



American Protectionism: The Stakes of July 9, 2025

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Following the inauguration of the new Trump administration on January 20, 2025, a return to the most traditional forms of protectionism was expected. However, few observers anticipated that this would be implemented with such force, brutality and, above all, such a deluge of announcements – sometimes spectacular, often contradictory. The climax was reached on April 2, 2025, “Liberation Day”, when President Donald Trump announced, in front of the White House, the implementation of “reciprocal tariffs”, consisting notably of tariff hikes ranging from 11 to 50 percentage points (pp), targeting 57 trading partners he accused of having “plundered, ransacked, raped and looted” the United States for decades. A week later, on April 9 – the day the tariffs were scheduled to take effect – the US president reversed his decision and announced a 90-day “pause” in their implementation, introducing a universal surcharge of “only” 10 pp instead.

What are the effects of these decisions in terms of protection, trade, and economic and sectoral activity? On July 9, many of the United States’ trading partners will face a choice: either the world’s largest economy enforces the “reciprocal tariffs” announced on April 2, 2025, or the “pause” becomes permanent.

■ The “pause” does not reverse the tariff increases relative to the pre-Trump era

Between January 20 and May 31, 2025, the US administration pursued a particularly chaotic trade policy, repeatedly adjusting import tariffs on goods from its main trading partners. This instability quickly triggered retaliatory measures (see Box 1). Moreover, the “reciprocal tariffs” violate World Trade Organization (WTO) rules. They are discriminatory, as they go against the Most Favored Nation (MFN) principle (Article I

of the GATT), and they undermine previously granted tariff concessions, in breach of Article II of the GATT concerning tariff bindings.

Finally, these decisions represent a clear escalation of American protectionism. To quantify it, we rely on the MACMap-HS6 database, which records tariff rates – expressed as percentages – applied in 2022 by 203 importing countries on 5,385 products from 239 exporting countries (CEPII-ITC, Guimbard *et al.*, 2012¹). This database accounts for all regional trade agreements and all trade preferences.

Three key dates mark the policy reversals enacted by the United States in 2025: January 21, April 2 and May 31. On average, US tariffs applied to all trading partners rose from 5% on January 21, 2025 to 23.7% on April 2, 2025, before falling back to 16.1% at the end of May. This represents a nearly fivefold increase over just two months, followed by a one-third reduction in under six weeks.

China experienced the largest increase. The average tariff imposed on its exports to the United States surged from

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1. Guimbard, H., Jean, S., Mimouni, M. & Pichot, X. (2012). *MacMap-HS6 2007, an Exhaustive and Consistent Measure of Applied Protection in 2007*. International Economics, vol. 130, p. 99-121. The ITC (International Trade Centre) in Geneva, Switzerland, collects all the source data. The MACMap-HS6 database has been produced since 2001.

Box 1 – Announcements of tariffs between January 20 and May 31, 2025*

Up to and including “Liberation Day”

- **United States** – 25% tariffs on imports from Canada and Mexico, except for gas, oil and potash, which are taxed at 10%; products destined for the United States that comply with the rules of origin of the free-trade agreement between these countries (USMCA) are exempt from these tariffs.
- **United States** – Steel, aluminum and derived products from all origins: +25 pp.
- **United States** – Two increases of 10 pp each on all products imported from China.
- **United States** – Vehicles and spare parts from all origins: +25 pp.
- **Canada** – Retaliation: 25 pp tariff increases on 1,256 tariff lines from the United States.
- **China** – Retaliation: two tariff increases of 10 and then 15 pp on two product lists from the United States.
- **United States** – “Liberation Day” (April 2, 2025): announcement of a 10 pp tariff increase on all partners except:
 - Application of a surcharge, called “reciprocal tariff”, on 57 countries with which the US had a trade deficit in 2024. For a given country, this tariff equals half the ratio of the US trade deficit with that country to imports from that country. This increase amounts to 20 pp for the European Union, 34 pp for China, which cumulates with the two previous 10 pp increases (totaling 54 pp).
 - Belarus, North Korea, Cuba and Russia are exempted, as these countries are already subject to specific sanction regimes.
 - Canada and Mexico are not subject to any tariff increases.
 - For steel, aluminum and derived products, vehicles and spare parts, this increase does not stack with previously announced additional tariffs.
 - Exemptions apply to certain products: copper, pharmaceuticals, semiconductors, wood products, gold, energy, and minerals not available in the United States.

After “Liberation Day”

- **Canada** – Tariff surcharge of 25 pp on automobile imports from the US that do not comply with USMCA rules of origin, and 25 pp on the non-Mexican and non-Canadian content of vehicles imported from the US that do not comply with USMCA rules.
- **China** – Retaliation: tariff surcharge of 34 pp on imports from the United States.
- **United States** – Retaliation: tariff surcharge of 50 pp on products from China; totaling 104 pp, with sectoral exceptions for the 34 pp from “Liberation Day”.
- **United States** – On April 9, 2025, following the implementation of “reciprocal tariffs”, Canadian retaliation, then China’s announcement of new retaliations against the US (+50 pp), and the European Union’s announcement of retaliation (which were not applied) against US measures on steel and aluminum set to take effect on April 15, 2025, Donald Trump decided on a 90-day pause in applying the “reciprocal tariffs” and has introduced a universal surcharge of 10 pp while maintaining exemptions on certain products. The tariff increases applied to China were maintained.
- **United States** – Tariff increase for China of 125 pp, replacing the previous increases and adding to the 20 pp implemented before April 2.
- **China** – Tariff surcharge of 125 pp on imports from the United States.
- **United States** – Exemptions from tariff increases for certain products (smartphones and other electronic products).
- **United States and China** finally agree on a tariff de-escalation: each country applies an additional 10 pp tariff on the other country, replacing the successive increases since April 2, but keeping intact the changes implemented before “Liberation Day”.

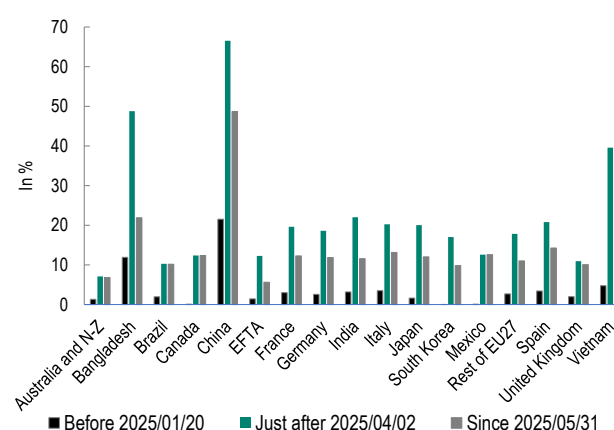
* We use the dates of the announcements here. In reality, there is a delay of several days between the announcement of a measure and its actual implementation. Moreover, the US administration has announced other restrictive trade policies. These are not included in our analysis, as they cannot be applied to the data available to us. One example is the end of the de minimis rule, which previously allowed foreign packages under \$800 to enter duty-free. Lastly, the 25 pp increase on steel and aluminum implemented on June 17, 2025 – raising the total increase on these products to 50 pp – is not included here.

21.5% at the beginning of the year to 48.7% by the end of May (see Figure 1).

Had the measures announced on “Liberation Day” been fully implemented, certain Asian countries – such as Vietnam and Bangladesh – would have faced extremely high tariff levels of 39.6% and 48.8%, respectively. The subsequent “pause” and the adoption of a uniform 10 pp surcharge for all countries partially equalized the average tariff levels and reduced the burden for many countries compared to what had been planned on April 2. Bangladesh was particularly affected, as the protection level on its exports to the US was halved to 21.9% as of May 31, 2025, though this still represents twice the level in January. The EU was not exempt: Imports from France, for example, are now subject to an average of 13%, up sharply from the original 3%. Additionally, three countries – Canada, South Korea and Mexico – lost their preferential access to the US market and now face average tariffs that range between 10% and 20%.

Figure 1 – Even though it is below the peak reached on “Liberation Day”, US tariff protection is now much higher than it was in January 2025

Average US tariffs on goods



Source: Authors' calculations based on CEPII, MACMap-HS6 database.

Note: Each tariff is a weighted average using the reference-group methodology from MACMap-HS6 (Guimbard *et al.*, 2012).

■ Harmful and uneven effects on the economic activity of countries exporting to the United States

The economic and trade consequences of the two sets of protectionist measures are analyzed using the MIRAGE global economy model (see Box 2). For technical reasons, this model divides the world into 24 regions, including 15 individual countries, while economic activity is broken down into 38 sectors.

Box 2 – The MIRAGE model: A tool to measure the effects of trade shocks

Developed by CEPII since 2001, MIRAGE is a multisectoral and multiregional computable general equilibrium model that allows simulation of the impact of trade or environmental policies on the global economy. The version used here, MIRAGE-Power, incorporates a detailed description of energy consumption and greenhouse-gas emissions, as well as an explicit representation of the electricity sector. The model is used in its dynamic version to measure the effect of tariff changes when adjustments in factor markets have taken place. The model is calibrated using the year 2017, the most recent year for which the GTAP database is available; GTAP provides harmonized data on international trade, production, consumption and trade policies for 160 countries and 76 sectors. The data are updated using GDP figures available up to 2022 (source: World Bank). Trade policies implemented during the period 2017-2024 are integrated into the baseline scenario: the first US-China trade war, sanctions applied to Russia since 2022, the implementation of Brexit, and the update of applied tariffs for all countries based on MACMap-HS6 2022.

The first scenario (S1) covers all protectionist measures announced by the United States and its trading partners between January 21 and April 2, 2025, inclusive. The second scenario (S2) focuses on the measures implemented following “Liberation Day” (*i.e.* the current level of US tariffs). Each scenario is evaluated relative to a reference situation in which no economic policy measures are introduced. The results are reported in constant 2017 price volumes, following full markets adjustments.

The United States and China, engaged in a bilateral tariff war, experience GDP contractions (see Figure 2). In both scenarios, the decrease in Chinese GDP is just under 1%, while the US sees a slightly larger drop (-1.2% in S2).

Mexico is the country most severely affected by the protectionist measures. Under the implementation of “reciprocal tariffs” (S1), Mexico experiences a GDP loss of 1.7%. The impact is even more severe in the “pause” scenario (S2), where economic activity contracts by 4.2%.

This counterintuitive outcome is explained by a competitive mechanism: in scenario S2, US tariffs on Mexican goods remain unchanged (compared to S1), but tariffs are reduced for several of Mexico’s competitors in the US market. As a result, Mexican exports to the United States fall by 15% (in

S2) – compared to an 8% decline under the “reciprocal tariffs” scenario (S1).

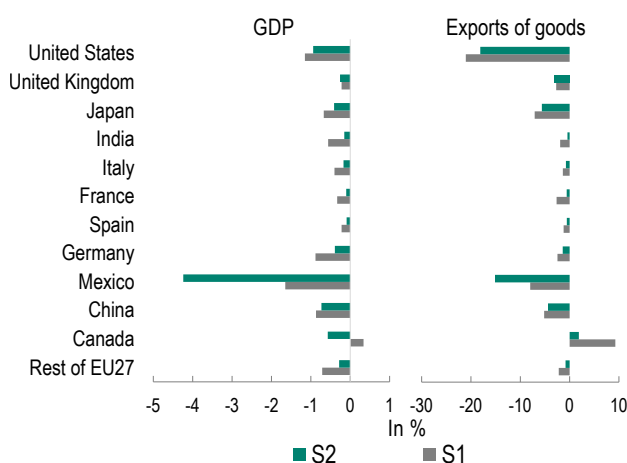
Canada experiences a GDP gain, since it complies more effectively than Mexico with the rules of origin under the USMCA agreement. As a result, many Canadian exports continue to qualify for tariff exemptions, enabling Canadian exporters to gain market share over their competitors in both scenarios. This positive impact is more pronounced in S1, where US protection against other markets is higher.

The countries of the European Union (EU27) are significantly less exposed to the US market than Mexico. The United States accounts for between 6% and 11% of their goods exports, compared to 80% for Mexico. Consequently, GDP losses for most European countries remain relatively modest. For example, France sees a GDP decline of 0.3% in S1 and 0.1% in S2, with similar losses observed for Spain and Italy. Germany, however, experiences a more substantial impact, particularly with the package of measures ending on “Liberation Day” (S1). Its GDP decreases by 0.9%. This is largely due to the relatively high US tariff surcharges on vehicles and parts (+25 pp) combined with the sector’s strong role in the German economy. It accounts for 10.8% of the total goods value added in Germany, compared to just 3% in France and 3.5% in Italy.

As expected, sectoral value-added variations are more contrasted than those of national GDPs. Under the “reciprocal tariffs” scenario (S1), a moderate reindustrialization trend emerges in the United States (see Table 1), accompanied by declines in activity across the agriculture, energy and services sectors. Initially, the United States maintains a trade surplus in agriculture and services but runs a deficit in manufacturing. Activity grows notably in the textile, machinery and electrical equipment sectors, while pharmaceuticals and

Figure 2 – The United States, China and Mexico are the main losers from current US measures and Chinese retaliation

Deviation in GDP and exports of goods (in volume) compared to the reference scenario in 2040



Source: Authors' calculations based on the MIRAGE model.

Table 1 – In France and Germany, transport-related sectors are negatively affected by US measures

Impact of scenarios S1 and S2 on value added (%)

Sector	Scenario S1					Scenario S2				
	USA	China	Germany	France	Rest of EU27	USA	China	Germany	France	Rest of EU27
Agriculture	-2.7	0.4	0.5	-0.1	-0.1	-2.9	0.5	0.4	-0.1	0.0
including										
Beverages and tobacco	-0.1	-0.4	0.1	-1.8	-0.8	-0.1	-0.4	0.1	-0.9	-0.4
Energy and mining	-0.6	0.2	-0.4	0.2	-0.6	-0.2	0.1	-0.1	0.1	-0.3
Industry	3.6	-0.8	-1.4	-1.1	-1.4	1.8	-0.7	-0.7	-0.2	-0.4
including										
Chemicals	-0.7	1.6	1.1	-1.2	-2.1	-2.4	1.1	1.6	-0.8	-0.8
Electrical equipment	8.0	-3.1	0.6	-0.2	-2.2	4.4	-2.3	1.0	0.6	-0.8
Machinery	8.8	-0.4	-1.8	-2.1	-2.4	4.4	-0.4	0.0	-0.7	-0.7
Non-ferrous metals	6.9	0.5	-1.3	-1.0	-3.1	7.2	0.2	-1.5	-0.7	-2.1
Pharmaceuticals	-19.3	0.6	6.4	2.2	5.1	-11.9	0.7	4.3	1.3	3.3
Textiles	40.2	-1.1	3.4	2.5	1.4	14.1	-1.7	2.1	0.8	0.6
Transport equipment	4.7	1.6	-2.2	-14.1	-4.6	4.2	0.8	1.6	-4.4	0.2
Vehicles and parts	-8.1	1.8	-8.5	3.2	-5.6	-4.4	1.6	-8.3	2.8	-4.3
Services	-1.1	-0.2	-0.2	0.0	-0.2	-0.7	-0.1	-0.1	0.0	-0.1

Source: Authors' calculations based on the MIRAGE model.

Note: Value added in volume, percentage deviation from the reference scenario in 2040.

vehicles and parts sectors shrink following the application of “reciprocal tariffs”.

The effects of S1 remain substantial in certain sectors of the European Union. In France, activity in the transport equipment sector declines by 14.1%, while in Germany the vehicles and parts sector contracts by 8.5%, relative to the reference scenario. If the “pause” (S2) is maintained, the overall macroeconomic impact remains limited. However, sector-specific losses persist. In Germany, for instance, activity in the automotive sector still falls by 8.3% – a level nearly identical to that observed in Scenario 1. In France, the transport equipment sector sees a smaller but still notable decline of 4.4%, representing a loss three times smaller than under the “reciprocal tariffs” scenario.

As of July 9, 2025, the US administration faces a critical policy choice: either to reactivate the “reciprocal tariffs” or extend the “pause” introduced on April 9. If the pause is maintained, the economic impact would likely align with the

outcomes in scenario S2. A return to the “reciprocal tariffs” would resemble scenario S1, albeit imperfectly – particularly due to the changed trade relationship with China. As a result of the agreement reached between the United States and China on June 11, 2025, it is unlikely that the US tariffs on Chinese goods will return to the levels assumed under S1.

This decision marks a strategic turning point for countries such as Germany, China and Mexico, and affects certain sectors even more sharply: in particular, transport equipment in France and the automotive industry in Germany.

However, caution is warranted: currently, this “pause” offers only an illusory respite. Even without a return to the “reciprocal tariffs”, the average level of tariff protection remains significantly higher than that observed before January 20. Whatever the US decision on July 9, a return to the pre-existing global trade environment seems unlikely. Trade with the United States is almost certain to become more costly and more challenging.

La Lettre du

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