

Attitudes and preferences toward trade policy

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Research questions

- What forms of trade liberalization individuals prefer, and why?
- How does the inclusion of different attributes (partners, contents, sectors) influence individual levels of support for trade liberalization?

Why focus on the micro-level?

- Understanding key developments in trade policy is incomplete without a deeper understanding of the micro-(individual) level foundations
- Public opinion is a critical factor in the trade liberalization process
- Voters' and firms' preferences are important in influencing government choices concerning trade policy
- Trade agreements have become a source of political contestation. Examples:
 - National elections with trade as dividing issue (e.g. Canada 1988, Costa Rica 2006)
 - Referenda on trade agreements (e.g. EU, Switzerland, Costa Rica)

Relevance

PTAs are important, prolific and prominent

- PTAs are important, notably for addressing global value chain challenges related to behind the border barriers (BBBs).
- Modern PTAs are deeper and wider than WTO agreements
- PTAs cover ca. 40% of total trade in goods
- PTA number has quadrupled over the last 20 years. From 70 in 1990 to more than 300 presently in force
- One of the most prominent forms of international cooperation today (Mansfield and Milner 2012)
-

Literature: PTA formation (macro level)

- Either focus on country characteristics measured at the dyadic level (size, intensity of trade, geographic distance, political system)
- Gravity model
- Or explanations based on exchange of market access commitments and interest groups
- *Important but untested assumptions about preferences and beliefs of individuals*

Literature: Micro level explanations of trade preferences

- Literature only studies individual attitudes toward trade in general (free trade vs. protectionism).
- Most of research on individual policy preferences explain why citizens would prefer free trade or protection, but are silent on the issue of preferential trade.
- Data comes from public opinion studies based on standard (often omnibus) surveys, such as the ANES or the *Latinobarometer*, with rather crude questions.
 - *Do not differentiate between different forms of trade liberalization*
 - *Few systematic efforts on firms' attitudes towards trade policy*
 - *Presenting the issue as a dichotomy could be deceiving as it may provide a magnified sense of division among the voters.*
 - *Ignore multidimensionality nature of policies*

Multidimensional decision-making

- Trade policy is multidimensional and entails a bundle of different features.
- Several attributes of trade liberalization in combination may affect respondent's preferences (citizens and firms are likely to make trade-offs over different features)
 - Number of countries
 - Which partners?
 - Partners' characteristics
 - Sectoral coverage
 - Trade related provisions and
 - non-trade concerns

Data collection and methods

- Survey platform in 4 countries
- Population based survey experiments in Vietnam, Costa Rica, and Nicaragua
- Convenience samples using Amazon – Mturk in the US.
- Survey embedded conjoint experiments

Empirical study design

- Choice-based conjoint analysis survey
- Experiment-based technique for handling situations in which a decision maker (voter, firm representative, consumer) has to deal with options that simultaneously vary across two or more attributes (Green et al. 2001)
- Used mainly in marketing research to analyze consumer trade-offs and to forecast demand, define pricing strategies, measure willingness to pay, and develop products (Green, Krieger, and Wind 2001)
- 1000 US respondents via Amazon Mechanical Turk (fielded September 2013)

The country varies on 8 dimensions or attributes

How it works ?

We confront individuals with potential trading partners profiles presented side-by-side

Characteristics	Country 1	Country 2
Worker rights protection standards, compared to the U.S.	weaker	stronger
Political system	democratic	democratic
Military/security alliance with the U.S.	no	yes
Size of the economy, compared to the U.S.	considerably smaller	a bit smaller
English	not widely spoken	widely spoken
Location	Asia Pacific	South America
Religion	predominantly Christian	diverse
Environmental protection standards, compared to the U.S.	similar	weaker
Which country would you prefer?	<input type="radio"/>	<input checked="" type="radio"/>

Attribute values are inserted randomly

Each individual gets 6 choice tasks

Respondents make a choice

Advantages of the design

- Several hypotheses can be tested simultaneously
- We can estimate the relative influence of each attribute value (country characteristic) on the resulting choice
- Enhanced realism of the choice task
- Reduces social desirability bias
- Also provide insights into politically relevant issues of policy-design.

Contributions

- Develop a better understanding of public demand for or opposition to trade policy and PTAs in particular.
- Complement macro-level studies that account for why and how countries decide to open their economies internationally through PTAs
- Generate new insights into how trade liberalization could be designed in order to enjoy sufficient public support.

Free Trade à la carte:

INDIVIDUAL ATTITUDES TOWARD PREFERENTIAL TRADE AGREEMENTS

Research Question

- How does the inclusion of different attributes (partners, provisions, sectors) influence individual levels of support for trade liberalization?

The Argument

PTAs should be more appealing to individuals as opposed to other facets of trade liberalization as

- a. uncertainty is reduced,
- b. countries can be discriminated; and
- c. issues of interest to several societal groups (e.g. migration, environment, and social concerns) are addressed.

The Argument (2)

- Uncertainty → PTAs with fewer countries should be preferred over agreements with lots of countries (Wei and Frankel 1997, Fernandez and Rodrik 1991, Krugman 1991)
- National images → Partner country should affect individual's preferences (Klein, Ettenson, and Morris 1998)
- Post-materialism → Is not just about trade. Comprehensive trade agreements that address environmental and social concerns should be preferred in developed countries (Spilker and Böhmelt 2013, Bechtel, Bernauer, and Meyer 2012, Cottier 2002, Hafner-Burton 2005)

Natural Trading Partners? A Public Opinion Perspective on Preferential Trade Agreements

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Thomas Bernauer

Gabriele Spilker

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Forthcoming in: Trade Cooperation: The Purpose,
Design and Effects of Preferential Trade Agreements.
Andreas Dür and Manfred Elsig (eds). Cambridge
University Press. 2014

Research question

- What factors are likely to make other countries more (or less) attractive when citizens are evaluating the pros and cons of trade agreements?


Theory

We test various micro-level implications of trade models and other theoretical explanations of individuals' trade attitude formation.

- Geographic and economic proximity
- Psychic distance
- Political system
- Shared interests
- Post-materialism

Geographic and economic proximity

- Pairs of countries have a higher probability of forming a PTA – or enlarging an existing one when they:
 - are close to each other,
 - have a large GDP, and
 - their economic size is similar

 We expect individuals to prefer PTAs with countries that are geographically closer and similar in economic size.

Psychic distance

- Trade policy, transport and logistic costs do not fully explain bilateral trade flows.
- Trade may be hampered by intangible barriers due to cultural and institutional differences between countries (psychic distance).
- Language and religion have shown to be key facets of psychic distance
 - Disrupt the flow of information between groups, have significant effects on bilateral trust and thus, increase the costs and risks of economic transactions.

 We expect individuals to prefer PTAs with countries that are more similar in terms of language and religion.

Political system

- Democracies are more likely to form PTAs among themselves (e.g. Milner and Mansfield 2012, Milner and Kubota 2005)
- Similarity of political culture and shared political values matter.
- Democratic institutions are likely to constrain the ability of governments to use trade barriers as a strategy for generating political support.
- Democratization tends to empower new groups of voters who prefer less protectionism.

 We should expect citizens in democratic countries to favor PTAs with other democratic countries.

Post-materialism

- Modern PTAs are increasingly dealing with environmental and social issues.
- These issues are covered by the multilateral trading rules only at the margin.
- In advanced democracies, such postmaterial concerns play an important role in trade policy choices of governments.

➡ We should expect individuals in advanced industrialized democracies to prefer PTAs with countries that have similar or higher environmental and labor standards.

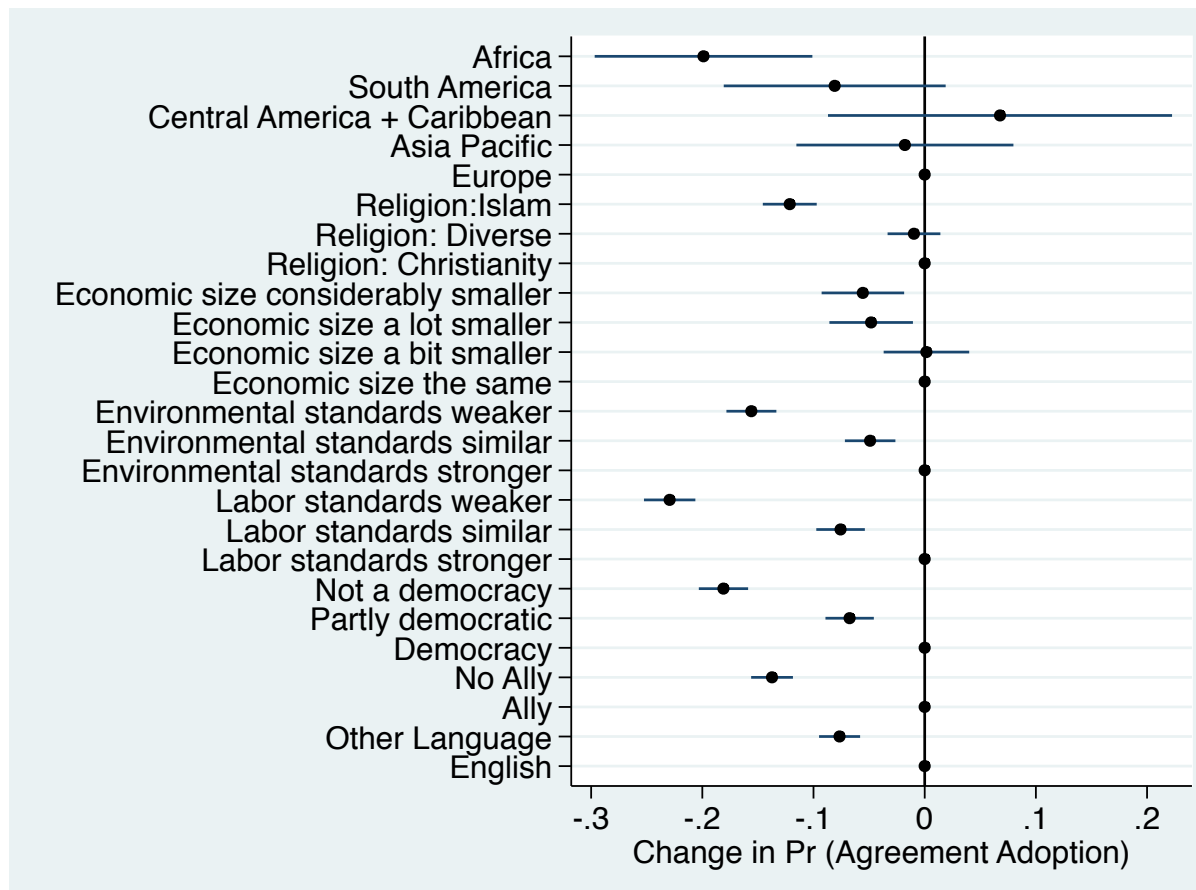
Attributes and values

Characteristic	Description
Economic size	Partner countries may be of different economic size. They may have the same economic size as the United States, or they may be smaller.
Language	The main language spoken in the partner country may be English or some other language.
Location	Partner countries may be located on the American continent, or on some other continent.
Religion	Partner countries may practice one main religion like Christianity or Islam or be religiously diverse with several religions practiced.
Political system	Partner countries may be democratic, partly democratic or not democratic at all.
Environmental protection	The environmental protection standards in partner countries may be stronger, similar, or weaker, compared to the standards in the United States.
Labor rights	The worker rights protection standards in partner countries may be stronger, similar, or weaker, compared to the standards in the United States.
Military / strategic alliance	Partner countries may have or have not a military / security alliance with the United States.

Results

- As predicted by our theoretical argument, the likelihood of preferring a trading partner decreases when the country :
 - has a different main religion or language
 - is not a democracy
 - has weaker labor or environmental standards
 - it's economic size is considerably smaller
 - Is not an ally

Results: Marginal Effects



Discussion

- Similarities in language, religion, location and post-material concerns increase the attractiveness of a particular trading partner.
- These results line up well with macro-level findings showing that geographic proximity, religion and language are important moderators of trade flows between country dyads.
- Also results connect with ethnocentricity, international animosity and out-group anxiety, which have been identified as robust predictors of individual trade policy preferences (Mansfield and Mutz 2009; Mayda and Rodrik 2005).

Discussion (cont.)

- Preferences for higher environmental and labor standards supports other findings in the trade policy literature that trade preferences are at least in part driven by sociotropic concerns (Mansfield and Mutz 2009).
- These findings relate also to research in consumer and market psychology, which explains that consumers rely on heuristics from national images to shape their purchasing decisions, which could in turn account for variations in support for bilateral trade (Klein, Ettenson, and Morris 1998).

Discussion (cont.)

- Regarding economic size, this result conforms with the theoretical predictions that the likelihood of a PTA decreases with size disparity as a country's welfare declines consequently (Baier and Bergstrand 2004).
- The connection to the individual level is explained by Grossman and Helpman (1995).
- A PTA will emerge when there is balance in the potential trade and size between partner countries, as the average voter will support policies that are welfare enhancing

Further research and policy implications

- Most of the low hanging fruit has been already harvested, that is PTAs among ‘natural trading partners’
- As new PTAs are progressively formed with dissimilar partners, the challenges for policy-makers dependent on public support increase consequently.
- Mega-agreements such as TTIP and TPP are the next challenges