

The Geo-economics of Imports: Evidence from the United Nations Security Council

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Discussion by Randall Morck
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The University of Alberta
For the uplifting of the whole people

The UN Security Council

Permanent Five (P5) have permanent seats & veto power

☐ 1945 WWII victors – ish:  & 2026 successor states: 

☐ France & ROC controversial in 1945, Britain, France & Russia controversial now

Elected Ten (E10) 2-year terms & no veto power. How to get E10 SC seat?

Dreher A, Gould M, Rablen MD, Vreeland JR. 2014. The determinants of election to the United Nations Security Council. Public Choice. 158(1-2):51-83.

Schmitz J, Schwarze J. 2011. Determinants of the Election of Non-Permanent Members to the United Nations Security Council: An Empirical Analysis.

☐ UN, IMF, WB contributions, peacekeeping, bilateral aid don't predict E10 membership

☐ 1945: Open election by General Assembly member states

☐ Geographic representation of seats: Commonwealth (1) Australia; Latin America (2) Brazil, Mexico; E. Europe & Asia (1) Poland; Middle East (1) Egypt; W. Europe (1) Netherlands

☐ Problem: P5 lobbied, bribed General Assembly members to influence nominations and elections

☐ 2026: E10 geographic constituency members advance 1 nominee per SC seat

☐ Geographic representation of seats: Asia Pacific (1) Pakistan; Asia-Pacific & Arab (1) Bahrain; Latin Am. & Caribbean (2) Colombia, Panama; Africa (3) DRC, Liberia Somalia; E. Europe (1) Latvia; W. Europe & others (2) Denmark, Greece

☐ New problem: US (& other P5s) lobby, bribe elected (anointed) E10 members

☐ This paper is about this problem

Main Finding

Country joins UN Security Council →

- ❑ USA firms' imports from country rise 18%
- ❑ Mainly from sector where country is uncompetitive
- ❑ Increase largest for countries at middling political distance from USA
- ❑ Voting at UN aligns more closely to USA

USA firms that increase imports are

- ❑ Likely “rent-seekers” whose regulating senators also sit on foreign policy committees, esp. if senator has more seniority
- ❑ Poor performers, but Q rises after imports rise (rent-seeking somehow rewarded & reward shared with shareholders)



Important Quibble

Petersen, M.A., 2008. Estimating standard errors in finance panel data sets: Comparing approaches. *The Review of financial studies* 22(1)435-80.

Cited 15,168 times

Current standard errors likely overstate significance

- ❑ **“Standard errors [are] double-clustered by origin-year and product-year”**
- ❑ Do not break clusters across time because serial (time) dependence is potentially important in all variables in these data
- ❑ Cluster needs to encompass sets of non-independent observations, not break them up, and treatment is common across all observations for each country
- ❑ If the results survive **“Standard errors are clustered by country”** all is OK
- ❑ OK to **“double clustered by country and by product”** so each cluster includes all time series within each origin or product category.
- ❑ **Year fixed-effects** better than clustering by year or by variable-year

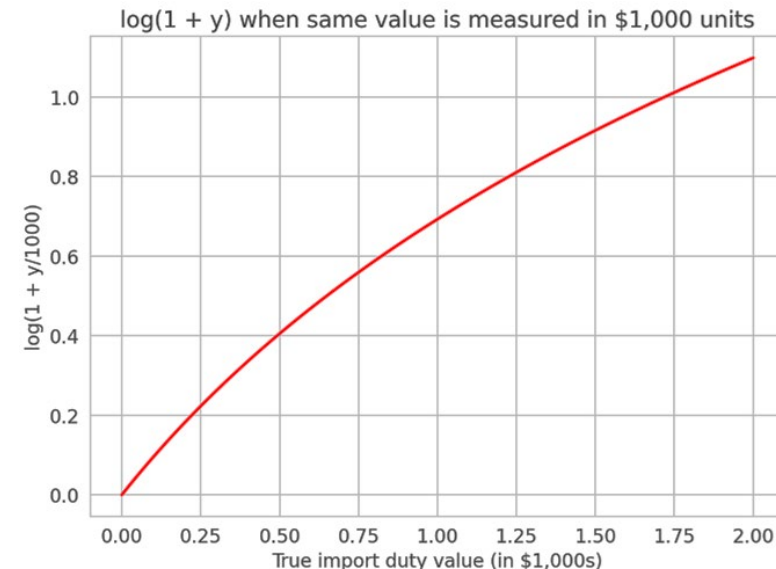
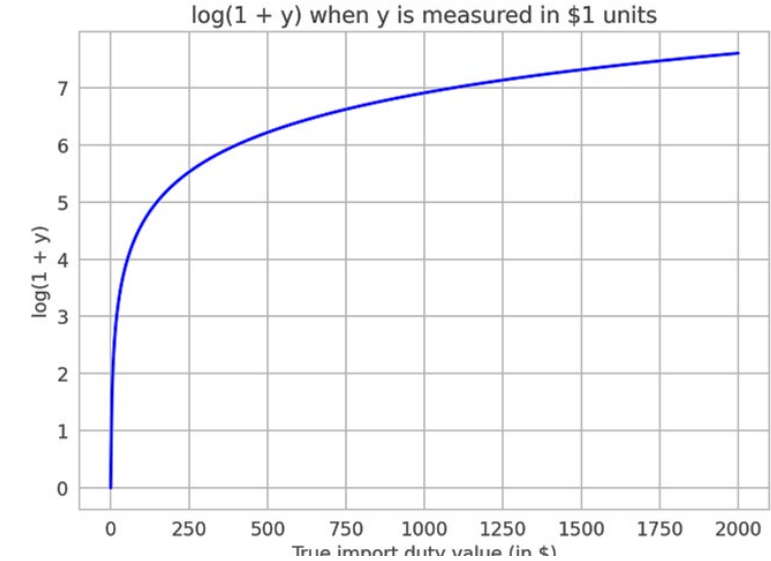
Possibly Less Important Quibble

Dependent variables of the form $\ln(1 + x)$

Chen J, Roth J. 2024. Logs with zeros? Some problems & solutions. QJE 139(2)891-936.

- ❑ A “log-like” transformation such as $\ln(1 + y)$ or $\operatorname{arcsinh}(y)$ produces unit-dependent mean treatment effects if y has zeros & the treatment affects the extensive margin
- ❑ **Poisson regressions** solve this problem, and the statistical packages have upgraded Poisson regression commands to include options for clustering, bidirectional clustering, ...

Missing US senator seniority data



What Else? Are All USA Governments Similar?

Different US Administrations in 2007 to 2024 had different views of the UN

“Sadly, in all cases, the United Nations did not even try to help in any of them... I ended seven wars, dealt with the leaders of each and every one of these countries and never even received a phone call from the United Nations offering to help in finalizing the deal.”

Donald Trump

“For decades, the United Nations has in fact made a difference—from helping to eradicate disease, to educating children, to brokering peace.”

Barack Obama

“The [UN] Charter—and I quote—is ‘proof that nations, like men, can state their differences, can face them, and then can find common ground on which to build.’... At its core, [the UN] is an act of dauntless hope.”

Joe Biden

Do more anti-UN US administrations woo E10s less (or more?)

- If the administration thinks the UN is less important, woo less?
- If the administration thinks the UN is corrupt, exploit the corruption and woo more?
- Possible measures of US foreign policy stance
 - Party
 - Military spending as % of GDP
 - Foreign development aid as % of GDP



What else? What about China, Other P5 Countries?

Does US woo harder if it has a rival? Do rivals woo too?

Flores-Macías GA, Kreps SE. 2013. The foreign policy consequences of trade: China's commercial relations in the global south and UN voting. *J Polit.* 75(3):785-798.

- Chinese trade with countries in Africa and Latin America significantly increases the probability that recipient countries vote in alignment with

Raess D, Ren W, Wagner P. 2022. Hidden strings attached? Chinese (commercially-oriented) foreign aid and international political alignment. *Foreign Policy Anal.* 18(3):orac015.

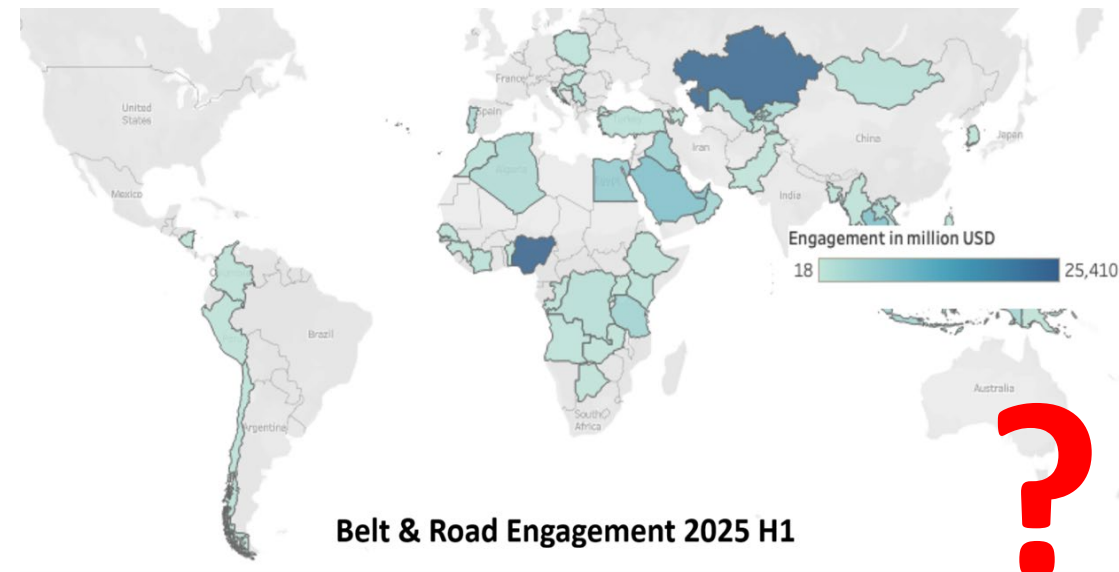
- Chinese commercially-oriented financial flows correlate positively with recipient country voting alignment with China in UN General Assembly

He X, Zheng Y, Chen Y. 2025. Weapons and influence: Unpacking the impact of Chinese arms exports on the UNGA voting alignment. *Eur J Polit Econ.* 87:102666.

- Greater Chinese arms exports (1990–2021, non-OECD countries) correlates positively with , recipients' voting alignment with China in UN General Assembly.

Steinert CV, Weyrauch D. 2024. Belt and road initiative membership and voting patterns in the United Nations General Assembly. *Res Polit.* 2024;11(1):20531680241233784

- BRI agreements had no discernible short-term impact on voting similarity to China, ex. for a backlash effect in Europe



What Else? Previous Work Studies Aid to E10

Stylized fact: E10 seat → increased foreign aid inflow

Farrall JM, Whalan J, et al. 2020. Elected member influence in the United Nations Security Council. *Leiden J Int Law*. 2020;33(1):101-15.

- E10 exert meaningful influence via agenda-setting, subsidiary bodies, coalitions, and procedural

Kuziemko I, Werker E. 2006. How much is a seat on the Security Council worth? Foreign aid and bribery at the United Nations. *J Polit Econ*. 114(5):905-30.

- DID E10 → 59% rise in US aid & 8% rise in multilateral aid, esp. in crisis periods (e.g., Iraq resolutions)

Dreher A, Sturm JE, Vreeland JR. 2009. Global horse trading: IMF loans for votes in the United Nations Security Council. *Eur Econ Rev*. 53(7):742-57.

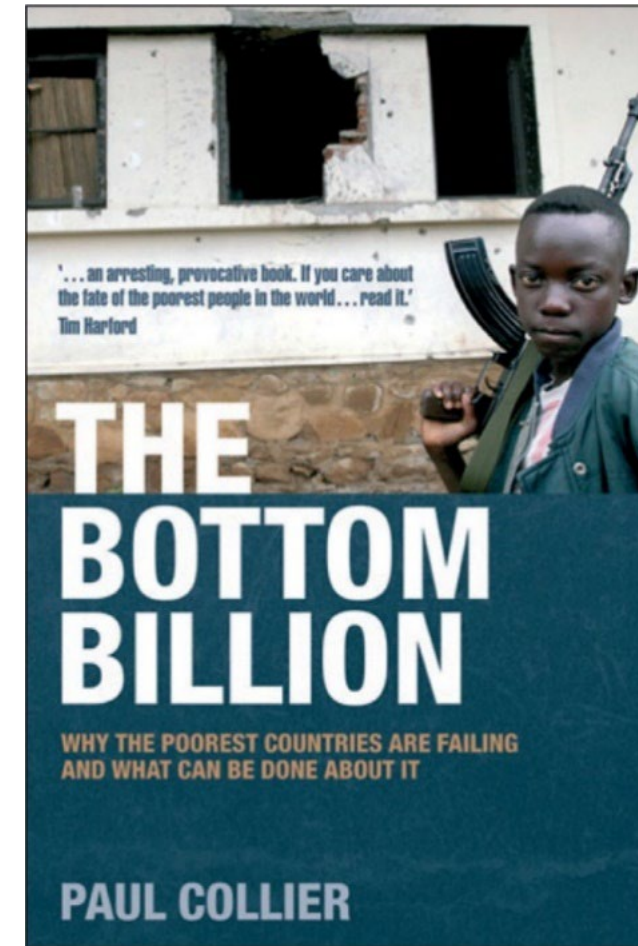
- Panel data (1951–2004) → E10 s get larger loans & easier conditions from IMF (US rewards?)

Dreher A, Sturm JE, Vreeland JR. 2009. Development aid and international politics: Does membership on the UN Security Council influence World Bank decisions? *J Dev Econ*. 288(1):1-18.

- Panel (1970–2004) → E10 seat increases new World Bank projects approved in country (US rewards?)

Vreeland JR, Dreher A. 2014. *The Political Economy of the United Nations Security Council: Money & Influence*. Cambridge University Press

- E10 seat increases foreign aid inflow, IMF loans, and World Bank projects



Dead Aid

Jones, E. 1991. Lords of Poverty: The Power, Prestige, and Corruption of the International Aid Business
Moyo, Dambisa. 2010. Dead aid: Why aid makes things worse and how there is another way for Africa. Farrar, Straus and Giroux
Easterly, William. 2006. The white man's burden: why the West's efforts to aid the rest have done so much ill and so little good. Penguin

Tie-ins to donor country firms

- ❑ Aid use often restricted to purchasing donor country firms' exports

Crowding out

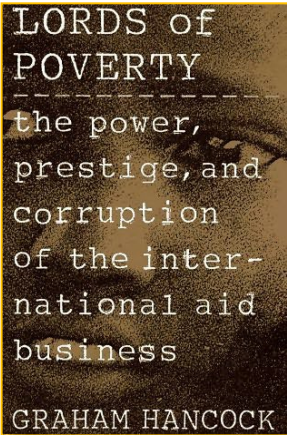
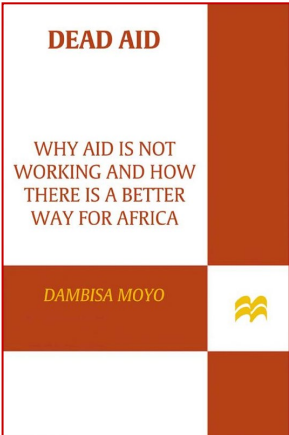
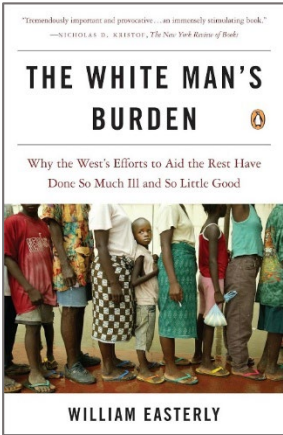
- ❑ The best & brightest people in poor countries want to work for aid agencies, not found businesses, or even work for the government

Expat aid workers have career concerns

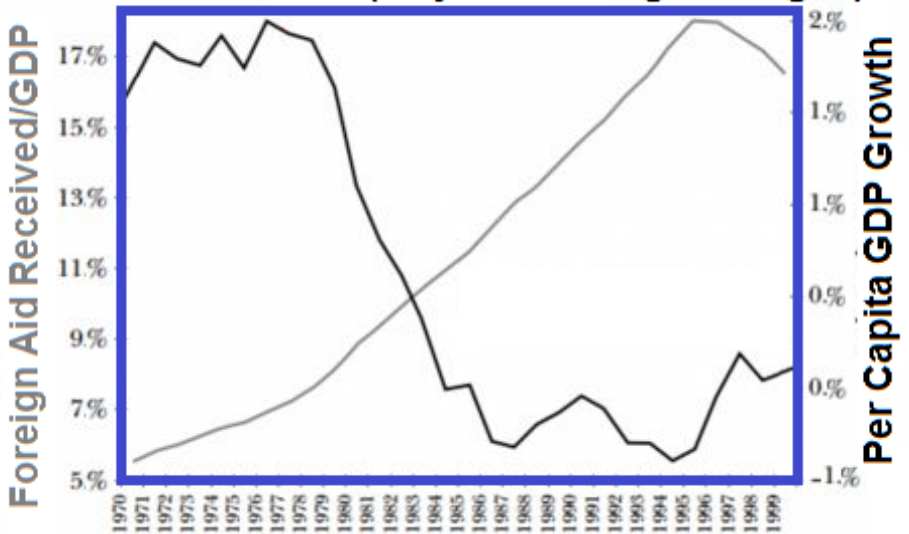
- ❑ Aid programs subject to regulatory capture

Foreign aid is centrally planned by aid agency bureaucrats

- ❑ Bottom-up information flow often limited



African Countries (10 year Moving Averages)





Welcome!

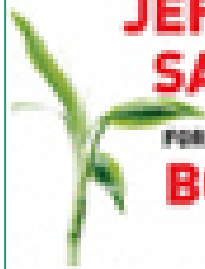
Koraro Millennium Village Project

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THE **END** OF **POVERTY**

HOW WE CAN MAKE IT HAPPEN IN OUR LIFETIME



JEFFREY SACHS

FOREWORD BY **BONO**

Foreign Aid

Natural Resource Curse?

MUNK Nina. 2013. The Idealist: Jeffrey Sachs and the Quest to End Poverty

Millennium villages a costly failure

Easterly, William. 2003. Can foreign aid buy growth? Journal of Economic Perspectives 17(3):23-48

Djankov Simeon, Jose Montalvo & Marta Reynal-Querol. 2008. The Curse of Aid. Journal of Economic Growth 13:169-94

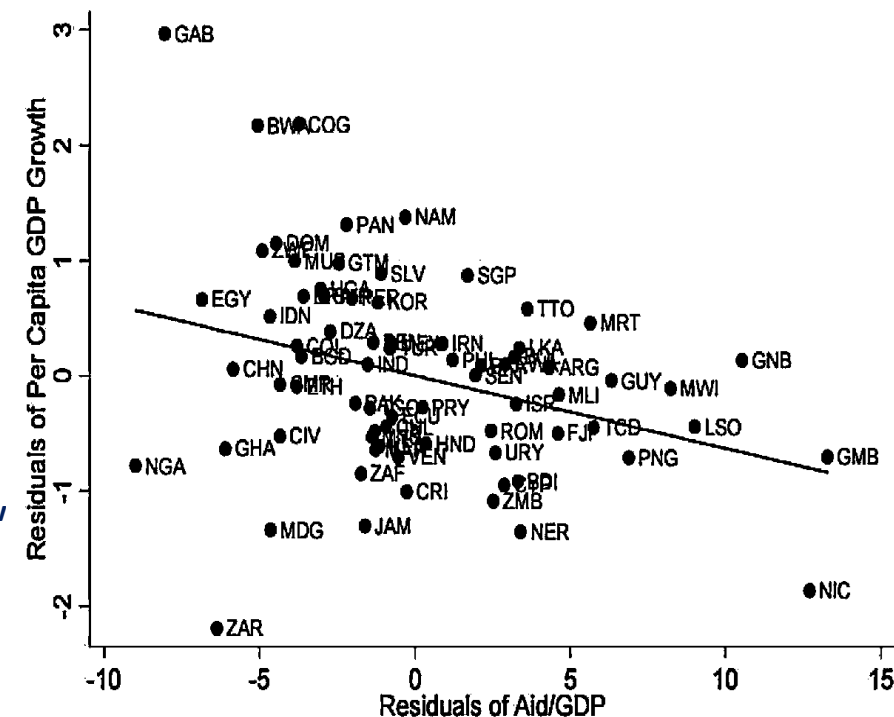
In 1970, OECD countries agree to increase foreign aid to 0.7% of GNI

More aid inflow → worsened growth, corruption & democracy

Aid, like natural resource revenue, invites rent-seeking

Rajan, Raghuram & Arvind Subramanian. 2008. Aid and growth: What does the cross-country evidence really show? Review of Economics & Statistics 90(4):643-665.

$$\frac{\Delta GDP}{GDP} = b_0 + (t = 2.26) \frac{-0.063 AID}{GDP} + \dots$$



Deaton, Angus. 2013 The great escape: health, wealth, and the origins of inequality. Princeton University Press

- ❑ Evidence that foreign aid helps poor countries is statistically flawed
- ❑ Foreign aid “transfer money from poor people in rich countries to rich people in poor countries”
- ❑ Foreign aid diverts local talent from entrepreneurship to aid agencies as drivers, translators, etc.
- ❑ Foreign aid creates rent-seeking openings for local elites, who tell donors what they want to hear & take charge of aid distribution

Bueno de Mesquita B, Smith A. 2010. The pernicious consequences of UN Security Council membership. J Conflict Resolut. 54(5):667-86.

- ❑ E10 seat → worse LR economic growth, governance quality & democratic development
- ❑ Leaders use short-term aid windfalls to entrench power rather than invest productively.



Angus Deaton
Nobel Prize 2015

Really Important: Is Trade Better Than Aid?!



Adam Smith
(1723 – 90)

“I have never known much good done by those who affected to *trade for the public good*”

Adam Smith, *Wealth of Nations*

“The rich ... led by an invisible hand ... without knowing it, advance the interest of the society.”

Adam Smith, *Theory of Moral Sentiments*

“A great empire has been established for the sole purpose of raising up a nation of customers who should be obliged to buy from the shops of our different producers all the goods with which these could supply them. For the sake of that little enhancement of price which this monopoly might afford our producers, the home-consumers have been burdened with the whole expence of maintaining and defending that empire. For this purpose, and for this purpose only, in the two last wars, more than two hundred millions have been spent, and a new debt of more than a hundred and seventy millions has been contracted over and above all that had been expended for the same purpose in former wars. The interest of this debt alone is not only greater than the whole extraordinary profit which it ever could be pretended was made by the monopoly of the colony trade, but than the whole value of that trade, or than the whole value of the goods which at an average have been annually exported to the colonies”

Adam Smith, *Wealth of Nations*

Suggestion for a sequel

OK, E10 seats are mired in US corruption, but is a corrupt trade boost socially helpful to E10?

- Aid-tied-to-trade increases US exports to recipient country, but this is US imports from E10 countries
- Does the trade benefit rent-seeking firms and/or officials in the E10 economy?
- Does the increased US trade benefit low-income E10 economies re. long-term growth, democracy, governance, ... ?
- Or can trade be as dead as aid?



After a
“transformational”
US presidency, is
all this primarily
of historical
interest

