

Accepted Manuscript

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PII: S0014-2921(17)30197-6
DOI: [10.1016/j.euroecorev.2017.10.009](https://doi.org/10.1016/j.euroecorev.2017.10.009)
Reference: EER 3069

To appear in: *European Economic Review*

Received date: 31 August 2016
Accepted date: 9 October 2017

Please cite this article as: Leilei Shen, Peri Silva, Value-Added Exports and U.S. Local Labor Markets: Does China Really Matter?, *European Economic Review* (2017), doi: [10.1016/j.euroecorev.2017.10.009](https://doi.org/10.1016/j.euroecorev.2017.10.009)

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Value-Added Exports and U.S. Local Labor Markets: Does China Really Matter?*

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October 2017

Abstract

In this paper, our main focus is the direct contribution of the Chinese economy to changes in U.S. labor market outcomes. Our results indicate that the effects of continuously rising value-added exports from China to the U.S. depend on the position of the Chinese exporting industry in the global value chain. In particular, we find that an increase in U.S. exposure to value-added exports from China in industries with high degree of downstreamness leads to negative effects on the share of manufacturing employment, while the same is not present in the case of industries with low degree of downstreamness. Moreover, our results also suggest that the effects of an increase in U.S. exposure to value-added exports from China on average wages and on unemployment levels depends on the position of the Chinese industry in the global value chain.

JEL classification numbers: J6, J21 and J23

Keywords: Value-added exports, employment, wages

*We are grateful to Emily Blanchard, Anca Cristea, Rafael Dix-Carneiro, Brian Kovak, Ryan Monarch, Marcelo Olarreaga, Nicholas Sly, Daniel Treffer, Chong Xiang, Gerald Willmann, the editor Theo Eicher, two anonymous referees, and seminar participants at the Fall 2014 Midwest Meetings, the DEGIT meetings at the Graduate Institute in Geneva, the EIIT conference at the University of Oregon, the CEA conference at Toronto, Shanghai University of Finance and Economics, the Geneva Trade and Development workshop, and at the Capital University of Economics and Business for helpful comments and discussions. We also appreciate the generosity of David Autor, David Dorn and Zhi Wang in making available the datasets used in their papers.

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