



PRESS RELEASE

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Trump's protectionism raises unemployment

UNIGE researchers demonstrate that far from protecting Americans from international competition, the protectionism put in place by President Donald Trump increases unemployment.

The protectionist policy of US President Donald Trump is criticized on all sides around the world, but seems to suit the Americans, who see this economic model as protecting their interests. Could they be wrong? A study by researchers of the University of Geneva (UNIGE) quantifies the effects of Donald Trump's protectionist policies on unemployment and welfare in Organisation for Economic Co-operation and Development (OECD) countries. Their results, published in the *Journal of the European Economic Association*, show that such policies would have a negative impact on welfare and employment in both Mexico and the United States.

While the U.S. administration has been openly implementing protectionist trade policies ever since Donald Trump became president, economists are striving to analyze the effects of such a stark policy reversal. Yet, almost no trade models that economists use to quantify the effects of such trade policy changes include unemployment as an important margin of adjustment. "The unemployment rate is nevertheless an important indicator of a country's economic health", notes Céline Carrère, a professor at the Geneva School of Economics and Management (GSEM) of the UNIGE. "That is why we have been particularly interested in the evolution of unemployment figures in OECD countries."

Reduced welfare through protectionism

The study shows that repealing the North American Free Trade Agreement (NAFTA) – an announcement made by President Trump shortly after taking office – and the imposition of 20% bilateral tariffs between the US and Mexico in all sectors would reduce average welfare by 0.31% in the US and by 6.6% in Mexico. "Furthermore, this policy would increase unemployment by 2.4% in the United States and 48% in Mexico!", emphasizes Frédéric Robert-Nicoud, professor at the GSEM and co-author of this study.

In their study, UNIGE researchers reveal in a second scenario the impact of Trump's economic policy on the automotive industry. "A US increase of trade barriers on motor vehicles against imports from all countries bar Mexico and Canada would lead to a decrease in long-run welfare and employment in both Mexico and the US as well as in major car-producing countries", warns Anja Grujovic, researcher at the Center for Monetary and Financial Studies (CEMFI) in Madrid, Spain.



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Frédéric Robert-Nicoud, professor at the Geneva School of Economics and Management (GSEM) of the UNIGE.

High resolution pictures

The GSEM study thus shows that far from favoring his country's industrial players, Donald Trump's protectionist policy has a negative impact on them in the long term. Moreover, it not only affects Americans, but also neighboring OECD countries, such as Mexico. "In this way, we show that protectionism often hides negative aspects that only emerge over time, sometimes after the end of a president's term of office, who can then be satisfied with the results obtained when he was in power", Frédéric Robert-Nicoud concludes.

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