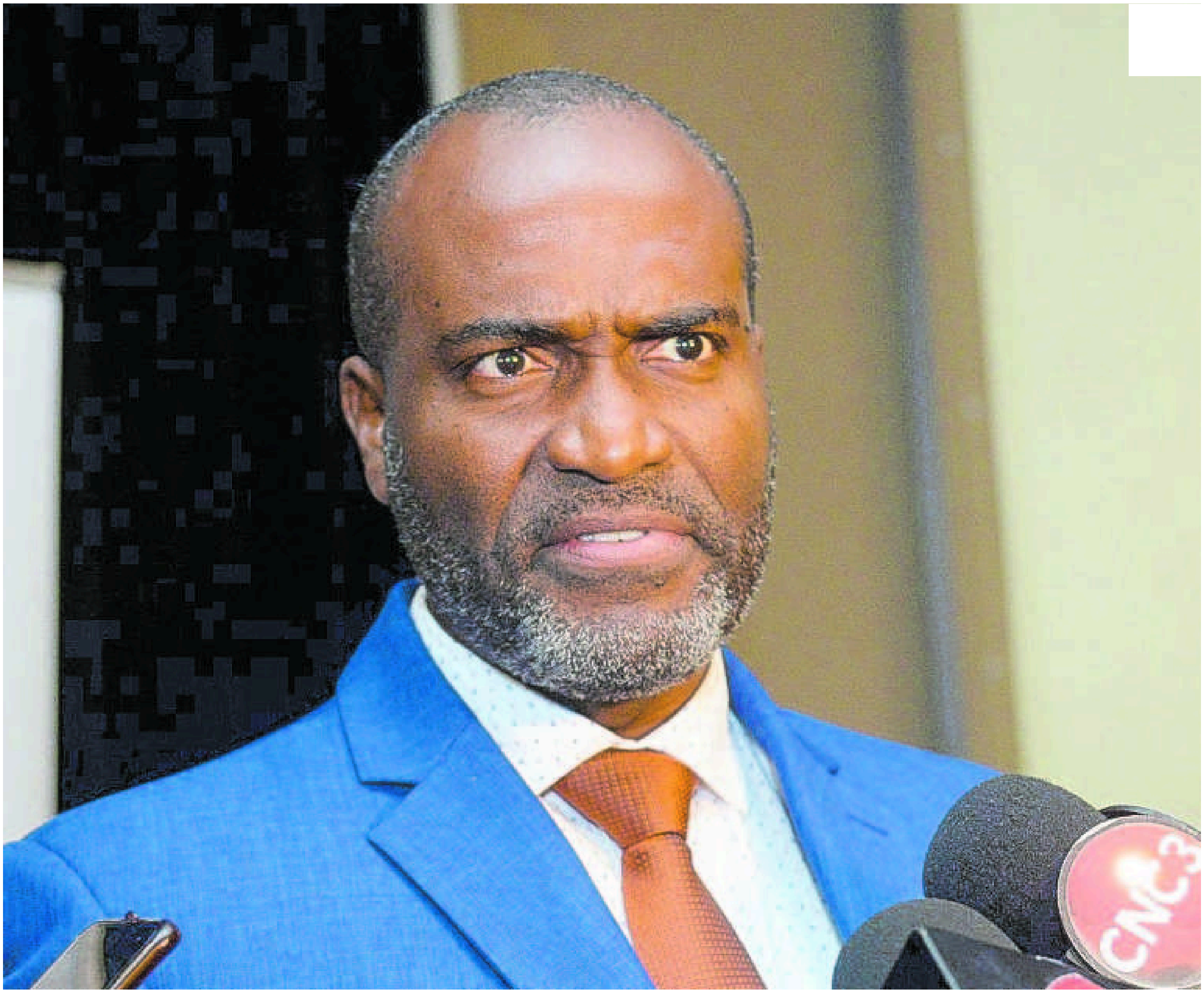
Economist on 15% US tariff: Expect less forex, reduced taxes and job losses



Republic Bank economist, Garvin Joefield

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Republic Bank economist, Garvin Joefield, is warning of far-reaching implications for the domestic economy of the revelation that T&T stands to lose US$291.9 million in potential annual export revenue following the imposition of a 15 per cent tariff on its exports to the United States.

The revelation came in a Business Guardian exclusive report of analysis conducted by the Caricom Private Sector Organization (CPSO).

Joefield said that beyond the immediate figure lies a host of deeper consequences for the country.

"Behind those figures US$291 million is the loss of foreign exchange earnings, a potential decline in government tax revenue, and sadly, job losses and income reductions for many households," he noted.

"The broader impact could be a tightening of the already constrained foreign exchange market, which would have a knock-on effect on overall business activity in Trinidad and Tobago," Joefield added.

While key commodities such as crude oil and liquefied natural gas (LNG), are currently exempt from the tariff, the new measure is expected to reduce demand for other local exports, placing pressure on manufacturers and exporters to reassess their strategies.

Joefield, though cautious, suggested that the country could treat this setback as an opportunity to re-evaluate and pivot.

"I always say adversity comes with opportunity," he said, adding, "This is a chance for companies at the micro level and for the Government and broader sectors at the macro level to rethink how we've been approaching export markets."

He emphasised the importance of diversifying export destinations, something that has long been on the national agenda.

"Yes, looking for new export markets is critical.

It has been critical for years, and hopefully, this development will accelerate the push. We need to deepen our trade relationships within Caricom, including markets we haven't fully penetrated. Latin America offers promising avenues, as does Africa where we already have ties with countries like Ghana. There is also Asia, particularly India."

Joefield urged stakeholders across sectors to see this as a turning point.

"If there was ever a time to act on diversifying our export base, it is now. The challenge is clear, but so too is the opportunity."

For international relations expert Dr Anthony Gonzales, the estimate of the almost US$300 million loss remains speculative without a detailed breakdown of trade flows and tariff structures. What is clear, he said, is that the sectors likely to be hardest hit include chemicals, metal exports, and non-energy manufactured goods.

"We've benefited significantly from the Caribbean Basin Initiative, which granted many of our products duty-free access to the US. If that window is narrowing, then the adjustment could be painful, especially for smaller exporters."

Gonzales noted that small and medium-sized manufacturers in the food and beverage space, particularly those servicing diaspora markets in the US, could face a steep climb to remain competitive.

He said these businesses rely heavily on predictable access to US buyers and a 15 per cent increase in landed costs could be the difference between maintaining contracts or being priced out."

The issue, Gonzales stated, is compounded by uncertainty over whether the tariff changes are uniformly applied, as in the case of Russia, for instance, tariffs have reportedly been raised to less than 15 per cent on certain exports.

"The structure is not consistent across all countries. That makes it even harder to plan," he explained.

The international expert indicated that one of the few viable short-term responses available to exporters may be the exploration of alternative markets.

“We need to act swiftly to identify regional opportunities, possibly in Guyana or Suriname, where demand is rising,” the source said. “That would soften the blow, but such pivots take time, logistics and government support.”

Gonzales took note of the current lack of concrete data on which to build a precise forecast.

“I haven’t had the time to dig into the granular trade and tariff statistics, and without that work, it’s difficult to confirm or dispute the US$300 million loss figure. But what’s undeniable is that we face a significant challenge.”