

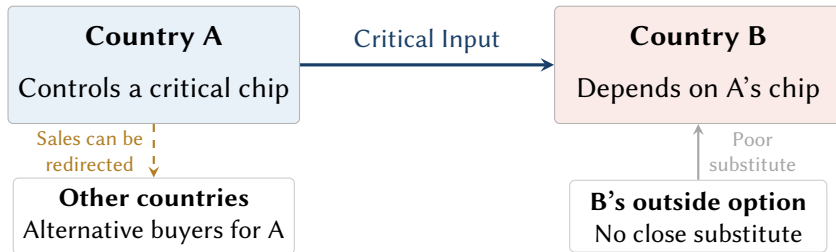
Geopolitics + Economic Development

Based on joint work with Philipp Barteska (HKU), Oliver Kim (Coefficient Giving), and Nathan Lane (LSE)

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Leverage Requires Asymmetric Dependence



- ▶ B's loss from a cutoff $\gg$ A's cost of withholding access
- ▶ Economic interdependence becomes credible leverage

Recent research:

- ▶ Christopher Clayton, Matteo Maggiori, and Jesse Schreger, "A Framework for Geoeconomics," *Econometrica* (2026);
- ▶ Christopher Clayton, Matteo Maggiori, and Jesse Schreger, "A Theory of Economic Coercion and Fragmentation," *Journal of Political Economy* (forthcoming)

Geoeconomic Power: Threats and Inducements

$$\begin{array}{|c|} \hline \text{Threat:} \\ \hline \text{Loss if refusing} \\ \hline \end{array} + \begin{array}{|c|} \hline \text{Inducement:} \\ \hline \text{Gain if complying} \\ \hline \end{array} \geq \begin{array}{|c|} \hline \text{Costly action for the target} \\ \hline \end{array}$$

- ▶ Target complies with the ask if the gain from complying is greater than the cost of the ask
- ▶ Power = the biggest gap I (hegemon) can create between the threat and the inducement (Clayton, Maggiori, and Schreger, 2026)

A Cold War Bargain: Troops for Trade



Lyndon B. Johnson and Park Chung-hee, Washington, DC, 1965.

U.S. ask: Korean troops and logistical support in Vietnam



Korean objective: security and economic opportunity



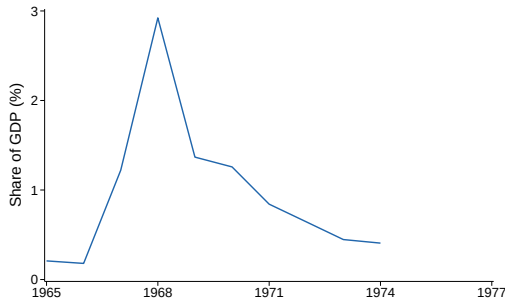
“Inducement”: aid and preferential access to U.S. military procurement

- ▶ South Korea ultimately sent 350,000 troops—the largest allied force after the U.S.

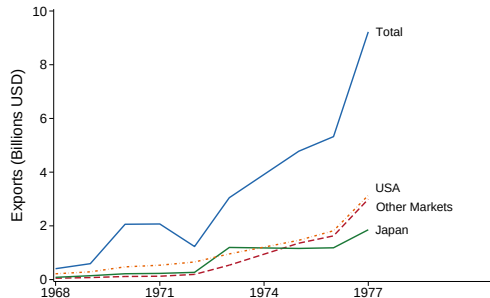
The Inducement Reached Firms at Scale

- ▶ 1965–1974: \$772.5 million in military procurement contracts
- ▶ Procurement peaked at 2.9% of Korean GDP in 1968

Procurement peaked in 1968

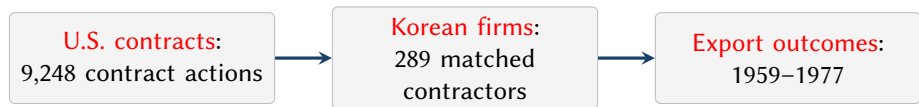


Korean exports grew 17-fold, 1964–1974



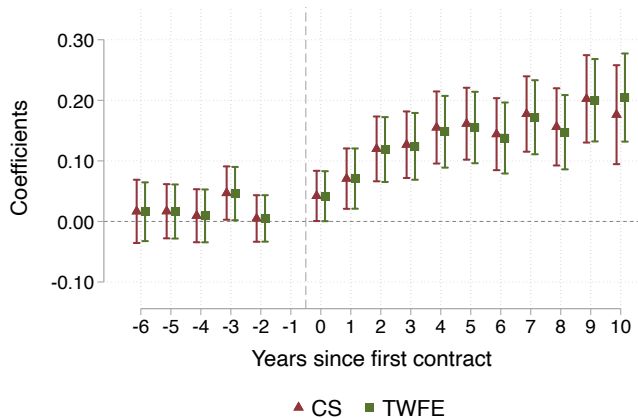
From Geopolitical Bargain to Development

Did temporary preferential demand merely transfer income, or did it build durable export capacity?



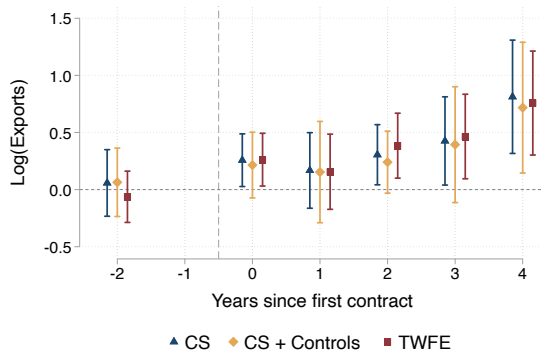
- ▶ Link newly digitized exporter records to U.S. Department of Defense (DoD) contracts
- ▶ Trace firms around their first contract; validate with pre-set export targets

Contracts Turn Firms into Exporters



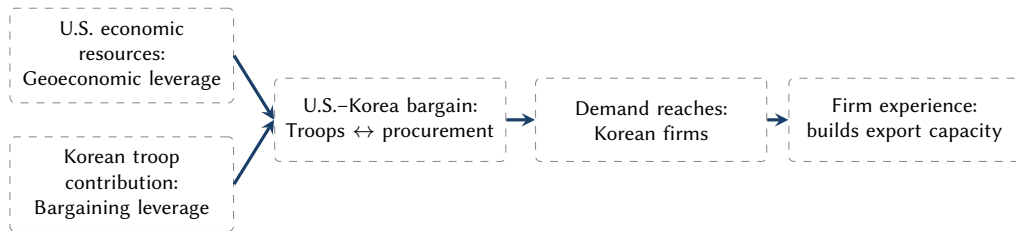
- ▶ First contract raises the probability of exporting by 14.7 percentage points
- ▶ Export value (intensive margin) rises by ~40%

Not Just Wartime Procurement Bookkeeping



- ▶ East & South East Asian exports, excluding Vietnam: ~48% higher
- ▶ Effects persist well beyond the initial contract
- ▶ Export entry and product scope respond more to goods than service contracts

From Geoeconomic Power to Economic Development



Geoeconomic bargains do more than secure compliance.

- ▶ They can reshape the productive capacity of the target economy

Research agenda: how geopolitics shapes firms, technology, and development