

# Home Assignment IV

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We firstly obtained data on applied and bound tariffs. The USA has the lowest applied tariffs, however they use the maximum possible as bound tariffs are also 3.4 %. The EU follows with a little bit higher tariffs around 5 %. The highest tariffs impose India - 15 %. China and Russia tariffs are 7.5 % and 6.6 % respectively. Given the political environment both in China and Russia, we find the tariffs relatively low. All data were obtained from WTO Tariff Profiles

In %	EU	USA	China	Russia	India
Average applied tariff	5.1	3.4	7.5	6.6	15
Bound tariff:	4.9	3.4	10	7.5	50

Further, we proceed to evaluate mutual dependence of big actors - USA, EU, China, India, Russia. We used WTO Trade Profiles data:

China - export 1. USA 17.5 % 2. EU 15.1 % 3. HongKong 10.5 %; Other 47%

- import 1. EU 12.6 %, 2. Taipei, 3. Japan 4. Korea 5. USA 6.6 %; Other 54 %

EU - export 1. USA 18.3 % 2. UK 14.4 % 3. China 10.5 %, 4. Swiss 5. Russia; Other 45.4%

- import 1. China 22.4 % 2. USA 11.8 % 3. UK 9.8 % 4. Swiss 5. Russia; Other 44%

USA - export 1. Canada 18 % 2. EU 16.2 % 3. Mexico 15 % 4. China 8.7 %; Other 38 %

- import 1. China 19 % 2. EU 17.6 % 3. Mexico 13.7% 4. Canada 11.5 %; Other 33%

Russia - export 1. EU 36 % 2 USA 6.5 % 3. China 6.2 %; Other 41.5 %

- import 1. EU 47 % Turkey 7.7 % 3. USA 4 %; Other 33.8 %

India - export 1. USA 18 % 2. EU 14 % 3. China 7 %; Other 51.3 %

- import 1. China 16 % 2. EU 9.1 % 3. USA 7.2 %; Other 56.4 %

We can see that Russia is highly dependent on EU, hence sanction of EU on Russia can be very harmful for Russian economy. For USA a lot of trade happen within the NAFTA FTA (18 % Canada + 15 % Mexico); i.e. USA is not so dependent on other big actors such as EU or China. We believe that USA will try to maintain the NAFTA as Canada and Mexico are well-behaved predictable trade partners, also the FTA makes sense in regard of gravity model. The EU imports are about 1/5 from China, which poses a potential vulnerability to China trade policy. However, then its imports are quite well distributed among large actors. EU's exports are highest to USA and then UK, China is on third place with 10.5 %. We would argue a closure of USA to trade could be damaging to EU, however we view this possibility as very unlikely as USA is also to some extent dependent on EU. Nonetheless, the thread is there and if for example USA closed a deal with China, EU could be left alone and find itself in trouble.

Furthermore, we investigated current FTAs and CUs: The EU currently has 45 trade agreements with other countries. It is also part of 4 customs unions. The most important one is EUCU which includes all countries of EU, Monaco and 2 British Overseas Territories Akrotiri and Dhekelia. The remaining 3 CUs are with Turkey, Andorra and San Marino. Most of EU trade is covered by these FTAs and CUs, only a small part is covered just by WTO. Here is the list of FTAs: <https://ec.europa.eu/trade/policy/countries-and-regions/negotiations-and-agreements/>

The United States has 14 FTAs with 20 countries. The big ones are NAFTA and CAFTA-DR. The other FTAs are just between the U.S. and one other country. Large amount of U.S. trade is still covered just by WTO, because the U.S. is not in FTA with China, nor the EU. Here is the list: <https://www.trade.gov/free-trade-agreements>

China currently has 16 active FTAs and 8 more are under construction. ASEAN. One of the most important ones is RCEP, which includes India as well. Most of Chinese trade is still covered by just the WTO. Here is the list: <http://fta.mofcom.gov.cn/english/index.shtml> Russia is part of Eurasian Economic Union. EAEU has FTAs with Vietnam, Singapore, Serbian and Iran. More are in the works. Russia interrupted their FTA with Ukraine in 2015. Most of Russian trade is covered purely by the WTO.

India currently has 42 trade agreements either in place or under negotiation. It is part of SAFTA and RCEP, which is the most important agreement for them, mostly because it includes China. However, the U.S. recently overtook China's spot as the biggest trade partner of India. This leads me to believe that the proportion of trade covered by these agreements is getting lower. Here is list of agreements: <https://commerce.gov.in/international-trade/trade-agreements/>

Finally, we formulate our opinion on given questions:

*Which of the large actors should be most interested in the survival of the WTO?*

Our opinion is that the primary benefactors profiting from the organization should be the first to ensure its survival. These are countries, which are developed, wealthy with strong exports, such as China, USA, Germany and the rest of the large actors. According to the 2019 analysis conducted by Bertelsmann Stiftung, these 3 countries (China, USA, Germany) received over 250 billion USD in welfare gains through their membership in WTO. <https://www.bertelsmann->

*Does it seem that the EU is more vulnerable to possible active uses of sanctions or threats by the other actors?*

We believe that the EU is overall less vulnerable than other large actors. The only really big issue for the EU would be with raw materials which are mostly imported from China and other countries. However, the EU is still less dependent on trade with other countries than most actors. They also have the advantage of already being a union of many countries. From experience we can see that the EU is almost always the one making sanctions on other countries which shows that they hold the power. Thanks to the European Union's great economy, they can afford to suffer some losses much easier than countries like Russia or India or even China. Economic sanctions also often tend to stem from political disputes, and countries like China or Russia are known to be more aggressive towards other countries or violating human rights, which means they are more likely to be sanctioned for those things. (Hongkong, Taiwan, Ukraine, Uyghur camps etc.). Nonetheless, we believe that a potential trade deal with China would be very beneficial to EU as China is very likely to be a very big actor and having a good trade deal would ensure EU trade future. However, we are aware that such deal will be very hard to negotiate.