

Accepted Manuscript

Does Political Conflict Hurt Trade? Evidence from Consumer Boycotts

Kilian Heilmann

PII: S0022-1996(15)00172-5
DOI: doi: [10.1016/j.jinteco.2015.11.008](https://doi.org/10.1016/j.jinteco.2015.11.008)
Reference: INEC 2910

To appear in: *Journal of International Economics*

Received date: 16 December 2014
Revised date: 24 November 2015
Accepted date: 26 November 2015



Please cite this article as: Heilmann, Kilian, Does Political Conflict Hurt Trade? Evidence from Consumer Boycotts, *Journal of International Economics* (2015), doi: [10.1016/j.jinteco.2015.11.008](https://doi.org/10.1016/j.jinteco.2015.11.008)

This is a PDF file of an unedited manuscript that has been accepted for publication. As a service to our customers we are providing this early version of the manuscript. The manuscript will undergo copyediting, typesetting, and review of the resulting proof before it is published in its final form. Please note that during the production process errors may be discovered which could affect the content, and all legal disclaimers that apply to the journal pertain.

Does Political Conflict Hurt Trade? Evidence from Consumer Boycotts

Kilian Heilmann^{a,*}

^aUniversity of California, San Diego. Department of Economics, 9500 Gilman Drive #0508, La Jolla, CA 92093, USA

Abstract

I estimate the impact of international conflict on bilateral trade relations using several incidents of politically motivated boycotts: The boycott of Danish goods by Muslim countries following the Muhammad Comic Crisis in 2005/2006, the Chinese boycott of Japanese goods in response to the Senkaku/Diaoyu Island conflict in 2012, the boycott of French products in the US over the Iraq War in 2003, and Turkey's boycott of Israel over the Gaza conflict in 2014. The results from difference-in-differences regressions and the synthetic control group method show that boycotts can have strong negative effects on bilateral trade in both goods and services. I estimate an average one-year trade disruption of 18.8% in the case of Denmark, 2.7% for Japan, and 1.7% of French imports, where in the latter two cases this effect is only short term. For all boycott instances, this is only a minor share of overall exports of the boycotted country over the same period. For the Iraq and Gaza conflicts, there is a reciprocal negative effect on the boycotted countries' imports from the boycotter. Product-level results are in line with intuition: Boycotts are most effective for consumer goods, especially highly-branded signature export goods such as Japanese cars, while having at most a temporary effect on intermediates and capital goods. An event study on Japanese stock market returns suggests that the Chinese boycott depressed stock values of explicitly boycotted Japanese firms only temporarily.

Keywords: Consumer boycotts, International trade, International political economy, Economic diplomacy

JEL classification: F14, F51, F52

1. Introduction

Trade policy has long been a popular tool in relations between states. Trade agreements can strengthen inter-state relations and a large literature in political science has worked on international trade's role in promoting peace and interstate cooperation (e.g. Gartzke et al., 2001, Barbieri, 2002, Li and Reuveny, 2011, Massoud and Magee, 2012). At the same time, international trade can be used as a policy means in the case of conflict through sanctions, embargoes, and boycotts. Trade boycotts between countries are a special form of these policy tools. They have been used throughout history to punish or coerce specific behavior among trading partners. Examples of international conflicts where boycotts were used include the repeated boycotts of Japan by China throughout the

*Corresponding author
Email address: kheilmann@ucsd.edu (Kilian Heilmann)

Download English Version:

<https://daneshyari.com/en/article/7364124>

Download Persian Version:

<https://daneshyari.com/article/7364124>

[Daneshyari.com](https://daneshyari.com)