

# WTI Brown Bag Seminar



## Title

Trade Liberalization and Labor Market Institutions

## Speaker

Dr Aydin Yildirim, Postdoctoral Researcher, World Trade Institute, University of Bern

## When

Friday

22 November 2019

12.30-13.30

## Where

Anna Nussbaum Auditorium

World Trade Institute

Hallerstrasse 6, 3012 Bern

## Abstract

While the distributional consequences of trade liberalization at the firm level are now well understood, the previous literature has paid limited attention to how variations of domestic institutions across countries impact the reallocation effect suggested by the New New Trade Theory. We advance the argument that labor market institutions systematically influence the distributional effects of trade. Specifically, we contend that the presence of institutions of coordinated wage bargaining, which pose a ceiling to wage increases, helps smaller firms weather the raising competition triggered by tariff reduction. We test this hypothesis using a firm-level dataset on EU countries, which includes more than 800,000 manufacturing firms between 2003 and 2016. We rely on a novel measure of preferential tariff reductions to capture the occurrence of trade liberalization. We find that, for productive firms, gains from trade are twice as large in countries with liberal wage bargaining as they are in countries with coordinated wage bargaining. We complement our analysis by showing that there is a weaker demand for redistribution in latter case as a result of the occurrence of preferential liberalization. The results of our paper inform a growing literature on the winners and losers from trade liberalization at the firm level, pointing out the importance of institutions in taming market forces.

## Biography of the speaker

Aydin Yildirim is a political scientist specializing in international political economy (IPE). His research focuses on the politics of international trade and international institutions, such as the World Trade Organization (WTO), globalization of production, and the role of multinational companies (MNCs) in global trade governance. He obtained his PhD from the University of Antwerp in Belgium, his MSc from the University of Edinburgh in Scotland and his Political Science degree from the University of Houston in the U.S. He previously served as a Max Weber Postdoctoral Fellow at the European University Institute's (EUI) Robert Schuman Centre for Advanced Studies, Visiting Fellow at the Nuffield College of the University of Oxford, and a guest lecturer at the University of Antwerp. His work has been published by the Review of International Organizations, Global Policy, Comparative European Politics, and the World Trade Review.

