Trump's Tariffs Are a Sledgehammer to Pry Open Markets of the Poorest Countries

By:

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President Trump's reciprocal tariffs imposed on April 2nd 2025 reached not just the biggest economies, but also some of the poorest economies in the world. Take Nauru a tiny country in Micronesia which faces a 40% tariff. In 2023, it had a population of 11,875 and a Gross Domestic Product of $ 154.2 million. Compare that to the US's $ 27.23 trillion GDP in 2023. Lesotho, a tiny land locked African country, which in 2023 had a GDP of $ 2.1 billion and a population of 2.311 million in 2023 will face one of the steepest tariffs at 50%. Vanuatu which has a GDP of about just over $ 1 billion and a population of slightly over 320,400 in 2023 and which faces the real possibility of disappearing because of sea level rise was subjected to a 22% tariff. These examples and others like Angola (32% tariffs), Bangladesh (37% tariffs), Cambodia (49% tariffs), Chad (13% tariffs), Laos (48% tariffs), Mozambique (47% tariffs) and Zambia (17% tariffs) are all listed as Least Developed Countries by the United Nations. That means their three-year average estimate of gross national income is below $ 1,088. In addition, they occupy the lowest rungs in terms of human assets, and they experience tremendous economic and environmental vulnerability.

While a lot of attention has been paid to large economies that have trade surpluses with the United States like China which is already retaliating, much less attention has been paid to these poorer countries that now slammed with enormous tariffs. Given the outsized nature of the US economy, imposing tariffs will have massive adverse effects on these poorer economies. For example, the 50% tariffs against Lesotho will likely lead to the closure of garment factories that employ about 40,000 workers and account for about 90% of manufacturing employment and exports. Thabo Qhesi an analyst in Lesotho has been quoted by Reuters as saying that the tariffs are "going to kill the textile and apparel sector in Lesotho." It seems foolhardy to expect that the apparel manufacturing in Lesotho will relocate to the United States because of the tariffs. Imposing tariffs on the poorest countries is unlikely to reverse the offshoring and outsourcing of industrial jobs from the United States. Even if the apparel manufacturers in Lesotho can relocate to the United States, this will not return the US into an industrial powerhouse or in any significant way contribute to rebalancing or to resetting US trade policy.

Even less attention has been paid to another justification for the tariffs, removing non-tariff barriers 'that make it harder for U.S. manufacturers to sell their products in foreign markets.' Removal of non-tariff barriers is the justification that applies to most of the poorest countries subjected to tariffs. According to the Trump administration, its reciprocal tariffs are justified because the U.S. economy is 'disproportionately open to imports, [while by contrast], U.S. trading partners have had few incentives to provide reciprocal treatment to U.S. exports in the context of bilateral trade negotiations.' Further, the Trump administration argues that the US's trading partners "have repeatedly blocked multilateral and plurilateral solutions…to discipline non-tariff barriers." Finally, the Trump administration has justified the tariffs because the removal of non-tariff barriers would increase the US's trade surplus with countries 'which the United States may enjoy occasional bilateral trade surplus.'

One example of a non-tariff barrier in President Trump's Executive Order imposing the tariffs is a reference to a projected $49 billion annual trade deficit arising from agricultural non-tariff barriers imposed by the US's trading partners in the last five years. The list of examples of non-tariff barriers that have sparked tariffs identified in US's national trade estimates report on foreign trade barriers against even the poorest countries include: import barriers and licensing restrictions; customs barriers and shortcomings in trade facilitation; technical barriers to trade (e.g., unnecessarily trade restrictive standards, conformity assessment procedures, or technical regulations); sanitary and phytosanitary measures that unnecessarily restrict trade without furthering safety objectives; inadequate patent, copyright, trade secret, and trademark regimes and inadequate enforcement of intellectual property rights; discriminatory licensing requirements or regulatory standards; barriers to cross-border data flows and discriminatory practices affecting trade in digital products; investment barriers; subsidies; anticompetitive practices; discrimination in favor of domestic state-owned enterprises, and failures by governments in protecting labor and environment standards; as well as bribery and corruption. This perennial list is quite accurately referred to as a corporate wishlist that seeks the US government's help to attack and reverse climate, health and digital regulation.

For many of these barriers, there are already multilateral rules in place. For example, there are World Trade Organization Agreements on Trade Facilitation, Intellectual Property Rights, Technical Barriers to Trade, Trade in Services, as well as Sanitary and Phytosanitary Measures. For other barriers, such as those relating to customs, there is the World Customs Organization that develops international standards, fosters cooperation and builds capacity to facilitate legitimate trade. The United States has been a central player in constructing all these rules and institutions of global trade that it is now throwing overboard through President Trump's reciprocal tariffs. These rules carefully balance the obligations to remove illegal non-tariff barriers while giving the countries rights to protect important priorities like human, animal or plant life or health and other priorities such as safety standards or environmental protection.

The tariffs will have a pernicious impact on this carefully designed system of obligations and rights. This is because these tariffs reach deep into the domestic regulatory autonomy of US's trading partners, in a way that the US would not allow for itself. Global trade was never designed to allow one country to impose its preferences for how countries decide to balance priorities such as protection of human, animal or plant life or health and safety, on the one hand, and their trade obligations, on the other. For example, Europeans have a much lower tolerance for hormone fed beef than Americans, and global trade rules are designed to balance those between those competing preferences. Similarly, global trade rules are not designed to allow countries challenge constitutional law rules like those in Kenya to restrict foreign ownership of land to a leasehold term of 99 years and no more. This Constitutional restriction arises from the unique history of land relations Kenya. The US has characterized such limitations of foreign ownership of certain assets, industries and services as non-tariff barriers. Yet, the US has similar limitations and restrictions, and here one only remember the case of TikTok. Although the US imposes such limitations and restrictions, it is precisely such limitations and restrictions among the US's poorest trading partners that have justified the imposition of reciprocal tariffs against them.

Many of the countries against which tariffs have been imposed have digital localization rules and rules limiting cross border transfer of data consistent with their priorities to protect the privacy of their citizens. The tariffs are therefore designed to flatten global digital rules to give Big Tech firms unlimited market power over control of data including personal and sensitive data. If the countries targeted for their digital localization rules or rules limiting cross border data transfers cave in, the Trump administration will help achieve a major goal of Big Tech firms to preempt and reverse efforts to regulate the digital economy in the public interest. The tariffs are also seeking to flatten out technical as well as sanitary and phytosanitary regulations that countries impose to meet legitimate regulatory goals such as food and product safety. The US's national trade estimates report on foreign trade barriers identify these legitimate regulatory goals as barriers – such as restrictions on US bovine semen for dairy cattle put in place to limit disease spread as well as pre-export verification standards put in place to ensure imported products are safe.

Another example of non-tariff barriers that has justified President Trump's tariffs is the absence of enhanced intellectual property protections that go well beyond those in the WTO's Agreement on Trade-Related Intellectual Property Rights. Enhanced protections like those demanded of South Africa when it attempted to change its copyright law to adopt fair use, or lack of protections of genetically modified products are examples of the enhanced intellectual property protections preferred by the United. If countries like South Africa yield to demands from the US such as extending the term of copyright from 50 years plus life as the WTO's Agreement on Trade-Related Intellectual Property Rights provides, to life-plus-70 years, that will impose higher costs on South African consumers especially because the US exports more copyrighted works to South Africa than South Africa does to the United States. Similarly, acquiescing to US demands to protect genetically modified products such as corn will likely decimate local agriculture and displace thousands of farmers in poor countries and decimate biodiversity as happened when Mexico entered into the NAFTA Agreement.

Demanding that countries should change their preferred rules to conform with the desires of the United States departs from how trade rules have been written in the past. In the past, trade negotiations at the bilateral or multilateral level provided a forum for the consensual exchange of bargains and concessions. This system of global trade was designed to write rules by consensus rather than through their unilateral imposition by richer and powerful countries, over poorer and less powerful countries. That system is already reeling from the absence of the Appellate Body that heard appeals on global trade disputes at the World Trade Organization. The Appellate Body stopped operations in December 2019 after the United States continued to block appointment of new members thereby bringing it to its knees. Trump's reciprocal tariffs are another major blow to the multilateral trading system.

The reciprocal tariffs also undermine the US's policy of giving preferences to the poorest countries to have access to the US market. Preferential policies were crafted to give the poorest countries markets for their products and produce without having to give reciprocating trade concessions. There has been global consensus about these preferences in the world trading system since the early 1970s. The idea behind preferential policies, is that it they are necessary to support countries with a marginal share of trade in the global economy so that they can meet their development goals while building their trade capacity. One example of such a preferential trade regime is the African Growth and Opportunity Act, (AGOA), which has had bipartisan support for the last two and a half decades. AGOA allowed Lesotho to develop a niche export market in textiles and apparels which created jobs while increasing the welfare of a substantial proportion of its population. AGOA expires in September year, and the imposition of reciprocal tariffs does not augur very well for its renewal. The only glimmer of hope is that there are several exemptions from the tariffs that include some of the exports under AGOA such as petroleum and crude oil, but these are nowhere near the massive negative impact these tariffs will have on the poorest countries.

In short, the reciprocal tariffs constitute a massive effort to pry open foreign markets for the United States including in the poorest countries. This policy of seeking to reshore US jobs through tariffs and flatten non-tariff barriers, inaugurates what is effectively a sledgehammer trade policy. This goes well beyond prying open foreign markets with a crowbar as Carla Hills was famously asked to do when President H.W. Bush handed her a crowbar at her swearing in ceremony as the United States Trade Representative in June 1990. Rather, the Trump Administration has in effect decided to use a sledgehammer to break open foreign markets even those in the poorest countries of the world, targeting both tariff and non-tariff barriers. Rather than use a sledgehammer, the Trump administration could do what every prior administration has done in the last few decades - use a scalpel through the enormous authority Congress has ceded to the President such as through Section 301 of the 1974 Trade Act. That law allows the President to investigate and take action to enforce U.S. rights under trade agreements and to respond to certain foreign trade practices . Super 301 of the Omnibus Trade and Competitiveness Act of 1988 has even more enhanced authority that allows the President to identify priority countries with significant trade barriers whose removal would have the most significant impact in increasing US exports. Super 301 authorizes the President to impose sanctions against those countries. While these powers have been controversial for some of the US's trading partners because of their unilateral nature, they allow for more individualized assessments of US trade partner trading policies and practices.

By contrast, the reciprocal tariffs are an unprecedented reversal not only of the US's commitment to free trade, but also of its leadership in establishing the institutions overseeing this commitment like the World Trade Organization and its dispute settlement system. The trade war already triggered by these tariffs will irreversibly harm the poorest countries while fundamentally undermining the ability of global trading of the World Trade Organization to do anything about this. Even more, this policy is unlikely to meet one of its major objectives, reshoring manufacturing back to the US.

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