

Norbert Metiu: Anticipation effects of protectionist U.S. trade policies

Econ 871: short presentation

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Outline

- **Motivation:** Investigate the international effects of U.S. trade protection
- **Innovation:** New measure of U.S. trade policy announcement shock
- **Conclusion:** Announced (but not yet imposed) U.S. trade restrictions give rise to contractions in major trading partners' output and investment

Background

- **TTBs:** Temporary trade barriers.
 - **Anti-dumping(company) and countervailing(country):** charge an extra import duty on dumping or subsidized imports.
 - **Safeguards(global):** impose a duty on imports for protect domestic producers from intense import competition
- **Procedures:**



Two identification problems

- **Time delays:** The time between the announcement and implementation – Anticipation effects
- **Endogeneity:** TTBs' counter-cyclical nature

Three steps

- **Count:** Quarterly number of products(HS06) under **new** TTB investigation
 - Indicate the intensity of TTB activity than new cases numbers
 - Free of anticipation effects, substantial time variation
 - Problems: equal weight
- **Weight:** Time-varying, trade value and news-coverage-adjusted trade value
- **Residual:** Isolate ν_t from the systematic movements in U.S. TTB initiations
 - $TTB_t = f(\mathbf{X}_{t-1}) + \nu_t$
 - Count-negative binomial regression model, weight measure-OLS regression, Tobit regression
 - $\xi_t = \frac{\nu_t - E(\nu_t)}{std(\nu_t)}$ is the shock measure

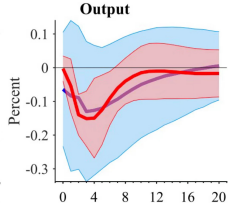
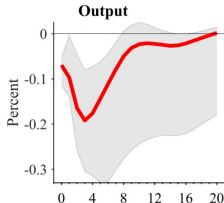
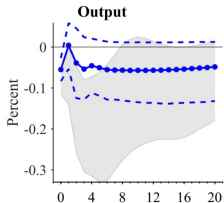
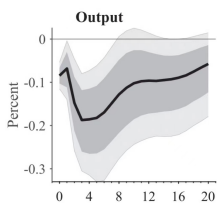
Model and Variables

- **VAR model:** $Y_t = B_0 + \sum_{i=1}^p B_i Y_{t-i} + u_t$
 - Y_t is a vector of endogenous variables of euro area and the scalar TTB announcement shock measure ξ , p is the lag term, u_t is a vector of reduced-form innovations.
- **Endogenous Variables:** GDP-weighted averages for 11 euro countries: business confidence in manufacturing sector; log real exports of goods and services; log real investment; log real GDP; log CPI; short-term nominal interest rate; log real effective exchange rate.

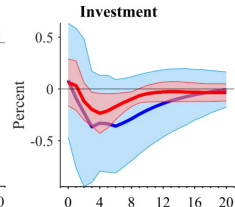
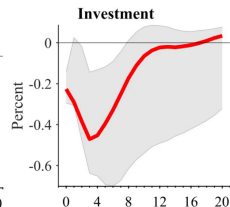
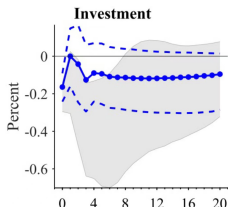
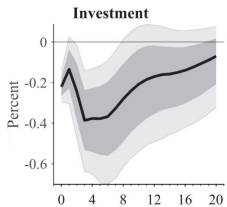
Different Samples

- VAR with trade value adjusted shock measure
- Set business confidence to zero
- VAR with news-adjusted trade value shock measure
- Above average and below average groups

Output



Investment



Conclusion

- The contractions in foreign output, investment, exports, and business confidence, particularly for countries that account for a relatively large share of U.S. trade.
- Expectations channel of trade policy plays an important role in the transmission mechanism.
- Media attention facilitates the propagation of protectionist announcement shocks

Comment

- The impressive part: the new measure of shock
- Negative uncertainty

End

Thank you