

Discussion: The Effects of Geopolitical Conflicts and Supply-Chain Reconfiguration on Commodity Markets and the Real Economy by Sébastien Miroudot

Discussant: Eunhee Lee (Seoul National University)

G20 Global Financial Stability Conference
October 27, 2026

This Presentation

- A very timely and data-rich overview of where supply chains stand now
- **Main message:** GVCs are being **reconfigured, not unraveling**
 - ▶ Trade via GVCs at a record 17% of world GDP; partners reshuffled in 2025
 - ▶ Chinese value added increasingly reaches the U.S. via third countries
⇒ chains re-route, but they do not disappear
 - ▶ Yet trade is not becoming more diversified (Theil index, HS6)
- **The risks:** concentration and non-market policies, particularly in critical minerals
 - ▶ Export restrictions at record highs; critical-mineral prices more volatile
- **Policy ask:** transparency, “digging deeper” into impacts, cooperation through rules
- **My comments:** I agree that GVCs are reconfigured rather than unraveling; the question is **who bears the cost of GVC reconfiguration**
 - ▶ Three comments, each answered with numbers from Lee (2026): a multi-stage GVC model with bloc-specific trade costs and endogenous worker sorting, seven regions in two geopolitical blocs defined by UN General Assembly voting

Model

Scenarios

This Presentation

- A very timely and data-rich overview of where supply chains stand now
- **Main message:** GVCs are being **reconfigured, not unraveling**
 - ▶ Trade via GVCs at a record 17% of world GDP; partners reshuffled in 2025
 - ▶ Chinese value added increasingly reaches the U.S. via third countries
⇒ chains re-route, but they do not disappear
 - ▶ Yet trade is not becoming more diversified (Theil index, HS6)
- **The risks:** concentration and non-market policies, particularly in critical minerals
 - ▶ Export restrictions at record highs; critical-mineral prices more volatile
- **Policy ask:** transparency, “digging deeper” into impacts, cooperation through rules
- **My comments:** I agree that GVCs are reconfigured rather than unraveling; the question is **who bears the cost of GVC reconfiguration**
 - ▶ Three comments, each answered with numbers from Lee (2026): a multi-stage GVC model with bloc-specific trade costs and endogenous worker sorting, seven regions in two geopolitical blocs defined by UN General Assembly voting

Model

Scenarios

This Presentation

- A very timely and data-rich overview of where supply chains stand now
- **Main message:** GVCs are being **reconfigured, not unraveling**
 - ▶ Trade via GVCs at a record 17% of world GDP; partners reshuffled in 2025
 - ▶ Chinese value added increasingly reaches the U.S. via third countries
⇒ chains re-route, but they do not disappear
 - ▶ Yet trade is not becoming more diversified (Theil index, HS6)
- **The risks:** concentration and non-market policies, particularly in critical minerals
 - ▶ Export restrictions at record highs; critical-mineral prices more volatile
- **Policy ask:** transparency, “digging deeper” into impacts, cooperation through rules
- **My comments:** I agree that GVCs are reconfigured rather than unraveling; the question is **who bears the cost of GVC reconfiguration**
 - ▶ Three comments, each answered with numbers from Lee (2026): a multi-stage GVC model with bloc-specific trade costs and endogenous worker sorting, seven regions in two geopolitical blocs defined by UN General Assembly voting

Model

Scenarios

This Presentation

- A very timely and data-rich overview of where supply chains stand now
- **Main message:** GVCs are being **reconfigured, not unraveling**
 - ▶ Trade via GVCs at a record 17% of world GDP; partners reshuffled in 2025
 - ▶ Chinese value added increasingly reaches the U.S. via third countries
⇒ chains re-route, but they do not disappear
 - ▶ Yet trade is not becoming more diversified (Theil index, HS6)
- **The risks:** concentration and non-market policies, particularly in critical minerals
 - ▶ Export restrictions at record highs; critical-mineral prices more volatile
- **Policy ask:** transparency, “digging deeper” into impacts, cooperation through rules
- **My comments:** I agree that GVCs are reconfigured rather than unraveling; the question is **who bears the cost of GVC reconfiguration**
 - ▶ Three comments, each answered with numbers from Lee (2026): a multi-stage GVC model with bloc-specific trade costs and endogenous worker sorting, seven regions in two geopolitical blocs defined by UN General Assembly voting

Model

Scenarios

This Presentation

- A very timely and data-rich overview of where supply chains stand now
- **Main message:** GVCs are being **reconfigured, not unraveling**
 - ▶ Trade via GVCs at a record 17% of world GDP; partners reshuffled in 2025
 - ▶ Chinese value added increasingly reaches the U.S. via third countries
⇒ chains re-route, but they do not disappear
 - ▶ Yet trade is not becoming more diversified (Theil index, HS6)
- **The risks:** concentration and non-market policies, particularly in critical minerals
 - ▶ Export restrictions at record highs; critical-mineral prices more volatile
- **Policy ask:** transparency, “digging deeper” into impacts, cooperation through rules
- **My comments:** I agree that GVCs are reconfigured rather than unraveling; the question is **who bears the cost of GVC reconfiguration**
 - ▶ Three comments, each answered with numbers from Lee (2026): a multi-stage GVC model with bloc-specific trade costs and endogenous worker sorting, seven regions in two geopolitical blocs defined by UN General Assembly voting

Model

Scenarios

Comment #1: Country-Level Incidence

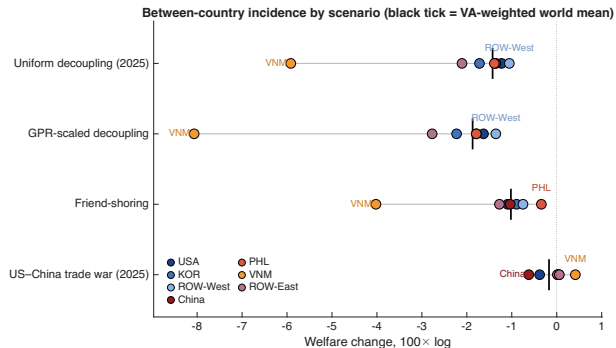
- “Not unraveling” is about the **world total**; re-routing creates winners and losers
- **Suggestion:** pair every resilience aggregate with a **welfare incidence statistic** from a general equilibrium model
- Nov-2025 U.S.–China tariffs: a **K-divergence** in the literal sense
 - ▶ Principals: China -0.62% , U.S. -0.38%
 - ▶ Connector: Viet Nam $+0.41\%$
- Uniform decoupling, i.e., the same wedge on all cross-bloc goods: **heterogeneous losses**
 - ▶ Bloc cores -1.0% to -1.4% , Korea -1.7% , Viet Nam -5.9% [Table](#)

Comment #1: Country-Level Incidence

- “Not unraveling” is about the **world total**; re-routing creates winners and losers
- **Suggestion:** pair every resilience aggregate with a **welfare incidence statistic** from a general equilibrium model
- Nov-2025 U.S.–China tariffs: a **K-divergence** in the literal sense
 - ▶ Principals: China -0.62% , U.S. -0.38%
 - ▶ Connector: Viet Nam $+0.41\%$
- Uniform decoupling, i.e., the same wedge on all cross-bloc goods: **heterogeneous losses**
 - ▶ Bloc cores -1.0% to -1.4% , Korea -1.7% , Viet Nam -5.9% [Table](#)

Comment #1: Country-Level Incidence

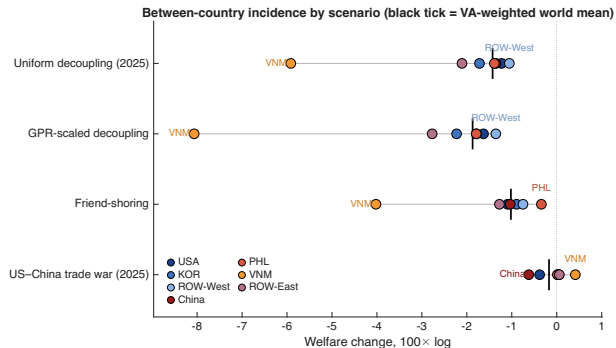
- “Not unraveling” is about the **world total**; re-routing creates winners and losers
- **Suggestion:** pair every resilience aggregate with a **welfare incidence statistic** from a general equilibrium model
- Nov-2025 U.S.–China tariffs: a **K-divergence** in the literal sense
 - ▶ Principals: China -0.62% , U.S. -0.38%
 - ▶ Connector: Viet Nam $+0.41\%$
- Uniform decoupling, i.e., the same wedge on all cross-bloc goods: **heterogeneous losses**
 - ▶ Bloc cores -1.0% to -1.4% , Korea -1.7% , Viet Nam -5.9% [Table](#)



Welfare change, $100 \times \log$. Uniform decoupling: $\hat{\tau} = 1.284$ on all cross-bloc goods trade (the Nov-2025 U.S.–China wedge); GPR-scaled: $\hat{\tau} = 1.451$; friend-shoring: East→West goods only. Blocs follow UN General Assembly voting as in Gopinath et al. (2025): West = U.S., Korea, ROW-West; East = China, Philippines, Viet Nam, ROW-East. (Source: Lee 2026)

Comment #1: Country-Level Incidence

- “Not unraveling” is about the **world total**; re-routing creates winners and losers
- **Suggestion:** pair every resilience aggregate with a **welfare incidence statistic** from a general equilibrium model
- Nov-2025 U.S.–China tariffs: a **K-divergence** in the literal sense
 - ▶ Principals: China -0.62% , U.S. -0.38%
 - ▶ Connector: Viet Nam $+0.41\%$
- Uniform decoupling, i.e., the same wedge on all cross-bloc goods: **heterogeneous losses**
 - ▶ Bloc cores -1.0% to -1.4% , Korea -1.7% , Viet Nam -5.9% [Table](#)



Welfare change, $100 \times \log$. Uniform decoupling: $\hat{\tau} = 1.284$ on all cross-bloc goods trade (the Nov-2025 U.S.–China wedge); GPR-scaled: $\hat{\tau} = 1.451$; friend-shoring: East→West goods only. Blocs follow UN General Assembly voting as in Gopinath et al. (2025): West = U.S., Korea, ROW-West; East = China, Philippines, Viet Nam, ROW-East. (Source: Lee 2026)

Comment #2: Measuring Exposure across Blocs

- Trade is not becoming more diversified, but under fragmentation the relevant risk is whether a chain **crosses the bloc border**
 - ▶ Diversifying partners within one's own bloc leaves it unchanged
- **A measure:** share of a country's trade value on paths crossing the bloc border
 - ▶ From 7.7% (U.S.) to 34.9% (Viet Nam): sourcing upstream in one bloc, selling downstream in the other
- Counterfactual (Lee 2026): welfare losses from decoupling are **larger for the countries more exposed to cross-bloc trade**

All scenarios

Comment #2: Measuring Exposure across Blocs

- Trade is not becoming more diversified, but under fragmentation the relevant risk is whether a chain **crosses the bloc border**
 - ▶ Diversifying partners within one's own bloc leaves it unchanged
- **A measure:** share of a country's trade value on paths crossing the bloc border
 - ▶ From 7.7% (U.S.) to 34.9% (Viet Nam): sourcing upstream in one bloc, selling downstream in the other
- Counterfactual (Lee 2026): welfare losses from decoupling are **larger for the countries more exposed to cross-bloc trade**

All scenarios

	West bloc			East bloc			
(%, 2017)	U.S.	KOR	ROW-W	CHN	PHL	VNM	ROW-E
All sectors	7.7	13.1	10.6	9.5	12.3	34.9	19.0
Goods sector only	3.1	8.5	4.7	8.3	7.4	29.5	10.4

Comment #2: Measuring Exposure across Blocs

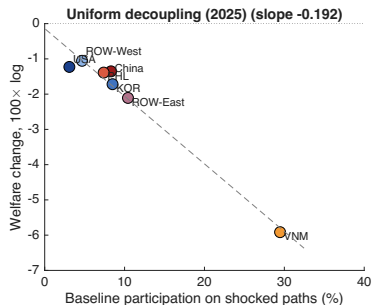
- Trade is not becoming more diversified, but under fragmentation the relevant risk is whether a chain **crosses the bloc border**
 - Diversifying partners within one's own bloc leaves it unchanged

- A measure:** share of a country's trade value on paths crossing the bloc border
 - From 7.7% (U.S.) to 34.9% (Viet Nam): sourcing upstream in one bloc, selling downstream in the other

- Counterfactual (Lee 2026): welfare losses from decoupling are **larger for the countries more exposed to cross-bloc trade**

All scenarios

	West bloc			East bloc			
(%, 2017)	U.S.	KOR	ROW-W	CHN	PHL	VNM	ROW-E
All sectors	7.7	13.1	10.6	9.5	12.3	34.9	19.0
Goods sector only	3.1	8.5	4.7	8.3	7.4	29.5	10.4



Uniform decoupling: welfare change vs. participation on shocked paths. (Source: Lee 2026)

Comment #3: Upstream vs. Downstream

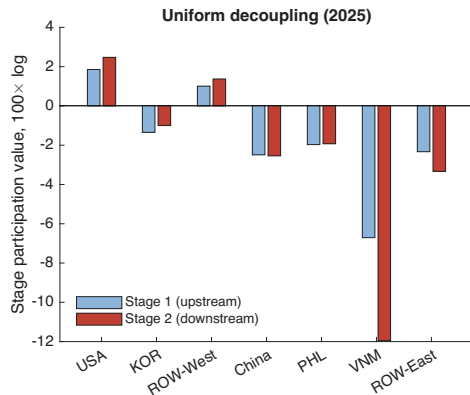
- Critical minerals are an **upstream** story
- Upstream stages re-route less elastically (Yi 2003; Antràs and de Gortari 2020)
 - ▶ Effective trade elasticity: 0.6–2.1 (stage 1) vs. 4 (stage 2)
 - ▶ $\Rightarrow$ restrictions show up in **prices**, not in volumes; the volatility of mineral prices
- Downstream stages re-route relatively more
 - ▶ E.g., Viet Nam under uniform decoupling: –6.7% upstream vs. –12.0% downstream participation Channels
- Different levers: stockpiles and refining capacity upstream; who hosts the downstream stages

Comment #3: Upstream vs. Downstream

- Critical minerals are an **upstream** story
- Upstream stages re-route less elastically (Yi 2003; Antràs and de Gortari 2020)
 - ▶ Effective trade elasticity: 0.6–2.1 (stage 1) vs. 4 (stage 2)
 - ▶ $\Rightarrow$ restrictions show up in **prices**, not in volumes; the volatility of mineral prices
- Downstream stages re-route relatively more
 - ▶ E.g., Viet Nam under uniform decoupling: –6.7% upstream vs. –12.0% downstream participation Channels
- Different levers: stockpiles and refining capacity upstream; who hosts the downstream stages

Comment #3: Upstream vs. Downstream

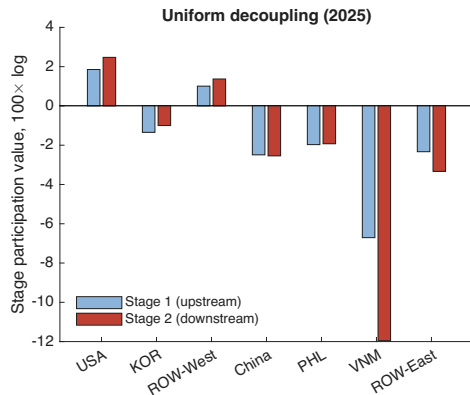
- Critical minerals are an **upstream** story
- Upstream stages re-route less elastically (Yi 2003; Antràs and de Gortari 2020)
 - ▶ Effective trade elasticity: 0.6–2.1 (stage 1) vs. 4 (stage 2)
 - ▶ $\Rightarrow$ restrictions show up in **prices**, not in volumes; the volatility of mineral prices
- Downstream stages re-route relatively more
 - ▶ E.g., Viet Nam under uniform decoupling: –6.7% upstream vs. –12.0% downstream participation **Channels**
- Different levers: stockpiles and refining capacity upstream; who hosts the downstream stages



Uniform decoupling: change in stage-participation value, $100 \times \log$.
(Source: Lee 2026)

Comment #3: Upstream vs. Downstream

- Critical minerals are an **upstream** story
- Upstream stages re-route less elastically (Yi 2003; Antràs and de Gortari 2020)
 - ▶ Effective trade elasticity: 0.6–2.1 (stage 1) vs. 4 (stage 2)
 - ▶ $\Rightarrow$ restrictions show up in **prices**, not in volumes; the volatility of mineral prices
- Downstream stages re-route relatively more
 - ▶ E.g., Viet Nam under uniform decoupling: –6.7% upstream vs. –12.0% downstream participation **Channels**
- Different levers: stockpiles and refining capacity upstream; who hosts the downstream stages



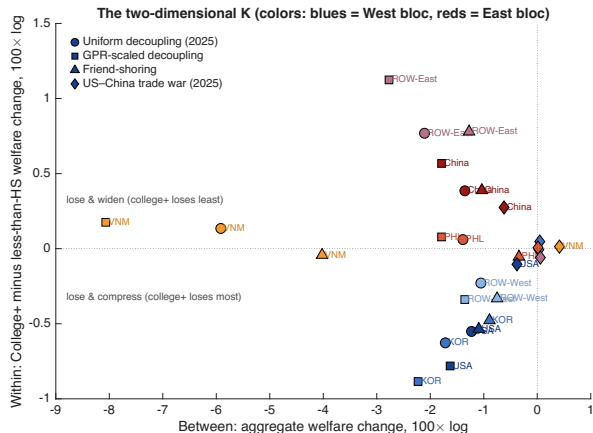
Uniform decoupling: change in stage-participation value, $100 \times \log$.
(Source: Lee 2026)

An Additional Margin: Incidence *within* Countries

- Stages differ in occupation mix $\Rightarrow$ relocating them also moves income **within** countries
- Uniform decoupling: the skill premium falls in the West and rises in the East
 - ▶ U.S. -0.38% , Korea -0.26% vs. China $+0.34\%$, ROW-East $+0.65\%$
- The skill premium response depends on workers' **reallocation capacity**, which is lower in developing countries
 - ▶ $\Rightarrow$ labor mobility and retraining also belong in the discussion of supply-chain reconfiguration

An Additional Margin: Incidence *within* Countries

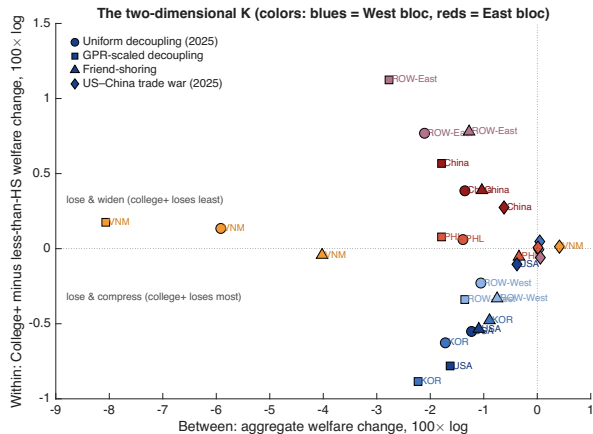
- Stages differ in occupation mix $\Rightarrow$ relocating them also moves income **within** countries
- Uniform decoupling: the skill premium falls in the West and rises in the East
 - ▶ U.S. -0.38% , Korea -0.26% vs. China $+0.34\%$, ROW-East $+0.65\%$
- The skill premium response depends on workers' **reallocation capacity**, which is lower in developing countries
 - ▶ $\Rightarrow$ labor mobility and retraining also belong in the discussion of supply-chain reconfiguration



Every (scenario, region) pair: aggregate welfare change vs. college minus less-than-HS welfare change. (Source: Lee 2026)

An Additional Margin: Incidence *within* Countries

- Stages differ in occupation mix $\Rightarrow$ relocating them also moves income **within** countries
- Uniform decoupling: the skill premium falls in the West and rises in the East
 - ▶ U.S. -0.38% , Korea -0.26% vs. China $+0.34\%$, ROW-East $+0.65\%$
- The skill premium response depends on workers' **reallocation capacity**, which is lower in developing countries
 - ▶ $\Rightarrow$ labor mobility and retraining also belong in the discussion of supply-chain reconfiguration



Taking Stock..

- GVCs are being **reconfigured rather than unraveling**; my comments concern who bears the cost
- First, the world total should be read with **country-level incidence**: re-routing creates winners and losers
- Second, exposure under fragmentation is a matter of **chain position**, in addition to product diversification
- Third, upstream and downstream concentration are **different risks** with different levers
- Lastly, stage relocation also moves income **within** countries $\Rightarrow$ labor mobility and retraining belong in the discussion

Taking Stock..

- GVCs are being **reconfigured rather than unraveling**; my comments concern who bears the cost
- First, the world total should be read with **country-level incidence**: re-routing creates winners and losers
- Second, exposure under fragmentation is a matter of **chain position**, in addition to product diversification
- Third, upstream and downstream concentration are **different risks** with different levers
- Lastly, stage relocation also moves income **within** countries $\Rightarrow$ labor mobility and retraining belong in the discussion

Taking Stock..

- GVCs are being **reconfigured rather than unraveling**; my comments concern who bears the cost
- First, the world total should be read with **country-level incidence**: re-routing creates winners and losers
- Second, exposure under fragmentation is a matter of **chain position**, in addition to product diversification
- Third, upstream and downstream concentration are **different risks** with different levers
- Lastly, stage relocation also moves income **within** countries $\Rightarrow$ labor mobility and retraining belong in the discussion

Taking Stock..

- GVCs are being **reconfigured rather than unraveling**; my comments concern who bears the cost
- First, the world total should be read with **country-level incidence**: re-routing creates winners and losers
- Second, exposure under fragmentation is a matter of **chain position**, in addition to product diversification
- Third, upstream and downstream concentration are **different risks** with different levers
- Lastly, stage relocation also moves income **within** countries $\Rightarrow$ labor mobility and retraining belong in the discussion

Taking Stock..

- GVCs are being **reconfigured rather than unraveling**; my comments concern who bears the cost
- First, the world total should be read with **country-level incidence**: re-routing creates winners and losers
- Second, exposure under fragmentation is a matter of **chain position**, in addition to product diversification
- Third, upstream and downstream concentration are **different risks** with different levers
- Lastly, stage relocation also moves income **within** countries $\Rightarrow$ labor mobility and retraining belong in the discussion

Backup: Technology and Sourcing (Lee 2026)

- Stage j of good ω (sector s) in country i combines intermediates, occupational labor, and the previous stage's output:

$$f_i^{s,j}(\cdot) = z_i^{s,j}(\omega) \left[(x_i^{s,j})^{1-\alpha_i^s} \prod_o (L_i^{s,j,o}(\omega))^{\beta_i^{j,o} \alpha_i^s} \right]^{\gamma^{s,j}} \underbrace{(m_i^{s,j-1}(\omega))^{1-\gamma^{s,j}}}_{\text{the GVC element}}$$

- $\beta_i^{j,o}$: intensity of occupation o at stage $j \Rightarrow$ relocating a stage is an occupation-biased labor demand shift
- Probability that path $l = (l^1, \dots, l^J)$ produces the sector- s final good bought in n :

$$\lambda_{l,n}^s = \frac{\prod_{j=1}^J A_{l^j}^s \left[(c_{l^j}^{s,j})^{\gamma^{s,j}} \tau_{l^j l^j+1}^s \right]^{-\nu \tilde{\gamma}^{s,j}}}{\sum_{l'} \prod_{j=1}^J A_{l'^j}^s \left[(c_{l'^j}^{s,j})^{\gamma^{s,j}} \tau_{l'^j l'^j+1}^s \right]^{-\nu \tilde{\gamma}^{s,j}}}$$

- τ : trade cost of the shipment leaving stage j ; $\nu \tilde{\gamma}^{s,j}$: effective trade elasticity, rising with j (magnification)
- Compounding**: a path crossing the bloc boundary k times is taxed k times; Roy sorting with $\theta_{i,t}$ (Lee 2020)
- Seven regions in two geopolitical blocs defined by UN General Assembly voting, as in Gopinath et al. (2025)

Data

Back: Main

Backup: Scenarios, Sized to Enacted Policy

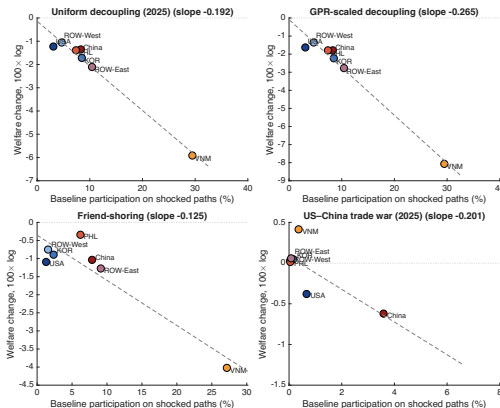
- Every scenario is a bloc-specific increase in trade costs, $\hat{\tau} = \tau'/\tau$, on goods trade

Scenario	Instrument	Sizing	Cells shocked
(1) Uniform decoupling	$\hat{\tau} = 1 + \Delta$, all cross-bloc goods pairs	$\Delta = 0.284$ (Nov-2025 U.S.–China wedge)	120
(2) GPR-scaled decoupling	same	$\Delta = 0.284 \times 1.587 = 0.451$ (Caldara and Iacoviello 2022)	120
(3) Friend-shoring	$\hat{\tau} = 1 + \Delta$, East→West goods only	$\Delta = 0.284$	60
(4) U.S.–China trade war	statutory Nov-2025 tariffs, U.S.↔China	$\hat{\tau} \in [1.27, 1.48]$ and $[1.04, 1.31]$	10

- Tariff sizing: the U.S. tariff on Chinese goods rises from 2.6% (2017) to 34.8% (Nov. 2025); $\Delta = 0.284$ is the mean U.S.–China wedge
- (1) asks what the 2025 U.S.–China wedge would do if it applied to *all* cross-bloc goods trade; (3) is the policy on the table: the West de-risks, the East does not retaliate
- Services unshocked; tariff revenue not rebated; productivity and deficits fixed $\Rightarrow$ best read as trade-cost shocks
- Blocs from 2019–2023 UN General Assembly ideal points (Bailey, Strezhnev, and Voeten 2017), as in Gopinath et al. (2025): West if closer to the U.S. (2.34) than to China (−1.02)
 - ▶ ROW-West = EU, U.K., Japan, Australia, Canada, and other U.S.-aligned economies; ROW-East = India, other ASEAN, Russia, Brazil, Mexico, and the rest

Backup: Exposure Orders the Losses

- Welfare change vs. the share of participation value on shocked paths, by scenario



- Slope -0.19 log points per pp at the 2025 sizing, correlation -0.99 ; weaker under friend-shoring (-0.12), because the West's loss runs through the price index rather than its own stage participation

Backup: Channel-Removal Counterfactuals

- Re-solve uniform decoupling with one transmission channel removed at a time

	USA	KOR	ROW-West	China	PHL	VNM	ROW-East
Welfare (100 × log)							
Baseline (full model)	-1.23	-1.72	-1.05	-1.35	-1.39	-5.92	-2.11
No upstream transmission (final shipment only)	-0.94	-1.31	-0.78	-1.20	-0.90	-4.60	-1.62
Upstream shipment shocked only	-0.28	-0.41	-0.27	-0.14	-0.47	-1.21	-0.49
Stage-invariant trade elasticity (upstream raised to ν)	-2.54	-2.15	-2.25	-0.73	-1.30	-4.28	-1.78
Stage-invariant occupation intensities	-1.24	-1.79	-1.04	-1.24	-1.36	-5.48	-2.12
Higher reallocation capacity ($\theta_{i,t} \times 5$)	-1.18	-1.62	-1.04	-1.33	-1.30	-5.56	-2.09
Lower reallocation capacity ($\theta_{i,t} = 1.05$)	-1.24	-1.73	-1.06	-1.35	-1.40	-5.92	-2.11
Sector-specific trade elasticities	-0.94	-1.22	-0.69	-1.27	-1.15	-6.18	-1.98
Skill premium (100 × log)							
Baseline (full model)	-0.375	-0.260	-0.174	+0.341	+0.055	+0.335	+0.653
No upstream transmission (final shipment only)	-0.416	-0.184	-0.191	+0.429	+0.100	+0.534	+0.678
Upstream shipment shocked only	+0.029	-0.091	+0.012	-0.082	-0.045	-0.154	-0.020
Stage-invariant trade elasticity (upstream raised to ν)	-0.294	-0.207	-0.116	+0.206	+0.006	+0.229	+0.513
Stage-invariant occupation intensities	-0.113	-0.127	-0.023	+0.154	+0.015	-0.047	+0.270
Higher reallocation capacity ($\theta_{i,t} \times 5$)	-0.125	-0.113	-0.061	+0.134	+0.016	+0.145	+0.245
Lower reallocation capacity ($\theta_{i,t} = 1.05$)	-0.411	-0.264	-0.185	+0.342	+0.059	+0.331	+0.684
Sector-specific trade elasticities	-0.510	-0.377	-0.283	+0.530	+0.085	+0.411	+0.968
Top-bottom gap (100 × log)							
Baseline (full model)	-0.55	-0.63	-0.23	+0.39	+0.06	+0.13	+0.77
No upstream transmission (final shipment only)	-0.60	-0.56	-0.26	+0.48	+0.17	+0.49	+0.81
Upstream shipment shocked only	+0.04	-0.08	+0.02	-0.08	-0.10	-0.28	-0.04
Stage-invariant trade elasticity (upstream raised to ν)	-0.42	-0.46	-0.15	+0.24	-0.03	-0.05	+0.59
Stage-invariant occupation intensities	-0.16	-0.41	-0.02	+0.17	+0.01	-0.24	+0.34
Higher reallocation capacity ($\theta_{i,t} \times 5$)	-0.18	-0.23	-0.08	+0.15	+0.02	+0.09	+0.29
Lower reallocation capacity ($\theta_{i,t} = 1.05$)	-0.61	-0.67	-0.25	+0.39	+0.07	+0.12	+0.81
Sector-specific trade elasticities	-0.75	-0.79	-0.37	+0.59	+0.08	+0.14	+1.13

- Magnification:** raising the upstream elasticity to ν narrows the best-worst range from 4.86 to 3.56; the U.S. loses more (-2.54), China less (-0.73)
- Heckscher-Ohlin across stages:** equal occupation intensities leave the aggregates almost unchanged but remove most of the within-country K (U.S. premium $-0.38 \rightarrow -0.11$)
- Roy:** $\theta_{i,t} \times 5$ shrinks the premium changes to about a third $\Rightarrow$ the width of the within-country K is the workers' reallocation capacity

Backup: Incidence and Exposure by Region (Lee 2026)

	West bloc			East bloc			
	U.S.	Korea	ROW-West	China	PHL	VNM	ROW-East
Real income: U.S.–China trade war (Nov-2025 tariffs)	−0.38	+0.05	+0.03	−0.62	+0.01	+0.41	+0.06
Real income: uniform decoupling	−1.23	−1.72	−1.05	−1.35	−1.39	−5.92	−2.11
Real income: friend-shoring (West protects only)	−1.09	−0.89	−0.75	−1.04	−0.34	−4.02	−1.27
Cross-bloc exposure (% of participation value)	7.7	13.1	10.6	9.5	12.3	34.9	19.0
Skill premium: uniform decoupling	−0.38	−0.26	−0.17	+0.34	+0.06	+0.33	+0.65

- Real income and skill premium (college vs. less-educated wage) in $100 \times \log$. Blocs follow UN General Assembly voting as in Gopinath et al. (2025): an economy is West if its 2019–2023 ideal point (Bailey, Strezhnev, and Voeten 2017) is closer to the U.S. than to China. Uniform decoupling: $\hat{\tau} = 1.284$ on all cross-bloc goods trade; friend-shoring: the same wedge on East-to-West goods only

[Back: Comment 1](#)[Back: Taking Stock](#)

Backup: Data Sources

Model object	Source (vintage)
Path shares, input shares, deficits	ADB MRIO, 72 economies, 35 sectors (2017)
Worker allocations: U.S.	American Community Survey (2017)
Worker allocations: Korea	Economically Active Population Survey (2017)
Worker allocations: Viet Nam	Population census, IPUMS-International (2019)
Worker allocations: Philippines	Population census, raked to ILOSTAT 2017 margins (2010)
Worker allocations: China	Population census, raked to the 2010 census (2000)
Occupation wage-bill shares	ILOSTAT by ISCO group and industry; ACS for the U.S. (2017)
Bloc partition	Bailey–Strezhnev–Voeten UNGA ideal points (2019–2023)
Labor supply elasticities $\theta_{i,t}$	Lee (2020), Table 3, by income group
Trade-cost shocks $\hat{\tau}_{in}^s$	Fajgelbaum et al. (2020); Yale Budget Lab (2025); Bown (2025)

- Six sectors (electrical and optical equipment stands alone), two stages, five ISCO-08 occupation groups, three education types; trade elasticity $\nu = 4$ (Simonovska and Waugh 2014); blocs: West if the 2019–2023 UNGA ideal point is closer to the U.S. than to China (Gopinath et al. 2025)