

'Go find another sucker' – Trump

BRICS: WARNS OF '100% TARIFFS' IF THEY SCRAP DOLLAR

➔ **If currency's role is threatened, it puts trade at risk – expert.**

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Brian Sokutu

As US president-elect Donald Trump warns Brics "to go find another sucker" if they scrap the dollar as an trading currency, a leading economist has warned of economic implications for South Africa.

Trump strongly cautioned Brics countries about "facing 100% tariffs", saying they should "expect to say goodbye to selling into the wonderful US economy" in his latest tweet.

In one of the harshest warnings, Trump said: "The idea that the Brics countries are trying to move away from the dollar, while we stand by and watch, is over.

"We require a commitment from these countries that they will neither create a new Brics currency, nor back any other currency to replace the mighty US dollar or they will face 100% tariffs, and should expect to say goodbye to selling into the wonderful US economy.

"There is no chance that the Brics will replace the dollar in international trade and any country that tries should wave goodbye to America."

As Trump's warning came as no surprise – on his campaign trail he pledged to make it costly for countries moving away from the dollar – head of North West

University Business School Professor Raymond Parsons pointed to some risks.

"The reality is that although there has been much debate about 'de-dollarisation' in recent years, research shows that the dollar's role as the primary global reserve currency, remains strong.

"If its role is threatened, without the broad support of international consensus, it puts trade invoicing, settlements, foreign corporates, financials and central bank reserves at risk.

"Even though legitimate diversification of foreign payments will from time to time emerge as the world economy develops, the dollar dominance is expected to remain for the foreseeable future," said Parsons.

In dealing with the Trump threat, South Africa's upcoming hosting of the G20 "may need to involve international institutions like the International Monetary Fund to help mediate".

"SA will need high levels of economic diplomacy to deal with the much greater risks that are now emerging for world trade," Parsons said.

"In a worse-case scenario, the latest threats to Brics merely highlight the serious dangers of 'beggar-my-neighbour' policies, if multiple trade wars develop."

Parsons said the latest threat by Trump "follows on previous warnings by him to use punitive

tariff measures to compel US trading partners to comply with US demands".

"This 'weaponisation' of trade tariffs and its minimal interest in the rules-based collaborative multilateral system by the US, has been increasingly apparent in the recent times."

Said independent political analyst Sandile Swana: "Trump might regret his statement or attempt to do this.

"When they tried to launch sanctions against Russia from 2014, Russia replaced a lot of sanctions instituted against it, finding a lot of markets and prospered.

"With the trade war that Trump launched against China, China found new markets and prospered," Swana said.

"Top four fast-growing economies in the world, predicted for the next five years, will be China, Russia and India and Brazil.

"What is clear is that the world GDP (gross domestic product) growth, is going to be driven by the Brics countries – not by the United States of America or Nato countries.

"Trump is talking from the past.

"If you look at the GDP on a purchasing power parity – out of the top four countries, which are the largest by economy, in terms of purchasing power parity – only the US is in the top four."

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