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POLICY PAPER

TRADE AND THE WORLD'S POOR

**How Will the U.S. Tariff Increases Affect
Developing Countries?**

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ANALYSIS

Imprint

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The current United States' administration's tariff experiment has few parallels in modern world history, and – whether in scale or in method – none in American history. Over the course of 10 months, it used a series of Executive Orders to make U.S. tariff (a) rates higher, up on average from about 2.4% to nearly 17%¹; (b) more extensive, covering nearly all manufactured goods and agricultural products though exempting energy, some other natural resources, and more recently some tropical agricultural products; (c) more complicated, with varying and constantly fluctuating tariff rates for dozens of different countries; and (s) less anchored in international agreements and U.S. law, overriding not only World Trade Organization (WTO) rules and Free Trade Agreement (FTA) obligations but the Congressionally authorized U.S. Harmonized Tariff Schedule. Within the United States, debate on this has naturally centered on its effects on the United States and our largest partners and allies:

- As governance, does the U.S. Constitution – which assigns power over taxes and tariffs to Congress – allow an American president to personally create new tariffs without Congressional authorization?
- As a practical issue, how does this tariff increase affect the purchasing power of American families, the competitiveness of American farms and factories, and the U.S. economy's overall efficiency and growth?
- As a strategic matter, how are the series of trade collisions with America's European and Asian allies, and with America's two large neighbors Canada and Mexico, affecting U.S. national security?

These big national questions understandably preoccupy academics, ordinary Americans, and politicians alike. But they aren't the only questions the administrations tariffs raise. Relatively few American analysts have examined their impact on smaller and poorer countries abroad – and while in some cases this impact appears likely to be modest, in others it will bring great distress.

This essay is meant to provide some insights on the likely impact, with the proviso that the administration's tariff policy is not stable and – given the administration's own frequent revisions to it, the legal challenges parts of it face, and its domestic political unpopularity – is likely to remain fluid over the next three years. It will first place the Trump policies in the context of the last generation's achievement

in global poverty reduction, and the role trade and U.S. trade policy specifically have played in it. Then it will explain Mr. Trump's changes to U.S. trade policy, with particular attention to developing countries. And finally, it will make educated guesses on the different impacts these changes may have in different parts of the developing world, with Mexico, Central America, several African countries, and several least-developed Asian countries most vulnerable, while the Middle East, West and Central Africa, and other resource-reliant exporters least. To introduce the topic in a manageable way, and suggest how severe the worst consequences could be, we will start with a single country: the small, landlocked Kingdom of Lesotho in southern Africa.

DATELINE MASERU

The *Government Gazette* is Lesotho's official venue for government announcements, essentially the counterpart of the American *Federal Register*. Its entries are typically mundane: a Cabinet appointment, a bidding opportunity, or a revision of traffic regulations. The *Gazette's Bulletin #57* for 2025, released on July 7 and labeled "Extraordinary," is very different:

*"Pursuant to section 3 of the Disaster Management Act, 1997, and acting on the advice of the Board through the Minister in the Prime Minister's Office, I, Nthomeng Majara, Acting Prime Minister of Lesotho, declare a state of disaster on socio-economic effects on high rates of youth unemployment and job losses in Lesotho which threaten the livelihood of the people of Lesotho. This declaration shall be for a period of two years with effect from the date of publication in the Gazette to the 30th of June, 2027."*²

Mr. Majara's use of the term 'disaster' that day was not an exaggeration. Executive Order 14257, which the Trump administration had published the previous April, threatened to destroy Lesotho's modest industrial economy, cause a protracted unemployment crisis in the capital, and even badly damage Lesotho's health system.

Lesotho has essentially four industries: diamond mining, farming, remittances from workers in South Africa, and garment factories serving the American consumer market.

¹ The 2.4% figure for 2024 is an official measurement of the U.S. trade-weighted average tariff published by the U.S. International Trade Commission, available at https://www.usitc.gov/documents/dataweb/ave_table.pdf.

Yale BudgetLab does careful and regularly updated estimates of average U.S. tariff rates, and estimates a 16.8% rate as of November 17th. The frequent revisions of the administration's Executive Orders mean the

actual rate changes frequently. The November 17th estimate is available at <https://budgetlab.yale.edu/research/state-us-tariffs-november-17-2025>

² Government Gazette 2025, Bulletin #57, Government of Lesotho, July 7, 2025, at <https://gazettes.africa/akn/ls/officialGazette/governm-ent-gazette/2025-07-07/57/eng@2025-07-07>

The 33 garment factories clustered around Maseru, the capital, are Lesotho's main industrial employers. In a typical year they ship \$200 million a year worth of clothes to the U.S. – principally blue jeans, polyester shirts, and similar mass-market goods – taking advantage of waivers of America's 16.6% Most Favored Nation (MFN) tariff on jeans and 32.0% on the shirts through the African Growth and Opportunity Act. ("AGOA", a trade preference program for sub-Saharan African countries launched in 2000.) In 2024 their output accounted for about 11% of Lesotho GDP. Beyond this, the garment industry has historically joined the U.S.' 20-year-old [PEPFAR program](#) as a large-scale provider of HIV treatment and education, in a country with the world's second-highest rate of HIV positivity.

In April, the Trump administration decided all this would end. A single line of its [Executive Order 14257](#), entitled "Regulating Imports with a Reciprocal Tariff to Rectify Trade Practices That Contribute to Large and Persistent Annual United States Goods Trade Deficits", announced a tariff of 50% on all goods from Lesotho, the highest rate on its 57-country list.³ In fact, the actual tariff rate proved lower. When the administration actually imposed the tariff at the end of July, it was 15%.⁴ But then at the beginning of October, Congress and the administration allowed the AGOA program to expire.

In August, therefore, American buyers of Lesotho's jeans and shirts began paying tariffs of 15%. On October 1st, the rates rose to 31.6% and 47.0%. Most have accordingly stopped buying. Lesotho's garment industry began to collapse in the summer, with factories provisionally shutting as orders began to dry up. Meanwhile, though the Trump administration's abolition of the U.S. Agency for International Development did not scrap PEPFAR as well – the State Department is trying to pick up responsibility for the program – it threw the program into chaos and has left hundreds of African clinics and likely millions of patients at least temporarily stranded.⁵

The interruption has already been traumatic, and without a restoration of African Growth and Opportunity Act benefits and removal of the 15% "reciprocal" tariff, Lesotho's garment industry is unlikely to revive. That in turn would mean a shock to GDP, sudden unemployment for over ten thousand young women garment workers, and likely loss of HIV treatment opportunities. Lesotho is likely to be one of the two or three countries hit hardest by the Trump

administration's tariff increase, and has fewer options to mitigate the damage than almost any other.

This case is extreme – only a few countries depend so greatly on exports to the United States – but illustrative. Should the Trump administration's tariffs remain in place as permanent U.S. policy, the world will very likely become somewhat less friendly to development, the pace of global poverty alleviation is likely to slow, and a few countries will slip into crisis.

U.S. TRADE DATA

Before turning to policy and its likely effects, it is likely useful to ground this topic in data.

Excluding trade with China, Americans bought \$1.16 trillion in developing-country goods in 2024. (Or, excluding Mexico as well as a special case, \$656 billion in goods.) This was 18.5% – nearly a fifth – of all developing-country exports. To place this figure in context, [all world foreign aid](#) provided by developed countries came to about \$250 billion in 2023⁶, and international remittance payments likely totaled about \$900 billion. So American families buying food and clothes, utilities buying energy, and factories buying components and natural resources were a large source of income, and a big support for growth, for developing countries.

If Americans bought 18.5% of developing-world exports, of course, people in countries other than the United States bought 81.5%. Data from the International Monetary Fund (IMF) and WTO show the European Union (EU) a somewhat larger market for developing-country goods than the U.S., and China somewhat smaller. The global figures look like this:

³ Executive Order 14257, "Regulating Imports with a Reciprocal Tariff to Rectify Trade Practices that Contribute to Large and Persistent Annual U.S. Goods Trade Deficits", White House, April 2, 2025, at <https://www.whitehouse.gov/presidential-actions/2025/04/regulating-imports-with-a-reciprocal-tariff-to-rectify-trade-practices-that-contribute-to-large-and-persistent-annual-united-states-goods-trade-deficits/>

⁴ "Further Modifying the Reciprocal Tariff Rates", White House web site, July 31, 2025, at [https://www.whitehouse.gov/presidential-](https://www.whitehouse.gov/presidential-actions/2025/07/further-modifying-the-reciprocal-tariff-rates/)

[actions/2025/07/further-modifying-the-reciprocal-tariff-rates/](https://www.whitehouse.gov/presidential-actions/2025/07/further-modifying-the-reciprocal-tariff-rates/)

⁵ See "The Trump Administration's Foreign Aid Review: Status of PEPFAR", KFF, October 16, 2025, for a status report on PEPFAR programs as of autumn 2025, at [The Trump Administration's Foreign Aid Review: Status of PEPFAR | KFF](#)

⁶ Our World in Data, at <https://ourworldindata.org/grapher/foreign-aid-given-net>

GOODS					
EXPORTS, 2024 ⁷	World	U.S.	China	EU	Other
All "Emerging and Developing Country" Exports	\$10.35 trillion	\$1.65	\$0.82	\$1.94	\$5.94
"Emerging and Developing Countries" excluding China	\$6.77 trillion	\$1.12	\$0.82	\$1.94	\$3.40

A finer picture, again using IMF data, highlights the trade patterns in individual regions, adding diversity and giving a sense of regional variation. Mexico and Central America are the regions most reliant on exports to the United States. Central Asia, the Middle East, sub-Saharan Africa, (and to an extent the Pacific Islands) are least reliant. Southeast Asia, South Asia, and South America lie in between. These figures miss some important facts – in particular, the deep integration of Southeast Asian countries into international manufacturing supply chains – but are a useful first step.

EXPORTER, 2024 ⁸	World Total	To U.S.	U.S. Share
World	\$23,969.8	\$3,262.76	13.6%
All "emerging/developing" (excluding oil)	\$8,567.2	\$1,588.42	18.5%
ASEAN	\$1,923.7	\$311.62	16.2%
South Asia	\$534.0	\$96.93	18.2%

THE SUCCESS OF DEVELOPMENT AND POVERTY ALLEVIATION

What do figures like this mean? Fundamentally, the American import market, and the trade policy which underpinned it, have made a significant contribution to an astonishing generation of progress in development and the reduction of poverty worldwide. Fundamentally, the world has many fewer poor people, and noticeably fewer poor countries, than it did at the turn of the millennium. To review the numbers:

People: The World Bank's "[Poverty Calculator](#)" estimates the number of very poor people worldwide, and by country. Bank statisticians now place the 'absolute poverty' line at \$3 per day (in constant 2017 dollars), which means not necessarily '\$3 in daily cash income', but the ability to consume \$3 worth of food, clothing, and shelter daily. They estimate that in 2000, 36.3% of the world's 6.2 billion people – 2.25 billion – lived in 'absolute poverty', which is

(Excluding India)	\$91.5	\$16.01	17.5%
Central Asia	\$166.5	\$2.48	1.5%
Latin America/Caribbean	\$1,466.7	\$651.22	44.4%
Caricom	\$39.5	\$7.47	18.9%
CAFTA/DR	\$71.3	\$27.55	38.6%
Mexico	\$617.7	\$512.71	83.0%
South America	\$740.0	\$101.65	13.7%
Middle East	\$1,047.6	\$37.93	3.6%
Africa	\$627.4	\$27.45	3.9%
Sub-Saharan	\$424.2	\$14.37	3.4%
Pacific Islands	\$15.5	\$0.33	2.1%
(Excluding Papua New Guinea)	\$4.0	\$0.25	6.3%

A separate line of data, developed by the [UN Department of Economic and Social Analysis](#)⁹, provides very useful insight into least-developed country exports. They find the U.S. the third largest buyer of least-developed country (LDC) goods, at 8.4% of the total, with the EU at 20% and China a resource-heavy 18.9%. Some individual LDCs, however, rely very heavily on the American market. Lesotho is one of them, selling 29% of its exports to Americans, and Haiti's dependence is an extraordinary 82%. Cambodia ranks second in the world at 35%, followed by Lesotho, then Bangladesh at 17%, Madagascar at 15%, and Nepal at 11%.

to say below \$3. Their most recent estimate, for 2024, finds 10.3% of the world's 8.14 billion people in absolute poverty, or 839 million people.¹⁰

In sum, the 'share' of humanity living in poverty has dropped by 72% over the past generation, and the total count of very poor people by 1.4 billion people. Roughly speaking, this is equivalent to the total population of the western hemisphere, or of Africa, or of China.

Fewer poor countries: Much of this progress represents poverty reduction in large emerging and middle-income countries – China, India, Mexico, Brazil, Indonesia, and so on. But much of it also reflects the success of the world's poorest countries.

⁷ International Trade in Goods database, International Monetary Fund, at <https://data.imf.org/en/datasets/IMF.STA:IMTS>, viewed November 2025. Note a minor discrepancy between the \$1.16 trillion in the text (drawn from U.S. official trade data), and \$1.12 trillion in the table (drawn from IMF to ensure comparability with the EU and China figures).

⁸ Ibid.

⁹ "Tariff Shocks and Graduation from the Least Developed Country Category (Briefing 191)", U.N. Department of Economic and Social Affairs, July 2025, at [UN Department of Economic and Social Analysis](#)

¹⁰ Statistics from World Bank Poverty Calculator, viewed October 2025, at <https://pip.worldbank.org/poverty-calculator>

In 1971, the United Nations published a list of “least-developed” countries (“LDCs”).¹¹¹² “Least” in this context is not a relative term, and does not mean “the poorest countries relative to others”. Rather it represents an ‘absolute’ definition of extreme poverty. To qualify for the LDC list, a country must have [per capita income of \\$1088](#) per year or less (that is, its national mean income must be essentially at the World Bank’s \$3 per day); it must have low scores on a series of health, education, and social indicators; and it must be particularly vulnerable to natural disasters or agricultural trade shocks. So, in practice most people in LDCs live at, or below, the World Bank’s ‘absolute poverty’ line.

An observer studying this list 15 years ago would conclude that it had a sticky, flypaper-like quality: once on the list, countries almost never got off. In the 35 years from 1971 to 2006, only one of the 42 countries on the list left it. Even this was a somewhat anomalous case: Botswana, which “graduated” (in the U.N.’s term of art) from ‘least-developed’ to ‘lower-middle income’ status, by virtue of managing a surge of diamond wealth particularly well. In the 19 years since, though, seven countries have [graduated](#): Cabo Verde in 2007, the Maldives in 2011, Samoa in 2014, Equatorial Guinea in 2017, Vanuatu in 2020, Bhutan in 2023, Sao Tome in 2024. A skeptic could reasonably point out that these are all small islands or countries with quite small populations. But graduation rates are accelerating rather than slowing down, and include some much larger LDCs: Bangladesh, Laos, and Nepal in 2026, the Solomon Islands in 2027, Cambodia and Senegal in 2029. Altogether, the 1.1 billion population of the LDC world is set to shrink by about 250 million people by the time Mr. Trump’s successor takes office.

THE OPEN WORLD, THE POOR, AND U.S. TRADE POLICY

If there are fewer poor people, and fewer poor countries, something – or more likely several things – went very ‘right’ for the poor in the last generation. One of them was steady opening of the global trading economy, and the parallel development of ‘rules’ and transparency through World Trade Organization agreements, special relationships through Free Trade Agreements and regional integration programs, and ‘preference’ programs designed to give special help to smaller and poorer countries.

From the end of the Second World War up to the mid-2010s, and especially from 1990 through 2016, the world economy grew steadily more ‘open’ – that is, countries

tariffs steadily fell, quota restrictions became scarcer, and both maritime and air logistics grew more efficient. According to the [World Trade Organization](#), average tariff rates fell by about half, from 7.1% to 3.8%, between 1995 and 2022.¹³ The world economy also became steadily more transparent and law-abiding, through the extensive set of trade rules set through WTO agreements and regional FTAs. WTO agreements of the 1990s, for example, imposed disciplines on use of trade remedies such as antidumping and safeguards tariffs, required countries to base agricultural import regulations on objective science, likewise required them to publish their technical standards and tariff schedules, helped to keep digital trade channels open, and reformed customs services.

A rich economic literature ties this together with the decline of poverty, fundamentally arguing that the steadily more open and rules-based trading world of the 1990s, 2000s, and 2010s helped enable the poor to do better. From 1990 through 2020, the developing-country share of world exports rose from 17% to 32%. The composition of developing-country exports also shifted, with less reliance on the resources and primary agricultural products development theorists in the 1970s and 1980 worried about and more reliance on light manufacturing industry and value-added farm goods. This supported domestic policies meant to promote growth and reduce poverty at many levels:

Growth and resilience: As the World Bank and WTO note, an open world economy allows countries to specialize, and find a more diverse array of markets for goods and services produced at home. This helps speed employment growth, and also provides some insurance against economic shocks:

“Trade can help reduce volatility through export diversification (Caselli et al., 2012). For example, when a country has multiple trading partners, a domestic recession or a recession in any one of the trading partners translates into a smaller demand shock for its producers than when trade is more concentrated. Trade allows domestic goods producers to respond to shocks to the domestic supply chain by shifting sourcing abroad. Geographical export diversification may also help reduce the impact of country-specific external shocks (Jansen, Lennon and Piermartini, 2015). In fact, a recent study by the IMF (2014) finds a robust negative correlation between export diversification

¹¹ The official list of Least Developed Countries is maintained by the UN Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries, and Small Island States, and is available at <https://www.un.org/ohrls/content/list-ldcs>

¹² Per capita income and other LDC criteria are available from the UN Office of the High Representative for the

Least Developed Countries, Landlocked Developing Countries, and Small Island States, at <https://www.un.org/ohrls/content/ldc-category>.

¹³ “Thirty Years of Trade Growth and Poverty Reduction, WTO Secretariat staff paper, April 24, 2024, at https://www.wto.org/english/blogs_e/data_blog_e/blog_dta_24apr24_e.htm

and output volatility in low-income countries.”¹⁴

Job quality: At the human end of the spectrum, trade integration can also improve the quality of employment for developing-country workers, bringing more of them into regulated jobs with oversight for safety, regular hourly wages, and other benefits. The International Labor Organization’s *World Employment and Social Outlook 2023* reports that in middle-income countries supply-chain jobs linked to developed economies are generally better than purely domestic-economy jobs, both by providing higher wages and through lower levels of “informality” and therefore more effective coverage by health and safety, social security, limited hours, and other means of protecting workers:

“[S]ectors with higher GSC [“global supply-chain”] integration tend to have a larger share of wage and salaries employment, a lower incidence of informality and a lower proportion of low-paid employment – and hence in principle a higher quality of employment.”¹⁵

Obviously, trade is only one important driver of growth and poverty alleviation. Analyst Charles Kenny observes that very basic domestic policies – education, primary health, public safety – create an environment in which people tend to succeed.¹⁶ The open world economy is likely a complement to this, helping them to make the most of their good choices.

AMERICAN POLICY

As the world’s largest economy and largest importer (apart from the EU taken as a single economy), and as a country whose government was especially influential in creating and developing the global trading system, the United States played an important part in creating this policy framework. And America’s own policies on balance served the world’s poor well. Certainly, as of 2016, and really as late as January of 2025, the U.S.’ trade regime can be sketched out as follows:

1. *Low trade barriers and a mostly open economy.* U.S. tariff rates before 2017 averaged 1.5%, and were zero on wide swathes of products: toys, consumer electronics such as smartphones and personal computers, natural gas, many tropical agricultural products such as coffee, vanilla; most seafood; furniture, both generic and patented medicines, and much more. A few products remained heavily tariffed, but these weren’t always very effective

‘protective’ devices: in the case of clothes and shoes, for example, tariffs averaged around 15% but import levels nonetheless reached nearly 98% of consumption. The overall tariff rate as of 2024 was higher – 2.4% – but the rise principally reflected the first Trump administration’s tariff on most Chinese-made goods, and tariffs remained very low on most developing-country goods.¹⁷

2. *Leadership in the WTO.* Through the Office of the U.S. Trade Representative, which is responsible for leading trade negotiations and implementing policy at the WTO, successive U.S. administrations from Clinton through Obama helped push for new WTO agreements, deeper commitments, and high-quality ‘accessions’ of new countries. And until 2017 they vigorously defended the WTO rules (and the perceived U.S. interests of the times) by filing numerous dispute cases. All this helped underpin a world trading economy of relatively open markets, stable and predictable policymaking, fair regulatory standards, and rapidly growing digital trade.

3. *A growing FTA network.* Separately, and especially under the administration of George W. Bush, the U.S. negotiated 14 Free Trade Agreements with 20 countries, eliminating nearly all tariffs and many non-tariff barriers on trade with the partner countries. These FTAs governed much of U.S. trade with Latin America, as they include Mexico, the five Central American republics, the Dominican Republic, Panama, Colombia, Peru, and Chile.

4. *Three ‘preference’ programs for low- and middle-income countries.* Finally, American policy also included three significant special tariff waivers for smaller and poorer countries:

The Generalized System of Preferences: GSP, the largest and oldest U.S. trade preference program, began in 1976 and covered 119 countries and territories. It waived tariffs on about \$20 billion worth of goods each year while excluding some categories of goods such as clothing. The largest users of this program were Southeast Asian countries such as Cambodia, Indonesia, Thailand, Myanmar and the Philippines.

The Caribbean Basin Initiative, dating to 1984 gave essentially complete market access privileges on a permanent basis to the small Caribbean littoral states, with especially generous though temporary provisions for Haitian-stitched clothing.

¹⁴ “The Role of Trade in Ending Poverty”, World Bank and World Trade Organization, 2015, page 21, available at https://www.wto.org/english/res_e/publications_e/worldbankandwto15_e.htm

¹⁵ World Economic and Social Outlook 2025, International Labour Organization, January 16, 2023, pg. 17, at <https://www.ilo.org/publications/flagship-reports/world-employment-and-social-outlook-trends-2023>

¹⁶ Kenny, Charles, “Getting Better: Why Global Development is Succeeding – And How We Can Improve the World Even More”, Basic Books, 2011.

¹⁷ “U.S. imports for consumption, duties collected, and ratio of duties to value, 1891-2024”, U.S. International Trade Commission, February 2025, available at https://www.usitc.gov/documents/dataweb/ave_table.pdf

The African Growth and Opportunity Act, created in 2000, eliminated tariffs on almost all goods from 30 sub-Saharan African countries. Lesotho, Madagascar, and Kenya used it for clothing, and South Africa for automotive goods and agriculture.

THE TRUMP ADMINISTRATION EXPERIMENT

Since January of 2025, the Trump administration has at least provisionally abolished much of this trade regime through a series of Executive Orders. These rest on two elderly trade laws – the “International Emergency Economic Powers Act” of 1977 and “Section 232” of 1962 – which give extraordinary powers to presidents to deal with emergencies and national security needs. At the detail level, the administration’s policies have shifted and changed throughout the year, but their general direction has been quite clear. At least for now, the administration has substituted very high (though constantly fluctuating) ad valorem tariffs for the previous open-market policy; withdrawn the U.S. from its role as a defender of the world trading system; and closed most of the special preference programs for developing countries. Here is the picture as of early 2026:

High tariffs: A recent estimate, by Yale BudgetLab, places the average U.S. tariff rate at 16.8% as of late November 2025, slightly down from 17.9% at the end of October.¹⁸ This is modestly below the 19.8% tariff rate Franklin Roosevelt inherited from his predecessor Herbert Hoover when he launched the first U.S. trade liberalization negotiations in 1934. No large economy has a tariff rate nearly this high – the closest is India’s 12.3% – and only a few small island countries and least-developed countries such as Bermuda, the Solomon Islands, and Equatorial Guinea, have rates at this level. The tariffs now exempt energy and some other natural resources, and in November the administration removed many tropical farm products from the list (coffee, bananas, spices, cocoa beans, and so on), but maintains tariffs on virtually all manufactured goods and most agricultural products.

Frequent policy shifts: The Executive Order of April 2nd, as modified by a string of amending orders, replaced the relatively transparent and stable MFN tariff system in which similar goods from similar countries get similar tariff rates (with some exceptions for FTA partners and low-income countries) has been replaced by one in which nearly every country has its own rate. As of December 2025, these range from 10% to 40%, though rates have changed almost every month since April. On the whole,

with rates set at 15% for the EU and Japan, and 10% for the UK and Australia, but (for example) 50% for India and Brazil, 19% for Thailand and 20% for Vietnam, 30% for South Africa, and 15% for a range of African countries, low-income country goods for now (on balance) face higher rates than high-income country goods.¹⁹

WTO and FTA obligations: Third, the administration’s tariff decrees have set aside WTO rules and tariff bindings, and also many FTA obligations. For example, in the Central American case, the administration’s International Emergency Economic Powers Act (IEEPA) tariffs as of December were 10% on all goods from Guatemala, Honduras, El Salvador, and the Dominican Republic, 15% tariff on Costa Rican goods, and 18% on Nicaraguan goods.²⁰ The FTAs in some cases remain in operation, with Mexican and more recently Central American goods allowed to enter the U.S. duty-free so long as they comply with the relevant rules of origin.

Lapse of preference programs: Fourth, most special benefits for developing countries are gone. The Generalized System of Preferences lapsed at the beginning of 2021 and has not been renewed. The African Growth and Opportunity Act and the special clothing benefits for Haiti lapsed on September 30th, 2025 and likewise have not been renewed. The only survivor as of late 2025 is the broader Caribbean Basin Initiative benefit for small island littoral states such as Jamaica or Guyana, which Congress chose to make permanent in 1990.

Again, nearly all of this is provisional and unstable, as it rests on Executive Orders rather than Congressionally set law. But as of December 2025, the Trump administration has provisionally made the U.S. into one of the world’s most ‘closed’ economies, created a confusing and constantly changing tariff system, withdrawn nearly all special benefits for smaller and poorer countries. The very likely result will be to diminish the real-world support U.S. trade policy gave to development and poverty alleviation, and to damage an international trading system that created an economic landscape well-suited for developing countries. Complementing this activity, the administration has also closed the U.S. Agency for International Development, and through the 2025 tax bill imposed a new 3% tax on remittances from emigrant workers in the U.S. to families at home. In sum, the administration has largely withdrawn U.S. policy support for development.

IMPACTS

Policy for the final three years of the Trump administration

¹⁸ “State of U.S. Tariffs: November 2025”, Yale BudgetLab, November 17, 2025, at <https://budgetlab.yale.edu/research/state-us-tariffs-november-17-2025>

¹⁹ Country-by-country rates for tariffs imposed under the International Emergency Economic Powers, as of December 2025, are set out in “Further Adjusting the

Reciprocal Tariff Rates, an Executive Order published on July 31st, 2025, and available at <https://www.whitehouse.gov/presidential-actions/2025/07/further-modifying-the-reciprocal-tariff-rates/>

²⁰ Ibid.

will likely be very unpredictable. It has withdrawn a few tariffs on tropical agricultural goods – cocoa beans, bananas, coffee – to alleviate American public unhappiness with price increases, and may in the future withdraw more. The tariffs imposed under the International Emergency Economic Powers Act – including those applied to Lesotho’s goods – may not survive Supreme Court review. However, the tariffs applied using “Section 232” and “Section 301” have not been challenged and will not go away unless (a) Congress abolishes them, which would require a veto-proof two-thirds majority including many Republican Senators and Representatives, or (b) a new Court challenge to these tariffs emerges and succeeds, which would require a year or so, or (c) a succeeding president cancels Mr. Trump’s Executive Orders. So, the most likely scenario is that the U.S. will continue to have a high-tariff, non-transparent, and frequently changing tariff regime until 2029.

Forecasting the consequences of this for developing countries has to be tentative, for several reasons.

One is that its economic effects will be complex. The administration appears to operate on a simple but almost certainly wrong premise drawn from 19th-century trade theory, in which all imports and exports are essentially finished goods rather than the products of complex worldwide supply chains. In such a world, higher U.S. tariffs would make international goods less competitive in the United States by raising their prices. American-made products will appear in place of imports, shifting workers out of services jobs and into manufacturing work; and the U.S. export sector is less of a concern and mostly can be defended through threats of retaliation anyway.

In fact, the U.S. does import lots of finished consumer and capital goods, but even larger volumes of industrial inputs. So rather than expanding, most U.S. manufacturers are seeing costs rise and competitiveness diminish. (Measured as a share of GDP, for example, U.S. manufacturing fell from 9.8% in 2024 to 9.4% as of mid-2025.²¹) As the administration’s tariffs work through the economy, its premises are likely to prove correct in some instances, but perverse in others. In such cases – automotive trade seems a likely one – the U.S. market will shrink overall, but foreign manufacturers whose governments have chosen not to impose their own tariffs are likely to gain at American expense. Likewise, if the different country-by-country tariff rates survive, developing-country goods facing especially high tariffs – Chinese, Indian, Brazilian, South African - will be replaced not by U.S. products but by goods from less severely punished developing countries. So overall, the first year’s experience for Americans includes some sharp drops in

imports, some higher costs, some swapping out of Chinese products for Southeast Asian and Mexican goods, but little actual import substitution and “re-shoring”, and lower rather than higher industrial output.

This noted, and assuming that the Trump administration will be able to maintain parts and possibly all of its preferred system in place for the next three years, the likely long-term impact would be that the U.S. role as an importer and exporter shrinks, global growth rates diminish to some extent, the global trading system becomes much less stable, transparent, and rules-based, and those countries and regions now most reliant on the U.S. will suffer much more than others.

What effects might all this have? We can group the likely consequences by region: (a) countries and regions at most direct risk; (b) countries and regions at least direct risk; (c) countries which might on balance benefit; and (d) countries likely to suffer indirect damage.

Group 1: Most at risk – The figures for trade reliance on the United States suggest which countries would face the highest risk of systemic crisis. These include:

(a) America’s near neighbors, including Mexico, the five Central American Republics, Haiti, the Dominican Republic, and the smaller Caribbean islands. For all these countries, exports to the U.S. are dominant parts of the national export portfolio, averaging about 44% of total exports and GDP shares ranging from 4% in Jamaica and 5% in Honduras and El Salvador to 10% for Nicaragua and Costa Rica. Mexico is still more reliant on U.S. markets, with deeply integrated production networks accounting for 70% of Mexican exports and 25% of Mexican GDP.²² They along with the Pacific Island countries are also disproportionately vulnerable to reductions in remittance wires. These countries have been less severely targeted by IEEPA tariffs, and the FTA relationships (though diminished) may provide insurance for Mexico and the Central American countries, while the Caribbean Basin Initiative (CBI) does the same for Caribbean islands. Should the IEEPA tariffs be replaced by more ‘global’ “232” tariffs, however, they could suffer quickly and severely.

(b) The smaller group of countries especially successfully in using the African Growth and Opportunity Act, including Lesotho, Madagascar, Tanzania, and Kenya. These have lost the tariff advantages vis-à-vis Asian producers, and the parity with U.S. FTA partners, which helped them attract investors and create local export garment industries. For countries with larger populations and stronger agricultural and resource exports to Europe and China, the blow will be modest. But for Lesotho and likely

²¹ GDP by Industry database, Bureau of Economic Analysis, U.S. Department of Commerce, available at <https://www.bea.gov/itable/gdp-by-industry>, viewed November 2025

²² Author’s calculations, using GDP data by country from World Bank at

<https://data.worldbank.org/indicator/NY.GDP.MKTP.CD>, and exports from relevant countries to the United States from the International Monetary Fund’s “International Trade in Goods” database at <https://data.imf.org/en/datasets/IMF.STA:IMTS>

Madagascar, whose clothing industries rely heavily on American customers and are core elements of national GDP, the result will likely be crisis.

(c) Several least-developed countries especially reliant on the United States as a market for light manufacturing and agricultural goods. Cambodia and Bangladesh fall into this group. With the cancellation of the GSP program, they have no insurance programs and are likely to be hit very hard. And Haiti, given its extremely high reliance on U.S. exports and remittance wires, and the sudden loss of its special benefit, will probably suffer more than any other country.

Group 2: Moderate risk – A second group is at significant risk, but less so than Group 1. Their reliance on the U.S. is less, and in some cases, they may be unintended beneficiaries as their goods replace some Chinese-made goods in the U.S. market. ASEAN members such as Vietnam, Thailand, the Philippines, and Malaysia are leading examples, typically sending about 20% of their exports to the United States. All, despite sometimes heavy new tariffs on their products, saw exports to the U.S. jump in the summer as Chinese goods fell back.²³ India and South Africa, should the Supreme Court strike down the IEEPA tariffs particularly targeting them, might join this group, along with a few countries in the Middle East such as Egypt or Tunisia. Their lower levels of export to the U.S. makes systemic crisis appear unlucky, but particular sectors of their economies may suffer badly. Examples might include India's jewelry business, the Thai and Indonesian seafood industries, Tunisia's olive oil and dates, or South Africa's citrus and wine. South American countries also may fall in this group, as virtually all of them are large-scale exporters of agriculture and mining products to the United States but have more balance export portfolios tapping large markets in the EU, UK, China, Japan, and Korea as well.

Low risk: Finally, a third group of countries and regions rely relatively little on the U.S. market for exports and as a GDP share, and/or specialize in natural resource and extractive-industry products which the Trump administration has often excluded from heavy tariffs. Here the main regions include the Middle East, Central Asia, West Africa and Central Africa. All of these rely heavily on energy and mining products for export, and likewise typically ship more to Europe and China than to the United States. Some Pacific island states – for example Papua New Guinea and the Solomon Islands – fall into this category as well, as their export industries are small, dominated by primary products, and (in most though not all cases) the U.S. is a relatively minor market for them. They would be affected to the extent the U.S.' shift in policy damages global growth, but will face relatively modest direct impacts.

MITIGATION

Should the Trump administration's approach remain long-term U.S. policy, we should expect the global economy of the early 21st century to be significantly less 'development-friendly', and that the large contribution trade made to poverty alleviation over the last three decades would be smaller in the next. On a worldwide scale, however, the effects seem likely to 'negative and troubling' rather than disastrous. And the decisions of other major economies, notably the European Union, will influence the outcome.

Most important, no other major economy so far has followed the Trump administration's example. Thus, most of the world remains relatively open and continues to operate in accord with rules set in the WTO and other agreements. For example, the EU – again, the largest market for developing-country goods – has retained its policies except to make some accommodations to Trump administration requests. Canada, the UK, Australia, Japan, Korea, Taiwan, and other advanced economies have all taken similar approaches. Nor have China, India, Brazil, or other large emerging economies adopted more restrictive policies than they already had. So in a direct sense, even in a hypothetical extreme case in which the administration's tariffs brought a total collapse of U.S. imports, much of the world market would remain relatively open to developing country goods.

In this scenario, we could expect crises around America's borders in Mexico and Central America, similar crises in Haiti and the Dominican Republic, and disasters in some especially vulnerable African Growth and Opportunity Act beneficiaries and probably Cambodia and Bangladesh. Other economies would face damage and adjustment, but not crisis. The EU and others could if they choose help ease the damage. (Their GSP systems, for example, often offer only partial tariff reduction rather than full waiver and exclude many agricultural products, and could be broadened. But by refraining from joining the Trump administration, they are helping to prevent a Depression-style unraveling of the world economy and keeping opportunities open for many.

Second, the Trump administration's tariffs so far are having complex effects, and creating some unexpected 'winners' as well as losers. Its exceptionally heavy tariffs on Chinese-made goods in the first half of 2025, for example, did not yield a boom in U.S. industry, but instead brought a surge of replacement imports – TV sets, clothing, primary health-care products, toys – from ASEAN members, India, and Mexico in place of the Chinese goods.

And third, for the most vulnerable Latin American and Caribbean countries, U.S. FTAs for now seem likely to cushion the blow. Through 2025 at least, the Trump administration has continued to allow Americans to buy Mexican goods duty-free (so long as they comply with the

²³ The U.S. Census Bureau publishes month-by-month U.S. goods trade totals by country (including imports, exports, and goods trade balances), at

<https://www.census.gov/foreign-trade/balance/>

United States–Mexico–Canada Agreement (USMCA) rules). In November it made the same concession to Central America and Dominican Republic goods. This, if made permanent, would shift some of the harms off these countries and onto competitors in Southeast Asia and China.

CONCLUSION

In sum, looking ahead for the next three years, observers should likely be pessimistic about U.S. policy but measured in conclusions about its impact.

The Trump administration's attempt to withdraw the U.S. from internationalist trade policies and support for development is likely to have dire consequences in some specific places. Lesotho's outlook is particularly bleak, and the prospects for Cambodia, Haiti, Bangladesh and a few others only slightly better. However, it is less clear that the Trump administration's policies will have the effect it hopes – substituting U.S.-produced manufactured goods for imports – and they are likely to create unexpected beneficiaries as well as predictable harms. So, in closing, it might be useful to share some ideas on approaches governments abroad might take in the next three years, and on the outlook beyond 2029.

Middle-income country governments in Southeast Asia, South Asia, and South America, where U.S. markets have been an important but not overwhelmingly important driver of growth, should be thinking about adjustment and support programs for vulnerable industries. But they are less likely to suffer 'macro'-level damage and should also be alert for unexpected opportunities, as some U.S. industries lose competitiveness and Chinese market-share possibly shrinks. And though the ability of other large economies to make up the damage will be small, their willingness to continue living by international rules will limit the damage to growth generally and for developing countries specifically. Additional GSP support, and a particular focus on the most vulnerable countries, might well help absorb some of the blow without adding much to imports.

Looking farther ahead, the outlook may be more positive. The Trump administration will spend its next three year attempting to make its policies more durable, but is not at all certain to succeed. Even setting aside potential legal challenges, the public reaction has been mostly negative. Most American debate over the administration's tariff increases so far has related to their effects in daily life and work, in particular on prices and job opportunities. Polling surveys have been quite consistent over the year, typically showing over 60% of the Americans opposing them and

less than 40% in support.²⁴ Congressional test votes have reflected these feelings, with the administration typically unable to win majority support for its International Emergency Economic Powers Act tariffs even in the Republican-led House and Senate of 2025. And the tariff increases rely on easily repealed Executive Orders rather than durable Congressionally approved law. So, it is quite possible that much of this unusual experiment, or all of it, will come to a close not too far into the future.

Neither friends of development, nor friends of the United States abroad, should give up just yet.

²⁴ See for example a Washington Post/ABC News poll released November 4th, 2025, reporting 65% disapprove of the administration's tariffs while 33% approve, in Question 2 at <https://www.washingtonpost.com/tablet/2025/10/30/oct-24-28-2025-washington-post-abc-news-ipsos-poll/>.

Likewise, a Fox News release November 19th, 2025, found 63% disapproving and 35% approving, at <https://www.foxnews.com/politics/fox-news-poll-voters-say-white-house-doing-more-harm-than-good-economy>

