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<b>Report No.</b>	HIAS-E-62
<b>Title</b>	A Matching Theory of Global Supply Chains
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<b>Abstract</b>	This paper develops a simple general equilibrium model of global supply chains (GSCs) that jointly addresses three key decisions of firms forming GSCs, namely selection (whether to form a GSC), location (where to find GSC partners), and matching (with which firms to form a GSC). The model develops a Becker type assortative matching model of final producers and suppliers both of which are heterogeneous in capability (productivity/quality) of their tasks, and integrates it with a Melitz type model of selection and a Ricardian comparative advantage model of location. The model presents a new mechanism of gains from trade associated with firm heterogeneity. Namely, trade liberalization causes rematching of firms toward positive assortative matching at the world level as a recent empirical study on exporter-importer matching data observes.
<b>Keywords</b>	global supply chains, firm heterogeneity, two-sided heterogeneity, matching, trade in intermediate goods, quality differentiation
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