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Impacts of trade tariffs on the realization of the right to development

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Transcript of statement by Mr. Carlos Razo,
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Thank you, Mr. Chair, and thank you for the invitation. It is a pleasure to be with all of you today. It is also a pleasure to meet my former boss Madame Durant. So, thanks again for to be part of this panel, which is on a topic that is important nowadays, tariffs. I think you have seen it all over the headlines. And I think it is important talk about them because they affect trade. When trade is affected, there are many things that can happen that might affect development. Market task access may be restricted. Export revenues will be eroded, and that means less expenditure, as ambassador was mentioning, less expenditure for education, infrastructure, health. So, these are important and also creating the productive capacities that enable a country to develop and prosper in the future.

But let me get to the case in point and the US tariffs. I guess I will not disappoint you if I tell you that the tariffs you see on the television, on television is not the real tariff applied to countries. Let me start by giving you an example. Well, two examples, one from a developed country, one from a developing country. You might have heard about the famous 39% to Switzerland, right? After that tariff, a set of exemptions came included minted gold, which is one of the biggest exports from Switzerland to the US. So, the actual tariff is a lot lower than the 39% announced in television. The same happens to Brazil. They had a tariff of 50%, but the US government came out after with a set of exemptions for many of the products exported by Brazil, and the tariff is slightly lower.

I still do not want to say that the increases are minor because the increase is actually massive everywhere, and that's what we will try to show you in a moment. So, what I want to highlight is that the tariff story is a little bit more complex in the sense that is not only the announced tariff, but then there are a set of tariffs that come on top of it. There are some country specific tariffs, sectoral tariffs, and then exceptions and then something.

And I had to write the name because I don't always remember, it is the International Emergency Economic Powers Act, which form does it take is, for example, the 10% increase that you saw in Canada a couple of days ago. It is the additional increases on Brazil because the trial of former president, or India, buying our oil from another country. So given this complexity, what we try to do is to find a way to show what are the actual tariffs that countries are exposing.

And what you can see on the screen, you have two panels. First, you have the map, and in the map you might see some small dots, some bigger dots. These dots represent the size of the tariffs before January 2025, the panel on the right is the dispersion of the tariffs. Let me say that's the good old days of the most favoured nation that we were talking before. Most of the tariffs were low and very much at the same level. But let me show you what happens after January 2025, so you see a huge increase in tariffs. The size of the bubbles has increased, and this is massive, as you can see everywhere. You can see bubbles of different colours, the dark blue, the UN blue, and the yellow

dots. The dark blue are developed countries. The UN blue are developing countries, and the yellow dots are the least developed countries.

As you can see, the tariff increases more massive everywhere. And if you look, for example, on only manufacturing, it increases even higher. It increases in Africa for the least developed countries on a sector that is critical for them to foster industrialization and economic diversification. So, in this way, it will be difficult to help least developed countries if tariffs are imposed on some of the sectors that are helping them to grow.

Let me focus now on another aspect, the issue of the dispersion. The panel on the right is where your country is in relation to the others. So what matters is not so much how much the bubble, the bubble you have, but how your competitors are in the US market vis-à-vis yourself. So, what you can see is, for example, can you imagine what is at the top dot, the yellow dot on the top? Probably the blue dot, the second one, I think you can guess, think it's China. But can you imagine which one is the yellow dot. I guess it surprising to find an LDC actually being the hardest hit? It's Myanmar. And then, but what you can see there as well is that there are some other yellow dots in this panel that are very high up. The higher you are in the panel, the less competitive you are in the US market. And that matters for them. You can see yellow dots are big, and many yellow dots are on top. So, the competitiveness of the least developed countries is being eroded in this way.

So now with this X-ray on taris, I would like to focus now on recent work that we did and that the Ambassador was citing on the effects of these tariffs on the least developed countries, and in the tariff disruptions and how they disrupt trade.

Let me start by saying something. I don't know if everybody is aware that for a decade and a half since 2011, LDCs and the international community have been chasing a very elusive target, doubling the share of exports from 1%. We are not talking about a huge amount, from 1% to 2%. We've been chasing that goal for 15 years. And do you know how far we are. Well, you can see it on the line. It's only 1.1%. We are far away from that goal. And tariffs will not help to achieve that. So, we have not doubled the share of LDCs exports.

But what has doubled is what Ambassador was saying. It's actually triple. The tariffs on LDCs have tripled in just a few months. That's a huge shock, too fast, too fast to absorb. And what is probably also in contrast is that the tariffs LDCs face are double the tariffs face by developed countries.

So let me give you a simple example. If you go here to our Serpent Bar, and you say, you know, I would like two coffees, and I tell you know, I cannot give you two coffees, I can give you one, but don't worry, you can pay twice. And moreover, if that was not enough, you say, okay, well, that's probably the rules of the game. So, I pay for two coffees and I get one. But then you see that your boss, who has a higher salary than you, gets half the price for the same coffee. So somehow some things might not seem so fair, but this is what is happening in terms of the tariffs for the least developed countries.

One more point that the Ambassadors were mentioning is how this affect manufacturing. So, in the case of manufacturing, and that will be this one, is that the tariffs do not affect all sectors equally. And the sectors that have been mostly affected are manufacturing. This is critical because manufacturing has been historically associated with productivity spillovers and efficiency gain that help countries to develop and prosper. If these are the sectors being hit, then we have a problem. And the one that increases the most, as you can see and you have mentioned, is textiles and apparels. So, we have some colleagues who are doing field missions currently in Africa, and they have reported to us that some orders for some textiles have already been put on hold. And this is not something that you can recover because fashion works with seasons, so you cannot produce the summer season

during the winter season or vice versa. So, this is something, this might be effective losses for many small medium firms in least developed countries.

Just to focus on something on the preferences. Just to tell you, you might know the Africa Growth and Opportunity Act expired at the end of September. So that was important because that gave 32 African countries special market accesses to the US. Once that has expired, that has increased by a lot the tariffs of some countries. And I think as the Ambassador was saying in the case of Lesotho with AGOA, they pay 15% tariff. Without the AGOA, the tariff just almost doubles for that. And that's the case of many of the countries that you can see on the screen. This is again a call to renew these preferences that have expired.

And my last point, and we will discuss solutions if there is a possibility in my fourth future intervention, is that the tariff increases are not gender neutral. And I think Ambassador of Bangladesh mentions this. These affect textile and apparel that are a key sector for women employment. If somebody, the graphic design in our team did an experiment, to say, give me somebody vulnerable from vulnerable countries in the image was that of a woman. In the second trial, what was that of a girl. So, if somebody is vulnerable in this world, are women and girls, and they are the ones that will be hardest hit by some of these studies. So, I know I've exceeded my time, so I stop here and hopefully we have the opportunity to discuss about the way forward in a moment.

Thank you.

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