



CHALMERS



Navigating Trade Policy Uncertainty

Swedish Manufacturers' Responses to Liberation Day
Tariffs

Degree project in International logistics

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Navigera handelspolitisk osäkerhet
Svenska tillverkares svar på Liberation Day tullarna

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Cover: Harbour on the shore from the view of the ocean, symbolizing international trade. Generated using Google Gemini (2026).

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SUMMARY

International trade of goods and services has served as a cornerstone of global economic growth. However, the modern trade market has been impacted by policy shifts incentivized by protectionist strategies. In April 2025, the United States implemented the “Liberation Day” tariffs, which caused severe uncertainty in the global market, affecting industries in all countries. The study aims to evaluate and analyse how the tariffs have affected the export strategies of Swedish manufacturers of industrial machinery, specifically how it has impacted their market prioritization and product allocation strategies after the tariffs were imposed.

The empirical data was collected through interviews which were conducted with persons within five different Swedish industrial manufacturing firms. The empirical data was analysed through a thematic analysis and then compared with a conceptual framework.

The study reveals that the tariffs have had a significant impact on firms’ strategic decisions relating to market prioritization and product allocation. First, the uncertainty created by the tariffs has prompted firms to reevaluate their market options, where some have strategically chosen to adopt a more passive approach and not seek other markets for growth, while others divert resources to other markets where new, favourable trade agreements are emerging. Secondly, firms with production operations in the U.S. have conducted supply chain reconfigurations to decrease the costs created by the tariffs when moving goods to the U.S. or its neighbouring countries. This has been made possible through actively bypassing the tariffs by either moving production to the U.S. or localizing it by moving production to Sweden. Firms without production operation in the U.S. have instead relied on existing setups.

Keywords: Trade protectionism, Liberation day tariffs, Trade policy, Uncertainty, Swedish manufacturing firms, Market strategy, Resource allocation, Market prioritization.

TABLE OF CONTENTS

1.	<i>Introduction</i>	1
1.1	Background.....	2
1.1.1	U.S. Tariff History.....	2
1.1.2	Sweden-U.S. Trade Relations	3
1.1.3	Post-Tariff Trade Development.....	4
1.2	Aim of the report	5
1.3	Research Questions	5
1.4	Delimitations	5
2.	<i>Theory</i>	7
2.1	Tariff Cost Theory	7
2.2	Firm Heterogeneity	8
2.3	Network Reconfiguration and Global Value Chain (GVC).....	8
2.4	Buyer-Supplier Relationships and Resource Dependence.....	9
2.5	Conceptual framework	10
3.	<i>Methodology</i>	11
3.1	Case selection & sampling	11
3.2	Data collection	12
3.3	Data analysis process	13
4.	<i>Results</i>	15
4.1	Theme 1: Company introduction and U.S. market importance.....	15
4.2	Theme 2: Strategic responses and reconfiguration	16
4.3	Theme 3: Market diversification in response to uncertainty.....	18
4.4	Theme 4: Firm response to demand uncertainty and hesitant investment behaviour	20
5.	<i>Discussion</i>	22
5.1	Market prioritization and tariff uncertainty	22
5.2	Network reconfiguration and product allocation	24
5.2.1	Physical reconfiguration	24
5.2.2	Commercial reconfiguration	25
6.	<i>Conclusions</i>	26
6.1	Answering the research questions	26
6.1.1	Research Question 1: In what ways have U.S. tariffs influenced Swedish manufacturing firms' market prioritization?.....	26
6.1.2	Research Question 2: How have tariffs affected product allocation decisions among Swedish industrial manufacturing firms?.....	26
6.2	Limitations	27
6.3	Future research.....	27
	<i>References</i>	28

LIST OF FIGURES

Figure 1 Major U.S. tariff policy changes during 2025	4
Figure 2 Thematic analysis	15

LIST OF TABLES

Table 1 Firms, corresponding sector, and role of interviewee	12
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ACRONYMS AND TERMINOLOGY

Ad valorem tariff	Percentage based tariff of product value.
Bretton Woods system	Post-WWII monetary management system.
DAP	Delivery At Place.
FDI	Foreign Direct Investment
FTA	Free Trade Agreement.
GVC	Global Value Chain.
HTS	Harmonized Tariff Schedule.
IP rights	Intellectual Property rights.
LEAN	Efficiency optimizing manufacturing approach.
Liberation Day Tariffs	Global tariffs imposed by the U.S. in April 2025.
LSE	Large-scale Enterprise
Route to market	Distribution & logistics setup.
SME	Small-Medium Sized Enterprise
Specific tariff	Fixed fee tariff based on unit (e.g., per item or kg).
Tariff	Tax imposed by a government on imported goods.
TCO	Total Cost of Ownership.
USITC	United States International Trade Commission.

1. Introduction

The exchange of products and services between countries has long been regarded as a cornerstone in domestic economic growth and globalization. This linkage between nations has since been known as international trade (Ekholm & Södersten, 2002). International trade is commonly conducted through the exchange of goods, services and capital, and the purpose of international trade is for countries to acquire the resources they cannot produce domestically and benefit from what they have a surplus of (Allais et al, 2026).

One of the most significant modern developments in international trade occurred in 2025 when the Trump administration announced tariffs on all foreign nations including major trade partners (Hawkins, 2025). The tariffs marked one of the first and most severe international policy moves of the Trump administration's second term (Hawkins, 2025). The responses varied among nations, from threatening to impose counter-tariffs to feeling satisfied in comparison to other countries that received a higher tariff rate. As a result, industries worldwide started experiencing high levels of uncertainty as the practical implications on cost structures, demand and overall competitive advantage between firms became unpredictable (Levy, 2025). The unpredictability and insecurity that followed the tariffs resulted in a widespread decrease in U.S. demand and a shift in competitive and comparative advantage as firms' geographical position now became central (Camacho et al., 2025).

Sweden is one of the countries that is subject to the imposed U.S. tariffs. The Swedish Central Bank (2026) reveals that three out of four Swedish companies claim that they have been directly or indirectly affected by the U.S. tariffs, and especially those that have both sales and production operations in the United States. The U.S. has for a long period of time been a crucial and growing export market for Sweden, especially in exports of automotive vehicles, industrial machinery, and pharmaceutical products (Camacho et al., 2025). Furthermore, the U.S. is the foremost recipient of Swedish Foreign Direct Investments (FDI), amounting to 23% of the total Swedish FDI. Another negative effect that is highlighted is how Swedish firms are hesitant to invest in fear of further policy shifts which could impact their operations. This has resulted in a generally weaker demand and lower output for Swedish exporters (The Swedish Central Bank, 2026).

1.1 Background

In this section, both market context and historical context are provided. The tariffs should be perceived not only as a protectionist instrument, but also how policy tools can create challenges for Swedish manufacturing firms. Since the U.S. market and the relationship with Sweden is historically important, the background chapter provides necessary knowledge to create a foundation based on both market and historical context.

1.1.1 U.S. Tariff History

In practice, U.S. tariffs are levied based on a specific basis, meaning a fixed charge per measurable unit such as pound/kilogram or gallon/litre, or on an ad valorem basis, a fixed percentage of the value of cargo imported. The specific tariffs are published by the U.S. International Trade Commission (USITC) who announces when rates or duration changes, which is documented in the Harmonized Tariff Schedule (HTS). Historically, tariffs have been a tool for the U.S. to affect global trade relations and achieve three main purposes: reciprocity (1), revenue (2), and restriction (3) (Irwin, 2020). Reciprocity (1) refers to creating fair trade conditions by matching tariff rates between nations. The second main purpose of tariffs is generating revenue (2). Revenue is generated by the importing firms, as they are required to pay for the tariffs. The last main purpose of tariffs is restriction (3), that is placed on foreign manufacturers through import costs, which in turn protects and promotes domestic industries (Irwin, 2020).

The U.S. would come to experience a major shift in its foreign trade policy, including how they use tariffs, following the end of World War 2 (Martínez-García & Sposi, 2025). By embracing global economic integration, the country moved from using sector- and country-based tariffs to reciprocal trade agreements which were founded in the belief that trade liberalization would generate significant economic growth. As a result, tariffs are not commonly used in modern trade environments. However, countries still utilize them to fulfil national economic interests and as leverage in disagreements (Martínez-García & Sposi, 2025). The authors further highlight that the collapse of the Bretton Woods system in 1971-1973 triggered significant trade deficits, which caused industries to move their manufacturing to lower-wage, work-intensive countries. To combat and become less dependent on foreign manufacturing, tariffs were imposed as a tool to promote domestic industries and stabilise trade imbalances. U.S. foreign trade policy has since then become increasingly more protectionist, beginning with the

trade-war between the U.S. and China that was launched by the first Trump administration (Robinson & Thierfelder, 2024). After the U.S. election in 2021, the Biden administration maintained the tariffs for the same reasons as the previous administration, to promote U.S. domestic industries and protect them from foreign competition, ultimately strengthening the U.S. economy (Robinson & Thierfelder, 2024).

1.1.2 Sweden-U.S. Trade Relations

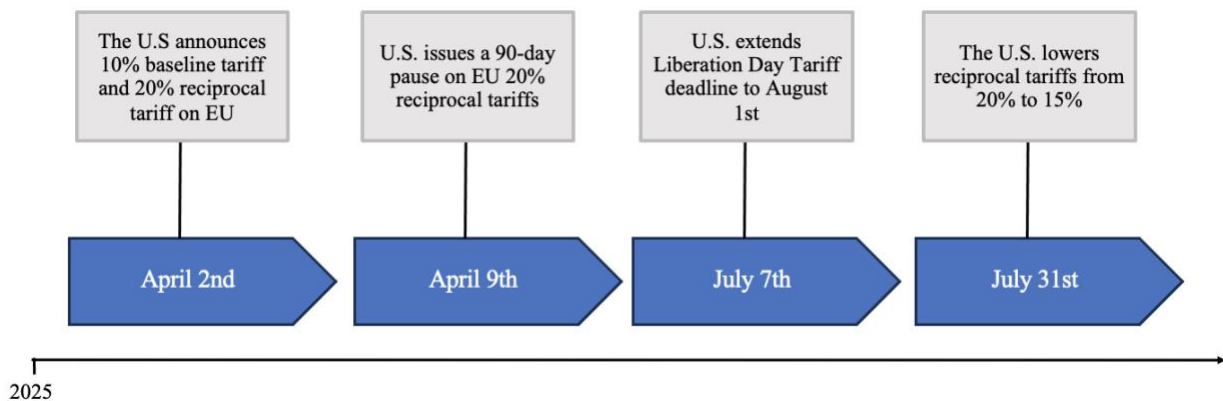
As one of the Arctic region's most export-driven economy, Sweden has a major stake in international trade developments (Ma et al., 2024). According to the OECD (2025), Sweden's total exports amounted to 55% of the country's GDP in 2024, whereas 38% amounted for goods and 17% for services, which accumulated to 1% of the world export market. Sweden also has a relatively diversified export portfolio since no single country received more than 11% of the total exports.

Sweden exported goods worth \$17 billion to the U.S. during 2023 (World Bank, 2024; United Nations, 2024). According to The U.S. Department of State (n.d.), Sweden and the U.S. have a strong bilateral relationship where both countries have become major investors in each other's economies. In 2019, Sweden was the 13th largest U.S. investor, which helped create approximately 200.000 jobs through foreign investment and domestic manufacturing. In recent years, the United States has also shown to be the fastest growing export market for Sweden. For instance, the share of Swedish exports to the United States grew by 2.11% in 2023 in comparison to the period 2010-2016. In terms of industrial machinery, the value of Swedish exported goods was approximately six times larger than that of the U.S. (Hamilton, 2025), implying that there is a significant demand in the U.S. for Swedish industrial machinery.

Figure 1 depicts major moments of U.S. policy changes during 2025 in a timeline. Figure 1 is a visualisation created by the authors based on World Economic Forum EU-US Trade Policy Timeline 2025 (World Economic Forum, 2026). The timeline points out important dates where the U.S. government announced or introduced a trade policy change, specifically policies that affected exporters of industrial machinery within the European Union. Furthermore, the figure only depicts policy changes done by the U.S. government and does not show countermeasures taken by the EU, as the study aims to show how Swedish manufacturing firms export strategies changes based on U.S. trade policies.

Figure 1

Major U.S. tariff policy changes during 2025



Note. The figure is created by the authors based on World Economic Forum EU-US Trade Policy Timeline 2025 (World Economic Forum, 2026).

1.1.3 Post-Tariff Trade Development

To comprehensively understand the strategic responses made by Swedish manufacturers, it is important to review the policy shifts that followed the Liberation Day tariffs and the incentives behind them.

In 1994, the U.S. enacted the North American Free Trade Agreement (NAFTA) which served to increase and accelerate trade liberalization in the North American region (Villarreal, 2017). The agreement was substituted in 2020 for the United States-Mexico-Canada Agreement (USMCA). The aim of the agreement was to strengthen the North American economies as well as being more suited to the business environment of the 21st century (Office of the United States Trade Representative [USTR], 2020). However, despite the existence of the USMCA, Canada and Mexico were affected by the Liberation Day tariffs, receiving tariffs of 25% on all goods except for Canadian energy and oil exports (EY Global, 2025). In response, the Canadian governments immediately announced reciprocal counter tariffs of 25% on several commodities (Government of Canada, 2025). Contrary to Canada, Mexico decided to deploy other non-retaliatory actions to strengthen their economy as they deemed that countermeasures towards the U.S. would have a negative impact on Mexican industries (Cordova, 2025). Shortly after the announcements of the tariffs, the Trump Administration chose to exempt goods that were compliant with the USMCA, which meant that a strong majority of the trade between Canada, Mexico and the U.S. would remain duty-free (Gillies, 2025).

The India-EU Free Trade Agreement has since 2007 been in negotiations and was first concluded in January 2026. According to the European Commission (n.d.a) the trade agreement aims to give the EU competitive advantage in industrial and agri-food sectors. By removing trade barriers and opening new export opportunities, the European Union aims to make the business environment between the EU and India more stable and accessible (European Commission, n.d.a). The trade agreement covers 96.6% of EU goods export and reduces tariffs on machinery from the current 44%, to 0% for nearly all products. As EU exports to India have been relatively low compared to other export markets, the EU projects a 107.6% increase in EU annual exports by 2032. The European Commission (n.d.b) argues that this is achieved through simpler customs procedures and privileged access to Indian services, while maintaining focus on protection such as audits and IP rights. Additionally, Foreign Direct Investment (FDI) flows are projected to increase by 27% as European entities receive more incentives (Katrak, 2021). Inamdar (2026) reported in the news outlet BBC that uncertainty caused by the U.S. tariffs has rushed the involved parties to finish the negotiations, as both sides seek to find reliable trade partners.

1.2 Aim of the report

The report seeks to analyse and evaluate how Swedish manufacturers of industrial machinery have altered their market prioritization and product allocation strategies in response to the Liberation Day tariffs imposed by the United States in April 2025. Additionally, the study aims to identify how firms' strategic decisions connect and complement existing research.

1.3 Research Questions

- In what ways have the Liberation Day tariffs influenced Swedish manufacturing firms' market prioritization?
- How have the Liberation Day tariffs affected product allocation decisions among Swedish industrial manufacturing firms?

1.4 Delimitations

The focus of the study is to analyse and evaluate how Swedish manufacturers of industrial machinery have altered their strategies in response to the U.S. Liberation Day tariffs. However, the scope of the study has been shaped by multiple delimitations.

- Exporting company assumption: The study only seeks to examine firms that export industrial machinery from Sweden to the United States. In other words, the exporting party is registered in Sweden, and the importing party is registered in the U.S. Additionally, the study is not delimited by the sizes of firms, they can be both small-medium sized enterprises (SMEs) or large-scale enterprise (LSEs).
- Level of analysis: The study is delimited to two focus areas: *shifts to alternative export markets* and *changes in product allocation decisions*. The reason for this is that the scope becomes more structured which allows for a clearer examination.
- Time frame: The benchmark of the study is to analyse and evaluate firms strategic and operational decisions from when the tariffs were imposed in April 2025 to present day. Incorporating such conditions eliminates the additional complexity that prior trade developments and events would otherwise create.

2. Theory

To properly analyse and find relevance in the empirical data, previous theories and concepts need to be introduced. In this section, existing research and studies connected to strategy development and policy shift will be discussed to create a theoretical framework for the reports analysis.

2.1 Tariff Cost Theory

Chae et al. (2019) proposes that introductions or changes in tariffs can be characterized with three characteristics: severity, timing uncertainty, and geographical scope. Severity is defined as the extent of the specific or ad valorem rate of the tariff, for example a higher rate meaning a more severe tariff. Chae et al. (2019) argues that higher severity in tariffs is likely to instigate changes in buying firms sourcing strategies to mitigate increases in cost and total cost of ownership (TCO). Timing uncertainty refers to the uncertainty in validity of the tariff, and the possibility of changes or renewals. Tariffs are generally imposed for specific time periods but can be imposed indefinitely with no additional information about possible changes or terminations. These uncertainties combined with expectations of future developments is what defines timing uncertainty and can lead to difficulties in supplier base planning and speculative decision making based on expectations (Chae et al., 2019). The geographical scope of tariffs refers to the number of countries that are included in the tariffs. Chae et al. (2019) argues that the geographical scope can impact firms in aspects such as higher sourcing costs which can alter an importing firms' sourcing strategy. Thus, the change of tariff rates creates implications for firms exporting to the U.S. market. The extent of these factors influences reactions in firms, how the firms mitigate losses and implement changes in strategies (Miller et al., 2025). As an example, Chinese exporters significantly reduced their exports to the United States after the Trump administration launched a trade war in 2018. As a result, exports to firms in the European Union slightly increased to offset the effects of the tariffs (Jiao et al., 2024).

Ivanov and Dolgui (2025) discusses how supply chains react to tariffs crises and reciprocal tariffs through both immediate and delayed effects. These effects include network redesign, new logistical routes, and reallocation of manufacturing resources. Over time, tariffs shocks and reciprocal tariffs may result in firms diversifying suppliers and incorporating strategies focused on nearshoring or reshoring.

2.2 Firm Heterogeneity

Melitz (2003) argues that firms in the same industry are not identical, thus making firms heterogeneous. Melitz (2003) also argues that firms in the same industry can be characterized based on systematic differences such as productivity, size, market reach, and strategic capabilities. Melitz and Ottaviano (2008) further argue that market size and trade barriers additionally affect firms' capabilities to grow and export. Melitz (2003) states that firms within the same industry differ in productivity which affect profitability, size, and capabilities in export markets. Melitz (2003) further argues that less productive firms have a greater chance of losing market share or exiting when the market conditions change, while more productive firms are more capable of handling trade changes (Melitz, 2003).

Melitz (2003) suggests that these differences affect a firm's capacity to handle trade policy shocks. Larger and more integrated firms have the capacity to adapt to trade changes while the smaller firms cannot. Spearot (2016) argues that firm heterogeneity is important to fully understand tariff shocks and that they do not affect firms equally. The effect of tariff shocks depends on factors such as firm structure and the ability to adapt to changing trade conditions. While Melitz's (2003) and Spearot's (2016) models do not directly analyse logistical resources and focuses on productivity, the models help explain why firms may respond differently to policy shocks depending on capabilities and resources. The models can further explain how firms in the same industry can face the same tariff rate but may respond differently. While Melitz (2003), Melitz and Ottaviano (2008), and Spearot (2016) mainly focus on productivity, building on the models may present dependency and exposure to the U.S. market as a production location, distribution hub and growth market.

2.3 Network Reconfiguration and Global Value Chain (GVC)

Dunning (1988) provides necessary insights when it comes to why firms choose to engage in FDI. The model, often referred to as the OLI framework, is divided into three different advantages that must exist and be sufficient for a firm to engage in FDI (Dunning, 1988). First, the firm must possess *Ownership-specific advantages (O)*, meaning that products and assets need to be under the firm's control for it to be competitive on the indigenous market. Secondly, it must be advantageous for the firm to *Internalize (I)* the owner-specific advantages across borders while keeping them inside the corporate structure instead of selling the rights to foreign firms. The last advantage is the *Location-specific advantages (L)*, which refers to the

geographical location of the production site. Firms will decide the location of production where the conditions are most favourable. Dunning (1988) further argues that trade barriers and other policy shifts which have a direct effect on the cost of production and trade, affect whether firms engage in FDI or not. However, firms may still choose to produce in trade regulated location to gain flexibility from having manufacturing activities in multiple countries (Dunning, 1988).

Amiti et al. (2019) argues that when firms are affected by tariffs, they reevaluate the pros and cons of different cost-heavy mitigative actions. In general, many of the tariffs are passed through to the importing parties in the U.S., leaving exporters with no financial burden. In addition, manufacturers who export from a tariff-affected country may reorganize their supply chains to avoid significant tariff costs. This is usually conducted through relocating the origin of the goods or by re-routing the goods through other markets. Although these actions may incur a significant fixed cost, it is seen as a prudent long-term investment which outweighs the alternative of operating as they did prior to the tariffs (Amiti et al., 2019).

Gereffi et al. (2005) provides relevant insights to the implications on Global Value Chains (GVC) when restructuring and transforming logistical structures. GVC is a concept that assists in analysing how firms coordinate trade and production across international borders. In essence, a value chain consists of all activities that occur between the creation of a certain product to its final consumption and examples of these activities are R&D, production, marketing, and distribution (Gereffi et al., 2005). Gereffi et al. (2005) suggest that international regulations and policies have a significant effect on the transformation of GVCs. As a result of policy shifts, firms diversify their operations geographically to mitigate risks that can threaten a firm's interests and to retain high profitability.

2.4 Buyer-Supplier Relationships and Resource Dependence

To get a sufficient understanding of the environment that Swedish manufacturers operate in, the implications of the assets, or products need to be addressed. Ketokivi & Mahoney (2020) argue that when physical assets are complex and customized to one given transaction, one or both parties become locked-in to the relationship which ultimately makes it difficult to exit the relationship. Dyer & Chu (2003) further argue that lower transaction costs, flexibility and overall increased economic value are common in buyer-supplier relationships that are highly reliant on trust. This phenomenon is most applicable in the context of industries that transact

complex, high value products where suppliers are vulnerable due to high stake investments (Dyer & Chu, 2003). As a result, buyer-supplier relationships in these industries tend to be interdependent in nature, causing both parties to invest in relational assets to reduce transaction costs and move beyond the transactional relationship (Dyer & Chu, 2003).

2.5 Conceptual framework

The theoretical framework consists of four complementary theories that explain how Swedish manufacturers of industrial machinery respond to the Liberation Day Tariffs imposed in April 2025. The Tariff Cost theory explains why firms must respond to changing trade conditions and increased trade protectionism. Firm Heterogeneity explains why firms respond differently to the same tariff rates since firms act in different ways based on different characteristics, such as size, resources, and exposure. Global Value Chain theory and Network Reconfiguration portray how product flows change in firms by changing routes, reallocation of resources and shifting focus. The framework further explains how firms act in ways of bypassing the shocks and mitigate the economic consequences. Buyer-supplier relationship and resource dependence contributes by explaining why firms can distribute costs and maintain customer relationships.

The study uses the framework to analyse firm responses to the Liberation Day tariffs by covering tariff uncertainty caused by the tariff shocks, but also by firm-specific conditions. By combining the different theories, the framework can be used to create a structured analysis of how Swedish manufacturers of industrial machinery respond to tariff shocks. The combined theories and theoretical framework are used to create an analysis of the research questions. For Research Question 1: *“In what ways have U.S. tariffs influenced Swedish manufacturing firms’ market prioritization?”* the framework is used to analyse the effect of tariff uncertainty on firms’ strategic decisions in the U.S. market compared to alternative markets. For Research Question 2: *“How have tariffs affected product allocation decisions among Swedish industrial manufacturing firms?”* the framework is used to analyse how firms strategize around product allocation, production relocation, and local manufacturing.

3. Methodology

The study uses a qualitative method through interviews to gather data and create a result that aligns with the purpose of the study. Using interviews to gather qualitative data enables a deep understanding of individual firm's perceptions, strategic responses, and decision-making processes (Rahman, 2016). Semi-structured interviews were conducted to gain flexibility but keep interviews guided. The semi-structured interviews allowed for participants to give detailed answers and dialogue by following up important angles presented during the interviews (Brinkmann, 2013). This is especially important in this study since it seeks to gather data on complex strategic decisions.

There are generally three different types of approaches when developing theory: deduction, induction, and abduction (Nathaniel, 2023). A deductive approach is done by expanding further on or completing previous theories through the sampling of new data. On the other hand, the inductive approach is used when one wants to create general concepts directly by using empirical data. Conversely, the abductive approach seeks to expand or create new theory by comparing theoretical models with empirical findings (Nathaniel, 2023). Since the study is based on a recent event, it will utilize the abductive approach to further develop existing theories by comparing it to the study's empirical findings.

3.1 Case selection & sampling

To ensure that data gathered was relevant and sufficient, five interviews were conducted with individuals within the firms that work in supply chain related departments. Aside from the conditions specified in the delimitations, firms were selected based on them having exported goods to the U.S. prior to the Liberation Day tariffs. The reason for this is that the results would otherwise be insignificant since the report aims to analyse how firms have altered their export strategies because of the Liberation Day tariffs. The participating firms, their corresponding sector, and the person with whom the interview was conducted are specified in Table 1.

Table 1*Firms, corresponding sector, and role of interviewee*

Firm	Sector	Interviewee
<i>Firm A</i>	Swedish manufacturer of industrial machinery and marine propulsion.	Interviewee 1: Customs & Compliance Manager
<i>Firm B</i>	Swedish manufacturer of industrial recycling machinery	Interviewee 2: Chief Executive Officer
<i>Firm C</i>	Swedish manufacturer of mixing and dispersion machinery	Interviewee 3: Sales Manager
<i>Firm D</i>	Swedish manufacturer of industrial lubrication technology	Interviewee 4: Finance/Deliveries
<i>Firm E</i>	Swedish manufacturer of industrial air filtration machinery	Interviewee 5: Vice President of Global Operations

Note. Created by the authors based on interview data.

The scope of the report is delimited to exporters of industrial machinery since it is one of Sweden's largest exports to the U.S. (United Nations, 2024). In addition, together with automotive parts and capital goods, industrial machinery amounts to approximately 90% of the U.S. imports (Paudel & Lahiri, 2024) which makes it a highly relevant segment to analyse.

3.2 Data collection

The interviews were conducted both in person and online using digital programs and tools that allow for video, audio, and recording. Interviews were recorded and transcripts were created to be able to analyse and code the data gathered from each individual participant. The duration of the interviews was set between 30-45 minutes based on the number of questions and estimated time per question. In connection to each interview, a consent form was signed by each participant. The consent form served the main purpose of informing and accepting ethical rules. The ethical rules include information on how the data is recorded and managed, that participation is voluntary and can be cancelled at any moment. Additionally, the consent form includes information about data publishing and presentation of data. All collected data has been anonymised to protect the identities of the firms and to ensure that no sensitive data is made public.

The pre-determined questions were created from three different focus areas: *firm background and the respondent's role, changes in market prioritization and changes in product allocation strategy*. Through this method, the interview would become coherent and easy to conduct, and the questions would be in line with the reports purpose. Aside from this, questions were also added during the interviews to better understand and analyse the respondents' individual answers, which aligns with the format of a semi-structured interview. These questions were not pre-determined but created and formulated to capture firm-specific data that was deemed essential to the reports aim and research questions.

3.3 Data analysis process

The data collected through interviews has been analysed using a thematic analysis process. The thematic analysis captures important findings in gathered data in relation to theory. Using a thematic analysis process allows for new insights and understanding through finding and interpreting themes in the data (Braun & Clarke, 2006). The coding of data and creation of themes were developed in accordance with Naeem et al.'s (2023) six step thematic analysis process, which allows for data to be interpreted at a deeper level and more understanding of underlying patterns and themes (Naeem et al., 2023). The process is divided into the following six steps:

1. *Familiarization with the data and selection of quotations*
2. *Selection of keywords*
3. *Coding*
4. *Theme development*
5. *Conceptualization through interpretation of keywords, codes and themes*
6. *Development of conceptual model*

These six steps serve the purpose of understanding data and converting the data into a structured analysis of themes and interpretations. Naeem et al. (2023) note that the final goal of the six-step thematic analysis process is to develop a coherent visually represented model that enhances trustworthiness and rigor. Coding of short phrases and words allows for understanding of core messages presented in the interviews and is an important aspect in creating depth in the analysis. Furthermore, the coding was done manually rather than using a program-based coding system. The themes are created with the data collected through

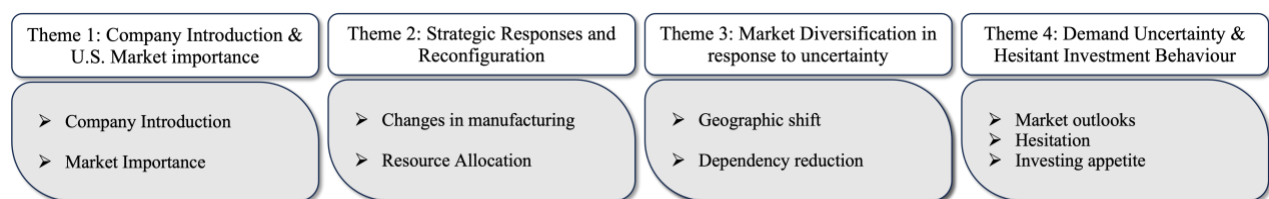
interviews and is further analysed together with theory to help understand the underlying themes and patterns that evolve through interviews, thus making the analysis include a deductive approach. By analysing raw data, codes and themes, the thematic analysis process develops a conceptual model to represent data together with theory as logical interpretation of the primary data (Naeem et al., 2023). The process of thematic analysis allows for deep understanding and interpretation in the complexity of Swedish firm's strategic responses and decisions to U.S. tariffs.

4. Results

In this section, data gathered from the interviewed firms will be presented by each theme that emerged from the thematic analysis. The process of thematic analysis, done in accordance with Naeem et al, (2023) six step process is presented below in Figure 2. Each theme is created based on underlying patterns found by analysing the raw data collected from interviews.

Figure 2

Thematic analysis



Note. Created by the authors based on thematic analysis of interview data.

4.1 Theme 1: Company introduction and U.S. market importance

In this section, the firms are introduced to provide an understanding of their respective industry and operational context. Additionally, the theme addresses each firm's view on the U.S. market and its importance to the firm's business. Each firm in this section is presented in order of when interviews were conducted.

Firm A is a Swedish manufacturer of power solutions for industrial and marine applications. The firm exports a variety of products from its production site and distribution centre in Sweden to the U.S. Additionally, it also produces a portion of its assortment in the U.S. to supply the domestic market as well as other international markets. The interview was conducted with the company's senior manager for customs and compliance. Interviewee 1 explained that the European market is the most important in terms of total sales, but the U.S. market is a major driver of a certain product range, making it highly relevant and significant for Firm A's business.

Firm B is a Swedish manufacturer of plastic granulate manufacturing machinery. Aside from producing in Sweden, the firm also has local production in the U.S. The interview was conducted with Interviewee 2, the Chief Executive Officer (CEO) of Firm B. Interviewee 2

highlights that the U.S. market is highly important, mainly because the firm's main customer base is in the U.S.

Firm C is a Swedish manufacturer of industrial mixing and dispersion machinery. Interviewee 3, the sales manager of Firm C affirms that the U.S. is an important market for the firm as the market consists of a customer base of long-term customers with deep rooted relationships. Firm C uses an agent for distribution to the U.S. market and does not own any production locally in the U.S.

Firm D is a Swedish based manufacturer that specializes in industrial lubrication technology and equipment. The interview was conducted with Interviewee 4 who works with Firm D's delivery and financial operations. Although Firm D exports continuously to the U.S. and deem it as an important market, it only amounts to 10% of the firm's total revenue and most of the firm's revenue is instead generated from the European market. Additionally, the firm only exports from Sweden and has no local production or warehousing in the U.S.

Firm E is a Swedish multinational manufacturer that specializes in industrial air filtering solutions that help firms reduce harmful substances from their manufacturing processes to reach emissions requirements. Furthermore, Firm E has manufacturing operations in the U.S. and warehousing operations in Canada. The interview was carried out with Interviewee 5, Firm E's vice president of operations. As for the importance of the U.S. market, Interviewee 5 underscores that *"The U.S. market is very important... the most important is the European market but the second most important is the American market"*. Although Firm E has seen a reduction in sales since the tariffs were imposed, it sees the U.S. market as its largest potential for future expansion and overall growth, a commitment that is mostly founded in ongoing corporate acquisitions.

4.2 Theme 2: Strategic responses and reconfiguration

This theme presents the strategic responses and reconfiguration that firms have made following trade policy uncertainty. The results are presented in descending order based on the degree of the firms' reconfiguration and strategic responses.

Firm E has gone through significant supply chain reconfigurations since the tariffs were introduced in April 2025. Interviewee 5 noted that when the tariffs were imposed, Firm E shipped products from Canada to the U.S. for re-packing, and then shipped them back to Canada again, which resulted in them paying tariffs twice. To mitigate this, the firm decided to bypass the U.S. market completely by shipping directly from Sweden instead. Additionally, Firm E also invested significant resources into expanding their manufacturing operations in the U.S. Specifically, the aim is to create a manufacturing line for components bound for the U.S. market that were previously only manufactured in Sweden, eliminating the cost of tariffs when importing to the U.S. Additionally, Interviewee 5 adds that Firm E has also moved a portion of its manufacturing from the U.S. to Sweden as the cut in cost of manufacturing outweighed the tariffs incurred when importing to the U.S.

Interviewee 1 notes that Firm A experienced erratic effects in the global supply chain during the summer of 2025. Interviewee 1 highlights that Firm A is both considering and has implemented changes in their production network to avoid the cost impacts of the tariffs. Interviewee 1 revealed that Firm A moved their end-production of engines destined for the Canadian market from the U.S. back to Sweden to avoid paying import duties. Interviewee 1 highlights “...it was in April, just after Liberation Day that we moved the final production of ... from our factory in USA to Sweden” and explains that this decision resulted in longer lead times for the customer but was worth it considering the alternative of high import duties. Moreover interviewee 1 notes that Firm A is also exploring options to move production of stillages that are critical to its logistics flow to the U.S. to avoid the tariffs.

Interviewee 2 argues that since Firm B already has part of their production in the U.S., manufacturing and sourcing has not been subject of large changes when discussing reallocating resources to alternative markets due to tariffs. Interviewee 2 further argues that since Firm B has local production in the U.S., tariff rates have not been as significant as for competitors. Firm B has however done small changes internally by relocating production of certain product segments and parts from the U.S. to Sweden. Interviewee 2 notes that this was done as it was shown to be less cost intensive. When asked about routes to market, Interviewee 2 states that Firm B has not done any significant changes in their logistical routes, but that the firm has changed the route for specific product segments. The route to Canada and Mexico, which was previously done by selling products from the U.S. has been altered to transport directly from Sweden to avoid import duties. Interviewee 2 states that Firm B explored options of increasing

stock levels locally in the U.S., but that nothing came of it and instead decided to keep being LEAN and keeping low inventory levels. Additionally, Interviewee 2 states that Firm B also explored options of increasing the degree of processing in the U.S., but the cost of the tariffs made it more expensive to produce in the U.S. than in Sweden.

In contrast to Firm E, Firm A and Firm B, Firm C did not make any changes to their existing logistical network. Instead, they relied on the terms in their contracts with their customers through their existing incoterms DAP (Delivery at Place). This contractual term forced the U.S. buyer and its importing agent to carry the financial and administrative burden of the tariffs. Interviewee 3 affirms, “*we have not made any active choices in our logistical network... we have only made an effort to clarify the implications of our delivery agreements to our customers*”. In the case of Firm D, Interviewee 4 emphasised that the firm made no substantial reconfiguration to their supply chain after the tariffs were imposed. Instead, they have stopped shipping smaller, individual orders and started shipping larger, consolidated orders to maximize the fill rate, ultimately reducing freight costs. Interviewee 4 highlights that this is caused by changes in customer behaviour, who continues to place orders but opts for fewer shipments but larger volumes per shipment.

4.3 Theme 3: Market diversification in response to uncertainty

The unpredictability of the tariffs has forced firms to search for alternative, more stable markets to ensure profitability and growth. In this section, each firm’s respective actions will be presented, beginning with the most significant changes and responses.

Firm B plans for expansion in other markets, including India. Interviewee 2 notes that expansion probably still would’ve happened regardless of U.S. tariffs, but that the process of expansion has been sped up because of the U.S. market situation. Interviewee 2 further notes that the expansion does not rely on reallocation of resources from the U.S. market but rather continuing to be successful in the U.S. while expanding into other market areas. Interviewee 2 further argue that Firm B’s customer segment is relocating towards Asia, where India has a solid growth potential due to the EU-India FTA. Interviewee 2 acknowledges that China is a big market but argues that “*I believe that if you were going to enter China, you would have done it 20 years ago...*” and further highlights a large amount of local competition, declining economy, and high unemployment rates. Interviewee 2 does however note that while China isn’t an optimal market for future expansion, markets such as Japan, Indonesia, and Malaysia are market where Firm B see possible potential.

Firm C presents different strategies when asked about alternative markets. Interviewee 3 highlights that Firm C has no intention to lower prices in the U.S. market for customers to receive the same price as before the Liberation Day tariffs but rather position resources where the company projects a greater chance of success. Interviewee 3 further highlights the recent FTA between the EU and India, where customers will be subject of a tariff decrease. The Free Trade Agreement between the EU and India presents a greater potential than the current U.S. market. Interviewee 3 further argues that Vietnam has become an attractive market following increased production cost in markets such as Malaysia and Indonesia.

Firm A has seen changes in demand of two large product segments in the U.S. since the Liberation Day tariffs. One segment has grown significantly, and the other segment has declined. Interviewee 1 states that the increase is not a result of the tariffs but rather a result of a market segment that has seen substantial growth during 2025. Interviewee 1 underscores that the increased demand in this specific segment would have occurred regardless of the Liberation Day tariffs. Interviewee 1 also present Firm A's risk assessment as a critical part of the operations, where Firm A views the U.S. market as important but volatile. Interviewee 1 further states that Firm A has not made any other changes in prioritization aside from Canada, where a specific product segment has become increasingly more attractive.

Firm D has no specified plans of expanding into other markets, mostly since they have not lost any revenue from the U.S. market since the tariffs were introduced. They have however seen an increase in customer demand from Asia, specifically China, which they assume is a direct effect of the tariffs and that international buyers are seeking out non-U.S. markets for industrial products. Furthermore, Interviewee 4 notes that there are internal on-going discussions of potentially expanding into other countries and regions like Germany and South America. In the case of Firm E, Interviewee 5 affirmed that the U.S. tariffs have not affected general market prioritization as their European market is compensating for the losses in the U.S. Interviewee 5 notes that *"Europe is performing a little bit better which compensates for problems that occur elsewhere ... but does that mean that we will put more resources into another market? No, we will not."* The firm has instead adapted a more passive approach where no additional resources are allocated to an alternative market, and each market unit instead independently works with their respective opportunities and challenges.

4.4 Theme 4: Firm response to demand uncertainty and hesitant investment behaviour

As a result of the Liberation Day tariffs, U.S. customers demand uncertainty and willingness to invest has been affected. This section will cover how the firms have been impacted by these effects and how they have reacted to it. The firms are presented in descending order, starting with the one who experienced the highest levels of demand uncertainty and hesitant investment behaviour.

Firm B has been experiencing extreme levels of unpredictability because of the tariffs. Interviewee 2 expressed that “*the tariffs have increased the hesitation among our customers and decreased the appetite to invest.*”, causing customers to pause investments until the geopolitical situation stabilizes. Interviewee 2 also notes that their customers would most likely be more willing to invest in their products that if the constant unpredictability and risk of new tariffs did not exist. The hesitation among customers has ultimately led to a halt in market growth for Firm B. Hence, Firm B’s strategy has now shifted from focusing on an aggressive market expansion, to protecting their existing market share by supporting their current customers. Interviewee 2 also noted that they have recently reorganised their sales team in the U.S. to support this initiative.

Firm C has experienced similar effects as Firm B. Interviewee 3 highlighted that the incentive for expanding their current U.S. market share has decreased because of the increased uncertainty caused by the tariffs. The firm still makes moderate efforts to make themselves visible to potential customers but not in the capacity as they did prior to the tariffs. However, Firm C prioritizes having long-lasting and deep-rooted relationships with their existing customers. Interviewee 3 remarked “*We follow our customers around the world. We had a customer in England that expanded to Australia, and we followed them there and helped them install our machines... and then we followed them to Singapore*”. In addition, Firm C focuses heavily on providing continuous service and repairs for their customers as a means of being competitive through extending their product’s life cycle and providing customer value.

In the case of Firm E, Interviewee 5 states that “*The tariffs have negatively affected the willingness to invest among our customers*”. As a result, Firm E has experienced increased uncertainty and an overall decrease in revenue in the U.S. market. However, Interviewee 5 emphasises that the firm still views the U.S. as a significant growth potential, and that they have already made substantial investments into the U.S. market in the period since the tariffs were introduced.

While Firm A has experienced significant growth in one of their major segments, the market in its entirety was characterized by hesitation. Interviewee 1 emphasizes that the customers’ willingness to invest Firm A’s products has varied depending on product segment. The marine propulsion segment has experienced a decline in sales while the industrial segment has experienced explosive growth because of the increased need for industrial products in the U.S. The firm has therefore directed their focus towards capitalizing on the increased demand of industrial products to offset the negative impacts caused by the hesitant buying behaviour in the marine segment.

Firm D has seen no indications that their customers have decreased their appetite to invest even though, as Interviewee 4 notes “*we have not made it cheaper for our customers even though they have to pay for the tariffs, and as a result reduce their profits or increase their prices*”. Firm D is also aware that their products are critical to their customers manufacturing, specifically to ensure that the machinery does not experience excessive wear and tear while operating. Interviewee 4 stated that since their product assortment is unique and customer relationships are developed, the tariffs will not have as big of an impact on their market presence.

5. Discussion

In this chapter, the empirical findings will be connected to theory to create a comprehensive analysis of the gathered results. The structure of the discussion is based around the two research questions regarding market prioritization and product allocation. The four themes created using thematic analysis and presented in the results provide the foundation for answering the research questions. Market prioritization is mainly related to Theme 1, 3, and 4, while product allocation and network reconfiguration is primarily connected to Theme 2. The empirical findings indicate that the U.S. Liberation Day tariffs have significantly impacted Swedish manufacturers of industrial machinery and their decisions to reevaluate and reconfigure their market strategies.

5.1 Market prioritization and tariff uncertainty

The results gathered from the interviews indicate that the U.S. market remains commercially important but is for most interviewed firms viewed as unstable. Rather than being viewed as a stable market, the U.S. market is being monitored under other conditions than before the Liberation Day tariffs. The empirical findings reveal that there is a correlation between the uncertainty that the tariffs bring, and firms' shift in market prioritization. As proposed by Chae et al. (2019), the "timing uncertainty" can have a significant effect on customer's buying behaviour. This became apparent in the cases of Firm B, Firm C and Firm E since all firms reported a decreased appetite for investment and increased demand uncertainty among their customers.

The firms deployed different strategic measures to mitigate the anticipated negative effects, which also relates to Miller et al.'s (2025) theory of how firms mitigate losses. This was shown in the actions of Firm B and Firm C who both diverted their focus towards other markets that were deemed to have a higher growth potential. The reason behind this shift was found to be incentivized by emerging, more stable trade agreements, such as the newly concluded EU-India trade agreement. This shows that Firm B and Firm C capitalized on a newly presented market opportunity to reduce its dependence on the U.S. market. This shift in market prioritization correlates with Gereffi et al.'s (2005) theory that suggests that changes in policy have a significant effect on how firms diversify their operations geographically. As for the other firms, it is apparent that there are no immediate shifts of focus towards other markets as each firm has individual strategies and circumstances when it comes to the U.S. market. For instance, Firm

A still has a strong foothold in the U.S. market as one of their product segments have experience an increase in demand.

All firms still perceive the U.S. market as important, but for different reasons. Firm A has a specific product segment that is growing in demand, Firm B's main customer base is in the U.S., Firm C has long term and deep-rooted relationships in the U.S., Firm D's customers are highly dependent and Firm E sees the U.S. as a potential growth market. These firms have not abandoned the U.S. but reevaluated the role of the U.S. market's strategic importance. Melitz (2003) theory of firm heterogeneity partially explains how firms choose to react to the changing conditions. Firm B and Firm C choose to protect existing customer and apply a more defensive approach, while Firm A and Firm E choose to be more selective. Firm D on the other hand, did not need a defensive approach or a market shift since their customers are highly dependent of their products, causing their relationships to become locked-in. That firms act differently based on the characteristics of their situation is strongly related to what Melitz and Ottaviano (2008) describes about firm heterogeneity and how firms react differently based on firm specific circumstances.

While firms are not abandoning the U.S. market, the perceived commercial attractiveness of the U.S. market has changed because of the Liberation Day tariffs. Firm B and Firm C mention other markets such as India following the EU-India FTA, Brazil, and parts of Asia. The case of Firm B and Firm C highlights that while the U.S. market is perceived as less stable, other markets are perceived as more predictable, especially following political regulations such as the EU-India FTA. Firms recognize that the Liberation Day tariffs have created strategic obstacles and challenges. But rather than creating new opportunities for expansion, the tariffs have accelerated existing plans for expansion. This can be seen in Firm B who highlights that the process of expansion to alternative markets have been sped up. Chae et al.'s (2019) theory of uncertainty further explains why firms are choosing to reconsider other markets. Uncertainty regarding the future and duration of tariffs changes the perception of U.S. as a stable market. This suggests that some firms, especially Firm B and Firm C, are diversifying their market scope to mitigate the negative effects caused by reduced customer investment appetite.

5.2 Network reconfiguration and product allocation

The data presented from the interviews shows a pattern of how the Liberation Day tariffs have impacted firms' decisions concerning product allocation and network reconfiguration, supporting Amiti et al.'s (2019) argument that firms will make cost-heavy adjustments to their network to avoid tariff costs.

5.2.1 Physical reconfiguration

The most apparent logistical shift was identified as the strategic avoidance of the United States when moving products from Sweden to the neighbouring North American countries, Mexico, and Canada. Prior to the tariffs, Firm A, Firm B, and Firm E, which all have operations in the U.S., shipped Canadian and Mexican bound goods through their U.S. domestic businesses. However, following the introduction of the tariffs, the existing route meant that the firms would be subject to the tariffs both when exporting to the U.S. and exporting to Mexico/Canada from the U.S. To mitigate the costs, the firms instead chose to ship certain goods directly from Sweden to Mexico and Canada which increased the lead times but decreased the overall cost in comparison to the previous setup.

As proposed by Dunning (1988), one of the conditions for undertaking FDI, in this case operating in the U.S., is that the location must have the most favorable conditions. This became apparent in the cases of Firm A, Firm B and Firm E who clearly expressed that they did not have favorable conditions. All three firms stated that the U.S. market has become less favorable as a transit hub to neighboring countries as the tariffs have increased costs in production and manufacturing. This changes the location advantage that Dunning (1988) proposes, as the conditions have changed based on destination markets, product segments and political regulations. Moreover, Firm E's decision to invest in manufacturing lines for certain components in the U.S. further strengthens Dunning's (1988) theory since it bypasses the tariffs completely by enabling them to supply their customers in the U.S. market directly. Dunning's (1988) theory therefore works both ways since the most favorable conditions depend on the location of the end-user.

As Firm A, Firm B and Firm E have altered networks and resources, they have been subjects of both immediate and delayed effects. These effects are directly connected to Ivanov and Dolgui's (2025) theory of how supply chains react to tariff crises and reciprocal tariffs through both immediate and delayed effects, such as network redesign and reallocation of manufacturing resources.

5.2.2 Commercial reconfiguration

As for the remaining firms, Firm C and D, it is evident that FDI and reconfiguration of U.S. domestic warehousing and production operations are not the only methods to efficiently navigate trade policy uncertainty. Instead, these firms have relied on existing contracts and deep-rooted relationships. An explanation to why these companies could keep the same customer base and shifting the financial and administrative burden, can be found in the interconnectivity and lock-in effect that Dyer & Chu (2003) and Ketokivi & Mahoney (2020) argue for in high-value, complex transactions. When U.S. buyers purchase specialized equipment, such as Firm C's mixing machinery or Firm D's lubrication technology, they invest in relation-specific assets which outweighs the costs of policy shifts like the Liberation Day tariffs.

6. Conclusions

In this chapter, the study is concluded by summarizing the findings in relation to the research questions. The chapter answers the research questions and provides an outline of the limitations and suggestions for future research.

6.1 Answering the research questions

The aim of this study was to analyse how the Liberation Day tariffs have impacted the market prioritization and product allocation strategies of Swedish manufacturers of industrial machinery. By connecting the empirical findings with existing theories, two primary conclusions can be drawn to answer the study's research questions.

6.1.1 Research Question 1: In what ways have U.S. tariffs influenced Swedish manufacturing firms' market prioritization?

In the context of market prioritization, the Liberation Day tariffs have changed firms' perception of the U.S. market, from being viewed as a stable growth market to being perceived as unpredictable. The main problem impacting most firms is the customers hesitation to invest caused by tariff timing and severity uncertainty. In response, some Swedish industrial manufacturing firms have stopped focusing on aggressive market expansion within the U.S. and instead implemented passive approaches to maintain existing market shares. More importantly, firms are still actively seeking to continue growing their businesses by identifying and acting upon firm-specific market opportunities. Such opportunities exist not only in the U.S. but also in emerging global markets with new trade policies which firms seek to utilize to offset the U.S. tariffs.

6.1.2 Research Question 2: How have tariffs affected product allocation decisions among Swedish industrial manufacturing firms?

Swedish industrial manufacturing firms' product allocation has been affected by the tariffs through route changes, production relocation and logistical adjustments. Firms with manufacturing or distribution in the U.S. have taken action to mitigate challenges caused by the tariffs. Some firms have reevaluated where final assembly or component manufacturing takes place. These firms have moved parts of the manufacturing process from the U.S. back to Sweden for distribution directly to Canada or Mexico. Firms without critical U.S.

manufacturing or distribution have taken a more passive approach and made fewer logistical adjustments. Instead, these firms have relied on their customer relationships and contractual terms. This makes it evident that firms with an established operation in the U.S. have had to make more significant decisions relating to supply chain reconfigurations to mitigate the tariff effects, than those without.

6.2 Limitations

The study solely focuses on Swedish manufacturers of industrial machinery and is limited by the number of interviews. This means that the study has a narrow scope since the tariffs have impacted all industries in all countries. Another important limitation of this study is the anonymity of interviews. Since the interviewees and their firm's identity are hidden, complementary financial and operational data cannot be used to further analyse the impacts on a firm level. This also makes the interview data solely rely on the interviewee's perspective of the complex situation, which may leave out other relevant perspectives from each firm.

6.3 Future research

This study has shown that there are areas beyond the delimitation which can be further investigated. First, as the Liberation Day tariffs happened recently, future research could conduct a study to analyse long-term effects. This could help understanding long-term strategies after the initial short-term decisions. Secondly, this study only focuses on firms in Sweden and a specific sector. Future research could study the differences between industries and countries to help identify deciding factors to why firms make certain decisions and how much the industry sector and exporting country affects them. Lastly, future research could utilize quantitative data to analyse the effects of the Liberation Day tariffs as this study solely relies on the empirical data provided by each interviewee. The quantitative data could act as a complement and possibly reveal other relevant perspectives to the effects of the tariffs.

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