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Trump's trade war goes global

In what was viewed as the "biggest systemic shock" to the global trading system, United States President Donald Trump on 2 April unveiled his "reciprocal tariff policy", imposing a 10% tariff on all US imports, while ramping up duties on dozens of countries. Subsequently, in a startling U-turn, Trump paused for 90 days the country-specific tariffs while still maintaining the blanket 10% duty on almost all US imports, in what amounts to a clear break from the General Agreement on Tariffs and Trade (GATT) and its successor, the World Trade Organization.

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Trump unveils "reciprocal tariff policy", damaging global trade

Declaring 2 April as "Liberation Day", United States President Donald Trump unveiled his "reciprocal tariff policy", claiming that the US will be made "wealthy" again "after 30 years of plunder".

by D. Ravi Kanth

GENEVA: United States President Donald Trump on 2 April announced an offensive reciprocal tariff policy, claiming that it would herald a new "Golden Age" for America after being allegedly "ripped off" and "cheated" by "both friend and foe alike", while breaking with its eighty-year-old trade orthodoxy based on the most-favoured-nation (MFN) framework.

President Trump's "reciprocal tariff policy" has seemingly broken away from the General Agreement on Tariffs and Trade (GATT) and its successor, the World Trade Organization, paving the way for "lawlessness and impunity" in global trade for the first time, said two former WTO Director-Generals in comments to the BBC and CNN.

President Trump claimed that the GATT/WTO system created by the US had enabled America's trading partners to take advantage of the system, particularly China, and became prosperous, while the US faced an unprecedented destruction of its industry.

However, the former WTO Director-General Roberto Azevedo told BBC on 2 April that the US has been the biggest beneficiary of the GATT/WTO system since 1948.

In his announcement, President Trump said the US will impose a 10% tariff on all imports and much higher rates for some countries.

Besides the 10% baseline tariff on all imports entering the US market, which comes into effect on 5 April, the varying levels of reciprocal tariffs suggest that they have been decided in a rather arbitrary and politically discretionary way.

Otherwise, it is difficult to explain why Canada and Mexico have been excluded from the reciprocal tariff regime, even though President Trump declared that there would be no exemptions and that all countries would be included in the list.

Also, the 25% tariff on all foreign-made cars and auto parts that President Trump recently announced comes into effect as of midnight on 3 April.

Though President Trump said that the tariffs are being decided on the basis of controversial criteria like currency manipulation, non-monetary restrictions, and trade barriers, the way the reciprocal tariffs have been decided seem to lack any credibility and serious rationale, said people familiar with the reciprocal tariff policy.

President Trump touted a foreign trade barriers report ("2025 National Trade Estimate") that was prepared by the Office of the US Trade Representative (USTR).

He suggested that the USTR report enabled the preparation of his reciprocal tariff policy.

Interestingly, the USTR report does not list value-added tax as a foreign trade barrier.

Declaring 2 April as "Liberation Day" from the White House Rose Gardens, President Trump repeatedly claimed that his country will be made "wealthy" again "after 30 years of plunder".

The former WTO Director-General Pascal Lamy told CNN that he would reckon that the European Union must explore the possibility of resolving the issue of reciprocal tariffs while "carrying a gun" in its pocket.

He repeatedly said that the EU has the "firepower" to hit back with disproportionate force.

Reciprocal tariff list

President Trump disclosed the list of allegedly unilateral reciprocal tariffs that countries will be subjected to with immediate effect.

The reciprocal tariffs are structured on the basis of "tariffs charged to the

USA, including currency manipulation and trade barriers" while also indicating "the USA discounted reciprocal tariffs" to be imposed on the listed countries.

The list begins with China, which according to President Trump, charges 67% tariffs on American goods and services.

In return, the US will now charge a "discounted" reciprocal tariff of 34% on all Chinese goods entering the US market.

China had already been subjected to 20% tariffs last month, so the overall baseline tariff on Chinese products could go up to 54%, and if the 20% tariff imposed by the previous Biden administration is also counted, then the baseline tariff could go further up to 74%.

In addition, China has also been subjected to a 25% tariff on steel and aluminium products entering the US market.

It appears that China is facing the heavy brunt of the US reciprocal tariff regime.

After China, President Trump said that the EU charges a 39% tariff on all American goods and services.

Consequently, he announced a "discounted" reciprocal tariff of 20% on all EU goods entering the US market.

The EU will also face a tariff of 25% on cars and auto parts from 3 April, along with the earlier 25% tariff on steel and aluminum products announced last year.

The third country in the list facing President Trump's reciprocal tariffs is Vietnam, with a "discounted" reciprocal tariff of 46%, as against the 90% tariffs that Hanoi has allegedly been levying on US goods.

Taiwan, which is a close US ally, will now face a "discounted" reciprocal tariff of 32%, as it has been charging 64% tariffs on American goods, according to President Trump.

Japan, a long-time security and economic ally of the US in Asia, has been hit with a "discounted" reciprocal tariff of 24% on grounds that Tokyo allegedly charges 46% tariffs on American goods entering its market.

President Trump claimed that on a variety of items, particularly rice, Japan charges phenomenal tariffs on American goods and products.

India, which according to President Trump is one of the highest tariff and non-tariff barrier nations, will face a "discounted" reciprocal tariff of 26% on all Indian goods entering the US market.

President Trump said New Delhi has been charging 52% tariffs on American goods entering the Indian market.

In contrast, India's three South Asian neighbours – Pakistan, Bangladesh and Sri Lanka – are going to face disproportionate "discounted" reciprocal tariffs.

For example, Pakistan is being subjected to a "discounted" reciprocal tariff of 29%; Bangladesh at 37%; Sri Lanka at 44%; and earthquake-ravaged Myanmar also at 44%.

South Korea, a major supplier of steel, cars, and semiconductors to the US, will face a "discounted" reciprocal tariff of 25% on its products entering the US market, while Seoul is accused of charging 50% tariffs on American goods, according to President Trump.

Thailand, which has a trade surplus of around $44 billion with the US, will now be charged a "discounted" reciprocal tariff of 36% on all its products entering the US market, as it has been charging 72% tariffs on American goods, President Trump said.

According to President Trump's reciprocal tariff list, Indonesia will be charged a "discounted" reciprocal tariff of 32% on all its products entering the US market, since Jakarta has been allegedly charging 64% tariffs on American goods and services.

Malaysia will face a "discounted" reciprocal tariff of 24% on all its products entering the US market, as Kuala Lumpur has been allegedly charging 47% tariffs on American goods.

The Philippines will be subjected to a "discounted" reciprocal tariff of 17% since it has been allegedly imposing 34% tariffs on American goods.

The United Kingdom, the close trans-Atlantic partner of the US, will face a "discounted" reciprocal tariff of 10%, as it has been allegedly charging 10% tariffs on American goods.

Interestingly, Brazil, which was earlier called a high-tariff country by President Trump, will face a "discounted" reciprocal tariff of 10% on its goods entering the American market, as it has been allegedly charging only 10% tariffs on American goods.

Chile, Colombia, and Australia are also subjected to a "discounted" reciprocal tariff of 10% on grounds that they are allegedly charging only 10% tariffs on American goods.

The "discounted" reciprocal tariffs imposed by the US on Central and South American countries are as follows: Peru – 10%; Nicaragua – 18%; Costa Rica – 10%; Dominican Republic – 10%; Argentina – 10%; Ecuador – 10%; Guatemala – 10%; Honduras – 10%; and El Salvador – 10%.

Norway will face a "discounted" reciprocal tariff of 15%, while New Zealand will face a "discounted" reciprocal tariff of 10% on its products entering the American market.

In Africa, Madagascar will face a "discounted" reciprocal tariff of 47%, while Botswana is being subjected to a "discounted" reciprocal tariff of 37%.

In short, the global trading system appears to have been structurally fractured with the advent of the reciprocal tariff policy by an allegedly "imperialist" power that is seemingly ready to go to any extent to extort exclusive benefits from countries, said people familiar with the development. (*SUNS #10194*)

WTO DG warns on fall in global trade, trade war due to US reciprocal tariffs

The new reciprocal tariff regime announced by United States President Donald Trump on 2 April appears to have caused the "biggest systemic shock" to the global trading system, with the World Trade Organization's Director-General warning that it will have substantial implications for global trade and economic growth prospects.

by D. Ravi Kanth

GENEVA: China, the European Union, Australia, and Brazil among others on 3 April said that they are being forced to impose retaliatory countermeasures against American goods and services due to the reciprocal tariffs announced by United States President Donald Trump on 2 April, a development that has seemingly caused the "biggest systemic shock" to the global trading system.

In a single stroke, the reciprocal tariff regime announced by President Trump has seemingly put paid to the strenuously constructed rules of the 80-year-old General Agreement on Tariffs and Trade (GATT) and its successor, the World Trade Organization.

Meanwhile, the WTO's Director-General, Ms Ngozi Okonjo-Iweala, finally issued a statement on 3 April against the reciprocal tariff regime announced by President Trump.

She said: "The WTO Secretariat is closely monitoring and analysing the measures announced by the United States on April 2, 2025."

"Many members have reached out to us and we are actively engaging with them in response to their questions about the potential impact on their economies and the global trading system."

According to Ms Okonjo-Iweala, "the recent announcements [by President Trump] will have substantial implications for global trade and economic growth prospects."

"While the situation is rapidly evolving, our initial estimates suggest that these [reciprocal tariff] measures, coupled with those introduced since the beginning of the year, could lead to an overall contraction of around 1 percent in global merchandise trade volumes this year, representing a downward revision of nearly four percentage points from previous projections," the DG said.

The DG conveyed to the Trump administration that she is "deeply concerned about this decline and the potential for escalation into a tariff war with a cycle of retaliatory measures leading to further declines in trade."

She said that "despite these new measures, the vast majority of global trade still flows under the WTO's Most-Favored-Nation (MFN) terms."

"Our estimates now indicate that this share currently stands at 74%, down from around 80% at the beginning of the year. WTO members must stand together to safeguard these gains," she added.

She cautioned that the "trade measures of this magnitude have the potential to create significant trade diversion effects", while underscoring the need for members to "manage the resulting pressures responsibly to prevent trade tensions from proliferating."

The DG underlined that the WTO was established precisely for moments like this – "as a platform for dialogue, to prevent trade conflicts from escalating, and to support an open and predictable trading environment."

However, the DG did not mention that the crucial enforcement function of the WTO remains paralysed because of the repeated blockage by the US since December 2019 of appointments to the Appellate Body, the highest adjudicating body for resolving global trade disputes at the WTO, said people familiar with the development.

"Carpet bombing"

The new reciprocal tariff regime announced by President Trump seems akin to the US practice of "carpet bombing" during the Vietnam War in the 1960s and early 70s, while paving the way for an unprecedented global trade war, said a trade official who asked not to be quoted.

In announcing the reciprocal tariff regime at the White House Rose Gardens on 2 April, President Trump claimed that the US has been "looted, pillaged, raped and plundered by nations near and far, both friend and foe alike".

With the announcement of his imposition of reciprocal tariffs against some of the poorest countries that are currently "drowning" in post-Covid-19 economic recovery problems, President Trump has taken the world back to 19th century colonial trade, said the Nobel Prize-winning economist Paul Krugman in an interview with the BBC.

"This is the biggest shock for the world trading system," Krugman said.

The European Union, in a strong condemnation of the US reciprocal tariffs on 3 April, said that the world will experience grave consequences because of these tariffs.

European Commission President Ursula von der Leyen said the consequences stemming from the reciprocal tariffs "will be dire for millions of people around the globe."

"We are finalizing the countermeasures to retaliate against the 25% tariff on cars and automobile products", while also finalizing the next round of countermeasures against the reciprocal tariffs, she said.

The EU is the largest trading partner of the US and it has massive "firepower" to hit back with retaliatory countermeasures, said former WTO Director-General Pascal Lamy.

Responding to Washington's allegedly punitive reciprocal tariff regime, the Chinese foreign ministry spokesperson, Guo Jiakun, said that "the United States, under the pretext of reciprocity, has imposed additional tariffs on imports from multiple countries, including China."

"This constitutes a serious violation of World Trade Organization rules and severely undermines the rules-based multilateral trading system," the Chinese spokesperson said.

He said that Beijing "firmly opposes this and will take necessary measures to resolutely safeguard its legitimate rights and interests."

Countries, both big and small, that have been affected by the retaliatory tariffs rebuked the US for violating the core rules enshrined in the General Agreement on Tariffs and Trade (GATT), in particular the non-discriminatory principle outlined in its Article 1 and the binding sanctity of scheduled commitments in Article 2, according to statements issued by several countries.

According to a news report in The Economic Times on 3 April, the Indian Commerce Ministry said in a statement: "Keeping in view the vision of Viksit Bharat [aimed at turning India into a developed country by 2047], the Department is engaged with all stakeholders, including Indian industry and exporters, taking feedback of their assessment of the tariffs and assessing the situation."

The US has announced a reciprocal tariff of 27% on Indian exports to the American market.

The Indian Commerce Ministry said "the Department is also studying the opportunities that may arise due to this new development in the US trade policy."

Norway, which is being charged a reciprocal tariff of 16% on its exports to the US, said that it is disappointed with Washington's tariff, adding that it will consult with the US, according to news reports.

A "flawed" equation?

The reciprocal tariffs announced by President Trump from the White House Rose Gardens on 2 April appear to have been based on a "flawed" equation that has hit many countries, in particular the least-developed countries like Cambodia, Laos, Lesotho, and even inaccessible islands in the Pacific Ocean, with disproportionate force, said several people familiar with the development.

According to several analysts, the reciprocal tariffs are allegedly based on "a dumb, stupid, irrational and unsustainable" equation.

The reciprocal tariffs are structured on an equation whereby the US trade deficit with a particular country is divided by the total value of exports of the affected country to the US.

Consider, for example, the US trade deficit with China, which currently stands at $291.9 billion, is divided by the total Chinese exports of $433.8 billion to the US ($291.9 billion divided by $433.8 billion equals 0.6728).

In percentage terms, it would amount to 67%, which according to President Trump, is the tariff charged to US goods entering the Chinese market.

Further, as part of the "discounted" reciprocal tariff that will be charged on Chinese goods entering the American market, the Trump team halved the 67% to arrive at a figure of 34%.

This method of calculation for all countries, regardless of their specific economic conditions, has resulted in a disproportionate level of tariffs being imposed on the least-developed countries, said analysts.

China, according to the latest calculation, would apparently be subjected to a total tariff of 65% on all its goods entering the US market (20% due to the fentanyl issue plus the 34% reciprocal tariff plus the 11% from the previous Biden administration), said an analyst who asked not to be quoted.

The Trump administration has decidedly chosen to hit not only China but also several other countries like Thailand, Vietnam, Cambodia, Laos, and even Malaysia and Indonesia because of the likely prospect of the diversion of trade, said a trade official who asked not to be quoted.

The "rushed job" by the Trump administration in constructing the reciprocal tariff regime has exposed how Washington is resorting to "irresponsible" unilateral measures that are seemingly undermining the global trading system, the trade official said.

Consequently, using tariffs to adjust the trade balance is "inherently and strategically flawed," the trade official argued, suggesting that the whole exercise might have carried some credibility if they only targeted five or six large countries.

More worrisome is the fact that several African countries that are availing of the Generalized System of Preferences as well as the EU's Everything but Arms initiative and the African Growth and Opportunity Act (AGOA), are being unilaterally targeted, said an African trade official.

Effectively, the Trump administration has seemingly killed the preferential tariff schemes for the poorer countries, as well as the special and differential treatment (S&DT) architecture for developing countries, which are the building blocks for countries in the Global South to integrate into the global trading system, said people familiar with the development.

Even in the case of New Zealand, which allows a zero tariff on farm and dairy products from the US while the US levies hefty duties on New Zealand's dairy products, the Trump administration announced a reciprocal tariff of 10%, in addition to a baseline tariff of 10% on all countries, said a Northern trade official, who asked not to be quoted.

According to a trade policy expert, who had worked at the United Nations, "the imposition of new tariffs by the USA on imports from all countries not just violates its GATT commitments in the WTO but has the potential to unravel all the negotiated agreements at the WTO which have taken decades to conclude."

The expert suggested that "in the Uruguay Round, developing countries accepted binding commitments on most of their tariff lines and made significant commitments in new areas of interest to the developed world such as intellectual property and services, while developed countries, in exchange, agreed to open up areas of interest to developing countries, namely agriculture and textiles and clothing."

Many studies have shown that the gains to developed countries from the TRIPS and TRIMs agreements have outweighed many times the gains to developing countries from the Uruguay Round, the expert said.

The TRIPS agreement limited developing countries' flexibilities and raised their costs of using technologies or products patented in their territories, leading to a net flow of rents from the South to the North, the expert added.

While developing countries' obligations under the TRIPS agreement are enforceable and could be challenged under the dispute settlement mechanism, their rights to technology transfer were not enforceable, the expert said.

The TRIPS agreement also provided a base to the developed world for all their future trade agreements, where they negotiated "TRIPS-plus" commitments.

With broad recognition of this asymmetry, the Doha Development Round was launched in November 2001 with a development-focused agenda.

However, it has not yet been concluded, sidelined in favour of plurilateral negotiations on issues of special interest to the advanced economies, said the expert.

With the commitments on tariffs now also being withdrawn, there is an urgent need for developing countries to rethink their strategy towards this new development and have a collective response, the expert said.

The expert emphasised that "the race to the bottom should be avoided at all costs, or else it will endanger the export interests of all developing countries in the long run."

One of the reasons for an advanced country to raise its tariffs on all countries is the expectation and assessment that the rapid advances in technologies, including large-scale production of industrial robots and generative AI will face excess capacity in their country if goods keep coming from low-cost countries, the expert said.

In such a scenario, the increase in tariffs may not lead to trade diversion, so countries on which lower tariffs are imposed may not be able to gain market share at the cost of other countries facing higher tariffs, the expert said.

The imposition of the carbon-border adjustment mechanism (CBAM) and de-risking of supply chains are also ways of protecting domestic markets in the rapidly digitalizing advanced countries, the expert said.

"In such a scenario, developing countries should prepare a collective bargaining response," the expert said, suggesting that "withdrawing their commitments under GATS (General Agreement on Trade in Services) and TRIPS could be used as a counter to the increase in tariffs."

Further, "removing the moratorium on customs duties on electronic transmissions and imposing customs duties on digital imports from the USA and other advanced countries could be another way to counter such actions," the expert suggested.

"This will also help in developing digital sectors in the developing countries and generating new sources of revenue for their digital transformation," the expert concluded. (*SUNS #10195*)

China retaliates with 34% tariff on US goods, initiates WTO dispute

In response to the "reciprocal tariffs" imposed by the Trump administration on Chinese goods, China has retaliated with a 34% tariff on all American goods, as well as initiating a trade dispute against the United States at the World Trade Organization.

by D. Ravi Kanth

GENEVA: Calling the "reciprocal tariffs" announced by United States President Donald Trump on Chinese goods a grave violation of international trade rules, seriously undermining "China's legitimate and lawful rights and interests", and "is a typical unilateral bullying practice," China has retaliated with a 34% tariff on all American goods, which comes into effect on 10 April.

President Trump had on 2 April announced a regime of "reciprocal tariffs" against many countries, including a 34% tariff on all Chinese goods entering the US that comes into effect on 9 April.

In addition, the US had also imposed a 20% tariff on Chinese goods over the alleged illegal supplies of the drug fentanyl entering the US market that had already come into effect last month.

The US also imposed a baseline tariff of 10% on all countries that came into effect on 5 April.

Meanwhile, the varying levels of reciprocal tariffs imposed on more than 60 countries, which are estimated to average 23%, comes into effect on 9 April.

The latest reciprocal tariffs imposed by President Trump have apparently surpassed the tariffs imposed under the Tariff Act of 1930, also known as the Smoot-Hawley Tariff Act, which led to the Great Depression.

Responding to the allegedly unilateral reciprocal tariffs imposed by the US on Chinese goods, Beijing has decided to impose a 34% tariff on all American goods as well as a regime of export sanctions on the supply of critical rare earth minerals and their processed products.

Prior to its latest announcement, China last month imposed tariffs of 15% on imports of coal and liquefied natural gas (LNG) from the US in retaliation for Washington's 10% duties on Chinese goods.

It also announced stiff export controls on key minerals and businesses, limiting what could be exchanged with the US.

"The purpose of the Chinese government's implementation of export controls on relevant items in accordance with the law is to better safeguard national security and interests, and to fulfil international obligations such as non-proliferation," the Ministry of Commerce said in a statement.

China's tariff announcement

China's Customs Tariff Commission of the State Council on 4 April issued the strongest statement yet on the US reciprocal tariffs imposed on Chinese goods entering the US market.

The US move "is not in line with international trade rules, seriously undermines China's legitimate and lawful rights and interests, and is a typical unilateral bullying practice," the Commission said in a brief statement.

According to the statement, the Commission said "in accordance with the Customs Law of the People's Republic of China, the Foreign Trade Law of the People's Republic of China and other laws and regulations and the basic principles of international law, with the approval of the State Council, from 12.01 on April 10, 2025, additional tariffs will be imposed on imported goods originating in the United States.

The relevant matters are as follows:

1. A 34% tariff will be imposed on all imported goods originating in the United States on top of the current applicable tariff rate.

2. The current bonded and tax reduction and exemption policies remain unchanged, and the additional tariffs

imposed this time will not be reduced.

3. Before 12:01 on April 10, 2025, if the goods have been shipped from the place of departure and imported from 12:01 on April 10, 2025 to 24:00 on May 13, 2025, the additional tariff stipulated in this announcement will not be levied."

China also imposed sweeping export controls to limit the exchange of goods and services with the US, according to news reports.

Some pertained to the export of medium and heavy rare earths to the US, including samarium, gadolinium, terbium, dysprosium, lutetium, scandium and yttrium, effective from 4 April.

Others took aim at US businesses, with China adding 16 US entities to its export control list, which bans the export of dual-use items to affected firms in the US.

Another 11 US firms were included in the "unreliable entities" list, which allows Beijing to take punitive action against foreign entities.

The targeted firms include Skydio Inc and BRINC Drones, Inc over arms sales to Taiwan, which China claims as part of its territory.

The Chinese Commerce Ministry said that the targeted companies seriously "undermined" China's national sovereignty, security and development interests and would be banned from new investments, import and export activities in China.

China initiates dispute

In addition to the proposed 34% tariff on American goods, China on 4 April also initiated a trade dispute against the US at the World Trade Organization over the US retaliatory tariffs.

A spokesperson of the Chinese commerce ministry told reporters on 4 April that Beijing has filed a complaint with the WTO invoking dispute settlement proceedings against the reciprocal tariffs announced by Washington on 2 April.

"The so-called "reciprocal tariff" imposed by the United States is a blatant violation of WTO rules," the spokesperson said, adding that "it undermines the legitimate interests of other WTO members as well as the rules-based multilateral trading system."

"The unilateral and coercive tariff measures adopted by the United States seriously disrupt the stability of [the] global economy," the spokesperson said, insisting that "China is strongly opposed to such measures."

China asserted that it "always stands firmly in support of the multilateral trading system."

Beijing urged "the United States to immediately correct its wrongful practices and eliminate the tariff measures accordingly."

As a first step, China has requested that the US enter into consultations with China under Article 4 of the WTO's Dispute Settlement Understanding (DSU) within the stipulated period of 30 days.

Under the DSU, if the two sides fail to reach an amicable agreement within 60 days, then China can request the establishment of a panel against the US.

However, the WTO's enforcement function remains paralyzed and it is almost impossible for Beijing to secure any relief, which China is well aware of, said people familiar with the current development.

While President Trump said that China has "panicked" after Beijing announced retaliatory tariffs on 4 April, it appears from his posts that Washington is looking forward to a dialogue.

In his first post on his Truth Social website on 3 April, President Trump wrote, "We hope to continue working in Good Faith with China, who I understand are not very happy about our Reciprocal Tariffs (Necessary for Fair and Balanced Trade between China and the U.S.A.!)."

Immediately after announcing a second 75-day extension to TikTok to continue operating in the US, President Trump lauded his reciprocal tariffs, saying that "this proves that Tariffs are the most powerful Economic tool, and very important to our National Security! We do not want TikTok to "go dark." We look forward to working with TikTok and China to close the Deal."

In another post on 4 April in response to the retaliatory duties of 34% imposed by China on American goods, President Trump claimed that "China has been hit much harder than the USA, not even close."

"They [China], and many other nations, have treated us unsustainably badly," President Trump said, adding that "we have been the dumb and helpless "whipping post," but not any longer."

"We are bringing back jobs and businesses like never before. Already, more than FIVE TRILLION DOLLARS OF INVESTMENT, and rising fast! THIS IS AN ECONOMIC REVOLUTION, AND WE WILL WIN. HANG TOUGH, it won't be easy, but the end result will be historic. We will, MAKE AMERICA GREAT AGAIN!!!"

China's Foreign Ministry spokesperson, Guo Jiakun, on 5 April said the ongoing trade war between the United States and other nations is "unprovoked and unjustified" in the face of a sudden crash in the US stock markets on 4 April.

The Chinese spokesperson said in a social media post: "The trade and tariff war started by the US against the world is unprovoked and unjustified."

Meanwhile, without mentioning the US reciprocal tariffs, UN Trade and Development (UNCTAD) said on 4 April: "As major economies are set to impose sweeping new tariffs, UN Trade and Development (UNCTAD) alerts that the global trade system is entering a critical phase – threatening growth, investment, and development progress, particularly for the most vulnerable economies."

"This hurts the vulnerable and the poor," said UNCTAD Secretary-General Rebeca Grynspan.

"Trade must not become another source of instability. It should serve development and global growth."

Pointing out that reciprocal tariffs will induce unpredictability and uncertainty, UNCTAD said that the least developed countries and small island developing states – responsible for just 1.6% and 0.4% of the US trade deficit, respectively – are being affected.

According to UNCTAD, "trade imbalances, concentrated gains, and outdated rules must be addressed – without sacrificing those least responsible."

"This is a time for cooperation - not escalation," Ms Grynspan said. "Global trade rules must evolve to reflect today's challenges, but they must do so with predictability and development at their core, protecting the most vulnerable."

Global trade order

US Commerce Secretary Howard Lutnick claimed that the reciprocal tariffs announced by President Trump are directed at "reordering the global trade order."

However, several commentators argue that President Trump's reciprocal tariffs are directed at destroying the 80-year-old trade order based on the Most-Favored-Nation (MFN) framework while the tariffs were negotiated during several rounds of trade negotiations.

Further, President Trump has seemingly "killed" the preferential trade agreements while "guillotining" the "trust" in all international institutions, said a trade negotiator, who asked not to be quoted.

The question that is seemingly haunting several countries is how can the US be trusted after what it did to the global trade architecture that it had created since US President Franklin D. Roosevelt's term in office, said people who asked not to be quoted.

Worse still, the reciprocal tariffs announced by President Trump are unlikely to disappear anytime soon, as they may likely be continued rather permanently under one pretext or the other, said people who asked not to be quoted.

While the US reciprocal tariffs appear to be precipitating a global trade war, President Trump and his policy-makers, particularly his Treasury Secretary Scott Bessent, are now attempting to change the international financial architecture by bringing in "stablecoins" pegged to the US dollar to further "weaponize" the US dollar- based financial system and gradually shift to bitcoins and other virtual currencies.

Writing in the internet publication The Wire on 26 March, this writer cautioned that the threat posed by President Trump before he announced his reciprocal tariffs is the "calculated rhetoric of an administration bent on reshaping global trade and finance in its favour."

The US could push for a "Mar-a-Lago Accord", restructuring the international financial system through mechanisms such as bitcoin-backed virtual currencies to offset its deficits – a move that could destabilize the developing economies. (*SUNS #10196*)

Trump unleashes global trade war, imposes 104% tariff on China

In response to the retaliatory duty of 34% imposed by China against the United States, the US administration announced that a tariff of 104% would be imposed on imports of Chinese goods, sparking a spiraling trade war between the world's two largest economies.

by D. Ravi Kanth

GENEVA: The United States on 8 April said that a tariff of 104% on Chinese goods entering the American market will go into effect on 9 April, after China flatly refused to remove the 34% retaliatory duty it had announced in response to US President Donald Trump's reciprocal tariffs of 34% on Chinese goods, according to the White House spokesperson.

While insisting that China wants to negotiate a deal, which China had not confirmed, it has been decided that the 50% additional tariff on China will go into effect bringing the overall tariff to 104%, the spokesperson Karoline Leavitt said.

She said China's retaliatory tariffs were a mistake, adding that in response, the administration would impose the total tariff of 104%.

President Trump had already imposed a 20% tariff on Chinese goods on grounds that Beijing has failed to stop the flow of alleged illegal supplies of the drug fentanyl to the US.

Subsequently, a reciprocal tariff of 34% was announced on Chinese goods starting on 9 April.

President Trump will now add an additional tariff of 50% because of China's retaliation to the reciprocal tariff.

Significantly, the White House spokesperson said that President Trump held a meeting with his trade team on 8 April wherein he directed his advisors to "have tailor-made trade deals with each and every country that calls up this administration."

She said President Trump wants his negotiating team to make "unique" deals "based on that country's markets, based on that country's exports, the imports here in the United States of America."

While the negotiations with the countries seeking resolution with the US will continue, the baseline tariff of 10% and the reciprocal tariff would take immediate effect, she informed the press.

In response to the latest move by the US administration, a spokesperson for China's commerce ministry warned against President Trump's move, insisting that Beijing would "resolutely take countermeasures to safeguard its own rights and interests."

"If the US insists on going its own way, China will fight to the end," the spokesperson said, according to media reports.

During a briefing with the US senators on 8 April, the US Trade Representative (USTR), Ambassador Jamieson Greer, said "other countries signaled that they like to find a path forward on reciprocity, China has not said that, and we will see where that goes."

According to Ambassador Greer, "I think we need to work with our closest friends to make sure that we have trading arrangements that work."

"If the Chinese are open, we will see," the USTR said, adding that "they have not signaled that at all."

It is rather surprising on what basis President Trump is saying that China is interested in reaching a deal with the US, said people familiar with the development.

China stands firm

Meanwhile, China on 8 April condemned the threats issued by President Trump, asserting that it will "fight to the end," as "the US threat to escalate tariffs on China is a mistake on top of a mistake," in what appears to be a spiraling trade war between the world's two largest economies, said people familiar with the development.

A statement issued by China's commerce ministry said President Trump's threat to impose an additional 50% tariff if Beijing does not rescind its retaliatory tariff of 34% on US goods, "once again exposes the blackmailing nature of the US."

"China will never accept this. If the US insists on its own way, China will fight to the end," said the statement.

Earlier, China said that it will not tolerate any "unilateral bullying" by the US.

China's People's Daily said in an editorial on 6 April that "the sky won't fall,", adding that, "Since the US initiated the (first) trade war in 2017 – no matter how the US fights or presses – we have continued to develop and progress, demonstrating resilience – "the more pressure we get, the stronger we become"."

With the deadline for China to remove its retaliatory tariff on US goods having already passed, President Trump has not made any final call yet on imposing the 50% additional tariff on Chinese goods.

Instead, he touted in his social media post on Truth Social on 8 April that he "had a great call with the Acting President of South Korea," adding that they "talked about their tremendous and unsustainable Surplus, Tariffs, Shipbuilding, large scale purchase of US LNG, their joint venture in an Alaska Pipeline, and payment for the big time Military Protection we provide to South Korea."

South Korea's "top TEAM is on a plane heading to the US, and things are looking good," President Trump claimed.

Without revealing the names of the countries that want to reach a deal with the US following the imposition of his reciprocal tariffs, President Trump said, "We are likewise dealing with many other countries, all of whom want to make a deal with the United States."

"Like with South Korea, we are bringing up other subjects that are not covered by Trade and Tariffs, and getting them negotiated also," he said, insisting that "ONE STOP SHOPPING is a beautiful and efficient process!!!"

Without any apparent evidence, President Trump said that "China also wants to make a deal, badly, but they don't know how to get it started. We are waiting for their call. It will happen! GOD BLESS THE USA."

It is, however, moot as to what President Trump will do if China does not call, as China's firm stand against the reciprocal tariffs could give rise to the emergence of new coalitions to fight against the unilateral tariffs and other measures imposed by President Trump that has created "unpredictability and uncertainty" in global trade, said several people who asked not to be quoted.

The White House spokesperson Leavitt said that China wants to make a deal with the US, insisting that the 104% tariffs on China will go into effect on 9 April.

To recall, the US has already imposed a baseline tariff of 10% on all countries on 5 April.

In addition, the varying levels of reciprocal tariffs on around 60-plus countries announced by President Trump will come into effect on 9 April.

The overall level of tariffs unveiled by President Trump against China comes to around 65% (the 20% tariff imposed on Chinese goods because of the alleged illegal supplies of the drug fentanyl plus the 34% reciprocal tariff plus the tariff of 11% imposed by the previous Biden administration).

Responding to President Trump's reciprocal tariff of 34% on all Chinese goods, Beijing chose to hit Washington in equal measure by announcing a 34% tariff on US goods as well as a slew of export restrictions, particularly on exports of critical raw minerals that are crucial for the development of fighter jets and other advanced technology items.

China's 34% tariff on American goods and the export restrictions will come into effect on 10 April.

Responding to China's announcement of the 34% retaliatory tariff on US goods, President Trump on 7 April said he will impose another 50% tariff if China does not remove its retaliatory tariff by 8 April.

WTO complaint

Meanwhile, a formal request for consultations by China concerning the reciprocal tariffs imposed by President Trump on 2 April was circulated to WTO members on 8 April.

According to China's communication (WT/DS638/1) to the Dispute Settlement Body, China has requested consultations with the US under Articles 1 and 4 of the World Trade Organization's Dispute Settlement Understanding (DSU) "with respect to the United States' so-called "reciprocal tariff" measures that impose additional duties on products from all its trading partners, including China."

China said a universal additional ad valorem rate of duty of 10%, effective on 5 April 2025, is imposed on products from all United States' trading partners.

Subsequently, it said, for the United States' trading partners as enumerated in Annex 1 to the Executive Order (issued on 2 April), a country-specific additional tariff, effective on 9 April 2025, would apply and the duty rate shall increase from 10% to the rate as set forth in the above mentioned Annex.

"As a consequence," China said, "all products originating in China are subject to a 10% additional tariff, effective on 5 April 2025, and a 34% additional tariff, effective on 9 April 2025."

According to China, "the additional tariffs are imposed in addition to any other duties or charges applicable to the imported products, including the United States' bound rates in its Schedule of Concessions and Commitments annexed to the GATT 1994, and the country-specific tariffs in particular, accord differential treatment to products originating from different WTO Members."

China argued that "the measures at issue, adopted by the United States unilaterally on the alleged basis of "reciprocity" and "trade balance", are a clear breach of its own WTO obligations and commitments, and seriously undermine the rules-based multilateral trading system, and are discriminatory and protectionist in nature."

China said "the legal documents through which the United States imposes and administers the measures at issue include, inter alia:

- the International Emergency Economic Powers Act of 1977, 50 U.S.C 1701 et seq;
- the National Emergencies Act, 50 U.S.C. 1601 et seq;
- Section 604 of the Trade Act of 1974, 19 U.S.C. 2483;
- Executive Order of 2 April 2025: Regulating Imports with a Reciprocal Tariff to Rectify Trade Practices that Contribute to Large and Persistent Annual United States Goods Trade Deficits, effective on 5 April 2025;
- Fact Sheet: President Donald J. Trump Declares National Emergency to Increase our Competitive Edge, Protect our Sovereignty, and Strengthen our National and Economic Security."

China said that "the measures at issue appear to be inconsistent with the United States' obligations under the following provisions of the GATT 1994, the Customs Valuation Agreement, and the SCM Agreement, including:

- Article I:1 of the GATT 1994, because the measures at issue fail to extend immediately and unconditionally to products originating in China an "advantage, favour, privilege or immunity" granted by the United States "[w]ith respect to customs duties and charges of any kind imposed on or in connection with" the importation of products originating in the territory of other Members.
- Article II:1(a) and (b) of the GATT 1994, because the United States imposes additional tariffs on all imported products originating in China as identified in measures above that are in excess of United States bound rates in its Schedule of Concessions and Commitments annexed to the GATT 1994, and therefore fails to accord to the products originating in China and imported into the United States treatment no less favourable than that provided for in the United States' Schedule of Concessions and Commitments annexed to the GATT 1994.
- Article X:3(a) of the GATT 1994, because the United States does not administer the measures at issue in a uniform, impartial, and reasonable manner.
- Articles 1.1 and 8 of the Customs Valuation Agreement, and the relevant interpretative Notes in Annex I thereto, as well as paragraphs 1 and 2 of the General Introductory Commentary of the Customs Valuation Agreement, and Articles VII:1, VII:2(a), (b) and (c) of the GATT 1994, because the United States, by excluding the value of the "US content" of the imported products from the application of the additional tariffs, fails to use the transaction value, that is the price actually paid or payable for the goods, as the basis for customs value, and applies unjustified adjustment or valuation methods for customs purposes.
- Articles 3.1 and 3.2 of the SCM Agreement, because the United States, by excluding the value of the "US content" of the imported products from the application of the additional tariffs, provides subsidies, within the meaning of Article 1 of the SCM Agreement,

contingent in law or in fact, upon export performance and the use of domestic over imported goods. The available evidences are the documents listed in the Measures at Issue above."

As a first step, the US will have to address the issues raised by China within a period of 30 days.

If the two sides fail to reach an amicable agreement within 60 days, then China can request the establishment of a dispute panel to rule on the US reciprocal tariff measures.

In a related development, the chair of the WTO's General Council (GC), Ambassador Saqer Abdullah Almoqbel of Saudi Arabia, in a communication to heads of delegations on 8 April, informed that "he intends to hold informal consultations with interested delegations on the current economic situation and how this may impact the multilateral trading system, with a view to exploring how WTO members could engage on these latest developments," a WTO spokesperson said.

"The initiative is in response to several delegations approaching him about the latest developments in global trade and how this may impact work at the WTO," the GC chair said.

Meanwhile, the WTO's Director-General, Ms Ngozi Okonjo-Iweala, at a Town Hall meeting on 2 April announced a severe squeeze in appointments, travel expenses for officials, and even new trainees, on grounds of severe budgetary cuts.

Last year, the DG's travel expenditure is understood to have been estimated at around CHF 1 million, said a person who asked not to be quoted.

The DG is understood to be traveling to Tokyo soon and later this April for the spring meetings of the IMF and World Bank in Washington DC, the person said.

EU taps China

In a related development, the European Union on 8 April called on China to work out a "negotiated resolution" to bring about "stability and predictability" to the global trading system that has now been almost "broken" by the alleged unilateral "reciprocal tariffs" announced by President Trump on 2 April.

According to a news report in the Financial Times on 8 April, it appears that the EU officials want to ensure cooperation with Beijing to contain any escalation and limit the damage to the European economy.

The EU has announced that it would impose retaliatory duties on American goods in response to President Trump's imposition of a 25% tariff on cars and auto parts, though the truncated list announced by Brussels removed bourbon whiskey following a threat from President Trump, said people familiar with the development.

It remains to be seen how the situation between the EU and China, with the huge size of their respective markets and the large volume of goods being traded between them, will unfold in the coming days, said people familiar with the development. (*SUNS #10198*)

Trump adopts "face-saving" strategy on tariffs, after China hits back

In what appears to be a stunning reversal, United States President Donald Trump has paused for 90 days the "reciprocal" tariffs that he had announced against a range of countries on 2 April, which had resulted among others in a sharp downturn in global markets.

by D. Ravi Kanth

GENEVA: United States President Donald Trump on 9 April seemingly escalated his trade war, particularly against China, by imposing a 125% tariff on all Chinese goods, while pausing for 90 days his initial reciprocal tariffs imposed on countries that have sought discussions with his administration.

However, during the 90-day pause, the US will still impose a "substantially lowered reciprocal tariff of 10%" on all countries, President Trump declared.

In response to China's decision to impose a 50% additional tariff on all American goods entering the Chinese market, which increased the overall tariff to 84% on American goods, President Trump resorted to a seemingly "face-saving" act by raising the overall tariff on Chinese goods from 104% to 125%, an increase of 21%, on allegedly irrational and unsustainable grounds, said people familiar with the development.

According to President Trump's seemingly bizarre reasoning, China has shown "lack of respect" to the "World's Markets," even though the world's markets went into a temporary tailspin following the announcement of the reciprocal tariffs on 2 April.

The sudden imposition of reciprocal tariffs has resulted in investors losing trillions of dollars, according to media reports.

Yet, President Trump appears to be blaming China for the current downturn in the global markets.

"I am hereby raising the Tariff charged to China by the United States of America to 125%, effective immediately," he wrote in his social media website Truth Social on 9 April.

While imposing the punitive duties on Chinese products, he said "at some point, hopefully in the near future, China will realize that the days of ripping off the U.S.A., and other Countries, is no longer sustainable or acceptable."

In his latest action in excluding China from the 90-day pause on implementing his reciprocal tariffs, President Trump said: "Conversely, and based on the fact that more than 75 Countries have called Representatives of the United States, including the Departments of Commerce, Treasury, and the USTR, to negotiate a solution to the subjects being discussed relative to Trade, Trade Barriers, Tariffs, Currency Manipulation, and Non Monetary Tariffs, and that these Countries have not, at my strong suggestion, retaliated in any way, shape, or form against the United States, I have authorized a 90 day PAUSE, and a substantially lowered Reciprocal Tariff during this period, of 10 percent, also effective immediately."

China stands firm

Severely criticizing President Trump's decision to impose a 50% tariff that took the overall tariff burden against Chinese goods to 104%, a spokesperson of the Chinese foreign ministry, Mr Lin Jian, asserted: "We will not let anyone take away the Chinese people's legitimate right to development. We will not tolerate any attempt to harm China's sovereignty, security and development interests."

"We will continue to take resolute and strong measures to safeguard our legitimate rights and interests," the spokesperson said.

A spokesperson of the Chinese commerce ministry on 9 April announced that Beijing will impose a 50% additional tariff on all American goods in response to the US decision to impose 104% tariffs on Chinese goods.

While the US tariff of 104% on all Chinese goods exported to the US came into effect on 9 April, China's retaliatory duties of 84% against American goods will kick-in on 10 April.

In addition to the 84% duty on American goods, China also placed 12 US entities on its export control list on grounds of safeguarding its national security interests.

The spokesperson of China's commerce ministry pointed to six new entities that have been added to its unreliable entity list, including among others Shield AI, Inc; Sierra Nevada Corporation; Edge Autonomy Operations LLC; Group W; and Hudson Technologies Co.

Separately, China has also imposed export controls on vital supplies of critical raw materials that are crucial in several hi-tech areas, including the manufacturing of advanced stealth aircraft by US companies like Boeing and Lockheed Martin, said people familiar with the development.

China is understood to have filed another complaint with the World Trade Organization's Dispute Settlement Body (DSB) against the additional 50% tariff imposed by the US on Chinese products, on top of the existing so-called "reciprocal tariff" measures.

Beijing argued that "the United States' tariff measures are a blatant violation of WTO rules," adding that "the 50% additional tariff measures continue its wrongful practices, and demonstrate its unilateral and bullying nature," said people familiar with China's complaint.

China stressed that "it would defend its legitimate interests in accordance with WTO rules, and maintain the multilateral trading system and the international trading order," said people familiar with the development.

WTO DG's warning

In a rather sharp statement, the WTO's Director-General Ms Ngozi Okonjo-Iweala expressed deep concern over the worsening trade war between the US and China.

She said, "the escalating trade tensions between the United States and China pose a significant risk of a sharp contraction in bilateral trade."

"Our preliminary projections suggest that merchandise trade between these two economies could decrease by as much as 80%," the DG cautioned.

Further, she said "this tit-for-tat approach between the world's two largest economies - whose bilateral trade accounts for roughly 3% of global trade – carries wider implications that could severely damage the global economic outlook."

Highlighting the substantial risks associated with further escalation, Ms Okonjo-Iweala said that "the negative macroeconomic effects will not be confined to the United States and China but will extend to other economies, especially the least developed nations."

She expressed concern over "the potential fragmentation of global trade along geopolitical lines", suggesting that "a division of the global economy into two blocs could lead to a long-term reduction in global real GDP by nearly 7%."

According to the DG, "trade diversion remains an immediate and pressing threat, one that requires a coordinated global response. "

Underscoring the need for cooperation and dialogue, she urged the WTO members "to protect the open, rules-based trading system." (*SUNS #10199*)

US reciprocal tariffs risk devastating vulnerable developing countries

The "reciprocal" tariffs announced by the Trump administration on 2 April risk devastating the poorest and most vulnerable economies, whose activities have a negligible effect on trade deficits, and thus should be exempt from the new tariff hikes, according to UN Trade and Development (UNCTAD).

by Kanaga Raja

PENANG: UN Trade and Development (UNCTAD) has called on the poorest and most vulnerable economies to be exempted from the "reciprocal tariffs" announced by the Trump administration, arguing that in many cases, the tariffs risk devastating these economies, without significantly reducing the United States' trade deficit or contributing to its additional tariff revenue collection.

According to UNCTAD, already grappling with low growth and mounting uncertainty, vulnerable and small economies, whose activities have a negligible effect on trade deficits, should be exempt from new tariff hikes.

In releasing its latest Global Trade Update on 14 April, UNCTAD said the reciprocal tariffs, currently on pause for 90 days, were calculated at rates to balance bilateral merchandise trade deficits between the United States and 57 of its trading partners, which range from 11% for Cameroon to 50% for Lesotho.

However, UNCTAD pointed out that the 57 trading partners concerned - 11 of them Least Developed Countries - contribute minimally to US trade deficits.

It noted that 28 out of these 57 trading partners each account for less than 0.1% of the deficits, yet could still be subject to the reciprocal tariffs.

As many of these economies are small in size, structurally weak with low purchasing power, they offer limited export market opportunities for the US, said UNCTAD.

Any trade concessions they grant would mean little to the United States, while potentially reducing their own revenue collection, it cautioned.

The latest edition of UNCTAD's Global Trade Update, titled "Escalating tariffs: The impact on small and vulnerable economies", said that in recent months, the United States has introduced trade measures that have transformed the current trade landscape.

In this regard, the report provides a timeline of the US trade policy decisions and an analysis of the impact of the "reciprocal tariffs" on small and vulnerable economies.

Key takeaways

Among the key takeaways from the report are that small and Least Developed Countries represent a marginal share of the US trade deficit.

For example, 28 of the affected trading partners each contribute less than 0.1% of the total US trade deficit.

Yet, imposing "reciprocal tariffs" will disproportionately affect their ability to export to the US market, said UNCTAD.

Another key point highlighted in the report is that most trading partners facing reciprocal tariffs would generate minimal additional revenue for the US, even if import volumes remain unchanged.

For 36 of them, the new tariffs would generate less than 1% of current US tariff revenues. Major oil exporters, such as Guyana and Nigeria, would add very little, as oil is exempt from any additional tariffs, said UNCTAD.

Similarly, UNCTAD said that reciprocal tariffs on countries that primarily export mineral products, such as Zambia and the Democratic Republic of Congo, would generate negligible additional revenue for the US but would further hinder their potential to diversify and add value to their exports.

In a similar vein, several trading partners export agricultural commodities not produced in the US and for which there are few substitutes.

For instance, in 2024, the US imported $150 million in vanilla from Madagascar, close to $800 million in cocoa from Cote d'Ivoire and $200 million in cocoa from Ghana, said UNCTAD.

Increasing tariffs on such goods may raise some additional revenue but will also likely increase consumer prices, it pointed out.

UNCTAD said in recent months, the United States Executive has imposed import tariffs at or above 10 per cent to imports from all over the world, justified by existing United States laws.

According to the UNCTAD report, some of the legislation that has served as a basis is the following:

- The International Emergency Economic Powers Act (IEEPA) grants the President broad authority to regulate various economic transactions following a declaration of a national emergency. Under IEEPA, the United States Executive can implement tariffs in response to a national economic emergency, in accordance with United States trade law. Based on IEEPA, 10 per cent across-the-board tariffs are in place from 5 April 2025.
- Section 232 of the Trade Expansion Act of 1962 allows the President to impose tariffs on imports deemed a threat to national security. Tariff levels are determined after a Department of Commerce investigation is completed. This provision has been used to impose 25 per cent tariffs on imports of steel and aluminum into the United States.
- Section 301 of the Trade Act of 1974 grants the Executive the authority to enforce trade agreements, solve trade conflicts, and increase access to foreign markets for US goods and services. It is the main legislation the United States uses to impose trade sanctions on countries that "violate trade agreements or engage in unfair trade practices."

* Section 604 of the Trade Act of 1974 enables the Executive to impose duties or restrictions on imports. This section has been used to implement "reciprocal tariffs" on trading partners.

The UNCTAD report goes on to provide a timeline of the implementation of the new US trade measures ranging from the US administration first issuing its America First Trade Policy on 20 January 2025, the Presidential

Memorandum on "Reciprocal Trade and Tariffs" introducing the "Fair and Reciprocal Plan" on 12 March 2025, to the announcement of reciprocal tariffs worldwide on 2 April 2025, which was followed by the additional 10 per cent reciprocal tariffs that became effective on 5 April 2025 and the additional country-specific tariffs that became effective on 9 April 2025 (a 90-day pause was later announced).

The report noted that the United States has in place 14 free trade agreements (FTA) with 20 countries.

Despite preferential duty treatment established in those agreements, US trading partners now face 10 per cent import duties, except for the products exempted in the 2 April 2025 Executive Order, it said.

Likewise, United States-Mexico-Canada Agreement (USMCA) trading partners – Canada and Mexico – receive different treatment and their exports will not be subject to the 10 per cent tariff general rule.

Beneficiaries of United States' unilateral preferences, such as the African Growth and Opportunity Act (AGOA) are not exempt from reciprocal tariffs, meaning imports from these countries are now subject to additional 10% tariffs across the board, except for the exemptions contained in Annex II of the Executive Order.

Moreover, until they were paused on 9 April, reciprocal tariffs, often considerably above 10 per cent would also have applied to AGOA beneficiaries, said the report.

The report said the contribution to the United States' trade deficit from small and Least Developed Countries included in the 57 trading partners listed in Annex I of the Executive Order is marginal.

For instance, 28 of these trading partners each contribute less than 0.1 per cent of the total US deficit.

Among the countries listed in the report with a contribution below 0.1 per cent of the US trade deficit are Angola (which faces a reciprocal tariff of 32 per cent); Lao People's Democratic Republic (reciprocal tariff of 48 per cent); Madagascar (reciprocal tariff of 47 per cent); Mauritius (reciprocal tariff of 40 per cent); Fiji (reciprocal tariff of 32 per cent); Namibia (reciprocal tariff of 21 per cent); Vanuatu (reciprocal tariff of 23 per cent); and Nauru (whose contribution to the US trade deficit is 0.000 per cent but faces a reciprocal tariff of 30 per cent).

However, imposing "reciprocal tariffs" on them will disproportionately affect their ability to export to the US market, said the report.

The UNCTAD report said that some trading partners listed in Annex I of the Executive Order are very small and/or economically poor with very low purchasing power. As a result, they offer limited or no export market opportunities for the United States.

Trade concessions from these partners would mean little to the United States, while potentially reducing their own revenue collection, it added.

For instance, Annex I includes 11 of the 44 trading partners classified by the United Nations as "Least Developed Countries", many of which rely on tariffs for domestic revenue collection.

According to the report, among the Least Developed Countries facing higher reciprocal tariffs that offer little export prospect to the United States include Madagascar, Malawi, Mozambique, Chad, Lesotho, Bangladesh Cambodia, and the Democratic Republic of the Congo, among others.

Most trading partners facing reciprocal tariffs would generate only minimal additional revenue for the United States, even if US import levels remain unchanged, said the report.

"Reciprocal tariffs" of 10 per cent in place since 5 April 2025 may reduce demand for many imported goods as a result of higher prices, it noted.

"However, even if after the introduction of tariffs, import levels were to remain unchanged at 2024 levels, the additional tariff revenue collected from poorer and smaller economies would be minimal compared to current customs duty revenues."

The report said that for 36 of the 57 trading partners listed in Annex I of the Executive Order, the new specific "reciprocal tariffs" would generate less than 1 per cent of the United States' current tariff revenues.

Moreover, Annex II of the Executive Order includes goods that are excluded from tariffs, and therefore would not produce any revenues for the United States.

For instance, the reciprocal tariffs would produce very little revenues from major oil exporters, such as Guyana and Nigeria, as oil is exempted for any additional tariffs under Annex II of the Executive Order, said the report.

Similarly, for several countries that primarily export mineral products - or any other product listed in Annex II - the effect of the reciprocal tariffs would be negligible in terms of raising US revenues.

For instance, it said imposing high reciprocal tariffs on Zambia and the Democratic Republic of the Congo would generate minimal revenue for the United States, while further hindering their potential to diversify their exports and add value to their export bases.

Several of the trading partners listed in Annex I of the Executive Order export agricultural commodities that are not produced in the United States and for which there are few substitutes, said the report, citing examples that include Madagascar's vanilla and cocoa from Cote d'Ivoire and Ghana.

It said increasing tariffs on such goods, while generating some revenue, is likely to result in higher prices for consumers.

For instance, in 2024, the United States imported vanilla worth approximately $150 million from Madagascar; cocoa imports from Cote d'Ivoire were close to US$800 million, while imports from Ghana were about US$200 million.

The report said the US policy of "reciprocal tariffs" has imposed new and burdensome market access conditions, disproportionately affecting small, vulnerable economies and Least Developed Countries.

The current 90-day pause offers an important opportunity to reassess how these countries are treated under this policy framework, it suggested.

The report said many African countries, for instance, have benefited from preferential market access through initiatives like the African Growth and Opportunity Act (AGOA), while small economies involved in US free trade agreements contribute only negligibly to the US trade deficit.

It said that imposing tariffs on their exports would not contribute to boost US revenue collection but it would disproportionately harm these vulnerable economies.

This is a critical moment to consider exempting such countries from tariffs that offer little to no advantage for US trade policy while potentially causing serious economic harm abroad, the report concluded. (*SUNS #10202*)

Tens of millions at risk of starvation as funding crisis spirals, says WFP

Experiencing a steep decline in funding across its major donors, the United Nations World Food Programme (WFP) warned that 58 million people risk losing life-saving assistance across its 28 most critical response operations unless it urgently receives new funding.

by Kanaga Raja

PENANG: The United Nations World Food Programme (WFP) has warned that 58 million people risk losing life-saving assistance in the agency's 28 most critical crisis response operations unless new funding is received urgently.

In a news release issued on 28 March, WFP said that despite the generosity of many governments and individual donors, it is experiencing a steep decline in funding across its major donors.

The severity of these cuts, combined with record levels of people in need, have led to an unprecedented crisis for tens of millions across the globe reliant on food aid, it added.

Right now, the organization is facing an alarming 40 percent drop in funding for 2025, as compared to last year, it said.

This is having severe repercussions for its food aid efforts globally, particularly emergency feeding programmes that support the most vulnerable, WFP pointed out.

Incidentally, in an operational update released on 3 April, WFP said it urgently needs US$40 million to support 850,000 people affected by the massive earthquake that struck central Myanmar on 28 March afternoon.

"WFP is prioritizing countries with the greatest needs and stretching food rations at the frontlines. While we are doing everything possible to reduce operational costs, make no mistake, we are facing a funding cliff with life-threatening consequences," Rania Dagash-Kamara, the WFP Assistant Executive Director for Partnerships and Innovation, said in the news release issued on 28 March.

"Emergency feeding programmes not only save lives and alleviate human suffering, they bring greatly needed stability to fragile communities, which can spiral downwards when faced with extreme hunger," Dagash-Kamara warned.

WFP said today, global hunger is skyrocketing as 343 million people face severe food insecurity, driven by an unrelenting wave of global crises including conflict, economic instability, and climate-related emergencies.

In 2025, WFP's operations are focused on supporting just over one-third of those in need – roughly 123 million of the world's hungriest people - nearly half of whom (58 million) are at imminent risk of losing access to food assistance, it added.

Last year, WFP teams helped feed more than 120 million people in 80 countries, delivering urgent food aid to hunger hotspots and frontline crises around the world, said the UN agency.

Critical response

Working to quickly adapt its operations to the current low funding levels, the UN agency said it is alerting donors that its 28 most critical crisis response operations are facing severe funding constraints and dangerously low food supplies through August.

The 28 programmes in question encompass: Lebanon, Sudan, Syria, South Sudan, Chad, Afghanistan, Myanmar, Uganda, Niger, Burkina Faso, Democratic Republic of the Congo (DRC), Yemen, Mali, Bangladesh, Venezuela, Haiti, Mozambique, Nigeria, Somalia, Kenya, Ukraine, Malawi, Burundi, Ethiopia, Palestine, the Central African Republic, Jordan, and Egypt.

Providing some examples of its 28 programmes that are being affected by severe funding constraints, WFP said in Sudan, it requires nearly US$570 million to support over 7 million people per month in the country, where a looming pipeline break will hit as early as April.

Famine was first confirmed in Zamzam camp near the embattled city of El Fasher and has since spread to 10 areas across North Darfur and the Western Nuba mountains, it pointed out.

In Sudan, 24.6 million people do not have enough to eat, the UN agency emphasized.

Delays in funding to deliver emergency food assistance, emergency nutrition and emergency logistics will cut a vital lifeline for millions with immediate and devastating consequences for vulnerable populations, who in many cases are just one step away from starvation, it warned.

In the DRC, WFP said it requires US$399 million to feed 6.4 million as escalating violence by militia groups in the east has already displaced more than a million people.

Food and nutrition assistance across the DRC is vital to stabilize the region and reach the most vulnerable who have already been displaced by conflict multiple times, it added.

In Syria, WFP said that it requires US$140 million to provide food and nutrition assistance to 1.2 million people every month.

Without new funding, WFP faces a pipeline break in August which would cut off food assistance to one million of the most severely food-insecure individuals, it added.

Any disruption in life-saving assistance threatens to erode stability and social cohesion during a critical moment when millions of Syrians try to return home, it warned.

Meanwhile, in South Sudan, the UN agency said that it requires US$281 million to provide food and nutrition assistance to 2.3 million people escaping war, climate extremes, and an economic disaster – plunging them into a severe hunger crisis.

South Sudan has also seen more than one million people arrive, fleeing from the war in Sudan. Nearly two-thirds of the people in South Sudan are acutely food insecure, it noted.

New funding for WFP's crisis response activities in South Sudan is needed now to preposition life-saving food ahead of the rainy season, it said.

In Myanmar, WFP said it requires US$60 million to provide life-saving food assistance to 1.2 million people.

Without immediate new funding, a pipeline break in April will cut off one million from all support, it added.

Increased conflict, displacement and access restrictions are already sharply driving up food aid needs as the lean season is expected to begin in July when food shortages hit hardest, WFP underlined.

[In light of the powerful earthquake that struck central Myanmar on the afternoon of 28 March, WFP informed that it has began emergency food distributions to affected communities, so far reaching over 24,000 earthquake survivors in four areas of the country, and scaling up efforts to assist 850,000 affected people.

[WFP said it urgently needs US$40 million to support the 850,000 people affected by the earthquake, adding that Myanmar is already facing severe food insecurity, with 15.2 million people – one in four – food insecure.

[It said that despite escalating humanitarian needs, WFP's funding shortfalls recently forced the suspension of assistance to over one million people, leaving only 35,000 of the most vulnerable currently receiving monthly support from WFP.]

In Haiti, WFP said it requires US$10 million to feed 1.3 million as brutal violence by armed groups has caused record levels of hunger and displacement.

Half the population is facing extreme hunger and a quarter of the children under the age of five are stunted, it pointed out.

More than a million people have been forced from their homes, including a record 60,000 in just one month this year.

WFP said it has been providing hot meals and cash assistance to displaced people, but without new funding, that lifesaving assistance could be suspended in the coming weeks.

WFP said it requires US$570 million to reach 5 million people with life-saving food and nutrition assistance in the Sahel and Lake Chad Basin, adding that without new funding a pipeline break is expected in April.

According to WFP, millions of the most vulnerable people in Burkina Faso, Mali, Mauritania, Niger, the Central African Republic, Cameroon, and Nigeria in need of emergency support also face dire consequences as the June to August lean season approaches.

At current funding levels, five million people risk losing critical support from WFP in the months ahead, the UN agency said.

According to the latest information posted on WFP's website, as of 24 March 2025, the UN agency has received only US$1.57 billion in funding for this year.

The WFP has projected that its operational requirements for 2025 will be US$16.9 billion to assist 123 million people.

For the whole of 2024, WFP received US$9.75 billion, far less than the US$21.1 billion that it required to meet food and nutrition needs that year. (*SUNS #10195*)

Thin and Shallow: Financial Instruments for Biodiversity Conservation and Their Outlook

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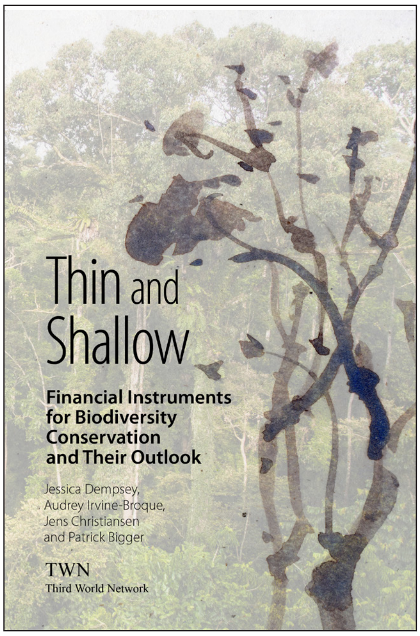

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This paper examines the track record of private financial mechanisms aimed at funding conservation of biological diversity. It finds that, due to lack of rigorous and consistent benchmarks and monitoring, these investments may not necessarily safeguard biodiversity and could even, in some cases, have adverse impacts. Further, despite decades of attempts to draw private capital to biodiversity protection, the quantum of finance remains limited, especially in the highly biodiverse countries of the Global South where it is most needed.

Written for a research project established by a group of central banks and financial supervisors, this paper cautions these authorities from deploying resources towards promoting such biodiversity-focused private financial instruments. Instead, the supervisory bodies are urged to step up policy coordination to address drivers of biodiversity loss in the financial system.

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