TARIFFS FACED BY EXPORTS IN CASE OF
A FULL TRADE WAR

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Trade war tariffs are based on the "optimum tariff" theory. Standard trade theory indicates that, by unilaterally introducing tariffs, a large country not only limits its imports from the rest of the world, but also reduces the price of its imports relative to its exports, thereby benefiting from an improvement in its terms of trade. These unilateral tariffs can be calculated by estimating the leverage each country has on international markets, depending on whether its trade policies are able to influence international prices ("market power" in economic jargon). The tariffs presented above are calculated under the assumption that all countries will engage in a trade war and set tariffs to their optimal mercantilist levels. This would include also nullifying any bilateral concessions and preferential conditions for specific categories of countries (e.g. least developed countries). For further details see Nobody really wins a trade war and Cooperation in the Tariff Waters of the World Trade Organization, forthcoming in the Journal of Political Economy.