

NCCR Trade Regulation Brown Bag Series

Adam Jakubik, doctoral researcher in economics at the European University Institute, Florence

THE CHINA SHOCK REVISITED: INSIGHTS FROM VALUE ADDED TRADE FLOWS

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Anna Nussbaum Auditorium, World Trade Institute, University of Bern
Hallerstrasse 6, 3012 Bern, Switzerland

Abstract

There has been a lively debate among economists on causal relationship between the rise of China and decline of manufacturing jobs in the developed world. We exploit value added decomposition of trade flows in order to distinguish the effects of domestic and foreign drivers of the trade shock, as well as to identify the driving groups of industries based on revealed comparative advantage. Our identification and instrumentation strategy follows closely the nascent literature on local labour market trade exposure. We find evidence for a genuine Chinese productivity shock driving adverse employment effects in the 2000-2008 period, contrary to an 'assembly hub' or GVC-integration explanation. However, these effects have greatly diminished by the 2008-2015 period, as labour market adjustment has largely concluded. This obviates labour market related justifications for bilateral trade policy interventions. The negative effects that persist in the latter period are found to be driven by recently-gained Chinese comparative

advantage industries. As a methodological contribution we improve on the local trade exposure measure by calculating it using value added industries, because these more accurately mirror the labour content of traded goods. Doing so based on exporting industries obscures the exposure faced by upstream suppliers.

Biography of the Speaker

Adam Jakubik is a doctoral researcher in economics at the European University Institute, Florence. His research interests are in global value chains, trade policy, and the economics of networks. Adam holds a Master of Science in Economics and a Bachelor of Science in Economics and Statistics from University College London, as well as a Master of Research in Economics from the European University Institute. He has been a visiting researcher at Bocconi University, Milan and an intern at the Economic Research and Statistics Division of the World Trade Organization, Geneva.

**Participation is free of charge, no registration is needed.
We warmly welcome you to join our seminar at the World Trade Institute!**

NCCR Trade Regulation Brown Bag Seminars are 30-minute presentations, given by external or in-house researchers. The presentations are followed by a 30-minute Q&A session. The Brown Bag concept comes from the US; it means that people bring their own lunch and eat it during the presentation.