

US TRADE POLICY IN THE TRUMP ERA: WHAT IS IN STORE FOR SOUTH AFRICA AND THE WORLD?

The TRADE (an acronym for Trade and Development) research focus area of North-West University (NWU) together with the Tutwa Consulting Group, the Agricultural Business Chamber of South Africa (Agbiz), the Johannesburg Chamber of Commerce and Industry (JCCI) and Business Unity South Africa (BUSA) convened a seminar on 28 February 2017 in Rivonia, Johannesburg with the theme “From Trade Rules to Trade Deals: Whither US Trade Policy in the Trump Administration?”

The NWU team comprised Prof Raymond Parsons (NWU School of Business and Governance and moderator of this seminar), Prof Wilma Viviers (TRADE Director and WTO Chair), Dr Marié-Luce Kühn and Ms Ali Parry (both Extraordinary Research Scientists), Mr Martin Cameron (Managing Director of TRADE Research Advisory), Mr Francois Fouche (consultant at TRADE Research Advisory) and Dr Adelia Jansen Van Rensburg (a Post-Doctoral Research Fellow).

The seminar focused on President Trump’s controversial views about trade and frequently expressed promise to bring jobs back to American shores, and how this is likely to play out in the global arena in the years ahead. It is evident, from recent cabinet appointments and trade policy decisions, that the Trump Administration is adopting an inward-looking stance, with an emphasis on more local production/manufacturing and protective measures (notably import tariffs and countervailing duties) being imposed on key trading partners like China and Mexico that pose a competitive threat to US industry. The unfolding protectionist agenda in the US is of growing concern to many in the global trading community which for the past 20 years has been riding the globalisation wave and taking advantage of the opportunities presented by the increasingly integrated global production and trading environment. A more protectionist attitude by the US could also lead to a sustained strengthening of the dollar which would drive up many countries’ dollar-denominated debt servicing costs. Worrying, too, is the fact that the new regime under President Trump could be the cause of a wave of new trade disputes. Attention was also given at the seminar to the possible implications of the changing US trade order on South Africa, and how the government and business community should respond.

Ironically, manufacturing has been on the decline in many countries in recent years, which has had less to do with production and trade imbalances and more to do with natural advances in technology, which have prompted a spike in demand for technology-rich and increasingly accessible services. Thus, the Trump narrative that the solution to job losses in the US is through protection of the local manufacturing industry might be built on false hopes – particularly as so many products now are ‘made in the world’ in highly fragmented global value chain configurations.

The seminar was led by Prof Robert Lawrence, an esteemed international trade policy scholar at the Kennedy School at Harvard University in the USA. Prof Lawrence was a member of the Harvard advisory team enlisted by the Mbeki Administration to formulate new economic policy options for South Africa. Originally from South Africa, Prof Lawrence was well placed to offer insights into how South Africa should optimise its trade partnership with the US in this new and uncertain era.

The general sentiments of delegates attending the seminar were that given the political uncertainty that the Trump Administration has unleashed and the additional uncertainty about the nature of Africa-US trade in the future, and particularly what will happen when the “non-reciprocal” AGOA expires in 2025, South Africa would be well advised to keep a low profile in matters relating to US-South African economic and trade relations. South Africa has for many years struggled to secure improved market access into the US in the face of onerous import regulations affecting food and other products. Becoming more vocal now could be a less than effective strategy, given that the new rules of the game are as yet far from clear.



From left to right: Mr Laird Treiber (Minister Counsellor for Economic Affairs, Embassy of the United States of America in South Africa), Prof Wilma Viviers (TRADE Director and WTO Chair at the North-West University), Prof Raymond Parsons (NWU School of Business and Governance) and Prof Robert Lawrence (Kennedy School at Harvard University in the USA).