Trump, Soft Power, and Exports

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While Donald Trump is a controversial and divisive figure within America, he is even more so outside the United States. Part of this is his ideological incoherence; one of the few beliefs Trump has held consistently is that exports are good and imports are bad. But another part stems from his style of leadership. I try to link these two parts by asking whether Trump's unpopularity outside the United States dampens the demand for American exports. I find that it does; countries whose leadership is approved of abroad tend to sell more exports. To be more precise, I conservatively estimate that the more than 20 percentage point decline in foreign approval of American leadership between 2016 (the final year of Obama's presidency) and 2017 (Trump's first year) lowered American exports by at least $3 billion.

I am interested in whether countries are affected in any tangible way by fluctuations in "soft power"—the ability of one country to attract or persuade citizens in another. In particular, I test whether changes in foreign perceptions of soft power affect export sales, all else being equal.

My analysis relies on annual trade data assembled by the International Monetary Fund (IMF). The data set covers bilateral trade among more than 200 IMF countries between 1948 and 2017. My primary measure of soft power is survey results from the Gallup World Poll. Since 2006, Gallup has surveyed more than 100 countries and asked about 1,000 survey participants in each country about their approval of foreign leaders. The questions concern whether survey respondents in one country approve of the leadership in another. As such, I consider these results to be a manifestation of soft power, a term that describes the ability of a country to do what it wants by means of persuasion rather than by means of force.

The Gallup data indicate that approval of American leadership has swung dramatically; it improved substantially between 2006 and 2012 and declined markedly between 2012 and 2017. In particular, the data show that Obama was a popular president outside the United States, especially by way of comparison with both his predecessor, George W. Bush, and his successor, Donald Trump. Job approval of American leadership jumped from less than 40 percent under Bush in 2008 to more than 50 percent under Obama in 2009. Similarly, it declined by more than 10 percentage points when Trump succeeded Obama in 2017.

I add the Gallup measures of leadership job performance

into a standard model of international trade, which allows me to account for other influences on bilateral exports besides soft power. Holding other determinants constant, I find that a country is likely to buy more from the United States if America exerts soft power over that country. Using the Gallup measures of leadership approval as a proxy for soft power, I estimate that an increase of 1 percentage point in net American leadership approval boosts American exports by around one hundredth of a percent. This effect is insensitive to most perturbations in the underlying methodology. It is also an economically large effect, given that swings in leadership approval are often more than 20 percentage points, as occurred when Obama succeeded Bush in 2009 or when Trump succeeded Obama in 2017.

NOTE:

This research brief is based on Andrew K. Rose, "Agent Orange: Trump, Soft Power, and Exports," NBER Working Paper no. 25439, January 2019, http://www.nber.org/papers/w25439.