

All About the Money? Regulatory Provisions and Trade Preferences

Rebecca Perlman
Princeton University

Elisabeth van Lieshout
Stanford University

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REGULATION AT THE FOREFRONT OF TRADE

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LOG IN



POLITICS

Democrats warm to Trump's revised NAFTA trade deal after Mexico pledges labor reforms



House Ways and Means Committee Chairman Richard Neal (D-Mass.) at a hearing on Capitol Hill. (J. Scott Applewhite / Associated Press)

RESEARCH QUESTION

Do voters care about regulatory provisions in trade agreements, independent of their trade effects? If so, why?

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- ▶ regulatory provisions affect agreement support, beyond their economic impact
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- ▶ because people care about the substance of the policy
 - ▶ evidence from vignette experiments

WHAT DO WE KNOW

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Trade preferences are influenced by

- ▶ **Individual economic interests** (Balistreri 1997, Scheve and Slaughter 2001, O'Rourke and Sinnott 2006, Mayda and Rodrik 2005, Beaulieu 2002, Hainmueller and Hiscox 2006)
- ▶ **Sociotropic economic concerns** (Rho and Tomz 2017)
- ▶ **Cultural factors** (Mansfield and Mutz 2009, Kaltenthaler and Miller 2013, Margalit 2012)

EXPANDING TRADE AGREEMENTS

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 - ▶ Prevent and eliminate non-tariff barriers to trade
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 - ▶ Prevent and eliminate non-tariff barriers to trade
 - ▶ Help further facilitate trade flows
- ▶ Labor & environmental regulation
 - ▶ Lenient rules are a source of comparative advantage
 - ▶ Raising standards can stem the tide of trade flows

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 - ▶ Sovereignty and the national right to regulate (Abbott and Snidal 2000; Moravcsik 2000)
 - ▶ Illegitimate sources of comparative advantage (Rodrik 2010)

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- ▶ Economic effects through trade flows
- ▶ Policy process
 - ▶ Sovereignty and the national right to regulate (Abbott and Snidal 2000; Moravcsik 2000)
 - ▶ Illegitimate sources of comparative advantage (Rodrik 2010)
- ▶ Policy content
 - ▶ Safety of products
 - ▶ Well-being of workers and the environment (Ehrlich 2010)

SURVEY

- ▶ Conducted in the United States and the Netherlands
- ▶ Wave 1: conjoint experiment
- ▶ Wave 2: vignette experiments
- ▶ $N \approx 2000$ each

EFFECT

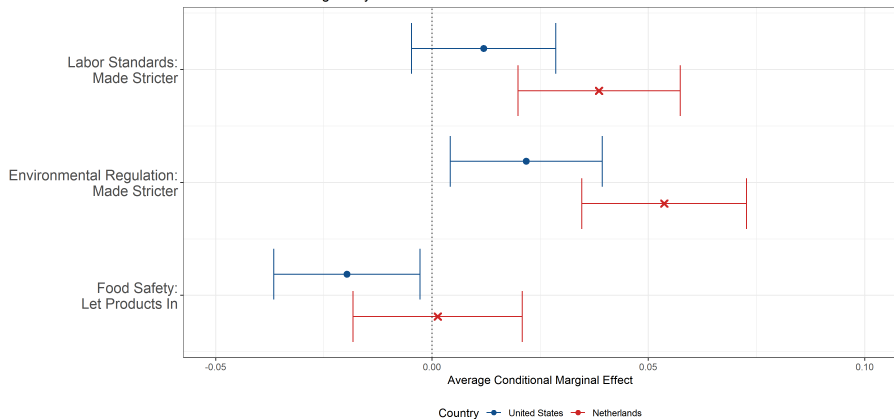
Does regulation affect preferences beyond economic concerns?

TESTING INDEPENDENT EFFECTS

	Trade Agreement A	Trade Agreement B
Tax on imports	Small reduction	Small reduction
U.S. trade deficit	Decreases by \$8 billion	Increases by \$3 billion
Partner type	Small developed country	Large developing country
Economic impact	Increases GDP by \$2 billion	Increases GDP by \$20 billion
U.S. sector most benefited	Consumer electronics	Automobiles
U.S. jobs	20,000 jobs lost	Unchanged
Labor standards	Made stricter in partner country	Unchanged
Environmental regulations	Unchanged	Made stricter in partner country
Food safety standards	Unchanged	U.S. lets in food products if trade partner says they're safe

REGULATION MATTERS

Treatment Effects - Regulatory Features



MECHANISM

Why do regulatory provisions matter for preferences?

WHY DO LABOR & ENVIRONMENT PROVISIONS MATTER?

- ▶ Unfair source of comparative advantage
- ▶ Want to help workers and protect environment

VIGNETTE 1

- ▶ Legislature considering trade agreement ratification

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 - ▶ Leveling the playing field
 - ▶ Improving lives/environment

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- ▶ Legislature considering trade agreement ratification
- ▶ Politician announces his support for the deal
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 - ▶ Leveling the playing field
 - ▶ Improving lives/environment
- ▶ Asked whether support politician's decision

FAIRNESS VS HELPING

Table: Results of Vignette 1

	United States	the Netherlands
	(1)	(2)
Environment	-0.083 (0.089)	0.078 (0.088)
Fairer Competition	-0.141 (0.089)	-0.235*** (0.088)
Sociodemographics	Yes	Yes
Survey Weights	Yes	Yes
Observations	1,692	1,787

Note: * $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$

WHY DO HEALTH & SAFETY PROVISIONS MATTER?

- ▶ Sovereignty; countries get to set their own rules
- ▶ Concerned about safety of products

VIGNETTE 2

- ▶ Legislature considering trade agreement ratification

VIGNETTE 2

- ▶ Legislature considering trade agreement ratification
- ▶ General description of what is in the deal

VIGNETTE 2

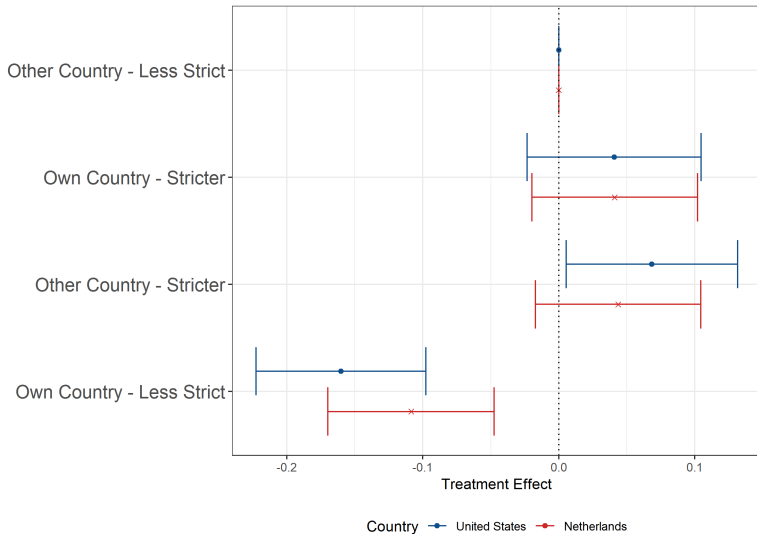
- ▶ Legislature considering trade agreement ratification
- ▶ General description of what is in the deal
- ▶ Vary features of the regulatory content
 - ▶ Stricter or less strict
 - ▶ Own or other country changes
 - ▶ Towards country or international standard
 - ▶ Product category

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- ▶ Legislature considering trade agreement ratification
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- ▶ Vary features of the regulatory content
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 - ▶ Product category
- ▶ Asked whether support ratification

SOVEREIGNTY VS SAFETY

Results of Health & Safety Vignette



TAKE-AWAYS

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- ▶ Need multi-dimensional understanding of trade agreement support

ADDITIONAL SLIDES

▶ Survey Logistics

▶ Conjoint Results

▶ Insufficient Provisions

▶ Explaining Trade Effects

▶ Knowledge

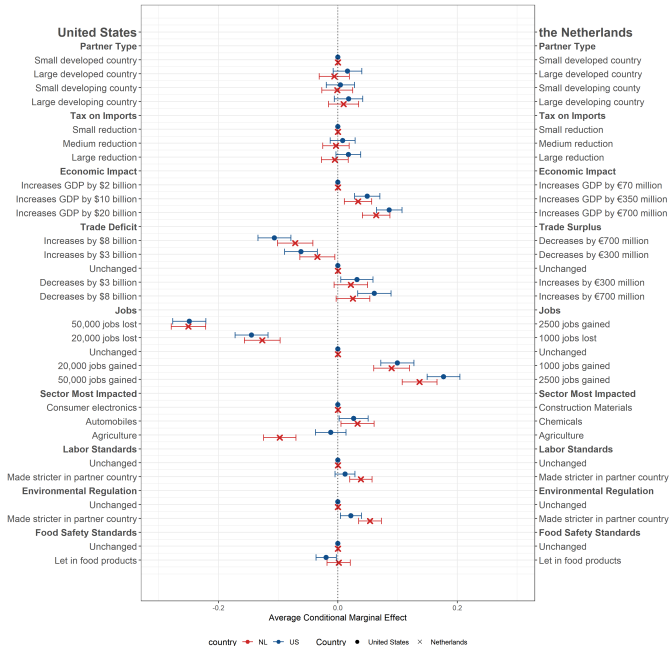
SURVEY LOGISTICS

		Content	Date	N
US	Survey 1	Conjoint	July 2018	2064
	Survey 2	Vignettes	May 2019	1693
NL	Survey 1	Conjoint	November 2018	2038
	Survey 2	Vignettes	March 2019	1787

- ▶ Weighting variables: age, gender, education
- ▶ Control variables: age, gender, education, income, employment status, party, trade attitude

◀ Additional Slides

Treatment Effects - Main Results



OPEN-ENDED RESPONSES

- ▶ After conjoint, asked what most influenced their choices
- ▶ Regulatory features mentioned by 16% of US and 25% of NL respondents
- ▶ In US primarily health & safety, in NL equally health & safety and labor & environment
- ▶ Clearest predictor of mentioning regulation: partisanship

◀ Additional Slides

INSUFFICIENT PROVISIONS?

- ▶ Vignette describing recently negotiated trade agreement
- ▶ Description of pros and cons of ratification
- ▶ Two possible treatments:
 - ▶ Environmental benefits as benefit of the deal
 - ▶ Additionally, complaint provisions are insufficient
- ▶ Asked whether support ratification

INSUFFICIENT PROVISIONS?

	United States	the Netherlands
	(1)	(2)
Improve environment	0.253** (0.107)	0.094 (0.105)
Provisions too weak	0.116 (0.108)	-0.352*** (0.108)
Sociodemographics	Yes	Yes
Survey Weights	Yes	Yes
Observations	1,692	1,787

Note: * $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$

EXPLAINING TRADE EFFECTS

- ▶ Vignette explaining regulatory harmonization
- ▶ Treatment: explicitly explain that harmonization will increase trade flows
- ▶ Asked whether generally support inclusion of regulation into trade agreements

EXPLAINING TRADE EFFECTS

	United States	the Netherlands
	(1)	(2)
Explanation	-0.177** (0.090)	-0.048 (0.093)
Sociodemographics	Yes	Yes
Survey Weights	Yes	Yes
Observations	1,691	1,787

Note: * $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$

BASELINE KNOWLEDGE OF AGREEMENT CONTENT

- ▶ What kind of content do people believe is in trade agreements?
- ▶ Respondents see eight policy areas each (of 16)
- ▶ Stratified randomization, see four yeses and four no's
- ▶ Asked whether commonly included in trade deals (Yes/No/Not Sure)

BASELINE KNOWLEDGE OF AGREEMENT CONTENT

