

Does Protectionism Save Domestic Jobs?: New Evidence from Tariffs on Washing Machines*

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November 28, 2024

Abstract

We investigate the production shifts of multinationals and the employment effect of US safeguard measures on washing machines in 2018. To avoid safeguard tariffs, washing machine manufacturers relocate their plants to the US via foreign direct investment (FDI). Exploiting trade flows data, combined with a triple difference-in-differences design, we first demonstrate a significant increase of the US imports of washing machine parts from the multinational's home country by over 170 percent, in contrast to a 68 percent decline for finished washing machines. This implies that FDI, induced by the trade policy, does not necessarily entail complete internalization of production in the host country, but it reshapes global supply chains in unprecedented ways. Additionally, using detailed US employment data, we find that the production relocation of the multinational increased local employment of production occupation by 31.7 percent, while the effect was absent for areas where US major manufacturers are located.

Keywords: Safeguard measures, Protectionism, Washing Machines, Multinationals, Foreign Direct Investment, Global Supply Chains

JEL Codes: F13, F14, F23

*We are grateful to Ali Hortaçsu, Dennis Novy, Sebastian Heise, Ziho Park, and other participants in Midwest International Trade Conference, Yonsei Trade Workshop for invaluable comments and suggestions.

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