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For good or bad, not all campaign rhetoric converts to policy once it is examined systematically. We consider a 2024 presidential campaign proposal to escalate US tariffs against all trade partners, with exceptionally high tariffs on Chinese goods. With inevitable retaliation, this creates a trade siege of "fortress America," which disadvantages US exports around the world in favor of trade from other countries. US tariff escalation creates a lucrative set of opportunities for everyone else. For instance, many US manufactured goods would exit European markets as Chinese goods enter, and European consumers and Chinese manufacturers benefit at the expense of US manufacturers. Strengthened trade ties between Europe and China also work in the other direction. China substitutes away from US business services in favor of European service exports. China further entrenches its reliance on agricultural goods from Latin America boosting income in countries like Brazil. Of course, there are costs of the trade war in terms of global efficiency and adverse local impacts on states and agricultural markets. Our new analysis of escalating protection suggests that nearly everyone outside the United States benefits as it moves to isolate itself from global trade. The United States disproportionately bears the global efficiency cost.

We use an advanced model of the global economy to consider a set of scenarios consistent with the proposal to impose a minimum 60% tariff against Chinese imports and blanket minimum 10% tariff against all other US imports. The model's structure, which includes imperfect competition in increasing-returns industries, is documented in Balistreri, Böhringer, and Rutherford (2024). The basis for the tariff rates is a proposal from former President Donald Trump (see Wolff 2024). We consider these scenarios with and without symmetric retaliation by our trade partners. Our central finding is that a global trade war between the United States and the rest of the world at these tariff rates would cost the US economy over $910 billion at a global efficiency loss of $360 billion. Thus, on net, US trade partners gain $550 billion. Canada is the

only other country that loses from a US go-it-alone trade war because of its exceptionally close trade relationship with the United States.

We provide context in terms of the current trade conflict, primarily between the United States and China, and enumerate a set of scenarios based on the proposed blanket tariffs. Results suggest the United States is the biggest loser in a comprehensive trade war with the rest of the world. We also consider a potential transatlantic alliance, where Europe joins the United States in tariffs against China. Transatlantic cooperation reduces US losses and leads to sharp losses for China, highlighting the benefits of cooperation relative to the proposed go-it-alone strategy.

State of Play

The 2018 US-China trade war was a major economic conflict initiated by the United States that targeted alleged unfair trade practices by China, such as intellectual property theft, forced technology transfers, industrial subsidies, and currency manipulation. The conflict escalated through rounds of tariff impositions, retaliatory measures, and negotiations, significantly affecting global markets and supply chains.

The United States imposed tariffs on over $250 billion worth of Chinese goods, targeting industries like technology, machinery, and consumer products. China responded with tariffs on about $110 billion of US goods, affecting agriculture, automobiles, and other sectors.

Multiple rounds of negotiations occurred between 2018 and 2019. The two countries reached a temporary truce with the "Phase One" trade deal in January 2020, where China agreed to purchase more US goods, particularly agricultural products, and address some intellectual property concerns. China did not, however, meet any of the additional purchase commitments (see Bown 2020). China made some progress toward greater intellectual property protection in certain areas yet continues to tolerate flagrant intellectual property theft in others (see Krieger 2024). Both economies have suffered from reduced market access and higher costs for businesses and consumers. The conflict also disrupted global supply chains, particularly in consumer technology products, and hit US farmers hard due to China's retaliatory tariffs.

Also, in 2018 the United States imposed a 25% tariff on steel and a 10% tariff on aluminum imports, affecting a wide range of countries, including EU members, South Korea, and Japan. The US administration justified the tariffs on the grounds that a robust domestic steel and aluminum industry was necessary to ensure the availability of critical materials for defense and infrastructure projects despite a memorandum from the Secretary of Defense stating that the "[Department of Defense (DoD)] does not believe that [steel and aluminum imports] impact the ability of DoD programs to acquire the steel and aluminum necessary to meet national defense requirements" (Mattis 2018).

The steel and aluminum tariffs sparked significant backlash, leading to retaliatory tariffs by several countries. Eventually, the United States negotiated managed trade deals with some countries, such as Canada, Mexico, and the EU. Australia escaped relatively unscathed, but other

countries were forced to negotiate exemptions or quota systems, such as South Korea, Brazil, and Argentina.

The tariffs increased costs for US manufacturers that rely on imported steel and aluminum, leading to higher prices for US manufacturers, and consumer goods like cars and appliances. US steel and aluminum producers saw benefits in terms of higher domestic prices. The overall effect on jobs was mixed, with some gains in the metal industries but larger losses in sectors reliant on metal imports and in the sectors that were targets of retaliation, namely US agriculture.

In sum, the 2018 trade war generated losses for China and the US economy. The Biden-Harris administration kept the punitive tariffs on China and the steel and aluminum (national-security) tariffs in place, which remains a point of contention in US trade policy.

Recent proposals

In 2024, during his campaign for a second term, former President Donald Trump proposed imposing a 60% tariff against imports from China and a 10% tariff against imports from everyone else in an apparent effort to increase the number of manufacturing jobs in the United States and boost domestic industries. Most economists would agree that tariffs at this scale will backfire by undermining US economic performance.

Below we consider the economic effects of the 2018 tariffs that remain in place today, and then explore potential economic effects of additional trade war scenarios based on proposals by former President Donald Trump (table 1).

Table 1. Tariff Scenario Descriptions

Scenario	Description
2018 tariffs	2018 US tariffs (section 301 China tariffs and 232 steel and aluminum tariffs)
USA60	Same as war with any tariffs below 60% on China brought up to 60%
BOTH60	Same as USA60 with a minimum tariff on US goods into China at 60%
USA6010	Same as USA60 with a minimum US tariff on other countries of 10%
ALL6010	Same as USA6010 with 60% retaliation by China and 10% retaliation by other countries
USEU_v_CHINA	Same as USA60 with EU joining with 25% minimum tariff against China
USEU_V_CHINA_W_RETALIATION	Same as USEU_v_CHINA with China at 60% retaliatory tariff on US and 25% retaliatory tariff on EU

Results

The results show both the United States and China suffer losses from the 2018 tariffs, with US losses equivalent to $81.3 billion and $63.3 billion for China (table 2). Imposing a 60% tariff on China and 10% tariff on everyone else unequivocally leads to additional losses for the United States. As a technical note, the economic model evaluates policies based on changes in household welfare, so we can interpret the $81.3 billion loss for the United States as the dollar value of the extra consumption that private households could have had in the absence of the tariffs.

United States

Specifically, with a 60% tariff on China, US losses grow to $560.7 billion; and, if China retaliates, US losses are $665.4 billion. If the United States were to impose the 60% tariff on China and a 10% tariff on everyone else, US losses are $511.0 billion; and, if everyone retaliates in kind, US losses grow to a shocking $911.8 billion.

China

China suffers across almost all scenarios, and China's losses are greatest when the United States and EU cooperate. Specifically, if the United States were to impose the 60% tariff on China, China's estimated losses are equivalent to $70.6 billion. But if China retaliates, their losses reduce to $50 billion because the retaliation shifts the terms-of-trade in their favor. As with any large country, tariffs increase export prices relative to (net-of-tariff) import prices. If the United States were to impose the 10% tariff on other countries, China's losses shrink to $26.2 billion, reflecting a further improvement in the terms of trade as European and other goods become relatively less expensive due to less US demand. When everyone retaliates against the United States, the closest scenario here to a US-led go-it-alone global trade war, China actually gains $38.2 billion. As discussed in the introduction, a global trade war between the United States and the rest of the world creates significant opportunities for China in terms of new export opportunities in Europe and less expensive non-US imports. China suffers the most when the United States and EU cooperate. Specifically, welfare losses for China are between $26.2 billion and $70.6 billion when the US pursues a go-it-alone strategy. When the United States and EU cooperate, China's welfare losses reach $261.3 billion to $464.1 billion.

European Union

The EU economy gains from the US-led trade wars mostly because of trade diversion. That is, with the United States and China imposing tariffs on each other, the EU has greater access to lower priced imports from China, and effectively gets preferential treatment for its goods in both the US and Chinese markets. The EU benefits the most ($234.6 billion) when they let the United States go it alone, under the "ALL6010" scenario. In that scenario, the United States imposes tariffs against China and all other countries, and everyone retaliates in kind against the United States, which is the closest scenario to a US-led global trade war. EU importers benefit from lower prices and EU exporters benefit from greater preferential market access.

Other countries

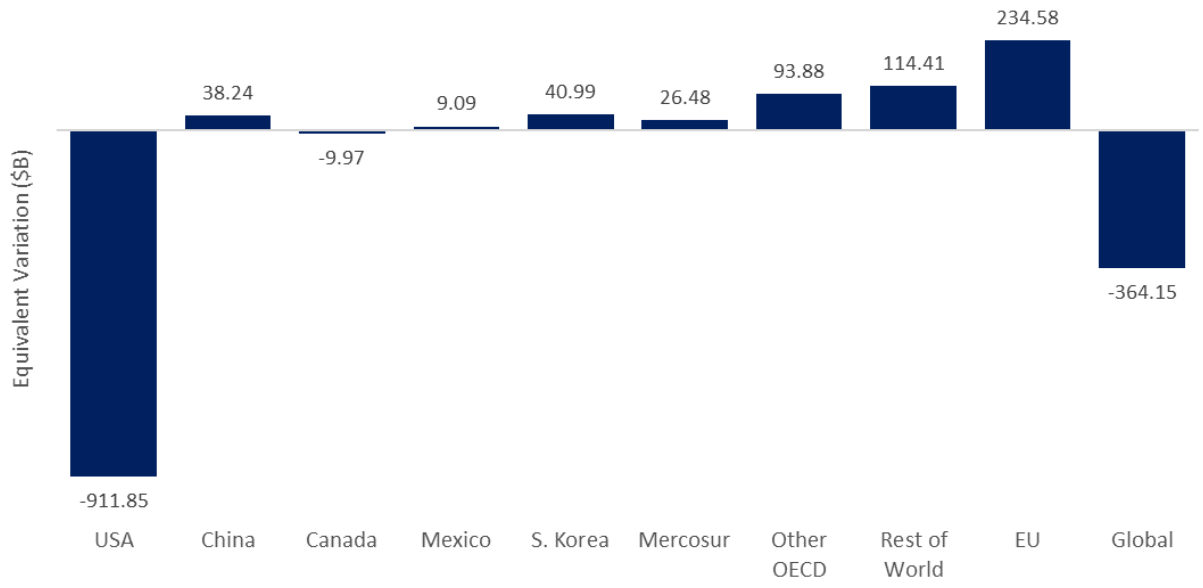
Other countries such as Canada, Mexico, South Korea, and the rest of the world mostly experience net gains from a US-China trade war. Canada and Mexico, however, experience losses when the United States imposes 10% tariffs on all other countries and they retaliate in kind, reflecting the tightly knitted supply chains across North America.

Specifically, Canada and Mexico experience a loss when the United States imposes tariffs on China and all other countries. When other countries retaliate, Mexico goes back to a net gain while Canada continues at a loss. This is attributed to the fact that, although both Mexico and Canada have strong ties to US markets, Canada's trade with the United States is biased toward increasing-returns-to-scale sectors. In this regard, shrinking trade between the United States and Canada implies a greater cost for Canada. South Korea and other OECD countries gain from the US-China trade war scenarios—South Korea's net gains reach $48.9 billion.

Table 2. Welfare Effects of Examined Trade Scenarios ($US billions)

	2018	USA60	BOTH60	USA6010	ALL6010	USEU_v_CHINA	USEU_w_RET
USA	-81.3	-560.7	-665.4	-511.0	-911.8	-435.6	-436.6
China	-63.3	-70.6	-50.0	-26.2	38.2	-261.3	-464.1
Canada	1.7	8.3	12.2	-14.1	-10.0	9.9	17.3
Mexico	2.9	10.8	12.4	-5.3	9.1	13.8	18.7
S. Korea	8.7	26.9	32.1	24.6	41.0	32.3	48.9
Mercosur	5.8	18.8	22.1	15.1	26.5	23.1	32.3
Other OECD	16.0	65.9	75.1	63.9	93.9	83.4	116.8
Rest of world	23.0	116.2	123.5	74.2	114.4	144.9	201.2
EU	39.8	176.6	193.5	141.8	234.6	103.8	77.8
World	-47	-208	-244	-237	-364	-286	-388

Figure 1. Economic impact of a global trade war.



Source: Authors' calculations. The figures show the effects of the United States imposing a 60% tariff against China, 10% tariff against everyone else, and all countries retaliating in kind (the "ALL6010" scenario).

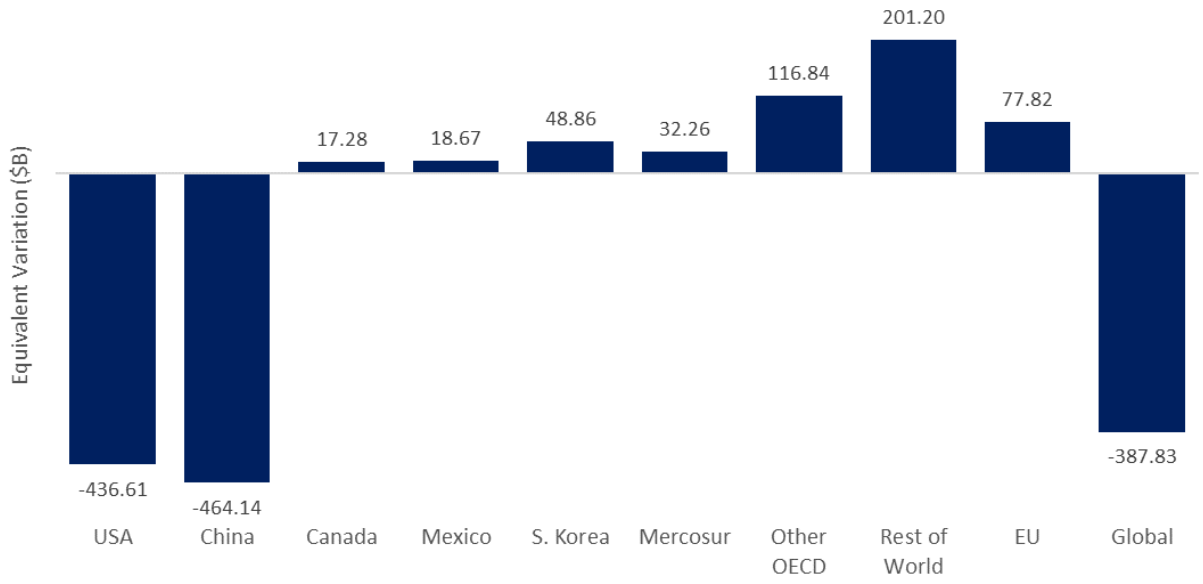
US-EU Cooperation

Transatlantic cooperation on tariffs against China, as a punitive measure for intellectual-property violations and other unfair-trade practices, are more effective in terms of greater losses for China and easing the burden on the United States. Specifically, if the United States and EU were to cooperate and impose tariffs against China simultaneously, with the United States imposing 60% tariffs and the EU imposing a minimum of 25% tariffs, US losses reduce to $435.6 billion and China's losses increase to $261.3 billion. If China retaliates against the United States and EU in kind, US losses remain mostly the same, but China's losses increase to $464.1 billion.

EU cooperation, however, comes at a cost for the EU's economy. The EU goes from a $234.6 billion gain (in "ALL6010") to a $77.8–$103.8 billion gain in the cooperation scenarios.

These results highlight three important nuances of US-EU cooperation: (a) securing EU cooperation eases US economic losses from the trade wars; (b) US-EU cooperation sharply increases the net losses to the Chinese economy; and, (c) cooperating with the United States comes at a cost for the EU and reduces their net gains from the trade wars.

Figure 2. Economic impact of cooperative US-EU retaliation against China.



Source: Authors' calculations. The figures show the effects of the United States imposing a 60% tariff against China, the EU imposing a minimum 25% tariff against China, and China retaliating in kind (the " USEU_V_CHINA_W_ RETALIATION" scenario).

Conclusion

In conclusion, the analysis presented here reveals that escalating US tariffs, particularly the proposed 60% tariff against China and 10% tariff against all other trade partners, would impose substantial economic costs on the United States. We show that while China and other US trade partners may experience some losses, the United States would bear most of the global efficiency cost, with potential economic losses surpassing $910 billion if all countries retaliate. Interestingly, many of the US's trading partners, including the EU, South Korea, and other OECD countries, stand to benefit from trade diversion as US goods become less competitive globally.

The findings further underscore that transatlantic cooperation in imposing tariffs against China would mitigate some of the US's losses while amplifying the economic pain for China. This cooperation comes at a cost, however, for the EU in terms of the forgone benefits of letting the United States go it alone. Overall, the results highlight the complexities and far-reaching consequences of a “fortress America” protectionist trade policy, where, in the context of a global trade war, the United States stands to lose the most, both in terms of economic welfare and global competitiveness.

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