Summary: The Impact of US Metals and Vehicles Tariffs on Sweden
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In March 2018, US President Trump signed orders imposing 25% tariffs on steel and aluminium products against US trading partners. The justification for these duties was national defence. The duties have met opposition both domestically and from US trading partners, including traditional US allies. US trading partners have argued that the defence argument is not justified, and that in effect the duties are a form of safeguard action (a type of temporary trade measure allowed under WTO rules). On this basis, exporters of steel and aluminium to the US have taken steps to impose retaliatory duties.

Since the imposition of US duties on steel and aluminium, the Trump Administration has also taken the first steps toward imposing similar duties on imports of motor vehicles and parts. In particular, in May 2018 the U.S. Department of Commerce began an investigation into whether imports of automobiles and auto parts posed a threat to US national security. Again, the proposed measures have met strong opposition, both domestically and abroad. In this case, the US auto industry itself also opposes the duties, seeing them as a threat cross-border supply chain management and production.

The measures taken on metals, and those contemplated on vehicles, pose a challenge to US trading partners. In the case of Sweden, 7.2 percent of goods exports go to the US. Of these, 19.3 percent of goods exports to the US are motor vehicles and motor vehicle parts (primarily vehicles). Another 9.9 percent of exports to the US are metals. In the case of motor vehicles, Sweden is also tied to the European industry, and so is exposed to the impact of US duties on other EU trading partners. For example, while Sweden exported $122 million in vehicle parts to the US in 2016, it exported $412 million in vehicle parts to Germany, some of which are then embodied in vehicles exports from Germany to the US.

This study examines the impact US tariffs on metals and vehicles imports on the Swedish economy, with emphasis on employment in the targeted industries. The method involves application of a computer-based model of the global economy, reflecting data on patterns of production, trade, and linkages across industries and countries (cross border supply chains). The scenarios examined include not only unilateral US action in terms of duties, but also retaliation by US trading partners.

In the case of both motor vehicles and metals, the estimated direct impact on affected sectors in Sweden is in the range of 3.2 percent (steel) to 5.6 percent (autos) of Swedish employment at the sector level. While retaliation does help to offset negative employment effects for the economy as a whole, those sectors directly affected suffer similar employment losses with and without retaliation by US trading partners. In the case of motor vehicles, the proposed US actions threaten between 5.2 and 5.6 percent of employment in the sector in Sweden, or approximately 3.6 to 3.9 thousand jobs in the sector. In the case of metals, the proposed US actions threaten between 750 and 850 jobs on the sector.

At this juncture, at an estimated ±0.0 percent of GDP following imposition of US duties as modelled, the overall impact on the Swedish economy is negligible. However, the negative direct impact on targeted industries highlights the risk to other Swedish industrial sectors if unilateral US tariffs are extended to yet more sectors.