

# US Protectionism: Why Europe Will Suffer More Than China

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In recent years, the US has adopted increasingly protectionist policies, imposing high tariffs and promoting domestic production at the expense of traditional trading partners.

Who is most affected?

Our thesis: **Europe is more vulnerable than China**





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The background of the slide is a dark teal color. On the left side, there is a vertical strip of decorative icons. These include several yellow dollar coins, green dollar bills, red zigzag arrows pointing upwards, and two hourglass icons. The icons are arranged in a somewhat chaotic but rhythmic pattern. In the upper right quadrant, there is a white rectangular box with a thin green border. Inside this box, the number '01' is written in a large, bold, white sans-serif font.

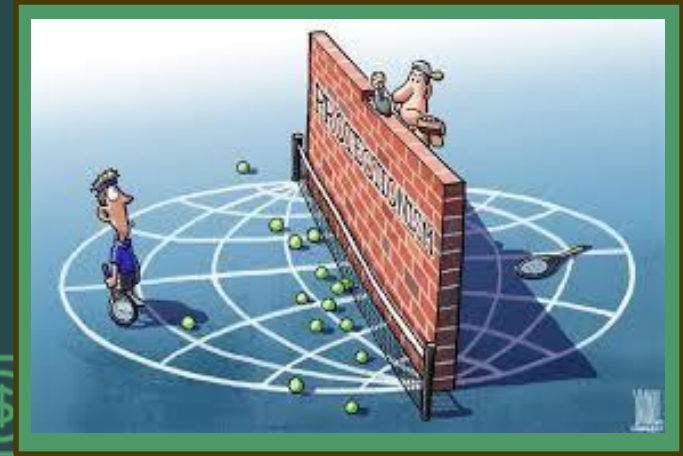
01

# What is Protectionism?

Protectionism is an economic strategy that aims to protect domestic industries through trade barriers such as tariffs, import quotas and domestic subsidies.

### Objectives:

- Reduce foreign competition.
- Safeguarding employment and domestic production.
- Control trade deficits.



# US policy shifts



In 2024, former President Donald Trump announced plans to impose “reciprocal tariffs” on all trading partners if re-elected. This approach would allow the U.S. to match the tariff rates other countries impose on American goods, potentially leading to wide-ranging trade conflicts. Trump has also proposed a universal 10% tariff on all imports.



These policies reflect a significant shift toward protectionism, aiming to reduce the U.S. trade deficit and support domestic manufacturing, but they risk provoking retaliation from key partners like the EU and China.

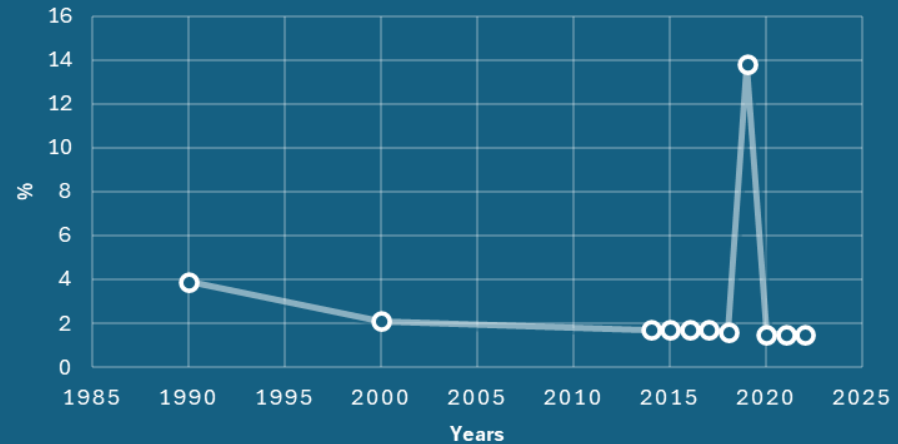
# US tariffs over time

The graph shows the evolution of the average tariff applied by the United States on imports of goods. For almost 30 years, tariffs have remained stable and relatively low, reflecting a liberalizing trade policy. After 2018, we see an increase that corresponds with:

- \$ The introduction of tariffs on steel and aluminium
- \$ Punitive measures against China
- \$ Tariffs on European goods (such as cars, wines and industrial products)

Although targeted at China, the tariffs have also hit hard in Europe, which has suffered the effects without having the same capacity to respond

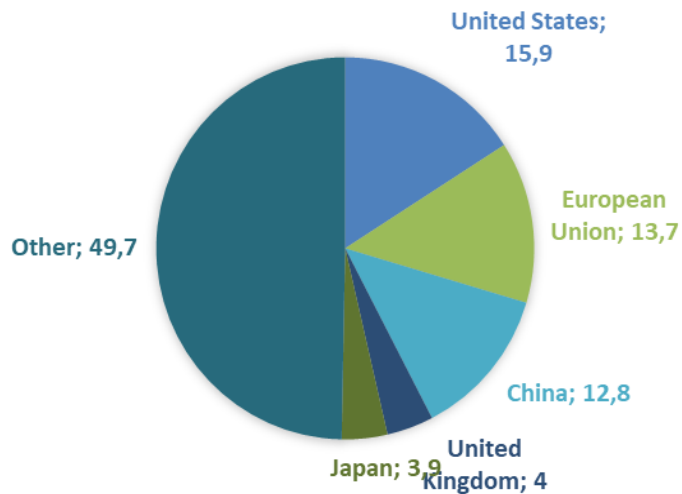
U.S. TARIFFS OVER TIME



<https://data.worldbank.org/indicator/TM.TAX.MRCH.WM.AR.ZS?end=2022&locations=US&start=1989&view=chart>

# Global Imports 2023

IMPORT 2023



[https://ec.europa.eu/eurostat/databrowser/view/ext\\_lt\\_introeu27\\_2020/default/table?lang=en](https://ec.europa.eu/eurostat/databrowser/view/ext_lt_introeu27_2020/default/table?lang=en)

This graph shows global imports in 2023  
-The EU accounts for **13.7%** of world imports  
-China only **12.8%**

Thus, Europe imports more, and is more vulnerable in the event of crisis in global trade (high prices, shortages products, duties, wars, etc.)





The background is a dark teal color. On the left side, there is a vertical strip of decorative icons. These include: a green dollar bill, a yellow dollar coin, a green hourglass, a red zigzag line with an upward arrow, a green dollar bill, a yellow dollar coin, and a yellow dollar coin. In the upper right area, there are more icons: a yellow dollar coin, a green dollar bill, a yellow dollar coin, a green hourglass, a yellow dollar coin, and a yellow dollar coin. There are also several vertical dotted lines in red and green, and a red zigzag line with an upward arrow.

02

# Economic Exposure: Europe vs China

# Trade balance with the US

## European Union:

The U.S. is the EU's largest export market outside Europe.

- In 2023, the EU exported goods worth over **€500 billion** to the U.S.
- Heavily reliant on sectors like **automobiles, machinery, pharmaceuticals, and luxury goods**.



## China:

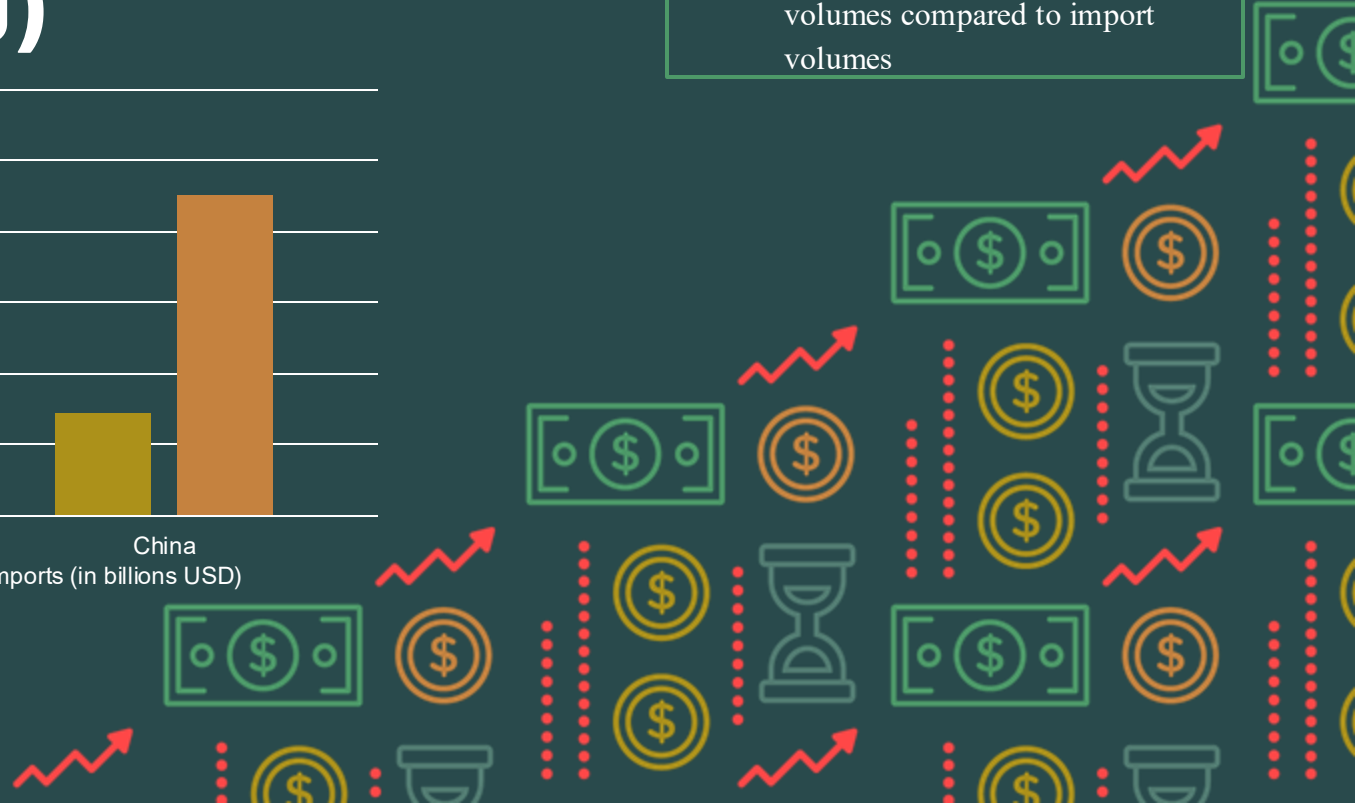
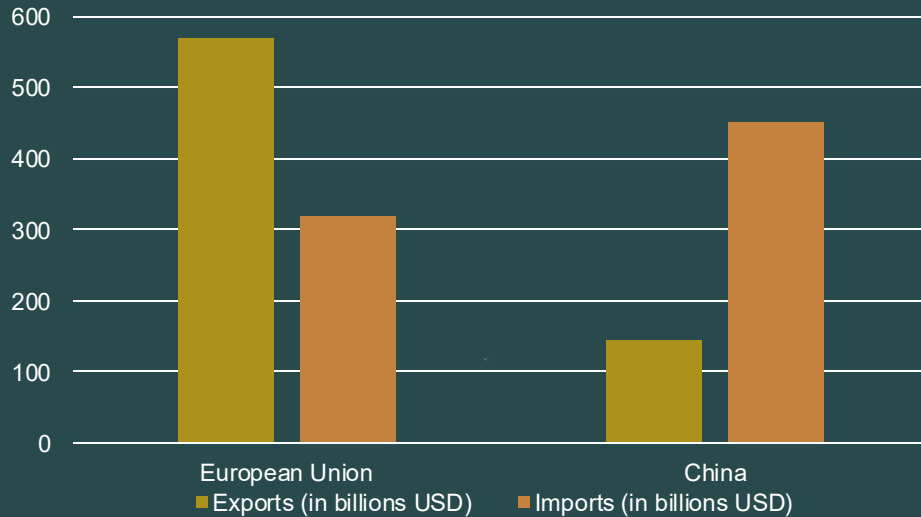
Also a major trade partner, but its exports are more diversified; therefore, less reliant on the US than Europe.

- High-tech and electronics dominate exports.

# EU and China Trade with US (in billions USD)



This graph compares EU and China trade (exports and imports) with the US in 2024, highlighting the significant difference in export volumes compared to import volumes



# EXPORT DIVERSIFICATION

## Europe:

- Heavily reliant on U.S. and intra-EU trade.
- Export concentration makes Europe **less flexible** in response to U.S. trade shocks.



## China:

- Export destinations are **more diversified**.
- China trades more actively with countries in South East Asia, Africa, and Latin America, giving it greater insulation from the US market.
- Belt and Road Initiative supports new markets.



## CHINA

- Most Chinese exports are **finished goods** like **electronics, machinery, and consumer products**.
- These are **easier to redirect** to other markets or **absorb through domestic demand**.



## EUROPE

- Key EU exports to the U.S. are **intermediate goods**: **auto parts, aerospace components, chemicals, pharmaceuticals**.
- These are **embedded in U.S. production chains**, making them **harder to reroute**.
- EU industries are **more reliant on U.S. demand** and **slower to adapt**.



# KEY INDUSTRIES AFFECTED



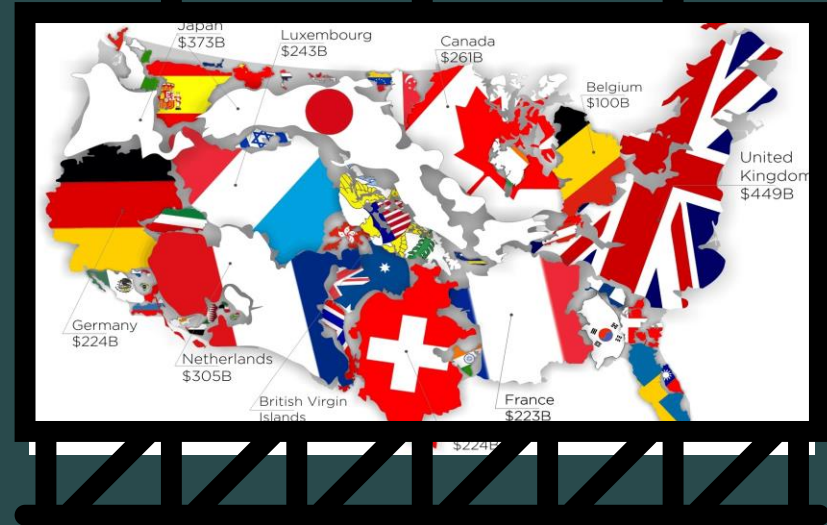
# US FOREIGN DIRECT INVESTMENT

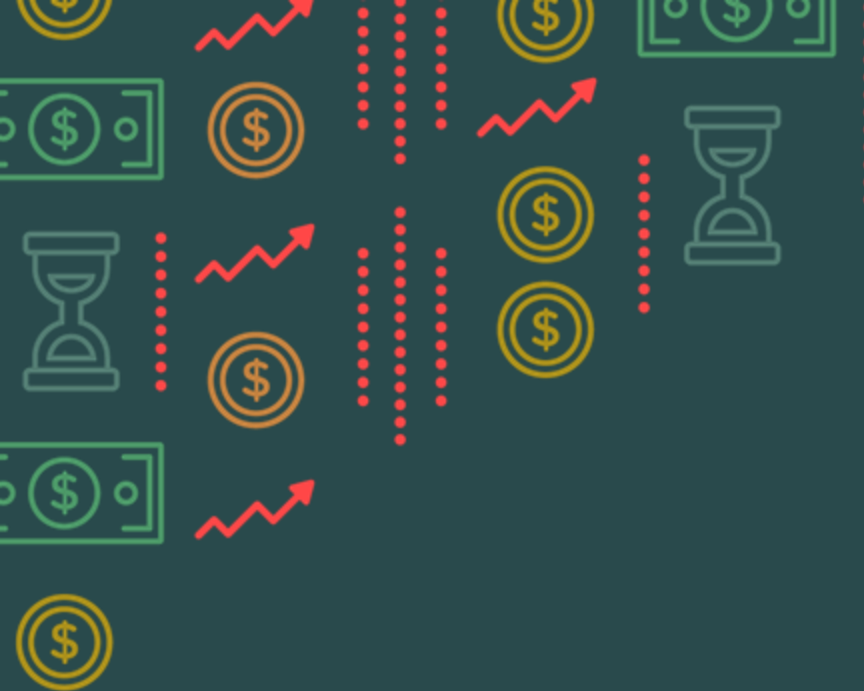
## EUROPE:

- **largest share** of U.S. foreign investment.
- Over **60%** of U.S. FDI abroad goes to Europe.
- U.S. companies have operations in European manufacturing and services.

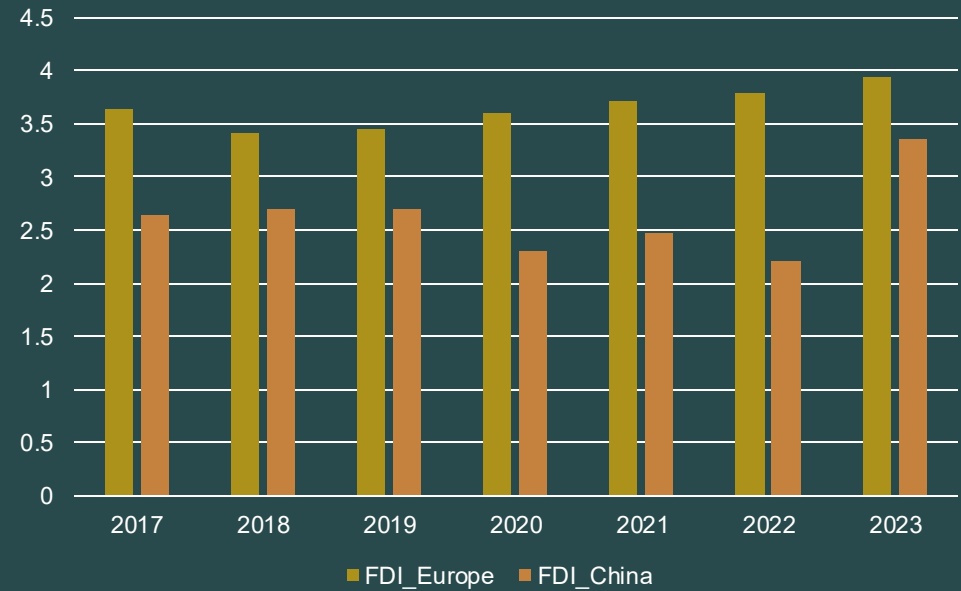
## CHINA:

- **Less U.S. FDI**, due to regulatory barriers, political tension, and investment restrictions.
- Much of China's growth has been state-led, reducing reliance on American capital.





**U.S. FDI in Europe and China 2017–2023**  
(in trillions USD)



**This data illustrates the substantial U.S. foreign direct investment in Europe compared to China, underscoring Europe’s prominence as a destination for U.S. investments.**

The background is a dark teal color. On the left side, there is a vertical strip of decorative elements including several yellow dollar coins, green dollar bills, red upward-trending jagged arrows, and green hourglass icons. These elements are arranged in a somewhat chaotic but rhythmic pattern. On the right side, there is a green rectangular box containing the number '03' in white.

03

# Strategic Responses



# Structural Resilience

## China:

- State-driven economy model enables rapid coordination and crisis responses.
- Subsidies, strategic investments, **partners**, **already revoked** apart from long-term planning.
- Belt and Road Initiative enables diversification in trade.

USA

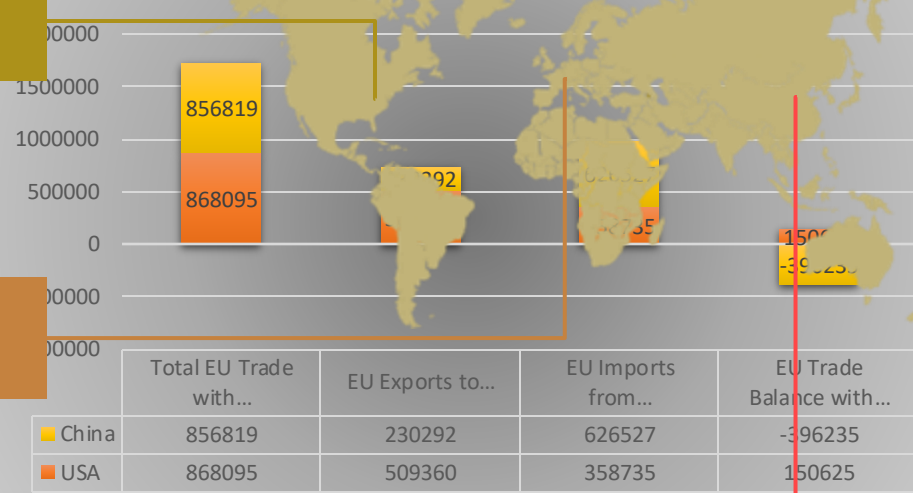
EU

China

## European Union:

- Mostly exports luxury goods, automotive, and services.
- Policy by unanimity.
- Slower consensus-building hampers crisis agility.
- Reliance on market mechanisms over centralized planning.
- Exports cheap manufacturing goods.

EU trade balance by partner



<https://circabc.europa.eu/ui/group/50a0487d-086a-4a75-a1ff-92bdd2ec2c4b/library/09539941-7d09-4e97-84ae-a5cd21f53283/details>

# Strengthening Relations

Xi Jinping held a meeting with most renowned Chinese entrepreneurs › the last time it happened was about 7/8 years ago.

Mostly high-tech industries were involved— like AI, semiconductors, and e-commerce— but particularly relevant were the ones specialized in energy transition and green energy.



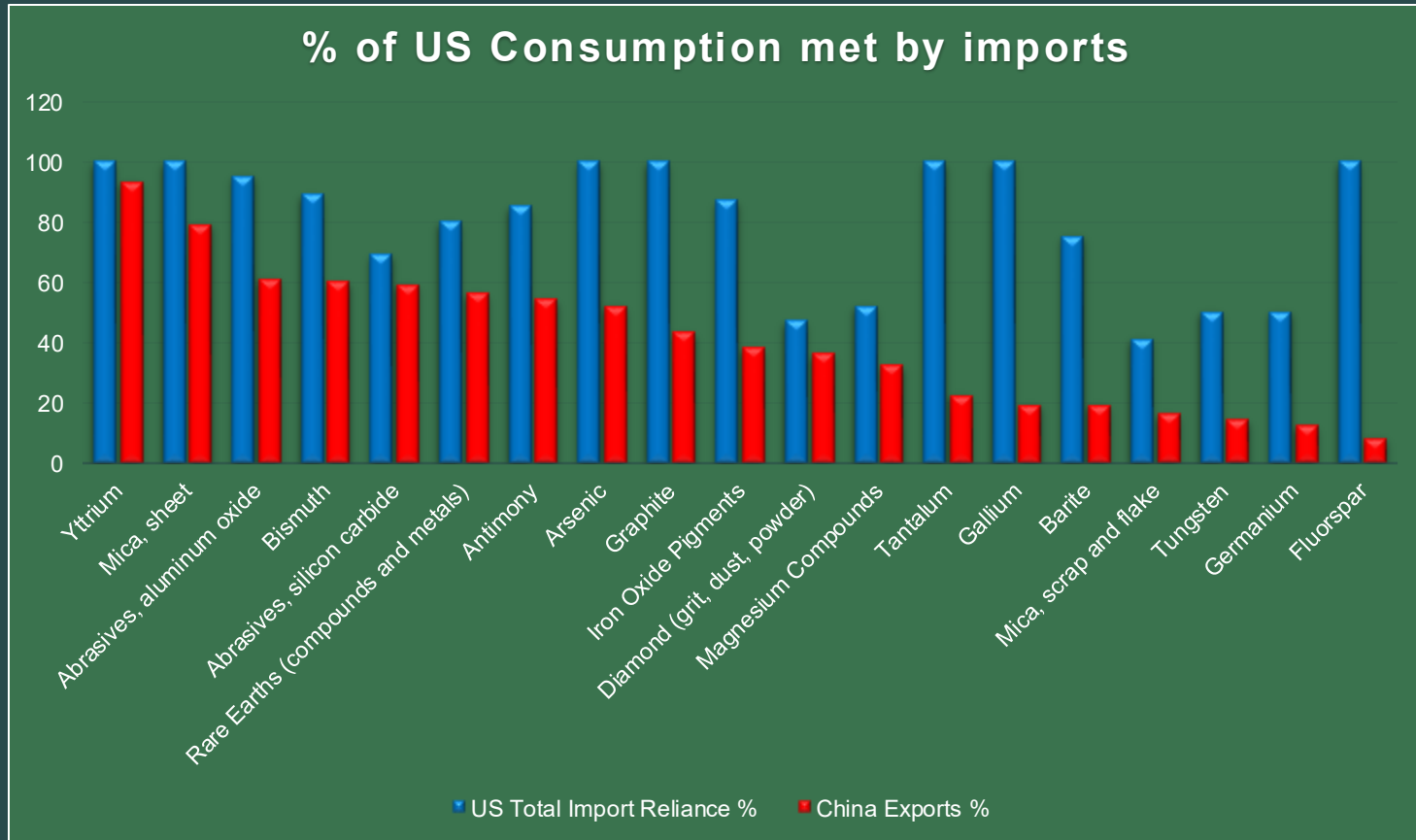
Xi Jinping showed how supporting the private sector to strengthen the state sector is a crucial step to make in the next years.

# Access to Strategic Materials

Now more than ever it is possible to notice how major powers are contending each others to get access to strategic and critical materials, especially semiconductors, that constitute the pillar of electronic device market.



# US Reliance on China's Materials



<https://www.usgs.gov/media/images/minerals-net-import-reliance-china>

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04

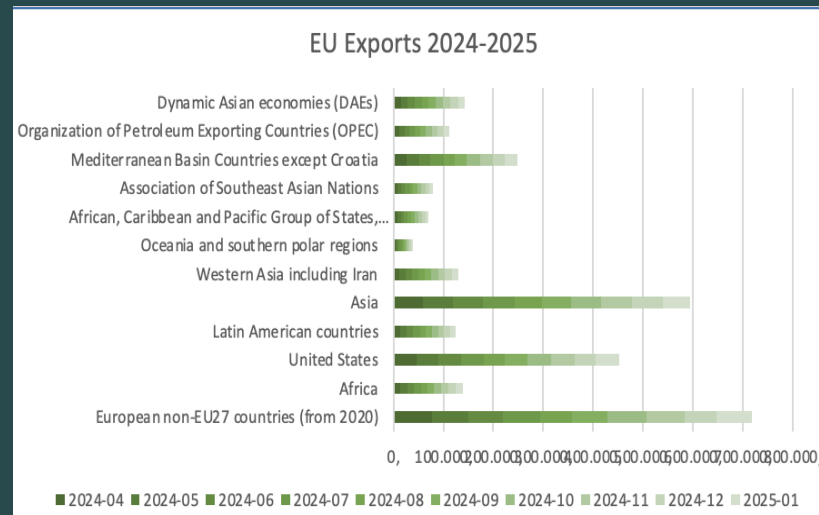
# Conclusion

Will U.S. Protectionism Hurt Europe More Than China?

# 1. Europe's Greater Exposure to U.S. Demand.

- The U.S. is a top export destination for many EU economies
- Key European industries — cars, pharma, luxury goods are tightly linked to the U.S. market
- Europe's economy feels the shock faster when U.S. trade slows down.

*Source: EUROSTAT*

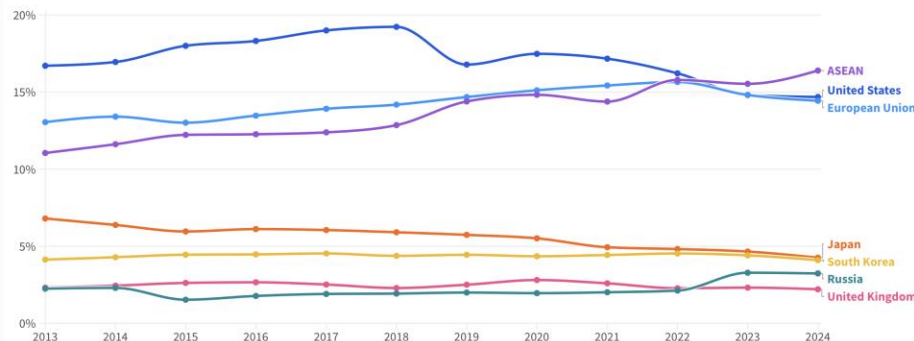


*In 2024, the United States was the largest partner for EU exports of goods (20.6%) and the second largest partner for EU imports of goods (13.7%).*

## 2. China Is Pivoting — Europe Isn't

**Figure 2: Share of Chinese Exports to Major Countries/Regions**

As a share of total export value in USD



Source: International Trade Centre based on China General Administration of Customs.

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Made with Flourish

-China has built strong ties with Asia, Africa, and Latin America.

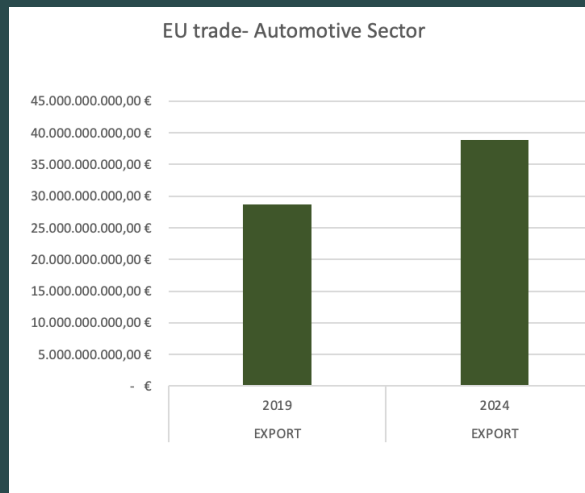
-It's becoming less reliant on U.S. buyers.

-Europe's fragmented politics make trade realignment much harder.

*China's exports to ASEAN countries have been growing rapidly, exceeding its exports to the U.S. and the EU since 2023, with an additional 12% increase in 2024*

### 3. Sectoral Vulnerability: EU Has More to Lose

*Source: EUROSTAT*



*The EU has deeper entanglement with U.S. supply chains (tech, pharma, precision instruments)*

*China is comparatively better positioned to decouple strategically*

#### EU Automotive Sector:

- Faces a 12–15% drop in exports to the U.S. under higher tariffs
- China's automotive losses are less than half that impact

#### Luxury Goods & Chemicals (EU):

- Highly price-sensitive
- Strongly affected by a decline in U.S. consumer demand

#### China's Advantage in Electronics & Machinery:

- More agile— shifting exports to ASEAN markets
- Strengthening domestic consumption



## 4. Forecasts Confirm the Economic Toll on Europe

### Eurozone GDP Growth:

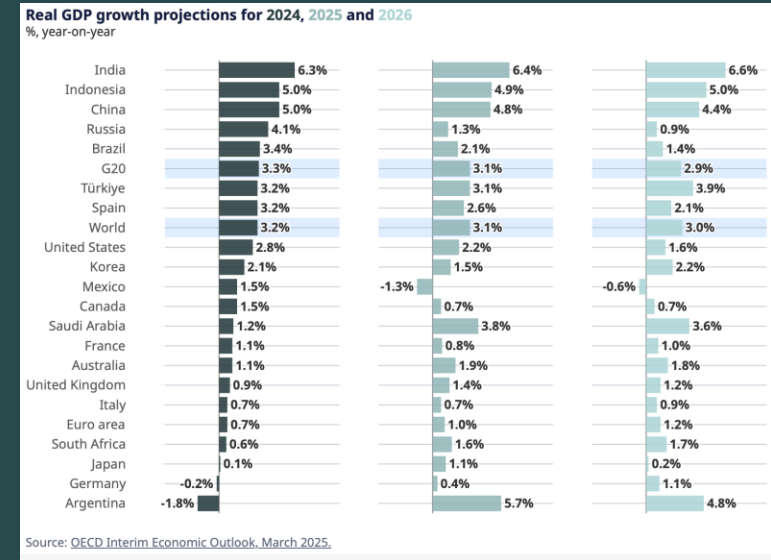
- Forecasted to slow to 1.0% in 2025 (down from 1.3%)
- Ongoing trade tensions cited as a major factor

### Germany (EU's Largest Economy):

- Projected growth: only 0.4%
- Sharp decline due to reduced exports and rising business uncertainty

### China's Economy:

- GDP growth remains stable at 4.5%
- Supported by strong domestic consumption, fiscal policy, and exports to new trade partners



The Eurozone faces significant economic headwinds, while China shows resilience and adaptability



## 5. Strategic and Political Vulnerabilities

### Eurozone- Political Fragmentation:

- Slower collective decision-making
- Competing national interests hinder rapid response
- Structural Vulnerabilities (heavy dependence on exports, limited diversification in key industries, lag in adapting trade policies)

### China's Strategic Advantage:

- Centralized governance enables faster action
- Targeted subsidies and long-term planning
- Growing domestic consumption and diversified trade partners.

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