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That is my thought, but that is just me, what about the panel? Let us talk to some of the people who can help us through this, and I think I will start with Stu Eizenstat in Washington, who can take us into the weeds a bit and tell us what the impact is going to be with the President and the new Congress.

Stuart Eizenstat

Thank you, Jim and thank you for permitting me to participate. First of all, the decision by the electors in the midterm election was really quite astounding. Normally in an off-year election, the President's party loses an average of 25 to 35 seats in the House and two to four in the Senate. In this election the Democrats gained a seat in the Senate, and lost only a net of seven seats in the House. This is remarkable given the fact that polls showed that 70% of the public felt the country was going in the wrong direction with high inflation and the lingering pandemic. The biggest loser in the election was Donald Trump; his endorsed candidates almost universally lost, and it was a win for moderates in both the Republican and Democratic candidates. The most recent poll taken a couple of days ago, shows for the first time that Governor DeSantis now has a lead among Republican voters for the first time for a hypothetical 2024 election return. One example of how fast Trump has fallen is the Rupert Murdoch-controlled New York Post, which in announcing Trump's decision to run for President had at the bottom of the first page, 'Florida man decides to run for President. See page 26.' Nevertheless, although the Republican hold on the House is very slim, they will control the House agenda and all the committees. This means an end of Biden's domestic legislative agenda and that he will increasingly govern in the next two years domestically by Executive Order. Many of those steps will be challenged in court. The Republicans have subpoena power, and they will hold hearings galore, starting with Hunter Biden, the President's son and trying to implicate the President himself in his son's dealings with China. There will be hearings on the Afghan withdrawal. Even one on "weaponizing" government, focused on the FBI and Justice Department. This can lead to the President becoming a more foreign policy President. He will spend much more time on foreign policy than he did in the first two years, where he has much greater flexibility as Commander in Chief. I think that is a good thing for the United States engaging the world. He will emphasize his domestic accomplishments.

Let us look at what is likely to happen on foreign and trade policy. First, with Ukraine, the administration is seeking and has obtained as we speak a USD 40 billion supplemental



appropriation for Ukrainian arms that will last a full year. This is done in anticipation of the fact that when the Republicans take over there will be a significant percentage of the new Republican majority that holds Trump's nationalistic, America first, neo-isolationist policy, which is more skeptical towards aid to Ukraine. They want to get at least one more full year of a major aid package to Ukraine under their belts. Having said that about the House Republicans, the Senate Republicans under Senator McConnell as the minority leader, can continue to be expected to support aid to Ukraine and if anything, to be critical of the administration for not sending enough sophisticated weapons.

Putin's policy is clearly to divide and weaken the West, to make it war weary, to create higher energy prices and in Ukraine itself, a darkness and lack of electricity to force a territorial compromise. My fear is that many of the Europeans going through this rough winter will press Zelensky for just that type of North Korea/South Korea DMZ-type compromise. The President is not likely to follow that path and I think he will follow Zelensky's lead.

With respect to China, even with the midterm elections there is bipartisan support for a hard-line position against China. I think this will continue and Biden going into a potential Presidential race, does not want to be seen or criticized by the Republicans as being weak on China. In many respects this is unfortunate because the President has kept many of the same trade policies towards China that Trump put into effect, in particular, there remain USD 200 billion of tariffs against Chinese products coming into the United States. I believe the administration was prepared to drop those for Speaker Pelosi's visit to Taiwan but given the very heavy blowback by China, they have backed away from that. That would be inflation reducing and it would at least be some bow towards China. In the recent summit between Xi and the President they put a floor under the collapsing relationship, but it has declined very substantially. China is challenging the United States in Asia and the Middle East, Xi has met with some 37 heads of state, his visit to Saudi Arabia was in sharp contrast to Biden, in which the Saudis rolled out the red carpet and gave Xi a much warmer relationship than was extended to Biden. They signed a strategic partnership agreement that was unthinkable only a few years ago and while the US remains the main arms supplier to the Saudis, clearly the Middle East suffers from a vacuum in American leadership.

When Trump pulled back from the Trans-Pacific Partnership Agreement it left a huge vacuum. The remaining 14 countries signed their own trade agreement without the United States and in 2020 they signed an additional tariff reducing agreement among 15 Pacific and East Asian countries. It left the field open for China's own Comprehensive Economic Trade Agreement for many of those same countries to join China's initiative. What was intended to be an instrument to increase US leverage, was left in the last few months this year to a weakened trans pacific partnership, US-led Indo-Pacific Economic Framework for Prosperity. That is thin gruel compared to the TPP and it involves some actions on digital standards, supply chains, clean energy, anti-bribery and money laundering but no tariff reductions and no market access to the United States. It is not the kind of pivot that will let the United States compete with China.

The centerpiece of Biden's foreign policy was and remains rallying the democracies against autocracies. He has done that with a democratic summit this year and there will be an African summit coming up in the next few weeks, and that is all to the good. As shown by President Macron's recent visit, the first state visit in 21 months in the President's tenure, there was a



good deal of tension over the Inflation Reduction Act, huge subsidies but not going to any non-American country unless they have a free trade agreement with the United States, which most European countries do not have. That is a source of tension with Europe at the very time we need European cooperation with Ukraine.

Jim Bitterman

If I could just interrupt a moment, Stu, I would like to get to some of the other guests here and we have a very limited timeframe. I think those points are well taken and your point about the Middle East vacuum, we just heard from a panel two sessions ago about a clamoring from some of the Middle Eastern countries about where the United States is and where its leadership is.

[...]

Jim Bitterman

Stu, I wonder do you think the Americans feel like they are winning in Ukraine because the Ukrainians are winning?

Stuart Eizenstat

Yes, I think we are showing real solidarity, but I want to say this on more broadly. In two years, Biden has totally changed Trump's foreign policy. He is reinvigorated the NATO alliance and the US European Union relationship. He has re-engaged in a very serious way on the climate change negotiations. He has dropped the section 232 National Security sanctions against European steel and aluminum. He has begun to re-engage, though not as much as I would like, with Asia through the new trade arrangement and he made a visit to Saudi Arabia. I think we are going to see more of that, and the Ukraine situation will be a real test because the Europeans want to cut a deal with Russia and Biden will be against that unless Zelensky agrees to it. I think the long and the short of it is that Biden has re-engaged with the world, and I think in the next two years, particularly since his domestic agenda will go nowhere with the Republicans controlling one of the two Houses, he will be even more of a foreign policy President and will re-engage to an even greater deal with the world. I think that is to the benefit of all the democracies. He feels very strongly about supporting democracies against autocracies and I think that will remain a centerpiece of his foreign policy, as will engagement on climate change.