

STUART EIZENSTAT

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Thomas GOMART

I would like to turn now to Mr. Eizenstat before going to Mr. Johnston. Mr. Eizenstat has a very strong administrative background, because he was Deputy Secretary for the Treasury with the Clinton administration. The floor is yours.

Stuart EIZENSTAT

I speak to you at a fraught time in the US, in which a climate of intolerance and even fear is greater than anything seen in recent memory, accentuated by the deadliest attack this weekend on the Jewish community in the history of the US, with 11 people killed in a synagogue, on top of a spike in hate crimes against all minorities in the last several years.

My basic message is that President Trump is, for better or worse, a truly transformative president in nine ways. Firstly, he has transformed the Republican Party from a free-trade, internationalist, engaged party into a protectionist, anti-immigrant, America-first, populist party. He stirs his heavily white base with fears of unrestrained Hispanic immigration and what he calls unfair trade deals, and has won the support, in the most recent poll, of almost 90% of Republican voters.

Secondly, he has transformed American politics more broadly, polarising an already polarised public well before he was elected, to the greatest degree in recent American history. The moderate middle of American politics has collapsed, and the willingness of Republicans and Democrats in Congress to find areas of compromise is almost non-existent, and yet that is essential to the governance of our country. President Trump has stoked these differences to a white-hot level, calling Democrats evil and saying they favour mob rule.

Heading into a crucial mid-term congressional election in the next week or so, this will all be put to a test. His base is enormously loyal, but his overall approval ratings are only about 40%, low by historical standards for presidents at this stage. However, several factors have recently energised his base as we go into these elections, and what might have looked like a Democratic so-called blue wave of resentment against Trump and Republicans has been muted because of recent developments. My best guess is that, in a very volatile situation, Republicans will pick up perhaps two Senate seats to add to their bare majority, but the Democrats will narrowly win the House of Representatives, which will have a major impact on the last two years of Trump's administration.

Thirdly, the President has transformed global politics as well by skilfully playing an anti-immigrant, nationalist, populist card in the US, and thereby catalysing and validating similar movements from Brazil to Italy, from Hungary and Poland to Germany and Sweden, whom he endorses and embraces. The thread connecting all these is an anti-immigrant fear behind much of this populist movement.

Fourthly, he has also transformed in an unprecedented way the relationship of the American presidency with key US institutions that had previously been thought sacrosanct and free of political and partisan pressures - the Justice Department, whose own appointed Attorney General he regularly castigates, the FBI, independent counsel Robert Mueller, the press, and most recently the Federal Reserve Bank and his own newly-appointed Fed Chairman Jerome Powell. He accuses the Fed of being 'crazy', 'loco', 'going wild and out of control' over its recent interest rate hike, and he expresses disappointment in having appointed Powell at all.

Fifthly, in a transformative break from the tradition that presidents respect, even if they might disagree with international agreements reached by their predecessors, Mr. Trump has withdrawn from the Trans-Pacific Partnership trade agreement, from NAFTA and from the Paris Climate Change Agreement. I will add that I negotiated the Kyoto Climate Change Accords in the Clinton Administration as the chief US negotiator. He has withdrawn from the JCPOA nuclear agreement with Iran, from the intermediate nuclear arms control treaty with Russia, and this only in the first half of his first term.

Sixthly, he is transforming US relations with our key European allies, questioning the value of NATO and its Article 5 mutual defence pledge, asserting that the EU was set up to disadvantage the US on trade and is its enemy on trade issues.

Seventhly, he is transforming US policy in the Middle East, which has always been, and rightly so, strongly supportive of Israel's security, but which also tried to be balanced by earning the trust of Palestinians. That has been transformed into a policy in which US funds have just been cut off to the Palestinian Authority. He has, to his credit, forged closer relations with the Sunni states in the region against Iran.

Eighthly, he has transformed decades of bipartisan American trade policy, showing a deep distrust of multilateral trade agreements, and seeking instead through unilateral actions to reach bilateral or regional deals that he asserts are essential to our national security. He has achieved significant success, frankly, in using the brute power of the US economy in ways little used before, through unilateral tariff measures, to bend these countries to his will. He believes that US trade deficits with these countries show that the US has been 'cheated' or 'duped' by unfair trade agreements rather than by market forces, and by doing so, he has reached a new agreement with South Korea and a post-NAFTA agreement which is more beneficial for the US.

Ninth and last, emboldened by his success in bludgeoning other countries into submission, he is transforming our relations with China in ways that will shape the 21st century profoundly. This confrontation is more than just a trade dispute – it is a clash between a rising world power and an established one. He believes that China's rise is a direct national security threat to the US, just as Chinese President Xi believes that the US is out to block its ascendancy as a world power. Indeed, Xi's Made in China 2025 strategy is the Chinese version of Trump's America First, explicitly designed to achieve Chinese dominance in new 5G technologies.

There is a widespread bipartisan consensus in the US, and perhaps also in Europe and Japan, that China in fact has engaged and is engaging massively in unfair trade and investment practices at the expense of Western and Japanese companies. The question is the best way to confront them. Trump believes that he can win a trade war with China, because China has such a large trade surplus with the US and because our economy is particularly strong at a time theirs is slowing down. He has imposed three rounds of tariffs on USD 250 billion of Chinese products, and these tariff levels will increase from 10% to 25% on 1 January unless a trade deal is reached.

Furthermore, he has promulgated new investment rules that will go into effect on 10 November and will lead to far tougher scrutiny of all foreign investments, particularly but not exclusively Chinese, in 27 industries that he believes important to US national security.

However, I believe that as more and more US industries complain about the negative impacts of these tariffs on Chinese products, as consumers begin to feel the higher prices that they mean, and as the stock market signals that trade wars are having a negative impact, the Trump administration will seek an agreement, and I believe there will be one before the end of the year. This will involve more Chinese purchases of US goods beyond the USD 70 billion they pledged in the spring, with modest changes in China's IP and forced joint venture and technology transfer practices with a commitment to negotiate over the systemic elements of China's practices, and the President will call this the best trade deal in the history of America.

However welcome this will be, if it happens, the Trump administration has a much broader concern with China as a geopolitical and strategic threat, for example, their aggressive action in the South China Sea. These cannot be easily resolved, and so we are in for a tumultuous time in relations between the two great countries of the 21st century. I want to thank Thierry and Mostafa Terrab for permitting me to share my views.

Thomas GOMART

Thank you.