Reciprocal versus unilateral trade liberalization: Comparing individual characteristics of supporters

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Outline

- Reciprocity is the basic principle of actual trade liberalization talks, while unilateral trade liberalization is often unpopular.

- Based on a survey on 10,816 individuals, we examine how an individual's characteristics are related with her/his support for reciprocity or unilateralism.

Unilateralism Unpopular

- In econ textbooks, gains from trade even from *unilateral* trade liberalization.

- However, public supports for unilateral liberalization often weak.

- Unilateral liberalization observed only exceptionally (e.g. Corn Law, early GATT rounds, recent offshoring).

Reciprocity Respected

- Reciprocity influential in actual trade negotiations.
- GATT principle
- Balance of concessions
- Market access argument

- Bagwell & Staiger (terms-of-trade effect)

Individual-level data from surveys

- Scheve & Slaughter (2001) U.S.
- Mayda & Rodrik (2005) Int'l comparison
- Blonigen (2011) Revisit

All previous studies focus on the supports for import restriction (characterizing protectionists by industry & occupation).

Reciprocal vs. Unilateral *NOT* analyzed so far.

RIETI Survey

- Survey on 10,816 individuals in Japan

 (larger than any previous studies)

- Japan in miniature (in gender, age, region)

- Industry, occupation, education, income
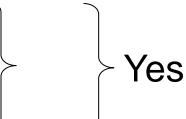- Risk attitude, optimism, patriotism, mobility etc.

Policy questions

- *"We should further liberalize imports to make wider varieties of goods available at lower prices."*

- *"It is a loss for our country to liberalize imports when our trading partners keep their doors closed."*

Response

Choose one answer from the below.

- *Strongly agree*
- *Rather agree*

} Yes

- *Rather disagree*
- *Strongly disagree*

} No

- *Cannot choose, Do not know*

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Grouping/Label

Import Reciprocity	Yes	No	
Yes	Reciprocal Free Traders	Reciprocal Protectionists	
No	Unilateral Free Traders	Absolute Protectionists	
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"Cannot choose, Don't Know" included into "No"

Import Reciprocity	Yes (Free Traders)	No (Protectionists)	Total
Yes	21	25	46
No	31	23	54
Total	51	49	100 (%)

"Cannot choose, Don't Know" Excluded

Import Reciprocity	Yes (Free Traders)	No (Protectionists)	Total
Yes	31	29	60
No	31	9	40
Total	62	38	100 (%)

Individual-level regression

$$y_j^* = x_j \beta + \varepsilon_j$$

Bi-Logit
   Free Trader vs.
   Protectionist

Multi-Logit
   Choice from
   four categories

Industry (Agriculture)
Occupation (Managerial)
Education (College)
Income (¥10 million)
Age, Retired (older than 65)
Gender
Risk aversion,…

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Bi-Logit results consistent with previous literature

- Protectionists (vs. free traders)
  - Agriculture (import-competing protected sector)
  - Unskilled (Less than college, Not managerial)
  - Female
  - Young
  - Risk averters, Pessimists
  - No children
  - Not like to change residential location

Multi-Logit results

- **Agriculture→*Reciprocal* Protectionist**

- Absolute Protectionists *NOT* necessarily working in agriculture.

- Patriots→ Reciprocal Protectionist

- Old →Free Trader. Esp. Retired=*Unilateral.* (as consumers rather than producers/workers)

Concluding remarks

- Reciprocity critical for expanding public supports for trade liberalization.

- Wider supports for trade liberalization (even unilateral) in ageing society?

- Remaining issues (relation with other debated policies such as immigration?)