

“Simplistic” tariffs threaten global economy

After months of work, the White House announces “reciprocal” tariffs to match barriers to U.S. trade based on the U.S. Trade Department’s seemingly complex formula, described by experts as simplistic

1 Tariff set for each country

$$\Delta\tau_i = \frac{x_i - m_i}{\varepsilon * \varphi * m_i}$$

“Non-tariff barriers” intended for inclusion have been discarded

Formula shared by White House

2 Trade deficit

Value of exports to each country from U.S. minus imports from that country (2024)



Poor countries import few expensive U.S. goods but are dependent on exports. Trade imbalance NOT due to barriers

3 Price elasticity of import demand

ε

4

Responsiveness of U.S. demand to change in price

4 Elasticity of import prices with respect to tariffs

φ

1/4

Responsiveness of prices to increased tariffs

3 and **4** cancel each other out

5 Total value of imports from each country

Global supply chains – including raw materials and rare minerals – built to provide Americans with cheaper goods, will be hit



Base tariff of 10% applied even to countries with whom U.S. has **trade surplus** – where U.S. exports are greater than imports, e.g. UK

So... Tariff = trade deficit divided by imports

Trade deficit divided by imports = trade gap NOT trade barrier