

Title: Two-Sided Market Power in Firm-to-Firm Trade

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Abstract:

This paper develops a theory of bargaining in firm-to-firm trade with two-sided market power. The framework accommodates flexible market structures, yielding analytical expressions for pair-specific markups and pass-through elasticities. In U.S. import data, we estimate strong importer bargaining power and an upward-sloping export supply curve, consistent with oligopsony power. Pass-through of the 2018 tariffs in firm-to-firm relationships is incomplete, in contrast to product-level studies, primarily due to exporter cost reductions driven by falling demand from dominant buyers. Our study highlights how bargaining and network rigidities shape price outcomes, with implications for markup dispersion and shock propagation in global value chains.