

The Effects of Tariffs in the Multicountry Network Model

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We present a multicountry extension of the network economic model studied in Mandel et al (2019), Mandel, Veetil (2021). Motivated by the recent developments in international trade, we study the introduction of tariffs on intermediate and/or final products imposed by certain countries on other countries. We show that it can lead to non-trivial effects on countries' welfare and international trade. The network spillovers appearing as a result of the tariff shock introduction are analyzed in the series of small stylized examples and in the real-world data. We show that the spillovers affect the dynamics of both nominal and real model variables.