
Trade as a Foreign Policy Issue

A Bilateral Micro Perspective

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I Introduction

The unilateral increase of tariffs on a range of Chinese goods by the former U.S. Trump administration in 2018 fundamentally threatens open-economy politics. By initiating a trade war with China, the U.S. elevation of tariffs has had important political, as well as economic, repercussions (Fajgelbaum et al., 2020; Brutger et al., 2023). The unilateral tariff increase also scathes the multilateral trading system as the U.S. prioritized aggressive protectionism rather than abiding by WTO principles. For instance, the WTO dispute settlement mechanism advocates principles of reciprocity. This procedure helps to ensure that countries only punish others if the latter previously violated WTO rules. This rules-based framework seeks to “mitigate the imbalances between stronger and weaker players by having their disputes settled on the basis of rules rather than having power determine the outcome” (WTO, 2021). Since reciprocity is one of the most promising strategies to induce cooperative behavior (Axelrod, 1984; Keohane, 1986), it is institutionalized in this pivotal liberal international institution.

The tenacity of this American non-cooperative trade policy initiative towards China is striking. Whilst the former Trump administration levied taxes on goods also from a number of European countries, the tariffs towards China still remain in place under the new Biden administration

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(The Economist, 2021). The continuation of these non-cooperative trade policies is remarkable, as the current and former administrations' political orientation is different in nearly all policy areas. These developments suggest that China is different from other trading partners. In contrast to European and other trading partners, China is increasingly challenging U.S. power and is considered a political adversary (Nguyen et al., 2021; Schweinberger, 2021; Smeltz and Kafura, 2021). Trading relations with China are currently much more discussed than any other commercial relations between other countries.

Although the perception of China as a trading partner appears distinct, the current literature does not sufficiently account for this potential variation in perceptions across trading partners. Understanding such perceptions within public opinion is important for cooperation because the mass public can serve as a watchdog of international cooperative principles, as long as voters themselves support these principles (Milner and Tingley, 2013; Christenson and Kriner, 2019). This domestic constraint is relaxed if voters evaluate trade policy through a nationalist lens and value international cooperation less, for example, because they increasingly associate international economic relations with concerns of international political competition, as is the case with China. In the worst case, violations of international cooperative principles have their roots in the public itself when nationalist leaders hope to win votes by disregarding these principles.

We, therefore, examine how the mass publics in three large trading nations, the U.S., Germany, and Australia, value reciprocity as a key cooperative principle in international trade towards different trading partners. Thereby, we study to what extent political considerations – as opposed to purely economic concerns – constitute a source of deviations from cooperative trade attitudes. The International Relations (IR) literature has long emphasized that political and economic relations are intertwined, especially in an international system with changing power relations (e.g., Baldwin, 1985; Gilpin, 2001; Gowa and Mansfield, 2004). Following this literature, it is plausible that voters mingle political perceptions and international economic attitudes more than most trade literature (Kleinberg and Fordham, 2010), commonly based on an open-economy politics framework, suggests. The more trade is regarded as a security externality (Gowa and Mansfield, 1993), the more intricate security and economics become.

Such an analysis requires examining trade attitudes bilaterally, rather than unilaterally. We thereby depart from the dominant approach to examine citizens' trade preferences unilaterally, that is without

consideration of the behavior of the trading partner and its political relations with the home country of citizens (Scheve and Slaughter, 2001). Even though some research suggests that the actions of the other actor need to be taken seriously for investment cooperation support (Jensen and Lindstädt, 2013; Chilton et al., 2020; Feng et al., 2021; Raess, 2021), trade attitudes are traditionally conceptualized as general and thus the possibility of attitudes varying across trade partners has not received sufficient attention.¹ Unilateral trade attitudes therefore represent the views towards economic openness per se, but do not capture how reciprocal attitudes and political perceptions vary across actual country pairs, for example between the U.S. and China.

Whilst commonly assumed that Western trade attitudes specifically towards China differ from attitudes towards other countries, most of the literature does not directly test this. Importantly, studying such attitudes requires a benchmark. That is, attitudes towards trading with China need to be regarded in comparison to trade views with other countries. The recently emerging trade wars and the politics, as well as public debates surrounding them, illustrate how urgent such a bilateral analysis of trade attitudes is. After all, such events essentially represent a series of bilateral, uncooperative trade policy interactions among selected explicitly named countries, most prominently China. Our study therefore adopts a bilateral approach that enables us to describe how trade attitudes vary depending on specific other countries. Reducing citizens' trade attitudes solely to trade in general is hence inadequate to the extent that citizens evaluate trade relations through a foreign policy lens, as an important part of the previous IR literature suggests.

The results from our survey experiments show that reciprocity continues to play an important role in all three examined countries, especially towards traditional allies, such as Canada, Germany, or Japan. Strikingly, however, a significant share of unconditional, non-cooperative attitudes exists towards non-allies such as China and Russia. Interestingly, Russia is perceived more negatively than China in most cases. Variations in these responses are best explained by perceptions of the other country as political adversary and political ideology of the respondent. Whilst citizens consistently support an increase in trade barriers in response to a protectionist initiative by the other country, at the same time, individuals make significant distinctions between countries that they perceive as political allies, such as Canada, Germany, and Japan, and

¹ Spilker et al. (2016) also look at the effect of the other trading partner more closely.

those that they perceive as political adversaries, such as China and Russia. Support for decreasing trade barriers in response to a free-trade initiative by a trading partner is significantly lower for political adversaries than for political allies.

These findings suggest that citizens view trade policy not only as a means to maximize income but also as a foreign policy instrument that can be used to pursue national political goals in the international arena (Baldwin, 1985). International politics, thus, is an important source of trade attitudes in addition to personal material interests (e.g., Margalit, 2011; Jensen et al., 2017). This is consistent with attitudes towards other foreign economic policies, such as bailouts in the Eurozone (Bechtel et al., 2014) or regulation of foreign investment (Chilton et al., 2020; Raess, 2021). The findings also confirm that sociotropic considerations, such as ideology and national or group-specific distributional concerns, play an important role in evaluations of foreign economic policy (Mansfield and Mutz, 2009; Kleinberg and Fordham, 2010; Mutz and Kim, 2017; Nguyen and Bernauer, 2019; cf. Schaffer and Spilker, 2019).

Finally, the results imply that cooperation within the Western bloc finds broad societal support despite current frictions among Western countries over trade policy. Although attitudes towards adversaries like Russia are more severe than towards China, non-cooperative attitudes towards the most important trading nations are consequential. Precisely when examining Chinese-U.S. economic relations, therefore, these concerns for international political competition need to be taken into account (Kirshner, 2014). To the extent that the growing anti-globalization sentiment is rooted in these international political considerations, a revival of solutions proposed by embedded liberalism, that is the moderation of the distributional consequences of openness through compensatory measures (Hays et al., 2005; Nooruddin and Rudra, 2014), is not sufficient to reinvigorate trade cooperation with China. Instead, the threat to trade cooperation and the multilateral trading system is more fundamental than often assumed.

II A Bilateral Approach to Trade Attitudes

The most striking development in modern U.S. trade policy corresponds to its escalation of commercial relations with China. The former U.S. president, Donald Trump, commenced a trade war by unilaterally raising tariffs on Chinese goods in 2018. As tariffs soared, tariffs on Chinese goods were increased up to 21% and still remain high at approximately

19% as of January 2021 (Bown, 2021). These tariffs, in combination with the retaliatory tariffs emanating in response from China, have severe economic and political consequences (Fajgelbaum et al., 2020; Brutger et al., 2023). Strikingly, whilst the trade confrontation with European powers seems to have diminished, the tariffs targeting China continue to be upheld under the new Biden administration (The Economist, 2021).

More broadly, the U.S. opting for unilateral tariff increases represents an affront to established norms of the multilateral trading system embodied by the WTO. By not selecting the WTO dispute settlement mechanism, the U.S. openly disregarded the institution and its principles. The WTO and its rules are based on openness and reciprocity seeking to mitigate the effects of power in the international trading system (WTO, 2021). Reciprocity is defined by Keohane (1986) as “exchanges [...] in which the actions of each party are contingent on the prior actions of the others in such a way that good is returned for good, and bad for bad.” (p. 8) has significantly shaped the creation of WTO rules. The institutionalization of reciprocity allows cooperation in trade to arise even in an anarchical international context. The initiation of the trade war against China is notable because the U.S. is commonly seen as a defender of such international institutions and principles and condemns such unilateral policy moves.

This shift and endurance of hostility in trade politics towards China are accompanied by the impression that trade cooperation with China is distinct from trade relations with other countries. Given China’s sheer economic size and trade activity, trade with China is discussed more than with other countries. Cooperation with China represents a case of North-South trade cooperation involving a developing country with lower social and human rights standards (Raess, 2023). As China matters both as the largest domestic market and exporter nation, the redistributive consequences of trade with China are salient. Commonly referred to as “China shocks,” economists focus on losses due to import competition resulting in unemployment, as well as lower wages and income (Autor et al., 2013; Acemoglu et al., 2016; Bisbee, 2021).

The importance of international rivalry with China, however, extends beyond these individual economic considerations. China has risen economically due to its reform and opening policies in the 1980s and thus challenges U.S. power primacy (Naughton, 2007). As discussed in an earlier chapter in this edited volume, China’s rise as a developing country has diminished US’s “institutional power” (Hopewell, 2023). More recently, the U.S. public has begun to increasingly perceive China

as a political adversary, rather than an ally (Smeltz and Kafura, 2021). This shift has the potential to throttle important advances in economic cooperation, as political alliances have positive effects on long-term economic interactions and economic exchange (Gowa and Mansfield, 1993, 2004). The salience of adversarial views of other countries, especially China, is thus crucial for the support of trade. These power considerations are inextricably connected and directly threaten principles of economic openness and reciprocity.

Political analyses of international economic relations have highlighted the importance of power and relative gains for trading relations (Viner, 1948; Gilpin, 1987; Grieco, 1988). Economic cooperation often produces unequal gains even if both countries benefit from it in absolute terms. For instance, trade can lead to more efficiency gains, a higher long-term growth rate, or a greater strengthening of critical industries in some countries rather than others. The sensitivity to such unequal, relative gains is particularly high when the possibility exists that the two states will engage in a political conflict in the future (Powell, 1991). If unequal gains from trade can be turned into a military advantage, then these concerns constitute a constraint that inhibits cooperation. Accordingly, some studies find that who the other country is does indeed matter for foreign economic policy attitudes of the mass public (Herrmann et al., 2001; Spilker et al., 2016; Carnegie and Gaikwad, 2022). Such qualms are likely to expand as the rise of China succeeds past decades of uncontested U.S. hegemony and changes the international distribution of power (Kirshner, 2014).

Against this backdrop, how and to what extent does individual support for trade cooperation differ across countries? Whilst current events suggest that attitudes towards trade with China differ from trading with countries, the current trade attitudes literature does not systematically test this notion. Instead, the focus of the literature lies on gauging such attitudes unilaterally, that is economic openness in general, as opposed to trade policy towards specific countries. By commonly relying on questions such as “Do you think the U.S. government should try to encourage or discourage international trade?” or “[...] Do you support or oppose placing new limits on imports?”, the literature largely does not distinguish between attitudes across countries (e.g., Scheve and Slaughter, 2001; Mayda and Rodrik, 2005; Hainmueller and Hiscox, 2006; Mansfield and Mutz, 2009; Baccini et al., 2017; Owen and Johnston, 2017). Even though material and non-material factors have been explored, the literature has omitted conceptualizing trade attitudes as heterogeneous, that is also depending on the other country and geopolitical ties.

In contrast, our analysis adopts a bilateral approach that takes into account the behavior and characteristics of a particular trading partner. This approach is useful because many trade policy initiatives involve specific country groups or pairs, for example, in the form of preferential trade (Manger, 2009; Mansfield and Milner, 2012; Dür et al., 2014; Spilker et al., 2016). Even more importantly, recent reversals in trade openness and threats to launch a trade war occur on a bilateral basis when one country directly targets another country, as exemplified by the ongoing trade war between the U.S. and China. Changes in international openness today, thus, are often the result of bilateral decisions, in which the political relations between individual states matter much more. Equally, in public debates surrounding such policy interactions, the potential trading partner country is highly salient. Citizens also take into account the prior behavior and characteristics of other countries when evaluating their own government's foreign economic policy (Spilker et al., 2016; Chilton et al., 2020; Feng et al., 2021; Raess, 2021; Schweinberger, 2021).

The bilateral approach is ideal for studying whether principles of reciprocity or geopolitical alliances matter more for trade attitudes. On the one hand, it is plausible that principles of reciprocity, as institutionalized in the WTO, apply to any potential trading partner, including China, as reciprocity has been discovered to be one of the few cross-cultural norms (Simmel, 1950; Gouldner, 1960; Bowles and Gintis, 2011; Gächter et al., 2017). Correspondingly, the IR literature also promotes the institutionalization of reciprocity to achieve cooperation.² On the other hand, attitudes are likely to vary depending on the trading partner. Especially when studying trade attitudes towards China a benchmark is needed, so that Chinese bilateral cooperative and non-cooperative attitudes can be analyzed in relative terms to bilateral attitudes towards other countries considered as political allies and adversaries. By just studying views towards China in isolation, the basis for comparison is unclear. We are therefore especially interested in exploring support for trade cooperation reciprocity with explicitly named countries, such as China.

² Trade politics represents a classic cooperation problem in IR, in which actors have an incentive to defect from a cooperative strategy for short-term gains. Specifically, governments have an incentive to raise tariffs or other trade barriers to protect domestic jobs against competition from abroad. When both governments follow such a protectionist strategy, this then not only hurts consumers in both countries because prices increase. But it also prevents the growth of jobs in the export industry due to a lack of export opportunities (Gilligan, 1997; Dür, 2010). With the exception of workers in the protected import-competing sector, this makes citizens in both countries worse off compared to a situation with free trade.

This discussion yields the following hypotheses we test. First, as a default, we expect views to follow principles of reciprocity. In this view, China as a trading partner is not perceived differently than other countries, as individuals response to the same policy initiative reciprocally regardless of the trading partner, that is a non-cooperative initiative from China, is met with the same response as towards Canada. Second, the competing hypothesis expects variation across trading partners to prevail, that is cooperation will be supported differently depending on the trading partner. Third, this variation is likely to correspond to varying perceptions of political alliances. For instance, more U.S. voters should perceive Canada as an ally compared to China. Those voters who consider a trading partner as an ally (adversary) should also be more (less) likely to support a cooperative, reciprocal response. As a result, the average response to a Canadian trade policy initiative should be more cooperative than the average response to a Chinese trade policy initiative.

H1: Individuals, on average, respond to a cooperative policy initiative with a cooperative policy response and to a non-cooperative policy initiative with a non-cooperative policy response.

H2A: Bilateral trade support varies as the average response to a trade policy initiative by another country differs across countries.

H2B: Citizens perceiving the other country as an ally are more likely to support cooperative responses. Citizens perceiving the other country as an adversary are more likely to support non-cooperative responses.

III Bilateral Trade Attitudes in Three Countries

(i) *Research Design*

We use a survey experimental design to test these claims. This approach lends itself to effectively examine what difference it makes when the object of study is systematically changed in some way. In our case, on the one hand, the trading partner changes so that we can examine whether there are differences across trading partner countries so that we can test what difference it makes when the trading partner is China or Canada. On the other hand, the foreign economic policy initiative varies.

In our study, we follow a factorial design and include vignette treatments varying the policy characteristics. In our case, this means that cooperative and non-cooperative foreign economic policy initiatives, that is tariff decreases and increases, from different countries are proposed to the respondent. The respondent is then asked which policy their own

government should pursue in response to the initiative of the other country. This study allows us to examine to what extent respondents in different countries deviate from cooperative reciprocal principles and how the preferred response varies by the trading partner.

The survey experiments were conducted in three different countries: the U.S., Australia, and Germany.³ We selected this diverse set of countries to examine to what extent respondents in countries that play different roles in the international political and economic system respond differently. All the countries represent important trading nations, but the international political concerns and political relations with other countries vary. Correspondingly, current political rhetoric varies considerably between these countries, particularly in the context of the trade war (Carnegie and Carson, 2019; Schweinberger, 2021). The U.S., for instance, is the global hegemon, even if its hegemony is currently in decline. Australia is a major regional power in the Asia and Pacific area. Moreover, Germany is a European power that is not necessarily a political challenger, however, it is a leading export power.

For our analysis, we conducted experiments embedded in population surveys in August 2018. The surveys were conducted by *respondi*, a survey company that uses different country-specific online access panels. Respondents were selected from these access panels based on quotas on age and gender. The samples were restricted to voting-age nationals under 70. For each country, the sample size is around 1,100 (valid responses).⁴

After reading a brief introduction to this section of the survey, respondents are presented with a policy initiative from different countries.⁵ These policy choices include either an increase, a decrease, or no changes in tariffs on imports from the home country of the respondent. Respondents are randomly assigned to one policy initiative per trading partner. The policy initiative, thus, is the treatment that a respondent receives.

³ A pilot was conducted in February 2018.

⁴ Australia: $n = 1,084$, Germany: $n = 1,093$, USA: $n = 1,104$.

⁵ All respondents receive the following introduction: "In the following, we ask for your opinion on trading relations with the U.S. and a number of countries. The scenarios that you will see describe possible trade policies by different trading partners of the U.S. The U.S. government can respond to these policies by the other countries in three possible ways: (A) It can keep tariffs on imports from the other country as they are. (B) It can increase tariffs on imports from the other country, which may protect domestic jobs, but may also raise consumer prices. (C) It can decrease tariffs on imports from the other country, which may reduce consumer prices, but also may expose domestic jobs to increased competition."

Additionally, we vary who the trading partner is. We deliberately adopt this bilateral approach because we expect these attitudes to be heterogeneous also across trading partner countries depending on the political alliance. Although this treatment may lead to confounding, we still believe that mentioning concretely who the trading partner is enhances the validity and reliability of our design as we precisely seek to assess what difference China makes. In the real world, trade is with another country that is not abstract. Public debates about trade politics often address the trade partner country and its attributes. So, we seek to understand if attitudes towards trading with China are distinct, or perhaps comparable with commercial exchange evaluations with another political adversary like Russia.

In our experiments, all respondents see a policy initiative from five countries. The sequence, in which the countries were presented, was randomized. For the U.S., we selected Canada, Japan, and Germany as traditional allies. Whilst Canada presents a traditional and proximate ally, Germany is also an important U.S. ally on the European continent. Japan is also a U.S. ally, even though in the 1980s similar accusations were directed towards it as towards China nowadays. For Australia and Germany, the U.S., the UK, and Japan are included in our analysis as allies. For all countries, China and Russia were selected as countries that represent non-allies. Naturally, China differs as a trading partner from these other countries not just in terms of rivalry and power considerations but also with regard to redistributive trade consequences (Hopewell, 2023; Raess, 2023). Whilst we cannot fully control for these different considerations when referring to China, we address this question by asking respondents to place the mentioned countries on an ally-adversary scale, which varies from 0 (adversary) to 10 (ally) before we conduct the experiment (cf. below on the additional variables we collect in the survey).

The outcome variable is the preferred policy response by the respondent. We ask all respondents to choose one out of three possible policy responses by their own government, or to select the option “Don’t know.” Including this option is important as some citizens may not be knowledgeable about trade policy (Rho and Tomz, 2017). These policy responses include either an increase, a decrease, or no changes in tariffs on imports from the trading partner. Together with the policy initiative of the other country, this policy response indicates the preference for a reciprocal or inverse strategy, that is conditionally cooperative/uncooperative or unconditionally cooperative/uncooperative policy response towards other countries. An example of the exact formulation of the vignette for the U.S. can be found in Table 14.1.

Table 14.1 *Overview of the experiment for U.S.–Chinese trade policy*

| | |
|--|---|
| Vignette 1: cooperative initiative | Suppose China strongly decreases its tariffs on goods produced in the U.S. that are exported to China. Which of the following policies do you think should the U.S. government pursue when it comes to trading with China? |
| Vignette 2: no policy initiative | Suppose China does not change its tariffs on goods produced in the U.S. that are exported to China. Which of the following policies do you think should the U.S. government pursue when it comes to trading with China? |
| Vignette 3: non-cooperative initiative | Suppose China strongly increases its tariffs on goods produced in the U.S. that are exported to China. Which of the following policies do you think should the U.S. government pursue when it comes to trading with China? |

We additionally collect the following variables. First, we ask respondents to place the mentioned countries on an ally-adversary scale, which varies from 0 (adversary) to 10 (ally) (cf. Appendix Figures 14.4a–c). Also, we measure the degree of nationalism with the commonly used battery by Rankin (2001). These questions were asked before the experiment together with other common social demographics such as ideology, age, gender, region of origin, and income (in a randomized order). To tap respondents' level of skill and education, we request them to tick the highest obtained degree.

To address whether variations in bilateral economic threats are driving the responses, we also account for the competitiveness of the employment sector as a covariate. We rely on Acemoglu et al. (2016) and the standard SITC codes to categorize the different sectors to examine whether respondents “win” or “lose” from trade with the other country. With Balassa's (1977) Revealed Comparative Advantage, we can calculate whether the sector of employment (broken down to the SITC code level) has a comparative advantage with regard to the other country.⁶ This bilateral approach takes into account that economic threats vary depending on the respondents' and the potential trading partner country's economies.

⁶ Data obtained from the Comtrade database of the World Bank, which provides data from 2016 for bilateral trade data on the SITC code level. If the value was higher than 1, the industry was coded as competitive. If the value was lower than 1, the industry was coded as non-competitive (with regard to the other country).

(ii) Findings

Figures 14.1a–c show the responses for all the treatments in the U.S., Australia, and Germany. The figures clearly show that reciprocal behavior is rather common in all three countries and towards almost all trading partners. The overall pattern is largely symmetric, that is the distribution of the responses changes strongly with the policy initiative of the other country as expected. Moreover, the reciprocal response to tariff increases by the other country is especially pronounced in the U.S. and Australia, particularly when China or Russia is the country that pursues this non-cooperative policy. Most respondents are conditionally cooperative and uncooperative, depending on the behavior of the other country. The overall responses, thus, are reciprocal, whilst negative reciprocity is more

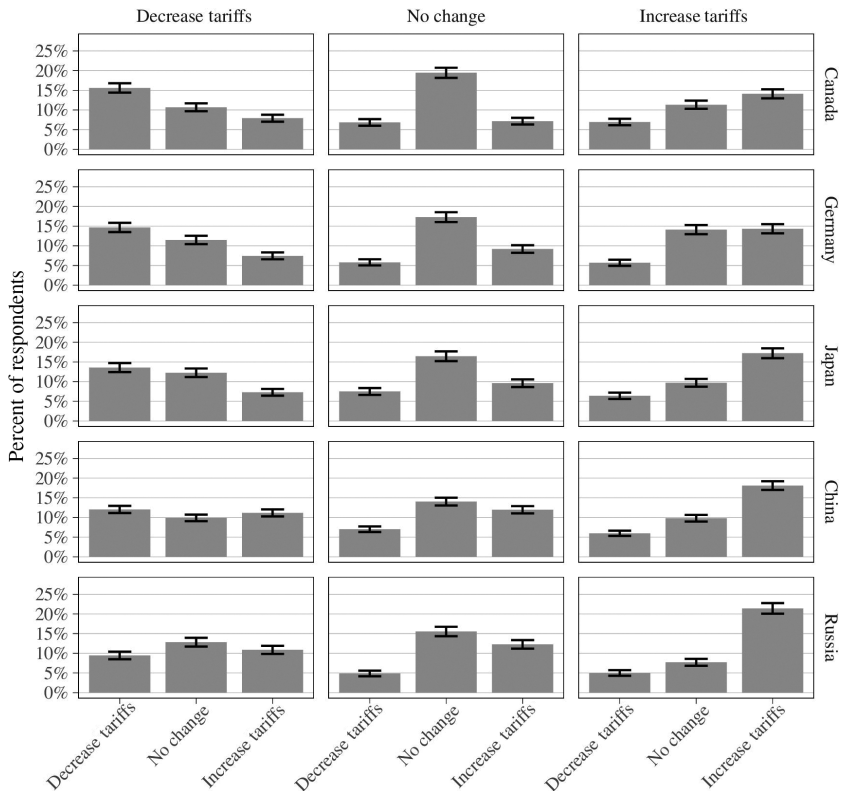


Figure 14.1a U.S. responses to different countries

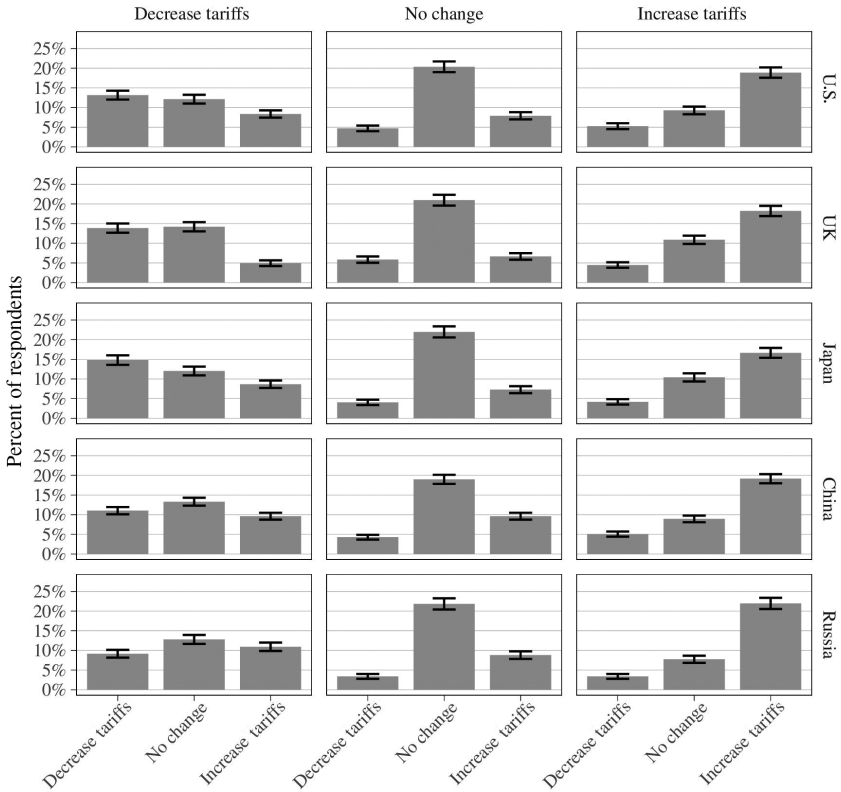


Figure 14.1b Australian responses to different countries

pronounced than positive reciprocity. This largely supports H1, which suggests that responses are reciprocal on average.

Nonetheless, at the same time, the figures also clearly show that a substantial number of respondents are unconditionally uncooperative. As the left columns of Figures 14.1a–c show, a cooperative initiative does not result in a reciprocal effect on the policy response attitudes of a significant share of respondents. The same is true for the situation in which the other country proposes no change, as the middle columns of the same figures show. Among the three countries that we examine, German respondents, on average, are the most reciprocal, while U.S. respondents are the least reciprocal. For the U.S. and Australia, we see that the “Decrease” and “Increase” scenarios are not symmetric in their

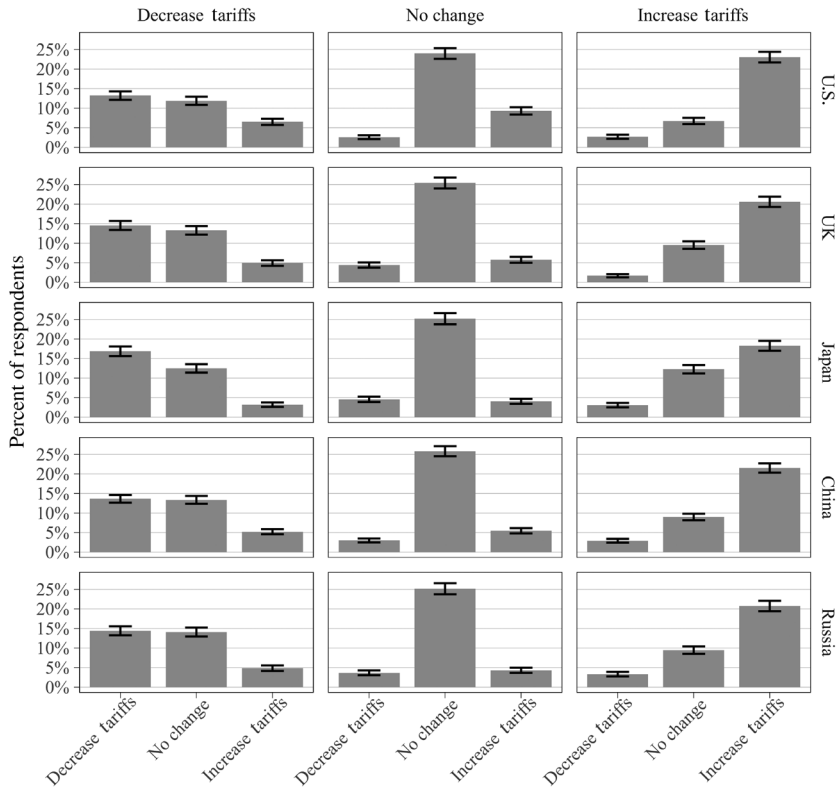


Figure 14.1c German responses to different countries

response distribution, particularly towards Russia and China. Instead, the share of respondents who prefer no change or an increase in tariffs after these two countries proposed to decrease tariffs is quite large. And it is considerably larger than for the other three countries that we examine. Notably, however, attitudes towards Russia are overall more negative than towards China.

We further examine the divergent responses for different trading partners in Figures 14.2a–c. These figures show the differences in the average responses across trading partners and treatments for the three countries. In other words, Figure 14.2a shows how the average responses of U.S. citizens to the same policy initiative, for example, “decrease,” differ across countries in the left column of Figure 14.1a. Since for the

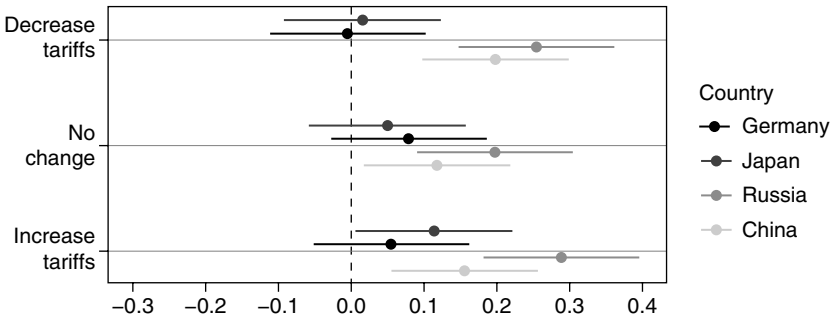


Figure 14.2a Differences U.S. responses Treatment*Partner

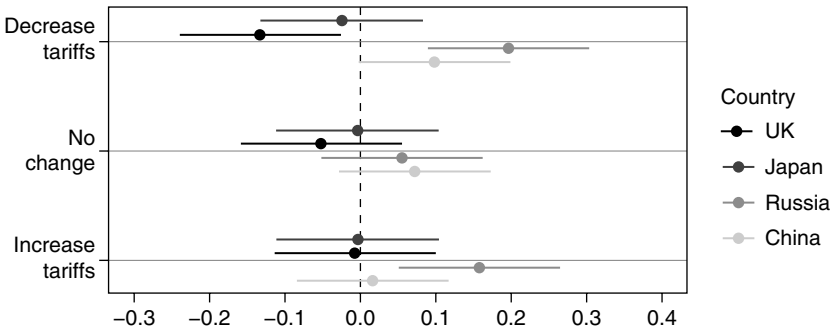


Figure 14.2b Differences Australian responses Treatment*Partner

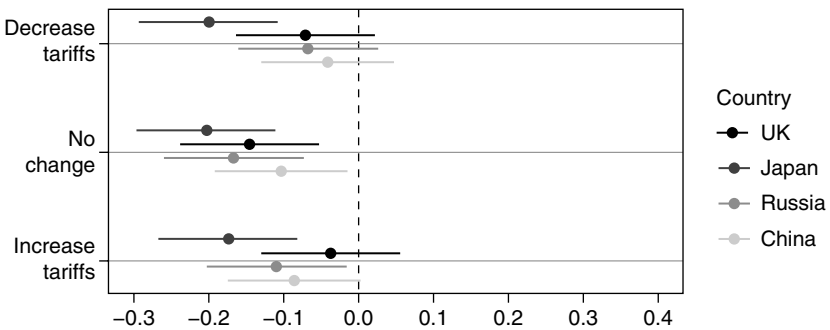


Figure 14.2c Differences German responses Treatment*Partner

U.S., Canada is the reference category, Figure 14.2a shows how the estimated responses for Germany, Japan, Russia, and China differ from the response to Canada.

The figures confirm that respondents react very differently to different trading partners and therefore hold heterogeneous views. For the U.S., respondents largely respond in the same way to policy initiatives from Germany and Japan as they do to initiatives from Canada. But they respond very differently to policy initiatives from Russia and China.

Whatever these two countries propose, U.S. respondents on average react much more uncooperatively to these initiatives than to the same initiative by the other three countries. The results are similar for Australia, although some details differ. Again, Australian respondents react more uncooperatively to cooperative initiatives by China and Russia, compared to their response to a U.S. initiative (baseline). They respond more cooperatively toward cooperative initiatives from the UK. For no policy changes and tariff increases, they respond similarly across countries, except for Russia. As for U.S. respondents, Russia is perceived as more adversarial than China (cf. Appendix Figure 14.4b). In comparison, German citizens react differently. Generally, they respond less cooperatively to all countries than to Japan. The strong, noncooperative behavior towards the U.S. can be explained by the current frictions in trade policy between the EU and the U.S. Contemporary political rhetoric and media reporting about other countries may shape individuals' perceptions. Nonetheless, the size of this non-cooperative response is surprising. The UK is also punished more compared to Japan, but primarily when it threatens to increase tariffs. This could be explained by the tensions surrounding Brexit. Clearly, German respondents are the most cooperative towards Japan.

When examining the interaction between policy initiative and alliance perception of the trading partner in Figures 14.3a–c, we find that the responses vary systematically according to the perceived political relationship with the other country. In all three country samples, individuals prefer raising tariffs on goods from an adversary. Although for the decrease scenario, the difference between allies and adversaries does not have a statistically significant effect on U.S. predicted responses, all other effects are heterogeneous according to the relation with the trade partner. This evidence further supports H2b.

We also examine how a number of covariates help to explain variation in preferred policy responses among respondents. The results are in the Appendix in Tables 14.2a, 14.2b, and 14.2c. We find that the perception of

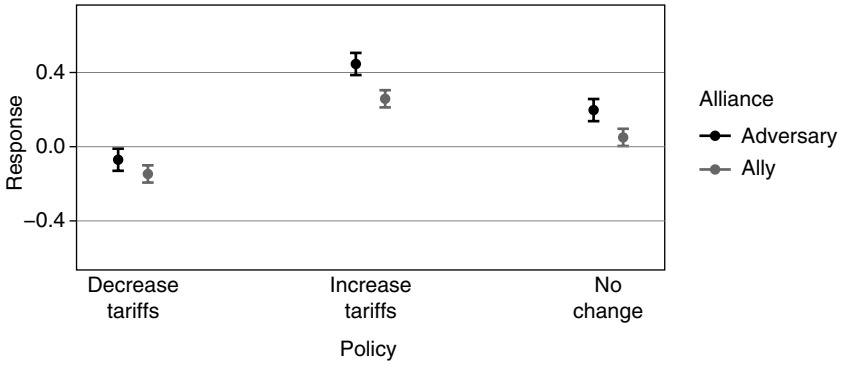


Figure 14.3a U.S. predicted responses to Policy*Alliance

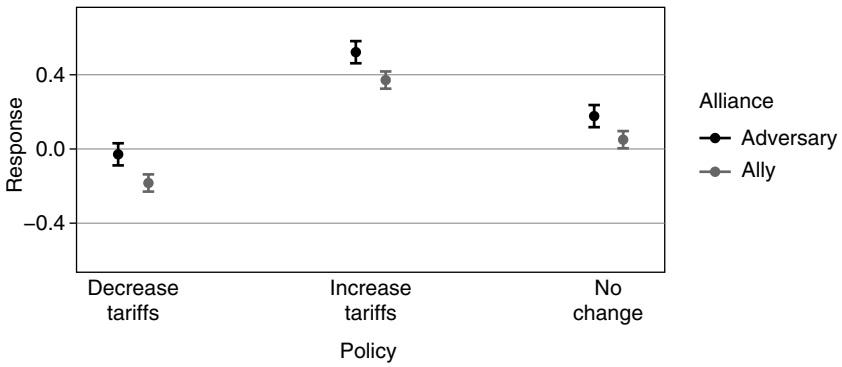


Figure 14.3b Australian predicted responses to Policy*Alliance

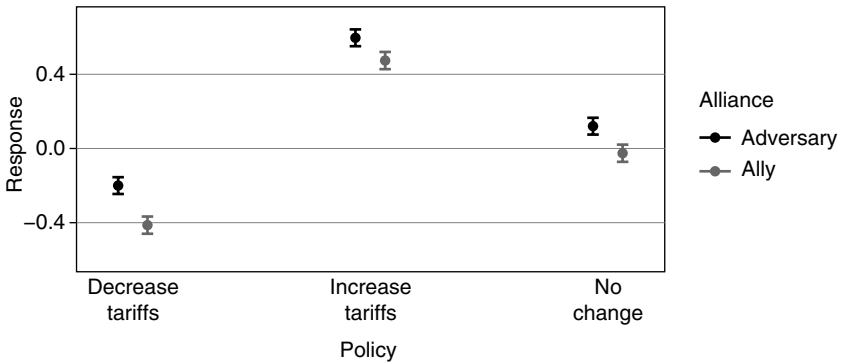


Figure 14.3c German predicted responses to Policy*Alliance

the other country as an ally or adversary plays an important role.⁷ In all countries, the ally-adversary variable has the expected impact: if an individual perceives the other country as an ally, then this person is less likely to prefer an increase in tariffs towards the other country. In the U.S., this is the case for Canada and Russia. For Australia and Germany, this effect is even stronger and statistically significant for even more trading partners, although the exact effects vary. Russia is generally perceived as more adversarial than China (cf. Appendix Figures 14.4a–c).⁸

Overall, our results show that reciprocity matters in all three countries for average responses to the trade policies of the respective five trading partners. This supports Hypothesis 1. Nonetheless, a substantial share of unconditionally uncooperative attitudes exist, especially towards non-allies, like China. Respondents differ in the policy responses they select by supporting cooperation with some countries but not with others. This is consistent with Hypothesis 2a. Deviations from cooperative reciprocity are best explained by political perceptions. Reciprocity accordingly appears to be more relevant when confronted with a political ally rather than an adversary. This supports Hypothesis 2b.

IV Conclusion

This study analyzes to what extent the mass publics in the U.S., Australia, and Germany deviate from the principle of reciprocity when facing different political adversaries and allies as trading partners. Whilst we find that citizens in all three countries generally support the principles of reciprocity in trading relations, significant variations across trading partners prevail. There is strong support for commensurate retaliation to protectionist initiatives, towards all countries. However, support for a reduction of trade barriers in response to a free-trade initiative is more difficult to sustain among political adversaries than allies.

Hence, whilst reciprocity is supported on average, we observe important deviations from this baseline. These deviations can be explained through variations in the political perceptions of the trading partner. Particularly for the cooperative policy response, we find that depending on whether the other country is perceived as an ally or adversary matters.

⁷ Ally-adversary perception was coded from –5 (strong adversary) to 5 (strong ally) in response to the question: To what extent do you view the following countries as political allies or adversaries?

⁸ In nearly all models, education and the competitiveness of the sector of employment do not have a statistically significant influence on the response.

Whilst the direction of causality can also be reversed, that is that the policy initiative shapes how the foreign country is perceived, the main finding of this chapter supports the assumption that perceptions of trading partners are crucial for trade cooperation policy support. Thereby, the results affirm the view of differing security externalities and expected duration of future interaction between allies or adversaries when confronted with a political adversary. Trade and foreign policy issues, therefore, are more strongly intertwined than the existing trade policy literature assumes.

Our bilateral approach, thus, yields interesting new insights into trade politics in the contemporary world economy. By shifting the attention away from the conventional approach to conceptualizing trade attitudes as general, our paper reveals that international political concerns play a much greater role in trade attitudes than previously assumed. This is particularly important as the overarching context of the international trading system has become more susceptible to bilateral considerations. Bilateral trade policy interactions manifest themselves within the WTO Disputes Settlement Mechanism, through the spread of preferential trade agreements, and with the rise of trade wars during the past years. When trade relations become increasingly bilateral, reciprocity and cooperation in trade relations are more appealing with certain countries than with others, depending on the political and economic relations with the other country (Hopewell, 2023; Raess, 2023). Our findings suggest that the sources for these uncooperative attitudes relate to international political competition. Clearly, trade policy is not just seen as a means to maximize income, but also as a foreign policy instrument that is subordinated to political goals.

These results pose a challenge to the stability of the international liberal order. First, the political constraint that nationalist leaders face is relaxed if voters increasingly mix international political and economic issues. During the uncontested U.S. hegemony of the past decades, these international political concerns may have increasingly moved into the background (Cooper, 2000). But owing to shifts in international power and the rise of China, the increasing politicization of trade issues in the wake of rising populism and economic nationalism might have gained renewed importance (Nguyen et al., 2021). Second, and like other existing research, we show that individuals do not solely base their attitudes on their personal economic well-being. This underlines the difficulties of upholding cooperation in international trading relations if international political concerns are eminent. This poses a crucial obstacle to upholding open-economy politics in the long run and ultimately challenges the functioning of liberal international institutions, like the WTO.

Ally Perception

Respondents were asked the following questions (Figures 14.4a–c and Tables 14.2a–c):

[Australian and US version] “To what extent do you consider the following countries as political allies or adversaries of Australia/the U.S.?” [German version] “Inwieweit betrachten Sie die folgenden Länder als politische Verbündete oder Gegner?”

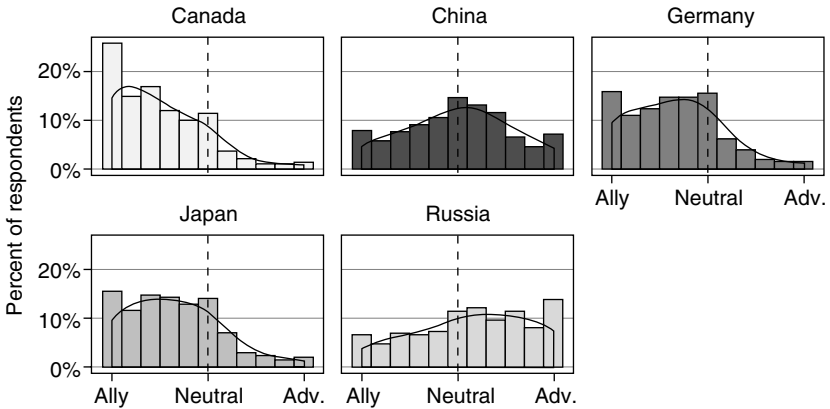


Figure 14.4a Ally-Adversary perception of U.S. citizens

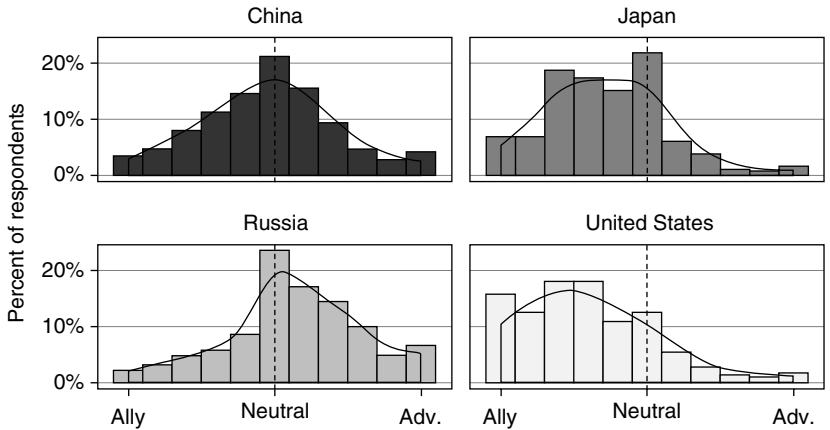


Figure 14.4b Ally-Adversary perception of Australian citizens

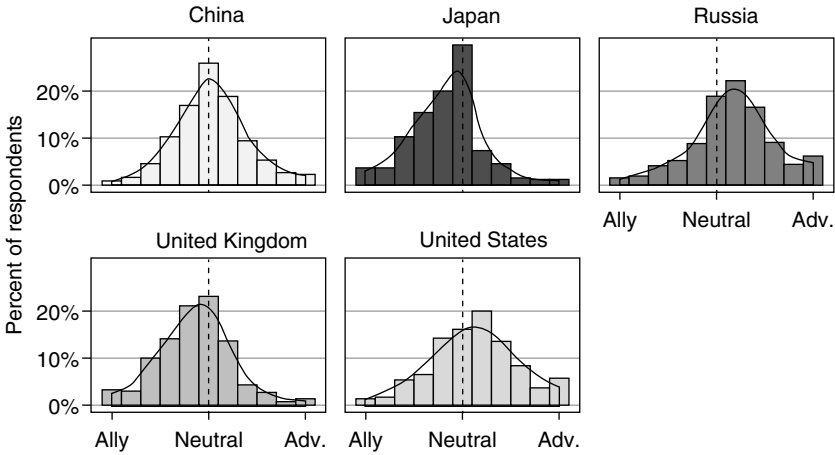


Figure 14.4c Ally-Adversary perception of German citizens

Table 14.2a Covariates for U.S. responses

| | Canada | Germany | Japan | China | Russia |
|-------------------------|----------------------|----------------------|----------------------|---------------------|----------------------|
| <i>Treatments</i> | | | | | |
| Decrease Tariffs | -0.239*** (0.058) | -0.333*** (0.059) | -0.253*** (0.061) | -0.156** (0.063) | -0.163*** (0.060) |
| Increase Tariffs | 0.210*** (0.059) | 0.127** (0.059) | 0.265*** (0.061) | 0.199*** (0.063) | 0.260*** (0.059) |
| <i>Covariates</i> | | | | | |
| Ally Perception | -0.031*** (0.011) | -0.010 (0.010) | -0.016 (0.011) | -0.021** (0.009) | -0.010 (0.009) |
| Ideology | 0.059*** (0.009) | 0.049*** (0.009) | 0.043*** (0.009) | 0.053*** (0.010) | -0.004 (0.010) |
| Education | 0.027 (0.022) | 0.019 (0.022) | 0.009 (0.023) | 0.041* (0.024) | 0.049** (0.022) |
| RCA | -0.064 (0.468) | -0.245** (0.119) | -0.088 (0.071) | 0.087* (0.052) | -0.049 (0.030) |
| Age | -0.003* (0.002) | -0.001 (0.002) | -0.002 (0.002) | 0.003 (0.002) | 0.007*** (0.002) |
| Female | -0.036 (0.049) | 0.024 (0.049) | 0.029 (0.051) | -0.039 (0.051) | -0.056 (0.049) |
| Constant | 0.113 (0.049) | 0.274* (0.166) | 0.181 (0.160) | -0.294* (0.157) | -0.195 (0.129) |
| Observations | 919 | 897 | 889 | 912 | 902 |
| Adjusted R ² | 0.110 | 0.098 | 0.094 | 0.070 | 0.079 |

Note: * $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$.

Table 14.2b *Covariates for Australian responses*

| | US | UK | Japan | China | Russia |
|-------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| <i>Treatments</i> | | | | | |
| Decrease Tariffs | -0.247*** (0.061) | -0.305*** (0.057) | -0.256*** (0.058) | -0.153** (0.060) | -0.121** (0.058) |
| Increase Tariffs | 0.295*** (0.061) | 0.401*** (0.057) | 0.298*** (0.060) | 0.281*** (0.059) | 0.395*** (0.058) |
| <i>Covariates</i> | | | | | |
| Ally Perception | -0.032*** (0.011) | | -0.057*** (0.012) | -0.052*** (0.011) | -0.039*** (0.011) |
| Ideology | -0.016 (0.012) | -0.0001 (0.011) | 0.030*** (0.011) | 0.025** (0.012) | 0.010 (0.012) |
| Education | -0.013 (0.019) | 0.014 (0.018) | -0.001 (0.019) | -0.028 (0.019) | -0.005 (0.019) |
| RCA | -0.002 (0.009) | 0.007 (0.030) | 0.048 (0.042) | 0.010 (0.032) | 0.006 (0.029) |
| Age | 0.001 (0.002) | 0.002 (0.002) | 0.0001 (0.002) | 0.00005 (0.002) | 0.001 (0.002) |
| Female | 0.093* (0.050) | -0.007 (0.048) | 0.057 (0.049) | 0.095* (0.049) | 0.056 (0.048) |
| Constant | 0.160 (0.138) | -0.096 (0.130) | 0.089 (0.140) | 0.182 (0.137) | 0.065 (0.129) |
| Observations | 846 | 841 | 833 | 854 | 823 |
| Adjusted R ² | 0.100 | 0.149 | 0.122 | 0.094 | 0.111 |

Note: * $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$; ally perception for UK was not available.

Table 14.2c *Covariates for German responses*

| | US | UK | Japan | China | Russia |
|-------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| <i>Treatments</i> | | | | | |
| Decrease Tariffs | -0.398*** (0.051) | -0.323*** (0.048) | -0.323*** (0.048) | -0.361*** (0.050) | -0.311*** (0.050) |
| Increase Tariffs | 0.450*** (0.051) | 0.553*** (0.049) | 0.553*** (0.049) | 0.445*** (0.049) | 0.481*** (0.050) |
| <i>Covariates</i> | | | | | |
| Ally Perception | -0.054*** (0.009) | -0.051*** (0.010) | -0.051*** (0.010) | -0.060*** (0.011) | -0.060*** (0.009) |

Table 14.2c (cont.)

| | US | UK | Japan | China | Russia |
|-------------------------|----------------------|--------------------|--------------------|--------------------|----------------------|
| Ideology | -0.005 (0.011) | -0.009 (0.010) | -0.009 (0.010) | 0.012 (0.010) | 0.0003 (0.010) |
| Education | -0.070*** (0.021) | -0.034 (0.021) | -0.034 (0.021) | 0.005 (0.021) | -0.032 (0.021) |
| RCA | 0.050 (0.102) | 0.045 (0.110) | 0.045 (0.110) | 0.013 (0.067) | 0.108 (0.147) |
| Age | -0.002 (0.002) | -0.003* (0.001) | -0.003* (0.001) | -0.001 (0.002) | -0.004*** (0.002) |
| Female | 0.022 (0.042) | 0.048 (0.041) | 0.048 (0.041) | 0.097** (0.041) | 0.042 (0.042) |
| Constant | 0.490*** (0.171) | 0.263 (0.169) | 0.263 (0.169) | 0.046 (0.154) | 0.183 (0.199) |
| Observations | 940 | 931 | 931 | 914 | 905 |
| Adjusted R ² | 0.242 | 0.275 | 0.275 | 0.243 | 0.257 |

Note: * $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$.

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