

OeNB talks on international economics

Tariffs, tensions and deals: global trade lost in transition?



21/10/2025

B. Meunier

Special thanks to M-G. Attinasi, L. Boeckelmann, J. Le Roux, M. Mancini, T. Spital, S. Schaefer

Disclaimer: These slides reflect the views of the presenter and does not necessarily represent those of the European Central Bank or the Eurosystem.

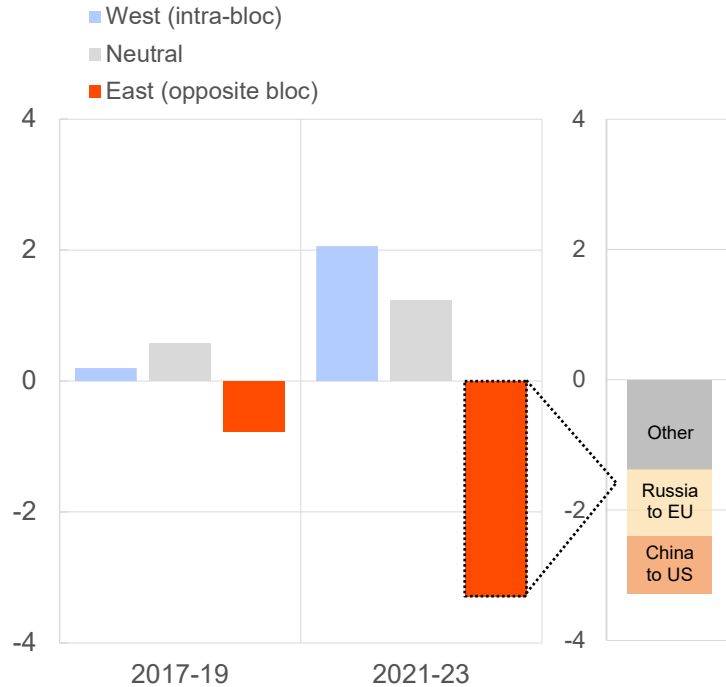
Key messages

- Prior to 2025, **selective decoupling** along geopolitical lines in strategic sectors (e.g. high-tech)
- US tariffs driving a **reconfiguration of trade flows** deepening US-China divide; but pre-existing geopolitical lines blurred by:
 - US tariffs on **allied and neutral countries**
 - **Trade diversion** from China, amid persistently low export prices
- Tariffs not fully eliminating **interdependencies** as indirect linkages (*via* “connector” countries) increase
- Supply chains increasingly subject to geopolitical influence, amid growing EA **critical vulnerabilities** (e.g. rare earth, green products)

Pre-2025 state – Selective decoupling along geopolitical lines

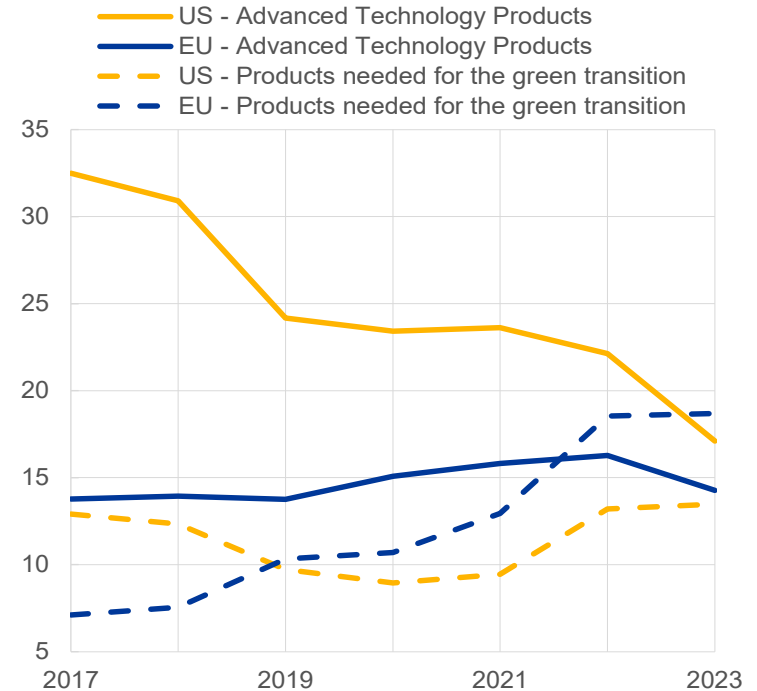
Western bloc's import shares

(percentage points)



Imports from China by product category

(percent of total imports for product category)



Sources: [Attinasi, Mancini, et al. \(2024\)](#) and [Conteduca et al. \(2025a\)](#).

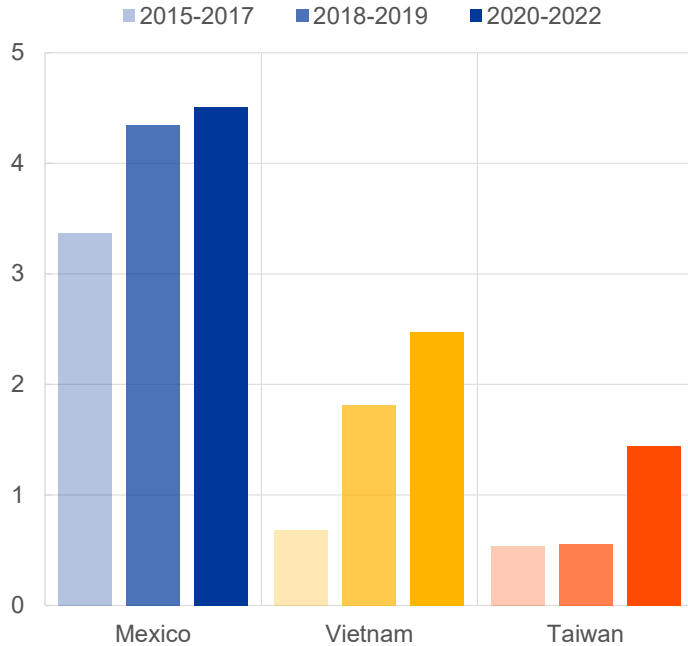
Notes: Based on Trade Data Monitor data. "West" is a US-led bloc that includes notably the EU, the UK, and Japan. "East" is a China-led bloc that includes notably Russia, Belarus, and Pakistan. "Neutral" includes non-aligned countries such as India, Brazil, and South Africa. Bloc allocation is mechanical and based on [Attinasi, Mancini, et al. \(2024\)](#).

Sources: [Attinasi, Mancini, et al. \(2024\)](#) and [Conteduca et al. \(2025a\)](#).

Note: Based on Trade Data Monitor data.

Pre-2025 state – Indirect trade linkages on the rise, notably for tariffed goods

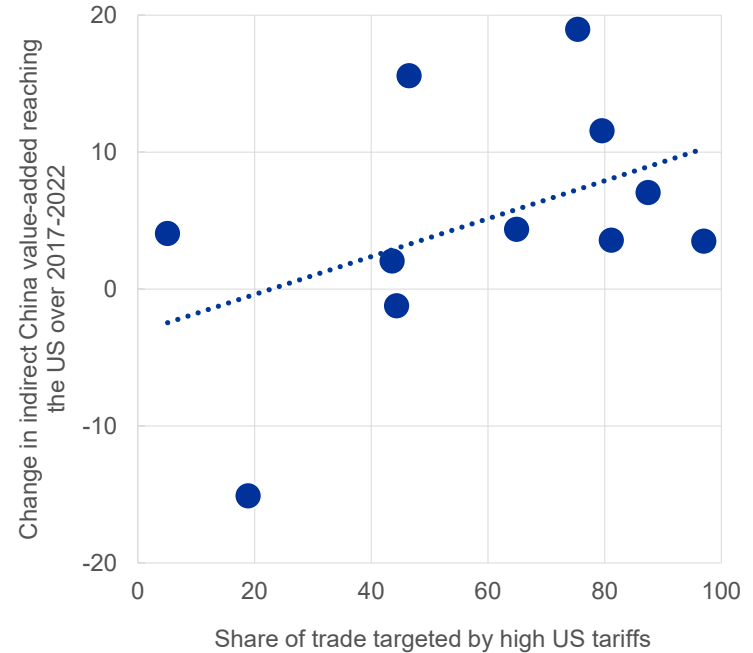
China value-added in US imports (percentage share)



Sources: [Attinasi, Mancini, et al. \(2024\)](#) and [Conteduca et al. \(2025a\)](#).
Note: Computation based on Asian Development Bank Multi-Regional Input-Output tables, using the methodology of [Borin and Mancini \(2023\)](#).

US tariffs and re-routing of China value-added (2017-2022)

(y-axis: percentage; x-axis: percentage points)

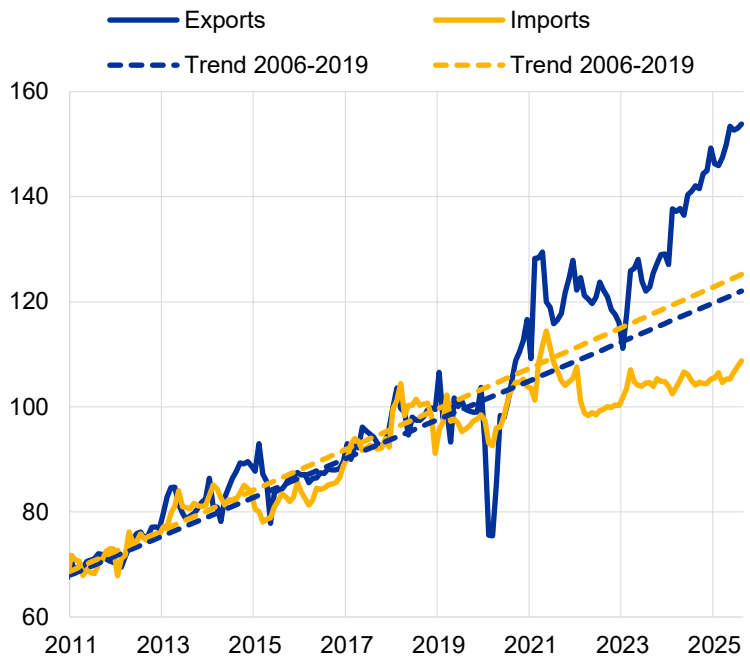


Sources: [Attinasi, Mancini, et al. \(2024\)](#) and [Conteduca et al. \(2025a\)](#).
Notes: Based on Asian Development Bank Multi-Regional Input-Output tables, Trade Data Monitor, and US tariff data from the Peterson Institute for International Economics.

Pre-2025 state – Growing China trade surplus amid lower imports from AEs

China real imports and exports

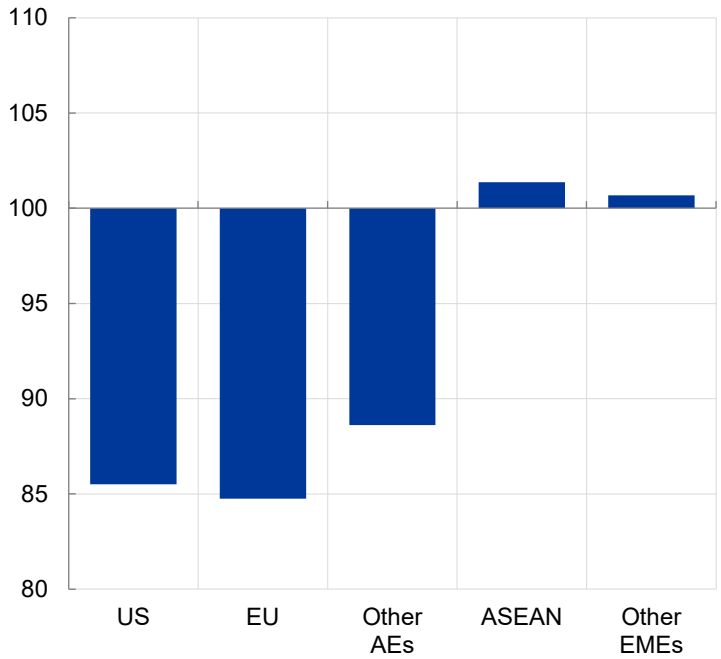
(indices, 2019 = 100)



Source: Al-Haschimi et al. (2025).
 Notes: Data are monthly. The trends are computed using a log-linear regression of imports and exports over time.
 Latest observation: August 2025.

China imports by origin

(deviation between December 2021 and August 2025)

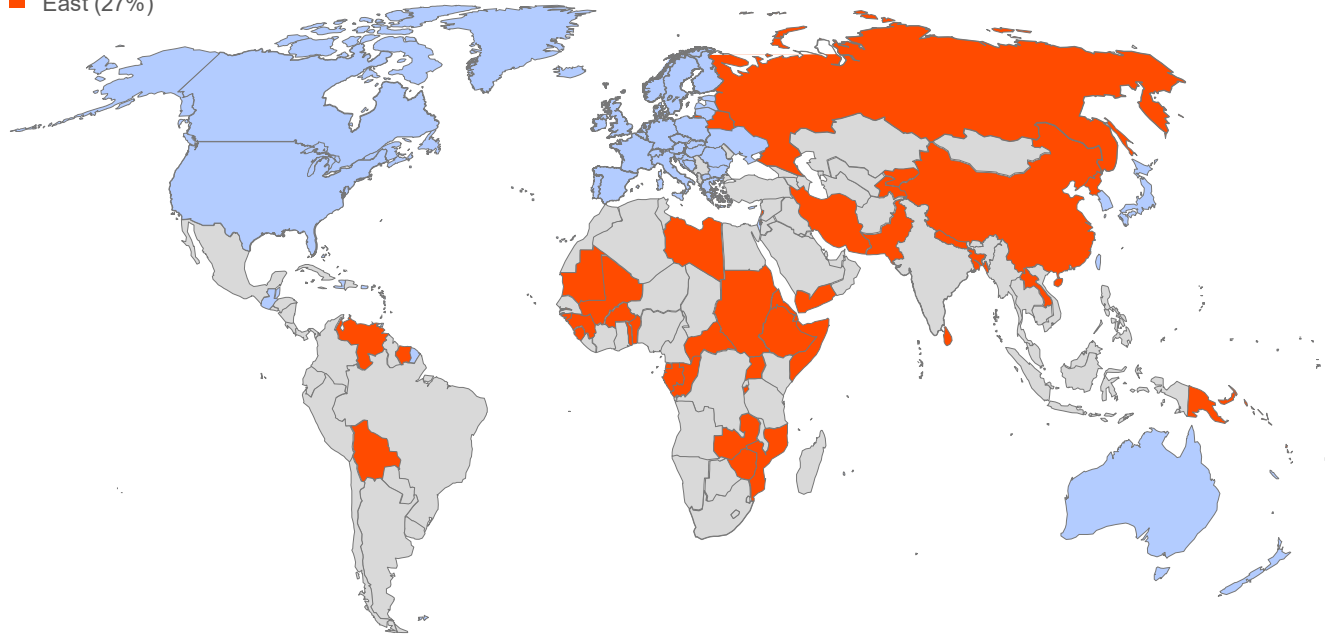


Source: Al-Haschimi et al. (2025).
 Notes: Based on monthly nominal trade data expressed in value terms and in US dollars.
 "Other AEs" are other advanced economies, "Other EMEs" other emerging market economics and "ASEAN" the Association of Southeast Asian Nations.

Geopolitical blocs

(mechanical allocation based on geopolitical distance to China and US)

- West (42% world GDP PPP)
- Neutral (31%)
- East (27%)

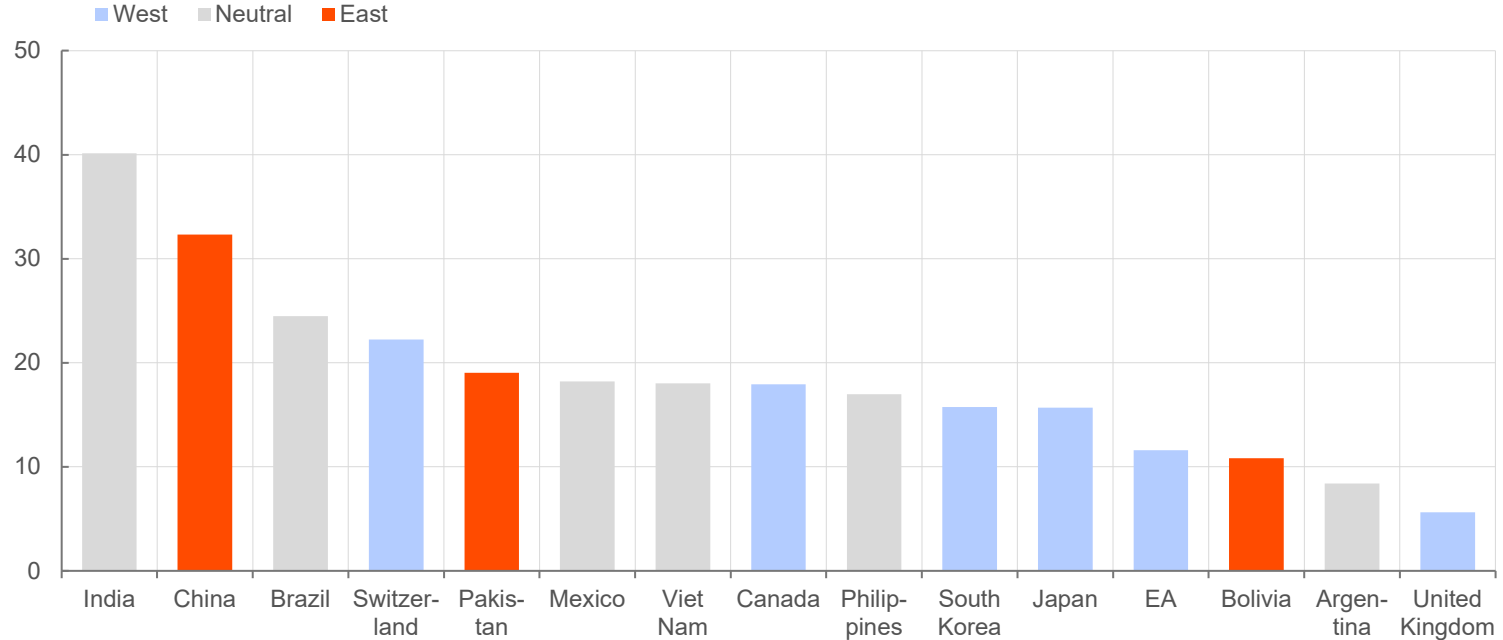


Source: [Attinasi, Mancini, et al. \(2024\)](#).

Notes: The allocation of countries to blocs uses the geopolitical index developed by [den Besten et al. \(2023\)](#), based on the voting patterns of countries at the United Nations General Assembly (UNGA) and additional measures of political alignment and economic ties between countries.

US tariffs – Broad-based rather than along geopolitical lines

Increase in US effective tariff rates since December 2024 (percent)



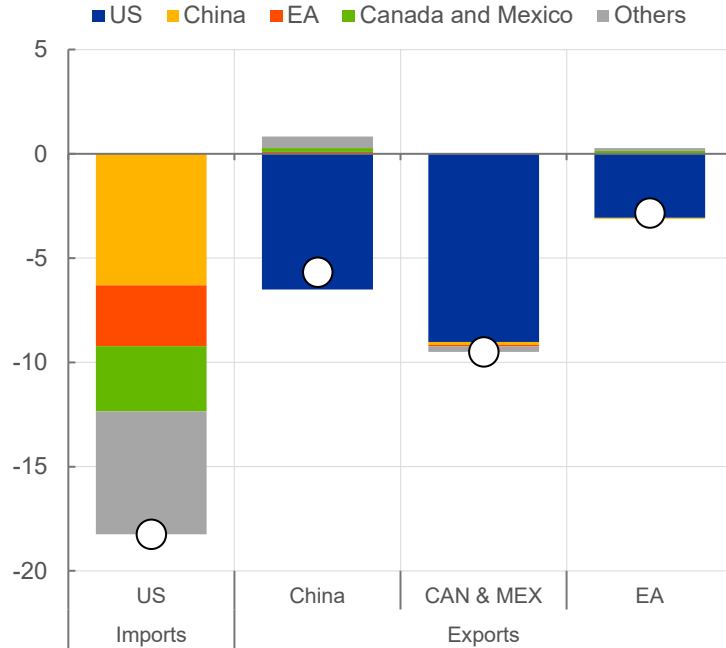
Sources: [Conteduca et al. \(2025b\)](#), CEPII, and BACI ([Gaulier and Zignago, 2010](#)).

Notes: Average tariff rates weighted at product-level using 2023 trade data, accounting for permanent and temporary product-level exemptions. Geopolitical blocs are based on the mechanical allocation in [Attinasi, Mancini, et al. \(2024\)](#).

US tariffs – Deepening the geopolitical fault line between US and China

Goods trade – model simulations

(percent deviation from steady state)

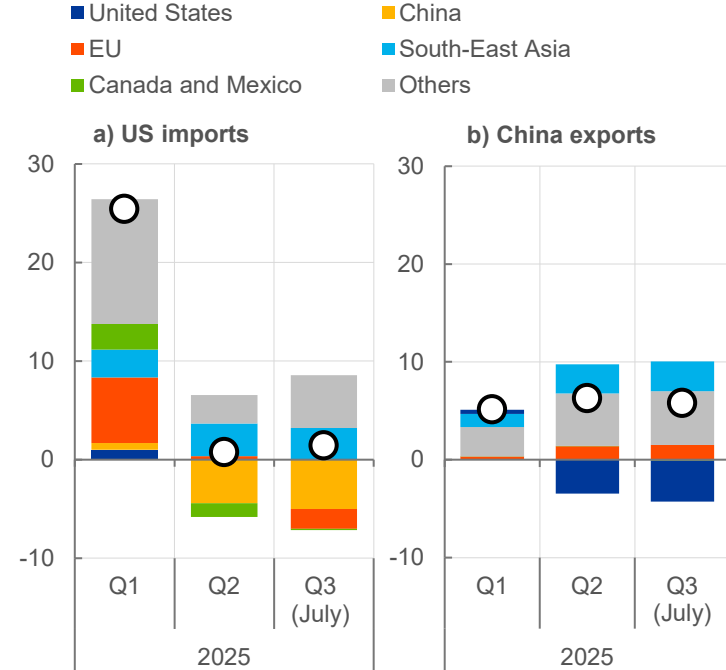


Sources: OECD TIVA and [Baqae and Farhi \(2024\)](#).

Notes: Non-linear impact simulated through 25 iterations of the log-linearized model. Trade effects are computed based on a calibration of the model with elasticities from [Boehm et al. \(2023\)](#). Simulations based on US tariffs as envisaged in June 2025.

Goods trade – actual data

(annual percentage changes, percentage points)

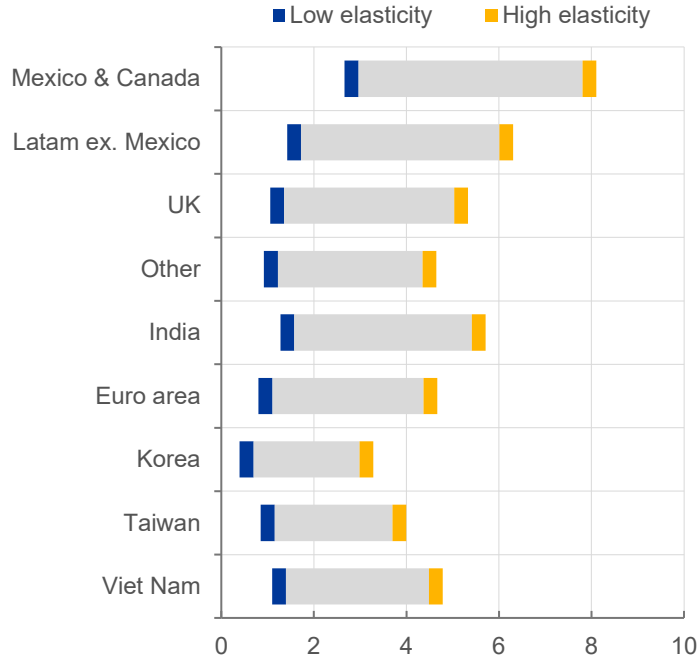


Source: Trade Data Monitor.

Notes: Quarterly averages. "South-East Asia" are Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam. Latest observation: July 2025.

US tariffs – Model-based redirection of Chinese exports, including towards euro area

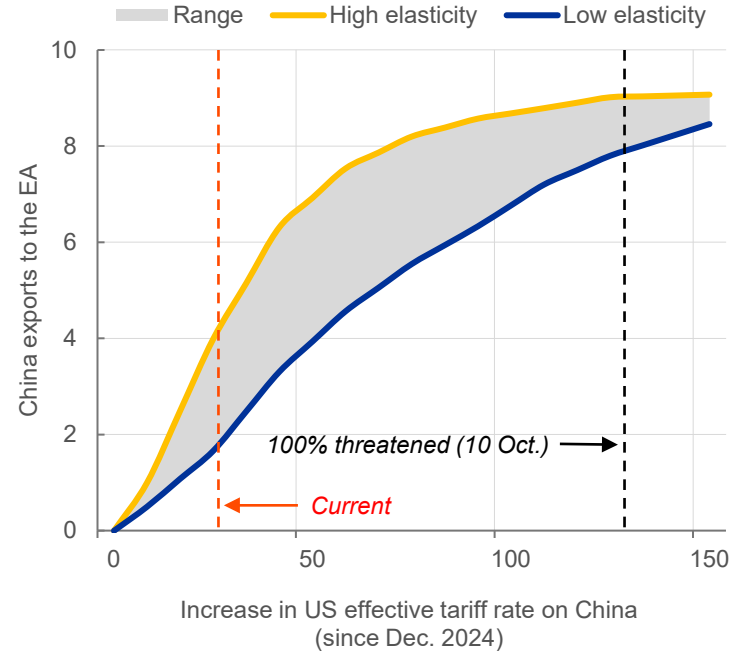
Chinese goods exports by destination (percent deviations from steady state)



Sources: OECD TIVA and [Baqae and Farhi \(2024\)](#).

Notes: Non-linear impact simulated through 25 iterations of the log-linearized model. “High elasticity” reflects estimates from the model calibrated with elasticities from [Fontagné et al. \(2022\)](#). “Low elasticity” reflects estimates from the model calibrated with elasticities from [Boehm et al. \(2023\)](#). Simulations based on US tariffs as envisaged in June 2025.

Tariffs and EA imports from China (y-axis: percent deviations from steady state; x-axis: percent)



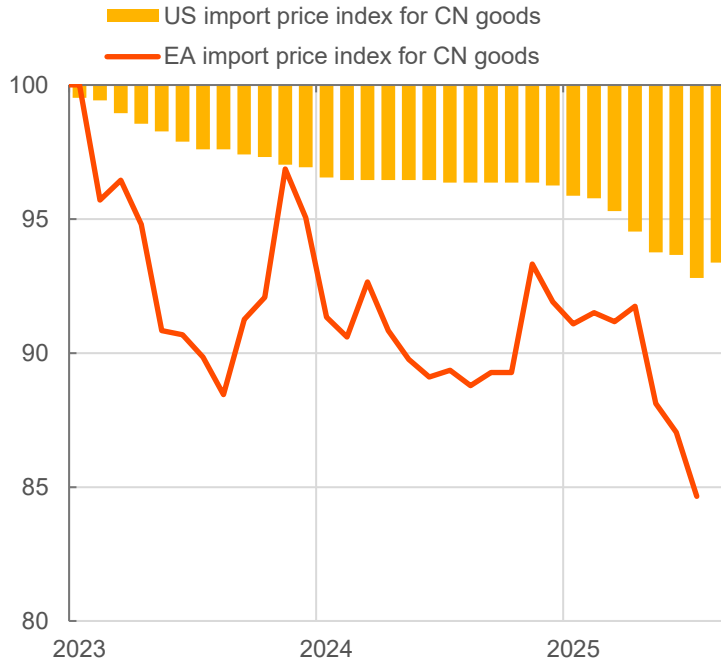
Source: [Boeckelmann et al. \(2025\)](#).

Notes: Non-linear impact simulated through 25 iterations of the log-linearized model. US effective tariff rates between “High elasticity” reflects estimates from the model calibrated with elasticities from [Fontagné et al. \(2022\)](#). “Low elasticity” reflects estimates from the model calibrated with elasticities from [Boehm et al. \(2023\)](#).

US tariffs – Weak export prices and domestic demand supporting Chinese exports

China prices

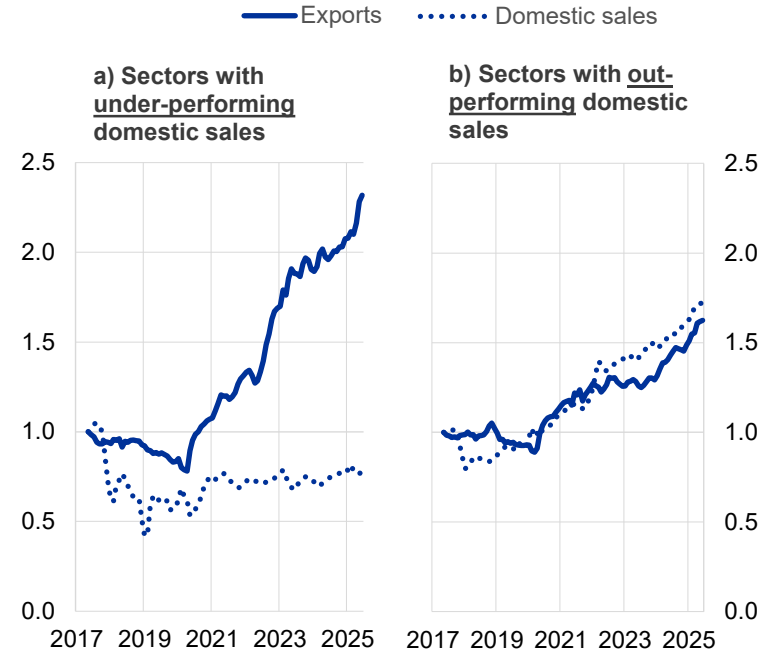
(indices, 100 = Dec. 2022)



Sources: US BLS and Eurostat.
Latest observation: July 2025 (EA import price) and August 2025 (US import price).

China real exports vs. domestic sales

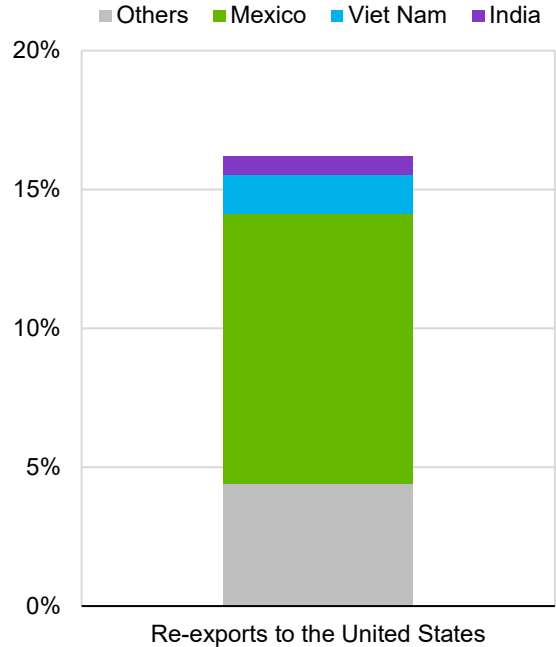
(indices, 1 = May 2017; 3-month average)



Source: Al-Haschimi et al. (2025).
Notes: Real domestic sales are proxied as nominal operating income minus exports deflated with sector-specific producer prices. “Under-performing domestic sales” are defined as averaging below the post-2021 annual nominal growth of domestic demand (6.6%).

US tariffs – Trade re-routing via “connector” countries

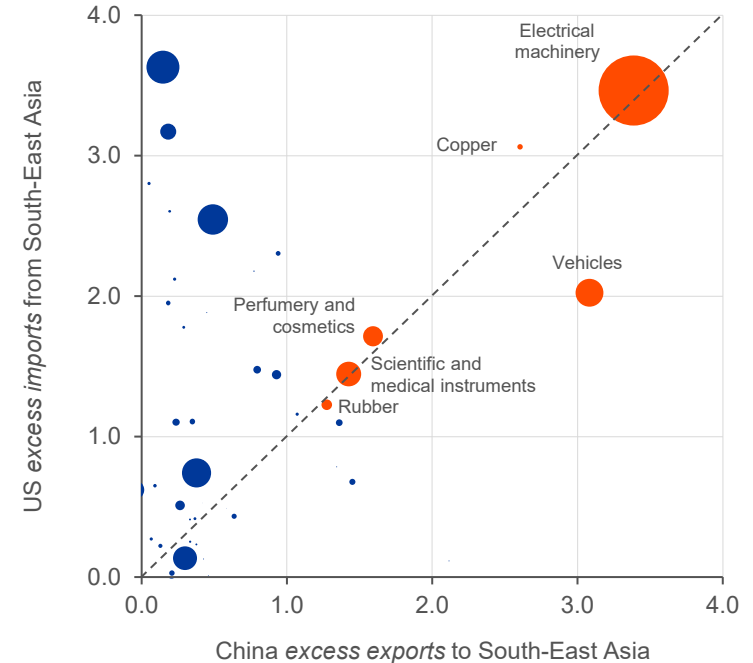
Re-exports of tariffed goods via neutral countries – model-based (percent deviation from steady state)



Source: [Conteduca et al. \(2025c\)](#).

Note: The figure shows the percentage change compared to the pre-shock period in flows of restricted products coming from the opposite bloc, re-exported by neutral countries. Based on a scenario of East-West decoupling across critical inputs; with geopolitical blocs based on [Attinasi, Mancini, et al. \(2024\)](#).

South-East Asia trade – actual data (z-scores, deviations from pre-2025 reference period)



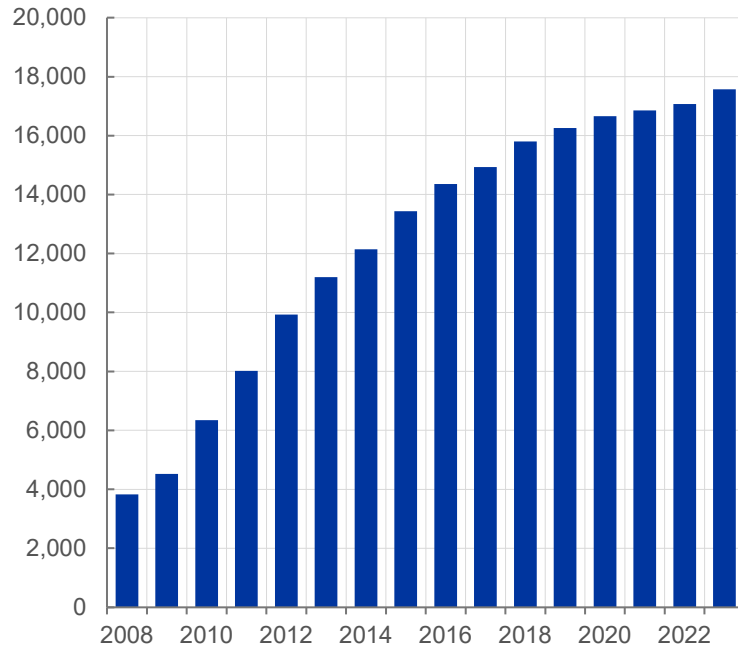
Source: Trade Data Monitor.

Notes: “Reference period” refer to the first seven months of 2022, 2023 and 2024. Bubble size indicates weight in US imports from China. “South-East Asia” are Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam. Latest observation: July 2025.

Critical dependencies – Growing export restrictions on critical raw materials (CRMs)

Export restrictions on CRMs

(number of materials subject to export restrictions)

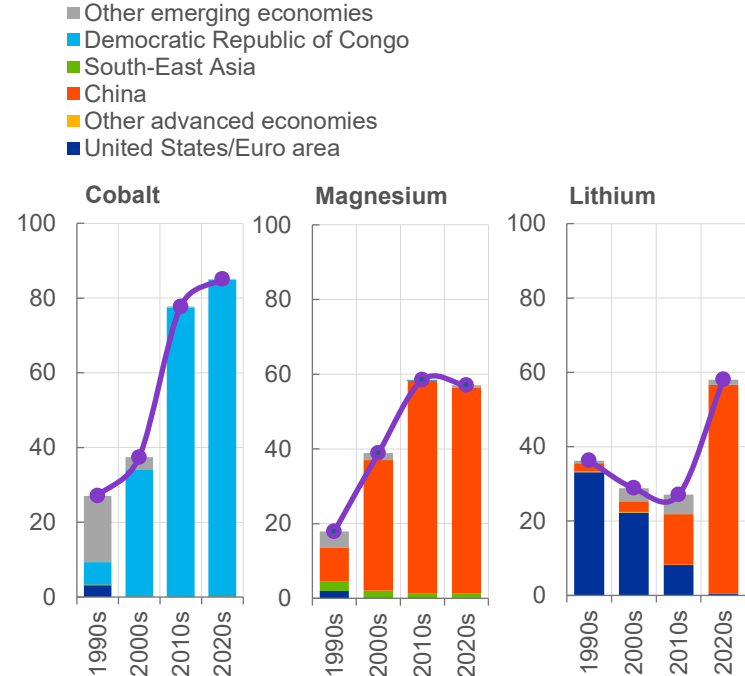


Source: [OECD \(2025\)](#).

Note: Count of all types of measures in place across all covered raw materials and all implementing countries, accounting for the stock of measures in place at the beginning of the period, as well as new additions and eliminations.

Export concentration of selected CRMs

(index)



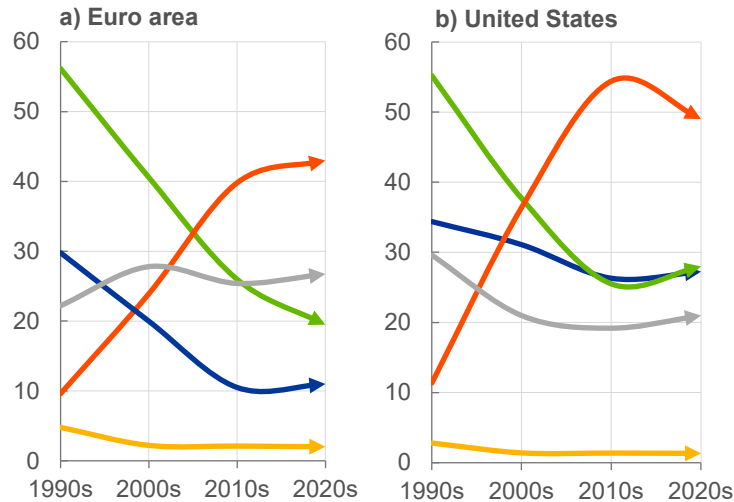
Source: [Attinasi et al. \(2025a\)](#).

Note: Export concentration is measured using a Herfindahl-Hirschman Index on global exports, based on BACI data ([Gaulier and Zignago, 2010](#)), and bounded between 0 and 100. The euro area is treated as a single entity, abstracting from intra-euro area trade.

Critical dependencies – Increasing EA and US vulnerabilities vis-à-vis China

Critical dependencies by origin (number of products)

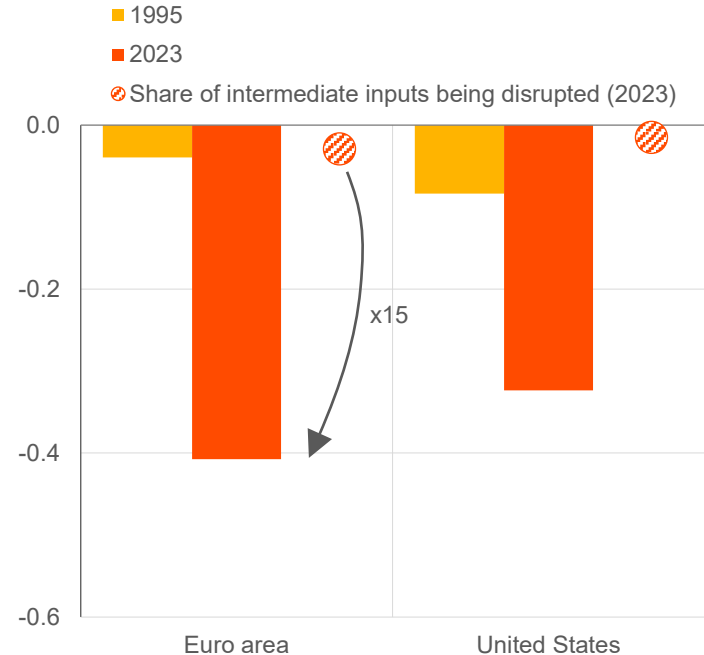
- United States/Euro area
- Other advanced economies
- China
- South-East Asia
- Other emerging economies



Source: [Attinasi et al. \(2025a\)](#).

Notes: Critical dependencies are defined as strategically important goods for which there is heavy reliance on a small number of foreign suppliers (see [Arjona et al., 2023](#)). Values are averages over decades ("1990s" refers to 1995-99 and "2020s" to 2020-23 owing to data availability). The euro area is treated as a single entity, abstracting from intra-euro area trade. Geographical source is the main source of imports for critical dependencies.

Long-term impact on final demand of a supply shock to critical dependencies (percent deviations from steady state; percent)



Source: [Attinasi et al. \(2025a\)](#).

Notes: Simulations using the [Baqae and Farhi \(2024\)](#) model of a sudden and large increase (+150%) in the cost of importing critical goods for EA, US, and China vis-à-vis the antagonist geopolitical bloc (East for EA and US); geopolitical blocs based on [Attinasi, Mancini, et al. \(2024\)](#). Input-output tables decomposed for critical inputs following the methodology of [Attinasi et al. \(2025b\)](#).

Key messages

- Prior to 2025, **selective decoupling** along geopolitical lines in strategic sectors (e.g. high-tech)
- US tariffs driving a **reconfiguration of trade flows** deepening US-China divide; but pre-existing geopolitical lines blurred by:
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THANK YOU

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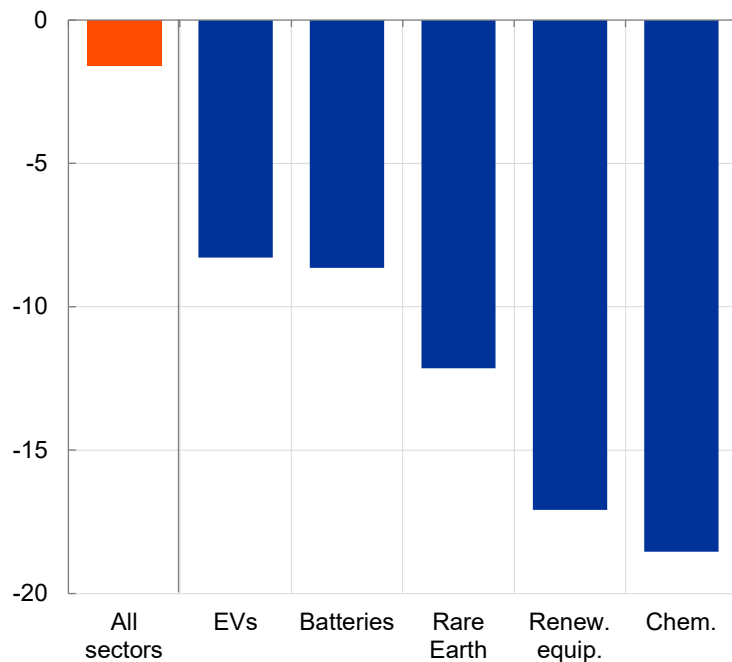
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Critical dependencies – And green products, with knock-on effects on climate change

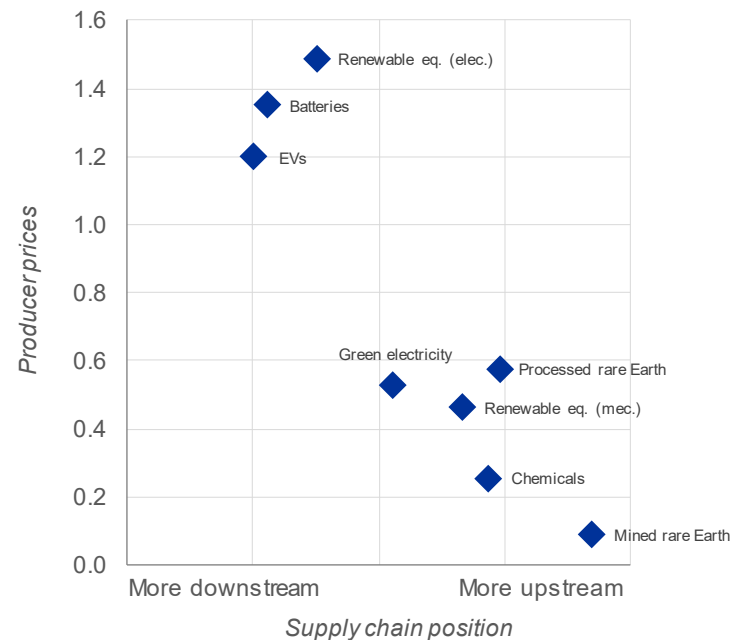
Global trade

(percentage deviation from steady state)



Global producer prices

(percent deviation from steady state)



Source: [Attinasi et al. \(2025b\)](#).

Notes: “*Renew. equip.*” = renewable-energy equipment, mechanical (e.g., wind turbines) and electrical (e.g., solar panels). “*Chem.*” = chemicals for the green transition.

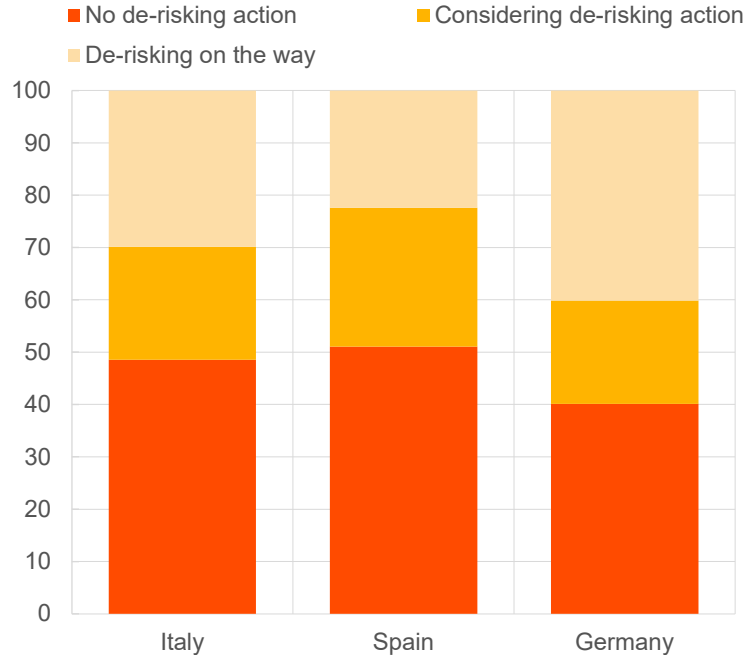
Simulations using the [Baqaee and Farhi \(2024\)](#) model of a decoupling (150% increase in non-tariff barriers) between East and West geopolitical blocs across 129 goods essential for the green transition.

Source: [Attinasi et al. \(2025b\)](#).

Notes: Supply chain position are based on [Antràs et al. \(2012\)](#). Simulations using the [Baqaee and Farhi \(2024\)](#) model of a decoupling (150% increase in non-tariff barriers) between East and West geopolitical blocs across 129 goods essential for the green transition.

Actions to reduce exposure to China

(percent of firms relying on critical Chinese inputs)

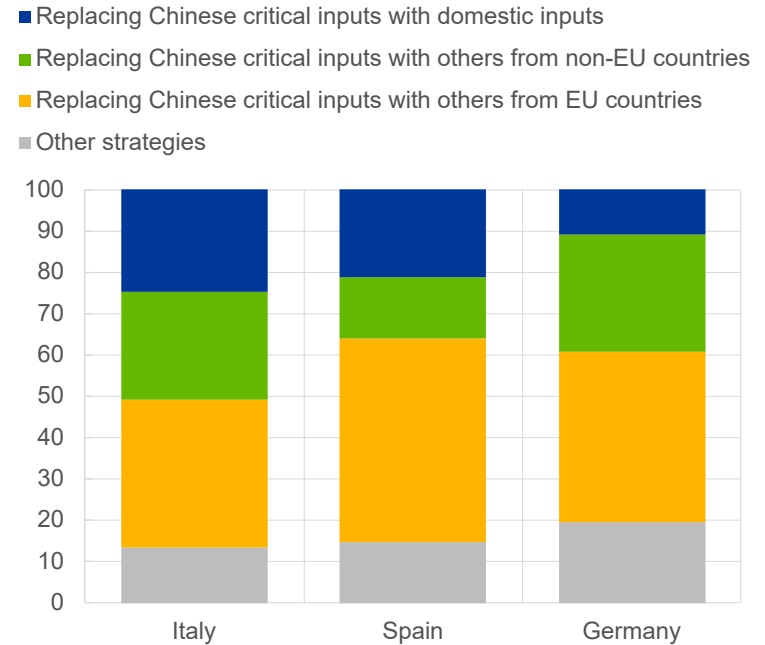


Sources: [Attinasi, Mancini, et al. \(2024\)](#) and [Balteanu et al. \(2024\)](#).

Notes: Based on surveys by Banca d'Italia, Deutsche Bundesbank and Banco de España. Manufacturing firms only.

De-risking strategies implemented

(percent of firms taking de-risking actions)

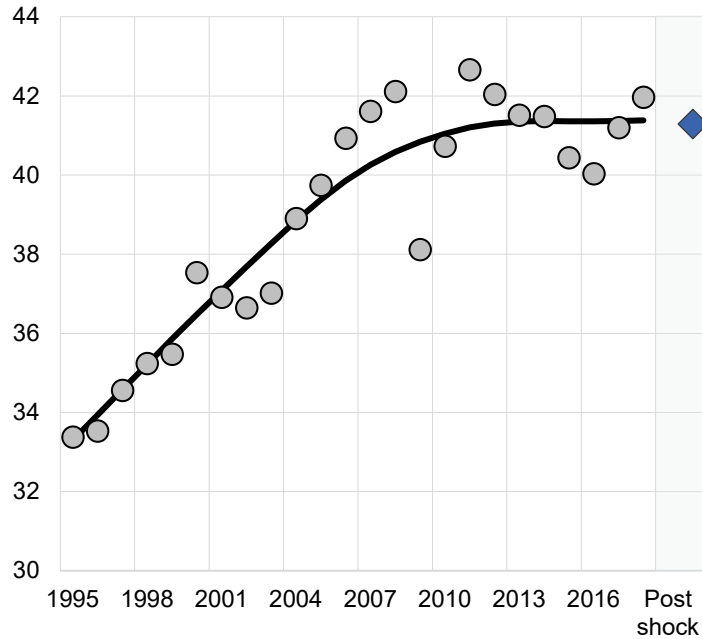


Sources: [Attinasi, Mancini, et al. \(2024\)](#) and [Balteanu et al. \(2024\)](#).

Notes: Based on surveys by Banca d'Italia, Deutsche Bundesbank and Banco de España. Manufacturing firms only.

GVC-related trade

(percent of total trade)

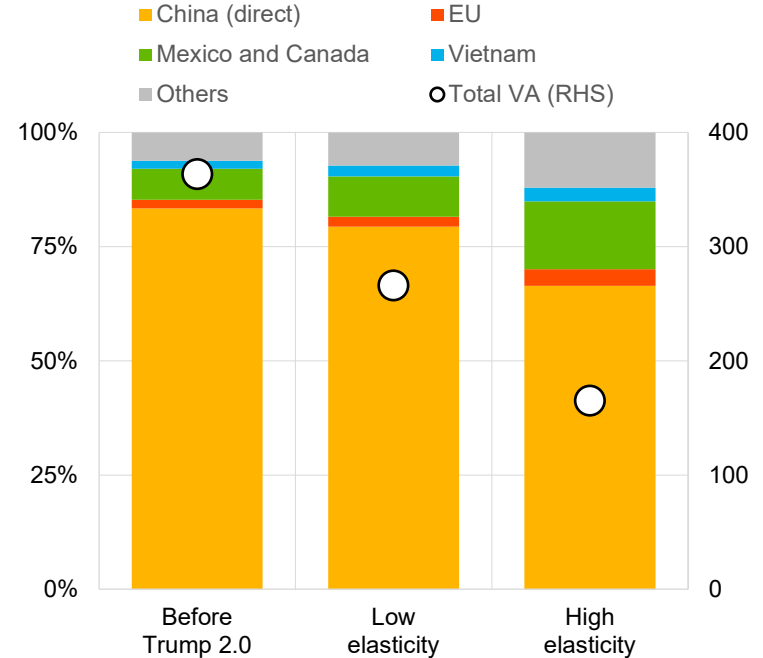


Source: [Conteduca et al. \(2025c\)](#).

Notes: GVC-related trade computed following [Borin et al. \(2025\)](#) and defined as trade flows crossing at least two borders. Historical data computed on OECD ICIO data. “Post-shock” based on a scenario of an East-West decoupling across critical inputs; geopolitical blocs based on [Attinasi, Mancini, et al. \(2024\)](#).

US imports of China VA – model-based

(LHS: percent; RHS: USD Bn)



Sources: OECD TiVA and [Baqae and Farhi \(2024\)](#).

Notes: Non-linear impact simulated through 25 iterations of the log-linearized model. The decomposition follows [Borin and Mancini \(2023\)](#). “High elasticity” reflects estimates from the model calibrated with elasticities from [Fontagné et al. \(2022\)](#). “Low elasticity” reflects estimates from the model calibrated with elasticities from [Boehm et al. \(2023\)](#). Simulations based on US tariffs as envisaged in June 2025.