Employment vulnerability in an era of geopolitical risk: exposure of European workers and households to US trade

Topic: Input-Output Analysis: Trade and Global Value Chains policies (6)
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See long abstract attached (as full paper)

In recent years, international trade has undergone a paradigm shift from cooperation to strategic competition, marked by a resurgence of protectionism (Baldwin, R., & Evenett, 2020). According to the (WTO, 2025a, 2025b, 2024) , trade subject to import restrictions reached close to 3 trillion $, representing about 12% of global imports (a significant increase from the previous year). This trend underscores a broader geopolitical reality: open economies are increasingly vulnerable to policy-driven disruptions that weaponised economic interdependence.
The return of Donald J. Trump to the White House under the "America First" doctrine has crystallised European strategic anxieties. US economic policy has adopted a unilateral orientation, imposing broad tariffs on imports, including those from the European Union (Bukhari et al., 2025; Chow, 2019; Gul, 2024). This approach, aimed at reducing the US trade deficit and reshoring strategic industries, has transformed the transatlantic partnership into a source of systemic risk and uncertainty. For the EU, it has exposed four critical vulnerabilities: (1) the growing unpredictability of US trade policy, with the potential for abrupt changes in market access conditions; (2) the instrumentalization of trade as a geopolitical tool, seen in the threat of blanket tariffs and the extraterritorial application of US laws; (3) the asymmetric dependency of key European sectors (e.g., automotive, machinery, agri-food) on US demand; and (4) the unilateral US subsidy race, exemplified by measures like the Inflation Reduction Act, that grant massive advantages to local production, reinforcing concerns about the exposure of green European industries (such as batteries, hydrogen, and electric vehicles) to political changes in the US.
The turbulent negotiation period of April-July 2025 exemplified this volatility. Following Trump's announcement of heavy global tariffs (Swanson & Romm, 2025; Zurcher, 2025), financial market turmoil prompted a temporary moratorium for allied nations, excluding China (Buchwald & LiptaK, 2025). The EU, however, remained subject to existing tariffs (10% general, 25% on strategic goods) during negotiations, with threats of an increase to 20%. The eventual agreement of July 28, establishing a 15% general tariff on approximately 70% of EU exports to the US (Myro, 2025), redefined the terms of transatlantic trade relations and reinforced the perception of policy uncertainty in the bilateral framework.
Thus, the core challenge for Europe is no longer only about tariff levels, but about structural exposure arising from deep trade interdependence. Thus, with around 14% of jobs in the EU dependent on exports outside the Union (Eurostat, 2024a), the EU faces a dual need: to assess its structural employment exposure to the US market and to understand the distributional patterns associated with that exposure.
In this context, the study provides a comprehensive assessment of EU employmentâ€™s structural exposure to exports to the United States. Moving beyond macroeconomic aggregates, we first employ a Multiregional Input-Output (MRIO) model to quantify, for each EU country, the number of jobs directly and indirectly dependent on US demand. We then focus on Germany and Spain as case studies, applying a labour market reallocation model to identify the characteristics of structurally exposed workers and households and to examine the distribution of labour income associated with that exposure across socio-demographic groups. By linking macro-exposure to micro-level vulnerability, this study provides a coherent evaluation of Europeâ€™s structural employment vulnerability within an increasingly uncertain international trade environment.
This information is particularly useful because it generates policy-relevant evidence at a moment

when European decision-makers need to move from general concerns about trade uncertainty to a precise understanding of where vulnerability is concentrated, who bears the risks, and the actual scope of the threats involved. By combining MRIO estimates of employment dependence on US demand with micro-level evidence on worker and household characteristics, this study provides an integrated picture of exposure that is both macroeconomically grounded and socially meaningful. This enables policymakers not only to identify the sectors and countries most exposed to shifts in US trade policy, but also to better understand the magnitude, distribution, and potential transmission channels of trade-related shocks across labour markets and households. In practical terms, the findings can inform the design of targeted industrial, labour market, and social protection policies, support diversification and resilience strategies, and strengthen the EUâ€™s capacity to anticipate, prioritize, and manage the distributional consequences of geopolitical trade shocks.