

SEMINAR

"Regional Trade Integration and Input Sourcing Patterns of Multinational Enterprise Plants: Evidence from the ECFA."

(With Yuting Huang)

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ABSTRACT:

This paper studies the impacts of regional trade integration on the input sourcing patterns of firms engaging in multinational production. We examine the responses of Taiwanese MNC affiliates in mainland China around the time of a single event — the signing of the Economic Cooperation Framework Agreement (ECFA) between the Mainland and Taiwan in June 2010. Using data on firm-level ownership linkages in conjunction with transaction-level trade flows between 2006 and 2015, we find strong evidence that in response to input tariff reductions, firms increased imports not only from members but also from non-member trade partners. The scale effect through the demand response to lower input costs appears to dominate the direct substitution effect from the enhanced trade relation across the Strait, leading to a trade creation effect outside the integrated bloc. Moreover, to a large extent, the trade created outside the bloc appears to be contained within multinationals' organizational boundaries. In particular, for contract-intensive products, firms mainly increased sourcing from related parties. The findings suggest that MNC production networks strengthen the trade creation effect of regional trade agreements by reducing contractual frictions and search frictions along input-output linkages.

BIOGRAPHY:

Dr. Bingjing Li is an Associate Professor of Economics at the University of Hong Kong (HKU). Her main research fields are international trade and applied microeconomics. Her works focus on understanding how openness to trade interacts with development and political economy factors, using both micro data and quantitative models.

Dr. Li obtained her Ph.D. in Economics from the University of British Columbia in 2016, M.Phil. in Economics from the Chinese University of Hong Kong (CUHK) in 2011, and B.Soc.Sc. from CUHK in 2009. She joined the HKU Business School as an Associate Professor in 2021. Before joining HKU, she worked at the National University of Singapore.

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