Lunds universitet
Department of Economics

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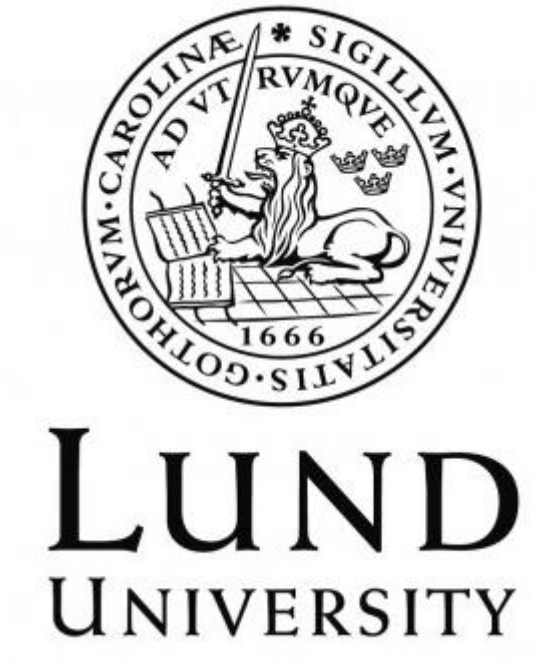
Advisor: Alessandro Martinello



Political consequences of free trade

Chinese imports and the shift of political views in the EU

Malin Källén
921212-1629

Abstract

I analyse the effect of an exogenous increase in Chinese imports on political views in 9 EU countries over the period 2000-2009 by exploiting initial regional variation in industry specialization of labour markets. The labour market data is combined with data on industry specific Chinese imports to create a measurement of region-specific exposure to import penetration. To avoid endogeneity, I instrument Chinese imports to the EU countries by Chinese imports to six extra-EU countries. By using information on respondents' occupations, I decompose the effect by those directly, mainly manufacturing industries, and those indirectly affected by increased import penetration. Those directly affected become generally less trusting of established institutions as well as more likely to place their political views to the left on the political scale. The results also show the discontent arising from import penetration to be very general, suggesting that the change in political views is more populist in nature than aimed specifically anti-globalization.

Key words: Globalization, Free-trade, China, EU, Populism, Political Views

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1 Introduction

Since the most recent financial crisis, support for political parties promoting nationalistic, protectionist and anti-globalization policies have been on the rise. The election of President Trump and the result of the Brexit referendum, both outcomes of campaigns strongly focused on anti-free trade, anti-immigration and anti-globalization, are indications of the increased popular approval of such ideas (Kaletsky, 2016). In the recent French presidential election, the two candidates Mrs. Le Pen on the far right and Mr. Mélenchon on the far left together rallied the support of more than 40% of the votes; both questioning free trade in general and the European Union in particular (Melander, 2017).

Globalization and free trade is correlated with countries increasing productivity, experiencing higher growth rates and wages (Autor et al., 2016b). In theory, this should make voters inclined to support more free-trade policies. However, recent political developments show that the opposite is true for many voters. If only looking at the macro level, this relationship is true. Although, it might only show parts of the true effect. Autor et al. (2013) challenges the way economists view globalization by looking at regional effects of globalization. They show that US employment decreased in sectors most exposed to rising imports, suggesting that while net effects of globalization are positive for a country, part of the population is disadvantaged. In turn this displacement of workers by increased global trade is shown to be part of the cause of the rising polarization and protectionism in politics both in Europe and the US (Autor et al., 2016a; Colantone and Stanig, 2016, 2017).

To investigate whether European labour markets experience the same impact of trade as the US and if this translates into changed political views I follow the strategy of Autor et al. (2013). This approach exploits the exogenous import shock of Chinese entry to *the World Trade Organization* (WTO) to estimate the causal effect on political views. I use industry level trade data combined with NUTS 2 regional industry level labour market statistics to create a measurement for the regional level of Chinese import penetration, which is used as the variable of interest in regressions where the dependent variables are political outcomes. To avoid possible endogeneity,

assuring that the changes in imports are due to exogenous factors, the measurement is instrumented with imports from China to other industrialized countries.

There are three ways in which this study contributes to the existing literature. First, it examines EU members which makes it possible to separate general political distrust from anti-globalization sentiment. This is because the EU decides on, and implements, trade policies rather than national governments. Second, the political outcome variables this study use are individuals' political views making it possible to separate general dissatisfaction from informed disapproval of institutions facilitating free trade policies. Third, since the data on political views is individual it allows a division of the effects by those directly affected by it, workers in manufacturing, and those only indirectly affected[1]. This produces more detailed estimations of the true effect, since theory suggests that import penetration will affect the groups differently.

This paper show that manufacturing workers change their political views and becomes more skeptical of institutions than the non-manufacturing workers by exposure to import penetration. There are three main conclusions to draw from this finding. The first being that it signals that those indirectly affected by the import shock experience benefits of increased trade, which might be due to access to cheaper consumption and intermediary goods. Second, it shows that the disadvantaged group does not aim its increased dissatisfaction, caused by import penetration, at institutions promoting free trade. Finally, the results suggest that *Eurobarometer* respondents become more leftist because of exposure to import penetration and that this effect is stronger for those directly affected. These findings are in line with theory that suggest redistribution to be more desirable for those displaced by increased competition. It does however contradict Colantone and Stanig (2017) and Dippel et al. (2017) in the sense that the populist parties for which support increased due to import penetration are viewed as far-right, rather than left, on the classical left-right scale.

The following section covers the background on the importance of free trade in the EU and the reasons behind the rapid rise of Chinese exports. Section 3 presents economic theory behind labour market changes due to global trade, along with the theoretical connection between labour market outcomes and political views. Section 4 presents the data and the estimation strategy, followed by section 5 showing and discussing the results. Finally, section 6 concludes the paper.

[1] Henceforth I will refer to these as "manufacturing workers".

2 Background

The peace-keeping project of the EU is built on the increased economic connection between the members and has been ever since the creation of the coal and steel community. Making the economies so dependent on each other that it would be too costly to start conflicts with the members (Martin et al., 2008). Hence, the free movement of goods, capital and labour are the cornerstones on which the project rests. To ensure that trade policies are uniform across the union, all members must adhere to the centrally negotiated deals the EU makes with third parties (Meunier and Kalypso Nicolaidis, 1999). This makes the EU a special case to study as national politicians and government are not responsible for trade policy decisions.

For a long time, there was close to political consensus that this openness, both between the members and globally, was desirable and the political focus was on intensifying the cooperation. A clear manifestation of this is the first sentence of the *Treaty Establishing the European Economic Community* which reads: "..determined to establish the foundations of an ever closer union among the European people, decided to ensure the economic and social progress of their countries by common action eliminating the barriers which divide Europe…" (The European Union, 1957, p. 1). In recent years, there has been heated debates regarding this wording and it has been and heavily criticized by the far-right and populist parties. Although, the statement has remained in all revisions of the treaty and is still very much in effect (The European Union, 2016).

This anti-unionist sentiment is not a new phenomenon. Taggart (1998) writes about such voices raised regarding the signing of the Maastricht Treaty in 1992 and the support of these ideas has been greatly intensified since the recent global financial crisis (Rohrschneider and Whitefield, 2016). What is not clear is whether these anti-EU and anti-globalization opinions are the causal outcome of trade liberalization or if they reflect a general shift in public opinion unrelated to increased trade liberalization.

In this study, I aim to investigate this relationship, between trade and public opinion, by using the rapid increase in Chinese imports to western countries after they achieved WTO membership in 2001. This is an event well suited for economic

analysis since the driving factors behind the increased trade levels are endogenous to China, rather than joined factors in both the importing and exporting country. Such endogeneity would make it hard to infer causality of possible outcomes du to possible simultaneity bias. The fact that Chinese imports are vastly greater than exports to China after the membership indicate that there are supply changes rather than reduced trade barriers which are responsible for the increase in exports from China (Autor et al., 2016b).

There are at least three reasons why Chinese WTO membership came at the time it did and why their exports rose so rapidly. First, decades of central economic planning and shunning foreign direct investment in the country caused China to perform below its production possibility frontier. When market economy regulation was introduced, it allowed for more efficient utilization of production inputs which significantly increased productivity (Hsieh and Song, 2016). Second, new legislation made it possible for Chinese companies to trade freely with each other which led to a more efficient allocation of resources and consequently to increased productivity (Bai et al., 2015). Third, the abolishment of the centrally planned economy instigated an incredibly swift urbanization process making manufacturing workers an abundant, cheap, resource which gives China a comparative advantage in the manufacturing of labour intensive goods (Li et al., 2012). Together, these changes drove the rapid increase in Chinese exports which became an import shock in the countries now accessing the cheap manufacturing goods that China offers.

3 Theory and previous research

A consensus regarding the positive effects of free trade grew among economists after the fall of the Bretton Woods-system (Bhagwati et al., 1989). The intuition behind this is simple; if production of good A moves to the country which has a comparative advantage in its production it will increase overall productivity. As an example, moving labour intensive production to countries with an abundance of cheap unskilled labour frees up the means of production in the country without the comparative advantage which can be reallocated to production of good B, where the country have the comparative advantage. When this process occurs simultaneously for all tradable goods the outcome will be Pareto optimizing at the macro level, leaving all countries better off, as available resources are used more efficiently (Krugman et al., 2015). The confidence in the benefits of international trade becomes evident in this statement by Paul Krugman:

> If economists ruled the world, there would be no need for a World Trade Organization … a country serves its own interests by pursuing free trade regardless of what other countries do … it makes no more sense to be protectionist because other countries have tariffs than it would to block up your harbors because other countries have rocky coasts. (Krugman, 1997, p. 113)

The idea that free trade cause economic benefits at the macro level, remains the consensus among trade economists today (Mayda and Rodrik, 2005). However, the aggregated benefits for a country can be divided into "winners" and "losers" at the microlevel. Stolper and Samuelson (1941) presented a theorem which illustrates this. It states that free trade benefits owners of the resource which is relatively abundant and hurts owners of the scarcer resource. This theorem is also in itself an argument for free trade, since there is more of the abundant than the scarce resource, and hence more to gain than to lose.

Empirics suggest that the abundant resources in western economies are physical and human capital while the scarce is cheap unskilled labour. It follows from the Stolper-Samuelson theorem that capital owners and highly educated workers are the ones presumably benefiting from globalization while low-skilled workers are disadvantaged (Rho and Tomz, 2017). Combining this theory with the assumption

that agents are utility maximizing, highly-educated workers are expected to vote for reduction of trade barriers while voters with low education will be more likely to support protectionist policies. Many studies find that this relationship holds up empirically (Scheve and Slaughter, 2001; Mayda and Rodrik, 2005; Hainmueller and Hiscox, 2006; Rho and Tomz, 2017).

To consolidate the politic and academic desire for more free trade with the partial public disapproval, economists have studied the relationship between trade liberalization and growing governments. Balcells Ventura (2006) titles this phenomena the *Compensation Hypothesis* and Hays et al. (2005) as *Embedded Liberalism*. Both terms aim to explain the fact that while politicians tend to favor free trade that they also want to appease the constituency. To please the losers of globalization, they implement redistributive policies to mitigate the negative effects (Hays et al., 2005). As capital mobility increases, however, it becomes harder to tax those benefiting from globalization and thus the redistributive policies become less prominent and political demand for protectionism is expected to increase (Colantone and Stanig, 2016).

Che et al. (2016) show that in the recent decade those most negatively affected by trade are more likely to elect representatives favoring protectionist or redistributive programs, the two things regarded most likely to mitigate these negative effects. In practice this relationship between protectionism, redistribution and free trade has manifested as increased support for populist parties and representatives in both Europe and the US. The literature has focused on the effects of globalization on the support for far-right parties in Europe and representatives with extremist stances in the US (Lucassen and Lubbers, 2012; Autor et al., 2016a; Jensen et al., 2016; Colantone and Stanig, 2016, 2017; Dippel et al., 2015, 2017). However, this is not to say that there are no parties or representatives to the left which also tailor policies to a disgruntled electorate disadvantaged by free trade.

In the US, research show that globalization has reduced support for the incumbent president, regardless of party affiliation, (Jensen et al., 2016) and led to the election of less moderate representatives (Autor et al., 2016a). Dippel et al. (2015) and Colantone and Stanig (2017) finds that imports increase the support of far-right and populist parties, which are loud opponents of globalization, the EU and immigration.

3.1 The mechanics of globalizations effect on political polarization

Free trade adversely affects separate groups in society, mainly low and highly skilled workers. The main channel through which this works is the labour market. Acemoglu et al. (2016) find that imports from China to the US is directly responsible for approximately 10 percent of the job losses in manufacturing industries during the period 1999 to 2011. Autor et al. (2013) also use the Chinese import shock to study its effect on the US labour market and causally estimate the effect of import penetration from China on various aspects of the labour market. Their results show that that an exogenous increase in import penetration by $1000 over a decade will reduce the manufacturing employment by 0.75 percent per working-age population, increase unemployment by 4.9 percent and reduce weakly wages by 0.76 log points. Together, these effects show that increased exposure to Chinese imports cause worsened labour market outcomes, especially for manufacturing workers.

Building on the previously discussed study, Autor et al. (2016a) show that the US regions more exposed to the Chinese import shock were more prone to elect conservative republicans, if initially republican, and liberal democrats, if initially democrat. Thus, exposing a process of increasing political polarization due to globalization. Using the same strategy in the European context, Colantone and Stanig (2017) show that European regions more exposed to the Chinese import shock leads to increased support for nationalist and far-right. Specifically, the difference in shock exposure between a region at the 25^{th} and the 75^{th} percentile corresponds to 0.7 percentage points higher support for the far-right party option. This is a significant increase when the average support for these parties are 5 percent, with a standard deviation of 7 percent.

In a similar study, Colantone and Stanig (2016) show that in regions of the United Kingdom more exposed to the import shock there was higher support for the Leave vote and stronger anti-immigration sentiments. Albeit, they were not more exposed large stocks of or inflows of immigrants. The authors interpret this as immigration becoming the scapegoat for the actual, but more inconspicuous, cause of the worsened labour market outcomes in the region – import competition.

All studies using the Autor et al. (2013) estimation strategy assumes there to be an indirect effect of globalization on political outcome variables via the labour market

and that this effect is what drives the results. This is confirmed, in the case of Germany, by Dippel et al. (2017). They decompose the effect of the instrument into an indirect and a direct effect. Using this method, they find, in line with previous research, that German regions more exposed to import shocks exhibit greater sympathies for far-right political parties. When decomposing the effect, they also find the indirect effect, which goes through the labour market, to be greater in magnitude than the total effect. This finding implies that the direct effect of globalization on political outcomes works in the opposite direction, that increased exposure to imports directly leads to less populism. It is worth noting that this study view populist parties in the same way as the other mentioned papers, as extreme right-wing parties. These new political currents might however not fit well on this scale. Those voting for these parties comes from both the classical left and right and what unites them is their distrust towards the established political parties (Arzheimer, 2011). Therefore, this study looks not at the outcomes of general elections but rather at the changing views and levels of institutional trust of voters in Europe.

4 Data and identification

4.1 Data

This study exploits the fact that after China achieved WTO membership in December 2001, reducing many barriers to trade with other WTO members, there was rapid increase in the volume of Chinese imports to most western countries. This paper looks at the period prior to China's entry and compares it to the situation some years later, 2000 to 2009, and aims to answer whether political views changed in Europe during this time due to exposure of Chinese imports. For measurements on political views, I use answers to questions regarding these issues asked in the *Eurobarometer*[2], a biannual survey by the European Commission (European Commission, 2017).

During the sample period, some questions in the *Eurobarometer* changed, either in terms of phrasing or coding, and others were not included in certain waves of the survey. To make the variables comparable, I only use questions asked in the same way in all versions of the survey. The questions included in this study are views on the benefits of EU-membership and respondents' placement of their views on the political left-right scale along with questions regarding the trust in official institutions, since protectionism does not readily fit on the left-right scale[3].

The main channel through which import penetration affects public opinion is depressed labour market outcomes, primarily through increased unemployment. I use Eurostat data by industry and region from three different datasets for these labour market outcomes[4]. I combine this with industry-level imports, converted to the NACE Rev 1 industry classification and inflated to 2009 USD from the *UN Comtrade* database[5]. Both the political and labour market variables are at the NUTS 2 regional level but due to data limitations it was not possible to merge all regions, resulting in

[2] See https://goo.gl/47z0NE for data and codebooks for all waves of the *Eurobarometer*.
[3] See section 8.2.1 of the appendix for full questions, response codes and the method for creating the dependent variables.
[4] See https://goo.gl/kT8ZiK, https://goo.gl/vrFv51 and https://goo.gl/ViOt8P for data sources on industry specific labour data before 2008, from 2008 and total employment data respectively. The industry specific data had to be merged by a crosswalk since it used two different industry divisions. See section 8.2.2 of the appendix for full details on how this was done.
[5] Appendix section 8.2.3 explains the conversion of the trade data (https://comtrade.un.org/data/). The price index used to inflate the import values can be found at: https://goo.gl/XPdC5o.

a reduced sample of countries. The study looks at 121 regions in 9 EU-member countries[6].

4.2 Trade penetration and regression framework

This section explains the estimation strategy used to analyze the impact of exposure to Chinese imports on political views and how this connects to the economic theory discussed in section 3. The framework is based on the method pioneered by Autor et al. (2013), the extensions used in Autor et al. (2016a) and Acemoglu et al. (2016). The main measurement of the study is the change in industry specific regional import penetration:

$$\Delta IP_{i\tau}^{CE} = \sum_{j} \frac{L_{ijt}}{L_{it}} \frac{\Delta M_{j\tau}^{CE}}{L_{it}} \qquad (1)$$

Where $\Delta M_{j\tau}^{CE}$ is the change in Chinese import penetration to the studied EU countries by NACE Rev 1 sectors over time-period, τ [7], which is equal to the difference between imports in an industry sector each year and the start of the sample period. To equalize the trade data across the different European regions I normalize it by L_{it}, the initial total employment in the region. This value is weighted by L_{ijt}/L_{it}, each industry's share of the total employment in a specific region, measured at *t* – the start of the sample period. The variation in the measurement across regional labour markets stems from original differences in the employment structure across regions at time *t*. Thus, regions which employs a larger initial share of the labour force in industries exposed to more Chinese imports will be more exposed to trade competition.

If there are supply and/or demand shocks endogenous to Europe that drives the increased Chinese imports, it would also positively affect the European labour market and reduce possible negative labour market effects from increased imports. To make sure that the increased imports are not due to EU specific shocks and consequently avoid problems with endogeneity, Autor et al. (2013) uses an instrumental variables approach. The authors instrument exposure to Chinese imports with increased import exposure from China in other industrialized countries[8]. Following the Autor et al.

[6] The included countries are: Austria, Belgium, France, Germany, Italy, The Netherlands, Portugal, Spain, and UK.
[7] In the study, I look at the change in import penetration from 2000 to 2007.
[8] They look at the import exposure to Australia, Denmark, Finland, Germany, Japan, New Zeeland, Spain and Switzerland

(2013) strategy, I use the import exposure to six extra-EU, industrialized countries[9] as an instrument for imports to the European countries where $\Delta IP_{i\tau}^{CO}$ is the instrument for $\Delta IP_{i\tau}^{CE}$. $\Delta IP_{i\tau}^{CO}$ use data on changes in Chinese imports, by industry, to the other countries, rather than data on intra-EU imports – $\Delta M_{j\tau}^{CO}$ instead of $\Delta M_{j\tau}^{CE}$.

$$\Delta IP_{i\tau}^{CO} = \sum_{j} \frac{L_{ijt}}{L_{it}} \frac{\Delta M_{j\tau}^{CO}}{L_{it}} \qquad (2)$$

There is a risk that countries included in the instrument face the same industry specific trade shocks as the EU-countries causing bias in both outcome variables, $\Delta IP_{i\tau}^{CE}$ and $\Delta IP_{i\tau}^{CO}$. However, the potential bias would lead to an underestimation of the true effect. Autor et al. (2013) control for this by looking at relative exports between the US and China instead of only imports and get very similar estimates, suggesting that there are no simultaneous shocks in all included countries. Aside from the potential bias there is a lag between changes in political outcomes and the import shock, since reducing employment in manufacturing is a gradual process. Also, there is likely a lag between a reduction of manufacturing employment and the public reacting to this by changing their political views.

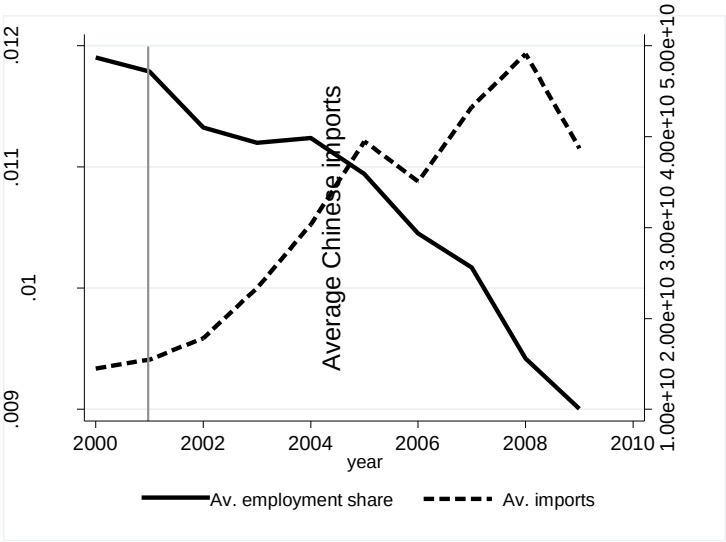

Figure 1: Industries average share of total employment and average imports from China to the EU countries.

Figure 1 show that the growth in imports was relatively slow immediately after the Chinese WTO entry, but that it accelerated in all subsequent years, aside from in 2006 and 2009. At the same time the share of total employment for which

[9] These countries are; Australia, Canada, New Zealand, Norway, Switzerland and the US.

manufacturing industries accounts for decreases immediately after entry, between 2001 and 2002, but is stable for a few years after that, indicating lagged effects. To deal with this lag the main variable of interest, the regional import penetration, enters the model by the change over the period 2000 to 2007[10].

Translating equations 1 and 2 into a regression framework, which takes the probable lag in the outcome variables into account, the main estimation is:

$$Y_{irt} = \beta_1 \Delta IP_{i,07}^{CE} + \beta_2 X'_{it} + \varepsilon_{it}$$

The dependent variable, Y_{irt}, is the political outcomes in the years 2007 to 2009, and the independent variable is the change in regional import penetration, $\Delta IP_{i,07}^{CE}$, between 2000 and 2007[11]. As robustness checks I include a vector of control variables, X'_{it} and run the regression with and without standard errors clustered by region, year and country fixed effects. To avoid endogeneity, the preferred estimation is a two-stage least squares regression. The first stage of this estimation is regressing the China-to-EU import penetration on the instrument, the China-to-Other penetration:

$$\Delta IP_{it}^{CE} = \delta_1 \Delta IP_{i,07}^{CO} + \delta_2 X'_{it} + \upsilon_{it}$$

The reduced form equation becomes:

$$\Delta Y_{it} = \beta_1 \Delta IP_{i,07}^{CO} + \beta_2 X'_{it} + \varepsilon_{it}$$

To replicate the findings of Autor et al. (2013) in the European setting, I also look at the effect of import penetration changes in the labour market, specifically through reduced employment opportunities in manufacturing industries. If I find a significant negative relationship it allows me to interpret the findings of my main estimation, and those of Colantone and Stanig (2016, 2017) and Dippel et al. (2017), as being mediated through the labour market. This estimation looks as follows[12]:

$$\Delta L_{mi,07} = \beta_1 \Delta IP_{i,07}^{CE} + \beta_2 X'_{it} + \varepsilon_{it}$$

Where the dependent variable is the changes in the manufacturing share of total regional employment between 2000 and 2007, ΔL_{mit}.

[10] 2007 is chosen as the end of the accumulation period for two reasons: because it is the end of the economic boom of the 2000's and thus when the negative effects of import penetration will be most notable and because it is a sufficiently long time after the Chinese WTO entry but still leaves three years in the sample to perform the analysis on.

[11] In all regressions, the import penetration measure is included as a standardized variable to make interpretations intuitive. This is, for the same reason, also done for the dependent variables: change in manufacturing employment as share of total regional employment and placement of political views on the political left-right scale. Since the other political outcomes are entered as dummy variables it is not necessary to standardize them, the interpretation regarding these is already intuitive.

[12] The focus is placed on changes in employment and not on wages since the European labour market is characterized by sticky wages, due to strong labour unions and heavily regulated labour markets. This makes it is easier for firms to reduce the number of employees in tough times than to reduce wages (Siebert, 1997).

4.2.1 Variable description

Table 1: Descriptive statistics – mean, standard deviation, number of observations

VARIABLES	Restricted sample			Full sample		
Independent variables	Manufacturing	Non-manufacturig	All workers	Manufacturing	Non-manufacturig	All workers
Accumulated ln ΔIP	2207.93	2131.46	2141.21	2258.25	2191.80	2200.23
	(2810.19)	(2457.26)	(2505.15)	(2865.88)	(2562.71)	(2603.18)
	[101062]	[691574]	[792636]	[126832]	[873792]	[1000624]
Accumulated ln ΔIP - instrument	1774.08	1532.70	1563.48	1844.71	1606.88	1637.03
	(2136.52)	(1952.64)	(1978.67)	(2332.23)	(2114.34)	(2144.65)
	[101062]	[691574]	[792636]	[126832]	[873792]	[1000624]
Dependent variables						
Left to Right	4.9031	5.0552	5.0363	4.9468	5.0854	5.0683
	(1.9301)	(1.9697)	(1.9655)	(1.9746)	(1.9919)	(1.9903)
	[83386]	[590086]	[673472]	[132764]	[947622]	[1080386]
EU dissaproval	0.2009	0.1644	0.1691	0.1925	0.1539	0.1588
	(0.4007)	(0.3706)	(0.3748)	(0.39428)	(0.3609)	(0.3655)
	[101062]	[691574]	[792636]	[156012]	[1073753]	[1229765]
Trust - National Government	0.3837	0.4242	0.4190	0.4079	0.4568	0.4505
	(0.4863)	(0.4942)	(0.4934)	(0.4914)	(0.4981)	(0.4975)
	[96247]	[656633]	[752880]	[154189]	[1054912]	[1209101]
Trust - National police force	0.6721	0.7316	0.7238	0.6898	0.7445	0.7372
	(0.4695)	(0.4431)	(0.4471)	(0.4626)	(0.4361)	(0.4401)
	[28561]	[188962]	[217523]	[46694]	[304081]	[350775]
Trust - National political parties	0.2299	0.2409	0.2395	0.2480	0.2761	0.2725
	(0.4208)	(0.4276)	(0.4267)	(0.4318)	(0.4471)	(0.4452)
	[69366]	[469379]	[538745]	[111110]	[752377]	[863487]
Trust - EU	0.5010	0.5537	0.5469	0.5152	0.5694	0.5625
	(0.5000)	(0.4971)	(0.4978)	(0.4998)	(0.4952)	(0.4961)
	[90641]	[619513]	[710154]	[144092]	[988482]	[1132574]
Trust - National Press	0.4921	0.4925	0.4924	0.5085	0.5085	0.5085
	(0.4999)	(0.4999)	(0.4999)	(0.4999)	(0.4999)	(0.4999)
	[55477]	[377762]	[433239]	[89184]	[603247]	[692431]
Control variables						
Initial manufacturing share of total employment	0.2223	0.1970	0.2003	0.2168	0.1974	0.1999
	(0.1199)	(0.1080)	(0.1099)	(0.1118)	(0.1022)	(0.1037)
	[93486]	[628256]	[721742]	[151752]	[1026739]	[1178491]
Purchasing Power Standard per capita	26957	28104	27958	28611	30054	29871
	(7638)	(8096)	(8048)	(10307)	(10712)	(10672)
	[101062]	[691574]	[792636]	[162808]	[1116307]	[1279115]
Share with below secondary education	35	32	33	36	33	33
	(18.32)	(15.36)	(15.79)	(19.54)	(16.35)	(16.82)
	[101062]	[691574]	[792636]	[162808]	[1116307]	[1279115]
Gender of respondent	1.4	1.6	1.5	1.4	1.6	1.5
	(0.4826)	(0.4968)	(0.4989)	(0.4852)	(0.4968)	(0.4988)
	[101062]	[691574]	[792636]	[162808]	[1116307]	[1279115]
Age of respondent	40	49	48	40	50	49
	(12.6)	(18.5)	(18.1)	(12.7)	(18.7)	(18.3)
	[101062]	[691574]	[792636]	[162808]	[1116307]	[1279115]
Occupation of respondent	17.3	7.0	8.3	17.3	6.9	8.2
	(0.46)	(4.89)	(5.73)	(0.47)	(4.88)	(5.73)
	[101062]	[691574]	[792636]	[162808]	[1115907]	[1278715]

Note: The restricted sample are observations where all questions regarding trust in the Eurobarometer was asked. Standard deviations in parentheses and number of observation in brackets.

Table 1 show that the dataset is extensive and I have combined the individual *Eurobarometer* data with regional trade and labour data to produce the necessary information for the analysis. The *Eurobarometer* does not ask the chosen questions in all and because of this, to make the estimations comparable, I restrict the sample to only include observations with answers to all questions on trust. This restriction makes the sample cover 792,636 observations, 101,062 of these are responses by

manufacturing workers[13]. Some questions still have a lower amount of responses in cases where the respondent opted out from answering.

The dataset show great variation in the variable of interest, logarithmic change in regional import penetration, confirmed by the standard deviations being consistently greater than the means. This shows, as expected, that the size of the Chinese import penetration varies across the regions. The dependent variables, the political outcomes, also exhibit standard deviations that are substantial in relation to their means.

In line with theory, there are also differences when comparing the two subgroups, manufacturing and non-manufacturing workers, as they experience different exposure to changing labour markets due to increased import penetration. The manufacturing workers are on average less trusting of institutions, less approving of the EU and slightly more leftist. They are also younger, more likely to be male, from regions with lower purchasing power standards per capita and have lower average education than the non-manufacturing workers.

4.3 Limitations

In most modern empirical economic research, access to reliable and useful data is the main source of limitations and this study is no exception. There are specifically three limitations on this study, set by the data, worth mentioning. Starting with the premise that regional labour data is available only from 2000, hence this becomes the start of the sample period. China became a WTO member in 2001 and a longer period of pre-entry data would have been desirable since labour and goods markets could have started to incorporate expectations of the Chinese membership already in 2000, causing simultaneity bias in the data. If labour markets had started to incorporate expectations before the Chinese WTO membership, the displacement of workers in sectors expecting increased Chinese imports would have already begun.

Autor et al. (2013) and Colantone and Stanig (2017) avoids simultaneity by using lagged labour data, from the decade before Chinese entry, in the creation of the import penetration measurement. Since Eurostat began collecting labour market data by industry and region in 2000, this was not possible in this study and due to the time constraint I could not collect such data from each country's statistics database.

[13] These are workers with occupations classified as: skilled manual labour or unskilled manual labour, in the Eurobarometer. This kind of work is mostly work in manufacturing and thus I call these workers "manufacturing workers".

However, because the possible simultaneity would cause downward bias and thus underestimations of the true effect this is not detrimental to the results of this study. Also Autor et al. (2016b) argues that the rapid increase of Chinese exports was unexpected and that most economists did not believe China would become a super-power in international trade, implying that there should have been few anticipatory measures taken by firms to prepare for China's WTO membership.

The second limitation is the problem of Eurostat using an insufficiently detailed industry classification, NACE Rev 1, which captures less variation in the trade and labour data and reduces the efficiency of the estimates. When using clustered standard errors, which increases the standard errors, the lower efficiency becomes problematic and finding significant results becomes difficult. Again, time constraint prevented me from finding separate sources for more detailed labour market data for each country, but is something for future researchers should strive to find.

The third issue is that the regional division, the EU NUTS 2 regions, changed multiple times since over the sample period. In some cases, the old NUTS 2 regions fit perfectly into one or many of the new regions, making a simple aggregation sufficient for comparability over time. In other cases, there was no straightforward way to compare the new and old regions over time consequently eliminating them from the sample. The reduction in sample size causes estimates to be less efficient and makes it more difficult to find significant results (Verbeek, 2012). An attempt to solve this and increase the number of regions is to use the more detailed NUTS 3 regions instead but since this requires restricted access it was not possible in this study.

5 Results

Theory suggest that increased exposure to import penetration from China depresses the manufacturing labour market, which Autor et al. (2013) proves that this is true for the US. Table 2 show the results of this relationship in the European context and there is a significant negative relationship between the change in manufacturing employment as share of total regional employment ($\Delta L_{mi,07}$) and increased Chinese import penetration. The OLS coefficients suggest that an increase in accumulated import penetration with one standard deviation unit predicts a $\Delta L_{mi,07}$ between 0.03 and 0.14 standard deviation units lower than the mean, depending on the specification.

There is a risk of endogeneity bias in the result of the simple OLS, meaning that $Cov(\Delta IP_{i,07}^{CE}|\varepsilon_{it}) \neq 0$, driven by potential intra-EU shocks which directly affect the labour market composition. This is addressed by adopting the instrumental variables approach (Autor et al., 2013). For this strategy to work and produce consistent estimates there are two criteria the instrument must meet. First, it must correlate with the variable of interest such that $Cov(\Delta IP_{i,07}^{CE}, \Delta IP_{i,07}^{CO}) \neq 0$, meaning that there exists a significant first-stage effect. Second, it has to be uncorrelated with the determinants of the dependent variable such that $Cov\left(\Delta IP_{i,07}^{CO}\middle|\varepsilon_{it}\right) = 0$, it must fulfill the exclusion restriction (Angrist & Pischke, 2009). Section 4 covers the theoretical argument why the instrument fulfills the exclusion restriction and row 2 in Table 2 show that there exists a highly significant first-stage, robust to changes in the specification.

Table 2: Effect of import penetration on the manufacturing share of total employment

	Manufacturing workers					Non-manufacturing workers				
OLS	-0.0311***	-0.0333***	-0.0971***	-0.0816***	0.0338	-0.0400***	-0.0508***	-0.135***	-0.122***	0.0155
	(0.00309)	(0.00251)	(0.00178)	(0.00153)	(0.0475)	(0.00126)	(0.00110)	(0.000779)	(0.000721)	(0.0561)
First stage	0.659***	0.659***	0.802***	0.797***	0.826***	0.687***	0.687***	0.794***	0.785***	0.825***
	(0.00638)	(0.00638)	(0.00818)	(0.00820)	(0.191)	(0.00239)	(0.00239)	(0.00293)	(0.00294)	(0.137)
2SLS	0.176***	0.168***	-0.112***	-0.0896***	0.0433	0.105***	0.0898***	-0.129***	-0.109***	0.0284
	(0.00464)	(0.00349)	(0.00186)	(0.00162)	(0.0624)	(0.00183)	(0.00157)	(0.000870)	(0.000803)	(0.0724)
Init. Manu. Empl.	-	-	YES	YES	-	-	-	YES	YES	-
Control variables	-	-	-	YES	-	-	-	-	YES	-
Year FE	-	YES	YES	YES	YES	-	YES	YES	YES	YES
Country FE	-	-	YES	YES	YES	-	-	YES	YES	YES
Cluster(121)	-	-	-	-	NUTS	-	-	-	-	NUTS

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

The 2SLS estimates are generally in line with the OLS results and show that the true causal effect is more pronounced than suggested by the OLS, ranging from 0.09

to 0.18. Finding a significant effect on the change in manufacturing employment as share of total regional employment suggest that it reasonable to continue the analysis, to see whether the effect continues into political preferences, and confirms that the findings of Autor et al. (2013) are transferable from the US to the European context.

Including year fixed effects in the estimations removes time trends that could be influencing the results. Similarly, including country fixed effects will remove bias originating from country specific trends in outcome variables, such as the UK population being more skeptical of the EU than Italians.

There is a possibility that the standard errors correlate within the NUTS 2 and that the estimations, therefore, should have them clustered at that level. Since they are correlated but not clustered they will be underestimated and significance would be inflated (Angrist and Pischke, 2009). However, because there are few clusters and limited variation in the data, I assume uncorrelated standard errors and propose that the most efficient specification to be the 2SLS estimation which includes both time and country fixed effects but does not cluster the errors[14].

5.1 Instrumental variables estimation

Table 3 show the main results of the study, both using the simple OLS estimation and the instrumental variables approach. To illustrate the divergent effect that import penetration has on individuals directly affected by trade competition and those not directly affected I perform estimations on the two groups separately. Columns 1 and 2 present the effects of the change in import penetration from 2000 to 2007 on manufacturing workers, columns 3 and 4 the effect on non-manufacturing workers and columns 5 and 6 on the entire sample.

The table shows significant effects of import penetration on the placement on the political left-right scale, opinion on the EU and trust in institutions. Row 1 show that living in a region more exposed to Chinese import penetration causes a political shift to the left[15], both for manufacturing and non-manufacturing workers. For manufacturing workers increasing the accumulated import penetration by one standard deviation in a region gives rise to a shift of 0.04 standard deviation units to the left. This shift is less pronounced among the non-manufacturing workers, the

[14] As a robustness check I also run regressions where the standard errors are clustered by NUTS 2 regions.
[15] The variable is coded as 1 when the respondent views itself most to the left and 10 when most to the right.

corresponding value is 0.02, an expected difference since these workers equally exposed to increased trade competition.

Table 3: Import penetration on political outcomes

	Dependent variable	Manufacturing		Non-manufacturing		All workers	
		OLS	IV	OLS	IV	OLS	IV
1	Left-right	-0.0489***	-0.0417***	-0.0212***	-0.0198***	-0.0253***	-0.0239***
		(0.00367)	*(0.00821)*	*(0.00141)*	*(0.00341)*	*(0.00132)*	*(0.00315)*
2	EU is not beneficial	0.00135	-0.00403***	-0.00850***	-0.00814***	-0.00643***	-0.00722***
		(0.00127)	*(0.00142)*	*(0.000468)*	*(0.000526)*	*(0.000446)*	*(0.000496)*
3	Trust in government	-0.0250***	-0.0177***	-0.00494***	0.00293***	-0.00861***	-0.000451
		(0.00128)	*(0.00181)*	*(0.000622)*	*(0.000790)*	*(0.000561)*	*(0.000725)*
4	Trust in political parties	-0.0173***	-0.0111***	-0.00578***	0.000662	-0.00771***	-0.00111
		(0.00137)	*(0.00201)*	*(0.000613)*	*(0.000850)*	*(0.000558)*	*(0.000783)*
5	Trust in the EU	-0.0175***	-0.0152***	0.00772***	0.00880***	0.00308***	0.00474***
		(0.00152)	*(0.00193)*	*(0.000685)*	*(0.000817)*	*(0.000630)*	*(0.000756)*
6	Trust in the police	0.00901***	0.00497	0.00913***	0.0158***	0.00860***	0.0139***
		(0.00260)	*(0.00308)*	*(0.00104)*	*(0.00116)*	*(0.000962)*	*(0.00109)*
7	Trust in the press	-0.0163***	-0.00825***	-0.0202***	-0.0107***	-0.0199***	-0.0106***
		(0.00199)	*(0.00252)*	*(0.000836)*	*(0.00104)*	*(0.000770)*	*(0.000965)*

Note: All estimations include year and country fixed effect. Robust standard errors are presented in parentheses
*** p<0.01, ** p<0.05, * p<0.1

A leftist shift in public opinion falls in line with the findings of Che et al. (2016) under the assumption that leftist views are connected to policies favoring more redistribution. It is however contradictory to the findings of Colantone and Stanig (2017), which showed that far-right parties gain support in regions more exposed to trade competition. The difference between these papers in terms of the specific outcome variables used becomes noteworthy. While this paper looks at respondents self-reported view of where on the political left-right scale their political opinions are located, Colantone and Stanig (2017) looks at votes in official elections.

The fact that the findings of these two studies are contradictory might represent the discrepancy between voters' decisions in elections and their own assessment of their views. If the general feeling in a region is that the political discussion has shifted to the right respondents might feel that their views are more leftist than before. Similarly, most populist parties, such as the French *Front National* are labeled as far-right even if their policies promote things like increased redistribution, which is traditionally considered a leftist position (Astier, 2014). Voters might very well vote for the far-right parties but feel that their political views are more leftist which is what these results show. That manufacturing workers, more likely displaced by increased import penetration, move more to the left politically because of greater import penetration is also in line with economic theory (Balcells Ventura, 2006).

Row 4 reveal that respondents are more likely to feel that the EU is beneficial for their country if from a region experiencing more Chinese trade competition. The

effect is twice as large for non-manufacturing workers indicating that manufacturing workers are less prone follow the popular trend to become more approving of the EU. The outcome does contradict the hypothesis that voters would be disapproving of institutions favoring free trade and globalization policies.

This finding is comparable to the effect on manufacturing workers trust in the EU. Since both the EU trust and approval variables are dummy variables, a simple comparison of the size of the coefficients is possible. A one standard deviation increase in the changed import penetration increases the approval of the EU with 0.4 percentage points while it decreases the trust in the EU with 1.5 percentage points. Going back to the way the phrasing of the question regarding EU approval in the *Eurobarometer*: "Generally speaking do you think that (our country)'s membership of the European Union is a…?" with the response options being "A good thing", "Neither good nor bad" or "A bad thing". Respondents can thus dislike the EU and feel that it does not benefit them personally while simultaneously feel that the union is good for the country overall, which can explain the conflicting results.

Looking at the trust respondents have in other institutions will help capture political currents outside of the traditional left-right scale, which represent a more general dissatisfaction with the political status quo. There exist a clear division between manufacturing and non-manufacturing workers in how import penetration affects their trust in institutions. Row 3-5 show that trust in national governments, political parties and the EU decreases with import penetration for manufacturing workers while it increases, or does not show significant effect, for non-manufacturing workers. For trust in the police there is no significant effect in the 2SLS estimation for manufacturing workers while there is a positive effect for non-manufacturing workers. The effect on the trust in the press decreases by around 1 percentage point with an increase in import penetration of one standard deviation for both groups.

These results indicate that the change in manufacturing workers' opinions due to increased import penetration is more general than informed. The dissatisfaction is not aimed specifically at institutions in charge of trade policies but rather toward all established institutions, which is in line with the findings concerning the Brexit referendum in Colantone and Stanig (2016).

They found that voters stated immigration to be the main cause of casting a Leave vote regardless of exposure immigration, at the same time as the leave vote was significantly stronger in regions with greater exposure to Chinese imports. It is

reasonable to argue that the increased distrust in the press, national government and political parties, with no to little control over trade policies, found in this study to be a display of similar misdirected frustration. For example, the general population might not be aware that national governments do not decide trade policies and hence distrusting the national government because of problems originating through increased trade penetration is not an informed change in opinion.

Table 2 also show the issue with looking at aggregated outcomes rather than dividing the effects by occupational group. Depending on the results of columns 5 and 6 as showing the true effect would lead to faulty conclusions. The division by occupational group shows what the previous literature on trade liberalization has been trying to establish – free trade is beneficial for a country at an aggregate level but there are specific groups that fall short. In the case of Chinese imports the disadvantaged group is manufacturing workers. They are not content with the current political and economic conditions and express this by increased distrust and demand for leftist, redistributive, policies[16].

It is also evident that the results from the simple instrumental variables regressions are largely in line with those of the OLS regressions. The main difference between the two estimation strategies is that the coefficients are often smaller in magnitude in the 2SLS, indicating endogeneity in the OLS regression.

5.1.1 Robustness checks

As discussed some of the variation in import penetration stems from initial differences in manufacturing as share of the total employment. This initial difference is not what this paper aims to study. Rather the study focuses on the variation originating from differences in the within manufacturing industry composition. To make sure that the variation stems from the latter, making the theoretical interpretations of the results correct, initial manufacturing share of total employment enters into the estimations in Table 4 as a control variable.

[16] Table A1 and A2 of the appendix show results without fixed effects and with clustered standard errors. When standard errors are clustered, the results are generally consistent with the main results, although significance is lost for many coefficients. When time trends are not controlled for the effects on the trust variables change sign, suggesting that overall trust in institutions increased over time. Taking out the country fixed effects also reverses the sign but reduces the magnitude of the coefficients greatly, which is expected since European countries vary greatly in terms of political views.

The effects of import penetration in Table 4 are generally in line with the main findings, even though the magnitudes change somewhat in a few of the estimations[17]. The estimates tend to be smaller and the coefficient for manufacture workers trust in the press, is no longer significant. Since it was known that the included control explains some of the variation in the exposure to import penetration these results are reasonable. The results suggest that even though the control influences the political outcome somewhat it is not what drives the main results and they are still adequately explained by the theoretical framework presented in section 4.

Table 4: Import penetration on political outcomes – initial manufacturing share of total employment as control

Dependent variable		Manufacturing		Non-manufacturing		All workers	
Control: Init share manuf		OLS	IV	OLS	IV	OLS	IV
1	Left-right	-0.0450***	-0.0114**	-0.0291***	-0.0150***	-0.0311***	-0.0291***
		(0.00400)	*(0.00460)*	*(0.00153)*	*(0.00191)*	*(0.00143)*	*(0.00349)*
2	EU is not beneficial	0.00146	-0.00487***	-0.00978***	-0.00935***	-0.00755***	-0.00850***
		(0.00136)	*(0.00156)*	*(0.000504)*	*(0.000573)*	*(0.000481)*	*(0.000542)*
3	Trust in government	-0.0238***	-0.0151***	-0.00401***	0.00537***	-0.00761***	0.00209***
		(0.00133)	*(0.00196)*	*(0.000666)*	*(0.000866)*	*(0.000598)*	*(0.000794)*
4	Trust in political parties	-0.0182***	-0.0112***	-0.00659***	0.00103	-0.00852***	-0.000784
		(0.00146)	*(0.00219)*	*(0.000653)*	*(0.000933)*	*(0.000594)*	*(0.000859)*
5	Trust in the EU	-0.0124***	-0.00827***	0.0123***	0.0135***	0.00792***	0.0101***
		(0.00162)	*(0.00210)*	*(0.000737)*	*(0.000893)*	*(0.000678)*	*(0.000826)*
6	Trust in the police	0.0150***	0.0127***	0.00766***	0.0152***	0.00861***	0.0147***
		(0.00269)	*(0.00326)*	*(0.00110)*	*(0.00125)*	*(0.00102)*	*(0.00117)*
7	Trust in the press	-0.00852***	0.00208	-0.0149***	-0.00359***	-0.0142***	-0.00301***
		(0.00211)	*(0.00276)*	*(0.000892)*	*(0.00114)*	*(0.000821)*	*(0.00105)*

Note: All estimations include year and country fixed effect. Robust standard errors are presented in parentheses
*** p<0.01, ** p<0.05, * p<0.1

I also want to control that other regional factors, such as their economic state and educational composition, are not the driving force behind the main results. In table 5 I include the full set of control variables[18].

The estimations are overall not notably changed from the baseline estimation, nor from those in Table 4, by the inclusion of more control variables[19]. For the sample of manufacture workers, the left-right placement and the trust in the press lose significance although the coefficients remain similar in size. Aside from this and some slight changes in the magnitudes of the coefficients, some shrink slightly while others increase, the effects remain like those found in previous estimations. Together this tells us that even though the controls do influence the outcomes slightly they are not the main factor behind the effects.

[17] In the appendix, Table A3 and A4 presents the results of similar estimations but without all the fixed effects and when including clustered standard errors.
[18] The controls are: Purchasing power standards per capita and percentage of the population with less than secondary education, from Eurostat, along with the age and occupation of the individual respondents in the Eurobarometer.
[19] In the appendix table A5 and A6 presents the results of similar estimations but without all the fixed effects and when including clustered standard errors.

Table 5: Import penetration on political outcomes – full set of control variables

	Dependent variable	Manufacturing		Non-manufacturing		All workers	
	Control: ALL	OLS	IV	OLS	IV	OLS	IV
1	Left-right	-0.0387***	-0.00305	-0.0256***	-0.0118***	-0.0269***	-0.0211***
		(0.00412)	*(0.00475)*	*(0.00158)*	*(0.00197)*	*(0.00148)*	*(0.00360)*
2	EU is not beneficial	0.00203	-0.00475***	-0.00997***	-0.00857***	-0.00752***	-0.00778***
		(0.00137)	*(0.00158)*	*(0.000509)*	*(0.000587)*	*(0.000488)*	*(0.000555)*
3	Trust in government	-0.0277***	-0.0190***	-0.00640***	0.00253***	-0.0104***	-0.00119
		(0.00134)	*(0.00198)*	*(0.000676)*	*(0.000886)*	*(0.000606)*	*(0.000811)*
4	Trust in political parties	-0.0215***	-0.0147***	-0.00851***	-0.00115	-0.0108***	-0.00359***
		(0.00149)	*(0.00226)*	*(0.000660)*	*(0.000955)*	*(0.000601)*	*(0.000880)*
5	Trust in the EU	-0.0160***	-0.0109***	0.0115***	0.0118***	0.00650***	0.00799***
		(0.00163)	*(0.00213)*	*(0.000746)*	*(0.000908)*	*(0.000686)*	*(0.000841)*
6	Trust in the police	0.0148***	0.0106***	0.00767***	0.0153***	0.00838***	0.0141***
		(0.00269)	*(0.00329)*	*(0.00113)*	*(0.00129)*	*(0.00104)*	*(0.00121)*
7	Trust in the press	-0.0109***	-0.000895	-0.0160***	-0.00493***	-0.0158***	-0.00494***
		(0.00215)	*(0.00279)*	*(0.000906)*	*(0.00115)*	*(0.000834)*	*(0.00107)*

Note: All estimations include year and country fixed effect. Robust standard errors are presented in parentheses

*** p<0.01, ** p<0.05, * p<0.1

6 Concluding remarks

Across Europe there has, for many years, been a rise of protectionist tendencies but it has become more tangible in the most recent national elections. There has been debate, both in politics and in academia, regarding the causes of this new wave of populism and protectionism. In the political discussions, it has been argued, generally without much empiric support that, part of the reason is free trade and increased global competition. Trade supposedly affect public opinion through worsened labour market outcomes, especially for low-skilled manual workers in the manufacturing sector.

Papers like, Autor et al. (2016a), Colantone and Stanig (2017) Dippel et al. (2017) have in recent years tried to bridge the gap between the public debate and the causal findings using China's entry to the WTO, which significantly reduced trade barriers between them and the other WTO members. The membership, in combination with rapid and substantial political change in China, triggered a considerable increase in the value and volume of Chinese exports.

For the countries on the receiving end of this trade flow this had two major implications; access to cheaper intermediary goods and increased competition in consumption goods. On the one hand, it leads to industries that uses the intermediary goods increasing their productivity, which will likely increase the demand for labour. On the other hand, industries which produce goods similar those now imported from china will go out of business, or shift from being labour intensive to becoming capital intensive to be able to compete with Chinese prices. Regardless of which scenario that becomes reality it will have a depressing effect on manufacturing employment.

Autor et al. (2013) show that this Chinese import shock has significantly reduced the share of total employment represented by the manufacturing industry. In this paper, I show that the same applies for a range of EU member countries. I do this by exploiting regional variation in the pre-2001 shares of total employment in sectors which subsequently became more exposed to Chinese imports. To avoid endogeneity in the measurement I instrument the imports to the EU members by imports to other industrialized countries. This is possible since the driving factors of the import shock are political and structural changes native to China, and not supply or demand shocks in the EU or the other industrialized countries.

Autor et al. (2016a), Colantone and Stanig (2016, 2017) and Dippel et al. (2017) all looks at how the Chinese import shock affect the outcomes of national elections, to draw conclusions regarding its effect on changing political views. These papers find a causal relationship between import penetration and support for the far-right and extremist representatives. This study contributes to the field by looking directly at the effect on individual's political views rather than on election results, which makes it possible to separate the increase for purely populist opinions from informed anti-free trade sentiments. Because election outcomes are a more rigid measure that can fail to capture populist views since they do not readily fit on the classical left-right scale.

I contribute further by being able to decompose the total effect by individuals directly and indirectly impacted by increased import penetration, manufacturing and non-manufacturing workers respectively. This analysis find that more exposure to Chinese import penetration causes manufacturing workers to decrease their trust in institutions and move to the political left. For non-manufacturing workers, the effect on trust work in the opposite direction, in all but one estimation, and the political left shift is smaller. This difference in between the two groups show that those directly affected are the ones which grow dissatisfied with the political status quo because of increased imports. Connecting these results those of Autor et al. (2013), Colantone and Stanig (2016, 2017) and Dippel et al. (2017) it is reasonable to believe that the manufacturing workers are the voters driving the demands for more protectionist and redistributive policies and the increased support for populist parties.

The study finds that the disadvantaged group exhibit general dissatisfaction with established institutions rather than aiming it specifically at the EU, the institution that enacts trade policies. Since the dismay is general rather than specific it suggests that import penetration causes populistic attitudes in EU countries, which is in line with the findings of Colantone and Stanig (2016) in the special case of the Brexit referendum.

The results of the study also show that the indirectly affected workers become more trusting of institutions which could indicate that they feel that they benefit from import penetration, through for example access to cheaper consumption. The results for both groups follow the Stolper-Samuelson theorem, which argue that global trade leads to aggregated benefits for a country but that there are some who gains and some that are disadvantaged. All things considered I would argue that the study reads as a case for the continued liberalization of trade policies and it identify possible obstacles

for such continuation if the benefits and costs are not more equally distributed. One of the main problems that politics today needs to solve is how to collect revenues from the winners of globalization despite today's highlt mobile capital to be able to redistribute some of the gains to those disadvantaged by globalization.

There is potential for future research, on the effects of the Chinese import shock on European political views, to contribute more to the understanding of these mechanisms. Mainly such research would want to use more detailed data, both regarding the industry levels and the NUTS regions, along with increasing the number of countries included. The benefit of research on a more comprehensive dataset would be increased efficiency and robustness of the results found in this paper.

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8 Appendix

8.1 Robustness checks

Table A 1: Import penetration on political outcomes

No fixed effects	Manufacturing		Non-manufacturing		All workers	
No clustered standard errors	OLS	IV	OLS	IV	OLS	IV
1 Left-right	-0.0277***	-0.00471	-0.0216***	-0.0189***	-0.0226***	-0.0183***
	(0.00335)	*(0.00486)*	*(0.00130)*	*(0.00188)*	*(0.00122)*	*(0.00175)*
2 EU is not beneficial	0.00126	-0.0215***	-0.0113***	-0.0181***	-0.00914***	-0.0179***
	(0.00121)	*(0.00171)*	*(0.000441)*	*(0.000593)*	*(0.000421)*	*(0.000564)*
3 Trust in government	-0.0378***	0.00826***	-0.0202***	0.0198***	-0.0232***	0.0173***
	(0.00121)	*(0.00219)*	*(0.000599)*	*(0.000891)*	*(0.000540)*	*(0.000827)*
4 Trust in political parties	-0.0240***	0.00850***	-0.0179***	0.0151***	-0.0189***	0.0140***
	(0.00126)	*(0.00239)*	*(0.000584)*	*(0.000964)*	*(0.000530)*	*(0.000895)*
5 Trust in the EU	-0.0256***	0.0102***	-0.000701	0.0301***	-0.00484***	0.0262***
	(0.00143)	*(0.00233)*	*(0.000643)*	*(0.000912)*	*(0.000590)*	*(0.000855)*
6 Trust in the police	0.00772***	0.00959***	0.0112***	0.0209***	0.0107***	0.0183***
	(0.00235)	*(0.00363)*	*(0.00100)*	*(0.00133)*	*(0.000921)*	*(0.00126)*
7 Trust in the press	-0.0365***	0.0320***	-0.0454***	0.0243***	-0.0440***	0.0254***
	(0.00192)	*(0.00296)*	*(0.000814)*	*(0.00118)*	*(0.000751)*	*(0.00109)*
No fixed effects	Manufacturing		Non-manufacturing		All workers	
Clustered standard errors	OLS	IV	OLS	IV	OLS	IV
1 Left-right	-0.0277	-0.00471	-0.0216	-0.0189	-0.0226	-0.0183
	(0.0232)	*(0.0330)*	*(0.0181)*	*(0.0197)*	*(0.0177)*	*(0.0194)*
2 EU is not beneficial	0.00126	-0.0215	-0.0113	-0.0181*	-0.00914	-0.0179*
	(0.0133)	*(0.0160)*	*(0.00942)*	*(0.00963)*	*(0.0100)*	*(0.0101)*
3 Trust in government	-0.0378***	0.00826	-0.0202	0.0198	-0.0232	0.0173
	(0.0115)	*(0.0185)*	*(0.0148)*	*(0.0131)*	*(0.0142)*	*(0.0134)*
4 Trust in political parties	-0.0240**	0.00850	-0.0179*	0.0151	-0.0189*	0.0140
	(0.00997)	*(0.0197)*	*(0.0103)*	*(0.0137)*	*(0.00970)*	*(0.0137)*
5 Trust in the EU	-0.0256**	0.0102	-0.000701	0.0301*	-0.00484	0.0262
	(0.0126)	*(0.0235)*	*(0.0131)*	*(0.0157)*	*(0.0128)*	*(0.0162)*
6 Trust in the police	0.00772	0.00959	0.0112	0.0209*	0.0107	0.0183
	(0.00990)	*(0.0168)*	*(0.0104)*	*(0.0114)*	*(0.00985)*	*(0.0117)*
7 Trust in the press	-0.0365**	0.0320	-0.0454**	0.0243	-0.0440**	0.0254
	(0.0181)	*(0.0246)*	*(0.0208)*	*(0.0171)*	*(0.0199)*	*(0.0176)*
Year fixed effects	Manufacturing		Non-manufacturing		All workers	
No clustered standard errors	OLS	IV	OLS	IV	OLS	IV
1 Left-right	-0.0279***	-0.00492	-0.0216***	-0.0188***	-0.0225***	-0.0183***
	(0.00336)	*(0.00486)*	*(0.00130)*	*(0.00188)*	*(0.00122)*	*(0.00175)*
2 EU is not beneficial	0.00127	-0.0214***	-0.0113***	-0.0181***	-0.00915***	-0.0179***
	(0.00121)	*(0.00171)*	*(0.000441)*	*(0.000592)*	*(0.000421)*	*(0.000564)*
3 Trust in government	-0.0379***	0.00782***	-0.0201***	0.0197***	-0.0231***	0.0172***
	(0.00121)	*(0.00218)*	*(0.000598)*	*(0.000891)*	*(0.000539)*	*(0.000827)*
4 Trust in political parties	-0.0239***	0.00894***	-0.0179***	0.0151***	-0.0189***	0.0140***
	(0.00126)	*(0.00240)*	*(0.000584)*	*(0.000964)*	*(0.000530)*	*(0.000895)*
5 Trust in the EU	-0.0259***	0.00991***	-0.000593	0.0300***	-0.00478***	0.0261***
	(0.00143)	*(0.00233)*	*(0.000643)*	*(0.000915)*	*(0.000590)*	*(0.000857)*
6 Trust in the police	0.00771***	0.00960***	0.0112***	0.0209***	0.0107***	0.0183***
	(0.00235)	*(0.00363)*	*(0.00100)*	*(0.00133)*	*(0.000921)*	*(0.00126)*
7 Trust in the press	-0.0368***	0.0323***	-0.0454***	0.0243***	-0.0440***	0.0255***
	(0.00192)	*(0.00297)*	*(0.000814)*	*(0.00118)*	*(0.000751)*	*(0.00110)*

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table A 2: Import penetration on political outcomes

Year fixed effects	Manufacturing		Non-manufacturing		All workers	
Clustered standard errors	OLS	IV	OLS	IV	OLS	IV
1 Left-right	-0.0279	-0.00492	-0.0216	-0.0188	-0.0225	-0.0183
	(0.0232)	*(0.0330)*	*(0.0181)*	*(0.0198)*	*(0.0177)*	*(0.0195)*
2 EU is not beneficial	0.00127	-0.0214	-0.0113	-0.0181*	-0.00915	-0.0179*
	(0.0133)	*(0.0160)*	*(0.00942)*	*(0.00966)*	*(0.0100)*	*(0.0101)*
3 Trust in government	-0.0379***	0.00782	-0.0201	0.0197	-0.0231	0.0172
	(0.0114)	*(0.0183)*	*(0.0148)*	*(0.0132)*	*(0.0142)*	*(0.0135)*
4 Trust in political parties	-0.0239**	0.00894	-0.0179*	0.0151	-0.0189*	0.0140
	(0.00995)	*(0.0199)*	*(0.0103)*	*(0.0137)*	*(0.00970)*	*(0.0138)*
5 Trust in the EU	-0.0259**	0.00991	-0.000593	0.0300*	-0.00478	0.0261
	(0.0126)	*(0.0237)*	*(0.0131)*	*(0.0156)*	*(0.0128)*	*(0.0162)*
6 Trust in the police	0.00771	0.00960	0.0112	0.0209*	0.0107	0.0183
	(0.00988)	*(0.0169)*	*(0.0104)*	*(0.0115)*	*(0.00986)*	*(0.0117)*
7 Trust in the press	-0.0368**	0.0323	-0.0454**	0.0243	-0.0440**	0.0255
	(0.0181)	*(0.0246)*	*(0.0208)*	*(0.0172)*	*(0.0199)*	*(0.0177)*
Year and country fixed effects	Manufacturing		Non-manufacturing		All workers	
Clustered standard errors	OLS	IV	OLS	IV	OLS	IV
1 Left-right	-0.0489**	-0.0417	-0.0212	-0.0198	-0.0253	-0.0239
	(0.0232)	*(0.0391)*	*(0.0176)*	*(0.0367)*	*(0.0172)*	*(0.0335)*
2 EU is not beneficial	0.00135	-0.00403	-0.00850	-0.00814*	-0.00643	-0.00722
	(0.0103)	*(0.00701)*	*(0.00746)*	*(0.00414)*	*(0.00817)*	*(0.00456)*
3 Trust in government	-0.0250***	-0.0177**	-0.00494	0.00293	-0.00861	-0.000451
	(0.00656)	*(0.00819)*	*(0.00822)*	*(0.00765)*	*(0.00819)*	*(0.00788)*
4 Trust in political parties	-0.0173**	-0.0111	-0.00578	0.000662	-0.00771	-0.00111
	(0.00835)	*(0.0105)*	*(0.00685)*	*(0.00775)*	*(0.00643)*	*(0.00744)*
5 Trust in the EU	-0.0175*	-0.0152*	0.00772	0.00880	0.00308	0.00474
	(0.00947)	*(0.00827)*	*(0.00928)*	*(0.00693)*	*(0.00994)*	*(0.00740)*
6 Trust in the police	0.00901	0.00497	0.00913	0.0158***	0.00860*	0.0139**
	(0.0102)	*(0.00997)*	*(0.00568)*	*(0.00579)*	*(0.00512)*	*(0.00564)*
7 Trust in the press	-0.0163*	-0.00825	-0.0202**	-0.0107	-0.0199**	-0.0106
	(0.00965)	*(0.00839)*	*(0.00816)*	*(0.00818)*	*(0.00761)*	*(0.00753)*

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table A 3: Import penetration on political outcomes - initial manufacturing share of total employment as control

No fixed effects	Manufacturing		Non-manufacturing		All workers	
No clustered standard errors	OLS	IV	OLS	IV	OLS	IV
1 Left-right	-0.0307***	-0.00513	-0.0288***	-0.0295***	-0.0284***	-0.0270***
	(0.00341)	*(0.00507)*	*(0.00135)*	*(0.00202)*	*(0.00126)*	*(0.00188)*
2 EU is not beneficial	0.00151	-0.0225***	-0.0135***	-0.0227***	-0.0111***	-0.0223***
	(0.00123)	*(0.00174)*	*(0.000459)*	*(0.000624)*	*(0.000436)*	*(0.000592)*
3 Trust in government	-0.0403***	0.00777***	-0.0201***	0.0262***	-0.0235***	0.0232***
	(0.00124)	*(0.00225)*	*(0.000620)*	*(0.000951)*	*(0.000557)*	*(0.000877)*
4 Trust in political parties	-0.0270***	0.00306	-0.0229***	0.0116***	-0.0235***	0.0103***
	(0.00129)	*(0.00247)*	*(0.000611)*	*(0.00103)*	*(0.000552)*	*(0.000953)*
5 Trust in the EU	-0.0273***	0.00867***	0.00186***	0.0379***	-0.00289***	0.0332***
	(0.00145)	*(0.00238)*	*(0.000665)*	*(0.000971)*	*(0.000608)*	*(0.000904)*
6 Trust in the police	0.00879***	0.0173***	0.0111***	0.0218***	0.0113***	0.0205***
	(0.00237)	*(0.00367)*	*(0.00102)*	*(0.00140)*	*(0.000940)*	*(0.00131)*
7 Trust in the press	-0.0371***	0.0353***	-0.0459***	0.0303***	-0.0445***	0.0312***
	(0.00194)	*(0.00304)*	*(0.000838)*	*(0.00124)*	*(0.000770)*	*(0.00115)*
No fixed effects	Manufacturing		Non-manufacturing		All workers	
Clustered standard errors	OLS	IV	OLS	IV	OLS	IV
1 Left-right	-0.0307	-0.00513	-0.0288	-0.0295	-0.0284	-0.0270
	(0.0244)	*(0.0366)*	*(0.0190)*	*(0.0223)*	*(0.0189)*	*(0.0221)*
2 EU is not beneficial	0.00151	-0.0225	-0.0135	-0.0227**	-0.0111	-0.0223**
	(0.0135)	*(0.0151)*	*(0.00966)*	*(0.00941)*	*(0.0103)*	*(0.00982)*
3 Trust in government	-0.0403***	0.00777	-0.0201	0.0262*	-0.0235	0.0232*
	(0.0117)	*(0.0199)*	*(0.0151)*	*(0.0135)*	*(0.0145)*	*(0.0139)*
4 Trust in political parties	-0.0270***	0.00306	-0.0229**	0.0116	-0.0235**	0.0103
	(0.0103)	*(0.0202)*	*(0.0103)*	*(0.0144)*	*(0.00969)*	*(0.0144)*
5 Trust in the EU	-0.0273**	0.00867	0.00186	0.0379**	-0.00289	0.0332**
	(0.0129)	*(0.0213)*	*(0.0143)*	*(0.0165)*	*(0.0140)*	*(0.0166)*
6 Trust in the police	0.00879	0.0173	0.0111	0.0218*	0.0113	0.0205*
	(0.00890)	*(0.0146)*	*(0.0104)*	*(0.0118)*	*(0.00984)*	*(0.0117)*
7 Trust in the press	-0.0371**	0.0353	-0.0459**	0.0303*	-0.0445**	0.0312*
	(0.0186)	*(0.0225)*	*(0.0219)*	*(0.0163)*	*(0.0208)*	*(0.0166)*
Year fixed effects	Manufacturing		Non-manufacturing		All workers	
No clustered standard errors	OLS	IV	OLS	IV	OLS	IV
1 Left-right	-0.0302***	-0.000953	-0.0291***	-0.0303***	-0.0284***	-0.0271***
	(0.00341)	*(0.00507)*	*(0.00135)*	*(0.00203)*	*(0.00126)*	*(0.00189)*
2 EU is not beneficial	0.00135	-0.0234***	-0.0134***	-0.0225***	-0.0110***	-0.0223***
	(0.00123)	*(0.00175)*	*(0.000460)*	*(0.000624)*	*(0.000437)*	*(0.000592)*
3 Trust in government	-0.0409***	0.00511**	-0.0213***	0.0237***	-0.0246***	0.0207***
	(0.00124)	*(0.00224)*	*(0.000620)*	*(0.000952)*	*(0.000558)*	*(0.000878)*
4 Trust in political parties	-0.0270***	0.00375	-0.0229***	0.0120***	-0.0235***	0.0107***
	(0.00129)	*(0.00247)*	*(0.000611)*	*(0.00103)*	*(0.000553)*	*(0.000954)*
5 Trust in the EU	-0.0283***	0.00519**	0.000571	0.0349***	-0.00408***	0.0302***
	(0.00145)	*(0.00239)*	*(0.000665)*	*(0.000975)*	*(0.000609)*	*(0.000908)*
6 Trust in the police	0.00906***	0.0208***	0.0112***	0.0220***	0.0115***	0.0211***
	(0.00237)	*(0.00364)*	*(0.00102)*	*(0.00140)*	*(0.000941)*	*(0.00132)*
7 Trust in the press	-0.0386***	0.0315***	-0.0470***	0.0287***	-0.0456***	0.0293***
	(0.00195)	*(0.00305)*	*(0.000841)*	*(0.00125)*	*(0.000772)*	*(0.00116)*

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table A 4: Import penetration on political outcomes - initial manufacturing share of total employment as control

Year fixed effects	Manufacturing		Non-manufacturing		All workers	
Clustered standard errors	OLS	IV	OLS	IV	OLS	IV
1 Left-right	-0.0302	-0.000953	-0.0291	-0.0303	-0.0284	-0.0271
	(0.0242)	*(0.0378)*	*(0.0191)*	*(0.0227)*	*(0.0190)*	*(0.0225)*
2 EU is not beneficial	0.00135	-0.0234	-0.0134	-0.0225**	-0.0110	-0.0223**
	(0.0135)	*(0.0148)*	*(0.00967)*	*(0.00932)*	*(0.0103)*	*(0.00970)*
3 Trust in government	-0.0409***	0.00511	-0.0213	0.0237*	-0.0246*	0.0207
	(0.0118)	*(0.0204)*	*(0.0152)*	*(0.0134)*	*(0.0146)*	*(0.0139)*
4 Trust in political parties	-0.0270***	0.00375	-0.0229**	0.0120	-0.0235**	0.0107
	(0.0103)	*(0.0206)*	*(0.0103)*	*(0.0145)*	*(0.00967)*	*(0.0146)*
5 Trust in the EU	-0.0283**	0.00519	0.000571	0.0349**	-0.00408	0.0302*
	(0.0126)	*(0.0211)*	*(0.0140)*	*(0.0159)*	*(0.0137)*	*(0.0161)*
6 Trust in the police	0.00906	0.0208	0.0112	0.0220*	0.0115	0.0211*
	(0.00858)	*(0.0144)*	*(0.0104)*	*(0.0119)*	*(0.00979)*	*(0.0118)*
7 Trust in the press	-0.0386**	0.0315	-0.0470**	0.0287*	-0.0456**	0.0293*
	(0.0181)	*(0.0218)*	*(0.0218)*	*(0.0159)*	*(0.0207)*	*(0.0162)*
Year and country fixed effects	Manufacturing		Non-manufacturing		All workers	
Clustered standard errors	OLS	IV	OLS	IV	OLS	IV
1 Left-right	-0.0450*	-0.000749	-0.0291	-0.0150	-0.0311*	-0.0291
	(0.0259)	*(0.0152)*	*(0.0187)*	*(0.0206)*	*(0.0183)*	*(0.0372)*
2 EU is not beneficial	0.00146	-0.00487	-0.00978	-0.00935**	-0.00755	-0.00850*
	(0.0110)	*(0.00764)*	*(0.00817)*	*(0.00446)*	*(0.00899)*	*(0.00496)*
3 Trust in government	-0.0238***	-0.0151*	-0.00401	0.00537	-0.00761	0.00209
	(0.00689)	*(0.00813)*	*(0.00859)*	*(0.00753)*	*(0.00861)*	*(0.00780)*
4 Trust in political parties	-0.0182**	-0.0112	-0.00659	0.00103	-0.00852	-0.000784
	(0.00890)	*(0.0111)*	*(0.00721)*	*(0.00817)*	*(0.00670)*	*(0.00778)*
5 Trust in the EU	-0.0124	-0.00827	0.0123	0.0135**	0.00792	0.0101
	(0.0107)	*(0.00886)*	*(0.00959)*	*(0.00625)*	*(0.0105)*	*(0.00679)*
6 Trust in the police	0.0150	0.0127	0.00766	0.0152**	0.00861*	0.0147**
	(0.00993)	*(0.0101)*	*(0.00564)*	*(0.00619)*	*(0.00517)*	*(0.00617)*
7 Trust in the press	-0.00852	0.00208	-0.0149*	-0.00359	-0.0142*	-0.00301
	(0.00907)	*(0.00886)*	*(0.00838)*	*(0.00784)*	*(0.00777)*	*(0.00732)*

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table A 5: Import penetration on political outcomes – full set of controls

No fixed effects	Manufacturing		Non-manufacturing		All workers	
No clustered standard errors	OLS	IV	OLS	IV	OLS	IV
1 Left-right	-0.0415***	0.00257	-0.0321***	-0.0289***	-0.0328***	-0.0254***
	(0.00346)	*(0.00512)*	*(0.00135)*	*(0.00203)*	*(0.00126)*	*(0.00189)*
2 EU is not beneficial	0.000634	-0.0191***	-0.0139***	-0.0176***	-0.0110***	-0.0173***
	(0.00127)	*(0.00174)*	*(0.000462)*	*(0.000623)*	*(0.000443)*	*(0.000591)*
3 Trust in government	-0.0448***	0.00184	-0.0243***	0.0180***	-0.0281***	0.0153***
	(0.00124)	*(0.00225)*	*(0.000613)*	*(0.000949)*	*(0.000552)*	*(0.000876)*
4 Trust in political parties	-0.0314***	-0.00404	-0.0259***	0.00462***	-0.0268***	0.00324***
	(0.00134)	*(0.00252)*	*(0.000609)*	*(0.00103)*	*(0.000553)*	*(0.000955)*
5 Trust in the EU	-0.0205***	0.00218	0.00565***	0.0307***	0.000917	0.0258***
	(0.00148)	*(0.00235)*	*(0.000666)*	*(0.000965)*	*(0.000613)*	*(0.000900)*
6 Trust in the police	0.00191	0.0125***	0.00784***	0.0212***	0.00700***	0.0195***
	(0.00240)	*(0.00369)*	*(0.00102)*	*(0.00140)*	*(0.000938)*	*(0.00132)*
7 Trust in the press	-0.0333***	0.0298***	-0.0448***	0.0237***	-0.0435***	0.0237***
	(0.00197)	*(0.00307)*	*(0.000832)*	*(0.00124)*	*(0.000765)*	*(0.00116)*
No fixed effects	Manufacturing		Non-manufacturing		All workers	
Clustered standard errors	OLS	IV	OLS	IV	OLS	IV
1 Left-right	-0.0415**	0.00257	-0.0321*	-0.0289	-0.0328*	-0.0254
	(0.0196)	*(0.0361)*	*(0.0186)*	*(0.0228)*	*(0.0179)*	*(0.0228)*
2 EU is not beneficial	0.000634	-0.0191	-0.0139	-0.0176**	-0.0110	-0.0173*
	(0.0142)	*(0.0136)*	*(0.00897)*	*(0.00865)*	*(0.00990)*	*(0.00907)*
3 Trust in government	-0.0448***	0.00184	-0.0243**	0.0180	-0.0281**	0.0153
	(0.0105)	*(0.0220)*	*(0.0111)*	*(0.0147)*	*(0.0108)*	*(0.0152)*
4 Trust in political parties	-0.0314***	-0.00404	-0.0259***	0.00462	-0.0268***	0.00324
	(0.0106)	*(0.0221)*	*(0.00784)*	*(0.0151)*	*(0.00754)*	*(0.0153)*
5 Trust in the EU	-0.0205*	0.00218	0.00565	0.0307**	0.000917	0.0258*
	(0.0106)	*(0.0155)*	*(0.0120)*	*(0.0144)*	*(0.0118)*	*(0.0142)*
6 Trust in the police	0.00191	0.0125	0.00784	0.0212**	0.00700	0.0195**
	(0.00820)	*(0.0136)*	*(0.00868)*	*(0.0101)*	*(0.00768)*	*(0.00983)*
7 Trust in the press	-0.0333**	0.0298	-0.0448**	0.0237	-0.0435**	0.0237
	(0.0157)	*(0.0210)*	*(0.0190)*	*(0.0169)*	*(0.0180)*	*(0.0170)*
Year fixed effects	Manufacturing		Non-manufacturing		All workers	
No clustered standard errors	OLS	IV	OLS	IV	OLS	IV
1 Left-right	-0.0412***	0.00398	-0.0328***	-0.0301***	-0.0333***	-0.0262***
	(0.00348)	*(0.00514)*	*(0.00136)*	*(0.00204)*	*(0.00127)*	*(0.00190)*
2 EU is not beneficial	9.10e-05	-0.0207***	-0.0140***	-0.0177***	-0.0112***	-0.0177***
	(0.00127)	*(0.00175)*	*(0.000463)*	*(0.000624)*	*(0.000444)*	*(0.000593)*
3 Trust in government	-0.0457***	-0.000352	-0.0259***	0.0154***	-0.0296***	0.0127***
	(0.00124)	*(0.00225)*	*(0.000613)*	*(0.000952)*	*(0.000552)*	*(0.000879)*
4 Trust in political parties	-0.0312***	-0.00292	-0.0257***	0.00510***	-0.0266***	0.00378***
	(0.00134)	*(0.00253)*	*(0.000610)*	*(0.00103)*	*(0.000554)*	*(0.000957)*
5 Trust in the EU	-0.0209***	0.00137	0.00462***	0.0290***	3.58e-06	0.0242***
	(0.00148)	*(0.00236)*	*(0.000668)*	*(0.000971)*	*(0.000614)*	*(0.000906)*
6 Trust in the police	0.00275	0.0156***	0.00761***	0.0209***	0.00695***	0.0195***
	(0.00241)	*(0.00369)*	*(0.00102)*	*(0.00141)*	*(0.000939)*	*(0.00132)*
7 Trust in the press	-0.0341***	0.0289***	-0.0457***	0.0230***	-0.0444***	0.0230***
	(0.00197)	*(0.00310)*	*(0.000836)*	*(0.00125)*	*(0.000769)*	*(0.00116)*

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table A 6: Import penetration on political outcomes – full set of controls

Year fixed effects	Manufacturing		Non-manufacturing		All workers	
Clustered standard errors	OLS	IV	OLS	IV	OLS	IV
1 Left-right	-0.0412**	0.0338	-0.0328*	-0.0301	-0.0333*	-0.0262
	(0.0198)	*(0.0354)*	*(0.0187)*	*(0.0230)*	*(0.0179)*	*(0.0229)*
2 EU is not beneficial	9.10e-05	-0.0208**	-0.0140	-0.0177**	-0.0112	-0.0177*
	(0.0142)	*(0.00878)*	*(0.00900)*	*(0.00863)*	*(0.00993)*	*(0.00904)*
3 Trust in government	-0.0457***	0.00625	-0.0259**	0.0154	-0.0296***	0.0127
	(0.0104)	*(0.0150)*	*(0.0110)*	*(0.0146)*	*(0.0107)*	*(0.0153)*
4 Trust in political parties	-0.0312***	0.00568	-0.0257***	0.00510	-0.0266***	0.00378
	(0.0106)	*(0.0121)*	*(0.00784)*	*(0.0153)*	*(0.00754)*	*(0.0155)*
5 Trust in the EU	-0.0209*	0.0160	0.00462	0.0290**	3.58e-06	0.0242*
	(0.0106)	*(0.0129)*	*(0.0120)*	*(0.0143)*	*(0.0117)*	*(0.0142)*
6 Trust in the police	0.00275	0.0103	0.00761	0.0209**	0.00695	0.0195*
	(0.00816)	*(0.0113)*	*(0.00862)*	*(0.0102)*	*(0.00765)*	*(0.00996)*
7 Trust in the press	-0.0341**	0.0218	-0.0457**	0.0230	-0.0444**	0.0230
	(0.0157)	*(0.0169)*	*(0.0191)*	*(0.0170)*	*(0.0180)*	*(0.0171)*
Year and country fixed effects	Manufacturing		Non-manufacturing		All workers	
No clustered standard errors	OLS	IV	OLS	IV	OLS	IV
1 Left-right	-0.0387***	-0.00305	-0.0256***	-0.0118***	-0.0269***	-0.0211***
	(0.00412)	*(0.00475)*	*(0.00158)*	*(0.00197)*	*(0.00148)*	*(0.00360)*
2 EU is not beneficial	0.00203	-0.00475***	-0.00997***	-0.00857***	-0.00752***	-0.00778***
	(0.00137)	*(0.00158)*	*(0.000509)*	*(0.000587)*	*(0.000488)*	*(0.000555)*
3 Trust in government	-0.0277***	-0.0190***	-0.00640***	0.00253***	-0.0104***	-0.00119
	(0.00134)	*(0.00198)*	*(0.000676)*	*(0.000886)*	*(0.000606)*	*(0.000811)*
4 Trust in political parties	-0.0215***	-0.0147***	-0.00851***	-0.00115	-0.0108***	-0.00359***
	(0.00149)	*(0.00226)*	*(0.000660)*	*(0.000955)*	*(0.000601)*	*(0.000880)*
5 Trust in the EU	-0.0160***	-0.0109***	0.0115***	0.0118***	0.00650***	0.00799***
	(0.00163)	*(0.00213)*	*(0.000746)*	*(0.000908)*	*(0.000686)*	*(0.000841)*
6 Trust in the police	0.0148***	0.0106***	0.00767***	0.0153***	0.00838***	0.0141***
	(0.00269)	*(0.00329)*	*(0.00113)*	*(0.00129)*	*(0.00104)*	*(0.00121)*
7 Trust in the press	-0.0109***	-0.000895	-0.0160***	-0.00493***	-0.0158***	-0.00494***
	(0.00215)	*(0.00279)*	*(0.000906)*	*(0.00115)*	*(0.000834)*	*(0.00107)*
Year and country fixed effects	Manufacturing		Non-manufacturing		All workers	
Clustered standard errors	OLS	IV	OLS	IV	OLS	IV
1 Left-right	-0.0387	-0.00305	-0.0256	-0.0118	-0.0269	-0.0211
	(0.0306)	*(0.0282)*	*(0.0198)*	*(0.0211)*	*(0.0202)*	*(0.0398)*
2 EU is not beneficial	0.00203	-0.00475	-0.00997	-0.00857*	-0.00752	-0.00778
	(0.0110)	*(0.00786)*	*(0.00795)*	*(0.00436)*	*(0.00888)*	*(0.00489)*
3 Trust in government	-0.0277***	-0.0190**	-0.00640	0.00253	-0.0104	-0.00119
	(0.00705)	*(0.00860)*	*(0.00789)*	*(0.00730)*	*(0.00783)*	*(0.00763)*
4 Trust in political parties	-0.0215*	-0.0147	-0.00851	-0.00115	-0.0108*	-0.00359
	(0.0110)	*(0.0140)*	*(0.00654)*	*(0.00778)*	*(0.00613)*	*(0.00768)*
5 Trust in the EU	-0.0160	-0.0109	0.0115	0.0118**	0.00650	0.00799
	(0.00984)	*(0.00846)*	*(0.00925)*	*(0.00583)*	*(0.0101)*	*(0.00645)*
6 Trust in the police	0.0148	0.0106	0.00767	0.0153**	0.00838	0.0141**
	(0.0105)	*(0.0105)*	*(0.00573)*	*(0.00629)*	*(0.00523)*	*(0.00625)*
7 Trust in the press	-0.0109	-0.000895	-0.0160**	-0.00493	-0.0158**	-0.00494
	(0.0100)	*(0.00989)*	*(0.00779)*	*(0.00725)*	*(0.00720)*	*(0.00681)*

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

8.2 Data collection

To combine the datasets used in the study into one set allowing analysis of the effect increased regional import penetration has on political views in Europe I had to recode, clean and merge the sets. This section explains this process in detail by reviewing the

manipulation of each of the three main data sources. When the different datasets were coded in a uniform way they were merged into the main dataset.

8.2.1 Cleaning and coding data from the *Eurobarometer*

The main issue with the *Eurobarometer* data is that the questions were not coded in the same way. Because of this I looked through the codebook for each wave of the survey and identify the coding used to thereafter recode the questions so that they were coded in the same way in the study's main dataset. The same process had to be undergone for the NUTS 2 regions that respondents belong to. In the early waves of the sample period all NUTS regions were coded as one variable while in later waves each country, and their NUTS regions, were coded in separate variables. The regions also changed over the sample period which further complicated recoding. Table A7 show the *Eurobarometer* questions, the responses and the way that they are coded.

Table A7: Survey questions and the coded answers

Question		Code - Answer
In political matters people talk of "the left" and "the right". How would you place your views on this scale?		1 - Left ... 10 - Right
Taking everything into account, would you say that (our company) has on balance benefited or not from being a member of the European Union?		1 - Not benefited 0 - Benefited . - Don't know
For each of the following institutions, please tell me if you tend to trust it or tend not to trust it.	The national government	1 - Tend to trust 0 - Tend not to trust . - Don't know
	Political parties	
	The EU	
	The police	
	The press	

8.2.2 Standardizing the Eurostat labour data over the sample period

In 2008, the industry classification system used by Eurostat changed and became more detailed, thus I simply summarized the employment figures for the new industries to obtain the employment figures according to the old system. As with the survey data, the NUTS 2 regions were both changed over the sample period and

named differently, even if they measured the same region. Because of this I had to remove some countries from the sample[20] and recode the remaining regions so that they matched those of the survey data.

8.2.3 Harmonizing the import data to fit the main datafile

I collect the trade data from the UN Comtrade database using an API run via Python, because the webpage only allows a set number of data requests per hour. Without the API, I would have had to manually request part of the needed data over long period of time.

The data is reported in accordance with the *Harmonized Commodity Description and Coding System* (HS) 6-digit level. To simplify the manual process of aligning this to the NACE Rev 1 system I start by converting the data into the US SIC87 4-digit level using the crosswalk file created by Autor et al. (2013). When the data was in the US SIC87 classifications I had to use the conversion table "NACE Rev 1 – US SIC 1987" from Eurostat. This table was in xls-format, forcing me to manually find the SIC87 codes and their corresponding NACE Rev 1 code. To make the data comparable over the sample period I inflated the import values to 2009 USD using the Federal Reserve's consumption expenditure price index.

[20] The final data contains 9 EU countries and 121 NUTS 2 regions.