Effects on prices of an increase of the tariffs in Mexico through a Social Accounting Matrix.

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With the arrival of the new president of the United States, Donald Trump, it is expected that the treaties of free trade and commercial pacts present a setback, as he has previously suggested during his election campaign. His proposal is to impose taxes on imports to both China and Mexico and tax companies moving to these countries. This could bring great effects to the Mexican economy due to the importance of trade relations with this country, because the United States is Mexico's main trading partner, which allocates almost 50% of its imports and 80% of its exports. Therefore, the goal of this research is to simulate the possible effects of the 20% increase in tariffs on the Mexican economy. The price model used is based on a general equilibrium linear model. With this price model, the estimate of the impact of the effects of a US tariff increase of 20% on the Mexican economy is roughly estimated, simulating this increase on prices in the rest of the world. In this way, it is possible to calculate the effects on consumer prices and welfare represented in this case by the CPI. The main result shows that the impact of the increase of the prices of the rest of the world to the increase of the tariffs in the United States on the CPI is inflationary with an increase of around 4%.