

THOSE TRUMP TARIFFS

By

Unity Labour Party

THE ISSUE

Last week, the American government led by President Donald J. Trump imposed a bundle of tariffs ranging from between 10 percent to 50 percent of the cost of goods imported by the United States of America (USA) from every country on God's earth. Immediately, the global economic order was upended. In less than two days over US \$5 trillion was lost on the New York Stock Exchange. World-wide on every stock exchange in every capitalist country, the value of stocks fell sharply in historic terms since the 2020 COVID pandemic. It has been a veritable financial blood-bath and a bonfire of values of stocks, and more.

Almost every political leader of every country, friend or foe of America, has predicted: A slow-down in economic growth world-wide; a rise in commodity prices in the USA and elsewhere; a jump in unemployment; a growth in economic uncertainty; and a dislocation of global trade in goods, the lifeblood of economic progress. This chorus was joined, and amplified, by central bank leaders from the USA itself, Britain, Canada, the European Union, Japan, Australia, South Korea, Vietnam, Latin America, and China. The governments of the People's Republic of China, the world's second largest economy, and the one most targeted by Donald Trump, has announced that tariffs of a similar size are to be imposed on goods imported from the USA within 12 hours of the American tariffs coming into effect on April 9, 2025. A trade war has been launched; no one will benefit. But some, the more vulnerable, will be hurt far more than others.

Editorial writers of major newspapers and publications elsewhere and major mainstream economists have forecast that a global economic recession is in the offing. The Wall Street Journal of the USA has called Trump tariffs the initiation of a "dumb trade war". The Financial Times of London has editorialised that "*America's tariff onslaught will drive upheaval well beyond trade*".

IN THE CARIBBEAN

In the CARICOM region, Trump imposed tariffs ranging from between 10 percent in the case of SVG and others, and 38 percent in the case of Guyana. Prime Minister Mia Mottley of Barbados, and current Chair of CARICOM, speaking on behalf of our regional bloc, has not sugar-coated the tariffs potential, and imminent, adverse impact on our small economies in terms of economic growth,

wealth creation, jobs, and prices. The ordinary man and woman in our Caribbean will be affected adversely in his/her life, living and production.

In SVG, the Cabinet of our government decided to establish a broad-based Task Force to address, within a national and regional context, the matter and to take any possible corrective measure to mitigate the harshness of these American tariffs.

TRUMP'S JUSTIFICATION

President Trump has justified the tariffs on three basic grounds: (i) America has far too long been ripped off by the rest of the world, friend and foe alike, and that the huge deficits on the USA's balance-of-trade are not sustainable; (ii) the unfairness of the trade arrangements to America has hollowed out its industrial and manufacturing base, causing economic and social dislocation; and (iii) the requisites of national security demand that America produce its own commodities ranging from food and drink to motor vehicles and appliances, and components for the military-industrial complex.

The first justification is false. America is not being ripped off. Indeed, though there are deficits on the account for merchandise trade, the USA has huge surpluses on overall trade, including services. In any case, given the fact that the USA's currency, the mighty dollar, is the veritable reserve currency of the world, the USA has a built-in advantage of securing very cheap money to finance its budget deficits. In fact, the rest of the world finances America's high spending and high standard of living; Americans consume far more than they save, as compared to other developed countries.

The second justification stylises the factual situation and gropes for a theory of explanation which is untenable. The simple fact that the companies which produce goods overseas which the USA imports are by-and-large companies owned by American shareholders; the profits are remitted to the USA. Some of which are invested in the production of goods and services in the USA.

The third justification overlook the fact that in the modern world. alliances are vital for national security. This is what has contributed to global peace led by a "Pax Americana" since World War II. A nativisation of national security, without reliable alliances, will make America less secure.

Having said all this, Americans voted for Donald Trump to do exactly what he is now doing. In the process, the world is being up-ended in its economy and international relations. Uncertainty and potential chaos are on the cards for the immediate future.

STRATEGIC RESPONSE BY SMALL STATES

Small states like SVG have to shelter from it all through recalibrating its own economic and production arrangements appropriately, seeking cover under a regional umbrella, and engaging the USA and other countries in our hemisphere and elsewhere for supportive props. The space is narrow given our vulnerabilities but astute leadership in concert with a united and determined people can make a positive difference. This is the strategic frame for our action.

SPECIFIC ADVERSE POTENTIAL IMPACTS

The imposed tariff of 10 percent on goods exported to USA from SVG is, in a profound respect, the least of our problems because the value of these exports is quite small as a proportion of our Gross Domestic Product (GDP). To be sure, the specific producers of these goods imported into the USA may be impacted adversely depending on a host of factors relevant to the particular goods and their pricing.

There are some other specific adverse potential impacts on SVG due to Trump's tariffs, including:

- (1) A global economic recession on a scale approximating those of 1929-1931 and 2008-2009 will throw the entire economy of SVG into a tailspin, with bad results for economic growth, job creation, social cohesion, and poverty reduction. Public finances will also take a hit.
- (2) Tariffed goods transiting through the USA but destined to SVG will be more expensive to the consumer than before. A further blow to SVG in this regard is the additional levies on Chinese-made vessels entering USA's ports for the purpose of carrying goods to SVG. Prices will increase on these goods. All consumers including those who purchase these goods for the productive sectors (tourism, agriculture and fisheries, manufacturing, construction, technological equipment, etc.) will experience price increases.
- (3) The depreciation of the US\$ (dollar) to which the EC\$ (dollar) is pegged will directly devalue our EC \$ dollar, thus making imports from non-US dollar sources more expensive for us in SVG. Conversely, of course, our exports of goods and services (including tourism) will be cheaper, and more competitive, for non-US dollar markets.
- (4) The depreciation of the US dollar will make it more expensive for us to service any loan already contracted a non-US currency (Euros, Japanese Yen, etc.) by the government of SVG. [Fortunately, such loans are a very small percentage of overall external loans].

- (5) Economic uncertainty globally is likely to slow-down needed foreign direct investment in the economy.
- (6) Any economic slow-down globally is likely to reduce the extent of grants or concessionary loans available to the government of SVG for capital programmes from donor or lending sources.

Clearly, an appropriate policy mix has to be considered to shelter or reset our economy as a result of the damaging tariffs, including: Fiscal consolidation and targeted specific measures to keep the economy on a sound path; enhanced domestic and regional (CARICOM) production of goods (including agricultural commodities, fisheries, food and drinks) where practicable and feasible in all the circumstances in substitution of imported tariffed goods; shifting to less tariffed sources for imports, but robust supply chain shifts often take time, if practicable and feasible; diversify ever more foreign relations, including trade relations with other countries; exercising especial care in securing external loans for capital programmes; strengthening regional cooperation; and making an appropriate demarche to the USA authorities.

However, this policy mix has to be fashioned against the backdrop of our small size and the inter-linkages between our economy and that of the USA, even in a situation where our export trade in goods to the USA is minimal. The space available to us is narrow, but we must seek it optimally. That is the challenge for our leadership in concert with our people as a whole, inclusive of our people's genius and their "hidden rationalities" (hidden, non-utilised, or insufficiently utilised resources resident in our people.)

FINAL COMMENT

It is a moral obscenity, and an incredible proposition, for anyone to argue that the richest and most powerful country in the world, the USA, is somehow disadvantaged or a victim of the extant economic arrangements, globally.

The economically-disadvantaged and victimized countries, historically and in the contemporary period, have been small states. This condition of being a disadvantaged and put-upon victim gave rise to the notions of "small island exceptionalism" demanding not only special and differentiated trade arrangements embedded in international accords but for especial treatment in financing for development. Cruelly, this notion has been thrown aside. It is now replaced by the idea that the USA is a disadvantaged victim for which the world, including small countries must pay to Make America Great Again (MAGA)! This is the road to global damnation. Would the world permit it? Or would it surrender to this powerful force of a nativist monopoly capitalism? The

resolution of these, and related consequential contradictions in the global political economy, portends innumerable uncertainties, challenges, and even a potential subversion of global peace.

Clearly, we in our region must resist creatively and build sensibly. We cannot afford an infantile tit-for-tat response. Leadership of the highest quality is more than ever required. We cannot take chances on those who want to learn-on-the-job! The ULP government has clarity on this issue-at-hand.

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