Bestuursekonomie: Groep werksopdrag Inhandiging: 23 Apr
Managerial Economics: Group assignment Submission: 23 Apr

Background

Global trade is not a new phenomenon, and we have been trading across borders since antiquity. According to modern economic theory it is mutually beneficial for countries to specialise in producing those products in which they have a comparative advantage, and to import those products for which they do not.

Historically, the volume of world merchandise trade has tended to grow between 1.5 times to twice as fast as world GDP. But since 2012, trade has only been growing at a rate equal to or below that of GDP. In 2016, 20 of the world's largest shipping companies sold $120 billion (volume), compared to $200 billion in 2012.

After decades of increasing trade liberalism, various factors have recently influenced the seeming decline of global trade, notably the brewing US-China trade war, Brexit and other forms of protectionism.

U.S. President Donald Trump went on the trade warpath in 2018. The showdown was designed to punish countries – notably China – that he said engaged in unfair trade practices, such as disrespecting intellectual property rights, subsidising industries and underpaying workers. His tariffs, and retaliatory duties imposed on U.S. goods by other nations, shook the world economy and caused companies to reconfigure supply chains.

In the United States, the trade war has alarmed business leaders, who largely support existing trade deals. Some business groups have argued that Trump's metal tariffs and retaliatory duties that came in response have hurt U.S. industry, farmers and workers. However, U.S. economic growth has remained buoyant, with economists partly crediting Trump's tax cuts for these developments.

On the other side of the Atlantic, British Prime Minister Theresa May is battling to keep her Brexit deal alive, barely a month before Britain's scheduled March 29 exit date. Pro-EU Tory MPs want to force Mrs May's hand to prevent a nodeal Brexit, if necessary by delaying the date of Britain's departure beyond March 29. Meanwhile the rest of the EU has almost unanimously insisted it is not going to reopen the 585-page withdrawal treaty. With all of the political uncertainty surrounding the talks, international trade is sure to suffer.

Finally, The International Monetary Fund has cut its forecast for the world economy for the second time in three months due in part to trade tensions, said in January that global growth would be 3.5 percent in 2019.

Question

How does the current international business environment impact South African business?

Explain the impact of the current increasing trend towards protectionism on:

- South African exports
- Profitability of South African businesses
- South Africa's labour market developments
- Foreign exchange rate movements

Instructions

Write an in-depth 3,000 word essay (including references), referring to all the aspects mentioned in the question above. The assignment must be submitted as a word-processed A4 document (1.5 spacing, double sided printed and correctly referenced). Word count should be reflected on the cover page. Penalties will apply if these guidelines are not adhered to.

This assignment should also be submitted on efundi. Follow the instructions given on efundi for submission.