

U.S. Tariffs & Deglobalization: *What's at Stake?*

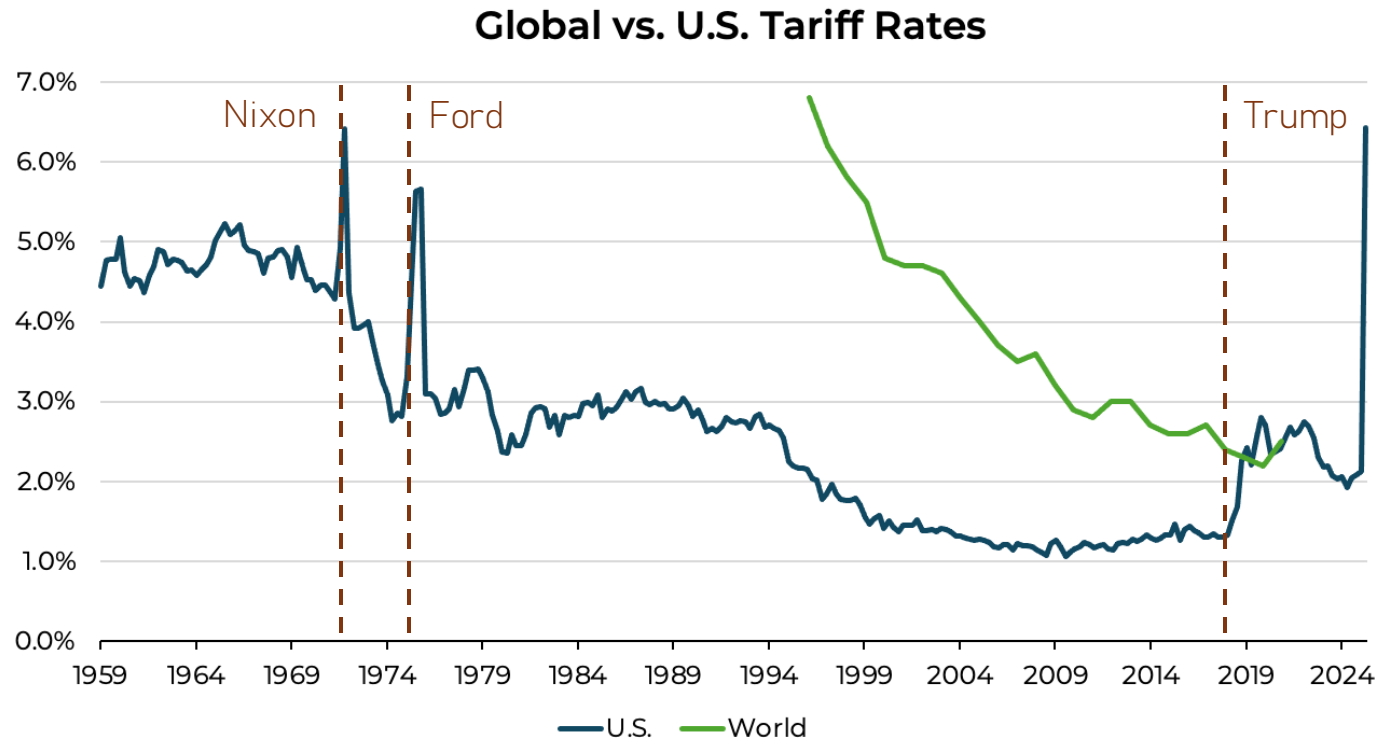


Linda L. Tesar

Alan V. Deardorff Professor of Economics

RSQE | November 20, 2025

Global and U.S. Trade Barriers



Sources: Federal Reserve Bank of St. Louis; World Trade Organization.

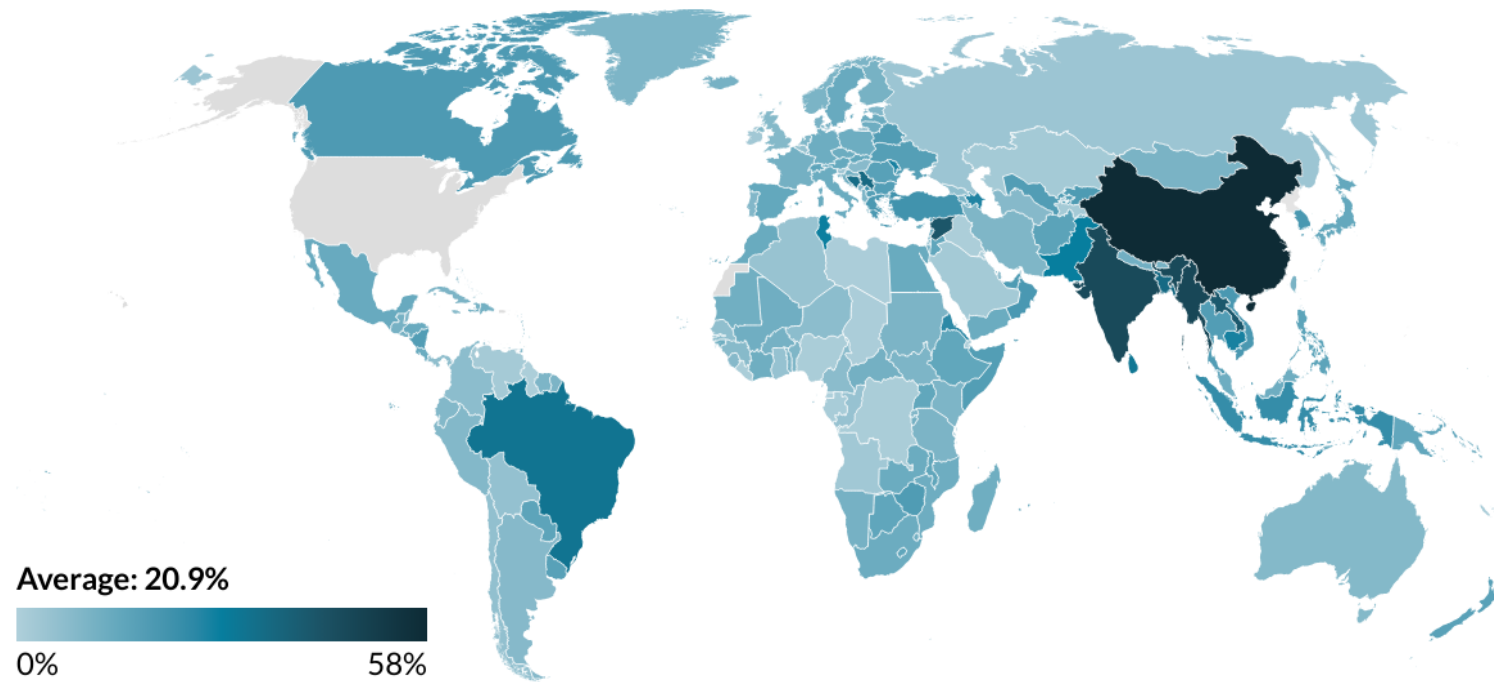
Note: World tariff rate is based on the trade-weighted effective applied tariff. U.S. tariff is calculated as customs duties as a share of imports.

- Tariffs:
 - *distort domestic production* and tilt a country away from *its comparative advantage*;
 - *distort domestic consumption* away from (cheaper) imports;
 - raise revenue.
- Using tariffs to correct distortions is akin to “attempting acupuncture with a fork.” ~ Alan Deardorff

Global and U.S. Trade Barriers

Estimated Total Tariff Rate by Country, After Pause Expirations

Including all major categories of tariffs



- Heaviest tariff burden on Chinese imports
- Significant tariffs on major trading partners, including those with previous trade arrangements with the United States

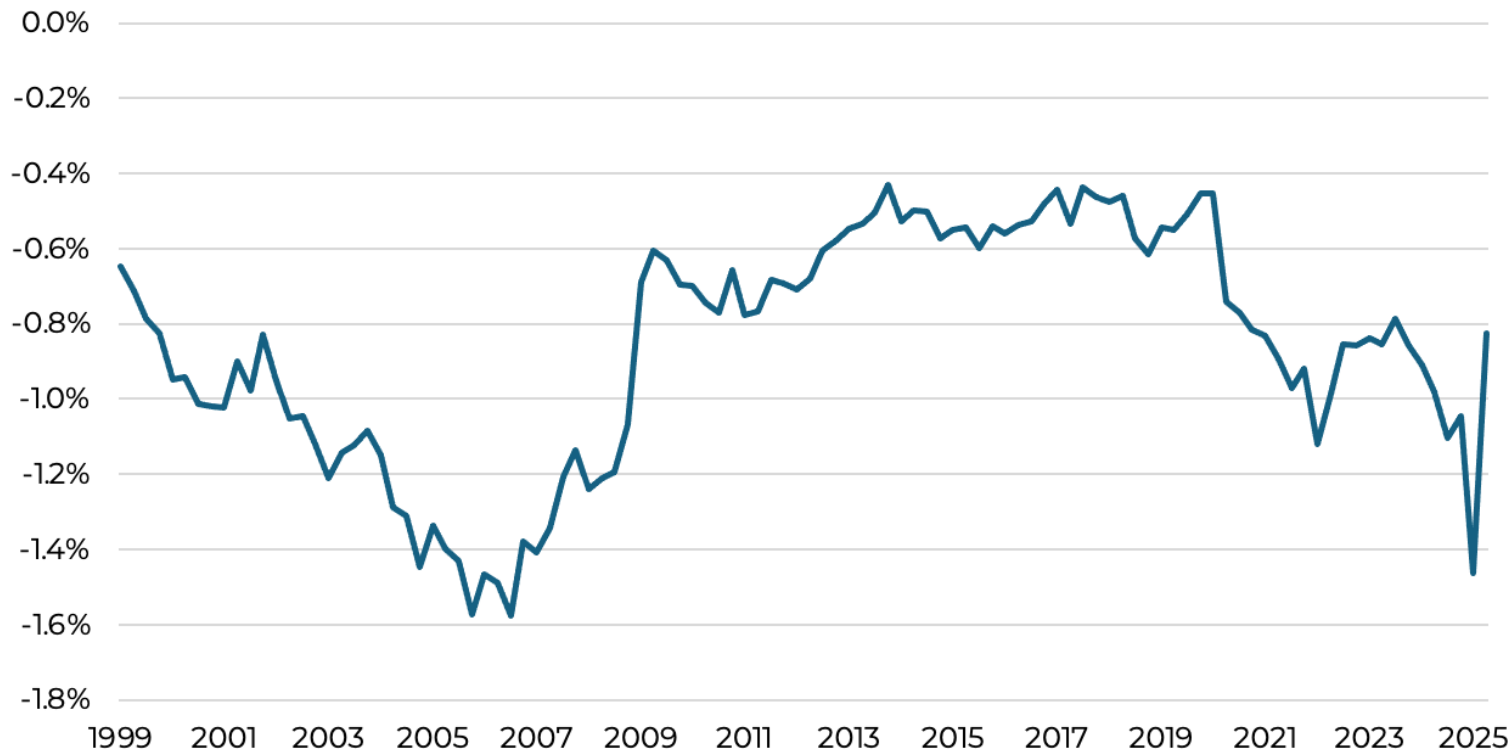
Source: Urban-Brookings Tax Policy Center analysis of USITC data, Federal Register Notices, and White House announcements.

Notes: Estimated total tariff rate is an average of a country's product-specific tariff rates, weighted by 2024 import volume. Tariffs on specific products can vary from their country's estimated rate. The pauses on reciprocal rates are assumed to eventually expire. Estimates exclude AD/CVD and the effect of Section 232 investigations on reciprocal tariff rates.

Tariffs and the Current Account

$$\text{Exports} - \text{Imports} = \text{CA} = \text{Saving} - \text{Investment}$$

Current Account Balance as a Share of GDP (Quarterly)



Source: Federal Reserve Bank of St. Louis.

- Large CA deficit stipulated as the “emergency” justifying tariffs (IEEPA International Emergency Economic Powers Act)
- CA deficit driven by large US demand for exports and by global investment in the US
- Which effect is stronger?
- Many new trade agreements involve even more foreign investment in the US
- US runs a trade balance in services – better strategy to expand net exports?

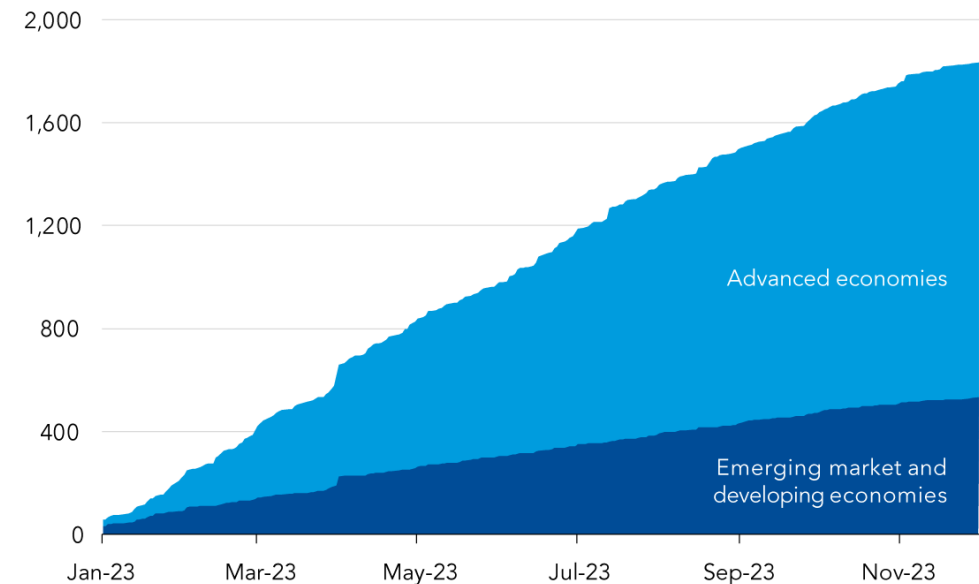
Industrial Policies as a Means of Protectionism

- Tariffs are not the only way to protect domestic industry
- Use of IEEPA to impose environmental policies (EU and future US administrations?)
- By extension: strategic bilateral agreements (for example, when it comes to critical minerals)

New measures

Advanced economies have been more active users of industrial policies in 2023.

Number of industrial policy measures implemented in 2023



Source: Evenett and others (2024); IMF staff calculations.

Note: Cumulative number of industrial policy measures starting from January 1, 2023. It is possible that the gap between AEs and EMDEs in resort to subsidy interventions will narrow over time as reports from the latter tend to be published with a lag.

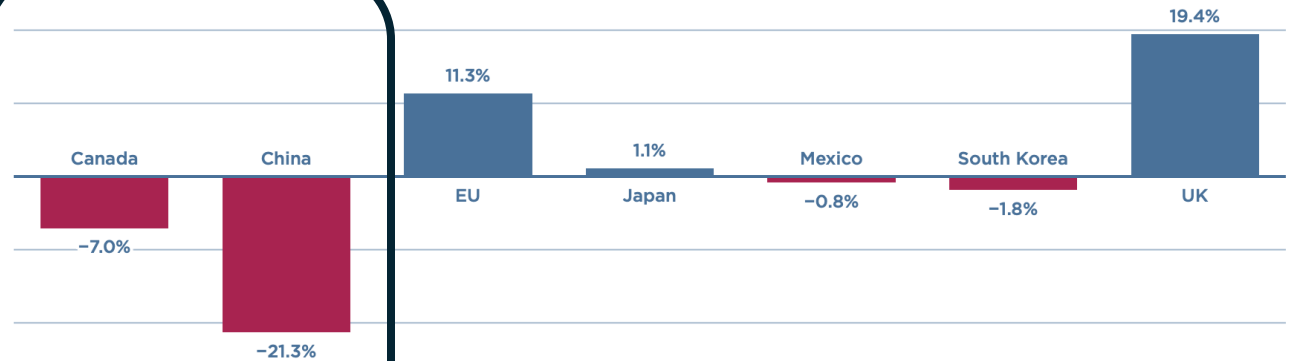
Changes in Bilateral Trade

Declining trade with Canada and China

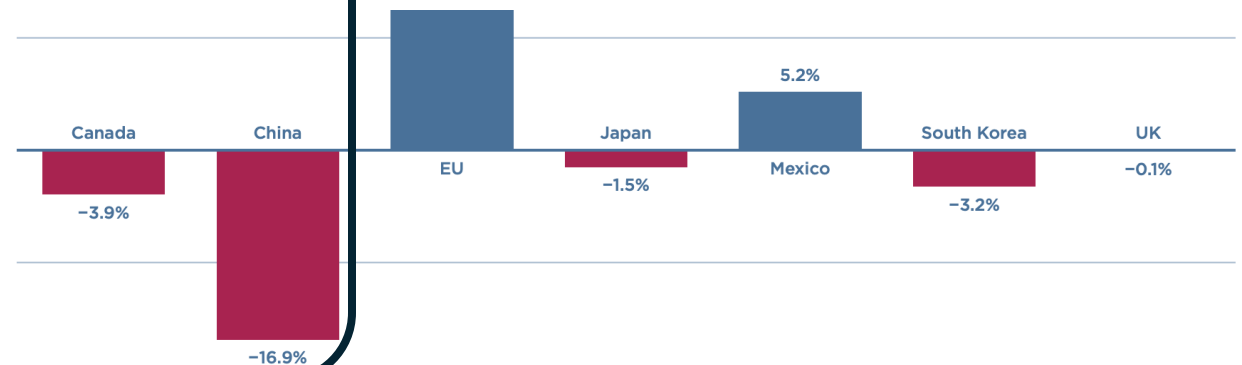
Changes in the structure of global supply chains

US Exports Change 2024 – July 2025

Cumulative 2025 US real merchandise exports to major partners through July, percent change from January-July 2024 levels



US Imports Change 2024 – July 2025



Notes: The cumulative cost, insurance and freight (CIF) import values up to a specific month in 2025 are adjusted using the corresponding monthly import price index between 2024 and 2025 and compared with the same cumulative values for 2024. The import price index for "industrialized countries" is used as a proxy for South Korea and the UK.

Source: United States International Trade Commission (USITC) DataWeb.

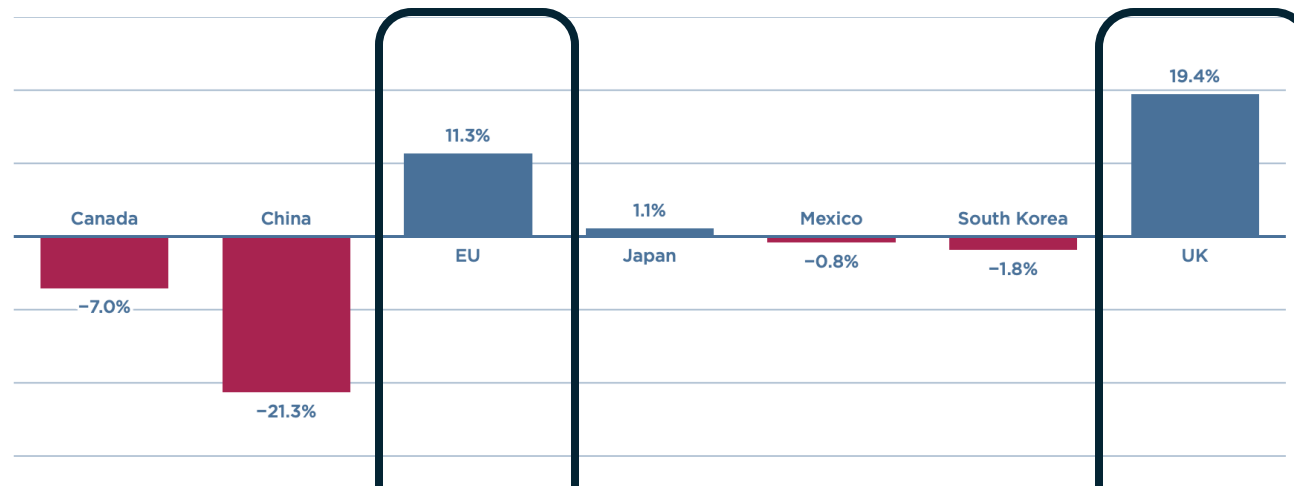
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Changes in Bilateral Trade

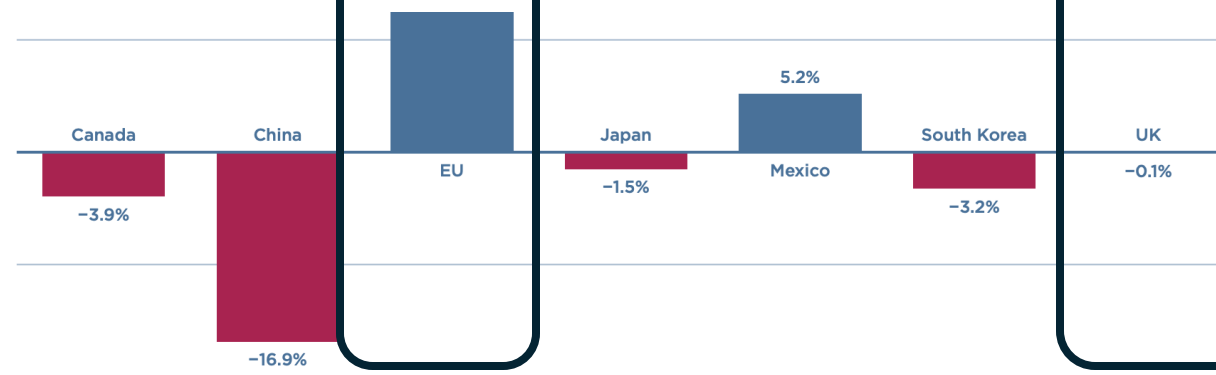
Increasing trade with the EU and UK

US Exports Change 2024 – July 2025

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US Imports Change 2024 – July 2025



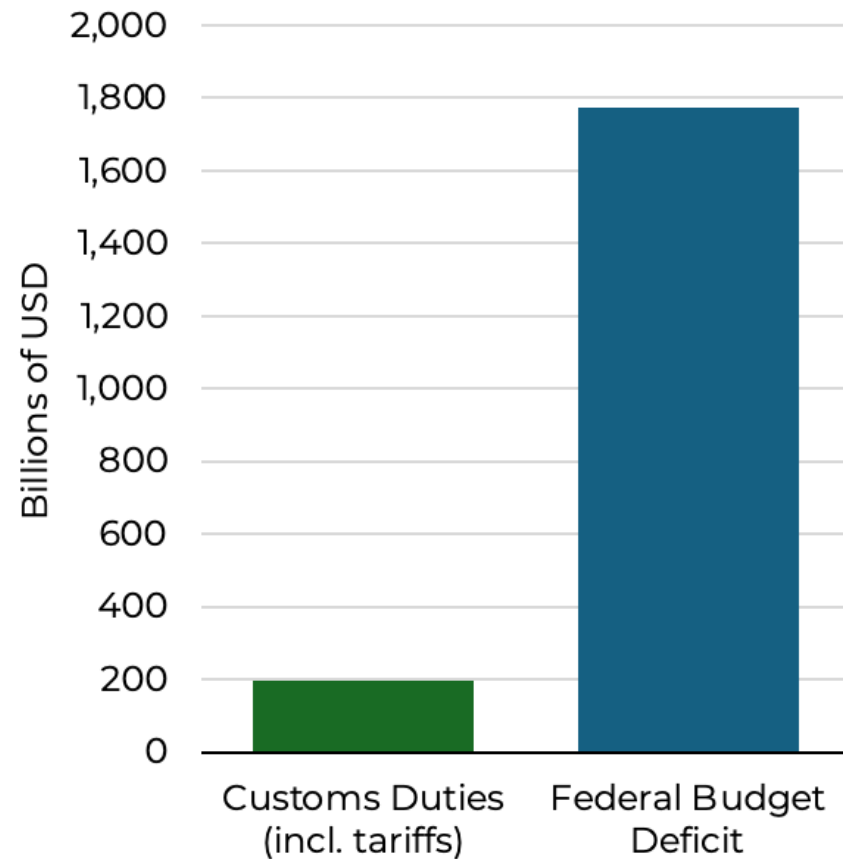
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Source: United States International Trade Commission (USITC) DataWeb.

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Tariff Revenues account for 11% of Federal deficit

Federal Revenues vs. Deficit, FY25



Source: Congressional Budget Office.

- This year's tariff revenues are up by \$118 billion (153%) from the previous year, yet account for only ~11% of the federal deficit and 0.6% of GDP (CBO).

Figure 1a. Tariffs Revenue as a Share of Total Federal Receipts, 1798-2023



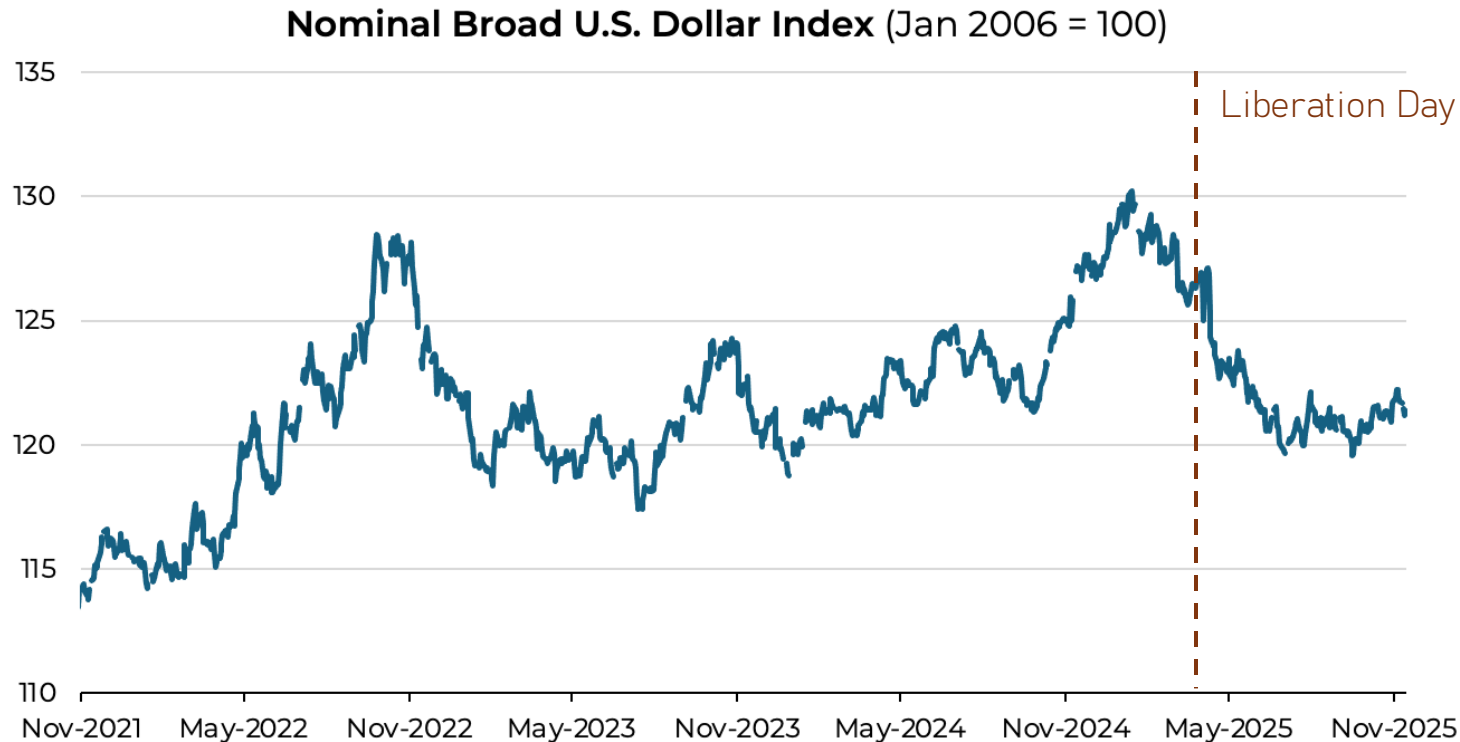
Council of Economic Advisers

Sources: White House Historical Tables; Census - Historical Statistics of the United States; CEA calculations.

Note: The data for years prior to 1940 does not match current fiscal year convention.

As of June 20, 2024 at 12:00pm.

U.S. Tariffs and the Dollar



Source: Federal Reserve Bank of St. Louis.

- US dollar depreciated after tariff policies imposed
- In theory, tariffs should strengthen the currency
- Indication that dollar is reacting to broader concerns about the US economy?

Current Administration Policies Go Beyond Tariffs

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Macroeconomic impact

- **Optimistic view**

- Trade is a relatively small share of U.S. GDP
- Home goods can substitute for foreign goods
- Accumulation of inventories prior to tariff hike
- Tariff revenue relieves some fiscal pressure
- So far, markets have been resilient and inflation pressures not as large as initially feared

Macroeconomic impact

- **Pessimistic view**

- Uncertainty & policy instability
- Wall Street is not Main Street
- Trade and capital flows diverted from the U.S.
- Long-run inefficiencies
- U.S. loses role as epicenter of global financial flows
- Dollar loses credibility (threats to Fed independence)



Thank you.