



You are cordially invited to

UCLouvain Economics Seminar

On Thursday November 29, 2018, from 12:45 to 14:00
Doyen 22, Place des Doyens, 1

Maarten Bosker
(University of Rotterdam)

Will give a presentation on

Shock propagation in global supply chains. Evidence from the US-Vietnam Bilateral Trade Agreement.

Abstract: Production is increasingly fragmented across international border. One important consequence of this development is that a shock in one country can affect not only the country's direct, but also its indirect, trade partners further up- or downstream the global value chain. This paper exploits the exogenous nature of the US import tariff reductions against Vietnamese products following the 2001 US Vietnam bilateral trade agreement to identify how this 'shock' propagates through global supply chains. We find that (i) US producers substituted non-Vietnamese products with the lower-priced Vietnamese ones, (ii) Vietnamese producers diverted exports away from non-US markets, (iii) Vietnamese producers facing steeper US tariff cuts imported more foreign intermediate inputs, and (iv) US producers gained market shares in foreign markets by using lower-priced Vietnamese inputs. We also compare these findings to the up- and downstream propagation of the shock in Vietnam's, respectively the US', own *domestic* supply chain. Domestic and international downstream propagation are of similar magnitude. Upstream, domestic propagation is an order of magnitude larger than the international propagation of the shock, reflecting Vietnam's (still) limited role as important buyer of foreign intermediates.

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