

Political Conflict and Angry Consumers: Evaluating the Regional Impacts of a Consumer Boycott on Trade in Services*

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Abstract

Political conflict between nations sometimes leads to consumer boycotts. We examine the regional impacts of bilateral boycott activity by investigating the 2019 Korean consumer boycott of travel to Japan. Employing triple- and double-differences designs, we find that the impact of the boycott is large and regionally heterogeneous. Japanese prefectures with high (i.e., 75th percentile) pre-boycott dependency on visitors from Korea suffer bilateral export losses of 57 to 61 percent and aggregate export losses of 11.3 to 13.3 percent. Prefectures with low (i.e., 25th percentile) Korea dependency experience bilateral losses of 48 to 50 percent and aggregate losses of 3.6 to 4.2 percent.

Key words: Political conflict; Consumer boycott; Trade in services; Local market; Regional impact

JEL classification codes: F14, F51, F52

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