

# IAN BREMMER DISCUSSES THE TRUMP RISK FACTOR

“The geopolitical environment is now, I think, the principle driver of uncertainty in global markets over the next few years. This has been my gig for 25 years and I've never said that before.”

These are the words of globally-renowned political strategist Ian Bremmer, who addressed guests at the RMI Investment Managers Leading Insights seminar in Cape Town on 15 February.

But what has prompted such a respected analyst to make such an alarming assertion?

## + DEALING WITH DONALD

The main driver of Bremmer's drastic view on global market uncertainty is the election of Donald Trump as US president. Analysts and investors the world over are scrambling to understand where he will steer the economic giant in the future – and what that will mean for the rest of us.

“Domestically, I feel reasonably comfortable that Trump can be competent and maybe even more than that,” Bremmer said. “But with foreign policy we are in a very different space. It is very clear to me that

on foreign policy the senior most people advising Trump are a radical departure from the status quo.”

Particularly, Trump's advisers reject the idea that the US should be the 'global policeman', the architect of trade, the promoter of global values, and support multilateral institutions.

“They also believe that the reason that the US is not doing well internationally is not because the geopolitical environment is deteriorating,” Bremmer said. “When they look at American power relative to other countries – the US is still the world's largest economy by significant margin, it has the largest military by far, the largest and most capable diplomatic force – they ask how it is that America does not influence the global environment much more effectively. And their answer is that the American executive is too weak and that US corporations are unpatriotic.”

## + CHINA: A CHALLENGE

Some of Trump's most senior advisers also believe that conflict with China is inevitable. Worryingly, it appears that the American leaders want to hasten this clash while they still have the upper hand in terms of economic strength and influence.

“They have this foreign policy view, and it's coherent, but it's risky and very different from the foreign policy establishment,” Bremmer said.

“What we have to ask is, can they execute on it?”

Although this is not the first time that the world's largest economies have found themselves in a Mexican standoff, there is an important distinction to be made between the previous administration and that of Trump.

Barack Obama had a difficult time executing on foreign policy, and he too came into office with a low level of experience. The difference is that he sought to become an expert to make astute decisions.

“The difference is that Obama wanted to be an expert,” Bremmer argued. “He didn't trust the judgement of the foreign policy establishment, but he did trust their expertise. Trump does not have the patience to trust the expertise. He doesn't do the reading and doesn't get the briefs. So, as a consequence, the likelihood that he's going to get a lot of this wrong, goes up. We've seen a lot of that already.”

Trump, it seems, does not share his predecessor's ambition to learn. Since being elected to office Trump has made several execution mistakes that do nothing to support the administration's objectives.

“In those cases, where what Trump is doing in the world is not aligned with American interests, you should ask why,” Bremmer said. “And there are three possible options: incompetence, corruption and authoritarianism.”

“We're only 25 days in, and in 25 days I would argue so far it is 50% incompetence, 30% authoritarianism, and 20% corruption,” he added. “It's very early days to say that, and it's very much a moving target, but it's very important, over the next six months, to monitor all those issues where it doesn't quite make sense and ask which of those three we are moving towards.”

## + THE IMPLICATIONS OF INEPTITUDE

Deciphering Donald Trump's makeup as a leader will play a major role in determining the economic and market impact of his actions. For Bremmer, each element that drives his failures has different implications.

“If it's corruption, that will be constrained a lot by the separation of powers, the media, and leaks from intelligence agencies like the CIA and the National Security Agency,” he argued. “There's only so much damage that can be done there.”

“If it's incompetence, then a lot of people will get fired and they move to the more traditional members of the cabinet who become more important and they normalise.”

“If it's authoritarianism, then either Trump is going to get impeached, or US institutions are going to erode,” he concluded. “And that is a very serious issue. Then we move from Trump being elected being the most important political risk this year, to the US becoming structurally the most important political risk driver for the foreseeable future.”

## + A WATCHFUL EYE

It is perhaps too early in Trump's term to predict how he will affect the American economy, but one thing is clear – analysts, investors and politicians alike will all have to pay close attention to his choices to ensure that his impact is not purely destructive.

As dire as that seems, one thing remains constant in economics, and that is the rise of opportunity that always accompanies drastic change.

## + IAN BREMMER

Apart from being the founder and president of political risk research and consulting firm The Eurasia Group, Ian Bremmer is also a prolific political thought leader. Dubbed “the rising guru” of political risk by The Economist, this published author also serves as the Research Professor at New York University and foreign affairs expert and editor for Time magazine. His most recent book, *Superpower: Three Choices for America's Role in the World*, was published in May 2015.

