

# Protectionism and Domestic Politics in Southeast Asia and Oceania



**Nam Seok Kim**

Ph.D., Associate Research Fellow, Southeast Asia and Oceania Team  
Korea Institute for International Economic Policy

Protectionist trade policies as a result of domestic political phenomena have been studied extensively in both theoretical and empirical economic studies. Theoretical approaches include a median-voter framework under the factor endowment approach. A median voter's attitude toward trade policy can be explained by jointly considering the domestic factor distribution across voters and the international factor distribution across nations. Since the factor endowment approach relies on the long-run assumption that an economic factor can be reallocated to another sector, short-run assumptions such as the specific-factor approach provide a realistic analysis. Voters' industry affiliation and the comparative advantage status of each industry explain a voter's attitude toward trade policy when the voter owns a specific-factor.<sup>1</sup> Along with these voter-level theoretical predictions, strategic interactions between industrial special interests and

<sup>1</sup> Prototype theoretical models of factor endowment approach and specific-factor framework are clarified in Mayer (1974, 1984), Samuelson (1971), and Jones (1971).

the government can also explain the degree of protection of each industry (Grossman and Helpman, 1994, 2002). Other theoretical mechanisms, such as campaign contributions (Magee, Brock, and Young, 1989), have also contributed considerably to deepening the understanding of the political economy of trade policy.<sup>2</sup>

Empirical studies that support the endogenous formation of trade policy have also been developed in various aspects. Voter-level analysis using election surveys tests the micro-foundations made by theoretical predictions of factor endowment and specific-factor approaches. It explores individual motivations for voters' preferences for lower or higher levels of protection. Constituency-level analysis based on election outcomes links trade penetration in the local labor market to the vote share of political parties with specific trade policy agendas. Cross-country analysis quantifies the factor endowment of each country and its median voter, allowing a researcher to study the determinants of the degree of protection.<sup>3</sup>

Although social scientists have made significant contributions based on these theoretical and empirical approaches, there has been relatively little focus on Southeast Asian and Oceanian countries. Researchers in the field have mainly conducted voter- and constituency-level analyses on developed countries in North America and Europe. Many cross-country analyses included observations from Southeast Asia and Oceania, but the region-specific phenomenon in Southeast Asia and Oceania was not the main focus of these studies. Motivated by this need for research on Southeast Asian and Oceanian cases, Kim (2023) examined voter protectionism in the Philippines, Thailand, Australia, and New Zealand. Based on survey data, which included observations from these four nations, Kim (2023) clarified that the factor endowment approach is supported by the empirical relationship between human capital (educational attainment) and each voter's preferred level of trade barriers.

Although each voter's industry affiliation is not directly related to their preferred level of protection, Kim's (2023) empirical analysis shows that industry affiliation is significantly correlated with the support for some of the political parties in four countries. In the Philippines, workers in comparative advantage sectors were more likely to support the Liberal Party in the 2016 election. In Thailand and New Zealand, workers in their home country's comparative advantage sectors are more likely to support the Pheu Thai Party in the 2019 election and the National Party in the 2020 election, respectively. If an Australian voter prefers a higher level of trade barriers, the voter is more likely to support the One Nation Party. On the other hand, if a New

<sup>2</sup> Further comprehensive review on this topic is elaborated in Rodrik (1995), Karakas et al. (2021), and Kim (2023).

<sup>3</sup> Rodrik (2021) provides broad summaries on recent progress.

Zealand voter prefers a higher level of protection, the voter is more likely to support the Labour Party.

Because many research questions that have already been answered in the context of North America and Europe still remain unanswered for the cases of Southeast Asia and Oceania, further research should be extensively conducted. In particular, the constituency-level estimation should examine whether the impact of trade on the local labor market was the determinant of recent regime changes in Southeast Asia and Oceania. Furthermore, the rise of parties with extreme agendas, including populism and anti-globalization, can be studied in detail by focusing on the change in the local labor market led by trade penetration. For Southeast Asian nations, which are still in the process of democratic consolidation, identifying the role of policy preferences from other key sources of voting behavior, such as regionalism, will be the key challenge in conducting successful empirical work. Also, Kim's (2023) findings on the voter-level micro-foundations should be subject to more rigorous robustness checks, as endogeneity and sample-selection issues in Southeast Asian and Oceanian samples are not fully addressed in Kim (2023).

Understanding protectionism in Southeast Asia and Oceania by incorporating their domestic politics as described above is very important for Korea's trade strategy sophistication. Korean government officials should be able to predict key trading partners' policy objectives, which are highly dependent on domestic political constraints. In a globalized trading system, trade policy implementation is directly linked to the domestic local labor market, and any incumbent government who is interested in re-election must be very sensitive to the political reactions of the people at home. Coming to the negotiating table with an understanding of what the other side is sensitive to is very different from going into negotiations without that understanding. As Southeast Asian and Oceanian nations become Korea's most important trading partners, deepening the focus on the endogenous trade policy formation in these key nations should be the main priority of Korean government research projects. [KIEP](#)

## References

- Grossman, G. M. and E. Helpman. 1994. "Protection for sale." *American Economic Review*, 84(4), pp. 833-850.
- . 2002. *Interest groups and trade policy*. Princeton University Press.
- Jones, Ronald W. 1971. "A three-factor model in theory, trade, and history." In Bhagwati, J. N., R. W. Jones, R.

- A. Mundell, and J. Vanek. (eds.) *Trade, balance of payments and growth: papers in International Economics in Honor of Charles P. Kindleberger*. North-Holland Publishing Company and American Elsevier Publishing Company. pp. 3-21.
- Karakas, L. D., N. S. Kim, and D. Mitra. 2021. "Attitudes towards globalization barriers and implications for voting: Evidence from Sweden." *Journal of Economic Behavior & Organization*, 190, pp. 851-877.
- Kim, N. S. 2023. "Voters' Attitudes towards Protectionism in Southeast Asia and Oceania: Evidence from the Philippines, Thailand, Australia, and New Zealand." KIEP Research References, no. 23-04. Korea Institute for International Economic Policy (in Korean)
- Magee, S. P., W. A. Brock, and L. Young. 1989. *Black hole tariffs and endogenous policy theory: Political economy in general equilibrium*. Cambridge University Press.
- Mayer, W. 1974. "Short-run and long-run equilibrium for a small open economy." *Journal of Political Economy*, 82(5), pp. 955-967.
- . 1984. "Endogenous tariff formation." *American Economic Review*, 74(5), pp. 970-985
- Rodrik, D. 1995. "Chapter 28. Political economy of trade policy." In Grossman, G. M. and K. Rogoff. (eds.) *Handbook of International Economics: Volume 3*. pp. 1457-1494.
- . 2021. "Why does globalization fuel populism? Economics, culture, and the rise of right-wing populism." *Annual Review of Economics*, 13, pp.133-170.
- Samuelson, P. A. 1971. "Ohlin was right." *Swedish Journal of Economics*, 73(4), pp. 365-384.