

Seminar**“Friendly fire: the trade impact of the Russia sanctions and counter-sanctions”**

(in English)

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Biography:

Matthieu Crozet is a Professor of economics. He received his Ph.D. from the University of Paris I Panthéon-Sorbonne in 2000. He was professor of economics at the university of Paris 1 and the Paris School of Economics, before joining the University of Paris-Sud / Paris Saclay (France). He is currently a visiting professor at CUHK, in Hong Kong. He has also taught international trade at University of Lausanne (Switzerland), BNU and SUIBE (China). He also served as a scientific advisor at CEPII (France) and part-time consultant for the World Bank. He has published many articles in leading scholarly journals, such as the Review of Economic Studies, the Journal of International Economics, the European Economic Review, etc. He is currently a co-editor of the European Economic Review. His research interests focus on international trade and economic geography. His most recent research is also related to the IO literature. It exploits firm-level data to examine the determinants of firms' performance in global markets.

Date: 15 February 2017 (Wednesday)

Time: 11:00am – 12:15pm

Venue: WYL314, Dorothy Y. L. Wong Building

Abstract:

Economic sanctions are a frequent instrument of foreign policy. In a diplomatic conflict, they aim to elicit a change in the policies of foreign governments by damaging their economy. However, sanctions are not costless for the sending economy, where domestic firms involved in business with the target countries might incur economic damages. This paper evaluates these costs in terms of export losses of the diplomatic crisis that started in 2014 between the Russian Federation and 37 countries, (including the United States, the EU, and Japan) over the Ukrainian conflict for the implicated countries. 2014 Ukrainian revolution and subsequent military conflict in eastern and southern Ukraine. We first gauge the impact of the sanctions' regime using a structural gravity framework and quantify the trade losses in a general equilibrium counterfactual analysis. We estimate this loss at US\$114 billion from 2014 until the end of 2015, with US\$ 44 billion being borne by sanctioning Western countries. Interestingly, we find that the bulk of the impact stems from products that are not directly targeted by Russian retaliations (taking the form of an embargo on imports of agricultural products). This result suggests that most of the losses are not attributable to the Russian retaliation but to Western sanctions. We then investigate the underlying mechanism at the firm level using French customs data. Results indicate that neither consumer boycotts nor perceived country risk can account for the decline in exports of products that are not targeted by the Russian embargo. Instead, the disruption of the provision of trade finance services is found to have played an important role.

All Are Welcome

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