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ECONOMIC EFFECTS OF US TARIFFS IN SPANISH EXPORTS

AUTHOR: ESQUITINO GARCÍA SERGIO

E-MAIL ADDRESS: sergioesquitino@gmail.com

TUTOR: INMACULADA MARTÍNEZ ZARZOSO

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Abstract

The main objective of this work is to study how the protectionist measures being carried out by the US government are affecting Spanish exports. First, the imposition of a tariff will generally be considered as harmful for any country. Next, we'll look at published studies focused on different countries that have used some kind of protectionist, tariff or non-tariff measure, and see the effects they have had. In the next section we will focus on Spanish exports, followed by a research to obtain data on the products that have been most affected by US tariffs, focusing on changes in exports. Later, I Will go on to analyse the results obtained and finally a brief conclusion based on what has been reached after the completion of this essay.

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1. Introduction

This work studies how the protectionist measures being carried out by the US government are affecting Spanish exports. Since the world-wide economic crisis in 2008, many countries have been taking steps to reduce their consequences and return to the path of economic growth as soon as possible. Due to this crisis, countries like the United States, who used to have their own domestic industries manufacturing their products in America, have decided to relocate their companies to other countries or, directly, close these companies and import products from other countries at a lower cost.

Donald Trump ran for the 2016 election with the slogan "Make America Great Again" basically because of the relative weight the country had been losing in the world economy to the detriment of countries like China. His election campaign was focused on the working classes that had lost their jobs because the companies in which they worked had closed because part of the national production, after the crisis, was being imported from the Asian country.

When Trump came up to the administration, he began to carry out the protectionist measures he had promised in the election campaign. First, he began to revise free trade agreements such as NAFTA, which he considered that has been harming the USA for years. Later, he imposed some products from China in order to reduce imports from the Asian country. This measure was carried out by hiding under the national security law.

The latest measures taken by the American government are to impose tariffs on a wide range of European products. In Spain, the goods that have been most affected are: olive oil and olives, wine, cheese and dairy destinations, as well as other products such as citrus and pork.

This work studies how the protectionist measures being carried out by the US government are affecting Spanish exports

2. Theoretical framework: The effects of imposing tariffs on trading

2.1 Tariffs in international trade

Exports are basically the goods and services that are produced in the domestic economy and sold to other countries. On the contrary, imports are the goods and services that have been produced in foreign countries and then purchased by the domestic economy. The subtraction between imports and exports is what is known as a trade balance or net exports. We can talk about positive trade balance or trade surplus when the value of exports exceeds the value of imports. Moreover, it can also be called a trade deficit when the value of imports has been greater than the one of exports.

Imports and exports play a very important role in the economies of states; therefore, governments are using trading policies to try to have a direct influence over imports and exports. The main purpose of these measures is basically trying to protect a sector or industry within the economy itself. To achieve this, the main measure that can be taken is to establish both tariff and non-tariff barriers. Duty barriers or tariffs are restrictions on a country's external trade, through taxes on the importation of goods or services by a country or economic area. On the other hand, Non-tariff barriers are the regulations imposed by governments to prevent or avoid the importation of certain goods without the raise taxes. An example of NABs could be: importation licences (authorizations to import a particular product), fees on imports or quantitative restrictions (only a given number of a certain product can be purchased), or sanitary standards.

There has been shown, in general terms, that there can be an irrecoverable loss of efficiency due to the duties mentioned before (Feenstra and Taylor, 2011). The most important question should wonder here is: What leads a government to place duties in spite of the overall good health of the global market?

When governments decide to impose a series of tariffs, they basically do this with two objectives. The first one is with protective purposes. In other words, governments try to criminalize the acquisition of certain goods in foreign countries in order to encourage consumers to purchase such products from domestic companies, so competition abroad decreases. In fact, domestic companies can increase their production, with all the benefits that this entails for a country's economy, by persuading consumers to buy foreign products. Furthermore, one of the effects of this is that the trade balance of net exports will decrease, whereas the trade balance will be improved. The government's second main objective of setting these tariffs, is to collect taxes. Public finances will be clearly favoured because duties are still an import tax that is collected by the state (Rojas, Aguirre and Barrera, 2016).

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In addition to these two reasons already mentioned, there are other reasons for placing the of duties. "The argument of the nascent industry" is one of the most widely used in trade policy. This term was first enunciated by Alexander Hamilton in 1790 to explain that nascent industries often do not have economies of scale that their more developed competitors from other countries have, and therefore must be protected until they can achieve economies of similar scale. This economic justification for protectionism has been used by most countries in their industrialization stage.

Another reason is the retaliatory tariff. States often decide to impose a duty on foreign goods and services simply because the other country or economic zone had already imposed a tariff on the products of the first country. As can be seen, there can be many reasons for the introduction of tariffs, which undeniably benefit certain sectors of the economy. However, it cannot be forgotten that, in general terms, the market inefficiencies created by tariffs cause a loss of well-being in consumption within the economy in general, and especially in individual consumers (Feenstra and Taylor, 2011).

The main problem that governments face when they take action in favour of free trading is that national companies that are competing with importers can see their situation clearly worsening, even sometimes destroyed at all. We have to bear in mind that tariffs are imposed on products to protect a particular industry or sector within the economy. Thus, a particular good may have very strong protectionist measures just because the government is interested in, while, in contrast, other products that are also manufactured in the country may not have any tariffs. It is important to take this into account because, by reducing tariffs on the products produced by a particular industry, it may cause an improvement in the well-being of individual consumers, but on the contrary, that particular sector can be deeply damaged.

Countless cases, in which free trade agreements have produced a very harsh industrial conversion for the countries that carried it out, have already been studied (Ebenstein et al. 2014, Goldberg and Pavcnik, 2007). An example of this could be the case of the incorporation of Spain into the European Union. One of the requirements imposed by the EU on Spain for its incorporation into the common market in 1986 was the elimination of the majority of the tariffs protecting the economy (White, 1988). The elimination of import hindrances, in a relatively short period of time, meant exposing the backward, inefficient and fragile Spanish industry to be competitive enough against Europe's dynamics and strong industry. This led to the closure of many small and medium-sized entities, which were unable to compete with higher quality European products, and the consequent destruction of employment. The final consequence was that the deficit in trading and the high unemployment rates became structural elements of the Spanish economy (Buesa and Molero, 1987).

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Although free trade has been shown to be better than protectionist systems, recent researching have found that reallocating workers from less productive sectors to expanding sectors has almost the same high costs as the amount of several years of wage income (Artuç et al., 2010). These costs lie significantly on unskilled workers, older people and women. There have been cases in which the industrial conversion has lasted more than 10 years to recover pre-liberalization levels.

Many of the countries that carry out such measures, which are trying to reduce the negative effects on the labour market, are trying to identify the economic operators that are most affected to implement active policies aimed at these sectors. When the process of liberalizing the economy is completed earlier, the results seen first and the benefits sought from these measures will be obtained. To this end, it is important that the less actors involved in the economy are affected, the better. Basically, the measures taken in these cases are training courses so that workers who have a job that has been affected during the conversion can have access to other jobs or subsidies. During these processes, many workers and entrepreneurs lose their jobs and businesses respectively, so it is important to protect them until they find a new one.

Economists around the world have widely demonstrated that governments that open to international trading enjoy an overall much higher welfare net than countries that are still applying strong restrictions on trade between countries (Costinot, Rodríguez-Clare 2014 and Feyrer, 2009). One of the main reasons lies in the assumption of comparative advantage. Basically, the concept of comparative advantage tells us that a country should export what is capable of producing cheaper, while on the contrary, must buy in the foreign market the goods and services that it does not produce as efficiently as other countries do, so the cost of importing them is lower than that of producing them within the domestic economy (Krugman, 1980). Another reason for trading between countries is that free trade companies have a much larger market share where they can sell and buy, therefore, these companies may take advantage of larger economies of scale. On the one hand, costs will be reduced; as well, the range of products will be wider, so customers will take benefits. On the other hand, a more globalized market will encourage greater competitiveness among companies. This will cause less efficient companies to be driven out of the economy and will make the most efficient companies grow so that the products that a company previously produced at a certain cost can now be made by a more efficient company with lower costs.

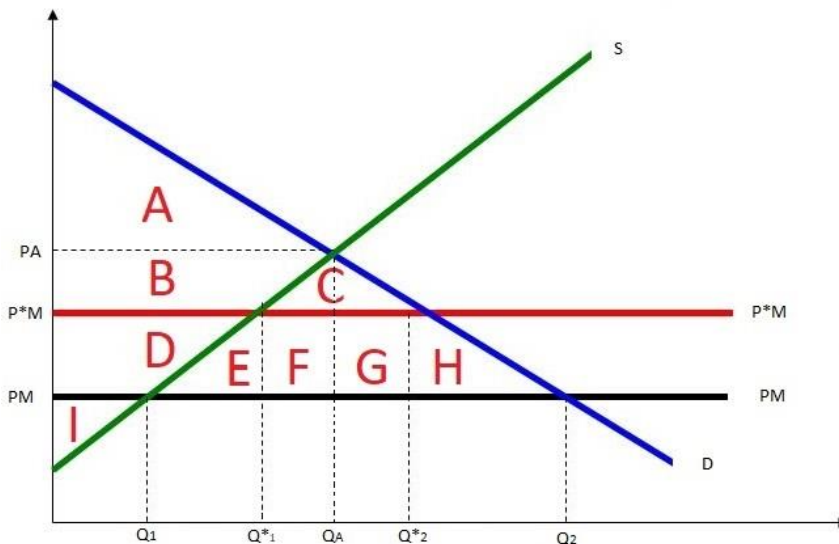
It is also noteworthy that free trade may favour two important aspects that have to be taken into account. The first is that not only consumers will take advantage from cheaper imports, but also the companies, which can also have access to both cheaper inputs and technology or capital goods that the domestic economy is unable to produce; thus, domestic companies will become more efficient. The second aspect is that, due to the free movement of capital, a native company may decide to take the production, or part of the

production of a company, to a foreign country where it has lower production costs and can obtain higher benefits.

2.2. Static effects of tariff taxation: big countries and small countries

Imagine an autonomous country that first opens itself to free trade with a completely tariff-free economic model and then taxes import tariffs. To do this, we will get helped by the following chart.

Figure 1:
Economic effects of the imposition of a tariff.



Source: Author elaboration

First of all, if we want to know effects of imposing a duty in a country, we assume a country in autarky that produces the Q_A quantity and sells at the price of P_A autarky. Obviously, all production is consumed within the domestic economy because, at the moment, this country is closed to international trading.

Now suppose that this country decides to open itself to trade with countries abroad and thus gets benefit from the advantages explained before. We will assume that the country that opens up to trade is a small country and that the other countries which the small country is trading with, are large enough that they have some bargaining power. Of course, free trade will cause, in the small country, the international price to be lower than the price in the autarky system, and thus, two consequences will occur: the first is that, with the new world price (WP), due to free trade, the new amount offered Q_1 will be lower and the new demand quantity Q_2 will be higher. The difference between Q_1 and Q_2 corresponds to imports of the Q goods into the local economy. In the chart above, it can be observed that consumer surplus through international trade is represented by the following

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areas: A, B, C, D, E, F, G and H; that is, for the area composed below the demand curve and above the international price. Anyway, the producer's surplus is composed of area I. The government surplus in this case would be 0 as there is no tariff or import tax. We can conclude that the total surplus of the economy in a free trade situation is graphically represented by areas A, B, C, D, E, F, G, H, as well as area I.

Let's assume now that this small country, which is currently in a free trade economy, decides to impose a tax on imports, that is, a tariff. Graphically, the decision to tax imports with a tariff has a similar effect as if the world price of the Q good would have increased to W^*P so that the new offered quantity of the Q good would be Q^*_1 and the new demanded quantity would be Q^*_2 . However, the area of the consumer surplus will be lower than the demand curve and above the international tariff price (the red horizontal line). That is, the areas: A, B, and C. Clearly consumers have lost well-being regarding the free trade situation. In particular, consumer surpluses have been reduced in these quantities: D, E, F, G and H.

As far as the producer surplus is concerned, we find that, in this situation, the surplus is greater than the one we had with free trade. In particular, the new area representing this surplus is the area that is covered by the D+I areas, so producers have improved their situation. What we have just detailed is, in my view, the main reason why governments decide to impose tariffs, since the sector which produces the Q asset in this case has got benefits because the government has imposed a tariff on the purchase of these goods abroad, increasing the price of tariff-free trade, being much more similar to the price set in autarchy.

Due to the fact that tariffs are taxed and collected by the government, let's see what happens to the government surplus. In a free trade situation, we have already seen that the surplus is 0, but when applying a tariff, we can see how the government surplus is represented by areas F and G. These areas are calculated by multiplying the total quantities imported ($Q^*_2 - Q^*_1$) by the tariff price ($W^*P - WP$). In this case, the government's total surplus is also higher than it was within free trade.

If we compare individually the surplus of each of the actors that make up the country's economy between the free trade situation and the one, we have when setting a duty, we can see that the total surplus is lower in the case of a tariff economy. Particularly, the irrecoverable decrease of efficiency in the total market surplus can be represented by areas E and H. These two areas, that were previously part of the consumer's surplus, have now ceased to exist due to the inefficiencies caused by a tariff market. Area E represents the Q-good units that were purchased abroad in the free trade situation and which, due to the tariff, are now produced in the domestic economy more inefficiently. On the contrary, Area H represents the goods that are not purchased now by consumers who had a lower

valuation of the Q goods. This means that, consumers who were willing to buy the goods at a WP are now unwilling to pay a higher W^*P for those goods.

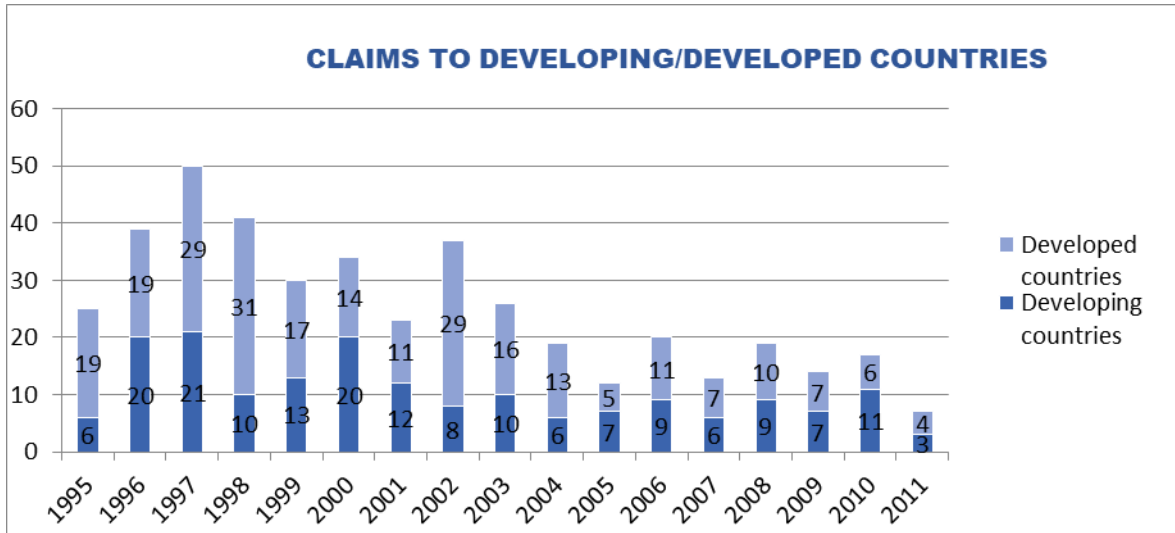
2.3. The role of WTO in international trade

As the world trade organization claims, the WTO is the only international organization that deals with the rules that govern trade between countries. The pillars on which these rules lie are the "WTO Agreements", which have been negotiated and signed by almost every country participating in world trade; as well as ratified by their respective parliaments.

The main purpose of the WTO is to open trade for the benefit of all, therefore helping producers of goods and services, as well as exporters and importers, to carry out their activities (Cabello, 2020). Closing relationships has a lot of benefits, but sometimes it can also lead to friction: the more you trade, the more differences there will be. Sometimes, these differences have degenerated into serious conflicts; however, there are currently less trade tensions because countries can turn to various organizations, mainly to the WTO, to solve their trade differences. One of the main purposes for which the WTO was created was to mediate between the possible disagreements that could occur between countries (Millet, 2001), thus avoiding a possible trade war that could be harmful for the countries involved.

The WTO itself on its website states: "Struggling for settlement is often said to be the jewel in the crown of the WTO. It is the pillar of the multilateral trading system, as well as the greatest contribution of the WTO to the stability of the economy world". WTO dispute for settlement makes countries focus on rules. Once a verdict is announced, countries focus on complying with the rules and perhaps later on renegotiating them, but they do not declare war on each other. Since the WTO was established in 1995, more than 400 disputes have taken place (Torres, 2012). If there had been no way to solve them in a constructive and harmonious way, some of them could have turned into a more serious political conflict.

Figure 2: Number of claims against developing / developed countries.



Source: Author elaboration using data from WTO

The fact that these disputes basically concern to issues related with the WTO agreements implies that there is a clear basis for determining who is right and who is wrong. Once the judgment has been issued, the possible measures to be taken will be based on the agreements.

The increasing number of quarreling submitted to the WTO does not mean that there are more and more tensions in the world, but rather that economic ties are becoming closer all over the world ("Exports of goods and services (% of GDP) | Data», 2018). This also implies that the WTO has more and more members and, at the same time, countries will trust the system to solve their differences. Sometimes trading between the disagreeing countries can be very arduous, but they always try to get adjusted to the agreements and the commitments that they have already negotiated by themselves.

3. Literature review

3.1 Effect of protectionist measures for international trade

Since the 2009 crisis, there has been a clear tendency to use protectionist measures to try to mitigate the effects it could have on countries' economies. According to some studies, several countries are tempted to implement trade restrictions when their economies experience growth problems, especially in periods of crisis (Eichengreen and Irwin, 2010).

It is even striking that, despite multilateral trading system regulations, tariff barriers (TB) have been increasing, and while customs taxes have been bound and announced by states to the World Trade Organization (WTO), these measures are still being used in a significant proportion due to the leeway between the tariffs actually applied and the

maximum tariffs allowed (Millet and Garcia- Durán, 2009). Anyway, non-tariff sweeps (NABs), particularly, have tended to rise to exorbitant levels considering the opacity of all these policies, as well as how governments once discover new ways to restrict trade (WTO, 2012).

In this sense, protectionism is generated as a response to support and ensure the full functioning of domestic industry in countries, as well as being an alternative to the generation of state income. This economic doctrine became popular during the development of the classical economy, together with the very origin of international trade during the eighteenth century (Park, 2018). Similarly, after the implementation of mercantilism, new contributions were successively made by economists and thinkers of that time, thus prosing for a new doctrine known as free trade, which favored trade between countries, and whose postulates also represented an option to enrich nations (Kenwood and Loughheed, 1972).

In the next section, different published articles that look at some examples of countries that have used or are implementing protectionist measures to improve their economies, will be discussed.

3.1.2 Trade War with China by trade deficit

According to the bank of Spain's economic bulletin in its quarterly report of the Spanish economy 03/2019, a valuable information is provided in Box 2. This section tries to show how the escalation of tariffs that the countries of China and the United States have been implementing since March 2018 have been affected. Since that date, several rounds of tariff increase on bilateral trade flows between the United States and China have been announced and implemented (see Figure 3 and 4). Throughout 2018, the measures taken by both countries were met by the imposition of tariffs on trade in different types of goods, representing around 45% of US imports from China, and 55% of imports of the Asian country from the United States (Spain, B., 2018). After a truce period that began in December last year, the escalation of bilateral tariff increases entered a new phase, which started in May 2019. In that period of time, there have been new tariff increase decisions, both on goods already affected by the measures taken in 2018 and on additional ones, so that all US imports from China and nearly three-quarters of China's purchases from the United States will be taxed by the end of this year, according to the dates scheduled for the entry into force of the different tariffs. In addition to tariff measures, there have also been announcements of possible restrictions on technology exchange, which, however, have not yet materialized in specific actions (Perez, 2018).

The following two figures show how US tariffs on products from China have increased and vice versa.

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Table 1: Tariffs imposed by the United States on China

Import volume (mm \$)	Cumulative % of imports taxed since China	Change since May 2019, expected date of entry into force	Product affected
34	6	25% to 30% (15 Oct - 19)	Machinery, capital goods
16	9	25% to 30% (15 Oct - 19)	Electrical equipment, capital goods
200	49	25% to 30% (15 Oct - 19)	Furniture, electronics, automobiles, leather, other intermediate and capital goods
115	78	25% to 30% (1 Sept - 19)	Clothing, footwear, electronic components
160	100	25% to 30% (15 Dec - 19)	Mobile phones, toys, computers

Source: Author elaboration using data from World Bank

Table 2: Tariffs imposed by the China on United States

Import volume (mm \$)	Cumulative % of imports taxed since United States	Change since May 2019, expected date of entry into force	Product affected
34	22	-	Agricultural products, auto parts
16	32	-	Raw materials, medical equipment
60	56	5-10% to 5-25% (1 Jun - 19)	Agricultural products, chemicals
75	71	5-10% (1 Sept - 19)	Agricultural products, chemicals, industrial machinery
75	71	5-10% (15 Dec - 19)	Agricultural products, chemicals, industrial machinery

Source: Author elaboration using data from World Bank

Trade tensions between the United States and China seem to be significantly affecting global economic activity. With this statement, we start the latest analysis on the rising protectionism at the international level and its impact by the Bank of Spain.

This report estimates that the increase on tariffs will lead to a "significant retraction" in activity in the United States and China, as well as in the euro area. This will result in a reduction of 0,25% in global GDP in cumulative terms between 2019 and 2021, according to the calculations of the experts of the Bank of Spain (Spain, B.,2019).

This cut will cause a GDP decline of 0.26% in the United States and 0.38% in China. Meanwhile, in the case of the euro area, "its high degree of trade openness makes it more vulnerable to falling global activity"; the contraction of its GDP will be 0.2% in the period mentioned before. Experts at this agency admit that "it is complex to accurately estimate

the specific impact that different waves of increasing tariffs may have had on the global economic activity." This difficulty lies, among other aspects, on the actions announced that are taking place in May and September or will come into force in October and December. Therefore, they have performed a macro econometric simulation exercise on two different scenarios. The first analyses the direct and real effects on the activity from changes in bilateral trade between the two countries and the overall second round effects of reducing global demand. The result of these direct effects simulation is the GDP cuts already mentioned. The second of the simulated scenarios analyses the effects of loss of confidence derived from this tariff tension. Anyway, beyond the direct impact of rising risk premiums, they believe that "the impact of trade war on uncertainty is difficult to calibrate." Although such simulations may vary because they do not take into account either the expansive reaction of monetary policies or possible changes in production chains.

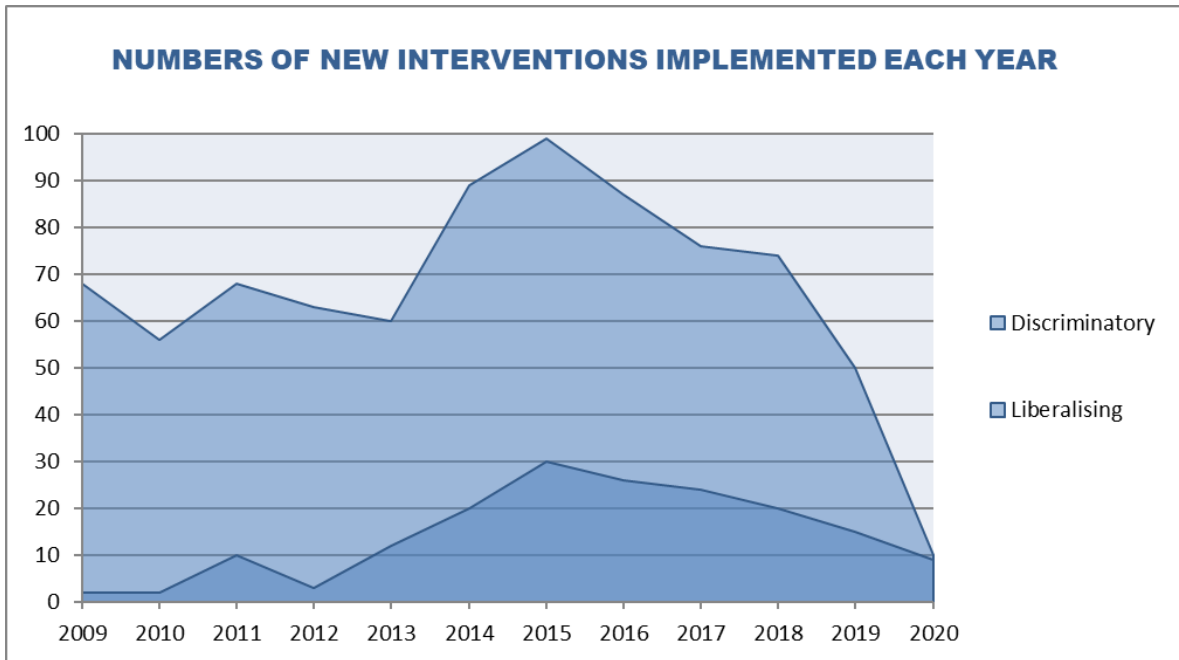
3.2. Effects of protectionist measures for trade in Spain and the EU

3.2.1 Tariffs on iron, steel and aluminium. Effects in Spain by territories

On March 8, 2018, Donald Trump's government announced that tariffs would be applied on the import of iron and steel for a 25% quantity, as well a 10% for aluminium. These tariffs became effective on 23 March of that year. Firstly, some countries such as Canada, Mexico, Argentina, Brazil, Australia or South Korea were about to exempt. The European Union was also exempted from the tariff at first. President Donald Trump has already announced that these waiver agreements could be both renewed and revoked over time, and that is what he did indeed. On June 1st, all agreements were revoked except for South Korea, Argentina, Brazil and Australia. The EU rapidly took action and reported the case to the World Food Organization (Phipps, 2018). China also announced immediate retaliation, although the US-China trade war went beyond steel products as on June 8th, the United States announced a package of measures against Chinese products in response to an abuse of intellectual property by the Asian country (Swanson, 2018). The following two tables show how the number of trade-damaging measures has been greater than the number of liberalizing measures, as well as the most injured sectors.

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Figure 3: Numbers of new interventions implemented each year.



Source: Author elaboration using data from Epdata

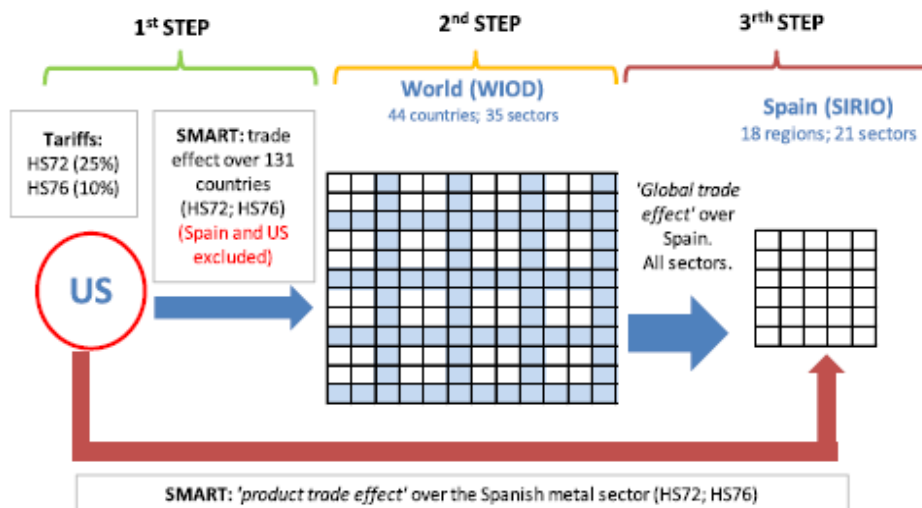
In a recent study published by Llano C. et. To., named "Global and regional effects of the US tariffs on iron, steel and aluminium: A SMART combination of models with a focus on Spain", it is carried out an econometric study in which we want to estimate the impact that the decision of imposing tariffs on steel and aluminium could have on the different Spanish autonomous communities. In this context, the purpose of this essay is to calculate the impact that this protectionist policy, on the part of the United States, could have on Spain. More specifically, we want to assess its possible effect on exports, income and employment in the Spanish economy. Before carrying out this analysis, in the report itself, the authors mention how difficult it can be to draw a clear conclusion about the effects of tariffs. In 2005, Robert Read in his work "The political economy of trade protection: The determinants and welfare impact of the 2002 US emergency steel safeguard measures", explores the political economy affecting previous tariffs imposed by the Bush administration in 2001. Moreover, other analysis such as those carried out by Francois & Baughman, attempted to foresee in 2001 the effects that the measures that President Bush was about to take on tariff matters would have on the importation of steel. Three years later, the same authors published another paper in which they studied the effects that, ex process, had finally produced such measures. The results obtained were not as accurate as could be expected. All of these different analyses illustrate how difficult it is to predict the final effect, given the number of cross-sectoral reactions, reprisals and competitive effects.

The authors of the study used several models to predict the effect that tariffs would have both worldwide and in Spanish autonomous communities. The study was divided into three

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different models depending on the effect they would like to study. First, for the calculation of the effect in WTO countries, they used the SMART model, which is a partial balancing model tool developed by The Mundial Bank and UNCTAD, used for market analysis. It focuses on an importing market and its exporting partners and assesses the effects of a change in the tariff scenario by estimating new values for a set of variables. Secondly, they used the BASE of WIOD (the initials of World Input-Output Database) to estimate the effects across sectors. With this model, it is possible to compute the cross-sectoral effects that the original trade effects generate in the main economies of the world, excluding the United States and Spain. Finally, they have used an inter-regional input-output table (SIRIO), which a very similar structure to that of the WIOD, but taking into account the cross-sectoral relations between the 18 Spanish regions, and vice versa. In this regard, two different effects can be considered: first, the immediate trade effect of U.S. tariffs on the Spanish metallurgical sector computed by the SMART model in the first step; secondly, the overall effect, quantified as the sectoral-regional effects within Spain generated by the initial impact of US tariffs on the world (Spain excluded), as captured by the WIOD. In the following image, the authors explain it in a more explicit way.

Figure 4: Study outline: Global and regional effects of the US tariffs on iron, steel and aluminium.



Source: Author elaboration using data from Llano C. et study

Moving now to the SMART analysis, it states that the export of iron, steel and aluminium would fall around \$8.4 trillion in the USA. In this case, tariff-free countries would increase their exports to the United States by nearly \$2 trillion, with Canada being the most beneficiary country. On the other hand, in the nearly \$10 trillion that the rest of the countries stop exporting, Russia would be the most harmed. This would result in a net job loss of approximately 72,500 jobs in the sector worldwide. If we also bear in mind the loss

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of indirect jobs, the total amount worldwide would be the loss of 185,000 jobs (0.007% of worldwide work).

If we focus on how the new tariffs can affect the Spanish economy, the calculations taken by the authors of the study is that exports of these materials that are affected could fall around EUR 150 million. The combination of SMART and WIOD studies to recreate the effects of globalization, assumes that the losses would be around 163 million more. Furthermore, we have to take into account the relationships between sectors, as well as among communities, which is calculated using the SIRIO model. This model predicts that the expected final effect would be around EUR 616 million in losses and a reduction of 3,200 jobs. If we added to GDP those losses of both jobs and exports, the final loss would be approximately 675 million and 300 additional jobs. According to this model, the most affected community would be the Basque Country, followed by Catalonia and Madrid.

The following table shows what percentage of Spanish exports represents the consumption of steel, iron and aluminium coming from Spain.

Table 3: Consumption of steel, iron and aluminium coming from Spain.

Taric - 2 digit items	Tons	Thousands of €	% of US consumption
72 iron and steel	275.680	201	0,30%
76 aluminium and articles thereof	36.401	91	0,70%
Total	332.081	292	0,30%

Source: Author elaboration using data from Statista

As can be observed, the level of consumption of these products from Spain in comparison to the total consumed by the United States occupies a relatively low percentage. It is also true that, indeed, the United States is also not one of the big trading partners when talking about steel and aluminum. Exports from Spain account for an average of 4% among the products towards the American country. Imports from our country do not reach an average of 0.5%, with aluminum being the most weighted material, reaching 0.7% of the total consumed.

If we take a look at the communities from which the exports to the United States come from, we can look at the following graphs. It is in northern Spain where the main exporting regions of iron and steel are concentrated. Only in the communities of the Basque Country (32%), Galicia (24%) Cantabria (9%) account for 75% of exports across Spain. In the case of aluminum, it is also the Basque Country (with 49%) the main exporting community, producing nearly half of all aluminum that is bound for the United States. In all the other regions it is much more distributed than in the case of steel and iron.

Figure 5: Origin by region of steel exports to the United States

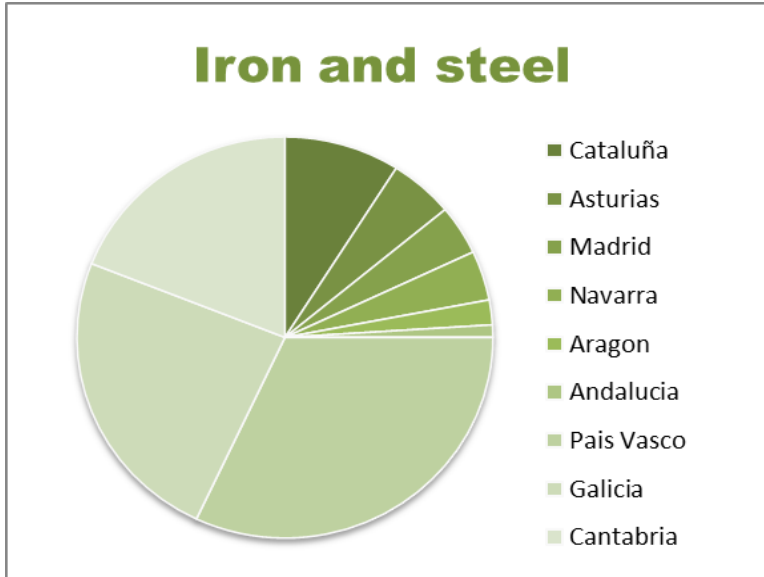
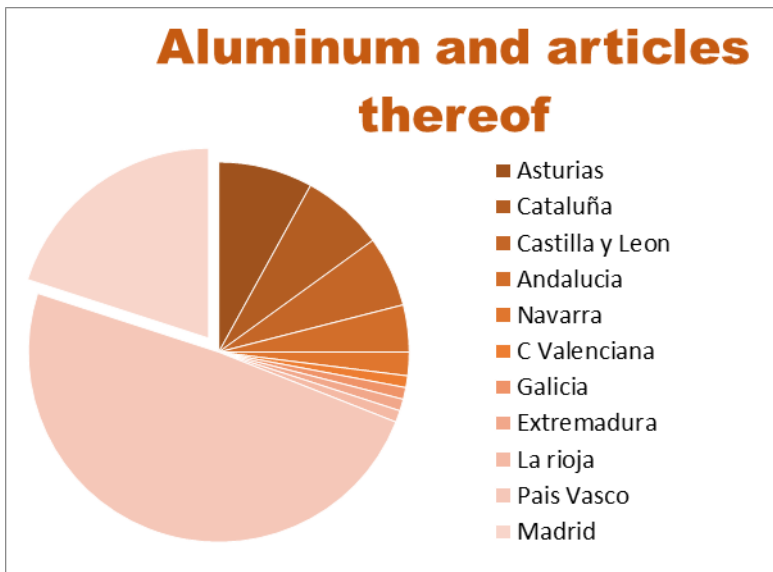


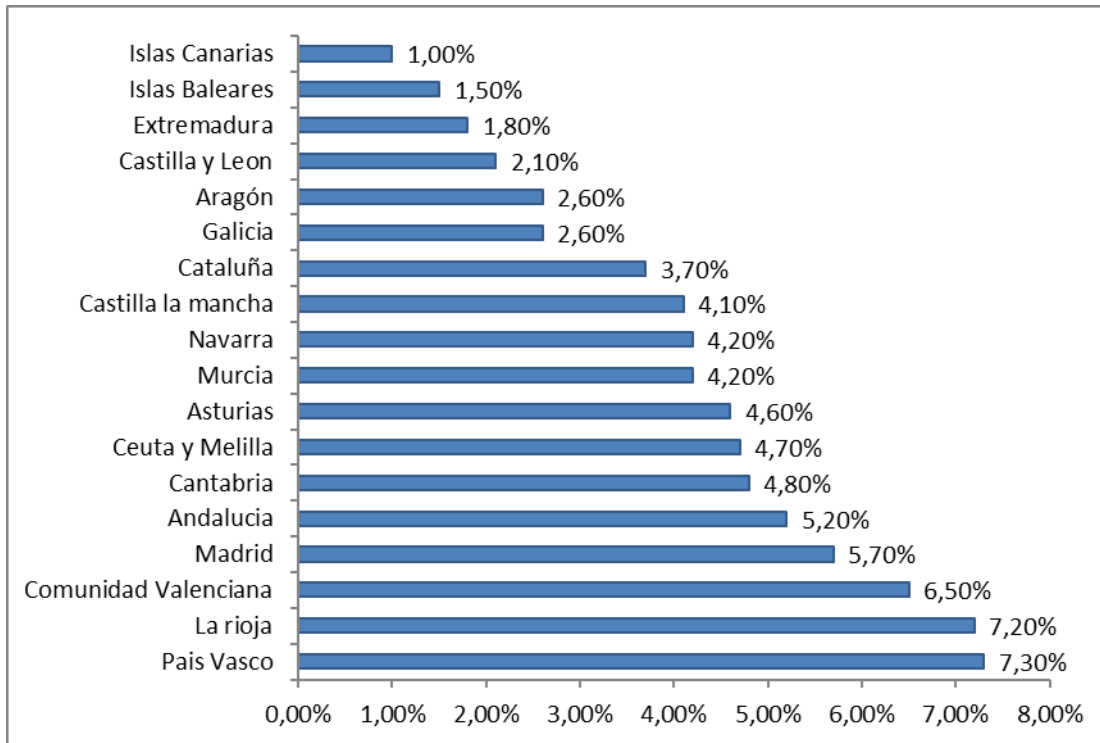
Figure 6: Origin by region of aluminium exports to the United States



Source: Author elaboration using data from Statista

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Figure 7: US relevance on the Spanish exports of iron, steel and aluminium by regions. Percentage over each region export total to the US of these products.



Source: Author elaboration using data from Llano C. et study

In this case we can see clearly how much benefits these tariffs can produce in the US, since some of that production would be assumed by domestic companies, both existing ones and also from new metallurgical enterprises. However, that benefit is detrimental to the worldwide loss of exports. In this case, Donald Trump selfishly uses the old protectionist policy to get benefit from the increase in domestic production that could be produced. It should not be forgotten that, if USA mattered part of its consumption of steel was just because it did not have a comparative advantage with the rest of the countries, since local companies preferred to import these materials instead of acquiring them within the country itself. This measure, which, as seen in the graph of the static effects of imposing a tariff from a large country to a small country, benefits producers, which at the same time, it also results in an irrecoverable loss of efficiency, as well as a loss for consumers.

Current US President Donald Trump came to power thanks, in some part, to a strong protectionist message. These measures have been seeing the light since 2018 with actions like the ones we have just analyzed. Hiding in the national security law to implement tariffs may lead to a global protectionist spiral. Indeed, the European Union has already taken appropriate action in the WTO to prevent unilateral decisions taken by any

such important country because they affect international trading. Some of the measures that have been taken are to bring the US to the WTO dispute settlement body, as well as imposing countervailing tariffs on American products such as some brands of whiskey, motorcycles or jeans, which would reach approximately \$3 billion. While these measures would be accepted by the WTO, in a meeting between Trump and European Commission chairman Jean-Claude Juncker, it was decided to stop for a time the introduction of more tariffs in order to take more liberalizing measures that could be beneficial for both sides.

3.2.2 The Airbus-Boeing conflict and US retaliation towards Europe

According to the determination of the WTO of October 3rd 2019, the United States may impose tariffs on European imports of \$7.5 billion (EUR 6,874 million) in compensation for the illegal subsidies that aeronautics manufacturer Airbus has received for years. On October 18th, Donald Trump's administration imposed tariffs of \$7.5 billion (approximately 6.744 million euros) on goods from European Union (EU) countries that will mainly affect Spain, Germany, France and the United Kingdom (Meinderts, 2020).

The reason why the WTO allows the United States to impose tariffs on these products from the European Union is the following one. In October 2004, the United States, under the presidency of George Bush, sent a delegation to the World Trade Organization (WTO) with the aim of filing a complaint about possible subsidies and grants not allowed to Airbus by Germany, France, the United Kingdom, Spain and the European Union (Gutiérrez and Machuca, 2019).

As the United States argued at that time, these four countries and all the EU members had been providing funding and other aid that ultimately gave a competitive advantage to the European aeronautical giant, which is also the US's Boeing main competitor (Fajgelbaum, Goldberg, Kennedy, and Khandelwal, 2020). On the grounds that this treatment of favor violated several of the international trade agreements, Washington requested the intervention of the Dispute Settlement Body, the first stop when a trade dispute between WTO member countries takes place.

And so, began a process that now comes to an end with the imposition of the well-known US tariffs on the EU. The WTO established a task force, which, due to the substantive and procedural complexity and the sheer amount of documentation it reviewed, deferred the issuance of its final report up to four times. It was not until the end of June 2010 that the working group finally issued its findings. In 2011, on suspicion that the Union was still favoring Airbus, the US called for the formation of another working group to see if the initial recommendations were being met. In 2016, the specialists found that the Union had not acted to eliminate the adverse effects of its subsidies (Irwin and Pavcnik, 2004). Finally, on October 2nd, the WTO delivered its final verdict, giving the good to the US. The agency discovered a web of more than 300 cases of subsidy over 40 years and has therefore

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allowed reprisals in the form of tariffs on products valued at EUR 7.5 billion against the Union and the countries participating in the aid (Iñárritu, 2020).

This kind of aid from the European Union through the financing of the aeronautical company will have an impact in the form of tariffs, basically on countries engaged in the construction of some parts of the aircraft. In this case, the four countries that will be most affected are Spain, Germany, France and the United Kingdom (Safe, 2019).

Spain is one of the most affected countries because of the rates of 25% imposed on important national products such as wine, cheese, olive oil and citrus. Of the 6.8 billion euros worth the countermeasures adopted by the Trump administration, Spain is expected to be punished with approximately 800 million euros. The Bank of Spain has estimated that the increase in tariffs on Spanish agriculture products from the current 3.5% to 25% will mean a decrease in sales of these products to the US economy of at least 12%, i.e. about 95 million euros, which represents almost 0.01% of GDP (Gutiérrez and Machuca, 2019). Customs technicians, represented in Gestha, have estimated that the approximately EUR 700 million of certain Spanish exports will bear a new tariff cost of almost EUR 120 million. This way, Spain will be the sixth country most affected in the European Union to suffer from the new tariffs of the United States, just after Germany, France, the United Kingdom, Italy and Ireland. However, Gestha claims that the impact of this measure in Spain will affect only 0.7% of all Spanish exports, whereas for the sectors affected by the US measures it will be "significantly lower than expected", as sales to Spain are 4.5% of world exports, and only 5.5% of this 4.5% will be affected by the tariff. As well, tariff measures put in danger sales to this country in the eight most affected sectors (olive oil, wine, olives, cheese and other dairy products, pork products, juices, spirits, mollusks and prepared or preserved fruits) and could finally result in the loss of more than 5,000 jobs in Spain. The Spanish products that will be most affected by the tariff increase applied by Donald Trump's government are virgin olive oil, olives and olive oil, whose presence in the US market is almost one-fifth oil exports and 23.7% of olive exports (Europe press, 2019).

At the same time, the US. market for Spanish wines in 2018 was fourth in terms of Spanish exports in value, with a total of 325 million euros exported and a volume of 90 million liters. Regarding the wine concerned (quiet packaged wines of less than 14 degrees), the value of exports in 2018 would be around EUR 240 million, excluding categories such as sparkling wines or generous wines. As a result of this tariff policy, the Spanish agriculture sector has allied itself to exert negotiating pressure until the last moment, both by the Spanish Executive's direct relations with the United States and by the European Union, to reach an agreement that avoids the application of tariffs or at least its "freezing". Spain exported EUR 1,843.47 million to the United States last year and the US is the first destination for market food and beverage exports just after the European Union (Europe press, 2019).

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On the other hand, according to the statements made by Agriculture Minister, Luis Planas, after this news broke, included in an article written by the ABC newspaper on 18th October 2019, he indicated that other measures to respond to the tariffs to be taken by Brussels would be to remove from the “box” the 4 billion euros that were forgiven to Washington years ago by a similar trade dispute. On US products in particular, that would be dotted with complementary European tariffs, they would be "traditional American export" such as "Harley Davidson motorcycles, bourbon whiskey" and other similar products. "We don't want to get into a trade war, but we want things to be solved, because an exclusion from the agro-food sector could exacerbate it. From tomorrow, the Commission could take action, but only it can tell them”.

4. Empirical analysis: Products most affected by tariffs

Spain is one of the most affected countries, with the rates of 25% imposed on star products such as wine, cheeses, oils and citrus. Of the 6.8 billion euros worth the countermeasures adopted by the Trump administration, Spain is expected to be approximately 800 million euros. The Bank of Spain has estimated that the increase in tariffs on Spanish agro-food products from the current 3.5% to 25% will mean a decrease in sales of these products to the Us economy of at least 12%, i.e. about 95 million euros, almost 0.01% of GDP (Gutiérrez and Machuca, 2019). Customs technicians, represented in Gestha, have estimated that the approximately EUR 700 million of certain Spanish exports will bear a new tariff cost of almost EUR 120 million. This way, Spain will be the sixth country most affected in the European Union to suffer from the new tariffs of the United States, just after Germany, France, the United Kingdom, Italy and Ireland. However, Gestha claims that the impact of this measure in Spain will affect only 0.7% of all Spanish exports, whereas for the sectors affected by the US measures it will be "significantly lower than expected", as sales to Spain are 4.5% of world exports, and only 5.5% of this 4.5% will be affected by the tariff. As well, tariff measures put in danger sales to this country in the eight most affected sectors (olive oil, wine, olives, cheese and other dairy products, pork products, juices, spirits, mollusks and prepared or preserved fruits) and could finally result in the loss of more than 5,000 jobs in Spain. The Spanish products that will be most affected by the tariff increase applied by Donald Trump's government are virgin olive oil, olives and olive oil, whose presence in the US market is almost one-fifth oil exports and 23.7% of olive exports (Gestha, 2019).

Table 4: Estimate of the distribution of new tariffs on European exports.

Exports to the United States in 2018	Total exports that will support new U.S. tariffs up to the 6.7 billion euro limit	% exports that will support the new tariffs on each country's total exports to the United States	% exports that will support new tariffs on total world exports (Includes United States with and without tariff)	Estimate of the allocation of new tariffs
Total exports of the European Union as a whole of each product that would support new tariffs	9.847,10	2,4%	0,5%	1.163,90
Alemania	2.224,60	1,9%	0,4%	209,4
Francia	2.308,70	6,0%	1,1%	200,3
Reino unido	1.203,70	2,2%	0,6%	165,8
Italia	947,10	2,2%	0,5%	161,3
Irlanda	1.267,20	3,2%	1,8%	122,6
España	706,10	5,5%	0,7%	119,6
Grecia	191,10	13,9%	1,2%	32,6
Polonia	184,60	3,0%	0,4%	31,4
Países Bajos	166,30	0,6%	0,1%	25,9
Dinamarca	150,20	2,0%	0,4%	25,6
Austria	172,70	1,7%	0,4%	22,1
Belgica	90,70	0,4%	0,1%	15,5
Portugal	115,70	4,0%	0,8%	14,2

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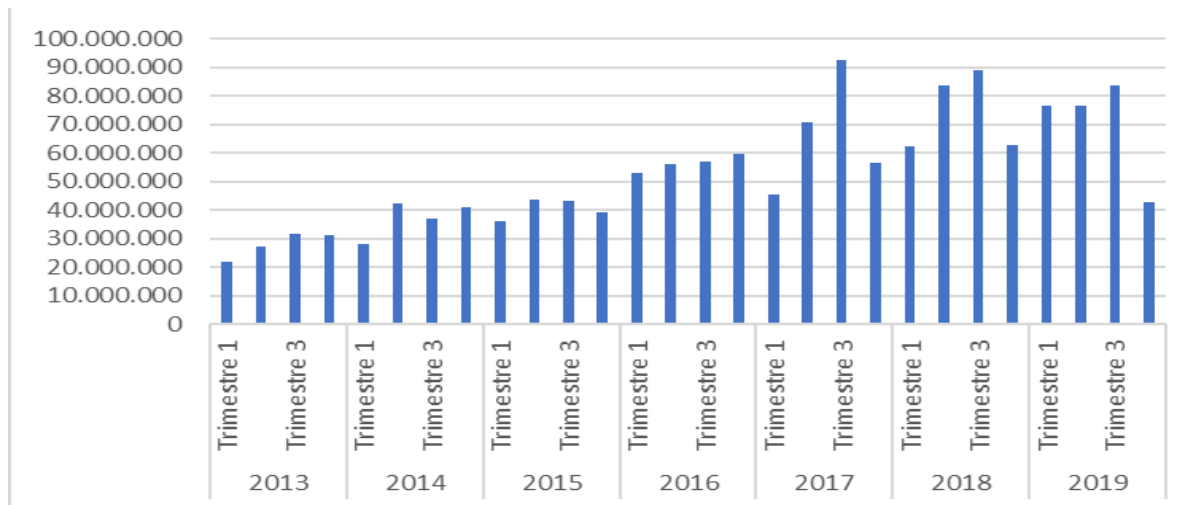
Source: Author elaboration using data from The Economics European Integration

At the same time, the US. market for Spanish wines in 2018 was fourth in terms of Spanish exports in value, with a total of 325 million euros exported and a volume of 90 million liters. Regarding the wine concerned (quiet packaged wines of less than 14 degrees), the value of exports in 2018 would be around EUR 240 million, excluding categories such as sparkling wines or generous wines. As a result of this tariff policy, the Spanish agriculture sector has allied itself to exert negotiating pressure until the last moment, both by the Spanish Executive's direct relations with the United States and by the European Union, to reach an agreement that avoids the application of tariffs or at least its "freezing". Spain exported EUR 1,843.47 million to the United States last year and the US is the first destination for market food and beverage exports just after the European Union (Europe press, 2019).

4.1 Olive oil

The following graphic, created with Epdata data and updated on February 24, 2020, shows the considerable decline in Spanish olive oil exports to the US market. It is the worst trimester since 2015, when exports were about \$40 million quarterly on average. In 2018, quarterly average exports were \$75 million each (\$297 million throughout 2018). It should be considered that exports in 2019 were projected to reach at least the same amount recorded the previous year, which finally 279 million were exported, 18 million less than the previous year. If we compare the fourth quarter of 2018 and 2019, we can observe the most significant decline since data is available. In the fourth period of 2018, exports were \$62 million, whereas in the same period of 2019 they were 42%, 32% less.

Figure 8: Value of Spanish oil exports to the United States.



Source: Author elaboration using data from Epdata

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Even so, the US remains the country where the European Union spends most of the olive oil, representing 30% of the total exported and 50,694 tonnes in the period mentioned above, according to the latest report on the market situation in olive oil, published by the European Commission. The second destination where the EU exports at most is Brazil, with 15% of the total exported, representing 24,479 tonnes, an increase of 55.5% compared to the same period of the previous year. Japan is in third place, with 16,332 tonnes exported between October and December 2019, increasing 18.7% compared to the same period in 2018. It also highlights the increase in countries such as Russia, which with 4,340 tonnes of olive oil imported from the EU, 75.5% more compared to the previous year, and the same happens in Australia, which has increased its imports by 32.5% to 7,536 tonnes (Olimerca, 2020).

In conclusion, the positive balance of European exports of olive oil to third countries, totaling 166,533 tonnes and increasing by 8.4% compared to the same period of the previous year, stands out. As shown in export data to other countries, some of the loss of demand from the United States has been made up for the largest increase in exports to the rest of the world

4.2 Wine

Regarding wine, it is important to distinguish between measuring exports according to the volume in liters or measuring them according to the dollar value. When we talk about the sale of wine we are simplifying all the varieties of wine that exist and their different sales formats in a single product. When referring to exports of this product, we have to take into account that preferences of US consumers are very important when looking at how it will affect the imposition of a tariff on their consumption. Demand elasticity is very important when we want to know how any kind of variation in price will influence your demand, in this case due to a tariff. In the case of wine, it becomes more important because we call wine both a bottle of 0.75 liters that in Spain has an average price of 10.03 euros according to the magazine *Tecnovino* of November 2016, as well as the bulk wine that we export and which has an average price of 0.27 euros per 0.75 liters (each liter of bulk wine costs 0.37 euros according to the journal *winemakers* published in October 2018). As we can see, it seems that we are talking about very different products with demand elasticities, which are very different too.

First, say that, in 2019, the United States was, for the first time, the second largest importer of wine in the world, with 1.232 million liters, replacing UK from that post (1.166 million liters) and confirming the trend that was being followed for years. Probably, one of the main reasons why the Trump administration decided to tax wine imports was because of the American country's tendency to import an increasing amount of foreign wine despite being one of the world's largest producers.

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The following charts show who are the largest wine exporters to the United States in 2019, distinguishing between volume suppliers and suppliers by value. As can be observed, French wine has the highest export value in millions of dollars; however, it is the second in volume per liter. This makes it the most expensive exporting country selling its products to the US. By dividing the dollar value by the liters, we can calculate how the average wine exported from different countries varies significantly. While the average price per litre of French wine is 11.84 euros, Spanish wine has an average price of 4.95 euros/l., which is less than half. This occurs because Spain sells a higher percentage of its bulk wine, which as we have already seen, has on average a lower price than bottled wine.

Figure 9: Leading wine exporters to the United States by volume.

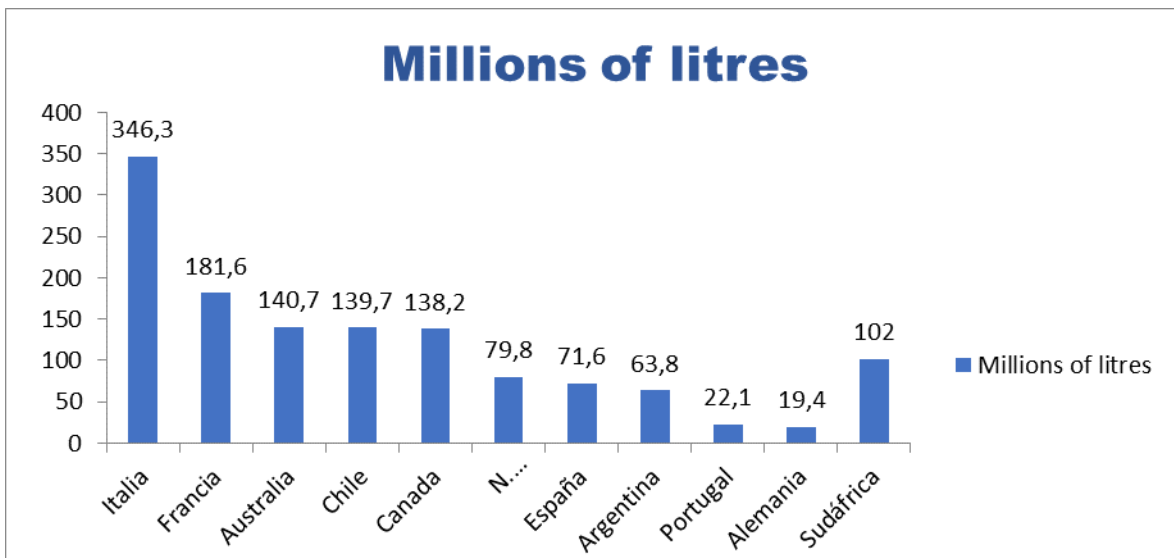
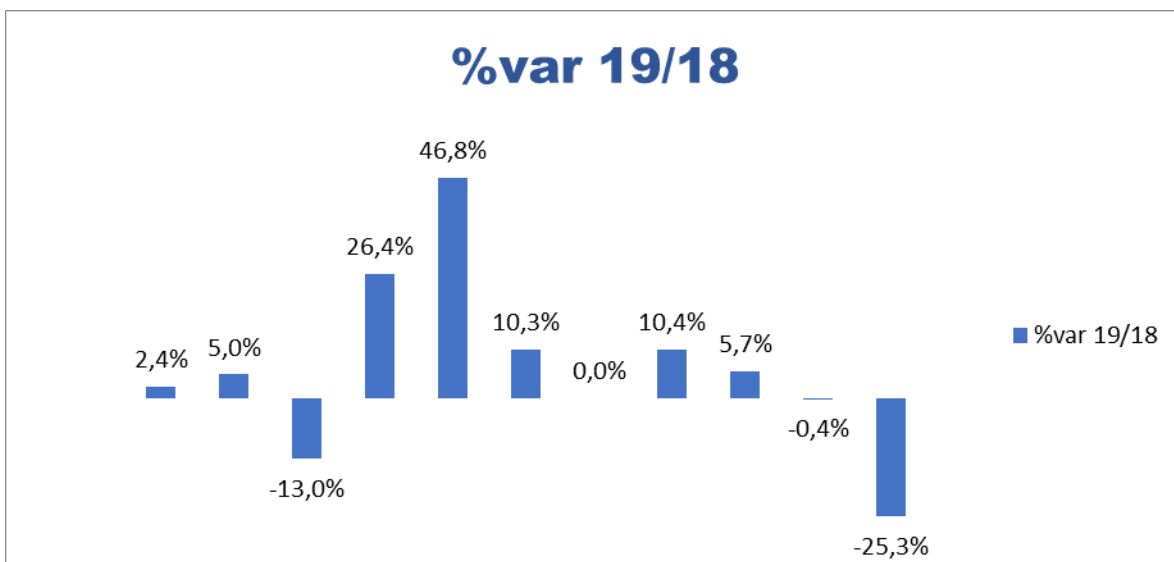


Figure 10: Variation in volume of wine sold to the United States compared to the 2019-2018 season.



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Figure 11: Leading wine exporters to the United States by value.

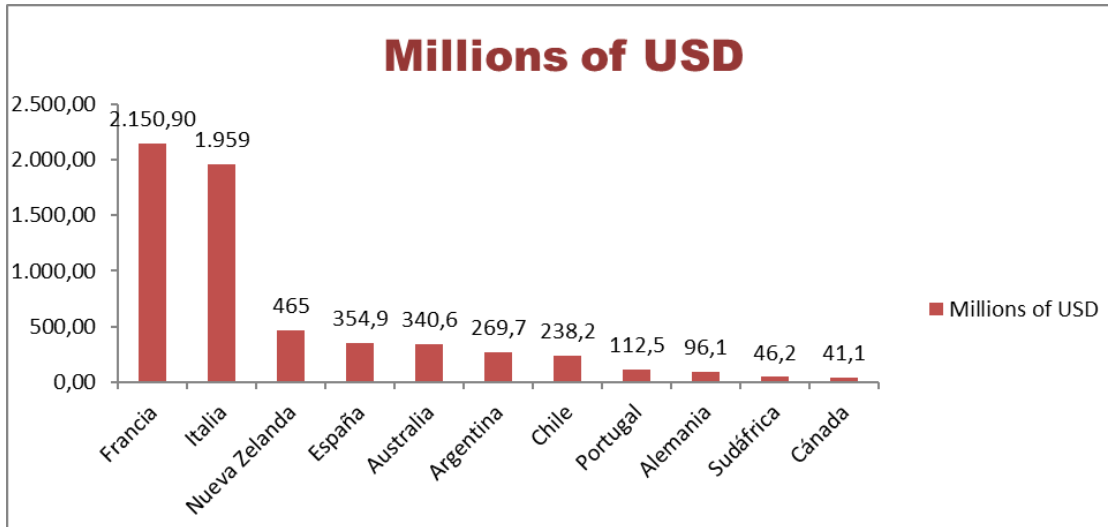
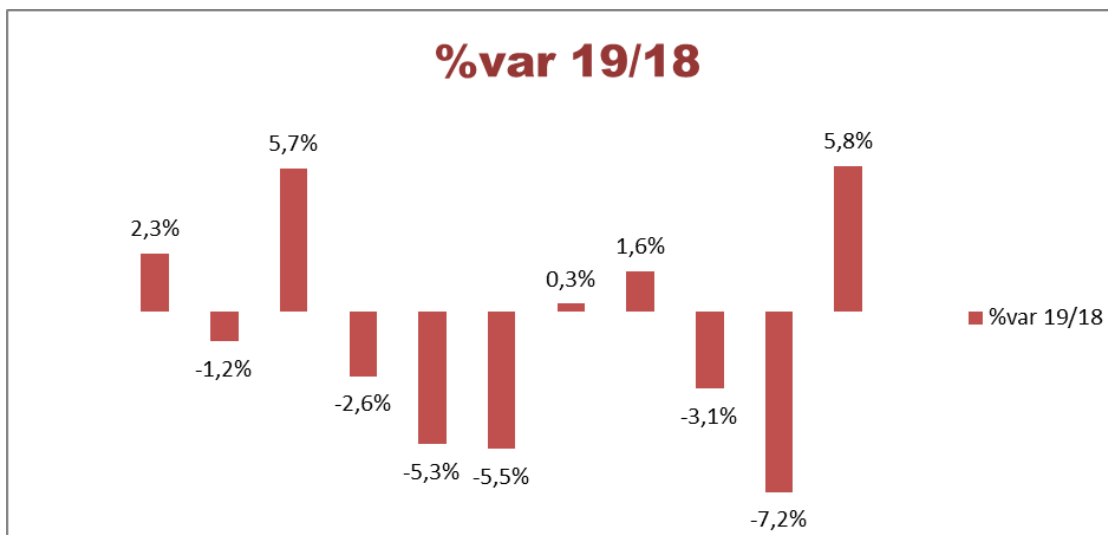


Figure 12: Variation in value of wine sold to the United States compared to the 2018-2019 season



Source: Author elaboration using data from OEMV

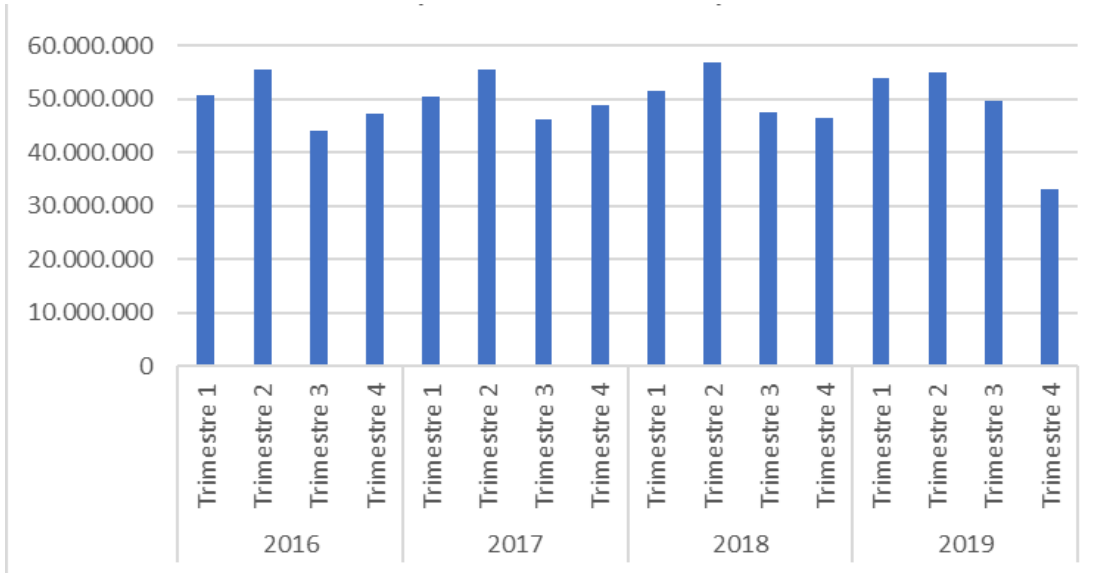
It is important to make this introduction because, when studying how tariffs have been affected, you can see in two perspectives: the decrease in total liters, or the decrease in the value exported. We will really look at the value of exports because that is what we really measure in these cases, but by being aware of the volume in liters, we can also deduce if some of that tariff is being assumed by exporting countries, reducing the price per litre to the one that they sell it to.

First, as can be seen in the chart below, the value of exports of any type of Spanish wine to the United States has fallen by around 35% in the last trimester of 2019 in comparison to the third quarter of the same year. Compared to the last quarters of previous years we see a 32% drop compared to the same period last year, and 34% compared to the fourth

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quarter of 2017. This makes us to rule out a fall due to seasonality, confirming the effect that US imports have had due to the so-called "Trump tariff" (OEMV, 2020).

Figure 13: Value of Spanish wine exports to the United States.

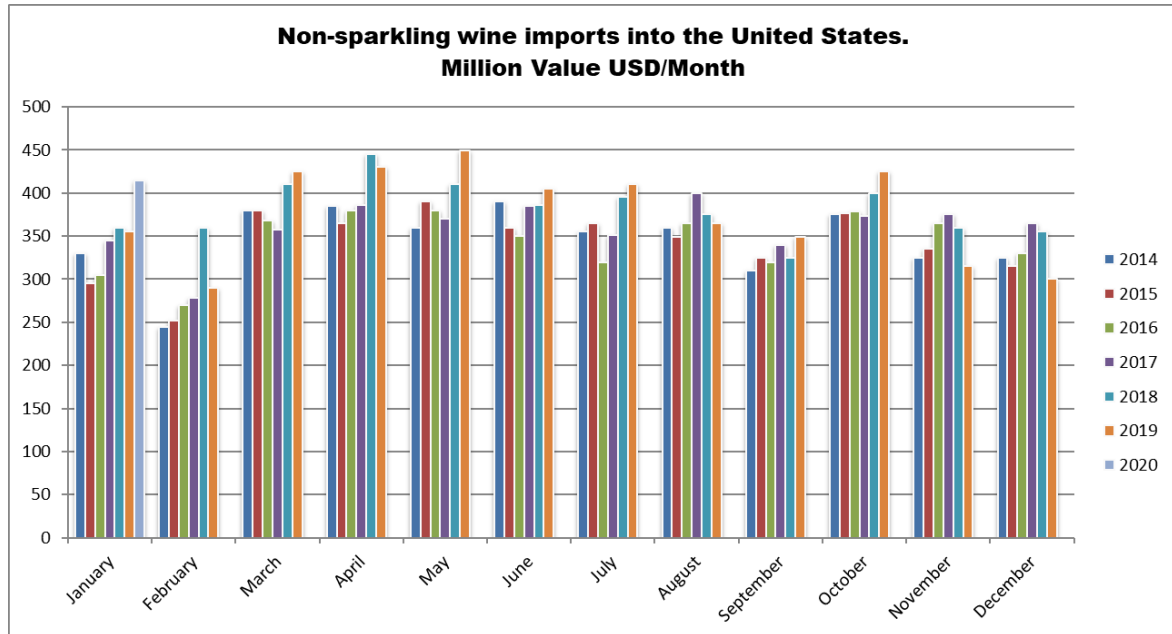


Source: Author elaboration using data from OEMV

With or without tariffs, Americans are still buying wine abroad. Particularly, this January 2020 there seems to be much more imports and much more expensive. Overall, while not everything is affected by tariffs imposed in October, US wine imports in January have increased by an extraordinary 27% in dollars. It is true that sparkling wines – not affected by tariffs – have doubled in this month from \$75 to \$150 million. But there is also a remarkable 16% increase in purchases of quiet wines – largely affected by the new tariffs – from \$358 to \$415 million, as shown below.

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Figure 14: Non-sparkling wine imports into the United States.



Source: Author elaboration using data from OEMV

In the case of Spain, despite the 35% drop mentioned above, it has been one of the countries that has reduced its export at most, as well as being one of the countries that has better recovered during the month of January 2020, according to the study published by the Spanish Observatory of the Wine Market in 2020.

In short, there is no strong data to qualify the various suppliers of non-sparkling wine suppliers in the US as a result of the imposition of tariffs in October last year. However, despite each month's swinging, it can be concluded that imports of packaged wine into the North American market have grown considerably in January, compared to previous losses, both from the growth in purchasing volume and by the strong growth in the average prices at which they acquire it (OEMV, 2020).

4.3 Cheese and dairy products

According to the International Dairy Organization in its March 2020 report, "Dairy Foreign Trade Information Systems between 2014-2019" publishes data on export developments from different dairy subgroups from 2014 to 2019. The following charts can be obtained in the US export section.

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Table 5: Spanish exports of dairy products in tons.

EXPORTACIONES ESPAÑOLAS A EEUU	2014	2015	2016	2017	2018	2019	% VARIACIÓN 2019/2018
PRODUCTOS	Tms	Tms	Tms	Tms	Tms	Tms	
L. de vaca y otras en pequeños envases	138				0	0	-11,4%
L. de vaca y otras a granel					0	1	410,6%
Nata							(*)
L. en polvo desnatada	1					0	(*)
Otras l. en polvo			8	38	23	90	295,2%
L. evaporadas y concentradas				4	9	11	29,7%
L. condensadas				2			(*)
Yogur							(*)
L. fermentadas				2			(*)
Mantequilla			2		0	0	21,3%
Aceite de mantequilla							(*)
Quesos	9.752	11.462	10.803	11.576	11.454	10.308	-10,0%
L. de oveja y otras							(*)
TOTAL EXPORTACIONES	9.891	11.462	10.813	11.623	11.486	10.410	-9,4%

Fuente: DATACOMEX - (*) No evaluable

Figure 15: Spanish exports variation evolution of dairy products in tons



Source: Author elaboration using data from Epdata

As can be seen in the table, within the section referring to the cheese subgroup, exports have raised from 11,454 tonnes in 2018 to 10,308 in 2019, representing a loss of 10%. A significant decline can be seen in the chart of cheese exports from Spain. Mainly the cheeses that have suffered these falls at most have been those that have denomination of

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origin of the stain, which are the ones that are most exported, since the rest of Spanish cheeses have an almost residual weight in exports (La Tribuna de Ciudad Real, 2019).

Nevertheless, if you look at the same study published by OIL and specially at exports, this time based on euro value and not tons sold, we can see that the difference is not so significant, even though tariffs have increased the purchase of cheese in the United States from Spain by 25%.

Table 6: Spanish exports of dairy products in millions of euros

EXPORTACIONES ESPAÑOLAS A EEUU	2014	2015	2016	2017	2018	2019	% VARIACIÓN 2019/2018
PRODUCTOS	Miles €	Miles €	Miles €	Miles €	Miles €	Miles €	
L de vaca y otras en pequeños envases	50				4	3	-13,6%
L de vaca y otras a granel					2	10	408,5%
Nata							(*)
L en polvo desnatada	4					0	(*)
Otras l. en polvo			55	267	141	578	309,5%
L evaporadas y concentradas				10	23	128	462,7%
L condensadas				6			(*)
Yogur							(*)
L fermentadas				20			(*)
Mantequilla	2	1	15	3	1	2	25,8%
Aceite de mantequilla							(*)
Quesos	73.653	85.959	82.207	86.137	87.381	86.024	-1,6%
L de oveja y otras							(*)
TOTAL EXPORTACIONES	73.708	85.959	82.277	86.443	87.552	86.746	-0,9%

Fuente: DATACOMEX - (*) No evaluable

Figure 16: Spanish exports evolution of dairy products in millions of euros



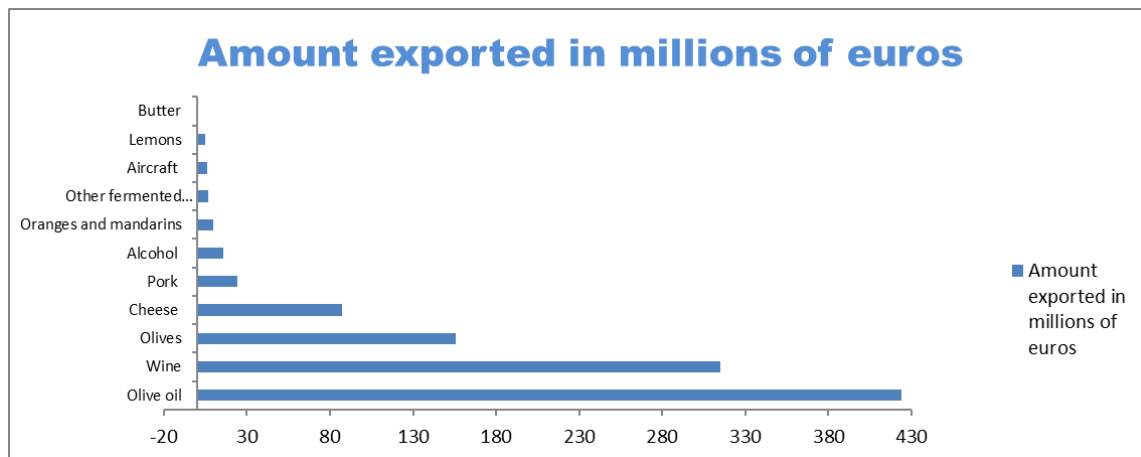
Source: Author elaboration using data from Banco de España

In the same chart type as those observed before, but this time measuring the value and not the volume, the decrease is 1.6%, a much lower fall than the 10% that has occurred if you look at the exported volume. This year, Spanish cheese exports to the United States were 86.02 million euros, in contrast with the 87.38 million exported during 2018.

4.4 Other affected products

In an article in the 'Cinco Dias' economic newspaper edition, we can see which products are the most exportable products to the United States that are going to suffer the 25% tariff imposed by President Trump. Among them, we basically have olive oil, olives, wines and cheeses and other dairy products that we have already seen in the previous sub-sections. If we add up the relative weight of these sectors, we deduce that it accounts for 94% of the exports to be taxed by the tariff. They have a lower weight in the economy, even though they should not be left out, sectors such as pork, citrus or aircraft that would together amount of 4.30% in economic volume as seen in the graph below.

Figure 17: Amount exported in millions of euros



Source: Author elaboration using data from Researchgate

Among the products that have been affected by these tariffs, there is the citrus sector, which has seen its exports severely affected. According to the report by Alimpo (Interprofessional Association of Lemons and Grapefruits) from the Association of Valencian Farmers (AVA-ASAJA), exports of oranges and mandarins to the United States have been virtually zero this year (data as of April 18). Moreover, the lemon sub-sector has exported 922 tones during this period, a quantity far removed from the 2360 tones sold during the first trimester of 2019.

5. Analysis of the results obtained

The data obtained in the research work between the different databases and sources that include collected data on exports from Spain to the United States in recent years and the first quarter of 2020 will be analysed in this section. It was taken as a reference for analysing data in the first trimester of 2020, since it was the first trimester of data after protectionist measures by the USA in October 2019. During the completion of this work, data from the second trimester of 2020 could not be obtained as it was not yet finished or has just finished and there is still no reliable data.

The products mentioned in the fourth section of the work be compared later, since the analysis and conclusions on the review of the literature of research papers already carried out by other authors was developed at the same point.

As can be seen in the first table in paragraph 4, Spain is the 6th country most affected by tariffs in the European Union. Up to EUR 706 million in exported products could be subject to these fees. Of these products, olive oil, olives, wine and cheeses and dairy products account for almost 94% (Cinco Dias, 2019), so we are going to focus on exports of these products.

There is no doubt that the imposition of US tariffs on Spanish olive oil has been noticed in European exports of this packaged product to the USA, which fell by 7.3% between October and December 2019. Much of this balance is a result of the imposition of 25% tariffs on Spain-sourced packaged olive oil imposed since October 18 by the Trump administration. According to the Epdata database, if we compare it to the previous year, there have been exported 18 million less. If we compare the 4th trimester of 2018 and 2019, we can see the most significant decline since data is available. In the fourth period of 2018, exports were \$62 million, while in the same period of 2019 they were 42%, 32% less. There has never been such a significant variation in data before.

In the case of wine, we can come to the same conclusion in the analysis. With an unprecedented drop in the last trimester of the year, it seems clear that exports have been significantly influenced by tariffs. The graph of Spanish exports of wine to the United States showed how the value of exports of any type of Spanish wine to the United States has fallen around 35% in the last quarter of 2019, in comparison to the third trimester of the same year. Comparing the last trimesters of previous years, it can be observed that there was a 32% drop compared to the same period last year or 34% compared to the fourth quarter of 2017. Thus, we have to rule out a fall motivated by the seasonality, confirming the effects that US imports have had because of the so-called "Trump tariff" (OEMV, 2020).

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Regarding the dairy sector, and the cheese sub-sector in particular, it is more difficult to make an analysis of the results obtained. On the one hand, it could be said that the 10% decrease in the amount of cheese sold by Spain to the United States, being the most significant negative variation in the last six years, which is the last available data, is reason enough to affirm that tariffs have been significantly affected exports. On the other hand, if we look at the data provided by the March report of the International Dairy Organization, the value of exports only fell by 1.6% and the total variation of all dairy products has been - 0.9%; if we refer to the value in millions of euros, however, the fall of all dairy products in quantity sold was 9.4% less. With this data, and looking at the short time that has passed, it is difficult to come to a clear conclusion of the effect of tariffs on the dairy sector.

6. Conclusions

Before deepen on the conclusions I have reached in doing this work, I would like to briefly recall the effects of tariffs. As discussed in the first part of the essay, governments impose tariffs with two objectives. The first, as a protectionist measure in order to protect the national economy and thus stimulate consumers to purchase goods from domestic companies rather than buying them abroad. The second main reason is to collect taxes. For each import made, the government will enter the tariff revenue into the public finances. Although it has been demonstrated that tariffs create market inefficiencies, by causing the net welfare gain of the economy as a whole to be lower, some governments, such as Donald Trump's in the United States, still see protectionist measures as a good economic decision to implement. United States, as a member of the WTO, it is subject to certain rules in which it cannot violate if it does not want to be sanctioned. The WTO is primarily responsible for mediating conflicts over trade between different countries or economic regions. The objective of this organization is to facilitate trade between countries, favouring free trade agreements and reducing tariffs. This clashes head-on with Trump's intentions of putting tariffs on products from other countries.

The US government announced in March 2018 a package of protectionist measures against China, virtually taxing some the products coming from the Asian country with tariffs, as well as increasing tariffs on products they already had. This led to China's rapid response, announcing that it would also impose tariffs in retaliation. Let's see if these measures are softened in subsequent negotiations, but even though it is too early to know the effects of these waving on tariffs, it is clear that the current trade war that does not favour either country or the other economies. It is estimated that there will be GDP drops of 0.26% in the United States and 0.38% in China. While in the case of the euro zone, "its high degree of trade openness, which makes it more vulnerable to falling global activity," the drop in its GDP will be of 0.2%. Anyway, these measures should not surprise us if we remember what Trump promised to do if he reached the White House.

Then, the Trump administration used the national security law to impose 25% tariffs on the import of iron and steel and 10% on aluminium. The aim of these measures was basically to protect the metallurgical and steel sector that was being so affected in recent years because of relocation. The conclusion that can be drawn from what has already been studied is that if there is such relocation of companies that use a large amount of metallurgical resources, is that they do so because they do not have a comparative advantage over other countries. Attempting to protect this sector through tariffs will only lead to the increase the price in iron, steel and aluminium products, making them less competitive and ultimately causing US consumers to bear the highest cost.

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Later, Trump used the WTO verdict stating that the European Union had been financing Airbus for years, offering it an advantage in credit and creating unfair competition against the American company Boeing. Thus, due to this ruling, the WTO allowed the United States to tariff European products worth 6,744 million euros (\$7.5 billion). Trump's tariffs were not expected, and in October 2019 he announced a series of package measures affecting all kinds of products from Europe. As far as Spain is concerned, the products that have been most affected are olive oil, olives, wine, dairy derivatives and other products such as pork or citrus. As seen in previous analyses, the results are clear: tariff taxation often results in a drop in imports. In the case of Spain, it is clear how exports have fallen since the entry into force in all products that have been taxed by these fees. It will be interesting to see how these data evolve in the next years, but there is a clear tendency towards a more protected US economy that will need to assess whether to start producing the products that have been in love with tariffs or importing only those goods from other countries that are even cheaper. It seems that the intention of Donald Trump, and part of American citizenship as well, which is why they voted for those election promises, is to give national companies greater importance and to try to stop the relocation that was taking place by some sectors of the economy. In my opinion, these protectionist measures are not the best solution to improve a country's economy, as has already been demonstrated in this work. I believe that the free movement of both capital and people can create a much more globalized economy, and even though it may have its pros and cons, it will undoubtedly make the different societies of the world keep progressing towards an economy with ever-lower poverty rates.

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