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Title: Trade and activism: evidence from the Rana Plaza Collapse

The emergence of global value chains comes in parallel to the challenge of providing consumers with adequate information about the characteristics of the goods they purchase. Consumers and public authorities are giving weight to quality attributes such as nutritional content, safety, social and environmental impact. This requires to think about which state or civil-society institutions are able to take care of this sustainable development objective.

Given the weaker regulations and sometimes poor monitoring of value chains by governments in developing countries, non-governmental organizations (NGOs) have an important role in denouncing firms which source their input or final products abroad, and which have acted unethically. To which extent is the effect of activism visible on trade, reflecting consumers' reaction to a lower perceived quality of goods, or multinationals' changing sourcing behavior?

We use a natural experiment which increased the intensity of activism against some countries, namely the collapse of the Rana Plaza building in the suburbs of Dakha, the capital of Bangladesh. The building hosted several clothing factories manufacturing apparel for large multinational brands. We study world bilateral trade flows in the clothing industry, provided by the UN Comtrade database, and exploit monthly information on value and quantity between January 2010 and December 2015.

The countries whose firms were sourcing from the building have been identified by NGOs. We estimate whether their import flows from Bangladesh (and from other origins) after the shock differ from those of the control group. Our results indicate a relative decline in the sourcing intensity of apparel from Bangladesh by countries whose firms where linked to the Rana after the collapse. Their reduction in imports intensity from Bangladesh is limited to the apparel articles, suggesting a causal link between the event and the decline in import activities. The decline in imports slows down in terms of imported volume rather in prices.

The results are robust to a variety of sample checks, a number of placebo tests with the random assignment of importers to the `treated" In Rana category, as well as the false assignment of the shock to another country of origin.