

## PANORAMA



## US Trade Protectionism: what are the knock-on effects on global value chains?

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**PROTECTIONISM  
HAS BECOME  
A GLOBAL TREND  
SINCE 2008**

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**US PROTECTIONISM  
TRIGGERS  
SIGNIFICANT  
KNOCK-ON EFFECTS  
ON INTERNATIONAL  
VALUE CHAINS**

**W**hile policies to open up trade have been a standard feature since the creation of the World Trade Organization (WTO) in 1995, the 2008-2009 crisis proved a turning point. The crisis boosted protectionism, which then climbed to new levels with the arrival of Donald Trump as President of the United States. Since early 2018, the US government has kept its word on several of its threats in terms of trade protectionism by launching customs duties on imports for various products: solar panels and washing machines (January), as well as steel and aluminium (March, then in June for the EU, Mexico, and Canada, concluding with Turkey in August). Over the first three quarters of 2018, the US government then started officially taxing Chinese imports (worth USD 50 billion in July, plus another 200 billion in September). The US government therefore decided to restrict trade affecting 12% of imports to the United States. Meanwhile, retaliation policies hit 8% of US exports.

The most obvious effects of this radical change of direction in US trade policies will clearly be felt by the trade partners

specifically targeted by these policies. These direct effects must be evaluated, but this approach is not enough to appraise the scale of the impact on world trade. The aim of this study is to attempt to quantify the knock-on effects of US policies for the trade partners of the countries targeted.

The moderate negative impact of US customs duties on exports is brought to light thanks to our estimation of value-added exports in 12 business segments from 63 countries from 1995-2011: increasing US tariffs by one percent for any given country leads to a 0.46% decrease in value-added exports from a partner country to the country targeted by the customs duties, all things being equal. If our estimation is limited to manufacturers, which are generally more incorporated in international value chains, increasing US tariffs by one percent will decrease value-added exports by 0.6%. This indirect impact is particularly high for segments such as transport (including the automotive sector), machines and equipment, and electronics. In contrast, this effect is less significant for food products, whereas metals, chemistry, mining, textiles, and agriculture are not severely affected.