

The Remains of the Trade: The U.S.–China Trade War and its Aftermath

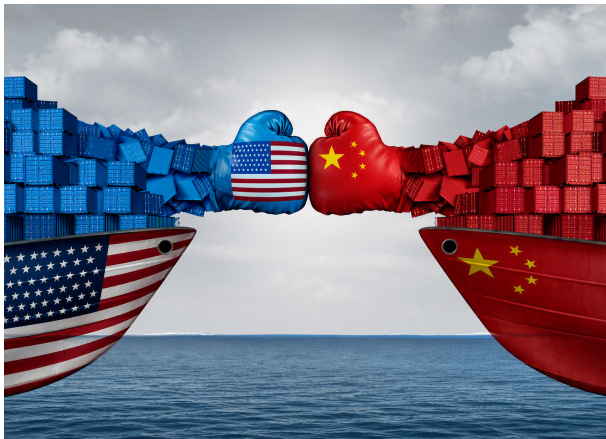
Pol Antràs, Adrian Kulesza and Andrea F. Presbitero

Discussion by Jacopo Timini (Banco de España)

Joint workshop of the Banca d'Italia and the European Central Bank
China shock 2.0: Causes, Consequences, and Policy Responses

Rome, 28 September 2026

One of today's most debated policy questions ...

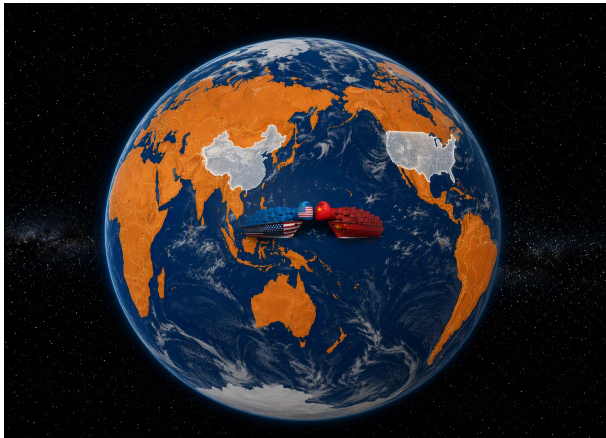


The economic consequences of the U.S.–China trade war

... analyzed from a different angle



...analyzed from a different angle



What (will) happen to the rest of the world?

However, how to answer this question is far from obvious

Ex-post evidence

Direct observation of trade responses

But: very limited post-Liberation Day data

Ex-ante modelling

Evaluation of counterfactual scenarios

But: standard models may not fully capture
trade diversion

(aggregation across products; a common elasticity across
origins; large domestic shares)

This paper

A new theory-based framework + An operational tool available online

...and the authors propose a new way to measure it

Competitive pressures

ECI (Export Competition Index)

Chinese exports redirected from the U.S. displace third-country exports in foreign markets.

ICI (Import Competition Index)

Redirected Chinese exports increase import competition in domestic markets.

Adverse competition effects

Potential gains

CGI (Consumer Gains Index)

Cheaper Chinese imports lower the prices paid by consumers.

SGI (Sourcing Gains Index)

Cheaper Chinese intermediate inputs reduce production costs and boost exports.

Beneficial price effects

Framework = competitive pressures + price gains

What I particularly liked about the paper

- **Thinking outside the box**

- Provides a new ex-ante framework when ex-post evidence is still limited

- **Theory-based and transparent**

- Indices are grounded in economic theory and can be decomposed into economically meaningful components

- **A tool policymakers can actually use**

- The online platform makes the framework immediately accessible and operational

What is the overall balance of gains and losses?

Competitive pressures $ECI + ICI$

vs.

Potential gains $CGI + SGI$

Can the framework shed light on the overall incidence of the shock?

Across countries: what are the overall welfare implications?

Within countries: how are gains and losses distributed across consumers, workers, and firms?

How close are the empirical proxies to the theoretical objects?

The example of Import Competition Index (ICI)

Theory

Importance of each sector in **domestic production/sales**

Implementation

Importance of each sector in **exports**

Assuming that export shares reflect sectors' importance in domestic production

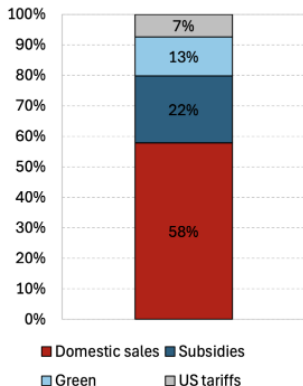
A possible validation exercise

Construct an **industry-level ICI** using domestic trade from ITPD-E (or TiVA)

Does it deliver similar country rankings when the export-based proxy for domestic shares is used?

Can the framework be extended beyond tariffs?

Figure 1b Determinants of China shock 2.0



Source: *Aprigliano et al. (2026)*

This paper

Product-level shock generated by **U.S.–China tariffs**

A possible extension

Can the framework be adapted to measure the **China Shock 2.0** more broadly?

Thank you for your attention

Jacopo Timini | Banco de España | `jacopo.timini@bde.es`

A few additional thoughts

- **Validation of the product-level shock**

- The data support the broad reallocation pattern predicted by the model
- Evidence for the underlying price mechanism is less conclusive
- Are the indices more informative about relative exposure than exact magnitudes?

- **Coverage and definition of China**

- The paper refers to 224 “countries”, although the sample includes territories
- Hong Kong and Macao are excluded: should they instead be treated as part of China when calculating the indices?
 - The April 2025 reciprocal tariffs treat them as mainland China, whereas the Section 301 tariffs do not
 - The rationale for their exclusion could be explained more explicitly

- **Slowbalization vs. deglobalization**

- Baldwin’s “China mirage” view suggests that slowbalization is largely a China-specific phenomenon
- How does this fit with the paper’s framing of recent trade developments?
 - Does this debate deserve as much space in the introduction?