

# Why Some PTAs are More Popular than Others?

Experimental Evidence from Japan & South Korea

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# Motivation

- ✔ Voter support & opposition is a building block for key theories of PTA formation.
- ✔ Indeed, politicians and interest groups:
  - ✔ *Invest in persuasion (Naoi & Urata 2013)*
  - ✔ *Influence the design of PTAs (What to exclude, compensate, how to link issues etc.)*
- ✔ But we don't know much about how voter attitudes form re: PTAs.
- ✔ This Paper: Conjoint survey experiments with voters in Japan & South Korea to identify why voters support some PTAs over others.

# Research Design

- ◆ 1600 respondents each in Japan & South Korea (age 20-65), December 10-17, 2013.
- ◆ Convenience sample from Nikkei Research (on-line survey company) & the sampling approximated national census.
- ◆ Present two trade agreements that randomly differ in four dimensions: ***Forum, Issue Scope, Participating Country and Domestic Compensation***. Total of 81 profile combination.

# 81 Profiles

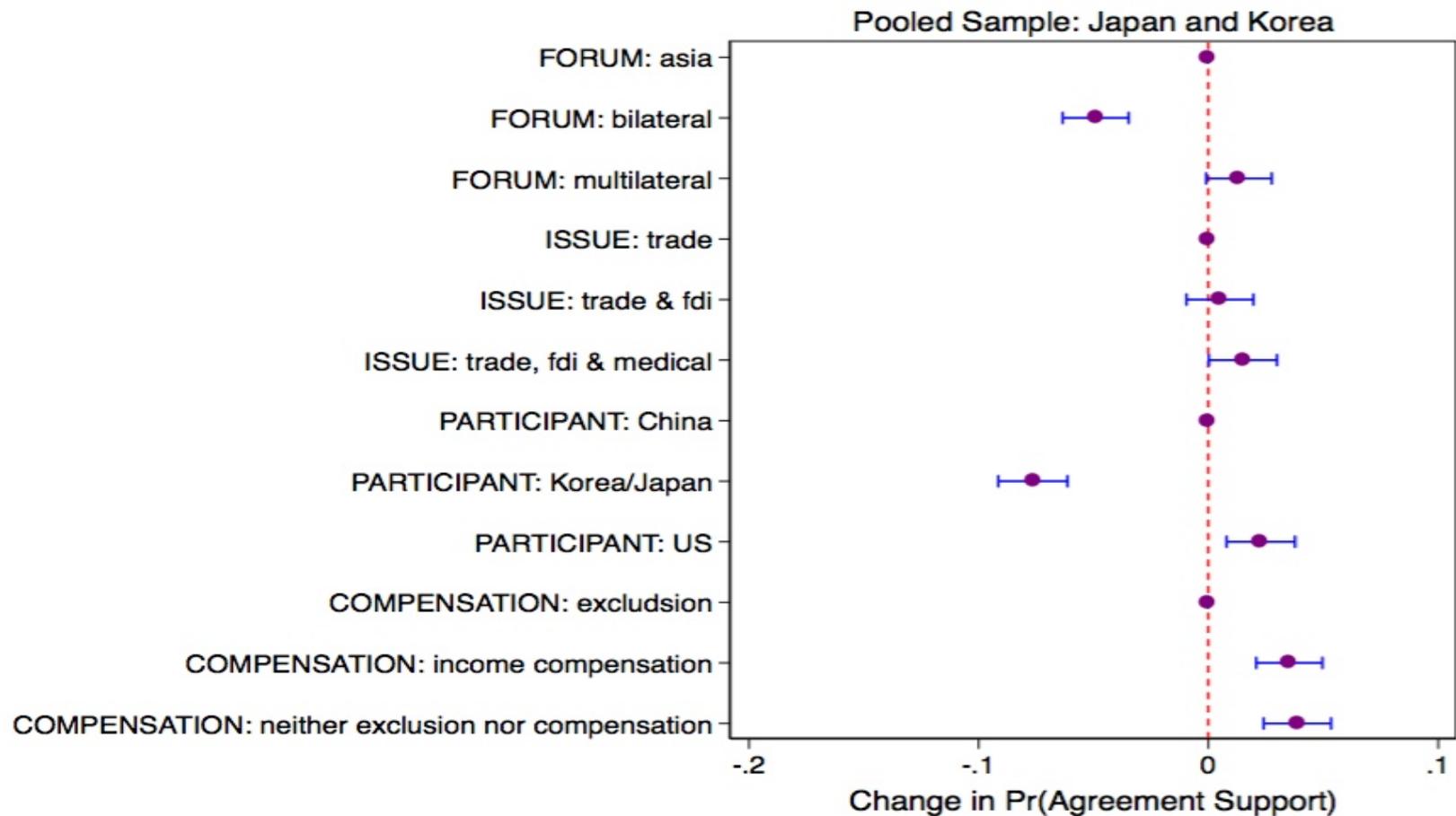
| Dimensions                 | Profiles  |
|----------------------------|---|
| I. Forum                   | Bilateral; multilateral; regional (Asia)  |
| II. Issue Scope            | Trade only; Trade & FDI; Trade, FDI and Medical care  |
| III. Participating Country | U.S.; China; South Korea (or Japan)   |
| IV. Compensation           | Exclude sensitive commodities; no exclusion with income compensation; neither exclusion nor income compensation |

# Survey Instrument

- ◆ “Below, we present two possible trade agreements that Japan (or South Korea) might join. So called Free Trade Agreements (FTA) and Economic Partnership Agreements (EPA) aim to liberalize trade by reducing tariffs as well as by deregulating domestic barriers to trade. The proposed two agreements differ in participating countries and rules. If you must choose one of the two agreements, which would you choose?” (English translation version)

| Dimensions            | Trade Agreement A   | Trade Agreement B             |
|-----------------------|---------------------|-------------------------------|
| Forum                 | Bilateral           | Multilateral                  |
| Issue                 | Trade               | Trade and FDI                 |
| Participating Country | China               | U.S.                          |
| Compensation          | Income compensation | Exclude sensitive commodities |

# The Results: Pooled Sample (Japan & South Korea, OLS )

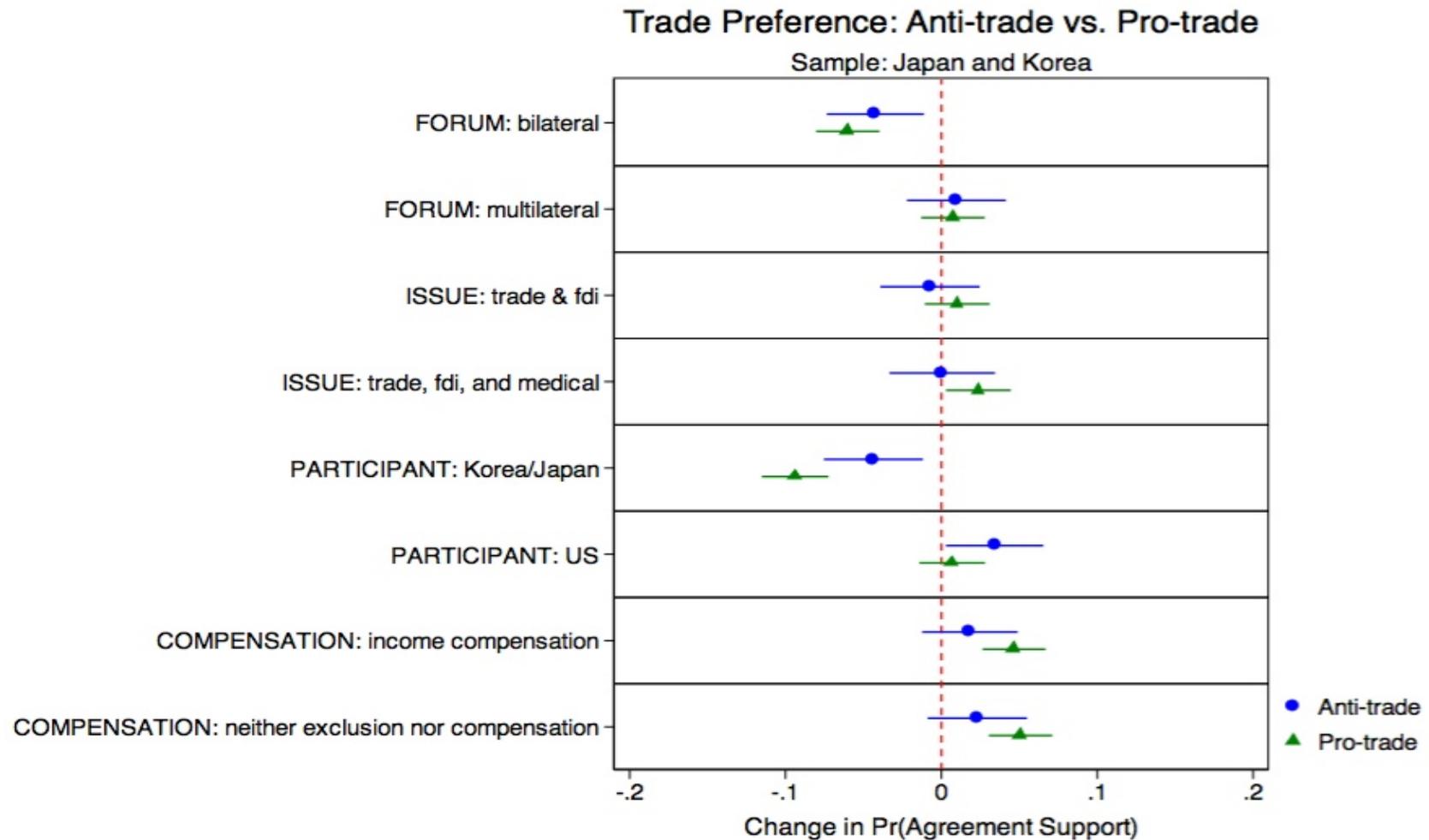


# The Results: Bottom-line

- ◆ Japanese and Korean voters (pooled) prefer:
  - ◆ **Forum:** Multilateral > Regional > Bilateral
  - ◆ **Issue Scope:** Broader issue scope > Trade issue only
  - ◆ **Participating Country:** U.S. > China > South Korea or Japan
  - ◆ **Compensation:** No exclusion & No compensation > Compensation > Exclusion
- ◆ The results challenge the democratic peace conjecture
- ◆ The results challenge the embedded liberalism literature
  - ◆ Voters prefer non-compensation & non-exclusion
  - ◆ Compensation and exclusion of sensitive commodities are not substitutes in voters' minds.

# Treatment Effects by Trade Policy Positions

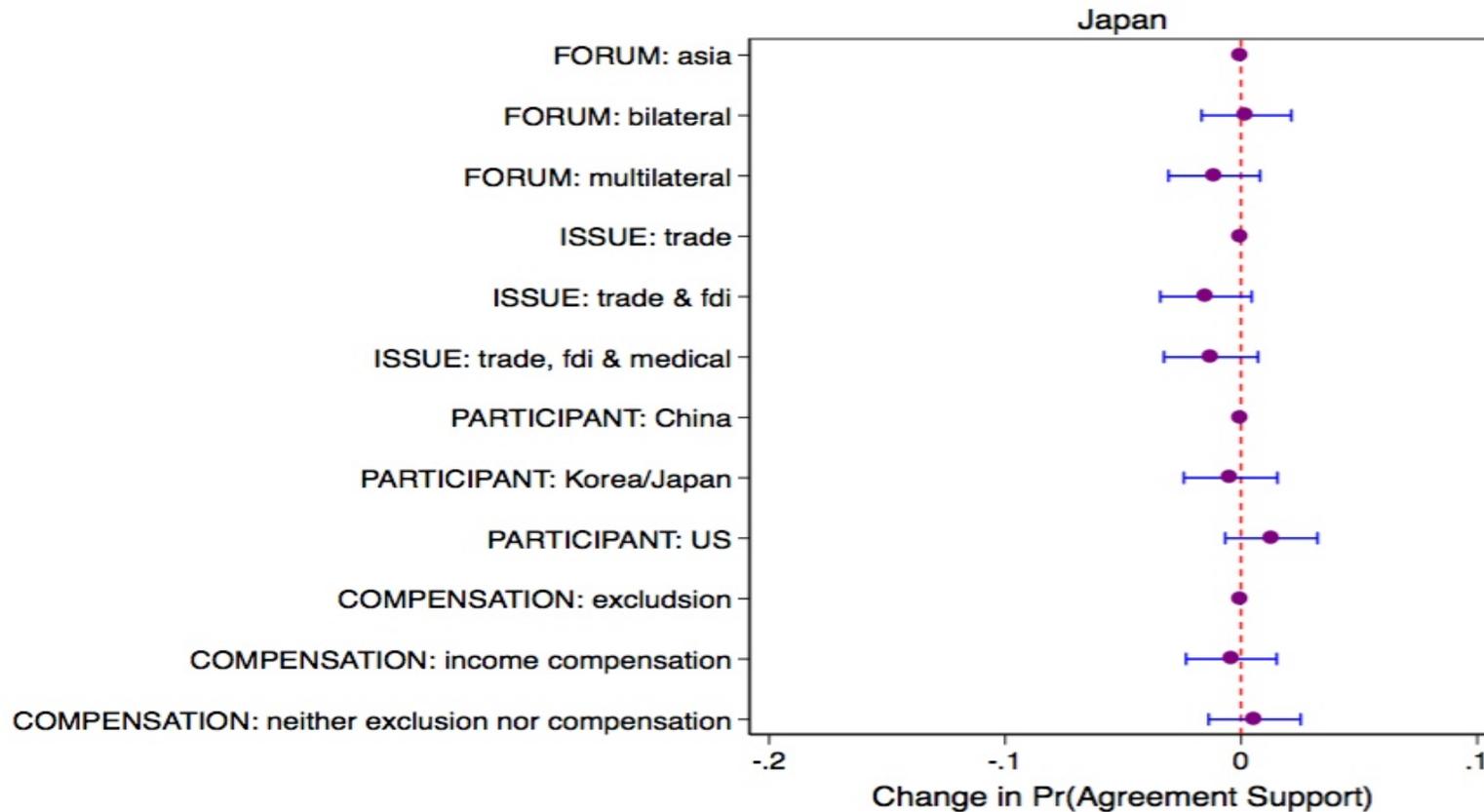
## Pooled Sample (Japan & South Korea)



# The Sub-Group Results

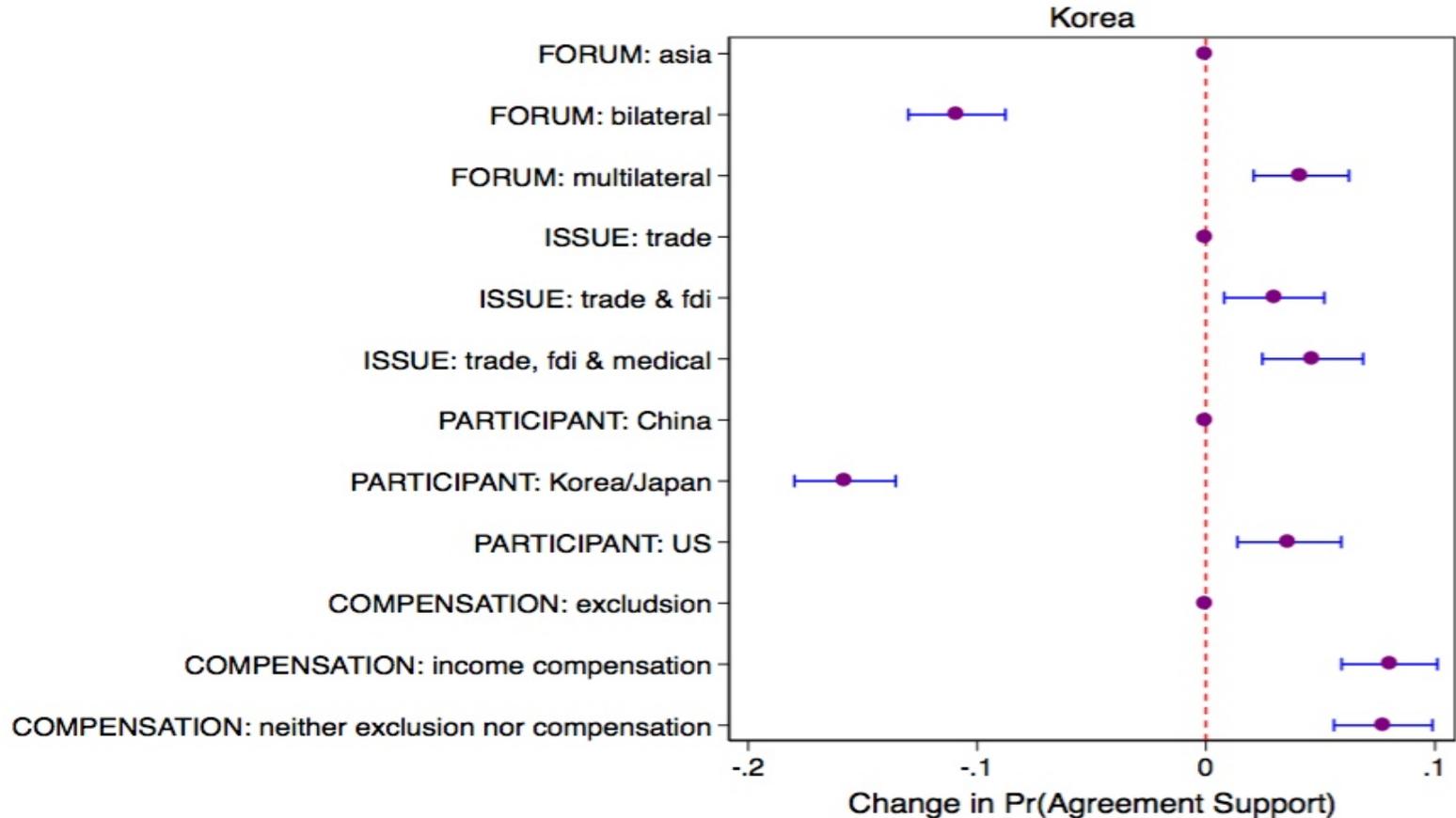
- ◆ **Forum:** Bilateral PTA reduces support among both pro-trade & anti-trade voters.
- ◆ **Issue Scope:** Broader issue scope mobilizes higher support among pro-trade voters, but not for anti-trade voters.
- ◆ **Participating Country:** PTA with U.S. mobilizes higher support among pro-trade voters, PTA with South Korea (or Japan) reduces support among both pro- and anti-trade voters.
- ◆ **Compensation:** income compensation mobilizes support only among pro-trade voters (contra the embedded liberalism thesis)

# The Results: Japan Only



Null results: None of these profiles has systematic effects on voter support.

# The Results: South Korea Only



# Next Steps

- ◆ Why null results for Japan?
- ◆ The government's persuasion counter-acted voter preference?
- ◆ Why do Japanese and Korean voters prefer to form PTA with China rather than with each other?
  - ◆ Animosity?
  - ◆ Economic interests?
  - ◆ Interaction between the two?