

US trade policy in numbers: how exposed is the EU?

Rita Cappariello Michele Mancini

Bank of Italy

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 - Wide asymmetry: US tariffs are generally lower.
 - Asymmetry not as marked vis-à-vis the EU, with the exception of the automotive sector.
2. Evaluate the countries' exposure to new trade barriers.
 - Around 2.8% of EU GDP potentially exposed.
 - Relevant exposure of the Italian auto sector, also through EU value chains (10% of automotive value-added exposed).

Bilateral tariffs data

Retrieving average bilateral tariffs: procedure

- Raw data on tariffs (mostly 2016) from WTO-IDB database
 - HS6 Effectively Applied Tariffs.
 - Preferential tariff (if exists) or Most Favoured Nation (MFN) tariff.

Bilateral tariffs data

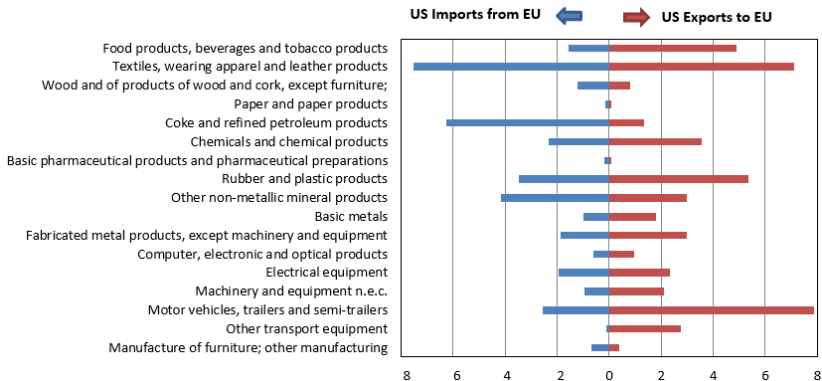
Retrieving average bilateral tariffs: procedure

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 - HS6 Effectively Applied Tariffs.
 - Preferential tariff (if exists) or Most Favoured Nation (MFN) tariff.
- Harmonization and weighting
 - End-use categories: 5000 goods classified from HS6 to final and intermediates.
 - From HS2012-6 to ISIC rev. 4, with UN Comtrade data.

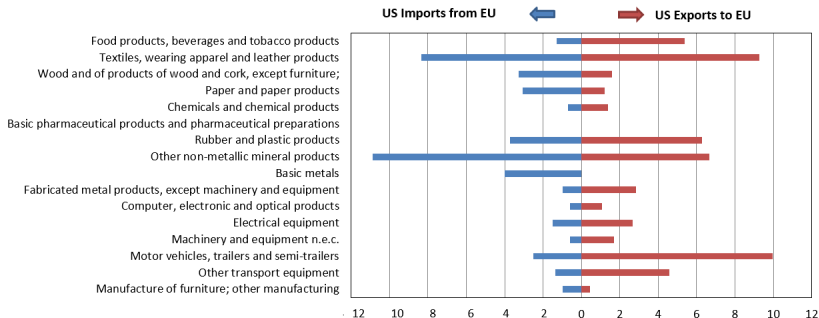
Average tariffs between US and trade partners (no PTA)



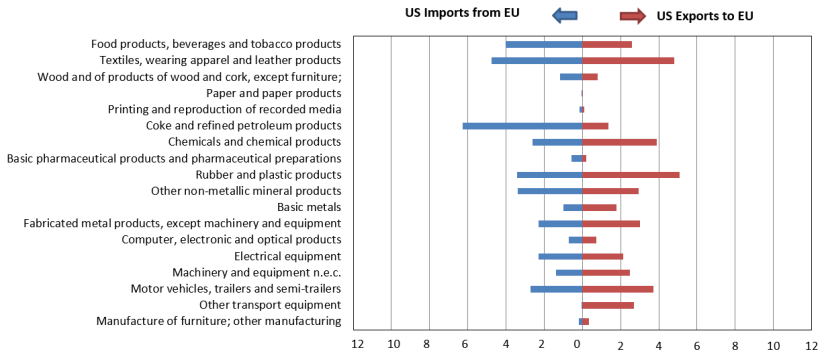
Average tariffs between US and EU: sectors



Average tariffs between US and EU: final goods



Average tariffs between US and EU: intermediates



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E.g. US-South Korea FTA: in force since 2012; as of Jan-2018, 92.3% of US products enter Korea duty-free.
 - **Increase US tariffs:** trade war.
Pros: simple message, higher political dividend.



Donald J. Trump 
@realDonaldTrump

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Countries' exposure to tariffs: a modern approach

GDP exposure in a GVC world

Italian exposure to US tariffs vis-à-vis all countries.

- **Direct exposure:** Italian GDP in Italian exports to the US.



GDP exposure in a GVC world

Italian exposure to US tariffs vis-à-vis all countries.

- **Indirect exposure:** other countries export to the US Italian GDP, embedded in their products.



GDP exposure in a GVC world

What fraction of GDP of a country is exposed to US trade barriers?

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2. **Analytical framework**: disentangle trade in value-added in imports, subject to tariffs (Borin, Mancini 2019)
3. **Computation**: `icio`: Economic Analysis with Inter-Country Input-Output tables in Stata (Belotti, Borin, Mancini 2019)
`ssc install icio`

Accounting framework: intuition

Procedure (intuition):

1. Define a scenario: which trade barrier?
2. Select the corresponding relevant border.
3. Border defines the specific (and best suited) analytical framework to adopt: e.g. bilateral, importer, sectoral importer perspective...
4. Breakdown trade flows in terms of value added by country of origin (GDP).

US trade barriers vis-à-vis all partners

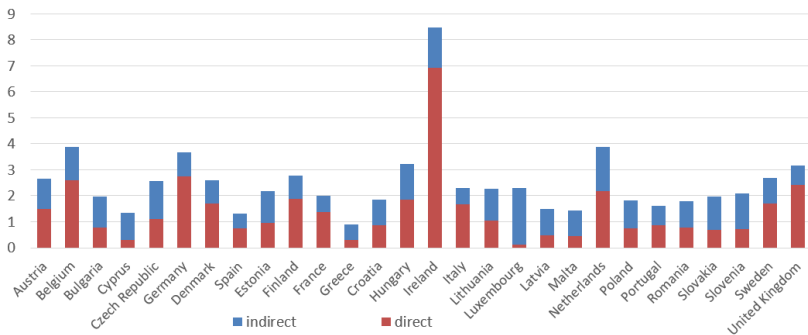
Perimeter: US border as a whole (importer perspective)

icio, importer(usa) perspective(importer) origin(all) output(va)

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US tariffs on auto imports vis-à-vis all partners

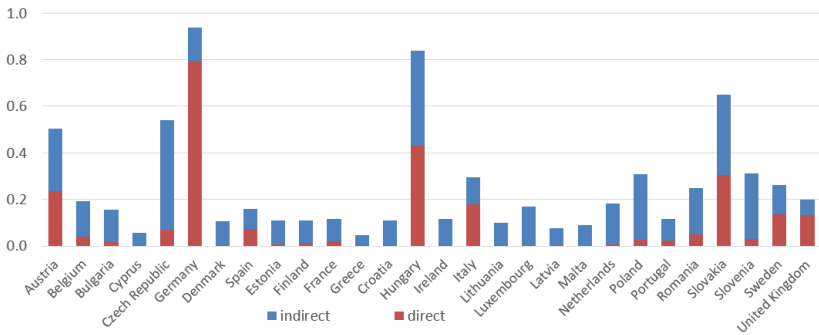
Perimeter: US border as a whole, auto (sectoral-importer perspective)

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US tariffs on auto imports vis-à-vis all partners

Perimeter: US border as a whole, auto (sectoral-importer perspective)

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US trade war with China (not in this paper)

Perimeter: US-China border (bilateral perspective)

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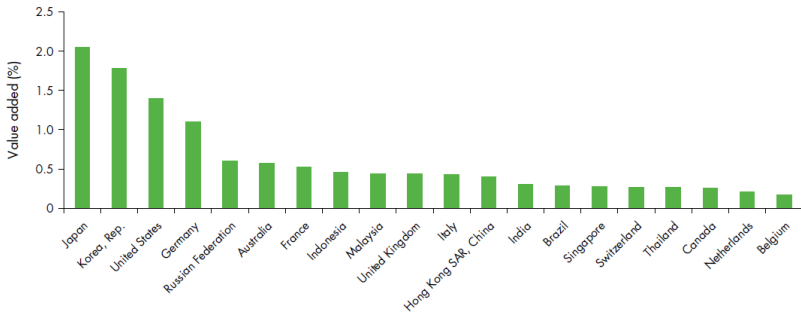
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Figure 4.9 The multilateral dimension of the U.S.-China trade war

a. Chinese exports to United States: Share of value added by Chinese trade partner, 2015



Source: World Bank World Development Report 2020

Conclusions

- Before Trump, wide asymmetry between the tariffs applied by the US and its trade partners, especially toward China.
- A race to the top: now average tariff on US imports from China and on Chinese imports from US are around 20% (starting from around 3% and 8% in Jan-2018, respectively).
- EU exposure to US tariffs is non-negligible.
- Autos and parts tariffs could disrupt the EU value chain.

Thank you for your attention