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Initial Global Effects of Trump Even Before Taking Office

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Even before taking office, President-Elect Donald Trump and the policies he promised during his campaign are already having a worldwide impact in at least three areas — global finance, trade and climate change.

If his election is described as an earthquake, the aftershocks are now being felt.

Global funds are starting to move out of many developing countries, reducing the value of their currencies and causing great economic uncertainty.

The Trans Pacific Partnership (TPP) looks like it will fade away, as Trump has said he would give notice of the US withdrawing from the pact on his first day of office.

Earlier, President Obama, seeing the signs on the wall, gave up on efforts to give it a final push through Congress.

And delegates meeting at the two-week annual UN climate conference that ended in Marrakesh on 19 November were all speculating whether a President Trump would carry out his campaign threat to pull the US out of the Paris Agreement and what then would

happen to future international climate action.

Trump has since softened his stand, telling the New York Times on 22 November that he has “an open mind” on the Paris agreement. But he has also indicated he won’t follow through on the Obama administration’s domestic measures to reduce Greenhouse gases.

These are only some of initial effects in anticipation of a Trump presidency. As the President Elect begins to fill in his cabinet positions, the world also wondered what is in store with regard to new US policies on immigration, the UN, the Middle East, Asia and even NATO.

The first concrete real-world effect was on currencies and the flow of funds in developing countries. Equities and currencies in many countries in Asia and elsewhere have taken a hit since the Trump election victory.

The US dollar has strengthened significantly in expectations that Trump will embark on massive spending on infrastructure, thus increasing expectations of inflationary pressures and of the Federal Reserve raising interest rates earlier than expected.

Many billions of dollars of funds that had moved to emerging economies in search for higher yield are returning to the now-attractive USA, and this reverse flow is expected to continue or increase.

This can cause volatility and havoc in many emerging economies, in the wake of an exit of a sizable portion of the hundreds of billions of dollars of foreign funds.

Many developing countries are vulnerable as foreign funds in recent years have increased their ownership of their government bonds denominated in domestic currencies, and there is also higher participation of foreigners in their stock markets.

This makes them even more susceptible to high outflows of capital, and to the weakening of their currency levels, making it more difficult to service external debt. The lesson from the boom-bust financial cycle is that what comes in as short-term funds will most likely move out when conditions change.

On the TPP, the effects of the US elections came swiftly. The US Congress must ratify the TPP for it to come into effect and the last opportunity is during the “lame duck” session

before Trump's inauguration on January 20.

But immediately after the elections, Senate majority leader Mitch McConnell announced there would be no vote on the TPP during this year.

Sensing there is no hope for a TPP bill to succeed, Obama signaled he would give up the effort. As Obama is the true, and often lonely, champion of the TPP, while Trump had pledged to kill it during his campaign, there is almost no prospect for the TPP to be ratified in the US.

At the recent summit meeting of the Asia-Pacific Economic Cooperation held in Lima, leaders of the TPP countries, including Obama, were holding on to the possibility that Trump on taking office would change his mind on the TPP.

After all, President Bill Clinton pushed through the North American Free Trade Agreement (NAFTA) though he opposed it before becoming President and Obama had signed the TPP although he too had earlier been against such agreements.

However, Trump dashed hopes that he too would do an about-turn when he announced on 20 November that on his first day as President he would issue a notification of intent to withdraw from the TPP which he called a "potential disaster."

Without the US on board the TPP cannot survive, as at least six countries with 85% of the combined GDP of all the 13 TPP countries need to ratify the agreement for it to come into effect.

The near-certain death of the TPP is due not so much to Trump as to the public mood in the US that has become so strongly against such trade agreements that it was unlikely there would be enough votes to get it through the Congress, whoever won the election.

A larger issue is what overall trade policy Trump will adopt. It is almost certain that the other big agreement, the US-European Union Transatlantic Trade and Investment Partnership (TTIP), will also cease negotiations.

And NAFTA may be re-negotiated, as this was a Trump campaign promise, though no one knows the parameters of such a re-negotiation.

Trump has also vowed to slap on huge tariffs on imports from China and Mexico. Doing so would be against basic World Trade Organization rules, so Trump might have to discard his campaign threats – or else hell will break loose at the WTO.

In any case, the future of the WTO's negotiating agenda will have to await the unveiling of President Trump's overall trade policy.

Thus the Trump presidency will have a huge impact on the future of the multilateral trading system as well as on bilateral trade agreements.

Even more is at stake in climate change, widely described as the biggest crisis facing the world. During the campaign, Trump described climate change as a hoax and vowed to pull the US out from the Paris Agreement, which Obama had joined with other countries to ratify and which came into force in record time on 4 November.

There was a sombre mood at the UN Climate Change Convention conference in Morocco that ended 19 November. Delegates and activists alike speculated in the corridors on what would happen if the US leaves the Paris Agreement or even the Convention altogether.

French President Francois Hollande told the conference that “the United States, the second largest greenhouse gas emitter, must respect the commitments it has undertaken,” stressing that the agreement was “irreversible”.

If the US leaves the Paris Agreement, the effects could be disastrous. When the US under President George W. Bush withdrew from the Kyoto Protocol in 2001, it didn't have an immediate effect on other countries.

But by 2011, Japan, Russia and Canada had also either pulled out of the protocol or refused to participate in its second commitment period, and the protocol is now hardly operational. There are legitimate concerns the same fate may befall on a Paris Agreement without the US.

Freed from the commitment the US made under the agreement to cut its Greenhouse Gas emissions by 26-28 percent below 2005 levels by 2025, a Trump administration might more easily un-do Obama's executive orders and the Environment Protection Agency rules to cut emissions from existing power plants.

A ray of hope was lit on this depressing scenario at least temporarily when Trump told journalists at the New York Times that “I have an open mind on it”, when asked about the Paris agreement.

The chances of Trump becoming a climate co-operant if not exactly a champion are not however bright. He has announced that his choice for EPA head is Myron Ebel, known for his skeptical views on the “myths of climate change.”

And one of his priorities on assuming office would be to pump more oil and gas and restore the coal industry. Reversing Obama’s climate change regulations are expected to follow.

If the US remains in the Paris Agreement, the other countries will struggle with it to try to hold it to its commitments. And at some point, if it is clear it no longer believes in meeting its pledged targets, it may decide to leave, or to weaken the agreement to accommodate its new position.

Unless there is a change of heart when Trump becomes President, these are the gloomy prospects on climate change cooperation. We may be back to the pre-Obama days when the US under Bush was in denial of the need to act on climate change either domestically or internationally.

This time the situation is much more serious, as the next few years constitute the last window of opportunity for action to prevent a global climate change catastrophe.

These three aftershocks after the election earthquake are quick signs that confirm that not only Americans but the world at large are in for uncertain and uncomfortable times ahead.

We are in for a roller coaster ride, and the world as well as the world order may never be the same again.

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