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Shocks for developing countries from President Trump's first days

By Martin Khor

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His first days in office indicate that President Donald Trump intends to implement what he promised, with serious consequences for the future of the United Nations, trade, the environment and international cooperation, and developing countries will be most affected.

Those who hoped Trump would be more statesman-like in style and middle-of-the-road in policy matters after his inauguration had their illusions dashed when the new United States President moved straight into action to fulfil his election pledges.

The world and the world order have to prepare for more major shocks. It will be far from business as usual. And while other powerful countries can prepare tit-for-tat counter-moves when President Trump strikes, most developing countries won't have the means, and may suffer the most.

Even close friends are not spared. Trump signed an order fast-starting building a wall at the US border with Mexico. To add insult to injury, he asked Mexico to pay for the wall and threatened to impose a 20% tax on Mexican products to finance it. He has also discouraged US companies from moving to Mexico.

Mexicans are understandably outraged and the Mexican President cancelled his planned trip to Washington. Mexico has been one of America's strongest allies. If it can be treated in this manner, is there hope for others to avoid being targeted?

The Trump order to ban the entry of citizens from seven Muslim-majority countries, even those holding a Green card or are working in the US, on the ground that they could pose a security threat, has caused not only anger in the affected countries but also uncertainty among people in other developing countries who fear they may also be targeted in the future.

The executive order also suspended the admission of all refugees into the US. If made permanent, this measure signals the end of a long tradition of the US (in line with many other Western countries) to welcome a limited number of people escaping from troubled countries. In some of these countries, the troubles that prompted them to leave resulted from interventions or interference by the US and its Western allies.

Very troubling are the signs that the US is revamping its approach to international cooperation. Two executive orders are being prepared to reduce the US' role in the United Nations and other international organisations, according to a New York Times report.

One of the draft orders calls for at least a 40% cut in US funding toward international organisations and terminating funds for any international body that fit certain criteria.

The other order calls for a review of all current and pending treaties, and recommendations on which negotiations or treaties the US should leave.

The New York Times says that if Trump signs the orders, the cuts could severely curtail the work of UN agencies which rely on billions of dollars in annual US contributions. "Taken together, the orders suggest that Mr Trump intends to pursue his campaign promises of withdrawing the US from international organisations. He has expressed heavy scepticism of multilateral agreements such as the Paris climate agreement and the UN."

The US has been the major creator of the post-Second World War system of international relations, with the United Nations at its centre. The UN has served as a crucial universal forum for international discussion and cooperation, including on peace-keeping and

economic and social issues.

It convenes leaders and representatives of almost all countries for meetings and conferences, with resolutions and declarations, on a wide range of current affairs. Its agencies have supported global and national policy making and actions on economic development, health, food, the environment, human rights, culture and education, natural disasters and refugees.

The UN has been playing a critical positive role in providing a venue for developing countries to voice their opinions and take part in decision-making on global affairs. The UN agencies have provided resources and support to developing countries to build their national capacities for economic and social development, and in preventing and managing political conflicts.

Of course the UN needs to be improved, including in democratisation of the Security Council and in giving more say to developing countries, especially on global economic and financial issues on which decisions are usually taken by a few powerful countries and outside the UN.

But denigrating the UN's role and reducing funds for its operations would severely weaken the spirit and substance of international cooperation, to the detriment especially of developing countries.

Another looming problem is that President Trump looks intent on doing a complete turnaround on the present US environmental policies. This will have a grave effect on the world, both in terms of the physical environment itself and in turning back the clock on global efforts to tackle multiple environmental crises.

Within a day of Trump's inauguration, pages and references to climate change were removed from the White House website. The Environmental Protection Agency was reportedly told to remove its web section on climate change, though that order was later countered. Staff at the EPA were forbidden to issue media statements or new scientific studies and research grants were suspended.

Two major projects cancelled during Obama's presidency on environmental and social grounds, the Keystone XL pipeline and the Dakota access pipeline, are being revived. The Clean Power Act, a centrepiece of the Obama effort to address climate

change, has been under attack.

And all these even before the assumption of office of Trump's nominee for the new EPA chief, the Oklahoma attorney-general Scott Pruitt, who is well known for having sued the EPA 14 times. His selection by Trump was described by the New York Times as signalling Mr Trump's determination to dismantle President Obama's efforts to counter climate change – and much of the EPA itself.

This policy turnaround will negatively affect international efforts to combat the global environmental crisis. In particular, the many years of collective work to get agreed action on climate change will be seriously impeded since the US is looked up to show an example that developed countries take domestic climate actions seriously and are also committed to provide climate-related financial assistance to developing countries.

At this point it is not certain whether the US will remain in the Paris Agreement or even the UN Framework Convention on Climate Change; its withdrawal from either or both would be disastrous.

It can however be expected that under Trump, the US will stop its funding to the Green Climate Fund, to which the Obama administration had pledged \$3 billion in its initial period and delivered \$1 billion. If the US withdraws, will other countries increase their funding to make up for the loss of the US, or will they also reduce their share, thereby plunging the GCF into an uncertain future?

Another major action was Trump's move to withdraw the US from the Trans Pacific Partnership (TPP) agreement. He had pledged to do so but when he acted, on his first working day, it still came as a shock.

Initially Australia and New Zealand tried to get the remaining 11 TPP countries to pledge they would continue to get the TPP to enter into force. But this has not gained traction, with Japan and Canada bluntly stating that the TPP is meaningless and cannot continue without the US.

Thus, the TPP has been killed. Even if in the future Trump or his successor has a change of heart, the public mood is such that the US Congress would be unlikely to approve.

More important than Trump's action itself is what it represents in terms of the new US

approach towards trade. The TPP was loaded to favour US interests in many ways. On the trade aspect, the US has lower tariffs than the developing country partners with which it did not yet have a trade agreement, and thus stood to gain in terms of trade balance.

On the non-trade aspects of the TPP, which the US under Obama had insisted upon, American companies would have gained in the areas of intellectual property, investment, government procurement and state-owned enterprises.

Yet the TPP was unpopular with the American public, because it perceived that whatever gains the US would have would flow to the corporations and the elites, leaving the working and middle classes to face problems such as possible job losses from cheaper imports and relocation of factories abroad.

With the demise of the TPP, developing countries which are its members regret the loss of their opportunity to gain greater access to the US market. But they are also spared from having to take on heavy obligations on investment, intellectual property and state-owned enterprises, and other issues.

The Trump move on the TPP is a prelude to other trade policies to be rolled out soon, in pursuance of his America First strategy, which includes the subsidiary slogans Buy American and Hire Americans.

Policies being considered include higher tariffs or else “border adjusting taxes” on products from countries with which the US has trade deficits, starting with China and Mexico; tax incentives for companies that export; taxes to punish US companies located abroad that export to the US; and requirements that companies that win government infrastructure and other contracts have to make use of American-made goods.

Many developing countries which depend on the US for their exports, and that presently host US companies or hope to attract new US investments, will be adversely affected by these policies, which together spell a new era of US protectionism. It will end the US-championed policies of liberalisation of trade and investment.

Trump also announced that he plans to initiate new one-to-one bilateral trade agreements, in place of regional or plurilateral trade agreements. If his aim is to promote the US companies’ interests even more strongly than in previous FTAs, this may mean a negotiating stance of maximising US exports to while minimising imports from the bilateral

partners, and pressurising them to accept provisions on investment, services, intellectual property, procurement, state-owned enterprises and other issues that are even stronger than what the TPP had.

Other developed countries like Japan and the post-Brexit United Kingdom may be interested in starting negotiations with the US with its new template, in an attempt to get mutual benefits. It remains to be seen whether there would be developing countries willing to be new partners in what for them would likely be very one-sided bilateral agreements.

Another question is whether the rules of the multilateral trading system will act to constrain the new US administration. Many of the new policies announced by Trump or his team (such as higher taxes and tariffs on Chinese and Mexican goods, or taxes on American companies exporting to the US) are probably against one or another of the agreements under the World Trade Organization.

Even if the Trump administration fine-tunes its policy measures in an attempt to fit within the WTO's rules, they will most likely be challenged by other WTO members. If the WTO panels rule against the US, will it comply with the decisions, or will Trump turn his fire against the WTO and its system instead?

Meanwhile, the WTO members are waiting to see what positions the new US trade team will take in the on-going WTO negotiations in Geneva.

Given that Trump ran on the promise to upend the establishment, and it looks as if he intends to keep to his word, leaders and people around the world, and especially in the developing countries since they are more vulnerable, should prepare themselves to respond to more and bigger shocks ahead.

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