

Commerce, Coalitions, and Global Value Chains

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International Political Economy Society

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My Paper: Bring back coalitions in this era of global production!

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- Lobbying through US Global Value Chain Coalition



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 - ▶ Offers a GVC-centered approach to **preferences** and **political behaviors**

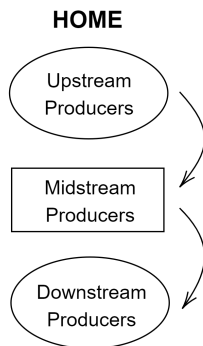
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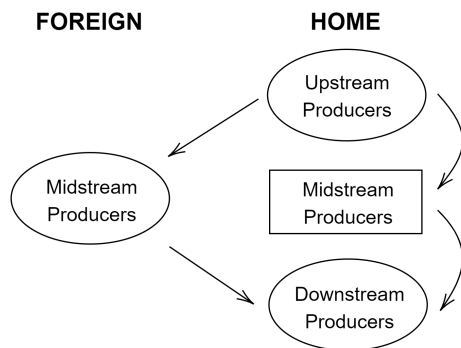
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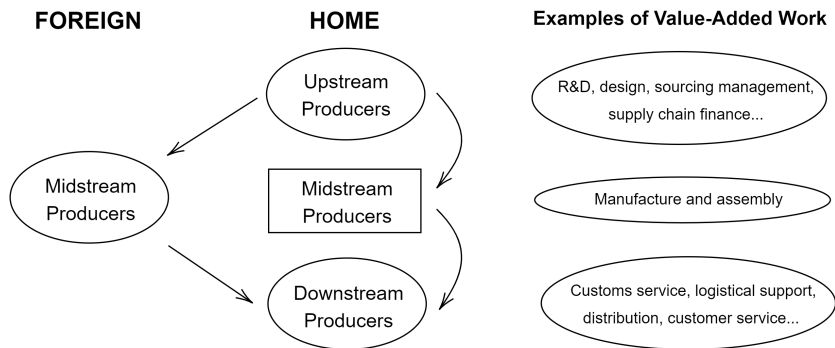
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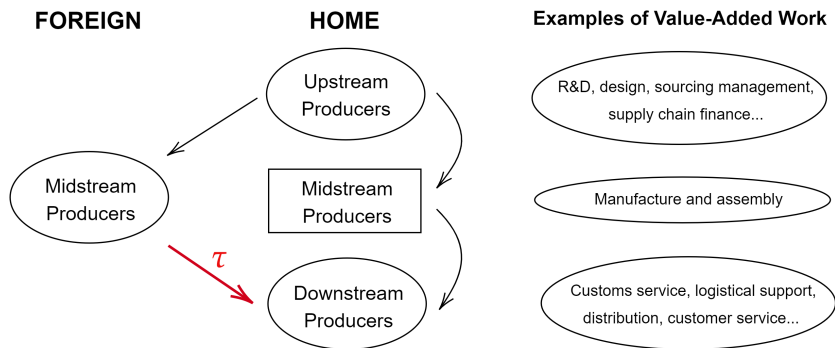
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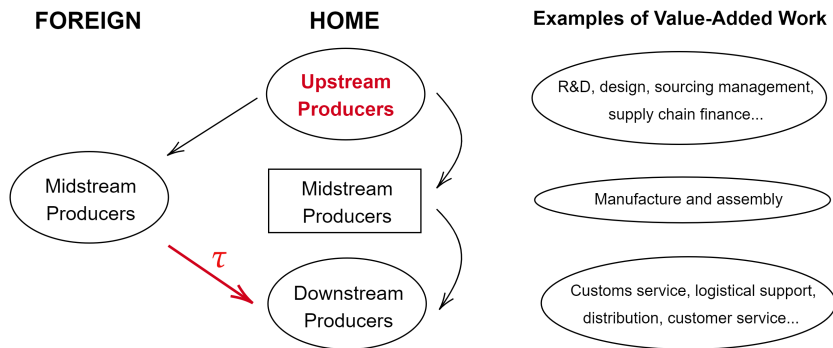
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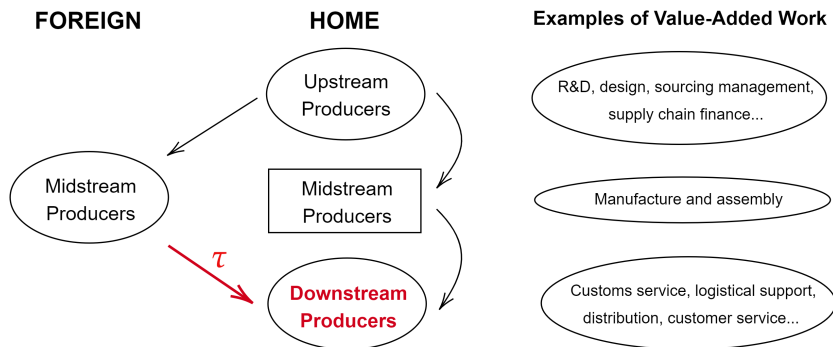
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Lemma: Upstream value added \rightsquigarrow Demand for liberalization

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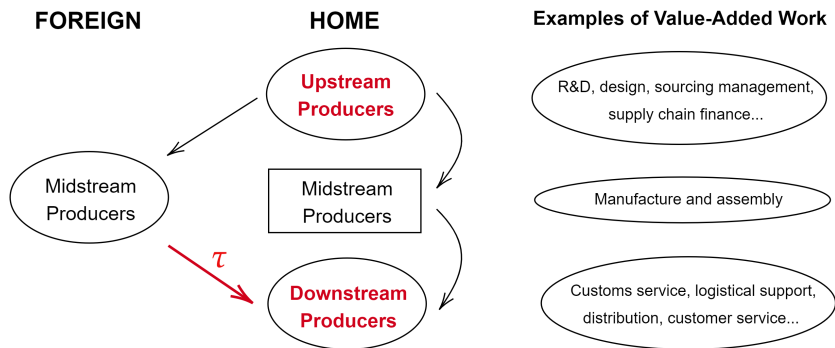
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Lemma: Downstream dependence \leadsto Demand for liberalization

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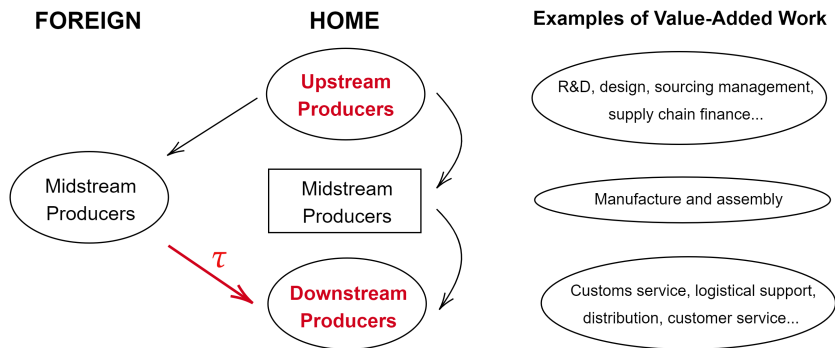


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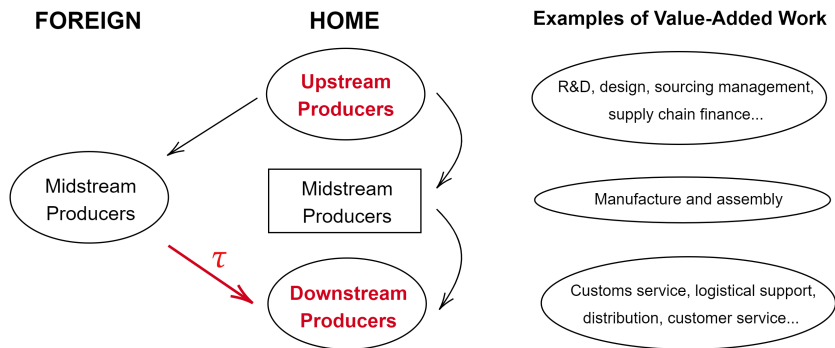


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Implications: Interdependent trade preferences among GVC Partners

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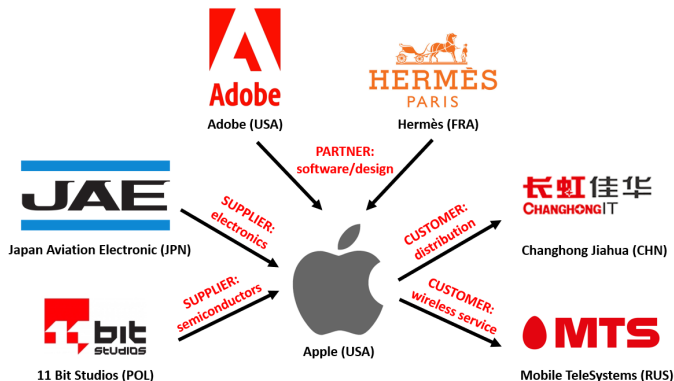
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Strategic Complementarity \rightsquigarrow *Local Aggregate Network Effect Model*

$$y_{it} = \rho \mathbf{W}'_{it-1} \mathbf{y}_{t-1} + \mathbf{X}'_{it-1} \beta + \alpha_i + \gamma_t + \epsilon_{it}$$

y_{it} : firm i 's lobbying in year t ; \mathbf{W}_{it} : GVC network; \mathbf{X}_{it} : # of GVC Partners, product differentiation, productivity, employment, capital expenditure, property of plant, cost of goods sold, value (Kim 2017)

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- ▶ H2: Density of GVC Partners \rightsquigarrow Lobbying by trade associations

$$y_{jt} \sim \text{Bernoulli}(\pi_{jt}); \quad \pi_{jt} = \text{logit}^{-1}(\beta l_{jt-1} + \mathbf{Z}'_{jt-1} \theta + \eta_j + \gamma_t)$$

y_{jt} : industry j 's collective lobbying in year t ; π_{jt} : industry j 's probability of collective lobbying in year t ; l_{jt} : "GVC interdependence"; \mathbf{Z}_{jt} : product differentiation, concentration, capital-labor ratio, average firm size (Bombardini and Trebbi 2012)

Empirical Finding I: GVC Partners Lobby Together.

Table: GVC Network Effect on Firms' Lobbying Activities

	<i>Dependent variable:</i>			
	Lobby		Lobbying Expenditure	
	(1)	(2)	(3)	(4)
GVC Partner Lobby	0.011*** (0.004)	0.017*** (0.006)	0.184*** (0.050)	0.252*** (0.078)
Productivity × Differentiation		✓		✓
Firm Characteristics	✓	✓	✓	✓
Firm Fixed Effect	✓	✓	✓	✓
Year Fixed Effect	✓	✓	✓	✓
Observations	59,533	29,978	59,533	29,978
Adjusted R ²	0.668	0.685	0.724	0.741

Note: Cluster robust standard errors at the firm level. * $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$.

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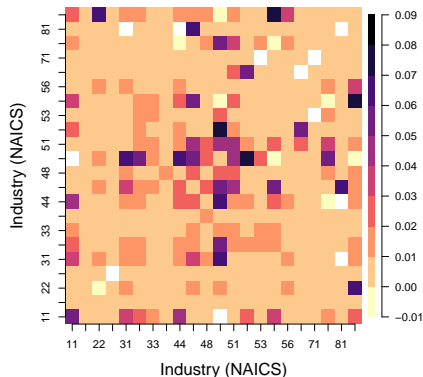
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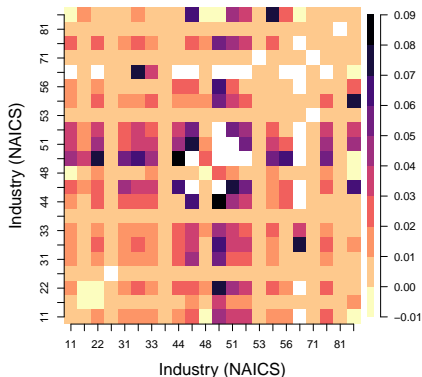
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With one more GVC Partner lobbying, the number of lobbying firms increases by **100+** and total lobbying expenditure rises by **\$155+ million**.

Empirical Finding II: GVC Partners Hire the Same Lobbyist and Lobby on the Same Bill.



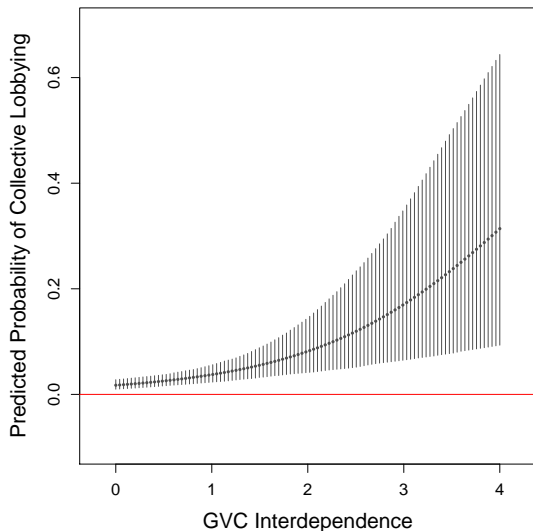
(a) Hiring of the Same Lobbyist



(b) Lobbying on the Same Bill

The effects of GVC Partners are mostly **positive** (orange or darker) and particularly large for **retail** (44-45), **logistics** (48-49), and **finance** (52).

Empirical Finding III: GVC Partners Collectively Lobby.



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Bring Back Coalitions to Trade Politics

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More information about this and other research on
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