

International Influences on Japanese Supply Chains

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Abstract

This paper investigates the transmission mechanism of Chinese productivity shocks through industry-level and firm-level networks in the Japanese manufacturing sector. Using instrumental variable estimators we find a particular transmission pattern of Chinese productivity shocks: increased Chinese productivity in a particular industry negatively affects Japanese suppliers of Japanese firms in that industry (upstream propagation) and positively affects their Japanese corporate customers (downstream propagation). This is different from the case of the United States studied by Acemoglu, Akcigit, and Kerr (2015), who do not find evidence for downstream propagation of these shocks.