

## JEAN-CLAUDE GRUFFAT

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We will start with Jean-Claude Gruffat, who is a banker as background and now the Chairman of the Competitive Enterprise Institute in Washington.

### **Jean-Claude Gruffat**

Good afternoon and thank you very much. I will start by apologizing for not wearing a tie. I am the victim of luggage transit between two airlines, and it is a good lesson to always take the same airline to make sure that your luggage follows.

Having said that, I will try to be brief and essentially to cover three points. First of all, we have the constant of US policies since World War II and we have several periods and themes that were all driven by the United States. The first one was the Cold War, which you just mentioned. That Cold War was specific in a sense that it was purely military, there was no other relationship between Russia and the Soviet bloc and the rest of the world. It was purely military with no investment or trade; they were two different worlds. The Cold War we are talking about potentially between China and the rest of the world or part of the world, is of a very different nature.

The Cold War was followed by the War on Terror, which was a mixed bag. You mentioned Afghanistan and I personally think it was an error to be there other than to take care of Bin Laden and Al Qaeda and a mistake to try regime change. We have seen that the basic failure of the War on Terror was this attempt to change regimes and impose a different type of democratic institution on societies and cultures that were not ready for that. That is clearly the case in Afghanistan, Iraq, Libya and probably in Egypt as well. That was followed by the Trump period, if you will, which was essentially characterized by the fact, and I am quoting someone else, "Trump foreign policy was both unilateral and transactional". He had no ideology and never had one. He had a sort of off-the-cuff reflex, fixations, and a narcissistic and psychopathic type of attitude. I can say some negative things about Trump because I am also going to say some positive things about him. The fact of the matter is that Trump with "America First", did not fundamentally change the relationship with the rest of the world but the style changed dramatically. There was this fascination with authoritarian regimes and also the fact that he wanted to go back on engagements made by previous administrations, whether the Paris Agreement on climate change or the so-called Joint Comprehensive Plan of Action, the JCPOA, which is the nuclear deal with Iran. And then there I was the renegotiation of NAFTA with the new Mexico-Canada trade agreement.



The second point is that despite the change of administration, there is a continuity of policies in terms of foreign relations. I refer you to a paper that has just been published by Richard Haas, who I am sure many of you are familiar with from the Council on Foreign Relations. In the last issue of *Foreign Affairs*, he basically says that there is not much difference if you go back to Bush 43<sup>rd</sup>, then Obama, then Trump, now Biden. Essentially, as you mentioned, there has been no real change in terms of the protectionist measures taken by the Trump administration, the tariffs imposed on China but also European products, and the limitations on international trade. These policies have not really been substantially modified, the only thing where you can say there might be a difference of style, and I am not even sure of that. And the second point is that we have seen effectively that Biden is trying, and you mentioned it for China, to rebuild relationships. He is saying we may be in disagreement on other things but at least we are in agreement on climate change and then he sent Kerry to China recently, as you know, and it was not a success to be perfectly honest. There is therefore some uncertainty about that.

The other point I want to mention is the growing frustration over the last decade and again, over many presidencies, for example, with the percentage contribution to the NATO budget. The US administration started with Obama but continued with other administrations wanting to see at least 2% a contribution from members to the NATO budget and we are only at an average of 1.7% or 1.8%. The only two countries that are spending more than 2% are the US and the UK, which explains a number of things. There was also some frustration on the other side. The Europeans signed an agreement with China just at the time of the change of administration in Washington in December 2020 and it was not very well received by the new administration. On the other hand, you have as you mentioned, Afghanistan, where the decision and logistics of the pullback were clearly an American decision without any consultation with allies or even the members of the coalition. The result is what we have seen, which is a complete debacle.

When you put that all into perspective, you should not be surprised that things are not going well between the different parties to the transatlantic alliance. The results of that can be seen in some of the things we have recently observed including the story of the submarines. I am told that the story of the submarines is largely because the Australians became very aware of China's assertive policies and were concerned that the French solution was not necessarily what was needed. They went to the British and the British went to the Americans with the result you know.

I will finish by just talking briefly about the new Cold War, which in my sense does not really exist as a Cold War because the other relationships are too important. They are particularly important for China, and I will just give you some numbers to keep in mind. The import/export of goods and services represents 25% of American GDP and 35% of Chinese GDP, so the trade relationship is much more important for China than the US. That is particularly because the balance between import/export is much more in China's favor. We export about 11% to the US, the Chinese export half of the 35%, so they are much more dependent on that.

I will stop there, and I will be happy to take questions later.