



Discussion of “International Power” by Ernest Liu and David Yang

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International Power

Cambodia - China

Cambodia imports from China: 39.7%

China imports from Cambodia: 0.3%

Mexico - United States

Mexico imports from US: 45.3%

US imports from Mexico: 14.8%

Belarus - Russia

Belarus imports from Russia: 53.4%

Russia imports from Belarus: 4.8%

Canada - United States

Canada imports from US: 51.2%

US imports from Canada: 12.9%

Ireland - United Kingdom

Ireland imports from UK: 29.6%

UK imports from Ireland: 5.9%

Mongolia - China

Mongolia imports from China: 33.1%

China imports from Mongolia: 0.4%

Summary

- Paper studies international power, i.e. power through commerce and trade and control of the borders.
- It proposes a **model** of international power. Key model insight is that asymmetric dependence on trade is a source of international power. When disputes arise, countries lose more if they are reliant more on imports from another country and if their trade elasticity is small. As a consequence, international power can be leveraged by a coercer to extract rents from a target.
- When international disputes may arise, governments have incentive to accumulate international power using trade or industrial policy to reduce reliance on imports from adversaries and boost exports to them.
- Paper proposes model-based, empirical measure of international power, **measuring** power between two countries looking at their relative import and sectoral dependence.
- It shows empirically two results.
 - **1: Changes in international power are followed by more alignment and negotiations between pairs of countries.**
 - **2: Shocks to geopolitical alignment can change attitudes between countries as well as how one country chooses to depend on another, thus shifting international power.**

Two empirical results

1. More power → More Engagement

$$\text{Engagement}_{\{in\},t} = \beta_1 \text{Power}_{\{in\},t-1} + \beta_2 \text{GDP difference}_{\{in\},t-1} + \beta_3 \text{Total trade}_{\{in\},t-1} + \gamma_t + \alpha_{\{in\}} + \epsilon_{\{in\},t} \quad (17)$$

↑
Text-based measure of “good” bilateral relations (ICEWS dataset)

↑
Authors’ measure of bilateral export dependence

2. More Engagement → Quest for more Power

$$\text{In Export volume}_{i \rightarrow j,t} = \beta_1 \text{Alignment}_{\{ij\},t-1} + \beta_2 \text{Alignment}_{\{ij\},t-1}^2 + \gamma_{i,t} + \gamma_{j,t} + \alpha_{\{ij\}} + \epsilon_{ij,t}$$

↑
Similar to power, but from the standpoint of country looking for power through exports

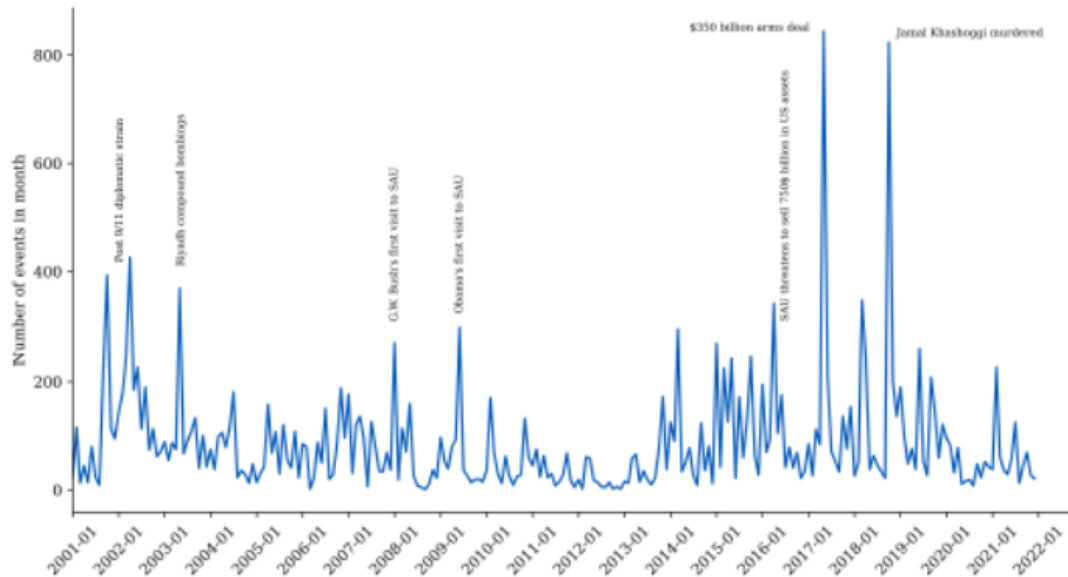
↑
Gallup-based measure of how people perceive countries + Polity scores

Suggestions, part 1

- **Define key concepts.**
- In the introduction define key concepts (e.g. power, alignment, engagement), and how they are measured in the model, and in the data. Leave digressions, extensions, IV checks to later.
- **Use alternative measure of power (e.g. from OECD or Atlantic Council) in the main text.**
- Baseline measure of international power is relative import dependency, yet other measures of “power” appear more comprehensive. International power is military alliances, supply of critical military technology, shared membership in intl organizations. E.g. U.S. has international power over many Western countries through NATO and foreign aid, not through its trade balance.
- **Test the mechanism by which more engagement leads to **quest** for more power.**
- Look at variables other than bilateral exports. Paper treats exports and trade surpluses as variables that can be easily manipulated by policy, whereas in practice running trade surpluses or boosting exports is not easy. Perhaps replace export volumes in the second regression with measures of tariffs or export restrictions/subsidies?
- **Dynamic specification?**
- Paper has an undertone of shocks leading to power build-ups and in turn to political alignment and to more power build-up and so on. Given the sequence of events and how important it is to control for other factors simultaneously affecting trade and geopolitics (e.g. growth, commodity prices, lags), it would be fruitful to think of a dynamic system (e.g. panel VAR) that better captures these relationships over time.

Suggestions, part 2

- Better convince reader that key relationships are present from a cursory look at the data.
- Not obvious how to interpret some of the engagement measures and whether their evolution over time passes the smell test. E.g. the U.S.-Saudi Arabia measure spikes up both for 'good' reasons (arms deal) and for 'bad' reasons (Khashoggi murdered).



Panel A: USA and Saudi Arabia engagement over time

- Align conclusions with empirical results.
- Some of the conclusions do not appear to follow from the empirics: “Trade according to countries’ comparative advantage may expose countries to coercive power of their trade partners”, or “Power consideration in trade is negative sum”. Which result in the paper supports the notion that trading according to comparative advantage is not good?