A Trade War and Global Reallocation*

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Abstract

We document changes in patterns of global trade induced by changes in U.S. and Chinese tariffs. First, we analyze U.S. imports from countries not targeted by tariffs in U.S. customs data. We find that imports from these countries in products targeted by the trade war increase by ~1.4% relative to these countries' imports in products not targeted by the war. We perform a similar analysis that analyzes reallocation towards non-U.S. imports into China. Second, we uncover systematic heterogeneity in the reallocation responses across countries. Our preliminary results suggest that Vietnam, Malaysia, and Taiwan are the largest beneficiaries of the trade war. For example, we estimate that U.S. imports from Vietnam increase ~11% in products targeted by tariffs, relative to Vietnamese imports in products unaffected by the trade war. These responses are strongest in products where tariff increases are largest. Third, we use an up-to-date dataset covering the universe of global bilateral trade and tariffs to explore potential changes in scale economies among these beneficiary countries. Specifically, we examine the extent to which increases in exports to the U.S. and China lead to increases in exports to third-party countries as export capacity expands. Finally, we use a quantitative trade framework to assess the welfare consequences of the trade war using our estimated country-level responses of trade flows and prices.

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