Firm Entry and Market Interdependence: Evidence from anti-dumping tariffs on Chinese exports

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Abstract

Using Chinese Customs data, we study how unilateral anti-dumping (AD) tariffs on Chinese products affect their exports to different destination countries. We first document that investigated products experience a decline in their total sales in both the countries that impose tariffs (focal countries) and those that do not (third countries). A decomposition exercise further suggests that the simultaneous declines in exports across countries are primarily driven by a reduction in the number of entrants. In contrast, individual exporters' sales decrease in the focal countries but increase in the third countries. To rationalize these facts, we develop an industry equilibrium framework based on firms' interdependent entry decisions to multiple markets. We show that the entry margin alone can generate cross-market policy spillovers and heterogeneous tariff responses consistent with the data. Finally, we calibrate our model and quantify the global impact of a unilateral tariff on trade and welfare.