Comments on
"Does Trade Liberalization with China Influence U.S. Elections?"
by Che, Lu, Pierce, Schott and Tao

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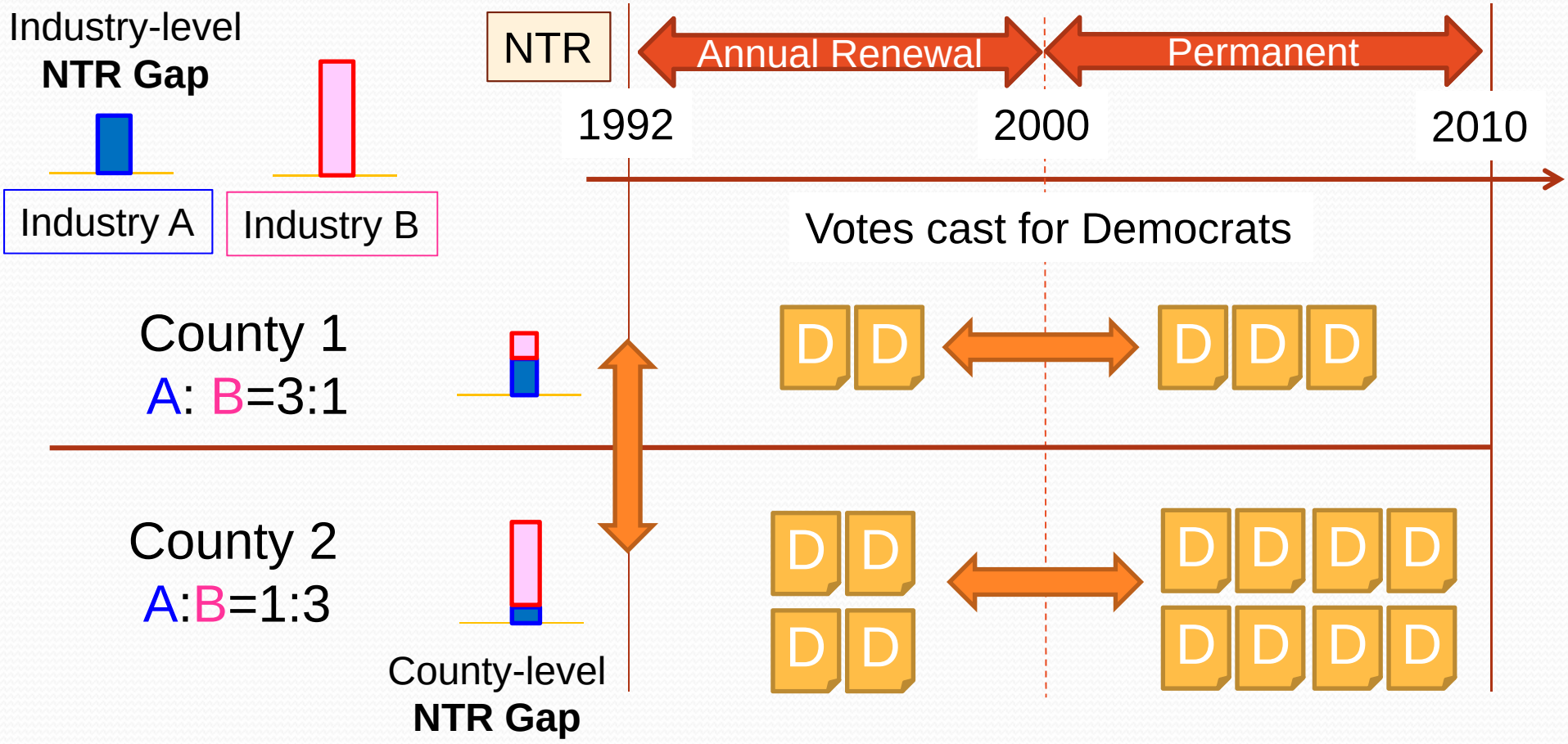
Quick Summary (1)

Q. Does trade liberalization matter in U.S. politics?

- A change in U.S. trade policy: granting permanent normal trade relation (**PNTR,** a.k.a MFN status) to China in October, 2000.
  - Until then, the U.S. could apply **non-PNTR** tariffs (i.e., "the Smoot-Hawley Tariffs") to China.
- Diverse voters' exposure to Chinese import competition.
  - Calculating the county-level **NTR Gap** by using the employment-share at the industry level.

Quick Summary (2)

Q. Does trade liberalization matter in U.S. politics?



Quick Summary (3)

Q. Does trade liberalization matter in U.S. politics?

A. YES!

- U.S. counties more exposed to competition from China:
  - Higher voter turnout
  - Increases in the share of **votes cast for Democrats**
  - Increases in the probability that a **Democrat represents a county** (incl. Switching from a Republican)

- Democrats are actually more likely to support bills that limit import competition and provide economic assistance.

Quick Summary (4)

Q. Does trade liberalization matter in U.S. politics?

Topical research question!

- US presidential election
  - Donald Trump said he might pull the U.S. out of the WTO.
- The issue of granting market economy status to China

Good identification and strong results!

… It was really hard (for me) to come up with comments.

List of Comments

0. Quick Questions
1. Really Exposed?
2. Only China?
3. Administered Protection?
4. FTAs?

+ Minor Comments

Quick Questions

QQ1

Which U.S. industries have higher **NTR gaps**?

- Food and tobacco (60% Smoot-Hawley tariff*)? Iron and Steel? Textiles? Leather?

* Irwin (1998) "The Smoot-Hawley Tariff: A Quantitative Assessment," *The Review of Economics and Statistics* 80 (2), 326-334

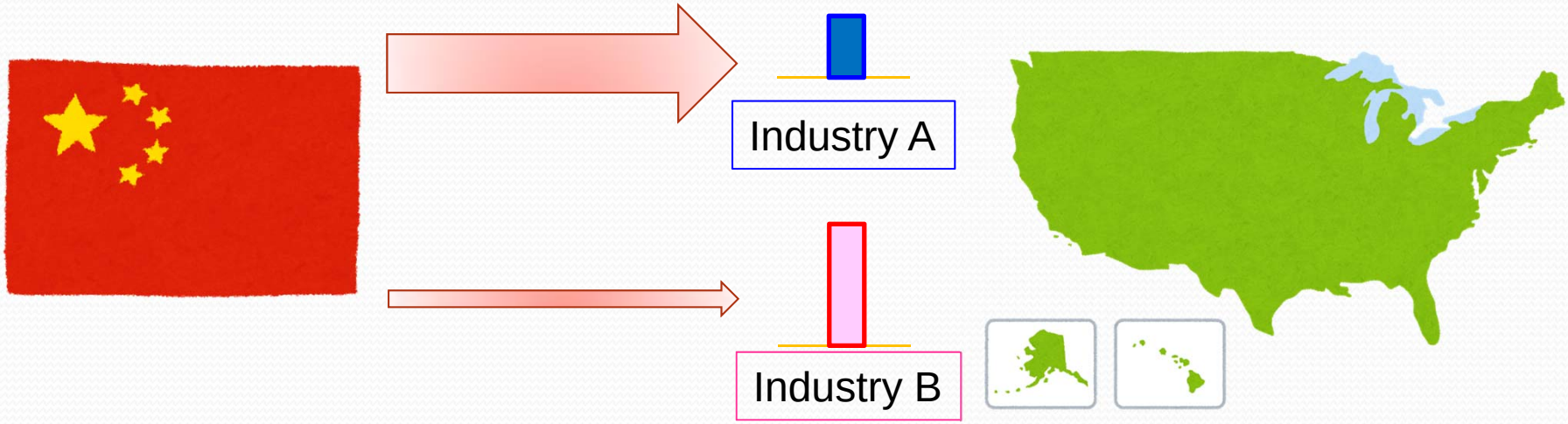
QQ2

Would tariffs have been automatically reverted to Smoot-Hawley tariff rates, if the U.S. did not renew **NTR** status prior to **PNTR**? (i.e., No government's discretion?)

Comment 1: Really exposed?

- Paper's supposition:
  Industries with large **NTR Gaps**
  = More exposed to Chinese import competition after **PNTR**

- Should take into account **industry-level imports from China** to consider <u>the Chinese comparative advantage</u> & the potential increase in imports from trade liberalization.



Comment 1: Really exposed? (cont'd)

- NTR gap adjusted by the industry share in the U.S. imports from China

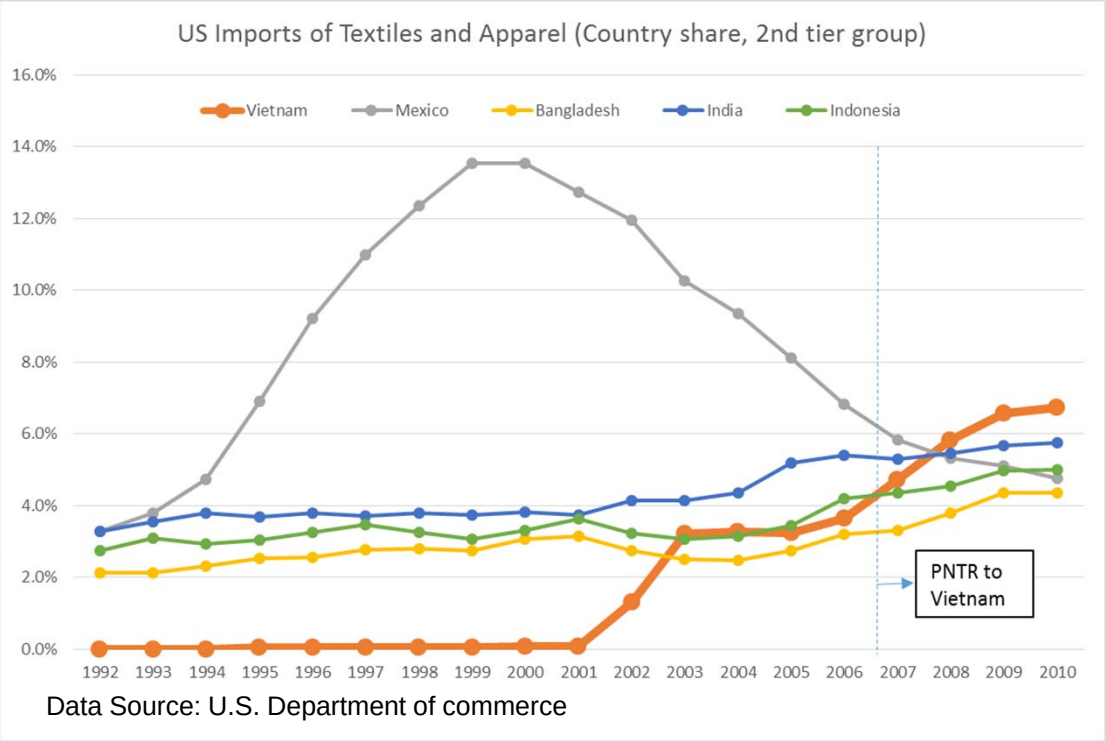
$$Adjusted\ NTR\ Gap_c = \sum_j \left(\alpha_j \times \frac{L_{jcb}}{L_{cb}} NTR\ Gap_j \right)$$

α_j: Imports from China in industry *j* / Total imports from China

$\frac{L_{jcb}}{L_{cb}}$: World imports from China in industry *j* / Total world imports from China

Comment 2: Only China?

- The U.S also granted **PNTR** to other countries between 2000 to 2010.
  - Albania (2000)
  - Kyrgyzstan (2000)
  - Armenia (2005)
  - Ukraine (2006)
  - **Vietnam (late 2006)**



Data Source: U.S. Department of commerce

- Identifying the same political effect of granting **PNTR** to other countries
  - ➢Checking if the results are specific to China

Comment 3: Administered protection?

- U.S. AD/CVD measures increased in Post-PNTR period.

	1992-1999	2000-2010
US ADs and CVDs (Total)	57 [6.3/year]	138 [12.5/year]
US ADs and CVDs (China)	14 [**24.6%**]	75 [**54.3%**]

✓ Increases in these protections might be the outcomes of the political effects of granting **PNTR** to China.

✓ Administered protection = Deviations from **NTR** rates
= The "effective" **NTR Gap** is small

- The political effects of **PNTR** on industries that are frequently protected by AD/CVD might be smaller.
- Can be another time-varying policy attributes

Comment 4: Post-PNTR FTAs?

- The number of U.S. FTAs (in force) increased in Post-PNTR period.

1992-1999	2000-2010
1	**9**
NAFTA(1994)	Jordan (2001), Chile (2004), Singapore (2004), Australia (2005), Bahrain (2006), DR-CAFTA (2006), Morocco (2006), Oman (2009), Peru (2009)

✓ If the industries subject to trade liberalization in those FTAs = the industries that have higher **NTR gaps**,
  - ➢ (Possible) political effects of increased competition with FTA partners might be treated as if they were the effects of **PNTR**.

✓ Another time-varying policy attributes (though it will be very cumbersome to identify the industry-level liberalization of FTAs).

Other Comments

- A related (working) paper: **Lake and Millimet (2016) ***
  - Investigated the effect of rising trade exposure on U.S. employment growth by using county-level employment data in 1990-2010.
  - Falling U.S. tariff protection is substantially more important that rising Chinese import penetration.

* Lake, J. and D.L. Millimet (2016) “Good Jobs, Bad Jobs: What’s Trade Got To Do With It?”, mimeo

- P. 14: $r \epsilon (0, 100) \rightarrow r \in (0, 100)$

Summary of Comments

1. Using U.S. import data from China to take into account Chinese comparative advantage
2. Considering the political effect of granting **PNTR** to other countries in the same sample period
3. AD/CVD as a possible escape of **PNTR**
4. A possible estimation bias due to the post-PNTR FTA liberalization