The Politics of Rejection: Explaining Chinese Import Refusals

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The China-Philippines Banana War (2012)

The Korea-China Cosmetics Spat (2017)

Research Question

Do political tensions drive regulatory barriers to trade?

Explaining Regulatory Barriers: The Existing Literature

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To protect domestic firms

- Regulations can benefit domestic firms (Kono 2006; Gulotty 2020; Perlman 2020; 2022)

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- Offer a way to retaliate with relative impunity
- **Import refusals** are likely to be a particularly attractive tool

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- Refusals are common
  - In 2021 the US refused 13,000 food, livestock, and poultry shipments
- Refusals act as a major non-tariff barrier to trade
  - 1% increase in Chinese refusals $\rightarrow$ 4.51% decrease in import growth (Sun et al. 2021)

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Should be used in response to tensions touching on core interests

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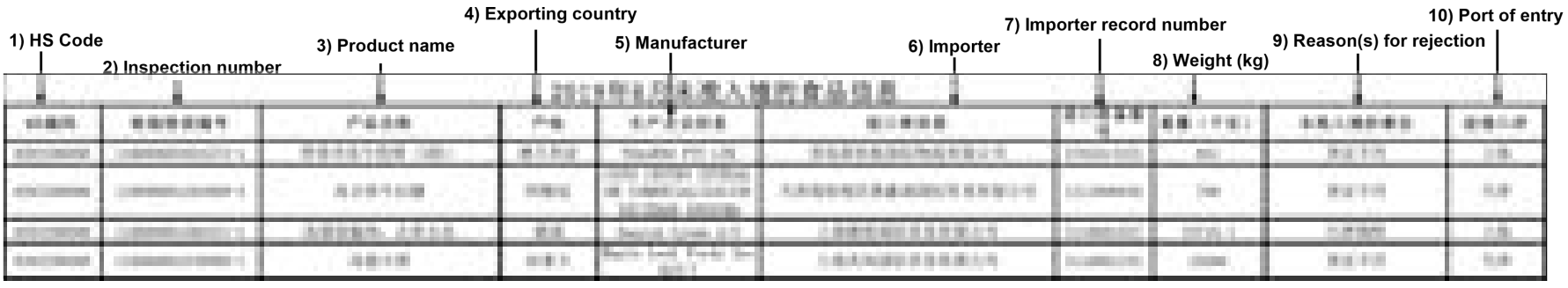
  - Excludes bulk, unprocessed animal and plant products
- Collected all monthly reports between 2011-2019

Data Collection Process



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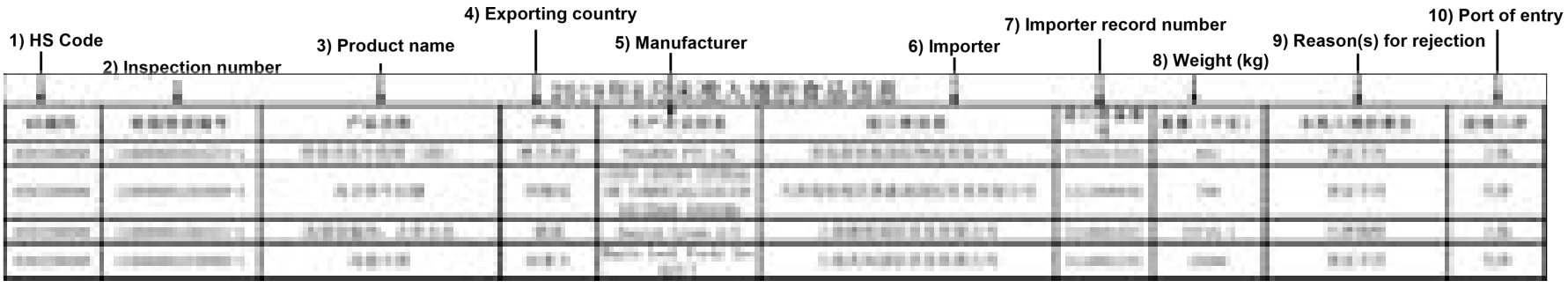

Took numerous steps to validate data

The Question

Are refusals driven by political tensions?

Returning to Korea - Cosmetics Refusals and THAAD

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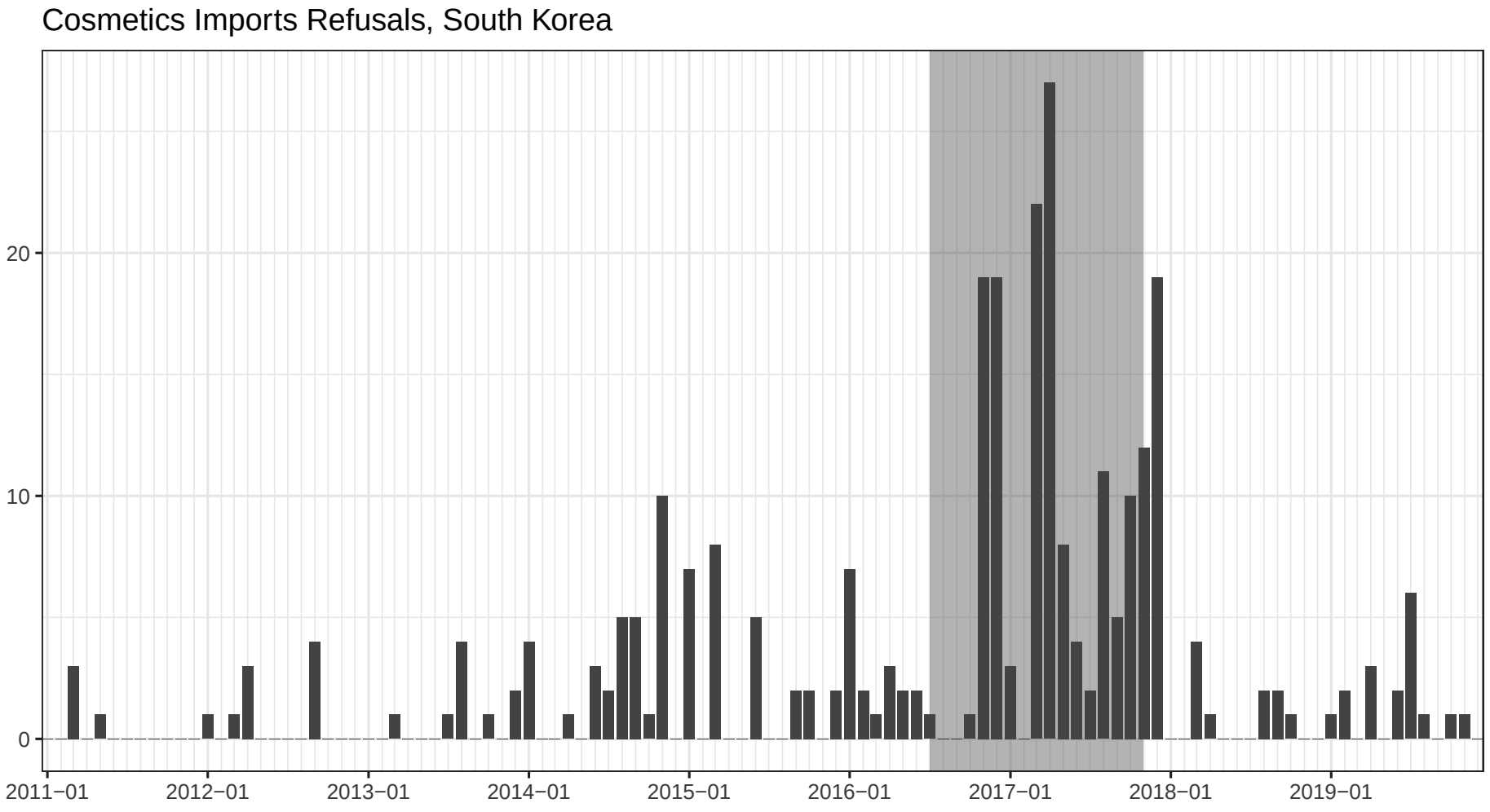
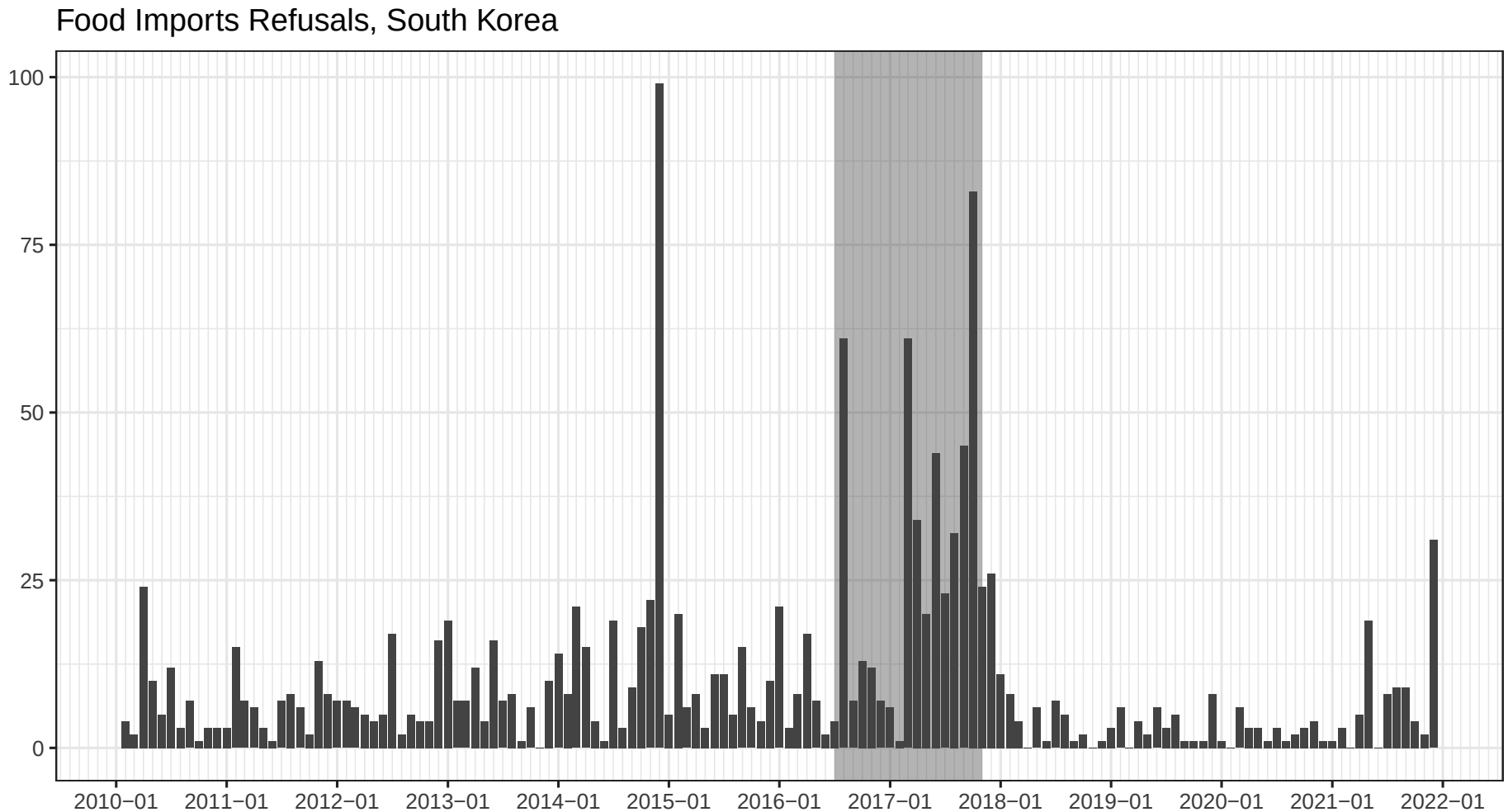


Returning to Korea - Food Refusals and THAAD



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Our focus is political tensions involving military actor(s)

Empirical Setup

$$\text{Food Refusals}_{it} = \alpha + \beta \log(\text{Conflict Score})_{it-1} + \theta Z_{it-1} + \lambda_i + \gamma_t + \epsilon_{it}$$

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Controls: Animal diseases, relevant imports, country/time FEs

Results

Table: Political Conflicts and Food Import Refusals

	Dependent Variable: Food Imports Refusal							
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	OLS				Poisson			
Goldstein Conflict Score	0.347*	0.194*	0.164*	0.169*	0.052**	0.048**	0.042**	0.037*
	(0.160)	(0.076)	(0.069)	(0.069)	(0.011)	(0.019)	(0.015)	(0.017)
Animal Disease Cases	0.121^{+}	0.143*	0.108*	0.109*	0.035^{+}	0.048**	0.013	0.013
	(0.065)	(0.061)	(0.051)	(0.051)	(0.020)	(0.014)	(0.011)	(0.011)
Food Imports		0.027	0.012	0.012		0.229**	0.296**	0.295**
		(0.025)	(0.032)	(0.032)		(0.068)	(0.098)	(0.098)
Country FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year-Quarter FE	No	No	Yes	No	No	No	Yes	No
Monthly FE	No	No	No	Yes	No	No	No	Yes
Observations	12852	12744	12744	12744	12636	12528	12528	12528

Note: $^{+}p < 0.10$, * $p < 0.05$, ** $p < 0.01$. *Robust standard errors clustered on country.*

Size of the Effect

A 100% increase in tensions $\rightarrow$ 6.6%-14.5% increase from average of refusals

Results (Two Stage Poisson)

Table: Food Refusals: Two-Part Model

	Dependent Variable: Food Imports Refusal			
	(1)	(2)	(3)	(4)
probit				
Goldstein Conflict Score	0.036	0.022	0.014	0.014
	(0.024)	(0.023)	(0.022)	(0.022)
Animal Disease Cases	0.010	0.008	0.003	0.004
	(0.007)	(0.007)	(0.007)	(0.008)
Food Imports		0.103**	0.098*	0.102*
		(0.038)	(0.046)	(0.048)
regress				
Goldstein Conflict Score	0.498**	0.338**	0.273*	0.285*
	(0.157)	(0.126)	(0.119)	(0.131)
Animal Disease Cases	0.350+	0.436**	0.318**	0.318**
	(0.190)	(0.158)	(0.120)	(0.122)
Food Imports		0.780*	0.692	0.713
		(0.317)	(0.512)	(0.522)
Country FE	Yes	Yes	Yes	Yes
Year-Quarter FE	No	No	Yes	No
Monthly FE	No	No	No	Yes
Observations	12636	12528	12528	12528

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- Highlights importance of evaluating the implementation of standards