

Macro Roundup Article

Headline: [Geopolitical Risk and Decoupling: Evidence from U.S. Export Controls](#)

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Summary: The U.S. has imposed export controls to deny China access to strategic technologies. These measures prompted a broad-based decoupling of U.S. and Chinese supply chains. Once their Chinese customers are subject to export controls, U.S. suppliers are more likely to terminate relations with Chinese customers, including those not targeted by export controls. As a result of these disruptions, affected suppliers have negative abnormal stock returns, wiping out \$130 billion in market capitalization, and experience a drop in bank lending, profitability, and employment. Relations between targeted Chinese firms and their U.S. suppliers are more likely to be terminated after the export controls relative to unaffected Chinese firms. We also find that affected Chinese firms increase new relationships with domestic Chinese suppliers. There is evidence that, following U.S. export controls, China has boosted domestic innovation and self-reliance, and increased purchases from non-U.S. firms that produce similar technology to the U.S.-made ones subject to export controls. Related: [China On Cusp Of Next-Generation Chip Production Despite US Curbs](#) and [China AI & Semiconductors Rise: US Sanctions Have Failed and China Imports Record Amount of Chipmaking Equipment](#)

Primary Topic: Trade (not deficits)

Topics: Academic paper, China, Database, Fiscal Policy, GDP, Regulation, Trade (not deficits)

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