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The economic impacts of Trump's tariff proposals on Europe

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Policy insight

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Summary

Key findings

- Proposed tariffs put forward by US Presidential Candidate Donald Trump could reduce gross domestic product in the United States by -0.64% and in China by -0.68%, while the European Union would face a more modest reduction of -0.11% .
- The proposed 100% tariff on imported vehicles would significantly impact the affordability of electric vehicles in the US market, potentially slowing adoption rates and hampering efforts to reduce transport emissions, given that imported EVs currently account for approximately 30% of the US electric vehicle market.
- Within Europe, impacts would vary significantly: Germany could see a -0.23% drop in GDP, while in Italy the decrease could be negligible, at -0.01%.
- The 10% universal tariff proposal would be the most damaging for European economies, even for countries less affected overall by the full set of proposals.
- Certain European sectors, particularly Germany's automobile exports, would be disproportionately affected and may require targeted protective measures.
- Retaliatory measures by China or the EU would likely worsen economic outcomes for all parties involved, potentially sparking a damaging trade war.
- The EU should refrain in particular from using its carbon border adjustment mechanism (CBAM) as a conduit for retaliatory measures as it would require an unrealistically high carbon price on the embodied emissions of US imports, and could weaken the acceptability of the border carbon tax for the EU's trade partners.

Policy context and economic impact of proposed tariffs

The 2024 US presidential campaign has reignited discussions on international trade policy, with former President, now Candidate, Trump proposing a series of aggressive tariff measures in August 2024. These include a baseline 10% import tariff on all foreign-made goods, a targeted 60% import tariff on Chinese goods, and a 100% tariff on all imported cars.

While most of the existing tariffs enacted under the Trump administration of 2017–21 have not been rescinded by the Biden administration, these new proposals still represent a significant escalation of 'America First' trade policies and could have wide-ranging economic impacts, with our modelling showing:

- The largest adverse effect would be on China's economy, with a projected 0.68% GDP loss.
- Limited impact overall on the EU economy but potentially substantial challenges for certain sectors and countries.
- A much lesser negative effect on major emerging economies besides China, with GDP losses of under 0.1% in India, Indonesia and Brazil, for example.

The proposed tariffs would affect different sectors differently. Within Europe, the transport equipment industry, particularly automobile manufacturing, emerges as the most vulnerable sector. This is largely due to the proposed 100% tariff on imported cars.

Conversely, some European sectors that directly compete with China, such as textiles and machinery, might in fact *benefit* from the differential treatment between Chinese and European exports to the US market. Similar impacts would be expected in emerging economies such as India, Indonesia and Brazil.

Policy implications

Retaliatory measures, such as symmetric tariff increases by China or the EU, would likely be counterproductive. Such actions could potentially worsen economic outcomes for all parties involved and risk escalation to a full-scale trade war. This underscores the need for careful, measured responses to the proposed tariffs.

For the EU specifically, we recommend it:

- **Takes a measured response and limits exposure** to avoid an overreaction to the proposals, given that the direct economic impact on the EU may be limited. The EU's diverse economy and strong internal market can be leveraged as buffers against external shocks.
- **Avoids the pitfalls of broad retaliation**, as such measures could be counterproductive and potentially trigger a full-scale trade war, harming EU economies and consumers.
- **Considers highly targeted protective measures for specific vulnerable sectors**, such as the automobile industry. This is particularly relevant for Germany, and could include temporary subsidies, tax relief, R&D incentives, and support for export markets to diversify.
- **Explores innovative retaliatory measures that comply with World Trade Organization rules:** this could include a carbon tax on emissions embedded in US imports. However, the very high carbon price needed to compensate the 10% Trump tariff makes this option unrealistic. It would instrumentalise a climate policy tool as a trade defence mechanism and could jeopardise the acceptability of the EU's carbon border adjustment mechanism (CBAM) for the bloc's trading partners.

1. Introduction

This report examines the potential future ramifications that tariff proposals put forward by US Presidential Candidate Donald Trump in August 2024 could have on EU member states, China and other major emerging economies.

The proposed tariffs, framed as measures to correct trade imbalances and protect US industries, have the potential to significantly reshape international trade relations and supply chains, with notable consequences for the EU and its trade priorities.

EU exports to the US currently account for 19.7% of all exported European goods, making the US the EU's largest trading partner (Eurostat, 2024). Despite strong trade ties, EU and US policymakers and economists fear tensions and a potential trade war, particularly given filings made by the EU in 2018 to the World Trade Organization (WTO) as a response to US tariff increases on European steel and aluminium. The US is China's main trading partner too, accounting for 17.9% of all Chinese exports. China and the US have also had prolonged trade disputes, with both currently applying significant tariffs on the other (Akhtar et al., 2024).

Candidate Trump's proposals include a baseline import tariff of 10% on all foreign-made goods, a targeted 60% import tariff on Chinese goods, and a 100% tariff on all imported cars.¹ These measures represent a substantial escalation of the 'America First' trade policies implemented when Trump was President. Although the US has historically imposed tariffs on 30% of its imports, generating 3% of its average gross tax revenue, the scale and scope of these new proposals are unprecedented in recent US trade policy (US International Trade Commission, 2024).

The following analysis:

- Contextualises these proposals within the framework of recent US trade policy
- Models their potential international impact, particularly on EU member states
- Explores policy implications for the EU and how it might respond.

By examining the economic consequences and strategic considerations, this short report aims to provide policymakers with a comprehensive understanding of the challenges and opportunities presented by the proposed tariffs, enabling informed decision-making in an evolving global trade landscape.

¹ Note that under that proposal, the China-specific 60% tariff would not combine with the 100% tariff on private vehicle imports, with the rate levied on imported Chinese cars being capped at 100%. Further, the 100% tariff on all imported cars has alternatively been described as only applying to China and applying to all markets. Candidate Trump mentioned a 100% tariff on Chinese electric vehicles imported via Mexico at an Ohio rally on 17 March 2024. The context of the speech, however, makes it unclear whether he meant a 100% tariff on Chinese EVs, or more broadly on all imported cars. In an article published by Forbes on 28 March, Howard Gleckman assumes this statement is meant more broadly. In the absence of any written policy proposal, we consider the broader interpretation in our analysis.

2. Trump's tariff proposals

Context and description

The 2024 presidential campaign in the US has reignited discussions on international trade policy, with former President and current Candidate Donald Trump proposing a series of aggressive tariff measures. The 2024 GOP [Republican Party] Platform that went live in July 2024 proposes an 'America First Economic Agenda' that includes:

1. Support for baseline import tariffs on all foreign-made goods.
2. Passage of the proposed Trump Reciprocal Trade Act, which aims to grant executive authority to impose import tariffs on any country with higher tariffs on US exports to align tariff levels.
3. Responding to unfair trade practices. (RNC Platform, 2024)

These proposals, also outlined during recent presidential debates and campaign events, represent a significant escalation of the 'America First' trade policies implemented during Trump's term in office from 2017–21.

Central to Trump's trade platform is a proposed blanket tariff of 10% on all foreign-made goods which would have universal application, regardless of the country of origin or the nature of the goods. The rationale behind this measure, as explained by Trump, is to create a "ring around the country" that would protect American industries and workers from foreign competition. This approach marks a departure from traditional targeted tariffs, opting instead for a broad-based protectionist stance (TIME, 2024).

The potential economic implications of such sweeping tariffs are profound. Economists generally agree that while tariffs may benefit specific domestic industries in the short term, they often lead to higher prices for consumers and can trigger retaliatory measures from trading partners (Furceri et al., 2018). A study by the Tax Foundation estimates that a 10% tariff on all imports could reduce long-run GDP by 0.75% and eliminate 589,000 full-time-equivalent jobs (York, 2024).

Perhaps the most striking element of Trump's trade proposals is the targeted 60% tariff on Chinese imports. This dramatic increase from the already substantial tariffs imposed during his first term signals an intent to further decouple the US and Chinese economies. The automobile industry would face even more severe restrictions, with Trump proposing a 100% tariff on all imported cars from China (TIME, 2024).

These measures against China reflect ongoing tensions and concerns about unfair trade practices, intellectual property theft and national security. However, the scale of the proposed tariffs goes beyond what most economists consider prudent trade policy. In a comprehensive analysis of trade policy impacts, Fajgelbaum and Khandelwal (2024) argue that such high tariffs could lead to significant market disruptions, potentially causing supply chain chaos and spurring rapid inflation. Their econometric study of previous trade disputes suggests that tariffs of this magnitude often result in substantial welfare losses for both importing and exporting countries.

Another key component of Trump's trade agenda is the proposed 'Trump Reciprocal Trade Act'. This legislation would aim to grant the executive branch broader authority to unilaterally impose tariffs. The act would allow the president to levy tariffs on any country that had higher tariffs on US exports, with the goal of achieving tariff parity. This 'reciprocal' approach to trade policy represents a shift away from multilateral trade agreements towards more bilateral, retaliatory arrangements.

Critics of this approach, including former US Trade Representative Carla Hills, argue that it could lead to a cascade of retaliatory measures, potentially sparking global trade wars. Moreover, there are concerns about the constitutional implications of granting such broad tariff-setting powers to the executive branch, potentially bypassing Congress's traditional role in trade policy.

The proposed tariffs on EU imports, while not quantified to the same degree as those on China, represent another significant shift in US trade policy. Trump's comments about the EU being "brutal to us on trade" suggest a willingness to engage in trade confrontations with long-standing allies. This stance could have far-reaching implications for transatlantic relations and global economic cooperation. Concern has become so widespread that 16 former Nobel Economists joined together to write an open letter highlighting the risks to both the US and international economies should Trump win a second term and implement trade and other economic proposals (Nobel Laureates, 2024).

Historical context: Trump's Presidency of 2017–21

When President, Trump implemented several significant changes to US trade policy, including a series of protectionist measures that reshaped trade policy for the US and its trading partners, particularly the EU and China. This shift towards protectionism was particularly evident in the withdrawal from the Trans-Pacific Partnership (TPP) and the renegotiation of the North American Free Trade Agreement (NAFTA) as the US–Mexico–Canada Agreement. To advance domestic manufacturing and industry, the administration also applied tariffs on steel and aluminium imports from most US trading partners, and imposed tariffs on a wide range of goods imported from China (Bown and Kolb, 2023). The use of Section 232 of the Trade Expansion Act of 1962 to impose steel and aluminium tariffs on national security grounds represented an unprecedented use of an executive order (Fefer et al., 2018). Import tariffs increased to 25% on electric vehicles (EVs), 25% on solar panel cells, and up to 10% on aluminium products and 25% on Chinese steel.

In response to these measures, the EU, along with other major trading partners, launched dispute claims with the WTO and implemented retaliatory tariffs on a range of US goods, including agricultural products and American whiskey (European Commission, 2018).

The economic impact of these policies on the US economy has been the subject of extensive research, with most economists agreeing that the tariffs hurt more than they helped American citizens. One study found that the full incidence of the tariffs fell on domestic consumers, with a reduction in US real income of \$1.4 billion per month by the end of 2018 and a complete pass-through of the tariffs into domestic prices (Amiti et al., 2019). Similarly, a further study estimated that the trade war reduced US real GDP by 0.04% and real income by 0.08% in the short term and found that workers in areas with Republican electoral dominance bore the brunt of the negative impacts (Fajgelbaum et al., 2019). At a sectoral level, a Federal Reserve paper examined the impact on US manufacturing and found that tariffs were associated with reductions in employment and increases in producer prices (Flaen and Pierce, 2019).

The direct impacts of the Trump administration tariffs on the EU are generally estimated to have been relatively modest, though indirect effects were potentially more notable. Fewer researchers have examined these impacts, but the European Central Bank (Gunnella and Quaglietti, 2019), Banque de France (Berthou et al., 2019), and the French economic research centre CEPII (Jean and Santoni, 2018) have all used general equilibrium modelling to estimate the effects on the EU economy and specific sectors. Estimates found that the tariffs could have decreased total EU exports to the US by 8% in the long run and could result in a 0.1% loss in EU GDP because of declines in automobile exports and a 0.01% loss in GDP due to steel and aluminium tariffs (Felbermayr and Steininger, 2019).

Many of these tariffs have been left in place during the Biden administration (2021–24). The EU and select other trading allies were able to remove tariffs on their exports, but Chinese exports saw sharp tariff increases. An announcement from the White House in May 2024 directed the US Trade Representative to increase tariffs on China in key sectors, including: EV imports – increasing to 100%, solar panel cells – increasing to 50%, and select steel and aluminium products – increasing to 25% (The White House, 2024).

Table 2.1 below shows how US tariffs have evolved between President Trump's administration and Candidate Trump's proposals.

Table 2.1. US tariffs under the Trump administration, Biden administration and Trump proposals

Product	Trump administration tariff (enacted)	Biden administration tariff (in progress)	Trump campaign (proposed)
All global imports	<i>Not applicable</i>	<i>Not applicable</i>	10% or equal to whatever the country imposes on the US
Global steel (with certain exemptions)	25%	Tariff quota system for EU (and some others)	10% or equal to whatever the country imposes on the US
Global aluminium (with certain exemptions)	10%	Tariff quota system for EU (and some others)	10% or equal to whatever the country imposes on the US
Chinese EVs	25%	100% (2024)	100%
Chinese steel/ aluminium	10%	25% (2024)	60% or more
Chinese semiconductors	25%	50% (2025)	60% or more
Chinese solar cells	25%	50% (2024)	60% or more
Chinese lithium-ion batteries and parts	7.5%	25% (2024–26)	60% or more
Mexican steel/ aluminium	25% for steel 10% for aluminium	0% if melted/poured in Mexico, otherwise 25% 10% on aluminium if originates in China or select other countries	10% or equal to whatever the country imposes on the US

3. Modelling the international impacts

In this section we present our macroeconomic modelling results (see Appendix A for methodology). Unless otherwise specified, we consider the main Trump proposals as implementing the following:

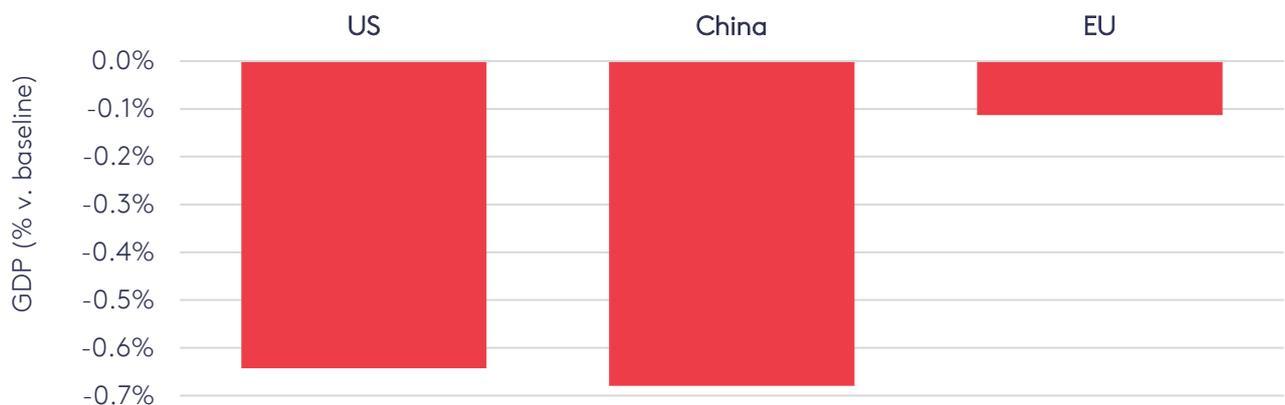
- 10% universal tariff²
- 60% tariff on imports from China
- 100% tariff on any imported car, regardless of origin.

Aggregate results

Figure 3.1 presents the impact of the proposals on GDP in the US, China and the EU, relative to a baseline where no such tariff increases were implemented.³ China would sustain the largest GDP drop, at -0.68%. The US would face a comparable impact at -0.64%, while the EU would sustain only a -0.11% reduction in GDP.

The 100% tariff on vehicles is particularly targeted at Chinese electric vehicles, which currently offer a very competitive price-to-performance ratio. Chinese automotive manufacturers have become dominant players in EVs, and currently account for 58% of global production (Bloomberg News, 2024). Effectively preventing these more affordable EVs from entering the US market could hamper adoption, and ultimately delay US progress in reducing transport sector emissions, which account for approximately 27% of the country's greenhouse gas emissions.

Figure 3.1. Impacts of the Trump tariff proposals on the GDP of the US, China and EU



Interestingly, compared with China, other major emerging economies, including India, Indonesia and Brazil, would be much less negatively affected, with GDP losses of -0.03%, -0.06% and -0.07% respectively. This results from their exposure to the 10% universal tariff instead of the specific 60% tariff targeted at China. It also reflects their lower exposure to trade with the US relative to China and the EU.

However, the limited EU-wide impact we estimate masks a large degree of heterogeneity across European economies. Figure 3.2 illustrates the impact on the EU's three largest economies and the UK. While Germany faces a GDP drop more than twice as large as that of the EU average (-0.23%), France and Italy would both sustain very minor impacts (-0.15% and 0.01% respectively). The UK would be closer to the European average, at -0.14%. This range of impacts is driven by the differences in exposure to the American economy. The US is the top destination for Germany's exports while it is only the fifth largest market for French exports, for example. This is further

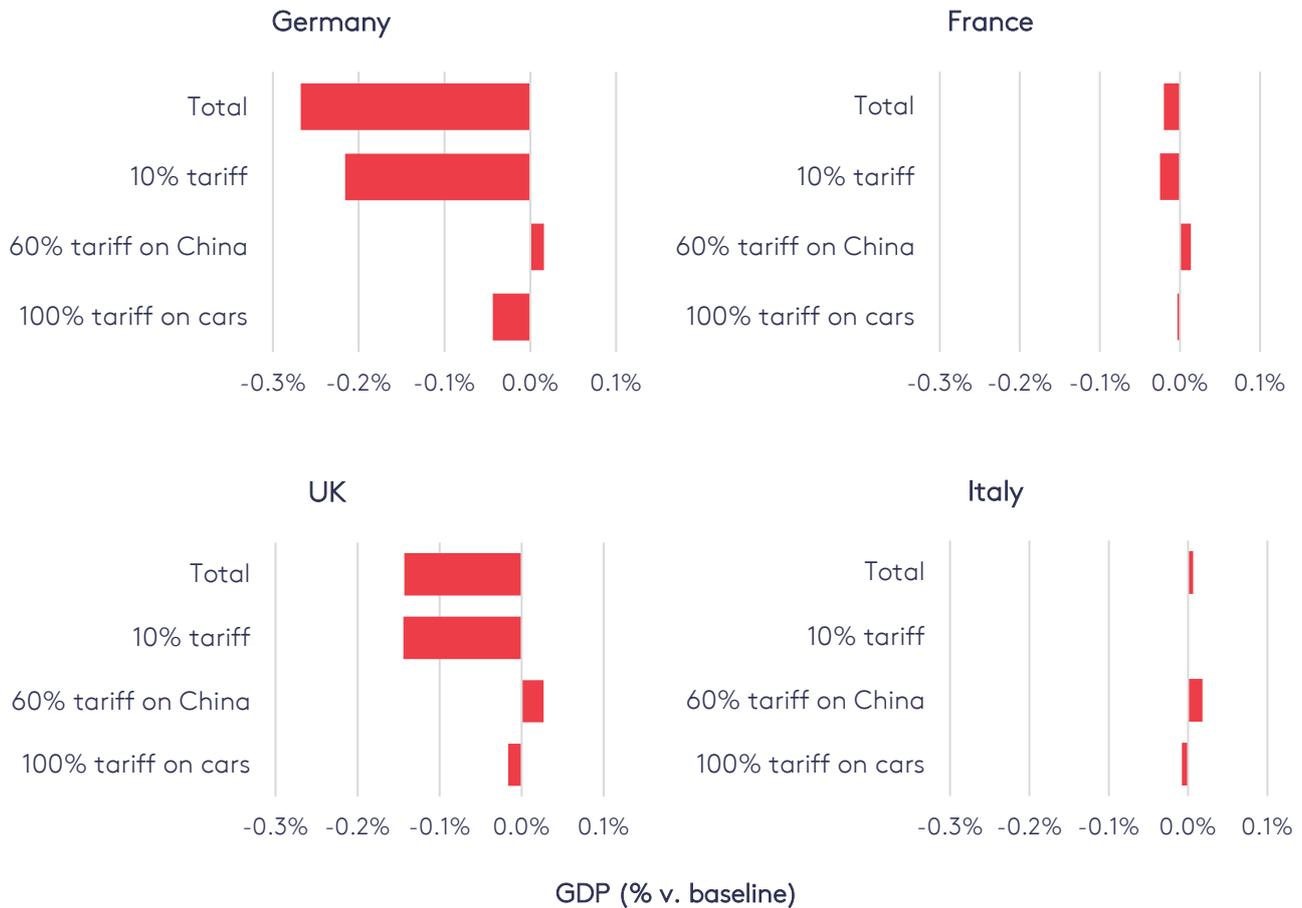
² Candidate Trump has also mentioned the possibility of implementing a 20% universal tariff. Sensitivity analyses conducted on this alternative scenario indicate that GDP losses would increase to -0.85% in China and -0.22% in the EU.

³ See Appendix C for sensitivity analyses to calibrate key elasticities of substitution in the macroeconomic model.

compounded by the heterogeneity in the sectoral composition of these exports targeting the US, as we illustrate in the following sub-section.

Figure 3.2 also provides a decomposition of the tariff proposals' effects along each of the three components. The 10% universal tariff proves to be the most damaging component for European economies by a substantial margin. Indeed, its impact proves negative even in countries that are only moderately affected by the Trump proposals, such as France and Italy.

Figure 3.2. Impacts of the Trump tariff proposals on the four largest European economies, overall and by tariff component



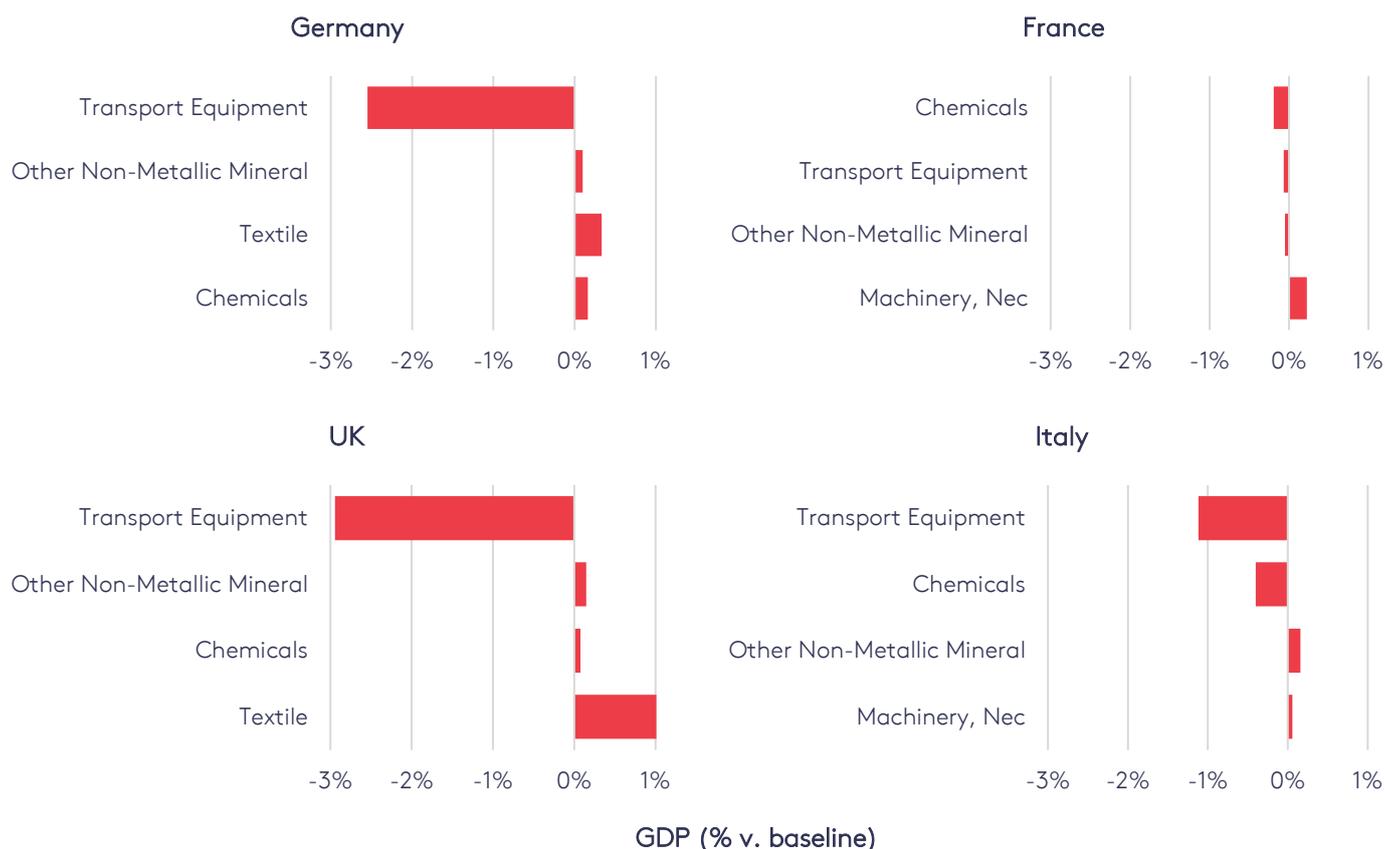
Sectoral results

Above we showed that there was significant variance in macroeconomic impact across major European economies. Figure 3.3 illustrates that there is similarly substantial heterogeneity across sectoral exposure to the Trump proposals. This figure presents for each country the four sectors most impacted in monetary value terms among those that export to the US.

It is interesting to note that sectors that are in competition with China, such as textiles and machinery, would in fact *benefit* from the Trump tariff proposals. This would result from the differential created by the asymmetric treatment between China and other US trade partners: the 60% tariff on Chinese products would by comparison increase the competitiveness of European exports, which face 'only' a 10% tariff.

However, despite some divergence between countries, the export of transport equipment to the US would be consistently threatened by the private vehicle component of the Trump proposals. Indeed, the adverse effect on this sector accounts for most of the negative aggregate impact on Germany. Should it come to pass, this vehicle component would warrant protective measures to safeguard the European automobile manufacturing industry.

Figure 3.3. Sectoral impacts of the Trump tariff proposals in the four largest European economies



Note: The value added of each sector is considered at the baseline as a scaling factor. Nec = not elsewhere classified.

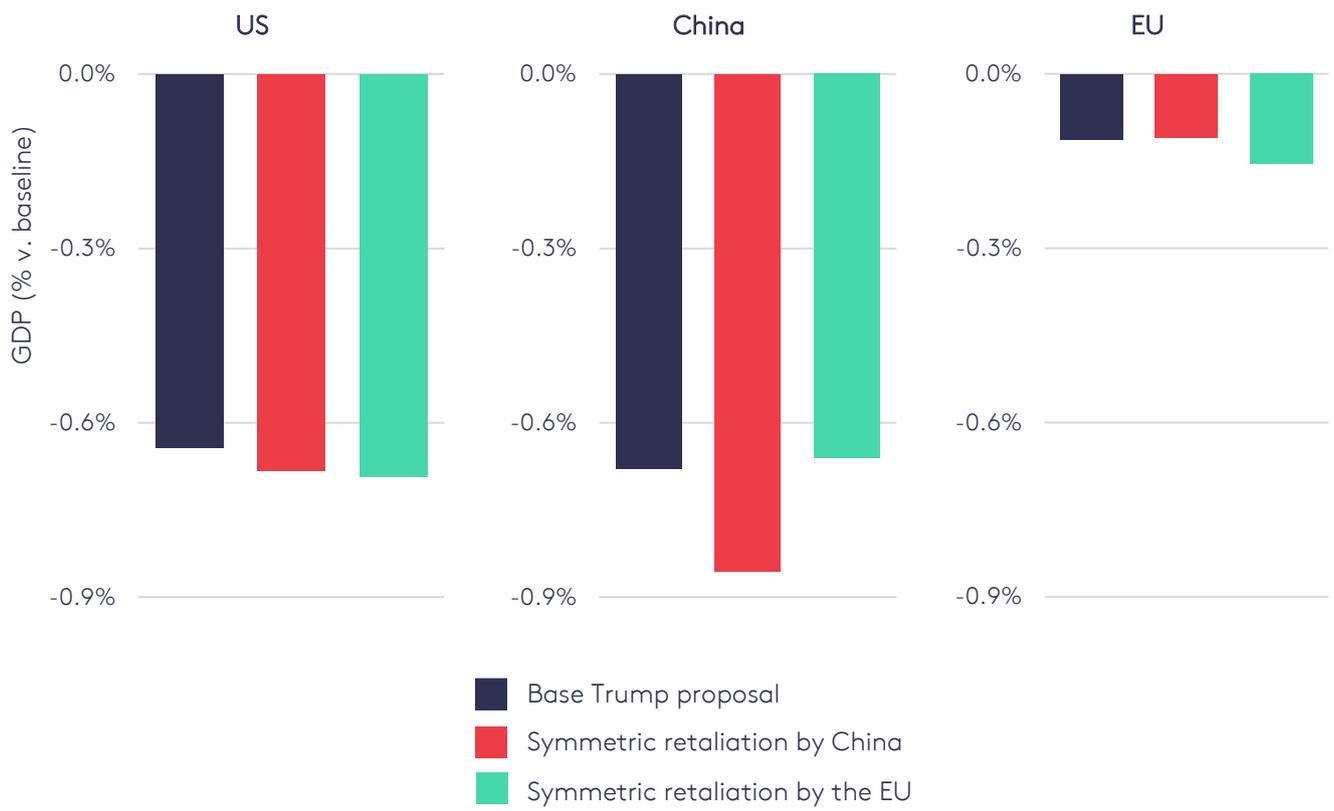
Retaliatory measures

Faced with unilateral tariff increases, under WTO rules the US’s trade partners would be allowed to take proportionate retaliatory actions. This could, for example, take the form of symmetric tariff increases, which we assess below focusing on the following two scenarios:

- Symmetric retaliation by China, with the latter implementing a 60% tariff on US exports entering the Chinese market.
- Symmetric retaliation by the EU, with the latter implementing a 10% tariff on US exports entering the European market.

Figure 3.4 below illustrates that such symmetric countermeasures would be ill-advised. In all cases, for all parties involved, the impact remains negative and indeed worsens, both for the country or region implementing retaliation and for the US. These results highlight the macroeconomic risks that could result from a trade war triggered by Trump’s proposed tariffs.

Figure 3.4. Macroeconomic impacts of retaliatory measures on the US, China and the EU



4. Policy implications for the EU and possible responses

Countries must carefully consider their response to the tariffs proposed by the Trump campaign, should they come to fruition. This section examines potential policy implications for the EU specifically and recommends strategies the bloc can take to navigate this challenging trade environment.

1. Measured response and limited exposure

While Trump's tariff proposals have raised concerns, it is crucial that the EU avoids overreacting. Modelling in this report suggests that the direct economic impact on the EU may be limited. Overreaction could potentially cause more harm to the European economy than the tariffs themselves, and a measured and strategic approach can limit exposure.

The EU's diverse economy and strong internal market provide a buffer against external shocks. While certain sectors may be more affected than others, the overall impact on EU GDP is projected to be modest. An overly aggressive response could escalate tensions and potentially lead to a broader trade war, which would be detrimental to both the US and EU economies and the global trading system. Clear and measured communication about the potential impacts and the EU's response can help prevent panic in markets and among businesses.

2. Avoiding the pitfalls of broad retaliation

While retaliatory measures might seem like a natural response, they are likely to be ineffective or even counterproductive. Our economic modelling indicates that broad retaliation in the form of equivalent tariffs applied to US imports could lead to negative outcomes for EU economies.

Retaliation often leads to further escalation, and in this case it could trigger a full-scale trade war. Such a scenario could result in a significant decrease in EU exports to the US, potentially up to 8% in the long run, according to Bellora and Fontagné (2020). Moreover, retaliatory tariffs often harm domestic consumers and industries facing higher prices of imported products; the EU would be committing an act of self-sabotage if it took this approach.

3. Targeted protective measures

Instead of broad retaliation, the EU should consider highly targeted measures to protect specific vulnerable sectors, such as the automobile industry. These measures could include temporary subsidies or tax relief for affected industries, tax incentives or public investment in research and development to enhance competitiveness, and diversification of export markets to reduce dependence on the US.

For example, the EU could expand its production support for EVs, aligning with its climate goals while protecting a key industry. This approach would be more in line with WTO rules and less likely to provoke further retaliation.

4. WTO-compliant retaliatory measures

Under WTO rules, the EU has the right to implement proportionate retaliatory measures. An innovative approach could be to estimate and implement a carbon tax on emissions embedded in US products imported by Europe. This tax could be designed to generate revenue equivalent to the 10% tariff on European exports proposed by Trump.

This approach offers several advantages:

- It aligns with the EU's climate objectives
- It provides a clear, quantifiable link to the proposed US tariffs
- It could encourage US industries to adopt more environmentally-friendly practices.

This strategy would need to be carefully designed to comply with WTO rules and avoid accusations of protectionism. In short, if the EU wanted to retaliate via a policy that aligns with its climate goals, assuming a US administration that would withdraw from the Paris Agreement, it could decide to tax CO₂ at the border on top of the carbon border adjustment mechanism (CBAM).

However, this policy option is unrealistic: using the average carbon intensity of US exports to the EU by product obtained from the Exiobase3 dataset,⁴ we estimate that a €240/tCO₂ tax on US products would be needed to match tariff revenues from EU exports to the US. This is much higher than the current prevailing price of EU emissions allowances of €63/tCO₂ as of September 2024. This option would also instrumentalise a climate policy tool as a form of trade defence. This could in turn raise questions about the motives behind implementing the CBAM, which the EU has informally argued is justified under the WTO's environmental exceptions.

Conclusion

The tariffs proposed by US Presidential Candidate Donald Trump present significant economic challenges for US trade partners, with China the most adversely affected. European economies would experience varying impacts and while the overall effect on the EU may be modest, certain sectors and countries, notably Germany's automobile industry, face substantial risks. The EU must navigate this complex landscape carefully, avoiding broad retaliatory measures that could escalate into a damaging trade war. It should refrain in particular from using the CBAM as a conduit for retaliatory trade measures as this would require an unrealistically high carbon price on the embodied emissions of US imports and could weaken the acceptability of the border carbon tax for the EU's trade partners.

Instead, a nuanced approach is recommended, focusing on targeted protective measures for vulnerable sectors, leveraging the EU's economic diversity, and exploring innovative policy responses that comply with international trade rules. Ultimately, the EU's strategy should prioritise economic stability and resilience in the face of potential trade disruption, while maintaining a commitment to open and fair international trade practices.

⁴ Exiobase3 is a detailed global, multi-regional input-output database that provides environmental and economic data for 44 countries and five rest-of-world regions, covering 200 products and 163 industries (as of October 2024). It includes comprehensive data on greenhouse gas emissions and the energy use involved in the production of these goods in each of the geographies covered. Using this data enables us to estimate the total carbon footprint of products exported from the US to the EU. See <https://www.exiobase.eu> for more information.

Appendix A. Macroeconomic modelling methodology

To quantify the impact of the 2024 Trump tariff proposals, we take a two-step approach.

First, we collect existing tariffs applied by the US⁵ on each product category with each of its trade partners from Fontagné et al. (2022). From this baseline, we determine the magnitude of the tariff rate increase resulting from the Trump proposals. For example, agricultural products imported from France faced an average *ad-valorem* tariff of 1.7% as of 2019. Under the Trump proposals, this would be raised to 10%, an effective tariff increase of 8.3%.

Second, we assess the macroeconomic impacts of the Trump proposals by feeding these tariff increases into a state-of-the-art multi-country, multi-sector general equilibrium model (Baqae and Farhi, 2024). This model provides a detailed representation of the global economy, covering 30 sectors and 41 countries⁶ and their sectoral linkages both within and between countries.

In such a model, an increase in the tariff rates applied by the US increases the cost of imported products for American consumers. Symmetrically, it makes the products sold by exporting countries to the US less competitive on the American market. Further, since the tariff proposals are not uniform across all countries and products (e.g. Chinese products would be facing a much higher tariff than European or Japanese products), the resulting price distortions would lead to US import reallocations away from the countries facing higher tariffs towards those facing lower rates.

A limitation of the Baqae and Farhi (2024) model is that it is calibrated on the year 2008. Since the sectoral and geographical structure of US imports is the core determinant of our modelling results, it is important to ensure that the 2008 calibration data remains relevant today. We examine this in Appendix B below and find that the import shares of China, Mexico, South Korea and India have increased by only 1% to 3%, while Canada's and Japan's shares have decreased by around 2% and the EU's has remained stable. Sectorally, the main change is the large drop in the import share in the mining sector, largely driven by the resurgence of oil and gas production resulting from the shale gas revolution. Importantly for the remainder of our analysis, the rest of the sectoral mix has remained qualitatively similar, particularly in the key manufacturing sector of transport equipment.

⁵ Fontagné et al. (2022) make these bilateral, product-level *ad-valorem* tariff rates available for a wide range a country-product pairs, covering most international trade volumes. We use the most recent year available, 2019, to construct our baseline.

⁶ Technically, 40 countries and a rest-of-world aggregate.

Appendix B. Evolution of US imports between 2008 and 2022

Figure B1. Evolution of US imports by country of origin from 2008 to 2022

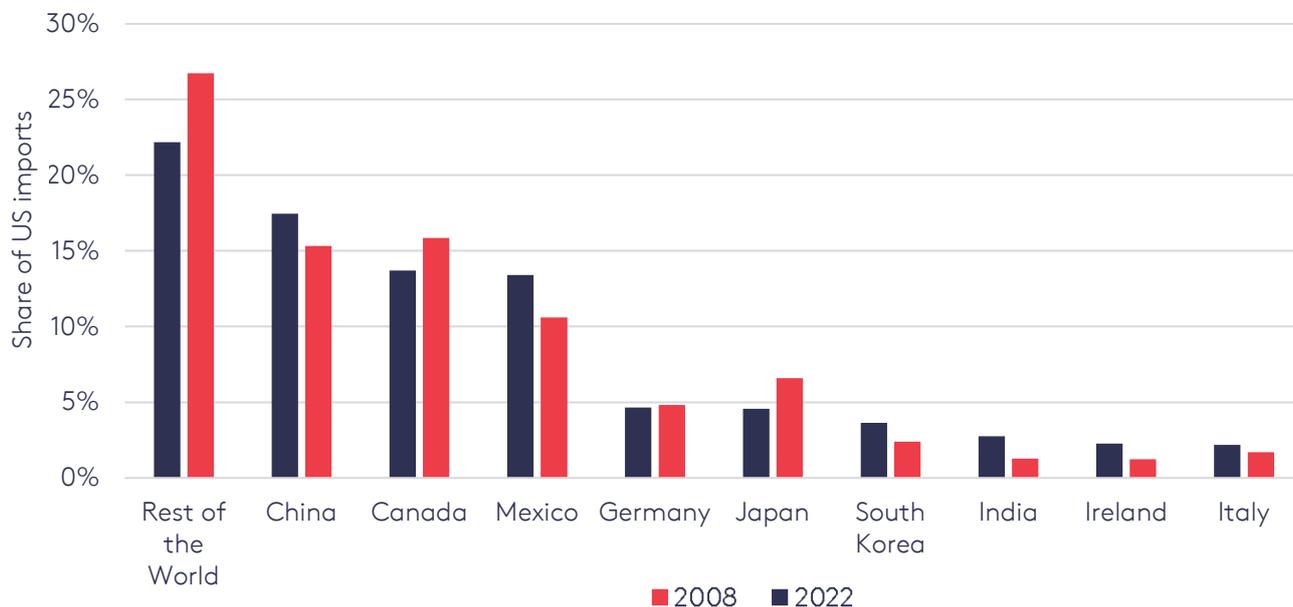
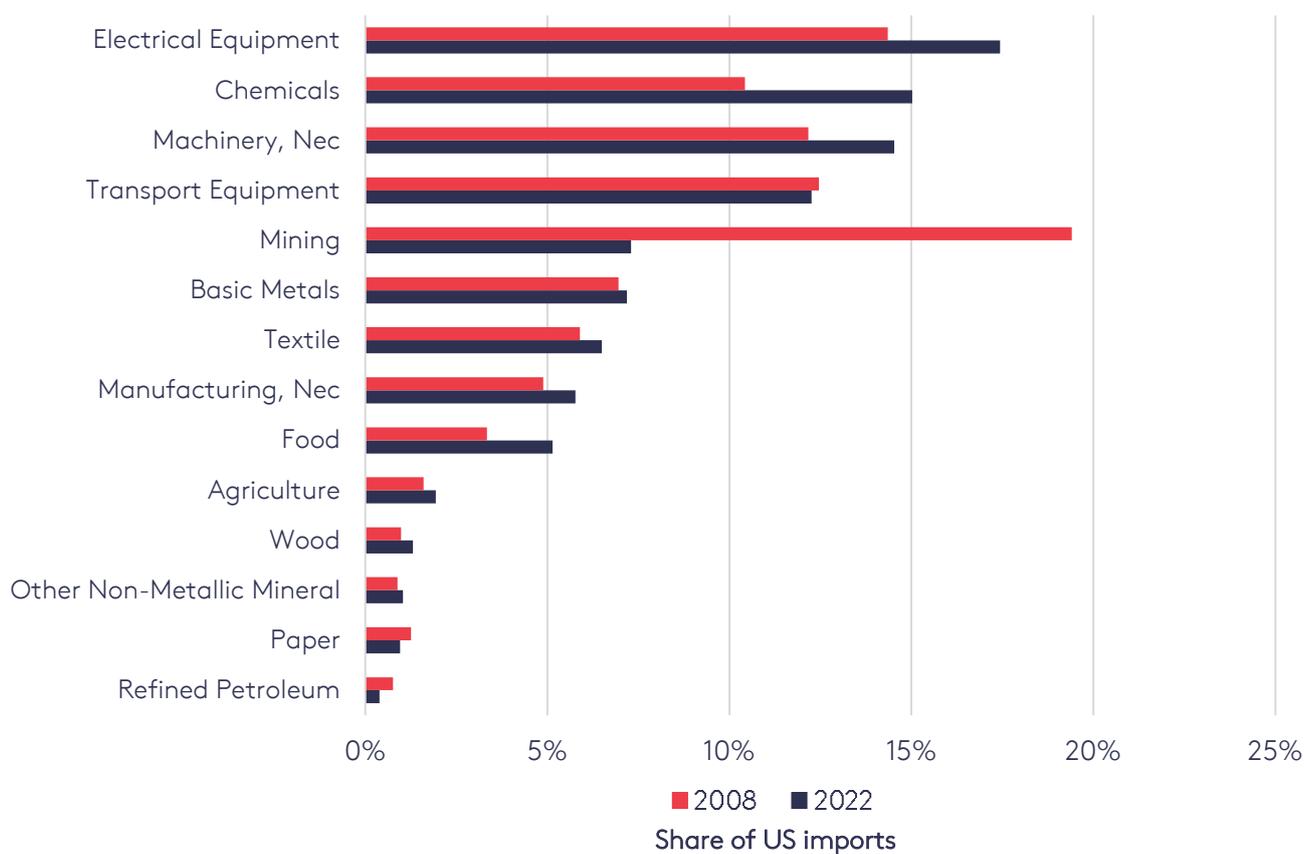


Figure B2. Evolution of US imports by sector from 2008 to 2022



Source: CEPII BACI dataset and author's calculations

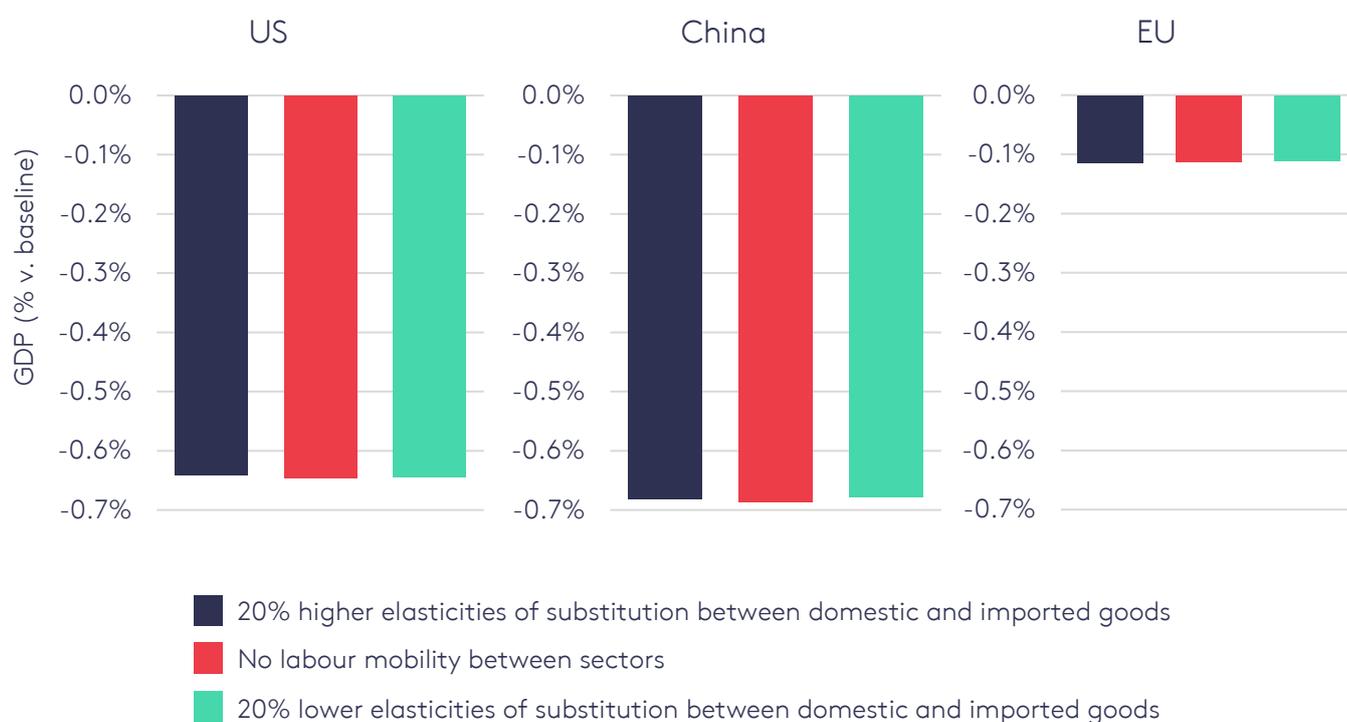
Appendix C. Sensitivity analyses

Results in multi-country, multi-sectoral macroeconomic models can be quite sensitive to the calibration of the elasticities of substitution between domestically produced and imported products (Baqae and Farhi, 2024).

These elasticities control how much consumers and firms in each country react to changes in relative prices between domestically produced and imported variants of the same good. Higher elasticities make purchase decisions *more* sensitive to price differentials, while lower elasticities make them *less* sensitive. Similarly, we also test the sensitivity of our results when labour is prevented from being reallocated between sectors within a given country in response to changes in relative sectoral wages as a consequence of the Trump tariff shock.

Figure C replicates our main macroeconomic results under alternative calibrations for these key parameters – respectively, 20% lower and 20% higher elasticities of substitution between domestic and imported goods, and a shutdown of cross-sectoral labour mobility. We find that in all three cases, our results are robust to these alternative parametrisations.

Figure C. Sensitivity of national macroeconomic impacts to key model parameters



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