Summary

This dissertation consists of three independent essays which contribute to the literatures on International Trade and Political Economy.

The first essay addresses questions related to the political economy of antidumping (AD). With the remarkable falling in tariff barriers that has characterized the post-World War II period, AD has become the most used non-tariff barrier (NTB). Studying the use of AD is thus of great importance, also because the restrictive effects of AD measures on trade can be sizable (see for instance Ruhl, 2014). Moreover, there is an increasing concern that AD has turned to be an industrial policy tool rather than a mean that governments can use to restore the “level-playing field” (Vandenbussche and Zanardi, 2008). This worry is in line with the findings presented in the first chapter of this dissertation, Bureaucrats or Politicians? Political Parties and Antidumping in the US, which shows that the adoption of AD measures in the US is heavily shaped by political parties’ interests.

I focus on the voting behavior of the International Trade Commission (ITC), a US quasi-judicial agency composed by six non-elected commissioners who are supposed to conduct (an important part of the) AD investigations in a fair and objective manner. Using a newly collected dataset containing all ITC commissioners’ votes on AD over the period 1980-2010, I show that political parties can affect the ITC voting behavior in two ways: by selecting ITC commissioners who have a similar stance on trade policy as their own (selection effect) and by influencing them while they are in office (pressure effect). While other studies have emphasised that Congress can put pressure on the ITC, the novelty of this work is to show that this pressure is party-specific.

First, I show that Democratic-appointed commissioners are systematically more protectionist than Republican-appointed ones. This effect is sizable (the probability of voting in favor of AD is at least 8 percentage points higher for Democratic-appointed commissioners) and suggests that political parties can play an important role by influencing the choice of ITC commissioners who have a similar preferences on trade. This result is insensitive to several changes in the econometric specifications and to the use of different methodologies.

Moreover, commissioners’ votes on AD depend on the trade policy interests of key senators (i.e. Trade sub-committee members) in the party they are associated to. In particular, whether (Democratic) Republican-
appointed commissioners vote in favor of AD depends crucially on whether the petitioning industry is key (in terms of employment) in the states represented by leading (Democratic) Republican senators at the time. This result is robust to several checks also holds when controlling for any unobserved time-invariant characteristic of ITC commissioners (e.g. the state of origin) that could influence their votes on AD and be correlated with the pressure variables, i.e. when commissioner fixed effects are included in the specifications. In addition, the pressure effect can actually overcome the selection effect, making a Republican-appointed commissioner more protectionist than the average Democratic-appointed one.

The second essay, *Internationalization and Innovation of Firms: Evidence and Policy*, analyzes the link between internationalization and innovation at the firm level.\(^3\) The evidence presented Chapter 2 shows that the degrees of involvement in internationalization and innovation are inextricably linked.

However, the European policy context seems at odds with this evidence: trade-promotion and innovation-enhancing policies are largely unrelated and often carried out through various agencies (see EIM, 2010).\(^4\) Thus, understanding the interaction between internationalization and innovation can be crucial for policy makers, especially in a world which is increasingly characterized by global value chains.\(^5\)

The interplay between internationalization and innovation is investigated in a unique, representative and cross-country comparable sample of manufacturing firms with at least ten employees (EFIGE), across seven European countries (Austria, France, Germany, Hungary, Italy, Spain, UK) for the year 2008.

We find that firms in the sample at hand are quite active in both innovation and internationalization: 87% of firms devote resources to R&D projects, IT solutions, or patent/design/trademark registrations, while 77% of our firms are active in international trade, cross-border outsourcing relations, or FDI. For modes of internationalization, there is a clear ranking of associated firm performance: FDI makers show the highest productivity, followed by outsourcers and traders. Innovation differences across modes are less clear cut.

Moreover, defining internationalization (innovation) intensity as the number of internationalization (innovation) modes in which firms are involved, we show that firms with high innovation intensity tend also to show high internationalization intensity. Instrumenting innovation intensity by the share of firms that have benefitted from R&D financial incentives in a given (NACE 2 digits) industry-country pair and by the share of investment in R&D over the value added in the same industry-country pair, for the years 2002-2006, we are not able to find conclusive evidence of a causal effect of innovation on internationalization.

Finally, a positive association between innovation and internationalization intensities appears at both firm level and country-industry (milieu) level, and at country level when average intensity is calculated disregarding the relative numbers of firms in the different industries. If country average intensities are computed weighting by firm numbers in the various industries, the correlation between innovation and internationalization intensities across countries appears weaker, suggesting that innovation matters more than internationalization for driving differences across countries.

Based on the evidence we collected, we suggest a higher coordination/integration of internationalization

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\(^3\) This chapter is the result of a joint work with Carlo Altimonte (Bocconi), Gabor Békés (CERS-HAS, CEU) and Gianmarco I.P. Ottaviano (LSE), published in the October 2013 issue of *Economic Policy*.

\(^4\) See [http://ec.europa.eu/enterprise/policies/innovation/policy/index_en.htm](http://ec.europa.eu/enterprise/policies/innovation/policy/index_en.htm) and [http://ec.europa.eu/trade/contact/](http://ec.europa.eu/trade/contact/) for a description of the way internationalization and innovation policies are organized and conducted within the EU.

and innovation policies at both the national and EU levels, and propose a bigger coordinating role for EU institutions, in order to reduce the current paradox of generally uncorrelated policies aimed at mostly correlated outcomes.

The third essay, *Cooperation Among Criminal Organizations: Evidence from Organized Crime in Italy*, uncovers new facts about the behavior criminal organizations on the Italian territory. Since Becker (1968) the economic analysis of crime has especially focused on the behavior of individual offenders. Much less attention has been devoted to the activities of criminal organizations, especially from an empirical point of view. Nevertheless, organized crime is a prominent and alarming presence in the world economy: it destroys physical and human capital and deteriorates the business environment, ultimately lowering the growth potential of an economy (Acconcia et al., 2014; Pinotti, 2015). The third chapter of this dissertation contributes to the literature on economics of organized crime by shedding light on the interaction between domestic and foreign organizations in Italy, showing that the probability of cooperation among them depends both on the type of crime committed and on the presence of traditional (*incumbent*) organizations in some regions of the country.

More specifically, cooperation between domestic and foreign criminal organizations is studied using a novel dataset containing information on their activities in the Italian territory during 2007-2010. Italian territory during 2007-2010. We first show that cooperation among Italians and foreigners is skewed towards specific crimes (e.g. counterfeiting activities). We then show that the presence of traditional (*incumbent*) organizations in some regions reduces the probability of cooperating. Interestingly, in these areas the same probability is higher when cooperation takes place for criminal activities in which foreign organizations can play an important role in providing *inputs*.

References


