

# The China Shock and Supply Chains: When Rising Imports Raise Exports

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## **Abstract**

This paper investigates the effect of trade with China on manufacturing employment using Japanese commuting zone level data during the 1991-2012 period. Our paper differs from previous studies in the Japanese context in two respects. First, we investigate the effects of export opportunities to China in addition to import competition from China. Second, export creation effects of imports through within-country supply chains are also taken into consideration. We find that (1) imported inputs from China had an employment creation effect and (2) commuting zones that were exposed to a greater increase in imported inputs increased export to China greatly.