



The Trump Effect in Latin America

After an extended period of left-wing populism Latin America has recently moved to the political centre and the pro-business leaders now in charge of the region's biggest economies have had a rude shock with the election of Donald Trump as US president.

After Trump's inauguration on January 20 the US economic relationship with Latin America will be characterised by protectionism, retrenchment and reduced international activity, all of which have been overarching themes in Trump's foreign-policy pronouncements.

Chile, Mexico and Peru are members of the Trans Pacific Partnership (TPP) which would have boosted trade but the election of Trump has most likely extinguished TPP in its present form - an eventuality which will be a lost opportunity for New Zealand's international trade as well.

Trump's unorthodox mixture of right-wing protectionism and bilateral trade deals is not dissimilar to the economic policies of the new governments in Argentina, Brazil and Peru, but this will not earn them any special favours from Trump.

Despite previously having expressed a preference for a Clinton presidency Argentine President Mauricio Macri congratulated Trump on his victory but his comments papered over the comments by his foreign minister Susana Malcorra before Trump's election that Trump's "more closed, isolationist and xenophobic" policies would threaten a new phase of cooperation and trade with Washington.

Notwithstanding the apparent common ground Brazil has been singled out by Trump as a country which benefits from trade arrangements which are unfavourable to the US and the arrangements' renegotiation will hit Brazilian exporters hard as the US is their second largest market.

"Congratulations on your election, @realDonaldTrump. Pedro Pablo Kuczynski, President of Peru" was PPK's tweet, the

terseness of which is understandable as he joked last June that if Trump won he would cut Peru's ties with the US.

Peru cutting ties with the US is an unlikely scenario but increasing trade from present levels will be a hard ask in light of Trump's protectionist policies.

Insecurity in Mexico

In Mexico's case Trump's savage rhetoric about immigration and dismantling NAFTA has caused major concern.

Increased border enforcement and the deportation of millions of undocumented Mexicans from the US will create logistical strains on Mexican authorities and make the insecurity already rife in Mexico much worse.

Mexico's export-based economy will suffer substantially if free trade with the US markets under NAFTA is curtailed or abolished as Trump has promised.

Need to look beyond the US

Trump's position on Cuba is that unless the island nation makes very unlikely concessions on political expression and prisoners he will end the normalisation of relations with Cuba and to maintain the economic blockade even though a majority of Americans want it removed.

Colombia is relying on hundreds of millions of US aid dollars to rebuild infrastructure damaged in the protracted civil war with FARC and if this aid does not eventuate there are wide concerns security and the economy will suffer and criminality increase.

Venezuela's President Nicolás Maduro publicly supported Bernie Sanders and has grudgingly congratulated Trump and not surprisingly called for a respect for state sovereignty and self-determination.

Trump is not likely to have been moved by Maduro's aspirations as he has inveighed against Venezuela's government and promised that "I will stand with the oppressed people of Venezuela yearning to be free." And there is a threat the US could stop buying Venezuelan oil which

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will be disastrous for the basket-case Venezuelan economy.

Bolivian President Evo Morales whose relationship with the US has always been fraught to the extent of expelling USAID in 2013 tweeted: "Here's to @realDonaldTrump's win. We hope to work against racism, machismo, and anti-immigration for the sovereignty of our peoples." And as there is little bilateral trade Trump's election will not affect the Bolivian robustly growing economy to any marked extent.

In Chile, Hillary Clinton's good friend President Michelle Bachelet has barely mentioned Trump's victory, only saying she hoped the US and Chile could continue to collaborate, which, considering the enormous US investment in Chilean mining is likely to continue but not increase.

Trump's scepticism of climate change and focus on upping US industrial activity could have considerable effects in Central America as the region is vulnerable to flooding and tropical-storm activity and relies on a stable climate for food production, which with global warming can no longer be relied upon.

With recessions in Argentina, Brazil and Venezuela already dragging regional GDP down the "Trump Effect" means any resurgence in Latin American economic growth in the medium-term will depend on new or strengthened trading relationships which do not rely on the US.

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