

ABSTRACT:

Trade from Space: Shipping Networks and The Global Implications of Local Shocks

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This paper analyzes international spillovers of a local shock to the global shipping network. The 2016 Panama Canal expansion removed a bottleneck in seaborne transportation, allowing much larger ships to pass. Using both reduced-form and structural methods in combination with novel satellite data on the movements of container ships, we find that trade increased significantly among country-pairs using the canal, and that trade costs fell due to economies of scale in shipping. While the building costs of the expansion were borne by Panama alone, the analysis shows that the real income gains were shared by many countries, due to the network structure of shipping.