

**Jomo on Trump presidency, Malaysian lessons**  
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INTERVIEW Jomo KS, former assistant secretary-general for economic development in the United Nations and recipient of the 2007 Wassily Leontief Prize for Advancing the Frontiers of Economic Thought, shares his thoughts on the Trump presidency and how it will impact Malaysia.

**How did you react to the Trump electoral upset?**

**Jomo:** Humbly. We were so wrong, not once, but twice - after Brexit - and that makes it farcical.

I did not follow the Brexit debate closely, but that should have been a wake-up call for all pundits. We were told then that public opinion is one thing, but what counts in a vote is those who actually vote; apparently, older people who felt worse off in the EU were decisive even if their perceived grievances had little to do with EU membership. Also, polling, usually by landline phones, has its biases. And of course, in the US, the electoral college system and gerrymandering have their own implications.

Also, with (Donald) Trump's narcissism, bloopers and scandals, there was a widespread tendency to underestimate the strengths of his campaign. For many months, the widespread assumption was that the election was for Hillary (Clinton) to lose, not recognising the strengths of his campaign.

In February, I was convinced that Trump would win the Republican nomination and had significant cross-party appeal, but presumed that Hillary's funding and media support would prevail. Even though Hillary came across as the war-monger indebted to Wall Street, who later dismissed those who had lost out for whatever reason as 'deplorable'.

Trump's victory in the US presidential election has made one thing clear: too many Americans - particularly white male Americans - feel worse off. It is not just a feeling as many Americans really are actually worse off despite the uneven recovery under Obama.

This same demographic appears to feel that they have lost privileges as whites, males, etc. which they probably see as entitlements. This may well mean turning back the clock on various egalitarian measures and trends in recent decades which have eroded such privileges.

Not being adept with social media, I also failed to appreciate how social media and various diverse features of contemporary US society (the strength of faith, 'bowling alone') and media have enabled many people to live in parallel cultural universes, in their own realities.

It remains to be seen how politicians in Malaysia will draw lessons from the US election

results, eg, how will competition for the Malay vote be articulated and manifested, and what are the likely lasting consequences of such political competition.

Will there be a parallel and complementary appeal to Sunni Islam comparable to that to the Christian right in the US? What are the likely medium-term cultural and social consequences of such short-termist and probably desperate political mobilisation, especially for those who see their own life prospects at stake or at risk?

### **You tend to see things in the longer term.**

Since the 1980s, the rules of the American economic system have been rewritten in ways to better serve those with power or at the top, often at the expense of the rest, ironically led by Trump's Republican Party. But there is no way Trump can bring back a significant number of well-paying manufacturing jobs back to the US because he cannot reverse globalisation single-handedly. He can bring many jobs back, but most will be low-waged, not the relatively high-paying jobs of the 1950s.

If Trump is serious about reviving economic growth, his commitment to invest in infrastructure will help. But to restore American economic leadership, much more is needed, especially to support publicly funded research to accelerate technological progress. The effort to respond to climate change is one such opportunity, but unfortunately, one which Trump has eschewed by misrepresenting it as Chinese conspiracy to undermine the US; few people remember that Maggie Thatcher was the first world leader to highlight the threat, thanks to her training in chemistry.

Ensuring greater financial access for small and medium-size enterprises would also stimulate private investment, besides strengthening his appeal to his base and to Tea Party types.

It will be interesting if he lives up to his maverick reputation and reconsiders his earlier declaration to reverse Dodd-Frank financial regulation. But I do not see a fundamental reversal of what some call 'financialization' in order to ensure that finance serves the real economy and helps achieve national economic and social priorities. Regulatory reform in the US must move beyond limiting the damage that the financial sector can do, to ensure that it genuinely serves the economy and society, but there seems little indication that this is on the cards.

Elizabeth Warren and Bernie Sanders are still a minority, even in their own party, with most senior politicians of both parties beholden, like the Clintons and Obama, to Wall Street.

### **So what will Trump do to respond to the groundswell which elected him?**

While he is unlikely to want to nurture a more dynamic, open and just society, this objective is, in some ways, consistent with some of Trump's campaign promises but also contradictory to others.

Hence, the populist tag. But let's face it, most contemporary politicians are populist if they are interested in winning as they seek broad popular support. But describing a person or movement as populist means little as there are so many different types of populisms.

Trump's is of a kind which got (Rodrigo) Duterte and (Narendra) Modi elected. This brand has developed growing momentum in Europe, particularly with the failure of social democrats to take bolder steps in the face of contemporary challenges, especially the power of financial interests. But beyond this broad generalisation, we need to go further to understand these complex phenomena of our times, going beyond the old categories of the second half of the 20th century.

While Trump has promised to raise the minimum wage, he does not seem likely to undertake other needed changes although he has already shown some 'flexibility' in departing from his campaign platform and rhetoric.

The regressive US tax system also needs reform, which again seems unlikely to happen despite Trump's rhetorical pledges to pursue reforms that benefit ordinary Americans, especially considering his own recalcitrance over his own tax returns.

Trump is also unlikely to prioritise enhancing equality of opportunity, eg, by ensuring preschool education for all and investing more in public schools, as he has been silent on such issues. Instead, he is more likely to devolve to community (read 'white middle class') control which will erode the likelihood of cross-subsidisation and thus worsen inequalities.

Restoring shared prosperity also requires policies that ensure access to affordable housing, medical care, tertiary education and secure retirement in old age. Such aspirations, shared by societies including ours, have been met in much of northern Europe. The reality for most in the US and here has been higher personal debt, especially for housing, private transport means and consumer durables.

While Trump seems inclined to support a massive housing programme, his promised repeal of Obamacare would leave millions without health insurance. However, after the election, Trump has indicated he will move cautiously on this matter, which raises the broader question of the gap between election rhetoric and actual policy, and how far this will extend.

The problems posed by disaffected Americans - his electoral base - cannot be solved quickly or by conventional tools. However, Republican corporate interests - which Trump may not be beholden to, but are certainly still dominant in Congress, notwithstanding the Tea Party's residual influence - are likely to nip 'radical options' in the bud.

Much has changed since the 'hollowing out' of the middle class began in the 1980s, skewing benefits to those at the top. Most certainly, 21st century USA is quite different from the 1980s.

Also, rather than a throwback to Reagan, Trump may be closer to Nixon (and the Bushes) in being open to Keynesian fiscal stimulus measures for which he will need bipartisan

congressional support. As a former Democrat who ran against the Republican Party establishment, he may be well placed to do this.

Instead, the new Republican rule in Washington is likely to make the situation worse. But if nothing else, Trump is not as predictable as most other politicians, at least for the time being.

### **What will be the impact on our region?**

Again, it is difficult to say. Also, Malaysia is probably not a major consideration for the incoming Trump administration. It is possible that it will put the 1MDB case on the back-burner if not drop it altogether, and lobbyists are probably already hard at work on this.

Likewise, there is likely be less pressure from the US to improve conditions for migrant labour. This may leave Malaysia stuck in a 'middle income trap' of its own making as it allows foreign workers to depress wages and working conditions for all.

Also, it is not clear that Putrajaya can cosy up to the Saudis and the Gulf, and promote intolerance while claiming to be moderate. But much will depend on factors in West Asia as much as Washington.

There is a fear in pro-US quarters in East Asia that a Trump administration would cede East, including South-East Asia to China, downgrade its alliances with Japan and South Korea, and forget his threats to slap huge tariffs on Chinese goods.

But Trump's comments on Asia may just be a ploy to get US allies to pay more, rather than be a serious threat to exit the region. After all, George HW Bush (US President no 41) got Japan to reimburse the US for the first Iraq war more than the US actually spent.

Besides infrastructure, the other big ticket item for Trump (remember, over 200 generals and admirals endorsed him) is the US military. Trump has promised to add more than 70 ships (an additional 25 percent) to the US naval fleet, to become a force of 350 ships and submarines. However, military spending today is less likely to revive the economy, as it did during WW2 as well as the Korean and Vietnam wars; instead, it will serve to revive the military-industrial complex.

There are other signs pointing to a more assertive US policy in Asia and Trump's appointments will be indicative of what to really expect.

Not unlike Hillary, Trump is likely to label China a currency manipulator and to act accordingly, but after the massive renminbi appreciation slowed down Chinese growth under Hu Jintao, China seems less likely to play ball this time. However, the US will have the support in the IMF (International Monetary Fund), BIS (Bank for International Settlements) and other such fora to keep the pressure on China up.

Trump may go through the motions of pursuing a more protectionist path, but it will be

more difficult to block Chinese exports to the US by raising tariffs as both are WTO (World Trade Organisation) members. It is unlikely that he can, and will do, much else.

Meanwhile, the TPPA (Trans-Pacific Partnership Agreement) is probably in a coma, if not dead, as both US and Japanese ratification is required for it to proceed. But remember that Bill Clinton campaigned against Nafta (North American Free Trade Agreement) and then pushed it through. So one should not be too hasty in drawing firm conclusions about its demise.

However, it is nevertheless desirable for Malaysia to proceed with some legislative and policy improvements in the national and public interest instead of simply dancing to the US-TPPA tune.

TPPA was terrible because it would have raised medicine prices and left us vulnerable to foreign corporate bullying, among other things, in return for highly dubious trade gains.

We need to make sure that we protect and advance the public and national interest in future trade negotiations. It is not clear whether we have learnt any lessons for negotiations over the RCEP (Regional Comprehensive Economic Partnership), AEC (Asean Economic Community) and most importantly, at the WTO.

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