

Outside Influence

U.S. Pressure and the Race to Free Trade in Developing Countries



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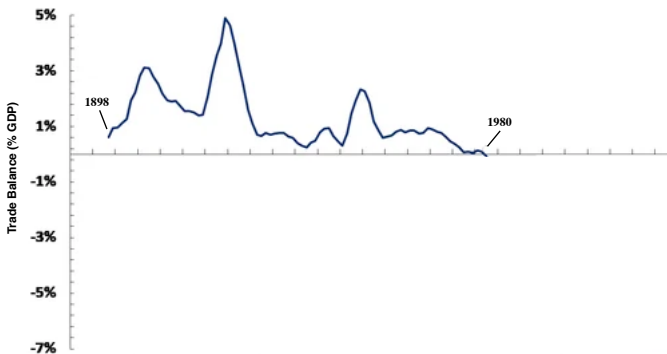
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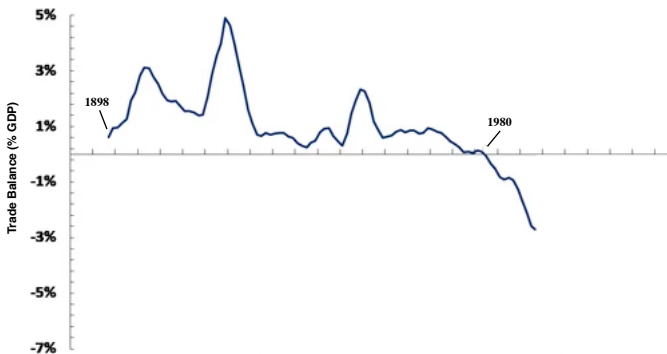
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The US ran a trade surplus for much of its history...

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The US ran a trade surplus for much of its history...until the 1980s



Facing growing trade deficits, the US Congress demanded action

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“I have never seen stronger Congressional sentiment for acting on the trade front.”

-Bob Dole, Senate Majority Leader, 1985

After decades of tolerance for trade barriers abroad, the US now sought to open markets for US exporters

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The result was the US Trade and Tariff Act of 1984

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“We will use our powers as a lever to open closed doors abroad.”

-Ronald Reagan, 1985

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National Trade Estimate Report on Foreign Trade Barriers

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National Trade Estimate Report on Foreign Trade Barriers

“The reports main purpose is to identify and analyze the most important barriers of major U.S. trading partners, thus facilitating negotiations to reduce or eliminate such barriers...Actions to be taken to eliminate these measures are also outlined.”

National Trade Estimate: 1986 Report On Foreign Trade Barriers

Office of The United States Trade Representative



DOCUMENTS

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The NTE therefore helps us address selection bias associated with the “sanctions paradox”

In theory, should US pressure work?

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- Not credible

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- Too early
- Not credible
- Will not mobilize exporters

USTR thinks that NTE pressure works:

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“Individual countries...care about the NTE. It creates the sort of pressure for them to want to get off the list or to have fewer entries...when they do get resolved, it's usually because we raised it over and over and over and over. We don't normally give up on an issue.”

-Daniel Watson, USTR, October 3, 2023

In practice, did US pressure work?

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Difference-in-differences “event study” research strategy

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Outcomes: Average Tariffs, Trade Openness, Imports from US

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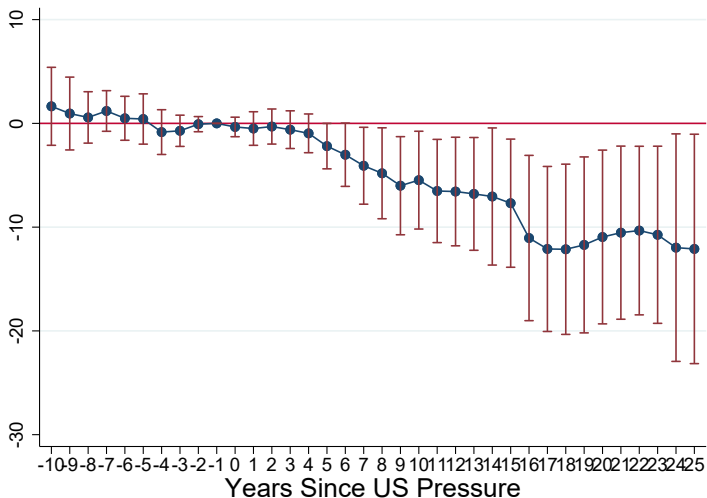
Period: 1980-2020

DiD with treatment at different times

1) Chaisemartin and d'Haultfoeuille (did_multiplegt)

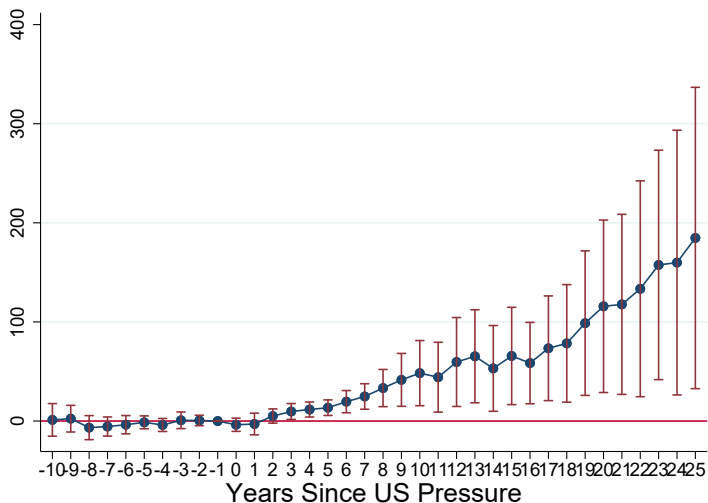
2) Callaway and Sant'Anna (csdid)

Average Tariffs (Chaisemartin and d'Haultfoeuille)



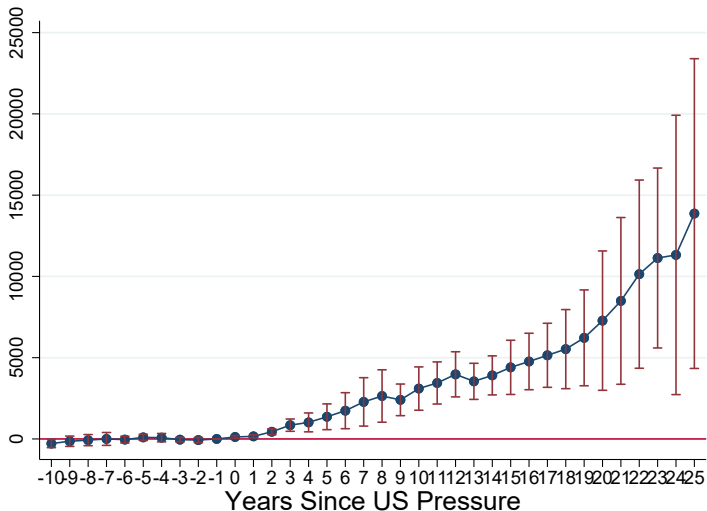
After 10 years, average tariffs were 5.9 percentage points lower

Trade Openness (Chaisemartin and d'Haultfoeuille)



After 10 years, trade openness was 50 points higher

Imports from US (Chaisemartin and d'Haultfoeulle)



After 10 years, imports from US were \$2.8 billion higher

Conclusion

US pressure was effective

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- Decreased tariffs

Conclusion

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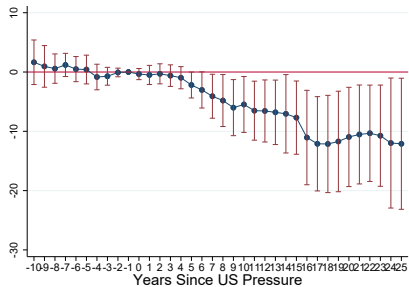
- Decreased tariffs
- Increased trade openness

Conclusion

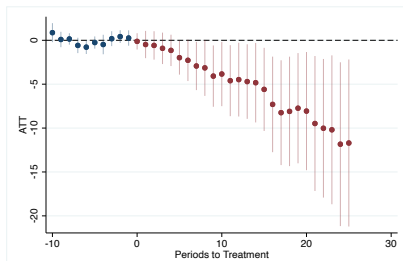
US pressure was effective

- Decreased tariffs
- Increased trade openness
- Increased imports from the US

Average Tariffs

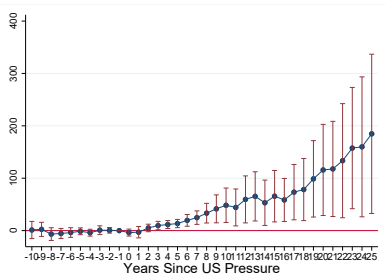


Level, Chaisemartin and d'Haultfoeuille

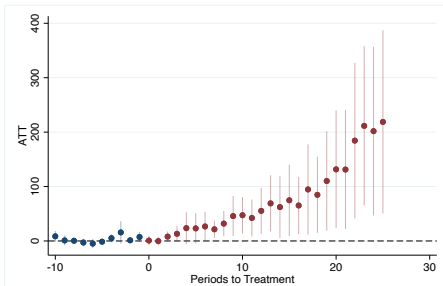


Level, Callaway and Sant'Anna

Trade Openness

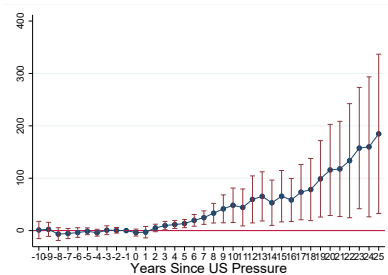


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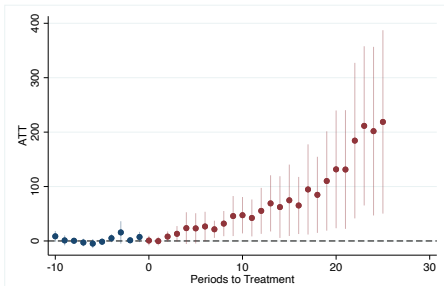


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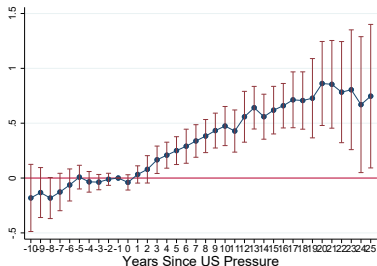
Trade Openness



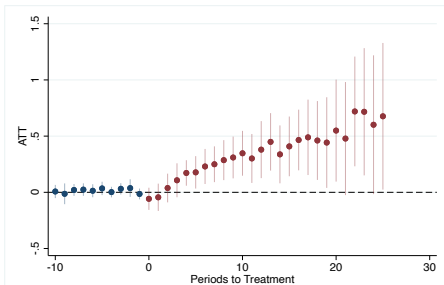
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Level, Callaway and Sant'Anna

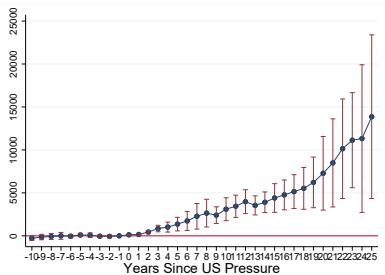


Log, Chaisemartin and d'Haultfoeulle

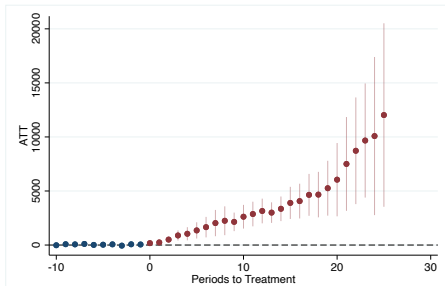


Log, Callaway and Sant'Anna

Imports from US

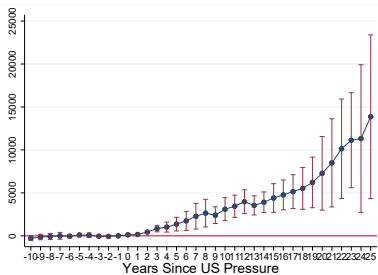


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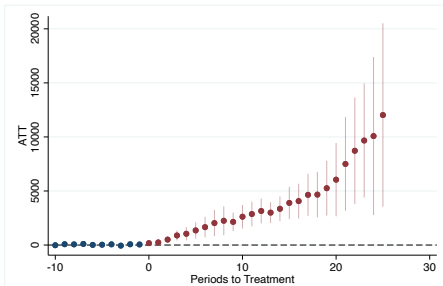


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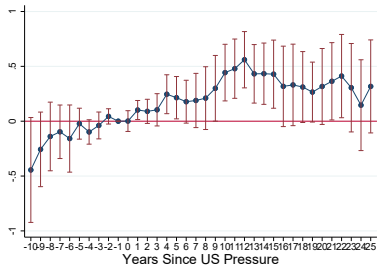
Imports from US



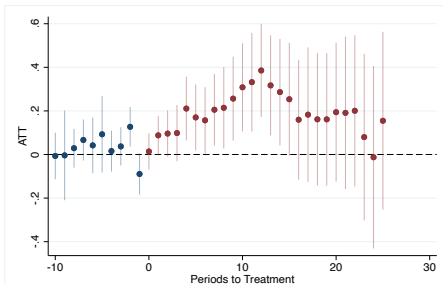
Level, Chaisemartin and d'Haultfoeulle



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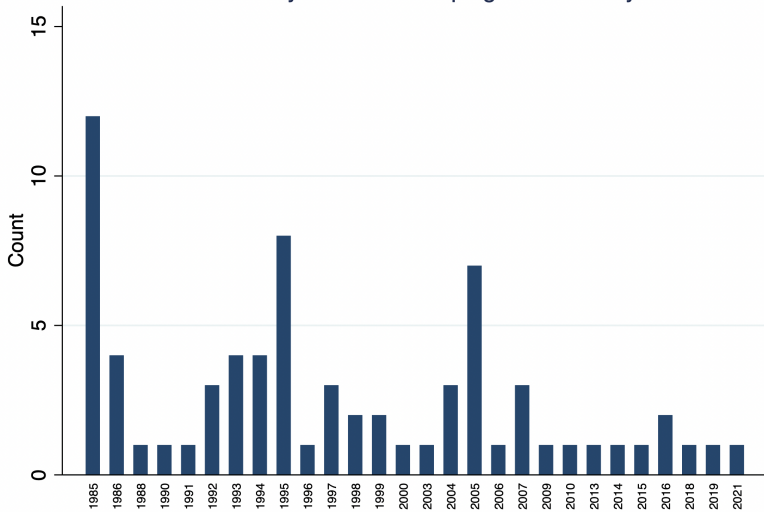


Log, Chaisemartin and d'Haultfoeulle



Log, Callaway and Sant'Anna

Count of Newly Listed Developing Countries by Year



Treatment Distribution Across Units and Time

