

NGO campaigns and firm-level imports

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NGOs and trade

Advocacy NGOs pressure firms and governments to obtain preservation of “resources”:

- environment
- workforce: health, rights
- consumers: health

Expected impact: change in the **production process** of firms (abroad)

⇒ Change in costs should affect firm **import decision**

Different campaigns, different impact

Different effects according to type of campaign:

- 1 Characteristics of product pic1 pic2 \Rightarrow sales
- 2 Production process of final product pic \Rightarrow imports of final product
- 3 Production process of input pic \Rightarrow imports of input
- 4 Other (corruption ...) pic \Rightarrow sales

We focus on a sector (apparel) in which (2) is the main reaction expected and possible to measure.

Matching campaigns with firms, 1

- Imagine Braun is attacked for child labor in hairdryers in Morocco. We expect a reaction of firms that import and sell hairdryers in France
- Presumably most hairdryers are imported by Carrefour etc... and not by Braun.
- Difficult to map attacked firm with the importer.

Matching campaigns with firms, 2

Even more involved example

- **Mattel** is targeted for the **cardboard** sourced in Indonesia, used for Barbie dolls packaging.
- Likely reaction: Chinese plant assembling doll reduces imports of cardboard from Indonesia...: no way to see this in micro Customs data.

Matching campaigns with firms, 3

Last problem

- Sigwatch has information about name and main activity of targeted firm.
- Difficult to get exhaustive information about **product** being targeted.
- Ex: Nestle (palm oil). Decrease in imports of palm oil from Nestle expected. However Nestle is classified as food and beverages company

Empirical strategy

Therefore two strategies:

- ① Focus on an industry where the attacked brands are the importers (French Customs data)
- ② Drop firm info and use info on the product / country attacked (Bilateral sectoral trade data)

Literature

- ① Effect of campaigns: Harrison and Scorse (2010, *working conditions*), Bartley and Child (2011 *sales, stock prices*), Murdie and Davis (2012b *human rights*), Hendel and Lach (2016 *boycott*)
- ② Effect of standards: Fontagne et al (2015, *firm exports*)...
- ③ Trade costs and imports: Tintelnot (2016), Gopinath and Neiman (2013), Bas and Strauss-Kahn (2015),

Our contribution

- First use of a **systematic dataset on activists**
- ... to analyse the **impact** of campaigns on **firm sourcing strategy**

Two empirical investigations:

- Bilateral trade sector-month level (Comtrade)
- Firm-level imports with focus on Rana Plaza event (French Customs data)

New data from Sigwatch

Multinationals fearing to be targeted by NGOs...
... creates 'NGOs tracking'

- NGO-level **campaigns**
- **target firm**, sector, issue
- 2010-2014, by day
- 2960 NGOs , 6088 firms
- exhaustive on sectors and countries
- country of NGO, firm, action

Patterns of NGO campaigns: sectors

Industry (ISIC Rev. 3.1)	# of Firms	# of NGOs	% of Campaigns	Avg NC/firm/year
0100 Agriculture	291	400	3.1	4
0500 Fishing	59	91	.67	3.9
1300 Mining of metal ores	447	615	7.22	5.4
1500 Mf of food products and beverages	836	551	9.73	4
1600 Mf of tobacco products	15	47	.36	4.5
2100 Mf of paper and paper products	178	192	1.98	3.9
2400 Mf of chemicals	52	386	3.11	17.1
2423 Mf of pharma., medicinals and botanical products	145	312	2.54	5.2
2424 Mf of soap, detergents, perfumes	180	189	1.94	3.6
2500 Mf of plastic products	13	100	.57	17.5
2900 Mf of machinery and equipment	71	134	1.11	4.9
3400 Mf of motor vehicles	77	154	.91	3.3
3700 Recycling	52	74	.24	2
4000 Extraction, manuf and distrib of all energies	1155	1577	32.53	8.1
4100 Water collection, purification and distribution	44	62	.27	2.3
4500 Construction	329	519	3.4	3.8
5200 Retail trade except motor vehicles	58	73	.76	4.5
5210 Non-specialized retail trade in stores	339	413	5.14	4.3
5232 Retail of textiles, clothing, footwear goods	385	237	4.76	4.3
5500 Hotels and restaurants	19	152	1.17	10.7
6000 Land transport	81	172	.82	3.1
6200 Air transport	96	117	.91	2.6
6300 Auxiliary transport activities	30	31	.15	2.5
6500 Finance and insurance	538	547	10.37	5.3
7200 Computer and related activities (not manuf)	314	331	4.25	4
7400 Other business activities	69	120	.43	2.4
9200 Recreation, Media, cultural, sporting activities	215	227	1.55	2.7

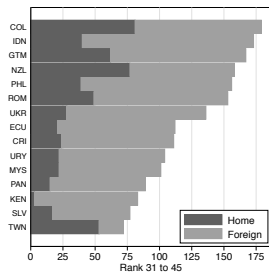
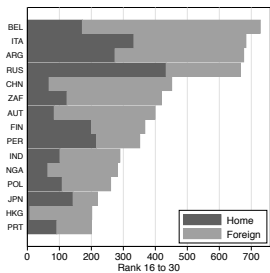
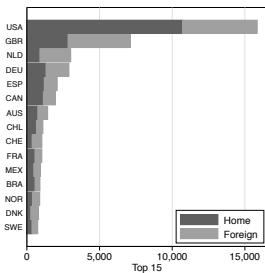
Example of NGO campaigns

“In the U.S. and Europe, International Labor Rights Forum and Clean Clothes Campaign published ‘Still Waiting’, a report on the alleged failure of international fashion brands to pay compensation to the victims of the Rana Plaza factory collapse and the Tazreen factory fire in Bangladesh (Auchan, **Camaieu**, Mango...)”

- Firm country = FRA
- Action country = BGD
- NGO name = ILRF
- NGO country = USA
- Sector = Clothing

NGOs

Figure: Number of outward campaigns per country

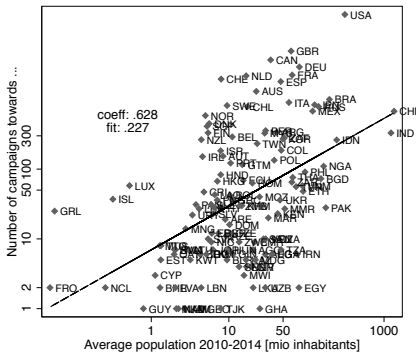
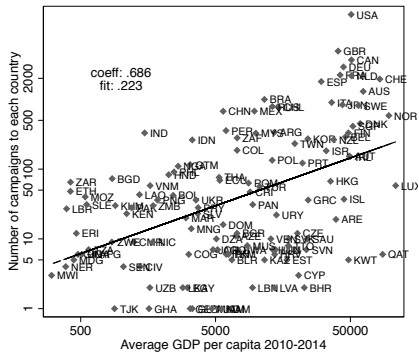


Top US: Sierra Club, RAN, FoE US, Greenpeace

Top French: FoE France, Greenpeace France, Peuples Solidaires, Attac

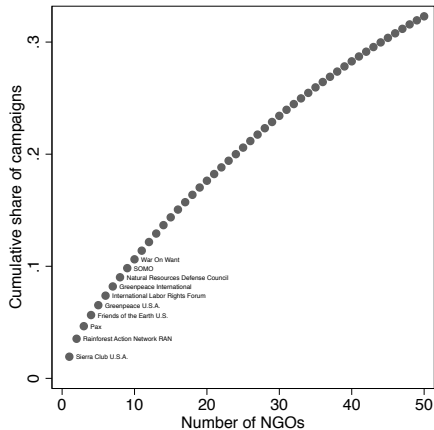
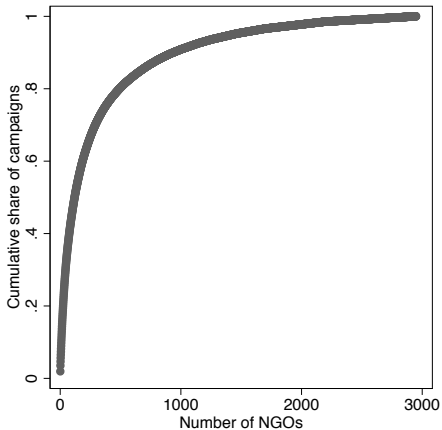
Target countries

Figure: Number of inward campaigns, GDP and population



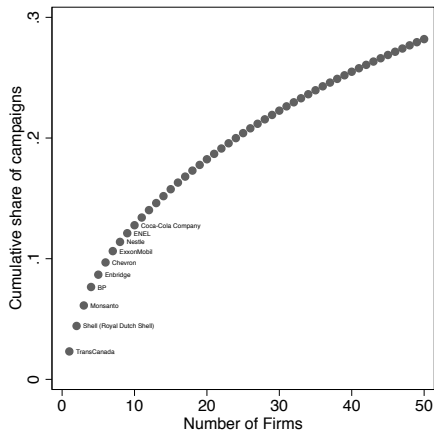
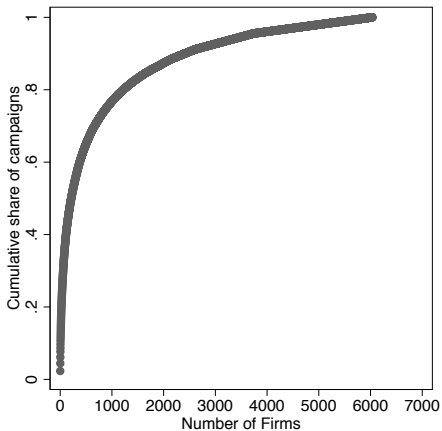
Patterns of NGO campaigns

- Cumulative share of campaigns by individual NGOs



Targets firms

- Cumulative share of campaigns by individual firms



Expected impact on trade flows

① Firm sourcing decision

Tintelnot (2016, QJE): microfounded gravity equation for imports of firm f from country j :

$$\text{imports}_{fj} = \frac{c_j^{-\theta}}{\sum_{h \in H_f} c_h^{-\theta}} v_f \quad (1)$$

- c_j is the production cost in j
- v_f is total imports of firm f

① Consumer demand for firm f 's products

$$v_f = \frac{a_f^{\sigma-1} p_f^{1-\sigma}}{\sum_f a_f^{\sigma-1} p_f^{1-\sigma}} Y \quad (2)$$

- a_f is perceived quality of f 's products
- p_f is the price of the product bundle sold by firm f

Activist campaigns ...

Without improvement of the production process,

- ↘ perceived quality a_f
- decrease in demand v_f

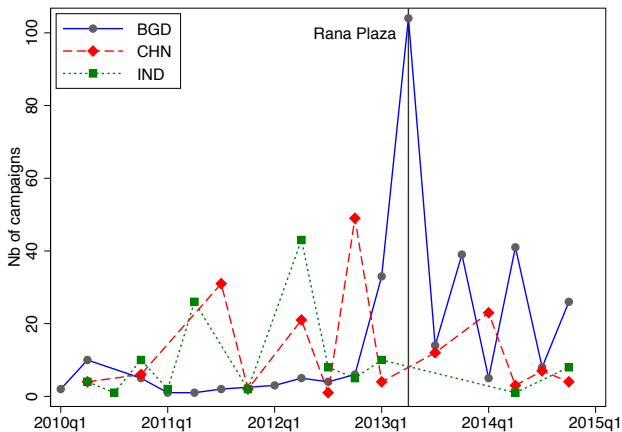
With firm investment in production process,

- ↗ in sourcing price (variable cost)
- aim is to restore perceived quality and recover lost demand v_f

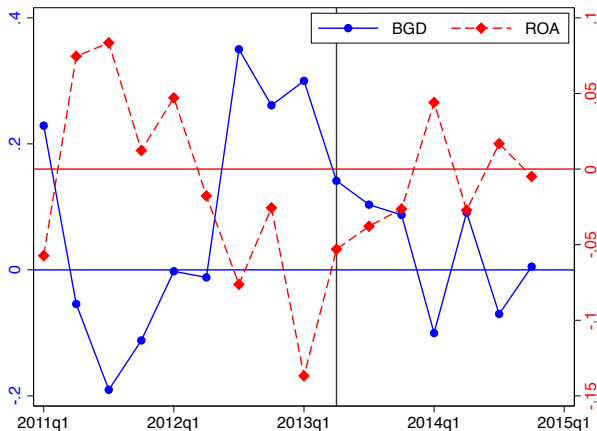
Illustration of a firm-level reaction to a large shock

- Rana Plaza collapse, April 2013, Bangladesh, killing more than 1000 workers
- Clothing factories selling to foreign firms
- Exogenous shock leading to numerous campaigns

Number of campaigns

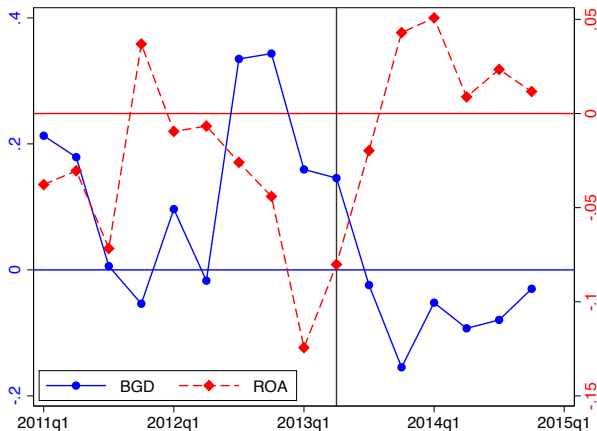


Firm-level imports in reaction to Rana Plaza shock



Annual change in quarterly import share from BGD and Rest of Asia for the **largest French importer** of garment

Firm-level imports in reaction to Rana Plaza shock



Annual change in monthly import share from BGD and ROA for the **top10 French importers** of garment

Firm-level imports in reaction to Rana Plaza shock

Firm-level DID

$$dshare\ imports_{fjt} = \beta_0 BGD + \beta_1 BGD \times PostRana + \nu_f + \eta_t + \epsilon_{fjt} \quad (3)$$

- BGD dummy controls for the pre-shock level of imports from BGD (wrt control group)
- $BGD \times PostRana = 1$ for BGD after the collapse of building

Caution: theory predict substitution ...

Firm-level imports in reaction to Rana Plaza shock (1)

Firms	Top10	Top10	Top10	All	All
Countries	BGD vs. ROA	BGD vs. Asian c.	BGD vs. all c.	BGD vs. Asian c.	BGD vs. all c.
	(1)	(2)	(3)	(4)	(5)
	dsh	dsh	dsh	dsh	dsh
BGDPostPlaza	-0.219 ^a (0.051)	-0.233 ^b (0.102)	-0.172 (0.140)	-0.086 ^a (0.019)	-0.062 ^a (0.021)
BGD	0.247 ^a (0.034)				
Constant	-0.021 (0.015)	0.067 ^a (0.022)	-0.053 ^a (0.015)	0.016 ^a (0.002)	-0.013 ^a (0.001)
Observations	480	872	3456	92769	314579
R ²	0.168	0.048	0.066	0.090	0.034
rmse	0.271	0.593	0.846	0.725	0.817
Fixed effects	firm year	firm year ctry	firm year ctry	firm year ctry	firm year ctry

Standard errors in parentheses

^c p<0.1, ^b p<0.05, ^a p<0.01

ROA = Rest of Asia (PAK, IND, IND, THL, VNM, CHN)

Summary of results

- Growth rate of imports decreases by 22 to 23 pct points for top importers when restricting control group to other Asian countries
- Average growth rate in ROA sample is 5.3%
- Average growth rate of imports from BGD before shock is 19.6%
- Heterogeneity of campaign effect:
 - ① Larger effect of campaigns on top exporters ($\times 2.5$)
 - ② Within Asian suppliers, approximately same reaction
 - ③ Larger substitution effect for proximate countries

Firm-level imports in reaction to Rana Plaza shock (2)

Very similar when identifying only in the time dimension
(firm-country fixed effects)

Firms	Top10	Top10	Top10	All	All
Countries	BGD vs. ROA	BGD vs. Asian c.	BGD vs. all c.	BGD vs. Asian c.	BGD vs. all c.
	(1)	(2)	(3)	(4)	(5)
	dsh	dsh	dsh	dsh	dsh
BGDPostPlaza	-0.240 ^a (0.050)	-0.258 ^b (0.104)	-0.154 (0.136)	-0.120 ^a (0.021)	-0.085 ^a (0.023)
Constant	0.064 ^a (0.014)	0.069 ^a (0.020)	-0.053 ^a (0.014)	0.018 ^a (0.002)	-0.012 ^a (0.001)
Observations	480	872	3456	92769	314579
R ²	0.288	0.280	0.222	0.186	0.202
rmse	0.258	0.537	0.805	0.707	0.786
Fixed effects	yr fm-c	yr fm-c	yr fm-c	yr fm-c	yr fm-c

Standard errors in parentheses

^c p<0.1, ^b p<0.05, ^a p<0.01

ROA = Rest of Asia (PAK, IND, IND, THL, VNM, CHN)

Firm-level imports in reaction to campaigns

Replication of RanaPLaza exercise using cumulative Sigwatch data as shocks in the apparel industry

Firms	Top10	Top10	Top10	All	All
Countries	BGD vs. ROA	BGD vs. Asian c.	BGD vs. all c.	BGD vs. Asian c.	BGD vs. all c.
	(1)	(2)	(3)	(4)	(5)
	dsh	dsh	dsh	dsh	dsh
ncsq_i-j_cum	-0.071 ^c (0.040)	-0.143 ^a (0.050)	-0.070 (0.054)	-0.039 ^a (0.009)	0.013 ^b (0.005)
Constant	0.172 ^b (0.069)	0.135 ^a (0.036)	-0.038 ^b (0.019)	0.046 ^a (0.008)	-0.019 ^a (0.003)
Observations	320	872	3456	92769	314579
R ²	0.299	0.282	0.222	0.186	0.202
rmse	0.266	0.536	0.805	0.707	0.786
Fixed effects	yr fm-c	yr fm-c	yr fm-c	yr fm-c	yr fm-c

Standard errors in parentheses

^c p<0.1, ^b p<0.05, ^a p<0.01

ROA = Rest of Asia (PAK, IND, IND, THL, VNM, CHN)

Country-level bilateral trade estimations

- Comtrade data: bilateral flow by year, month for all goods, 2010-2014
- LHS: annual change in monthly imports value from each supplier
- RHS: Nb of campaigns targeting country i for misbehavior in country j , by sector and month
- **Structural Gravity**: MR terms controled by destination-sector-time and origin-sector-time FE
- We add country-pair/sector FE to identify the effect of campaigns in the time dimension

$$\Delta_{12} \ln imports_{ijst} = \gamma + \gamma_0 NC_{ijs,t-1} + FE_{ist} + FE_{jst} + FE_{ijs} + \epsilon_{ijst} \quad (4)$$

Estimation issues

Exogeneity of campaigns: Are campaigns linked to unobservables that also cause trade ?

- anything that makes a country-sector a particularly good target or source for a given month is captured by the MR terms FE (events...)
- We also control for bilateral FE: remaining potential problems are bilateral-time: omitted factors that co-vary with campaigns in the time dimension inside a country-pair + influence trade
- Reverse causality is obvious candidate: NGO target surge in exports to their consumers = positive correlation between trade and campaigns
- goes against us + lags

Country-level results

Table: Baseline Regressions

Explained variable	Growth of import value by country i from country j sector s (month $t - t - 12$)					
	All monthly flows ($i-j-s$) $\Delta \text{Ln}(1+\text{import})$				Midpoint	Positive Δ
Import flows	1	2	3	4	5	6
Nb denunciations on action of country i 's firms in country j	-0.027 ^a (0.006)	-0.021 ^b (0.008)	-0.017 ^b (0.008)	-0.013 ^c (0.008)	-0.004 ^c (0.002)	-0.034 ^b (0.014)
Observations	37,751,616					6,740,684
R^2	0.099	0.126	0.171	0.327	0.117	0.637
rmse	2.556	2.543	2.497	2.282	0.631	2.752
Fixed effects	it jt ij	it jt ijs	ist jst ijs	ist jst ijs ijt	ist jst ijs	ist jst ijs

Robust standard errors in parentheses. Denunciations variable is lagged by one month

Country-level results

Table: Full trade flows with lags

Explained variable	$\Delta \ln (1+ \text{import value by country } i \text{ from country } j)$ sector s (month $t - t-12$)		
	1	2	3
Nb denunciations on actions in			
Month t-1	-0.017 ^b (0.008)	-0.017 ^b (0.008)	-0.017 ^b (0.008)
Month t-2		-0.005 (0.008)	-0.005 (0.009)
Month t-3		0.005 (0.008)	0.005 (0.009)
Month t-4		-0.000 (0.009)	-0.001 (0.009)
Month t-5			0.007 (0.009)
Month t-6			-0.001 (0.009)
Observations		37,751,616	
R^2	0.171	0.171	0.171
rmse	2.497	2.497	2.497
Fixed effects		ist jst ijs	

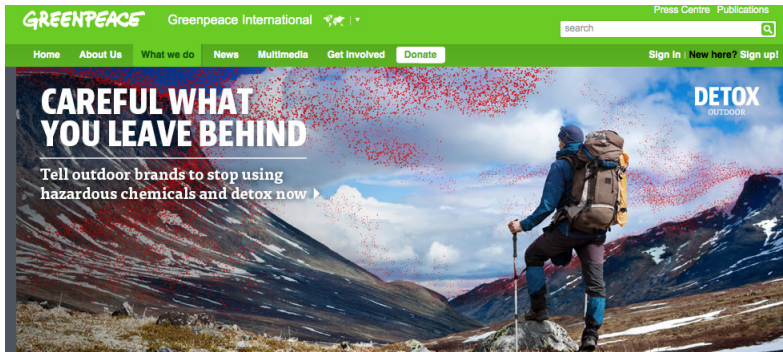
Dataset includes all monthly flows (including zero flows) by country i -country j - sector s triad.

Summary of results

- One more campaign decreases the import growth rate by 1.3% in most demanding specification
- Average import growth rate in the sample is 6%
- Effects seems to be short-lived : only the $t - 1$ shock appears significant
- Effect is stronger at the intensive margin (on positive flows)

Conclusion

- Our preliminary investigations suggest substantial reaction of importers to campaigns from NGOs
- Effect seems to be heterogeneous: (i) large vs small firms (ii) substitution stronger with proximate countries
- Future work:
 - ① match firm-level attacks with firm-level flows
 - ② compare to effect of tariffs
 - ③ intensive-extensive margin
 - ④ investigate quality channel with changes in unit values



Campaign by Greenpeace against Mammut and The North Face in 2011 [back](#).

Nestlé formula labels

Nestlé claims to market baby milk responsibly, but look at what it does - not just what it says it does

What Nestlé says:

There is no question about breast milk being the best start a baby can have in life. Nestlé firmly believes that breastfeeding is the best way to feed a baby and is strongly committed to its protection and promotion.

Nestlé takes very seriously its responsibility to ensure that our marketing practices abide by the World Health Organisation's International Code of Marketing of Breast-milk Substitutes. We have implemented extensive measures to ensure strict compliance with it.

What Nestlé does:

Nestlé knows that babies fed on formula are more likely to become sick than breastfed babies and, in conditions of poverty, more likely to die. Yet it defends promoting its formula with claims such as it 'protects' babies.

Our campaigns force changes - Nestlé wrote to us on 14 October 2014: 'We will discontinue the use of the "Natural Start" logo on our infant formula products by mid-2015'.

But it continues with other claims, even boasting to investors that its 'gentle start' promotion is an engine for growth'. It calls it 'Project Happy'. Some examples of labels collected in 2013.



Afghanistan
'Gentle start'



Bosnia
Protective arms logo



Croatia
'Protect'



Indonesia
Logos and claims



International Code Article 9.2

'Neither the container nor the label should have ... pictures or text which may idealise the use of infant formula.'

Nestlé has now promised to drop its 'natural start' claim (we will check) - help us keep up the pressure for all these claims to go.



Lithuania
'Protect'



Maldives
'Gentle Start'



Portugal
Hypoallergenic claim
Start Plus' logo



Taiwan
Protect logo



Thailand
'Natural Start'



Philippines
Nestlé battles regulations



The Philippines requires statutory warnings on labels in English and Filipino and prohibits claims. Nestlé does not use its 'protect' or 'gentle start' claims, but is still using logos and highlighting ingredients.

Nestlé is also backing attempts to introduce a new law that would legitimise many of its misleading marketing strategies.

Ukraine
'Protect'



United Kingdom
'Advanced Gold System'
Mother images



Venezuela
'Comforta'



Figure: Campaign by Greenpeace against Adidas in 2014 for using chemicals during production of footwear



A Red Card for sportswear brands

GREENPEACE

Hazardous chemicals found in World Cup merchandise

www.greenpeace.org

The image shows a person's leg in a white sock and a pink and white Adidas Predator boot on a soccer field. A soccer ball is also visible. The text 'A Red Card for sportswear brands' is written in large white letters on a green background. The Greenpeace logo is on the right. At the bottom, it says 'Hazardous chemicals found in World Cup merchandise' and 'www.greenpeace.org'.



- the adidas Predator boots produced in Indonesia and sold in Germany (37.9 $\mu\text{g}/\text{m}^2$),
- the Nike Mercurial boots, produced in China and sold in Germany, which had very high concentrations of PFBS (188.57 $\mu\text{g}/\text{m}^2$) in the first analysis and 7.91 $\mu\text{g}/\text{m}^2$ in the second analysis. Quality control checks indicate that such differences in test results are a result of uneven distribution of PFC on the shoes.
- the Puma evoSpeed boots (34.1 $\mu\text{g}/\text{m}^2$), produced in China and sold in Germany.

The study shows findings of long chain PFC (C10 to C14) in thirteen out of 21 tested boots, partly in concentrations higher than 1 $\mu\text{g}/\text{m}^2$. Some of these chemicals are SVHC (substances of very high concern) according to EU REACH regulation.

It should be noted that in Greenpeace East Asia's recent study,¹¹ investigations have shown that concentrations of ionic PFC can vary widely not only between products but within different parts of the same product. These variations

are likely to be a characteristic of textile products treated with PFC in general, and not only the specific products tested.¹²

The results show that ionic PFC are widely used in the manufacture of World Cup merchandise by adidas, Nike and Puma; in particular PFOA continues to be used despite corporate policies to eliminate its use. In addition, nearly half of the football boots (10 out of 21) and one pair of gloves contained the very persistent PFC, PFBS. The majority of the environmental impacts from these chemicals will occur in the countries where the merchandise products are manufactured, which are mainly in Asia, when chemicals used in manufacturing are released into waterways. All of the football boots were manufactured in South East Asia (9 in China, 8 in Indonesia, 2 in Vietnam and 1 in Cambodia), with the exception of one pair, which was bought in Russia and manufactured in Bosnia.



Campaign by Greenpeace against Nestle in 2010 for using unsustainable palmoil [back](#) .

Biotech's Assault on Balanced Journalism



Campaign by the Organic Consumer Association against Monsanto in 2013 for pressuring journalists at Reuters [back](#) .

Firm-level imports in reaction to Rana Plaza shock (3)

Firms	Top10	Top10	Top10	All	All
Countries	BGD vs. ROA	BGD vs. Asian c.	BGD vs. all c.	BGD vs. Asian c.	BGD vs. all c.
	(1)	(2)	(3)	(4)	(5)
	dsh	dsh	dsh	dsh	dsh
BGDPostPlaza	-0.129 (0.093)	-0.186 (0.193)	-0.129 (0.281)	-0.102 ^b (0.041)	-0.084 ^c (0.047)
Constant	0.048 ^a (0.018)	0.063 ^a (0.024)	-0.054 ^a (0.014)	0.017 ^a (0.003)	-0.013 ^a (0.002)
Observations	480	872	3456	92769	314579
R ²	0.354	0.341	0.332	0.362	0.270
rmse	0.255	0.528	0.768	0.692	0.798
Fixed effects	fm-r, fm-c, c-yr	fm-r, fm-c, c-yr	fm-r, fm-c, c-yr	fm-r, fm-c, c-yr	fm-r, fm-c, c-yr

Standard errors in parentheses

^c p<0.1, ^b p<0.05, ^a p<0.01

ROA = Rest of Asia (PAK, IND, IND, THL, VNM, CHN)