Decision on submission to Research in International Business and Finance

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The Impact of Trade Tariffs on Corporate Greenwashing: A Strategic Perspective fromChina

Dear student ZHU,

Thank you for submitting your manuscript to Research in International Business and Finance.

I regret to inform you that the reviewers recommend against publishing your manuscript, and I must therefore reject it. My comments, and any reviewer comments, are below.

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We appreciate you submitting your manuscript to Research in International Business and Finance and thank you for giving us the opportunity to consider your work.

Kind regards,
John W. Goodell
Editor

Research in International Business and Finance

Editor and Reviewer comments:

Reviewer #1: Recommendation: Reject

1. The core story is internally inconsistent. The Abstract states that "higher trade policy pressure reduces the likelihood of greenwashing," yet Section 2.1 (final paragraph) advances H1 that "reduction in tariff exposure has a promoting effect on corporate greenwashing behavior." Those two statements can be logically reconciled, but the paper oscillates between them without a clean, unified framework. Consider rewriting the Abstract and the H1 motivation so they tell the same causal story and use consistent sign language for "tariff exposure" vs. "tariff reductions."

2. Introduction, Huifeng case (first three paragraphs): the illustrative mechanism emphasizes U.S. tariffs on Chinese exports and declining export shares; however, your empirical tariff exposure is constructed from Chinese import tariffs using WITS and Chinese Customs (Appendix A; Section 3.2.2). This export-import mismatch leaves the case study disconnected from the identification strategy. If the theory is about export

shocks, build an export-tariff (or destination-tariff) exposure at the firm-HS6 level; alternatively, recast the theory squarely around import competition.

3. Section 3.2.1 (Dependent variable), paragraphs 1-3: the greenwashing dummy equals 1 when Oral=1 and Actual=1, where Actual=1 means the firm was punished for environmental violations. Calling this "actual environmental performance" is misleading because Actual=1 denotes poor performance. Please relabel (e.g., "PoorActual") or invert the coding to reduce confusion; also discuss misclassification risk from fuzzy-matched punishments (false positives/negatives) and whether you lag punishments relative to disclosure to address simultaneity.

4. Section 3.2.1 and Appendix B: MD&A keyword counts should be normalized by document length, filtered with part-of-speech/context rules, and validated against hand labels for a subset. Right now, a firm with longer MD&A mechanically "discloses" more. Please report dictionary, stemming rules, document-length normalization, and tests that Oral isn't just scaling with size or disclosure propensity.

5. Section 3.1 (Model): the specification uses year and region fixed effects (μ_i) but no firm or industry-year effects. Given unobserved, time-invariant firm traits and sector shocks correlated with both tariffs and disclosure, this is likely under-controlled. I recommend firm FE (or at minimum industry×year FE), clustering standard errors at the firm (and possibly HS6 or industry) level, and being explicit whether xtlogit is FE or RE. The text alternates between "region fixed effects μ_i" and "μ_i for firm i," which is also confusing—please fix notation and the choice of fixed effects.

6. Appendix A vs. Section 3.3 and Tables: the data window is unclear. Appendix A.2 says customs firm-level import product data are 2016-2023; yet the main panel is 2009-2023 (e.g., Abstract; Section 3.3). Appendix A.4 reports 8,213 listed-firm tariff-exposure observations, but Table 1 shows 9,274 observations. Please reconcile these counts, explain how TE is defined before 2016 if imports data start in 2016, and specify your base-year weighting and coverage loss explicitly.

7. Table 1 and variable definitions: "roa" is described as "Net fixed assets / total assets," which is not ROA; it's usually net income over assets (or EBIT/Assets). The label "fixed" is described as "Natural log of cashflow," and "leve" appears in Table 2. These naming/definition inconsistencies must be corrected because they affect interpretation (e.g., Table 2 shows strong significance on "fixed," but readers cannot tell what that construct truly is).

8. Endogeneity and identification (Sections 3-5): tariff exposure is plausibly endogenous to sourcing choices, quality upgrading, and import timing. Beyond a Probit rerun and trimming years (Table 4), there is no strategy to isolate exogenous tariff variation. Consider (i) HS6-level shocks interacted with firm pre-2016 import baskets (Bartik/shift-share), (ii) event-time designs around discrete tariff rounds (2018-2019), (iii) placebo outcomes and placebo exposure (e.g., non-environmental keywords), and (iv) instrumenting TE with exogenous foreign-imposed tariff schedules.

9. Mediation analysis (Section 5.1; Table 5): the narrative says tariff exposure increases financial pressure via lower Tobin's Q and higher Book-to-Market and higher ROA—yet higher ROA is typically less pressure. In Table 5, TE→ROA is positive and highly significant, but then ROA→greenwashing is positive and large (38.95***), which contradicts the earlier theoretical channel that pressure drives greenwashing. Please align signs, define ROA consistently, consider standardizing mediators, and check for collider bias from including a mediator correlated with unobservables.

10. Moderation model (Section 5.2; Equation numbering and Table 6): the text introduces Equation (5) and then references "Equation 6," which isn't shown. In Table 6, the magnitude dispersion is extreme (e.g., te = 167.8*** in Model 3, while pay_te = −11.32*** and occupy_te = 187.9***). These imply very large, hard-to-interpret interactions given TE's mean ≈ 0.059 (Table 1). Please standardize moderators, report marginal effects at representative values, and show full variable scales; otherwise, the moderation story isn't credible.

11. Baseline results and interpretation (Section 4.1; Table 2): with a binary DV and xtlogit, report whether coefficients are FE or RE, how SEs are clustered, and provide marginal effects. A coefficient of −7.097 on TE is large; readers need effect sizes in probability space. Also, ensure controls are not post-treatment (e.g., performance variables affected by tariffs).

12. Heterogeneity (Section 4.2; Table 3): the "R&D awareness" and "high-tech industry" splits need precise definitions, data sources, and cutoffs. As written, the constructs are introduced in Section 2.2 conceptually, but the operationalization is not transparent (e.g., where does ERDA come from, how is "high-tech" coded, and what is the timing relative to the shock?). Please document construction and perform pre-trend checks by subgroup.

13. Robustness (Section 4.3; Table 4): the suite is too light for a paper making causal claims. In addition to the identification suggestions above, please add: (a) alternative greenwashing measures (e.g., third-party ESG controversies; regulator actions lagged one year), (b) different Oral thresholds (75th percentile; continuous z-score), (c) alternative exposure definitions (import vs. export; input-weighted tariffs), and (d) placebo years before 2016 given your customs data onset.

14. Policy implications (Section 6): recommending that regulators "avoid overly loosening financial constraints" so firms remain under "moderate financial pressure" to deter greenwashing is normatively fraught and not well supported by your estimates (especially given the ROA sign issues). Consider softening to transparency-enhancing and enforcement-focused recommendations consistent with the moderation evidence on media attention and governance.

15. Presentation and copy-editing throughout: numerous typos and inconsistencies ("behvaior," "bewtween," "leve," "Return on Total Assets" vs. "Return on Assets"), erratic equation numbering, and figure references without visible figures (e.g., Figure 1-3) distract from the contribution. Please standardize notation (μ_i, λ_t), variable names, equation references, and ensure all figures/tables are present and cited once.

16. Literature positioning (Sections 2 and 7): several citations are working papers or conference proceedings; the paper would benefit from tighter engagement with published articles in this journal and closely related outlets on trade shocks, disclosure incentives, and environmental enforcement in China, and from clearly stating how your study departs from "import penetration" and tariff-uncertainty literatures beyond the greenwashing angle.
Given these conceptual, measurement, and identification issues, I cannot recommend publication in its current form.

Reviewer #2: On the one hand, there may be a bidirectional causal relationship between the core explanatory variable "tariff exposure at the enterprise level" and the explained variable "greenwashing behavior" (for instance, greenwashing enterprises may influence tariff policy formulation through political connections, and conversely, tariff changes affect greenwashing decisions). However, this article only uses the common panel fixed effects model for estimation. The failure to adopt methods suitable for dynamic panels or dealing with endogeneity, such as system GMM and instrumental variable methods (such as using product-level tariff rates as instrumental variables), may lead to biases in the estimation results.

On the other hand, the construction of tariff exposure relies on the fixed weight of imported products in 2016 (Formula A.1). Assuming that the import structure of enterprises remains unchanged from 2009 to 2023 is inconsistent with the fact that enterprises will adjust their import product mix due to tariff fluctuations in reality. The fixed weight may lead to measurement deviation of tariff exposure. Moreover, the fuzzy matching (threshold 0.75) between customs data and listed companies has not passed manual verification of matching accuracy (such as checking the consistency between the actual import business of enterprises and the matching results), and the representativeness of the samples is questionable.

Greenwashing behavior (gw) is defined as "high environmental disclosure (Oral=1) + environmental penalty (Actual=1)", but environmental disclosure is only measured by the frequency of four green keywords (environment, environmental protection, low carbon, and green) in the MD&A section, and does not cover key terms such as "sustainable development" and "carbon neutrality". Moreover, it fails to distinguish the quality of disclosure (such as empty expressions and substantive information), resulting in an underestimation of the disclosure level. The environmental penalty data only matches the listed company entities and does not include major penalties for subsidiaries (such as subsidiaries violating regulations but not being associated with the parent company), and does not distinguish the severity of penalties (there is no difference between warnings and high fines). The validity of the Actual variable is impaired.

Suppose H1 proposes that "reduced tariff exposure promotes greenwashing" (i.e., tariff exposure is negatively correlated with greenwashing), but the mechanism analysis points out that "financial pressure (such as a decline in Tobin's Q and an increase in the price-to-book ratio) mediates the relationship between the two", that is, reduced tariff exposure → increased financial pressure → increased greenwashing (the indirect effect is positive) However, in the benchmark regression, the tariff exposure coefficient is -7.097 *** (the direct effect is negative). The manuscript does not explain the theoretical logic of the opposite directions of the direct effect and the indirect effect (such as why tariff exposure directly inhibits greenwashing but indirectly promotes greenwashing through financial pressure), and the theoretical chain breaks. The contradictory mechanism of "direct pressure from trade policies" and "indirect drive from financial constraints" has not been integrated.

Heterogeneity analysis shows that the tariff exposure coefficient of high-tech enterprises is 2.61 (not significant), and that of non-high-tech enterprises is -22.15 ***. However, it is only attributed to "innovation impact", without specifically explaining the insensitive mechanisms of high-tech enterprises (such as innovation ability alleviating financial pressure, stronger regulatory attention, etc.). In the robustness test, after shortening the time samples (excluding 2009 and 2023), the tariff exposure coefficient became -10.78 ***. The absolute value of the coefficient increased significantly, but the reasons for excluding these two years (such as abnormal data, policy shock) were not explained, nor were the reasons for the time sensitivity of the samples analyzed. The key factors of the control variables were omitted. Variables that may affect greenwashing, such as the age of the enterprise, the degree of industry competition (HHI), and the intensity of regional environmental protection law enforcement, were not included. There is a deviation of omitted variables.

Existing studies (such as Hu et al. 2023a,b) have explored the impact of policy pressures (such as environmental taxes, low-carbon city pilot projects) on greenwashing. This paper merely replaces policy pressures with "tariff exposure" and does not propose new theoretical perspectives (such as the impact of tariffs on greenwashing through supply chain cost transmission, the heterogeneous impact of tariff differences among different trading partners, etc.). Insufficient marginal contribution; Practical suggestions such as "strengthening media supervision" and "optimizing corporate governance" have not been combined with the context of the Sino-US trade war (such as formulating differentiated regulations for industries with significant tariff reductions), nor have they taken into account the differences in enterprise scale and industrial types, lacking operability.

In addition, the list of green keywords is narrow, environmental penalty data does not distinguish between levels and severity, further weakening the credibility of the data, and the language expression is very poor.

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