The 12th session of the Expert Mechanism on the Right to Development

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Focused Thematic Discussions and Interactive Dialogues
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Impacts of trade tariffs on the realization of the right to development

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Transcript of statement by Ms. Yuefen Li,
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Please check against delivery

Thank you very much, Chair. Thank you for the invitation.

I would first of all mention my kind of reaction to the presentation just now, actually I just came back from the Bank and Fund annual meeting, and at the Bank and Fund meeting, the managing director of the IMF said very clearly the effective real tariff rate actually was 9% by the United States, 9% instead of what mentioned 30%, 100%.

And then what she said actually made me mad. She said don't do anything. In effect, she said, don't do anything. This rate is not that high. Well, if you compare the actual tariff rate, 9% is quite high, especially the tariff hikes do not consider, as you said just now, it does not consider the absorbing power, the vulnerability of the countries at all. So, the LDCs have been affected tremendously, so when we face this kind of situation, the impact actually doubled or tripled. I agree with you completely on that. But to do nothing when you talk about the effective tariff rate, 9%, I do not mean that you said that what I said was the IMF said that, which is something I cannot accept.

I think the international community should fight against this kind of action. It is a complete attack on the multilateralism. It is a demonstration of rising economic nationalism, and the world should fight against that. And definitely right now, one pillar of the rules based international order is gone, that is international trading system, and we cannot accept that.

So coming back to the actual session, we are going to discuss definitely trade hikes are negative impacts on not only impacts, but also reversal of the progress made in the realization of the right to development. Because we all know that trade is an engine for economic growth. And it has been long acknowledged widely that trade liberalization leads to increased industrial production, trade volume, employment, investment, and so on. So, protectionist measures work just to the opposite of trade liberalization. And definitely these kind of actions affect the realization of SDGs, in particular, poverty alleviation, equality and economic growth.

We talked about the kind of economic uncertainties and predictabilities it injected to the world economic growth. So, it is really a very much downside factor for the global economic growth. Of course, it injects commodity, volatility and also the competitiveness of manufacturing products. Mihir just now mentioned that tariff hikes constitute very complex shocks because these, hikes, they affect the real economy on both demand and supply side.

We know that very well. It is a negative supply shock for tariff imposing country for the United States itself. And also, it is a shock for the countries that tariffs targeted at that is the kind of demand shock. And we know very well that our world nowadays is very much interconnected with international trade, with very long supply chain worldwide. We also know that the world is interconnected with

very big, massive capital flow side. So, tariff hike actually is a shock on both the trade side and also the financial side. And it has already injected a lot of volatility in the financial market.

The welfare impact definitely is huge. We know the impact is very progressive. Just now, it's mentioned that women and girls would be affected most because women mostly engaged in such sectors like textile, shoes, toys, and they assemble, for instance, in Vietnam, about 57 million women engage in these sectors. So, once you have tariff hikes, these women and girls would lose jobs or have lower wages. And we also know all the welfare effect, no matter is reduced trade revenue or the lower growth, the vulnerable countries and populations would be most affected. So, it's terribly regressive and definitely it affects such efforts for poverty alleviation and reducing inequality in the world.

Let me just very briefly mention what kind of measures we could adapt, we can adopt, and also undertake to reduce or mitigate the kind of negative impact imposed by high tariff hikes. I think right now it has already been happening. That is, countries have relied more to South-South cooperation and regional cooperation, because the heavy reliance on the global northern market shows the kind of weaknesses. And don't forget, there has been the rise of the Global South in the past decades, especially the past two decades. In the GDP contribution to the world, it has been increasing. South occupies almost 40 plus percent of the world GDP. And population, the South is about 88 percent and of course, technology and other side.

So, the South has markets already. So, South-South cooperation is an important economic diversification for the tariff hike countries. So, South-South cooperation can react as a buffer for this kind of tariff hikes and impacts.

So, the countries are now have, first of all, diverted some of the trade to regional trade, I mean, the developing countries. And also, they have enhanced the kind of trade and investment and also regional integration agreements and also arrangements. For instance, for Africa, you have this Africa Continental Free Trade Area. It is not only trade. It is more than trade. It is integration. So, this should continue to be enhanced, and it also is good for the economic structuring of these countries and is more diversified, not only in categories, but also for destinations of trade.

It was mentioned just now that rule-based international trade is still necessary, and we should not abandon that. It is one important pillar of international economic order. Of course, this economic order is outdated, needs to be restructured and reformed. However, the rules based international trade is still needed. So I hope, I think one way is countries should unite and also work together with international institutions like UNCTAD, like South Centre, and like particularly this particular Expert Mechanism on the Right to Development, solidify their positions and enhance their collective negotiation power. And also, we must know that there has been in existence some South-led financial institutions, new development bank, AIIB, regional development banks. They can provide and they have already provided certain financing to support countries suffered very much from the negative impact of tariff hikes. And we should support vocally and at international forum these institutions and also undertake more measures in order to tap into the financing of these institutions and make these institutions stronger and use this financing as a kind of alternative financing. Of course, there are many other ways, but I would just like to mention a few here.

Thank you very much.

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