

# What Trump in the White House means for the South African mining industry

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America is facing the reality that Donald Trump will be its next president, and world markets have felt the aftershocks, thanks to uncertainty around his economic and geopolitical views.

In the run-up to in what was probably be regarded as the most controversial and personal election campaign in the history of election campaigns, many things have been said. Some in jest, others seriously.

What seems to be clear from Trump's presidential administration will focus on America. He has vowed to investigate trade treaties and uncover trade violations. He may instruct the US Treasury to label China as a currency manipulator and one would expect a tighter look at China's investment practices. Could it be that Trump would insist that the FBI enforce the foreign corrupt practices act with more vigour?

All this leads to uncertainty. And markets dislike uncertainty.



Mining is by its very nature a long-term investment endeavour that takes decades to mature. Moreover, it has an insatiable demand for capital, which must be raised in capital markets. If markets are spooked it would be increasingly difficult to raise capital to invest in the South African mining industry. Regulatory uncertainty already permeates the mining industry with a new amendment bill having been passed, a third mining charter floating around in draft form and ongoing court cases on the implications of empowerment structures in mining not having been resolved. Unfortunately the South African mining industry already does not exactly appear safe and stable to American investors.

Mining is South Africa's sweetheart industry. It is labour intensive (and we need large scale employment). A large cottage industry surrounds it, through the entrepreneurial businesses sprouting from the communities in which the mines operate. It has the ability to improve socio-economic and living conditions for ordinary South Africans, and it is a great source of foreign currency (notionally strengthening the rand).

South Africa is very chummy with China as a trade partner and we are encouraging that country to invest in our mining industry, as well as downstream beneficiation and manufacturing. We are firmly part of BRICS and the only African country to have attended the G20 summit in China earlier this year. So there is a risk that this relationship may be at odds with potential US foreign policy objectives.

Although a weaker rand makes investment notionally cheaper, exports of mining commodities are all US dollar based. A weakening Rand deteriorates real profits and makes investment more uncertain and unstable.

At a time when the storm clouds are thickening for the South African mining industry, it now does not look like the next four years will be any easier. We will have to look creatively at funding, investment and the development of our commodity-based economy.

## ABOUT THE AUTHOR

As a partner in Hogan Lovells' mining division, Wessel Badenhorst has extensive experience in health and safety, labour law, mining and mineral dispute resolution, operational mining commercial transactions and environmental law pertaining to mining.

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