Trade Balance and Policy Complexity: Explaining Political Elites' Focus on International Trade at the Domestic Level

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*We would like to thank Jeannette Money and Daniel (Yuch) Kono for their helpful comments and suggestions. We would also like to thank the Department of Political Science at the University of California, Davis for providing financial support for this project. Replication files are available on the dataverse page for *International Interactions*: http://dvn.iq.harvard.edu/dvn/dv/internationalinteractions. Questions regarding replication should be sent to Heather Elko McKibben: hemckibben@ucdavis.edu.

Abstract

The attention international trade receives at the domestic level varies widely across countries as well as among political elites within the same country. When and why are political elites likely to dedicate attention to this issue, and what is the policy position on which they are likely to focus when doing so? We argue that political elites are more likely to focus domestic attention on international trade when their country's economy is more dependent upon trade. The balance of trade is likely to influence the degree to which trade liberalization or protectionism is the main focus of elites at the domestic level, and the complexity of their country's trade policies is likely to mediate this relationship between the trade balance and the trade policy positions that dominate the domestic agenda. We test this argument by analyzing how political elites chose to focus on international trade in their party platforms in the lead-up to national elections across fifty-three countries from 1960 to 2014. The results show that these characteristics of countries' trade policies are related in important ways to political elites' strategic choice regarding when and how to focus domestic attention on international trade.

The degree to which international trade receives attention in the domestic political arena varies widely across states as well as across the policy agendas of different elites within those states. Political elites sometimes weight trade heavily in their domestic agenda while in other cases it remains on the sidelines, with other issues taking priority. Consider, for example, the juxtaposition in the United States and Peru in their respective experiences on the ratification of a bilateral free trade agreement. While debates were relatively quiet in the United States, heated protests over the agreement in Peru led to the deaths of 34 activists (Romero 2009). The difference in the salience of the issue was quite stark. Moreover, when trade does receive domestic attention from elites, the degree to which they focus on trade liberalization or protectionism varies widely. This raises two important questions: when and why is international trade likely to receive attention in the domestic agenda of political elites, and what trade position is likely to dominate their agenda?

We argue that political leaders' choice regarding how to address international trade in domestic politics is influenced by three characteristics of their state's trade policies: (1) the *amount of trade* they generate, (2) the *balance of the trade* they create, and (3) their *complexity*. Political elites are likely to put greater weight on trade as a policy issue, in general, when trade accounts for a greater share of their state's economic activity. The balance of that trade influences the degree to which trade liberalization or protectionism dominates the domestic agenda. Political elites that support free trade are emboldened with an increasing trade surplus, and thus likely to focus more attention on the benefits of free trade in their domestic agenda. Conversely, political elites that support protectionism are emboldened when trade deficits widen, and thus likely to focus more attention in their domestic agenda on the need for protectionist measures. The complexity of their state's trade policies should mediate this policy attention. When a state's trade policies are simple, the relationship between trade imbalances and elites' focus on free trade or protectionism should be relatively weak. However, that relationship should be strong when trade policies become more complex.

We test this argument by analyzing how political elites focus on international trade in their party platforms in the lead-up to national elections in fifty-three states from 1960 to 2014. Focusing on these party platforms provides a helpful starting point for analyzing the weight elites place on the issue of trade, as these platforms define the issues they believe are important enough to warrant attention in support of their election goals. The results show that the characteristics of states' trade environment and trade policies are related in important ways to political elites' choice regarding when and how to emphasize international trade in their domestic policy agendas. Trade surpluses and deficits embolden elites with different policy preferences, and when their state's trade policies are more complex, that relationship is stronger.

The argument and results have important implications for our understanding of the politics of international trade. In particular, many studies have shown that citizens' demand for trade policy stems from their individual preferences (Hainmueller and Hiscox 2006; Mansfield and Mutz 2009; Mayda and Rodrik 2005; Scheve and Slaugher 2001), and have shown how those preferences get translated into trade policy (Bailey 2001; Hicks, Milner, and Tingley 2014; Kono 2008; Mansfield, Milner, and Rosendorff 2000; Mayer 1984; Milner and Kubota 2005). However, as other studies have shown, political elites can influence public opinion by providing "cues" to which the domestic public responds (Boudreau 2009; Downs 1957; Druckman 2001a, 2001b, 2001c). This led several scholars to argue that studying how elites not only follow, but also lead, public opinion regarding the issue of trade is an important path for future research (Rho and Tomz 2017, S104-5). This paper takes a first step in that direction by analyzing when and how political elites choose to emphasize the issue of international trade in the domestic political arena.

Elites' Domestic Policy Agendas and Trade

When seeking to understand how political elites deal with issues related to international trade, we must first examine when they will give any weight to the issue. To answer this question, we must first recognize that focusing on international trade comes at the expense of dedicating attention to other important issues. Political elites are thus more likely to highlight trade on their domestic agenda when they anticipate that doing so will be effective in generating political support. We argue that political elites are likely to focus more on trade when it is more likely to be a salient domestic issue, and their policy positions are therefore likely to fall on a more motivated audience. The domestic public is more likely to consider international trade as an important issue when trade accounts for a greater proportion of the economy, and therefore receives more attention from elites. Free trade is likely to receive a greater degree of support when a state's trade policies generate a larger trade surplus, and protectionist policies are likely to receive a greater degree of support when those policies generate a larger trade deficit. These factors should therefore influence the level of attention that political elites dedicate to issues regarding international trade, as well as the degree to which trade liberalization or protectionism dominates the domestic policy agenda.

Amount of Trade

First, we argue that political elites are more likely to emphasize international trade in their domestic policy agenda when trade with other states accounts for a greater proportion of their economic activity. While free trade can benefit the economy, overall, its effects are not uniform across individuals within the state. Trade's distributional effects result in winners and losers (Autor et al. 2013; Autor et al. 2016: Balsvik et al. 2015), and trade liberalization has been found to increase income inequality (Antras, Gortari, and Itskhoki 2017). In other words, international trade generates welfare effects at the domestic level – gains and losses

to different workers and producers.[1] The greater these gains and losses, the more salient the issue of trade is likely to be among the domestic public (Jensen, Quinn, and Weymouth 2017; Taylor 2015). While voters, as consumers, benefit from international trade, the domestic politics of trade is importantly driven by the interests of workers and producers across various industries (Grossman and Helpman 1994, 1995; Owen and Johnston 2015) – groups who are fairly well-organized while consumers, as a group, are less so. Political elites therefore tend to focus on trade in terms of its effects on workers and producers, and their appeals to the broader public will focus on these issues.[2] We argue the welfare effects for workers and producers generated by a state's trade policies should thus influence the degree to which the domestic audience will consider trade to be an important issue. When trade with other states accounts for a greater proportion of a state's economy, a greater level of welfare effects should be generated, and there will be a greater level of interest in international trade from the domestic public. Political elites should therefore be more likely to put weight on the issue in their domestic political agendas.

Consider when the Canadian government launched exploratory discussions for a possible Canada-China Free Trade Agreement in the fall of 2016 compared to the Canada-Costa Rica Free Trade Agreement negotiated in 2001. Canada's overall trade with China amounted to about 4.5 percent relative to its GDP at the time of the agreement's negotiation, while trade with Costa Rica amounted to only .03 percent.[3] We would thus expect the potential agreement with China to generate greater welfare effects, and thus receive greater attention (either negative or positive).

Indeed, the possible agreement with China raised significant debate among workers and producers, with arguments put forth highlighting both positive and negative potential ef-

[1]While there are debates about the level of aggregate gains and level of inequality generated by increased trade, both types of welfare effects have been shown to result from increased trade in both developed states (Krugman 2008) and developing states (Goldberg and Pavcnik 2007).

[2]Indeed, as Betz and Pond (2019) argue, the trade policies created by political elites tend not to reflect broad consumer interest.

[3]The trade data used to calculate this measure comes from the Correlates of War Version 4.0 (Barbieri, Keshk, and Pollins 2009; Barbieri and Keshk 2016) and the GDP data comes from the World Bank Indicators.

fects. On the one side, the possible agreement was criticized for the harm it would do to Canadian workers. As one representative of the Steelworkers Union of Canada stated, "We believe that it is Canada's workers who will suffer most as a result [of the agreement]. We are also concerned that a free trade agreement with China will accelerate the ongoing decline in Canadian manufacturing" (Neumann 2017). On the other side, the potential for the agreement to help many Canadian businesses was also highlighted. As one Canadian business executive argued, "As Canada is a medium-sized economy with tons of innovative players, China is an attractive market for Canadian companies to enter. Canadian cleantech companies focusing on renewable energy, engineering advances, battery tech, and solar power tech find viable opportunities in China's push to use new forms of renewal energy" (quoted in [Koty 2017]). In contrast, the Canada-Costa Rica free trade agreement received little to no attention from these same groups.

Following this trend among interest groups and the public, political elites similarly varied in the attention they focused on the two trade agreements. The potential Canada-China agreement became a key issue for leaders on both sides while the Canada-Costa Rica agreement did not. To illustrate the contrast, in the year after intentions to negotiate a Canada-China trade agreement first circulated, 179 mentions were made in the Canadian Parliament about that potential agreement. In the year leading up to the signing of the Canada-Costa Rica agreement, only 17 references were made.[4]

Overall, we argue that as a state becomes more dependent on foreign trade, political elites will be more likely to focus on the issue in their domestic policy agendas. This argument leads to a testable hypothesis.

Hypothesis 1: *When the amount of trade generated by a state's trade policies is greater relative to its economy, political elites are likely to focus more attention on the issue of international trade, all else constant.*

[4]These numbers are calculated using a search of `openparliament.ca` using the search "China 'trade agreement' " and "Costa Rica 'trade agreement' " for the dates indicated. This is September 2016 through September 2017 for the China agreement and April 2000 through April 2001 for the Costa Rica agreement.

Balance of Trade

There is not only wide variation in how central trade is to a state's economy, but also wide variation in states' trade balance. Some states experience a trade surplus with their trading partners while others experience a trade deficit. We argue that a state's balance of trade influences the way political elites' with different policy positions choose to emphasize trade. In general, we should observe policy positions highlighting the benefits of free trade to be more prevalent in states with greater trade surpluses, and policy positions highlighting the need for protectionist measures to be more prevalent in states with greater trade deficits.

Recent literature shows that voters tend to punish incumbent parties in the face of rising imports but reward them when exports rise (Colantone and Stanig 2018; Jensen, Quinn, and Weymouth 2017).[5] Even though this position is not that of economists, these results imply that voters tend to prefer having greater exports relative to imports (i.e., a trade surplus). When a state's trade policies generate a trade surplus, we expect political elites supporting free trade to highlight the benefits of their trade-liberalizing policy positions in the hope of using that policy position to win domestic support. Free trade policy positions should therefore be more dominant on the domestic agenda in states facing a greater trade surplus. For example, since World War II, German trade policies have yielded a trade surplus – a surplus which continued to grow throughout the 2000s and 2010s. In line with our argument, German leaders often focused on free trade in their domestic policy positions. For example, across all political parties in Germany in the lead-up to elections in 2013, liberalizing policy positions accounted for about 77 percent of the overall references to trade in the domestic agendas of political elites.[6]

In contrast, trade surpluses do not provide much support for the policy positions of political elites favoring protectionism. Highlighting their protectionist positions is therefore

[5]Indeed, as Colantone and Stanig (2018) show, import shocks in Europe led to an increase in support for less mainstream parties such as nationalists, isolationists, and the far right.

[6]This information comes from an analysis of the Comparative Manifesto Project data (Budge et al. 2001; Volkens et al. 2017).

unlikely to help them garner political support. Elites supporting protectionism should thus be less likely to put trade on their domestic agenda. For example, across all political parties in Germany in the lead-up to elections in in 2013, protectionist policy positions accounted for only 23 percent of the overall references to trade in the domestic agendas of political elites.

Trade deficits should work in the opposite way. When a state's trade policies generate a trade deficit, political elites with protectionist policy positions have a greater ability to use the trade balance as a way to defend their position on trade. We therefore expect the attention allotted to trade in political elites' domestic agendas to be more skewed toward support for protectionist measures in states with greater trade deficits. For example, Spain has consistently run a trade deficit for over 50 years. Across all political parties in Spain in the lead-up to elections in 2011, protectionist policy positions accounted for almost 80 percent of the overall references to trade in political elites' domestic agendas, while free trade positions accounted for only about 20 percent.[7]

Overall, we argue that political elites generally expect voters to be more likely to respond positively to trade liberalizing policy positions when facing a trade surplus, and more likely to respond positively to protectionist policy positions when facing a trade deficit. We therefore expect the policy stances promoted by political elites at the domestic level to be conditioned by their state's trade balance. A positive association should exist between trade surpluses and elite focus on free trade, and a positive association should exist between trade deficits and elite focus on protectionism. This argument leads to the following testable hypothesis.

Hypothesis 2: *All else constant,* (a) *when a state's trade policies generate a greater trade surplus, political elites are likely to emphasize the benefits of free trade to a greater degree, and* (b) *when a state's trade policies generate a greater trade deficit, political elites are likely to emphasize the need for protectionist measures to a greater degree.*

[7]Again, this information is based on an analysis of the Comparative Manifesto Project data (Budge et al. 2001; Volkens et al. 2017).

Complexity of Trade Policy

As we argued above, a state's trade balance is likely to influence when and how the issue of international trade will be emphasized by elites at the domestic level. However, we do not expect these positive relationships to be as strong in all situations. We argue that the *complexity* of a state's trade policies (which is assumed to be held constant in Hypothesis 2) is likely to mediate the influence that a state's trade balance has on the way political elites will focus their attention to trade. By "trade policy complexity" we mean the degree to which policies go beyond simple tariff reductions. As identified by Magee, Brock, and Young (1989), trade policies vary in how directly they achieve their aims. Simple and direct policies such as tariffs are more transparent and discernible than the obfuscated nature of some indirect instruments such as government procurement provisions and anti-dumping measures.

We argue that the relationship between trade balance and elites' focus on free trade versus protectionism in the domestic political arena should be amplified when trade policies are more complex, and diminished when trade policies are simpler. This is because complex policies obfuscate their economic effects (Kono 2006; Magee, Brock, and Young 1989). The winners and losers are hard to identify, and those groups may even be cross-cutting – especially when a greater number of issues are addressed by trade policies. For example, if a trade policy not only entails tariff reduction requirements, but also includes clauses specifying particular environmental protections as well as defense instruments such as anti-dumping measures and escape clauses, the degree to which various workers and producers will benefit or suffer from the policy is not clear. How does one know whether the effects of trade liberalization will outweigh those of the more protectionist measures, or vice versa?

Because the effects of complex policies are difficult to understand, we argue that political elites are less likely to use the particularities of more complicated policies to try to win political support. However, if their policy position is supported by the existing balance of trade, political elites can link complex policies to that imbalance as an intuitive indicator of

those policies' effects. If the trade balance does not support their policy position, because the actual effects of complex policies are difficult to communicate, political elites will have more difficulty defending that position, and thus choose to dedicate less attention to the issue.

We therefore argue that in the face of more complex trade policies, political elites whose policy stance is supported by the trade balance are more likely to use their trade policy position as a political tool to win support at the domestic level. When policies are complex and their state has a trade surplus, political elites supporting free trade are therefore more likely to highlight the benefits of trade liberalization, as they can easily cite the surplus to argue that those policies benefit the economy. They are more likely to remain silent, however, when they face a trade deficit and the true effects of their state's trade policies are difficult to communicate. The level of attention elites would have to dedicate to trade in order to attempt to explain the policies' actual effects would be significant, lessening the amount of time they could spend focusing on other important issues. Moreover, their protectionist opponents could easily cite the deficit as evidence of those trade policies' negative effects. When facing a deficit and dealing with complex trade policies, it would therefore be more politically advantageous for free trade proponents to focus on other, more strategically beneficial issues to help them win political support. The converse would also hold for protectionist elites dealing with complex policies.

As an illustrative example, consider the case of Australia. From 2002 through 2009, Australia consistently ran a significant trade deficit. In focusing on complex trade policies, we would therefore expect to see elites referencing the trade deficit as an important indicator of the dangers of free trade. For example, the government of the Australian Parliament put out a publication in 2008 discussing Australia's Free Trade Agreements (FTAs) that had been negotiated under prior governments– agreements which are highly complex, as they often go beyond simple tariff policies. Indeed, "non-trade considerations often predominate

in FTAs" (Priestley 2008).[8] In referencing these free trade agreements and the deficits they were creating, the report argued, "The FTAs were followed by higher Australian trade deficits and a much slower rate of reciprocal export growth, as well as trade diversion as products were sourced from countries with which Australia has zero tariffs. The potential risks of the current FTA model adopted by Australia are clear: structural trade imbalances leading to higher trade deficits favouring the FTA partner country ... and negative impacts on the Australian economy which are related to trade diversion" (Priestley 2008). In other words, Parliamentary elites in the government were using the trade deficit to describe the negative effects of the FTAs that had been negotiated under previous governments.

In 2018, Australia began to run a consistent and significant trade surplus. We would therefore expect political elites to be seen emphasizing the surplus as a key indicator of the benefits of complex free trade agreements. In line with this prediction, the Australian Minister for Trade, Tourism and Investment emphasized the importance of the free trade agreements his government had recently negotiated in a media release in 2019, citing the trade surplus that had been generated as an indicator of their benefits. "Australia now routinely records monthly trade surpluses, and we want to make sure that we keep that trend going in 2019. That's why we continue to pursue a trade agenda that opens new markets for Australian exporters across a wide range of industries, helping to build a stronger economy and create more Australian jobs. ... Over the past five years under our government, total trade covered by free trade agreements has increased from 26 percent to around 70 percent, providing more opportunities for Australian exporters to sell their quality produce and goods to the world" (Birmingham 2019). In other words, the trade minister was using the trade surplus to highlight the positive effects of his government's FTAs.

For simple policies, the winners and losers are easier to identify and the policies' actual effects are thus easier to understand. Consider the relatively simple policy of a tariff. In 2018, the United States imposed a 25 percent tariff on steel and 10 percent tariff on aluminum

[8] As defined by our conceptualization of complexity, these non-trade considerations make trade policies significantly more complex.

being imported from a large number of states including China, the European Union, Canada, and Mexico. The tariff clearly benefited the steel industry in the United States by reducing competition. At the same time, however, it also raised prices on steel and aluminum – especially those imported from foreign producers – placing significant costs on industries in the United States that relied on those metals for downstream manufacturing. These winners and losers from the tariffs are easy to identify, and the tariff's effects are thus easier to understand.

Because the winners and losers from simple policies are fairly clear, political elites are less dependent on the trade balance to validate their issue positions. Regardless of their state's overall trade balance, both free trade and protectionist proponents can exploit the effects of simple policies to their political advantage. For example, even in the face of a trade deficit, elites supporting free trade policies have clear evidence of policy effects that can defend their position. In the case of the steel and aluminum tariffs in the United States, political elites pushing for the removal of those tariffs were able to defend their position by identifying the losers from the protectionist tariffs. "We are concerned that the Administration's trade actions are counterproductive to its goal of ensuring a level playing field for American companies. Many American companies ... have complex global supply chains, and are unable to quickly reconfigure their supply chains to shift sourcing away from China without significant and costly disruptions to their operations. ... [T]ariffs imposed on equipment and parts will cause an increase in production costs for companies with U.S.-based manufacturing or assembly operations" (Feinstein and Harris 2018). Even in the face of a trade deficit in the United States, the supporters of removing these tariffs were vocal in pushing their policy position, directly citing the negative effects of the tariffs themselves.

Elites supporting protectionist policies also have evidence of effects from simple policies that they can use to defend their position. For example, in response to the same steel tariffs that were criticized for the costs they were inflicting on American manufacturers, President Trump attributed U.S. Steel's announcement of a billion-dollar investment in a steel facility

in Pennsylvania to the effectiveness of those tariffs and their support for the steel industry in the United States (Rappeport 2019). Even though the trade balance for the United States was characterized by a deficit which can provide a backing for more protectionist policy positions, rather than citing the deficit, President Trump cited the tariffs themselves as the reason why those protectionist policies were important.

The trade balance might still matter even in the face of simple policies, but political elites are less dependent on it to defend their policy positions. They can cite the winners and losers from the simple policies without needing to reference the trade balance. When trade policies are simple, we therefore do not expect a state's overall trade balance to influence political elites' discussions of trade in as significant a way as it does under complex policies. A state's trade balance may have little to no effect when policies are very simple, but should have a strong effect on the way elites focus their attention on trade when they are more complex.

Taken together, these arguments lead to a testable hypothesis.

HYPOTHESIS 3: *All else constant, when a state's trade policies are more complex:* (a) *a stronger positive relationship should exist between a trade surplus and political elites' emphasis on free trade, and* (b) *a stronger positive relationship should exist between a trade deficit and political elites' emphasis on protectionism.*

Empirical Analysis

As we argued above, characteristics of a state's trade policies are likely to influence the degree to which political elites devote attention to international trade in domestic politics, as well as the policy position that they forward. To test our argument, we analyze how political elites discuss trade in the party platforms they put forth in the lead-up to national elections (i.e., parties' "election manifestos").[9] The sample focuses on fifty-three countries in the lead-up to

[9]The use of party manifestos to capture elites' focus on trade helps to strengthen our research design. First, parties must form a cohesive program through the construction of a manifesto where the programmatic declarations are debated and constructed. Focusing on the party manifestos, we can therefore assess the general emphasis of a party rather than bias our results from the rhetoric of a few politicians. Second, the use

national elections from 1960 through 2014.[10] The unit of analysis is "party-country-election year," whereby the platform forwarded by the political elites of each relevant party in each country is analyzed in a given election year. Focusing on how trade is discussed in parties' election manifestos provides a helpful starting point in the analysis of the attention political elites dedicate to international trade because these manifestos define the issues that elites think are important enough to be placed on their domestic agenda in the lead-up to an election.

Dependent Variables

We construct three dependent variables to analyze our argument. All three capture the percent of the election manifestos put forth by political elites that is dedicated, in some way, to international trade. The first dependent variable, *Overall trade focus*, measures the percent of a party's election manifesto that deals with any type of discussion related to international trade. The data for this measure come from the Comparative Manifesto Project (CMP), which codes the percent of the election manifestos of political parties across a wide variety of countries dedicated to various topics (Budge et al. 2001; Volkens et al. 2017). We use their coding of "trade" discussions to measure the attention that political elites afford to issues related to international trade.[11] We use this dependent variable to analyze the relationship between a country's overall level of trade and political elites' focus on trade as an important issue (hypothesis 1).

The other two dependent variables capture the policy positions that are emphasized by political elites their party platforms, and are included in our models testing hypotheses

of party manifestos gives more uniform weight to a party's references to trade across countries. Regardless of the domestic media market or the size of an electorate, each party is permitted equal access and preparation for their manifestos.

[10]Table 1 in the Web Appendix lays out the specific countries and election years for each country that are included in the analysis (given data limitations).

[11]Our measure of "overall" trade focus is the sum of the percent of a manifesto that is dedicated to positive discussions of trade protectionism (CMP code 406) and the percent dedicated to negative discussions of trade protectionism – i.e., supporting free trade (CMP code 407). As Lowe et al. (2011) argue, combining the opposing categories of the coding scheme provides meaningful measurement of policy importance.

2 and 3. The first, labeled *Focus on Free trade*, measures the percent of a party's election manifesto highlighting the benefits of free trade. The second, labeled *Focus on Protectionism* measures the percent of the manifesto highlighting the importance of using protectionist trade measures.

As coded by the CMP, a statement in a party's election manifesto is considered to be oriented toward free trade if it represents support for the concept of free trade, or if it is a negative statement regarding protectionist measures. It is considered to be oriented toward protectionism if it includes positive statements regarding trade protectionism or negative statements regarding free trade.[12] These two variables are therefore designed to capture the "message" a party is trying to convey. They do not simply code a statement as being oriented toward protectionism if it includes the word "protectionist" or oriented toward free trade if it includes the phrase "free trade," as this could misinterpret the overall message when these terms are used in a negative way. These "messages" that the CMP code capture the type of emphasis on trade policy positions that we seek to explain.

Explanatory Variables

To test hypothesis 1, we construct a measure of countries' overall level of trade as a percentage of their gross domestic product (GDP) in a given year. Based on hypothesis 1, we expect this variable to be positively correlated with the amount of a party's election manifesto dedicated to discussing international trade. The data for this measure come from the Correlates of War dyadic trade dataset v.4.0 (Barbieri, Keshk, and Pollins 2009; Barbieri and Keshk 2016), and correspond to our 1960 through 2014 sample. We check the robustness of the results of these models by using two alternative measures of trade: the WTO's measure of trade in services and merchandise, and UN Comtrade's data on trade in commodities. The results of these robustness checks are reported in the Web Appendix.

To test hypothesis 2, we use the Correlates of War trade data to construct two variables

[12]For a more detailed description of the coding process, see the Comparative Manifesto Project's website: https://manifestoproject.wzb.eu.

measuring a country's overall trade balance. One captures a country's *trade surplus*, and is calculated as a state's exports minus its imports. Positive values indicate a trade surplus, and greater positive values indicate a larger surplus. *Trade deficit* is the inverse of trade surplus, and is calculated as a state's imports minus its exports. Positive values indicate a trade deficit, and greater positive values indicate a larger deficit. To normalize these measures across states, we code *Trade surplus* and *Trade deficit* as a state's overall surplus or deficit as a percent of its GDP in a given year. It should be noted that because a trade deficit is the exact inverse of a trade surplus (they are correlated perfectly at -1), these variables should not be included in the same model. We could have used trade surplus in all models, but we constructed the deficit variable in order to simplify the interpretation of the results in the protectionist models.[13] We do so because using surplus in the free trade models and deficit in the protectionist models points all predictions in the positive direction. Specifically, based on hypothesis 2, we expect trade surpluses to be positively correlated with the level of focus on the benefits of free trade, and trade deficits should be positively correlated with the level of focus on the importance of protectionist policies.

To test hypothesis 3, we first construct a variable that measures the "complexity" of a country's overall trade policy in a given year. To do so, we draw on the Design of Trade Agreements (DESTA) dataset (Dür, Baccini, and Elsig 2014), which codes the "depth" of preferential trade agreements (PTAs). Specifically, we utilize DESTA's "latent trait analysis" (a type of factor analysis) of characteristics of PTAs. This measure captures the depth of a given trade agreement by conducting a Rasch model analyzing 48 indicators of PTA depth (which capture the inclusion of a variety of non-tariff measures).[14] To measure the complexity of each states' overarching trade policy in a given year, we take the mean of DESTA's measure of PTAs' latent trait value across all PTAs in which a state is a member

[13]Because the surplus and deficit measures are perfect inverses of each other, the statistical results are identical regardless of which is used – the sign of the deficit coefficient is simply the inverse of the coefficient if surplus is used.

[14]These types of non-trade measures are specifically what we draw on in our conceptualization of trade policy "complexity."

in that year. The result is a measure which indicates the overall depth of the full range of trade agreements to which each state is a party.[15]

We then produce two variables labeled *Trade surplus* × *Complexity* and *Trade deficit* × *Complexity*, which interact this complexity measure and the measures of a country's trade surplus and trade deficit. Based on the predictions of hypothesis 3a, we expect an analysis of this interaction to show that when a country's trade surplus is greater, in a setting where that state has more complex trade policies, more focus should be given to the benefits of free trade. We therefore expect a stronger positive association between a greater trade surplus and the level of attention afforded to the benefits of free trade when policies are more complex. As predicted by hypothesis 3b, when the trade deficit is greater, in a setting where a state's trade policies are more complex, more focus should be given to the need for protectionist measures. We therefore expect a stronger positive association between a greater trade deficit and the level of attention afforded to protectionism when policies are more complex.

Finally, we include several variables in the analysis to control for potentially mitigating factors. First, we include a measure of a party's ideology. This left-right measure comes from the Comparative Manifesto Project, which uses an index of multiple issues capturing party ideology to create an ideological score on a scale from zero to ten. Larger values represent a more right-leaning party and smaller values represent a more left-leaning party. Given that the majority of countries in our sample are developed countries, we would expect, based on several arguments in the literature (Dutt and Mitra 2005; Milner and Judkins 2004), that more right-leaning parties would focus their attention more on the benefits of free trade than their left-leaning counterparts. Left-leaning parties should focus more on the need for protectionist policies. Second, we include a variable indicating whether a state was a member of the European Community/European Union. Since they belong to a customs union with a common commercial policy, EU members have interrelated trade policies. We therefore

[15] As a robustness check, we also run the analysis using DESTA's "index" measure of PTA depth. The results are reported in the Web Appendix, and support those reported here.

control for the fact that the EU states approach trade in a different way than other types of states (Weinberg 2016). Finally, we include a variable that captures the overall size of a country's economy, as measured by its GDP. We log this measure to account for skewness.[16]

We run several models to test our argument. Model 1 tests hypothesis 1, analyzing the relationship between a country's level of trade and the overall attention given to trade-related issues in parties' election manifestos. Models 2 and 3 test hypotheses 2 and 3 by analyzing the relationships between a country's trade surplus (or deficit) and the particular positions regarding trade that political elites highlight, as well as how the complexity of the country's trade policies influences those relationships.

In all three models we use a linear time-series regression with correlated panel-corrected standard errors to control for groupwise heteroskedasticity and a lagged dependent variable to control for serial correlation.[17] We use correlated panel-corrected standard errors because the groupwise homoskedasticity assumption that underpins fixed effects models is violated in our data.[18] Panel-corrected standard errors take into account contemporaneous correlation across the units and heteroskedasticity by unit to deal with the panel nature of the data (Beck and Katz 1995). We do, however, re-run the analyses using country fixed effects in order to check that our results do not suffer from omitted variable bias, and to demonstrate the robustness of our results. Models 4 through 6 correspond to Models 1 through 3, and include these country fixed effects. Table 1 reports the results of these models.

[TABLE 1 HERE]

[16]Descriptive statistics of the key variables are laid out in the Web Appendix, as well as descriptive statistics to show how these variables vary over time. Note that the mean of elites' focus on trade and of countries' trade surplus/deficit as a percent of GDP varies significantly over time, with no specific trend in either direction. Trade policy complexity, countries' overall level of trade as a percent of GDP, and countries' GDP tend to increase over time. To control for this, time trend variables are included in the analysis.

[17]The Hausman test for each model indicated that using random effects was not the appropriate model specification. We also tested for a unit root in our imbalanced cross-sectional time series data using the Fisher test for a panel unit root based on an augmented Dickey-Fuller test with one lag. For each of the three dependent variables, we could reject the null hypothesis of a unit root in all panels.

[18]The violation of the groupwise homoskedasticity and serial uncorrelated errors assumption underpinning the fixed effects models was shown by the modified Wald test for groupwise heterosketasticity in the residuals of fixed effects regression models (Baum 2000).

Results

The results provide evidence that is largely consistent with our argument. The one exception are the results in Models 1 and 4, which test the relationship between a state's overall level of trade and the degree to which its political elites dedicate attention to trade in their election manifestos (hypothesis 1). As evidenced by the statistically insignificant coefficient associated with the *Overall trade focus* variable, the results show that having a greater level of trade is not associated with a greater focus by political elites on issues related to trade. This is an interesting result, and future work should seek to address this puzzle as to why political elites' attention to trade at the domestic level is not significantly associated with a state's level of engagement with trade.

The results in Models 2 and 3 (which use panel-corrected standard errors) and Models 5 and 6 (which use country fixed effects) provide empirical support for our argument about states' balance of trade, trade policy complexity, and the way in which elites focus on trade in their domestic policy agendas. First, consistent with the predictions of hypothesis 3, the *Trade surplus* $\times$ *complexity* variable is positively correlated with elites' focus on free trade (Models 2 and 5), and the *Trade deficit* $\times$ *complexity* variable is positively correlated with elites' focus on protectionism (Models 3 and 6). Both of these correlations are statistically significant at the 95 percent confidence level. This shows that when policies are more complex and surpluses (Models 2 and 5) or deficits (Models 3 and 6) are greater, political elites devote more attention to the importance of free trade (Models 2 and 5) or protectionism (Models 3 and 6) in their domestic policy agendas. This provides preliminary support for our argument.

However, we must note that the correlation between trade surplus (or deficit) is dependent on the level of trade policy complexity. To test hypothesis 2, and to test hypothesis 3 more fully, we must analyze the relationship between states' trade balance and the policy positions elites emphasize at different levels of policy complexity. Figures 1 and 2 therefore plot the marginal effects of an increase in a state's trade surplus or deficit at different levels of trade policy complexity. Figure 1 plots the marginal effect of increasing a state's trade surplus on

the percent of a party's manifesto highlighting the benefits of free trade at different levels of policy complexity. Figure 2 plots the marginal effect of increasing a state's trade deficit on the percent of a party's manifesto dedicated to promoting protectionism at different levels of policy complexity.[19] These marginal effects show the rate of change in a party's focus on free trade (Figure 1) or protectionism (Figure 2) that is associated with an increase in the level of a state's trade surplus or deficit. Positive values indicate that increasing a state's trade surplus or deficit is associated with an increasing value of the dependent variable (a greater focus on free trade or protectionism).

Based on the predictions of hypothesis 2, we expect the correlation between a state's trade surplus or deficit, and elites' focus on free trade or protectionism to be positive, overall. However, we must also consider that, as predicted by hypothesis 3, we expect this positive correlation to be strong in some cases (for complex policies), but to see little to no correlation in others (for simple policies). Figures 1 and 2 provide empirical evidence in support of these predictions.

[FIGURES 1 and 2 HERE]

As illustrated by Figures 1 and 2, the overall correlation between surpluses/deficits and elites' focus on free trade/protectionism is either statistically insignificant or positive and statistically significant. Moreover, consistent with the predictions of hypothesis 2, the positive correlation exists for a majority of the cases. Approximately 57 percent of the cases fall in the range where there is a statistically significant positive correlation between an increase in a state's trade surplus and elites' emphasis on free trade. Similarly, approximately 62 percent of cases fall in the range where there is a statistically significant positive correlation between a state's trade deficit and elites' focus on the need for protectionism. For the majority of cases, there thus is a statistically significant positive correlation between sur-

[19]These figures are generated from the results of Models 2 and 3. The marginal effects derived from Models 5 and 6 are substantively equivalent to those discussed here. The marginal effects based on these models are reported in the Web Appendix.

pluses/deficits and elites' focus on free trade/protectionism. These results provide empirical support for hypothesis 2.

In addition, the increasingly strong, positive relationship between trade surpluses/deficits and elites' focus on free trade/protectionism that we observe at different levels of complexity is anticipated by our argument. Hypothesis 3 predicted that there should be little to no correlation between trade surpluses/deficits and elites' focus on free trade/protectionism when trade policies are simple, while those relationships should be stronger, and positively correlated at higher levels of policy complexity. Figures 1 and 2 provide strong empirical support for this aspect of our argument.

First, the results show that the correlation between surpluses/deficits and elites' trade policy stances is statistically insignificant when a state's trade policies are simple. The marginal effects associated with an increase in the trade surplus are not statistically different from zero at low levels of policy complexity (at the left-hand side of Figure 1). The same is true for the marginal effects associated with an increase in the trade deficit when policies are not complex (at the left-hand side of Figure 2). In other words, when a state's trade policies are simple, an increase in the trade surplus or deficit is not associated with a statistically significant change in the level of attention dedicated to free trade or protectionism. This is consistent with our argument that there should be little to no significant relationship between a state's trade balance and the way elites choose to focus their attention on trade when their state's trade policies are simple.

However, consistent with hypothesis 3, these correlations become significantly stronger and positive at higher levels of trade policy complexity. Indeed, at the highest levels of complexity, the marginal effect of increasing a state's trade surplus is associated with a .9 percent increase in the attention dedicated to free trade in a elites' party platforms, and the marginal effect of increasing a state's trade deficit is associated with a .88 percent increase in the attention dedicated to protectionism.[20] Substantively, these results show that at high

[20]These are the values of the marginal effects of an increase in the trade surplus/deficit at the highest level of policy complexity.

levels of policy complexity, increasing a state's trade surplus as a percentage of its GDP by one percent is associated with about a one standard deviation increase in elites' focus on free trade. Similarly, at high levels of policy complexity, increasing a state's trade deficit as a percentage of its GDP by one percent is associated with about 70 percent of a one standard deviation increase in elites' focus on protectionism.

It is important to note that these results are robust to a variety of model specifications. Regardless of whether we use panel corrected standard errors (Models 1 through 3) or country fixed effects (Models 4 through 6), the results described above hold. Figures 1 and 2 in the Web Appendix (which are derived from Models 5 and 6) are also consistent with the results reported in Figures 1 and 2 here (which are derived from Models 2 and 3). In addition, we ran a variety of robustness checks, which include: using measures of states' level of trade from different sources, adding in time trend controls, using an alternative measure of complexity, and using additional types of fixed effects. In all of these models, the substantive results are consistent with those reported here. These additional models are reported in the Web Appendix.

Consistent with our argument, the results show that the complexity of a state's trade policies influences the extent to which trade balance affects the degree to which parties focus on the importance of free trade or protectionism. The positive relationship between an increase in the trade surplus and discussions of the benefits of free trade and the positive relationship between an increase in the trade deficit and discussions of the importance of protectionism are strong at high levels of trade policy complexity, but not at low levels of complexity. The role trade balance plays in the way elites focus on trade is therefore shaped by characteristics of states' trade policies.

Conclusion

In this paper, we demonstrated that a state's trade policies are an important determinant in political elites' decision to address issues related to international trade in the domestic political arena. Specifically, we argued that elite-driven trade discussions are shaped by states' overall level of trade, their trade balance, and the complexity of their trade policies. Our empirical analysis shows that while a state's level of trade is not positively correlated with the degree to which political elites focus domestic attention on international trade, overall, a state's trade balance and the complexity of its trade policies do have a significant relationship with the *way* in which political elites focus domestic attention on the issue of trade. Elites promoting free trade are more likely to highlight their policy position in states with a larger trade surplus, while elites with more protectionist policy stances are more likely to highlight their policy position when their state has a larger trade deficit. The complexity of their states' trade policies mediates the degree to which these trade balances influences elites' emphasis on these policy positions.

This analysis has important implications for our understanding of the politics of international trade. As many studies have shown, citizens' demand for trade policy stems from their individual preferences (Hainmueller and Hiscox 2006; Mansfield and Mutz 2009; Mayda and Rodrik 2005; Scheve and Slaugher 2001), and those preferences often get translated into actual policies (Bailey 2001; Hicks, Milner, and Tingley 2014; Kono 2008; Mansfield, Milner, and Rosendorff 2000; Mayer 1984; Milner and Kubota 2005). However, studies in other policy arenas have shown that political elites can influence public opinion by providing "cues" to which the domestic public responds (Boudreau 2009; Downs 1957; Druckman 2001a, 2001b, 2001c). Studying how elites can not only follow, but also lead public opinion regarding the issue of trade is therefore important for furthering the study of the domestic politics of international trade (Rho and Tomz 2017, S104-5). This paper took a first step in that direction by analyzing when and how political elites choose to emphasize international trade in their domestic policy agendas in the lead-up to national elections.

While our paper examines the determinants of political elites' focus on trade policy, future studies should assess how elite messaging shapes individual trade attitudes. What are the conditions under which these elite positions influence individuals' trade policy preferences? Does the trade balance and policy complexity not only shape elites' choices regarding how to focus on trade at the domestic level but also influence how those elite positions affect individuals' preferences? Moreover, given that we know that the policy preferences of the domestic public can shape policy formation, how does the influence that elites' policy stances have on individuals' policy preferences get translated into the trade policy-making process? Building on our analysis here, future studies can work to address these types of questions.

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