In the last two decades, we have witnessed important changes in the world economy, in particular, in the fields of international trade and industrial organization. One of the most significant of these changes has been the radical restructuring of global production and the resulting development of global value chains (GVCs) and global production networks (GPNs). A key objective of this book is to construct a theoretical framework which takes into account some of these changes. This chapter will explain how, in an age where international production and trade increasingly occurs through value chains, import-dependent firms have become key new actors in the trade policy-making landscape. I will develop hypotheses which take into account the political involvement of import-dependent firms, as well as more established societal interests, in the context of EU’s system of trade defense instruments (TDIs).

Many existing analytical frameworks have difficulties or, at least, do not fully grasp the changes that have occurred in the trade policy landscape as described above. Traditional trade theories – developed by economists working in the tradition of David Ricardo and others – look primarily at the benefits of trade. Trade, so it is argued, expands consumption possibilities as it allows every country in the world to specialize in the production of those goods and services in which it has a comparative advantage (see for a good discussion Krugman and Obstfeld, 2003). Later, proponents of the “new trade theory” (see Dixit and Norman, 1980; Krugman, 1980, 1992; Lancaster, 1980) showed us that countries do not necessarily specialize and trade only to take advantage of their differences but also because trade permits industries to employ economies of scale. That is, due to international trade, the size of the market is extended, which, in turn, can lead to economies of
scale and increasing returns so that the larger the scale at which it takes place, the more efficient the production. Where there are economies of scale, the argument goes, doubling the inputs to an industry will more than double the industry’s production. These scale economies lead to intra-industry trade and product differentiation. In this view, free trade is even more beneficial than what has been portrayed by traditional trade economists. More recently, we have seen the development of what has become known as the “new new trade theory” (see e.g. Baldwin and Robert-Nicoud, 2008; Ciuriak et al., 2011; Melitz, 2003; Ottaviano, 2011), which has shifted the focus from the industry level to individual firms. It is argued that firms, both within and across sectors, differ when it comes to their productivity and that “trade liberalization increases productivity primarily because of within industry reallocations rather than across industry reallocations” (Ciuriak et al., 2011: 3). That is, liberalizing trade will reallocate wealth (i.e. market shares and resources), within the same industry, from firms with a low productivity ratio to those with high productivity, which, in turn, will increase the average productivity (Ciuriak et al., 2011).

The aforementioned economic theories have mainly focused on analyzing what kind of trade policies bring most wealth to a firm, industry, nation, or the world as a whole. In this book, however, I am mainly interested in the circumstances under which decision-makers choose protectionism or freer trade. This means that we need theories that take into account the political process surrounding a decision by policy-makers to open or close a state’s market. Trade policy has distributional consequences and, as a result, in each society, there are firms who win and those who lose from international trade. To be sure, there has been no lack of attention in the literature on the role of firms in trade governance. Hitherto, as explained in detail in the introductory chapter, most of these accounts have focused on the political battle between import-competing and export-oriented producers (e.g. De Bièvre and Dür, 2005; Dür, 2007; Gilligan, 1997a; Hathaway, 1998; Hillman, 1982; Hiscox, 2001; Milner, 1988; Pahre, 2008). However, due to the globalization of production and the growing importance of GVCs, import-dependent firms have gained importance, both economically and politically, and should therefore be taken into account as well when analyzing trade politics.

I am clearly not the first to acknowledge the significance of importers in the trade policy landscape. Economists have developed models of trade policy in which importers are treated as interest groups separate from exporters and import-competitors (e.g. Bernard et al., 2005, 2007; Maggi and Rodriguez-Clare, 2000). Also, political scientists have