Flash Economics

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The primary objective of implementing tariffs by the Trump administration has not been achieved so far

The policy of implementing tariffs by the Trump administration since April 2025 aims to encourage foreign companies to relocate production to the United States rather than export to the U.S. market. Negotiations conducted by its administration with other countries or foreign companies generally result in commitments to additional investment in the United States.

However, since the beginning of 2025, the non-residential investment rate—which remains below its 2019 level—and foreign direct investment in the United States alike have shown stability with no signs of growth.

It appears that uncertainty surrounding the regulatory environment outweighs the incentive to invest in the U.S., meaning that the core objective of the Trump administration's tariff policy has not been achieved so far.

Moreover, investing in the United States faces structural challenges, such as a state of near full employment and the relatively low skill levels of the American workforce.

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The primary objective of implementing tariffs by the Trump administration

The introduction of tariffs by the Trump administration since April 2025 (Chart 1) is primarily intended to **encourage foreign companies to invest in the United States** rather than export to the U.S. market.

The goal is therefore essentially to **reindustrialise the United States** (Chart 2).

Chart 1
United States: Duties collected on total imports (as %)

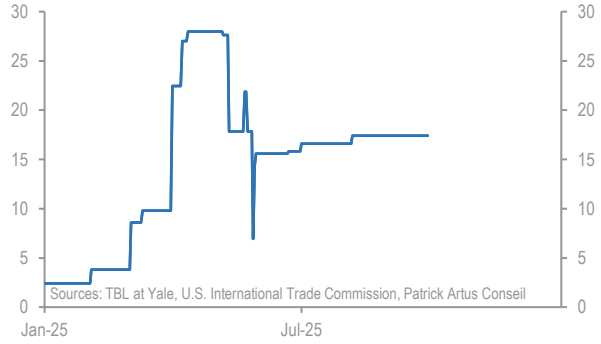
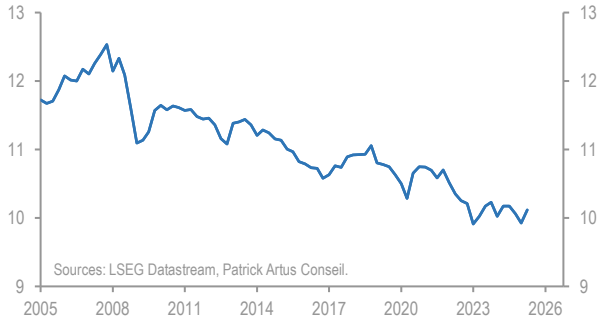


Chart 2
United States: Real value added in manufacturing (as % of real GDP)



Are there signs of success for this policy?

What has been the trend in corporate investment and foreign direct investment in the United States during the first half of 2025?

Chart 3 shows the evolution of **non-residential investment** in the United States, while Chart 4 illustrates the trend in **inbound foreign direct investment**.

Chart 3
United States: Private non-residential gross fixed capital formation

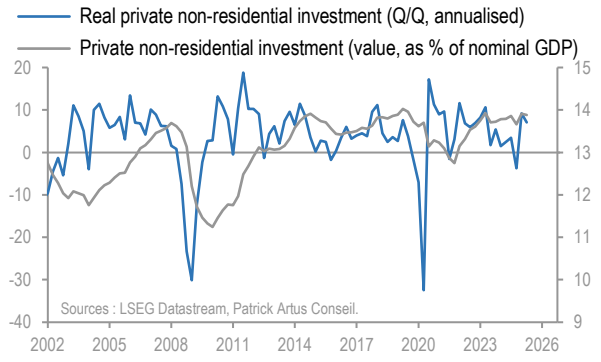
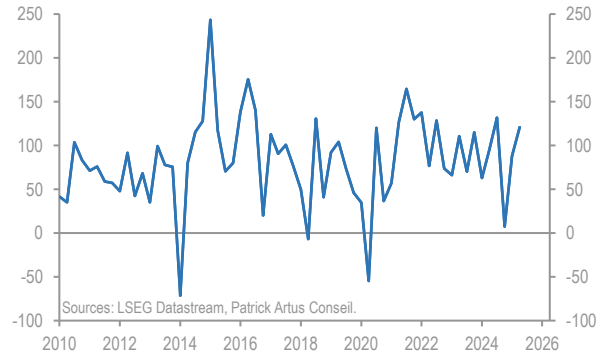


Chart 4
United States: Direct investment inflows* (in USD bn)



(*) Direct investment inflows are capital inflows leading to an increase in liabilities (in this case for the United States) and therefore have a positive sign.

The data shows that:

- The corporate investment rate has remained stable since the beginning of 2025 and is still below its 2019 level;
- Foreign direct investment in the first half of 2025 is roughly at the same level as during the 2022–2023 period.

Summary: so far, a failure of the tariff policy

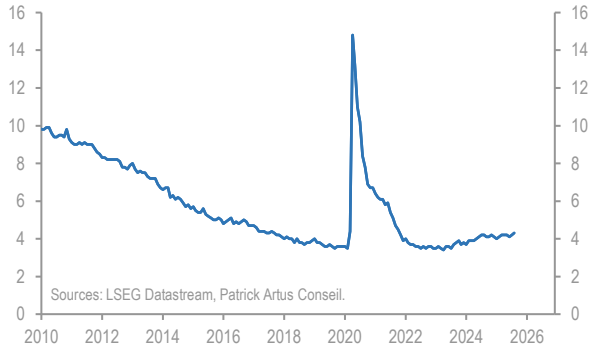
If the purpose of imposing tariffs in the United States was to encourage foreign companies to increase investment in the country, this policy has so far resulted in failure.

Total non-residential investment is growing slowly, and foreign direct investment remains stagnant.

Foreign companies' reluctance to invest in the United States can be explained by several factors:

- Regulatory instability;
- A state of near full employment (**Chart 5**);

Chart 5
United States: Unemployment rate (as %)



- The skill levels of American workers are very low (**Table 1**).

Table 1: Results of the OECD PIAAC survey (by decreasing score from the 2023 survey, overall score*)

Country	2016	2023
Finland	285	289
Japan	292	285
Sweden	279	281
Netherlands	282	276
Canada	269	267
Germany	271	267
England (UK)	267	266
France	258	253
United States	261	251
Spain	249	246
Italy	249	240

*In 2016, average score in numeracy and literacy
Source: OECD

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