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Op-ed

TRUMP THREATENS 100% TARIFFS ON BRICS COUNTRIES

Could sink South Africa's ambition to partake in BRICS dedollarisation

By Daryl Swanepoel

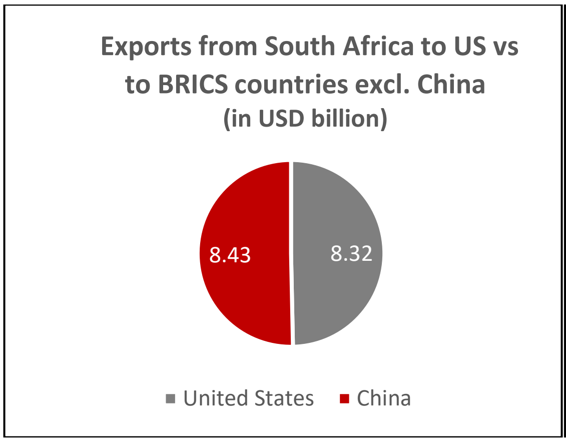
President-elect Donald Trump has threatened to impose a 100% tariff on imports from BRICS countries should these countries go ahead with their dedollarisation plans. If he follows through, South Africa will face an economic quandary, namely whether to risk alienating its second-largest export partner or side against BRICS allies Brazil, Russia, India and China. It would certainly also mean the end for South Africa's continued participation in AGOA (the Africa Growth and Opportunity Act), which provides for duty-free entry of goods into the United States.

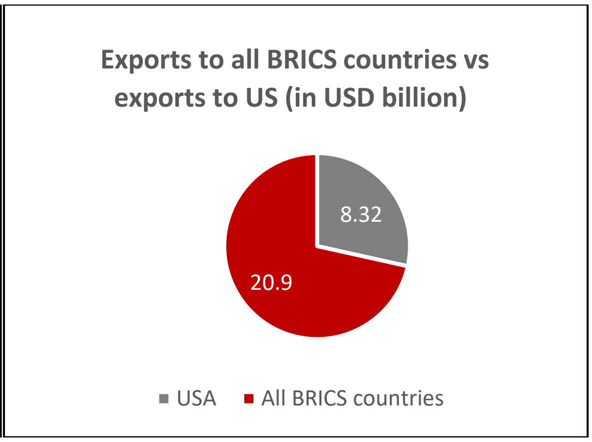
What are the facts?

In 2023, South Africa's exports to the United States amounted to $8,32 billion, or approximately R150 billion rand at today's exchange rate. This constitutes 7,5% of the total $110,7 billion of exports our country realised in 2023.

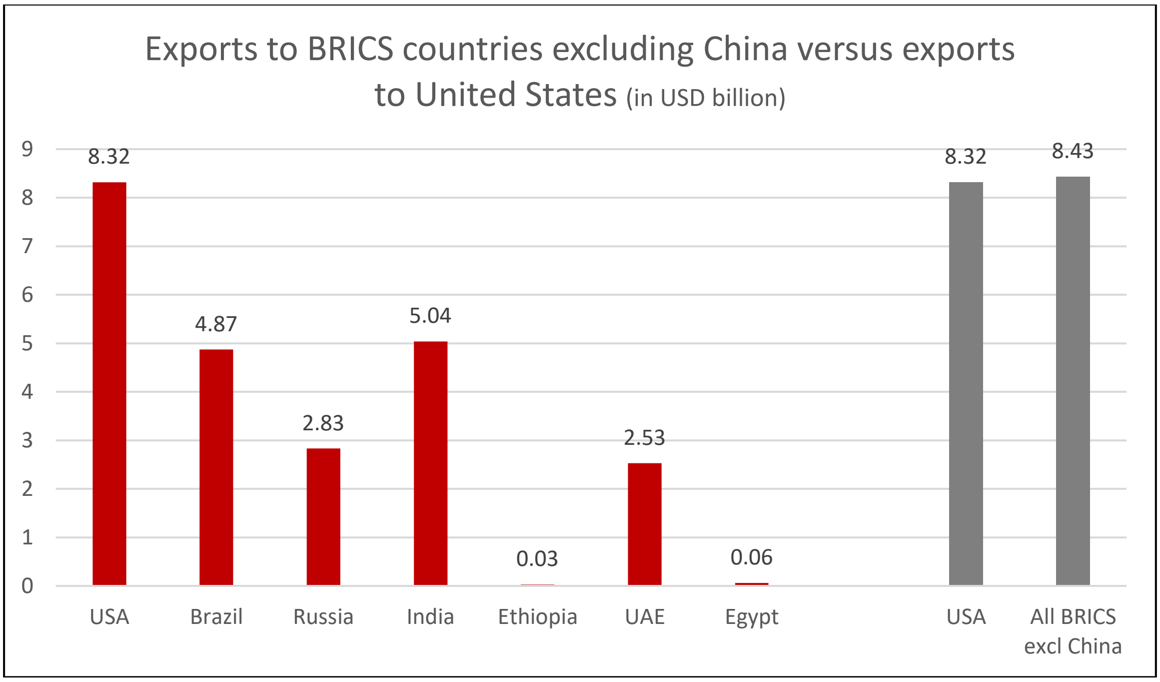
In addition, South African exports to the United States are roughly equal to our exports to all members of the expanded BRICS, excluding China. Total exports to Brazil, Russia, India, Egypt, Ethiopia, Iran and the United Arab Emirates amounted to $8,4 billion in 2023. Moreover, exports to the United States are roughly two thirds of exports to China, South Africa's largest export partner. Overall, therefore, exports to the United States alone equate to around 40% to all the BRICS countries combined.

Put simply: Given South Africa's sluggish GDP growth, high unemployment and precarious trade balance (a deficit of $19,89 billion in 2023), the country just cannot afford to put exports of this magnitude at risk based only on political considerations. Its foreign policy has to be data-driven.





PO Box 12609, Mill Street, Cape Town, South Africa, 8010   1006 One Thibault, 1 Thibault Square, Cape Town, South Africa, 8001
Tel: +27 (0) 21 201 1589   Email: admin@inclusivesociety.org.za   Website: www.inclusivesociety.org.za   235-515 NPO   PBO 930069173



Source: Data – Trading Economics; graphic – Inclusive Society Institute

Implications

South Africa exported, among others, just under half a billion rand's worth of motor vehicles to the United States in 2023, and an incredible R9 billion in fruits, nuts, citrus fruit and melons. Should the 100% tariff be applied, and in the absence of AGOA's duty-free entry into the United States market, these products sourced from South Africa would immediately double in price. This would render South African products uncompetitive in relation to products supplied from other jurisdictions with more favourable tariff dispensations. Such an outcome would have a severe impact on South Africa's motor vehicle manufacturing, agricultural and other export sectors, with concomitant job losses, an increase in the trade deficit, and a negative effect on the country's balance of payment.

And the sad reality is that there is no ready supply of other markets to replace the United States.

Clearly, the Trump punitive tariff dispensation goes against the World Trade Organisation (WTO) objectives, which hold that, with some exceptions, a WTO member should charge the same tariff on a product for import from all other WTO trading partners. However, even though the United States is a founding member of the WTO, this principle will most probably not deter Trump. It would be unwise to bet on a softening of the Trump administration's stance on tariffs, given that during his previous presidency, he displayed a tendency to carry out his threats – for example in relation to China. In 2018, he said he would impose a 25% tariff on $50 billion worth of Chinese exports, and he did. In fact, the Trump administration imposed nearly $80 billion worth of new taxes on Americans by levying tariffs on thousands of products valued at approximately $380 billion in 2018 and 2019.

So, ignoring the threat will be at our own peril. The South African authorities and business sector ought to urgently put strategies in place to secure the American market.

Of course, what Trump intends doing amounts to the use of the United States dollar to bully the developing world into submission. It sends the message that the developing world must play by his rules, fair or not, or face the consequences. It means that no attempt to break the United States' hegemony over global financial markets will be tolerated, and that the developing world must just accept its subservient position.

This, of course, is intolerable and underscores the need for urgent reform of the multilateral order to bring about a fairer and more just economic dispensation. A single country should not be able to prescribe the global economic architecture, nor to coerce unwilling partners to underwrite its world view and carry out its fiscal policing through, for example, dictating sanctions on regimes it is at loggerheads with.

But for now, South Africa needs to ask itself the question: Can our perilous economic position absorb external shocks such as a collapse of exports to the United States? I would venture to say no. Thus, a carefully considered response is needed. Now is not the time for counter-threats and experimentation that may very well undermine our economic and trade relations with the United States.

Yet what we will also have to be brave enough to do – and our presiding over the G20 in the coming year may be the opportune time – is to raise the question as to whether the dollar's dominant role does not perhaps equate to anti-competitive behaviour, and whether it indeed best serves the interests of the developing world.

Conclusion

The incoming Trump administration's warning of a 100% tariff on imports from BRICS countries should they introduce a BRICS currency or some other form of dedollarisation is both unfair and authoritarian. And it creates fertile ground for an international trade war. How South Africa responds will determine the future viability of its exports to America, so treading with caution is of the utmost importance. The data must speak.

It requires a fine balancing act: On the one hand, we dare not put our exports to the United States at risk – our economic situation simply cannot absorb the shock of such a loss. On the other, we dare not compromise our credibility and position within BRICS, and our desire to help reform the global economic order in favour of a fairer and more just dispensation for the developing world.

Finding a middle way between these diametrically opposed positions will require the wisdom of Solomon.

Daryl Swanepoel is the Chief Executive Officer of the Inclusive Society Institute (ISI).