Discussion:
Who Pays for Tariffs and Why?
A Tale of Two Countries
By C.Feng, L.Han, L.Li

Edoardo Tolva

Department of Economics
University of Warwick

Feng, Han, Li (2024)

Brief Summary

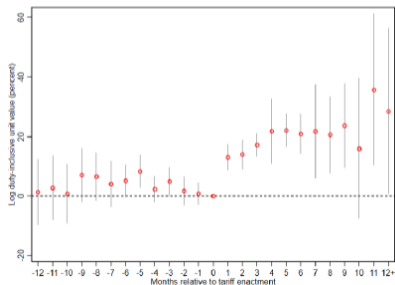- Study the pass-through of tariffs to import prices in the US-China trade war.
- Findings
  - $\approx$100% burden on US consumers from US tariffs.
  - $\approx$74% burden on Chinese consumers from Chinese tariffs.
- The difference is driven by varying strategies, product characteristics, and demand/supply elasticities.
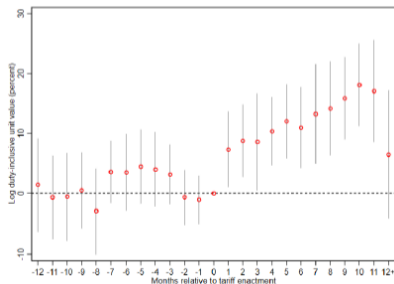
Contribution

- New evidence on the effect of 2018 Trade War on the Chinese economy $+$ new tariffs data.
- New evidence on the determinants of tariff pass-through to import prices..

Timing of the Effect

- Dynamic effect - drivers of the increase?
- short- vs long-run effect.
- Wave 4 Jun 2019: increase in tariffs for goods already affected in Wave 3 (Bown, 2021).
- Wave 5 Sep 2019: only 3 months of observations? Affect the control group?
- Interesting to see the each wave separately.

(a) China

(b) U.S.

Specification

Control group

- Are there spillovers to non-treated countries? Exclude main partners like Mexico/Vietnam.
- What is the appropriate set of countries to compare to?
- Reducing the number of countries will probably reduce the number of zeros.

Zeroes

- Limits of hyperbolic transformation. Chen and Roth (*QJE* 2024) - Mullahy and Norton (NBERwp 2022).
- Number of observations changes significantly for US but not for China. Why?
- Use PPML with ratio to include zeros as alternative/robustness.

Minor Comments

- Arbitrary division of products. Use 21 sections by the World Customs Organization?
- Equation (1): η_g is redundant due to first differences.
- Consider adding even more fixed effects for robustness, e.g., $\eta_{it,HS4}$.
- Consider explaining why first differences and weights are used before showing the results.
- y_{igt} and Y_i are not formally defined.
- CIF/FOB: Are transport prices included in the data?
- Prices are defined as unit values, but this is not clearly explained.