Trade Protection along Supply Chains[*]

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Abstract

During the last few decades, the United States has applied increasingly high tariffs on imports from China in the form of antidumping duties and other temporary trade barriers (TTBs). We combine detailed information on US TTBs since the 1980s with US input-output data to study the effects of trade protection along supply chains. To deal with endogeneity concerns, we instrument tariffs exploiting variation in the political importance of different industries – resulting from changes in the identity of swing states across electoral terms – and in their experience at petitioning for TTBs. We find that tariffs in upstream industries have large negative effects on employment, sales, and investment in downstream industries. Our baseline estimates for the last seven complete presidential terms indicate that a one standard deviation increase in US input tariffs against China decreases employment growth by 0.3 percentage points per year. These estimates imply that around 565,000 jobs were lost due to input protection during 1988-2016. Preliminary results suggest that around 207,000 additional jobs were lost due to TTBs against China since President Trump took office.

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Keywords: Protection, Supply Chains, Input-Output Linkages.