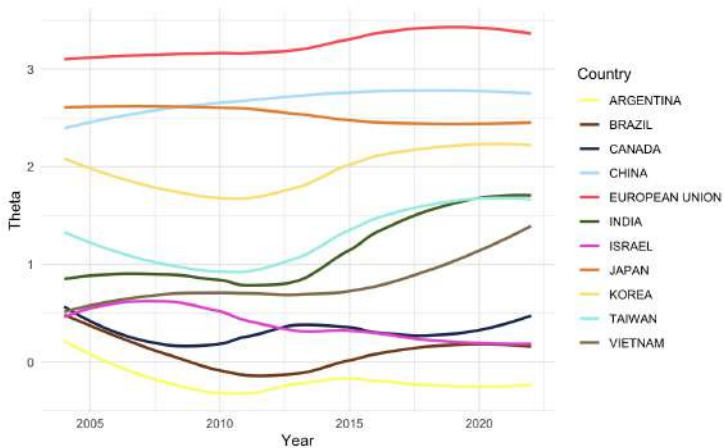
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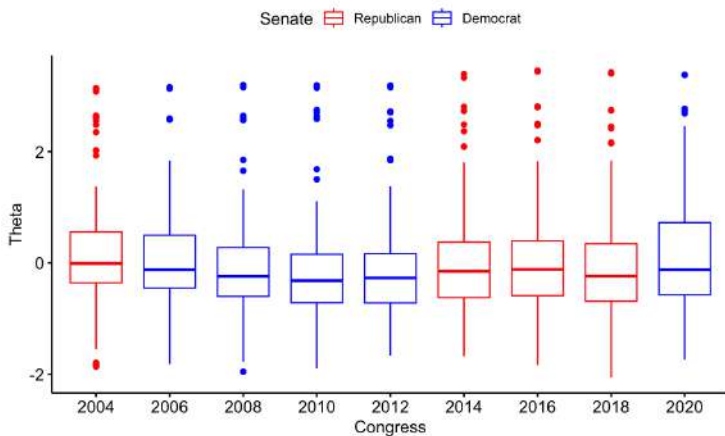
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# NTE Position Estimates Trend



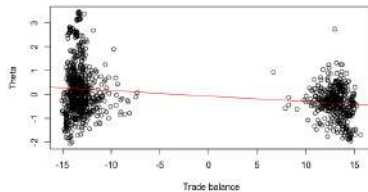
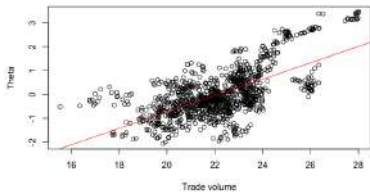
# Persistence of NTE Position Estimates



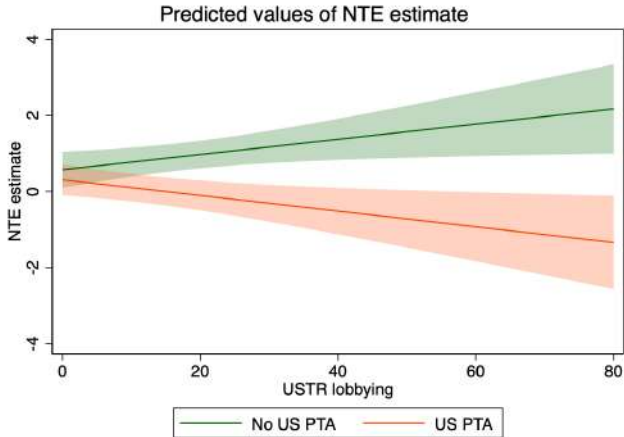
# Analyses (Pt I)



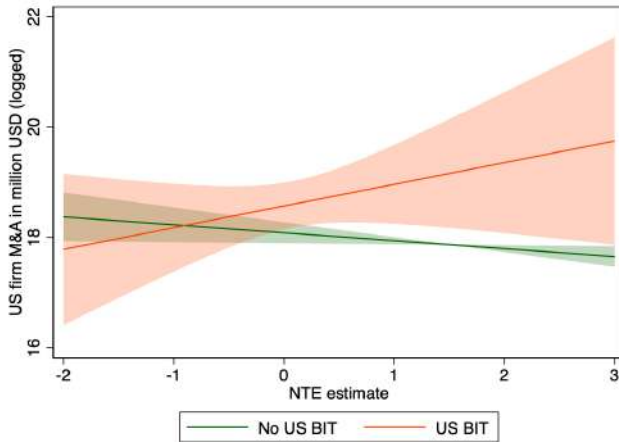
# US Firm Grievances and Trade Consequences



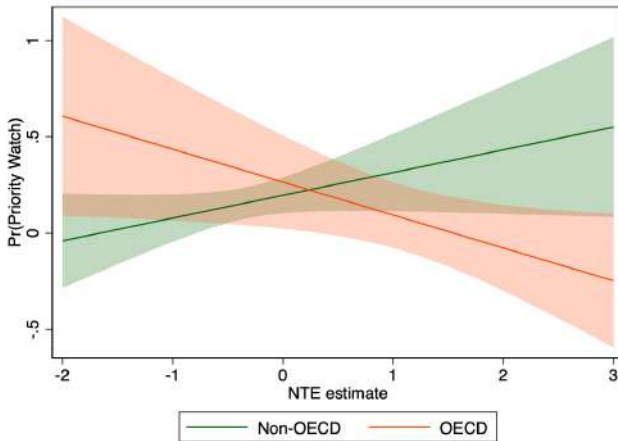
# Appealing Grievances to USTR



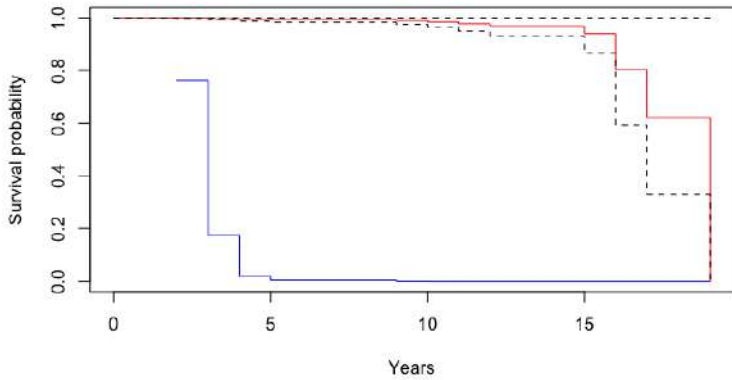
# Investment Cuts in Countries of Concerns



# Vulnerability to Special 301



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# Analyses (Pt II)

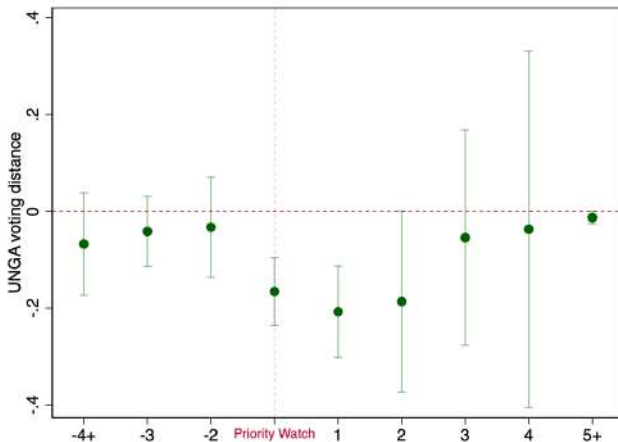
## Appeasing Move Towards the United States

	(1)	(2)	(3)
Theta ( $\theta$ , lagged)	-0.095** (0.036)	-0.072+ (0.038)	-0.033 (0.033)
OECD		0.014 (0.066)	-0.021 (0.062)
Priority Watch		0.011 (0.050)	0.038 (0.045)
OECD $\times$ Theta		0.008 (0.057)	
Priority Watch $\times$ Theta			-0.130*** (0.030)
<i>N</i>	1,033	969	969
Country FE	✓	✓	✓
Year FE	✓	✓	✓

UNGA voting distance is the DV, control variables omitted

+  $p < 0.1$ , \*  $p < 0.05$ , \*\*  $p < 0.01$ , \*\*\*  $p < 0.001$

# Appeasing Move Towards the United States





# Recap

- ▶ Firms raise concerns → negative NTE → 301 targeting  
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- ▶ Firms raise concerns → negative NTE → 301 targeting  
→ ideological appeasement
- ▶ NTE text as data, first attempt in the literature
- ▶ more micro-level explanation about economic statecraft

# Thank you!

Questions or comments are welcome :)

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You can also find me at  
<https://jihyepark.me>