Liberation Day, China Shock, and World Markets

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CompNet The Competitiveness Research Network

Introduction

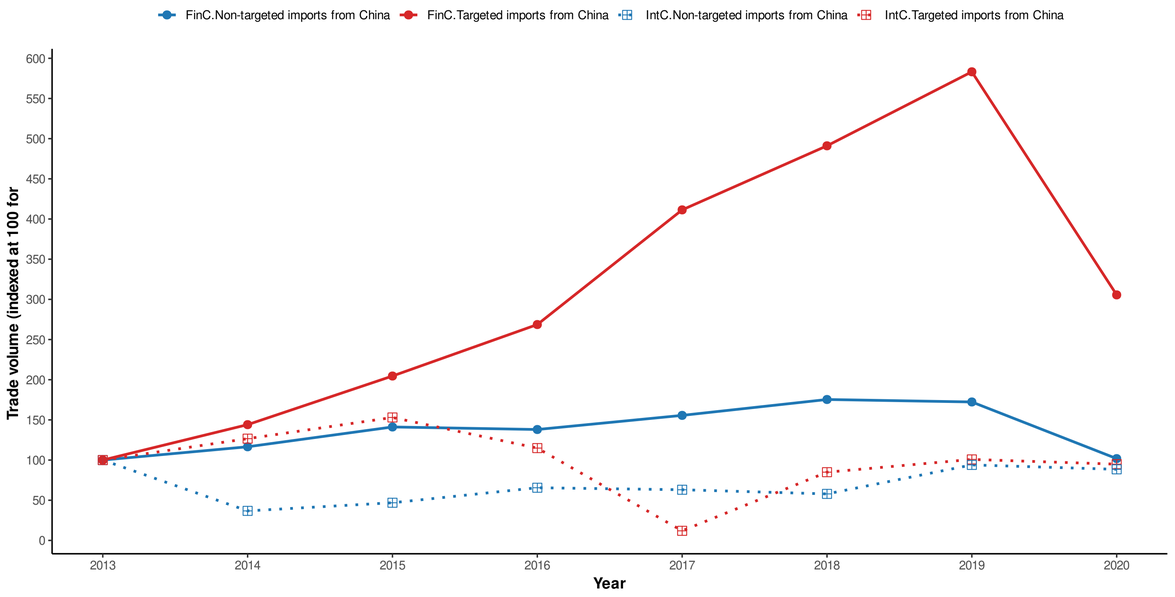
Research Question How do U.S. tariffs on Chinese imports affect European firms?

Context In 2018 and again in 2025, the U.S. govt. imposed a wave of very high tariffs on a wide range of Chinese products; these goods could potentially be re-routed into European markets, raising concerns about trade diversion and its consequences for European firms

Evidence of Trade Diversion to Portugal

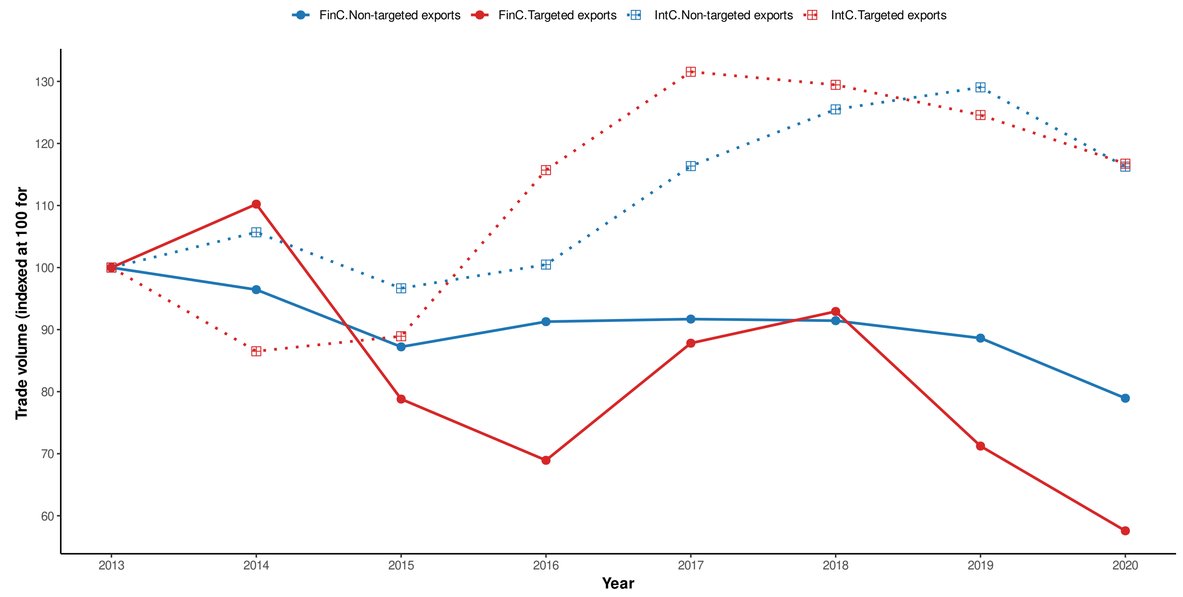
Import Volumes of Affected vs. Non-Affected Products by BEC-aggregate (Indexed, Intermediate vs. Final)

Products with shock > 0; Affected imports are China-only; Index = 100 in 2013



Export Volumes of Affected vs. Non-Affected Products by BEC-aggregate (Indexed, Intermediate vs. Final)

Products with shock > 0; Index = 100 in 2013



Event Study

Sample

Full panel of firms;
never-treated with event time = -1 (as ref. bin)

Baseline exposure

Import-weighted average US-vs-China tariff,

Export-weighted average US-vs-China tariff,

2015–2017 (pre-tariff baseline)

Treatment timing

Firms assigned treatment status solely based on tariff changes on ex-ante import portfolio

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Firms assigned treatment status solely based on tariff changes on ex-ante export portfolio

Outcomes & ES specification

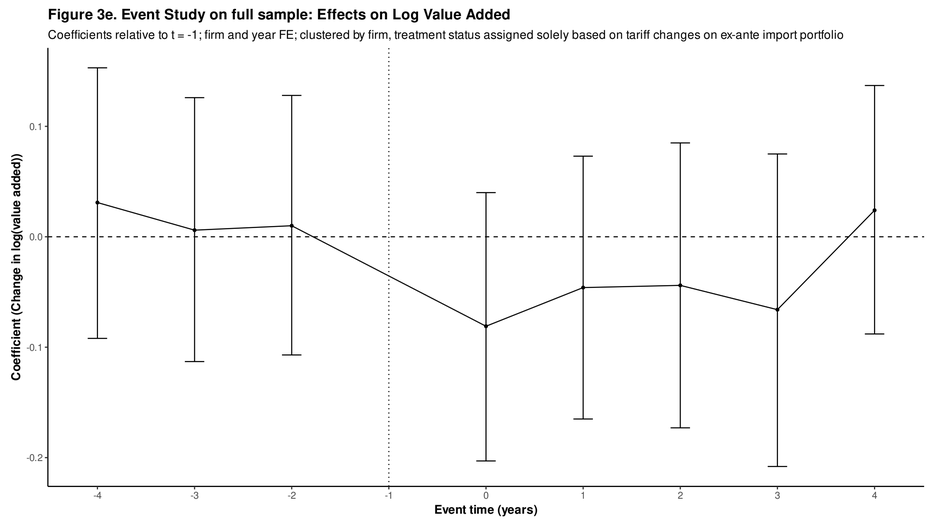
$$\Delta \log(\mathrm{VA})_{ft} = \sum_{k \neq -1} \beta_k \, \mathbf{1}_{\{K_{ft}=k\}} + \mu_f + \lambda_t + \varepsilon_{ft}$$

with firm FE (μ_f), year FE (λ_t), firm-clustered SEs, and reference bin $k = -1$

Event Study Imports

Figure 3e. Event Study on full sample: Effects on Log Value Added

Coefficients relative to t = -1; firm and year FE; clustered by firm, treatment status assigned solely based on tariff changes on ex-ante import portfolio

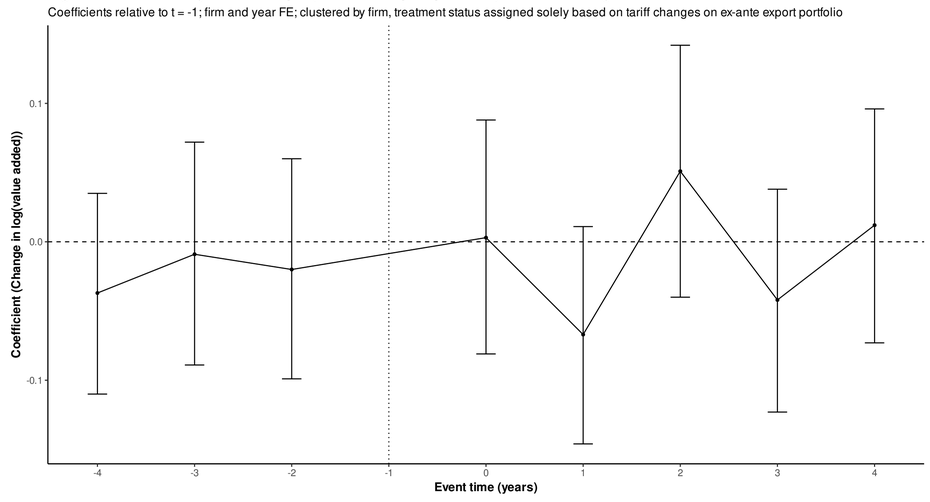


(insignificant) Decline in value-added of firms with ex-ante imports of treated varieties

Event Study Exports

Figure 3e. Event Study on full sample (based on export portfolio): Effects on Log Value Added

Coefficients relative to t = -1; firm and year FE; clustered by firm, treatment status assigned solely based on tariff changes on ex-ante export portfolio



No clear pattern for firms with ex-ante exports of treated varieties

Conclusions and Future Work

Findings Trade diversion after 2018:
EU imports of targeted Chinese goods rose, while targeted exports fell

Firm-level effects were small:
Exposed firms in Portugal (and France) show statistically insignificant drops in value added; Austria shows more nuanced competition effects

Next Steps Decompose input gains vs. output competition, study heterogeneity, and project 2025 tariff impacts

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