

Does Populism Affect Trade? How Audience Costs affect the Design of Preferential Trade Agreements

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Research Question & Contribution

- ◆ Do Populist democracies trade differently?
- ◆ Reconceptualising audience costs (AC) in democracies
- ◆ Empirical evidence of how populist leaders use selective protectionism
- ◆ First large-n comparative study of how populism may affect trade policy

Theory & Argument

- ◆ Leaders have two principal audiences relevant to their survival; the public, and the party/special interests filtered through the party.
- ◆ The mode of entry of the leader affects whether they incur high or low audience costs from the public.
- ◆ Populist leaders are elected on a policy agenda of ‘us’ (the masses) and ‘them’ (elite), pledging their allegiance to the people over the establishment.
- ◆ The personalisation of the leader centralizes the relationship of the leader to the public, resulting in higher audience costs for populist leaders.
- ◆ The survival of a populist leader thus depends on signalling to voters that they are responsive to policy preferences.
- ◆ *H1: Populist leaders are more likely to sign deeper and more flexible PTAs when voters prefer lower trade barriers.*
- ◆ As with the AC literature in a conflict-setting, crises affect ACs. Popular attitudes towards trade become protectionist during economic downturn.
- ◆ *H2: Conscious of the higher audience costs they will incur; populist leaders are more likely to respond to the shift in preferences by signing shallower PTAs than non-populist states during economic crisis.*
- ◆ Deeper PTAs may antagonize import-competing interests. Product-specific protection enhances the political feasibility for populists seeking to sign deeper PTAs. Targeted tariffs can insulate selective domestic firms from the international market, enabling them to appease both their primary audience and opponents of trade.
- ◆ *H3: Populist leaders are more likely to utilise targeted-tariffs to reconcile competing demands over trade policy and satisfy import-competing interests*

Data & Methods

- ◆ (DV) DESTA database: Depth/Flexibility
- ◆ (DV2) Product-Specific Tariff Rates (Betz 2019)
- ◆ (IV) The Global Populist Dataset (1990-2016)
- ◆ Interaction terms: Economic Crisis vs Economic Boom
- ◆ OLS Regression with fixed effects
- ◆ Dyadic and Monadic models

Results & Empirics

Depth/Flexibility

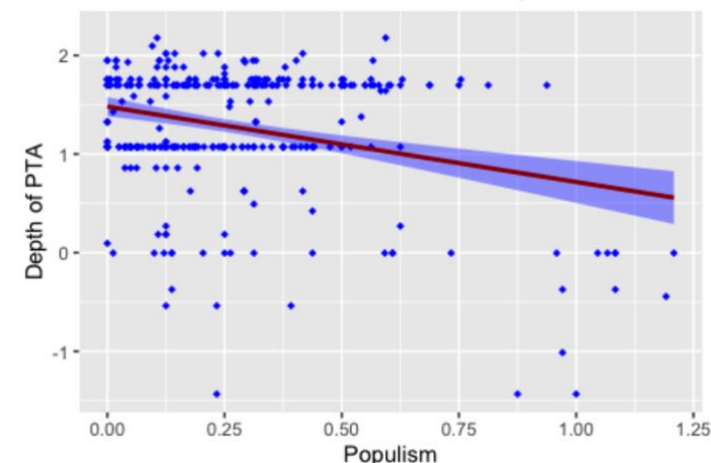
- ◆ Statistically significant and substantive increase in average depth of PTAs during populist spells
- ◆ Increased flexibility in PTAs
- ◆ Relationship ‘flips’ during periods of economic crisis.
- ◆ Interacting economic crisis with populism results in shallower and flexible PTAs

Targeted Tariffs

- ◆ Populist regimes are associated with fewer product categories that possess uniform tariffs (share), more categories with tariff peaks (peaks), and more categories that partially eliminate tariffs (cuts)

Robustness Checks:

- ◆ POLCON index & executive constraints
- ◆ Weighted 0-1 populist measurement
- ◆ Time-series matching algorithm
- ◆ Bureaucratic capacity



Effect of Populism on Targeted Tariffs

	Dependent variable:		
	peaks (1)	share (2)	cuts (3)
Populism	0.005** (-0.033, 0.044)	-0.096*** (-0.142, -0.049)	0.001* (-0.020, 0.023)
'left right'	0.017 (-0.002, 0.037)		
president	-0.003 (-0.041, 0.034)		
election_year	0.016 (-0.013, 0.045)		
bureaufac_norm	0.107 (-0.019, 0.234)		
gdp_capita	0.0004 (-0.001, 0.002)		
Constant	0.083 (-0.005, 0.170)	0.396*** (0.369, 0.424)	0.186*** (0.173, 0.199)
Observations	199	360	360
Akaike Inf. Crit.	-262.925	42.409	-506.518

Note:

*p<0.1; **p<0.05; ***p<0.01

Conclusion & Implications

- ◆ Behaviour of populist democracies in trade likely to be driven by economic climate
- ◆ Populist leaders are more likely to shift trade policy in line with public preferences as the economic climate oscillates between good times (liberalization) and bad times (protectionism).
- ◆ Paper is suggestive of a potential story around trade design and populism; further in-case studies, difference-in-difference designs, and better measurements of populism needed
- ◆ Findings question whether it is appropriate to use economic protectionism/anti-trade rhetoric as a criterion for measuring populism