

# **“The US-Australia Relationship: Beyond November 8”**

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### **Introduction**

Earlier this year I met with Henry Kissinger. While he has been a controversial figure in the past, even at the age of 93, he remains a revered foreign policy advisor to both Hillary Clinton and Donald Trump.

One of the very few points where Secretary Clinton and Mr Trump can agree! In Walter Isaacson’s biography of Kissinger he notes that former Secretary of State Kissinger has often argued that “...diplomacy cannot be divorced from the realities of force and power.”

In our world, therefore, the United States is central to almost all diplomacy. Further, Kissinger argues that stability, which is the prime goal of diplomacy, is “threatened when nations embark on ideological or moral crusades”.

American values have had a profound impact on the modern world. In fact the United States is arguably the only global leader that has not had to use its military muscle to spread its values.

Countries have willingly joined with America.

And often the United States has been a reluctant global leader. It has often liberated nations from their oppressors, and then left.

I would argue that the United States has built its greatness on the back of its values rather than its military might.

So this Presidential election has generated interest and uncertainty across the world because the candidates have been questioning the role of American values. From free trade to immigration; from the role of Russia to the role of America’s closest allies; nothing has been off limits.

Open self-doubt about American values has created anxiety among many observers. It has not helped to protect Kissinger’s “stability”.

The graphic 24/7 real time nature of this US presidential campaign, where candidates in both the primary and in the general election have claimed the moral high ground and, for America, new ideological ground, has only contributed to that uncertainty.

Of course the United States has had many hard fought campaigns for president including the legendary 1896 campaign between William McKinley and William Jennings Bryan.

It was, like the current campaign, also off the back of a pretty severe economic downturn.

Anti-establishment feelings were strong. Traditional economic policy was turned on its head. Both candidates relied heavily on claiming the moral high ground, and McKinley ultimately won on a policy of staunch protection for American industry.

There have also been elections where some candidates have taken some pretty extreme views.

Some of you may remember the 1968 George Wallace campaign where the former Democratic Governor of Alabama ran as an independent on a pro-segregation platform. He won nearly 14 percent of the general election vote and ran in the subsequent Democratic Presidential primary in 1972, his fourth attempt at the presidency.

### **THE 2016 CAMPAIGN**

In some fields of comparison this campaign is unquestionably setting new records. No election has seen more polling, more commentary or more global engagement than the 2016 presidential campaign.

The sheer volume of analysis on both social and mainstream media has been astounding.

For some cynics it has appeared like a two year reality television show.

But the American people are taking it very seriously.

Surveys conducted by the Pew Research Center in June highlighted that 74 percent of those Americans surveyed agreed with the proposition that “it *really* matters who wins”. 80 percent of those surveyed had thought about the election “*quite a lot*” and an incredible 85 percent said they followed news about the presidential candidates “*very or fairly closely*”.

Americans are engaged because they are very concerned about the direction of their country. Consistently, polling shows that at least 70 percent of the American people think the United States is heading in the wrong direction.

This is normally a game changer in politics.

As we all hear regularly, politicians look to convert that concern, anger and fear into votes. In America it is even more complicated because getting people to vote is a complicated process. It is also comparatively hard to be involved in the process.

So it is particularly useful to have a cause to stimulate participation at all levels. The Trump campaign has been exceedingly successful so far in galvanizing participation without relying on a sophisticated team.

This election the Republican Party experienced a 57% increase in voter participation in the Presidential primaries. That is its highest primary vote turnout since the 1980 primary between Ronald Reagan and George H.W. Bush.

On the Democratic side, the turnout between Clinton and Sanders was below that of the record 2008 primary campaign, but still comparatively high by historical standards. Overall, 60 million Americans – 27 percent of the eligible voting population of 221 million people – voted in the primaries.

While 27 percent may not sound like a lot...this figure needs to be put into context. This is 60 million Americans giving up their time – often a weekday evening - to attend their local town hall or their local primary school to cast their vote for the candidate they wish to become their party's nominee. Meetings can go on for hours.

This is a democratic nomination process unmatched anywhere in the world!

In the meantime candidates would regularly have thousands of people turn up to their rallies. It remains absolutely astounding that a candidate in a party primary - like Bernie Sanders - can get over 30,000 people to turn up to a rally in Washington State and can still lose the nomination!

We will now wait to see how this engagement plays out in the most important statistic of all – voter turnout.

Of course it must be remembered that many states now allow voting prior to election day – 37 states to be precise and the District of Columbia. It is estimated that up to 40 percent of voters will choose to vote early this election.

In fact, prior to the FBI announcement five days ago about a new investigation into Secretary Clinton's use of a private email server, 18 million Americans had already voted – almost 14 percent of the total expected voter turnout.

For the 13 states that do not allow early voting – including key swing states such as Pennsylvania - the lead up to election day next Tuesday will be critical.

There is no doubt that the machinations of a US presidential election are intoxicating for many observers, however we should not let fascination with the process obscure the topline messages.

As the US continues to evolve as a nation, becoming less white, more educated and older - to name just a few of the demographic changes sweeping the country – there is

a sense among many Americans that the two nominees offer radically different views of America's current position, its future and its place in the world.

### **Differing policy positions**

The policy approaches of each nominee – not well reported by much of the media to date – provide us with an insight into their competing visions.

The nature of these policies and how they have been developed also reveals much about the possible direction of the United States over the next four years.

Firstly, it is clear Hillary Clinton as President would not be a carbon copy of Barack Obama. Nor has she ever viewed an election win on the back of his popularity as "inevitable".

In fact, lessons learnt from her 2007 defeat by then-Senator Barack Obama in the Democratic primary have resulted in her creating a data-driven and highly disciplined campaign this time round, which has an extensive grassroots footprint across the US. Secondly, Clinton's inner circle of advisors is notable due to the length of time most have been in her, and President Bill Clinton's, orbit.

Clearly, loyalty counts.

Hillary for America Chairman John Podesta, Vice-Chair Huma Abedin and external adviser Cheryl Mills are key members of a very small inner circle who have long worked with, and advised, Secretary Clinton and her husband.

On the policy front, a future President Hillary Clinton has committed to a broad policy platform which includes implementation of a post-election fiscal stimulus package of US \$275 billion dollars in her first 100 days in office, to be applied to infrastructure spending and student loan relief.

This will be funded through an increase in income and estate taxes for the wealthy as well as the introduction of an "exit tax" on un-repatriated earnings for companies moving from the US.

Tax increases are a key part of the Clinton platform. For example, if elected, she is pledging to introduce a range of new taxes on the wealthy including a 4 percent surcharge on those earning above US\$5 million dollars per year and sharply higher estate taxes which would kick in with a tax rate of 45 percent for estates worth between US\$3.5 and \$10 million dollars.

She has also pledged to introduce a national minimum wage of US\$15 per hour, more than double the current federal minimum wage rate of US\$7.25 per hour. In addition she will oppose all trade agreements that do not support American jobs, raise wages and improve national security, which includes opposition to the Trans

Pacific Partnership (TPP) in its current form and a commitment to renegotiate the North American Free Trade Agreement (NAFTA).

Other policies include a requirement that 50 percent of all electricity be drawn from clean energy sources within a decade, and the installation of 500 million solar panels within her first term as President.

### **Trump Policy**

A deep dive on Donald Trump's side renders a very different policy view.

Firstly, the Trump inner circle is heavily influenced by close family, especially daughter Ivanka and son-in-law Jared Kushner.

Consistent supporters such as Senator Jeff Sessions, Dr Sam Clovis, and Stephen Miller are also influential. As are prominent surrogates including New Jersey Governor Chris Christie, who heads Trump's transition team, former New York Mayor Rudy Giuliani and former Speaker Newt Gingrich.

In more recent times, political operatives Stephen Bannon and Kellyanne Conway have also been at the forefront of Trump's campaign.

However the reality is that Donald Trump is most influenced by his own life experience. Having defeated 16 other challengers for the Republican nomination, Mr Trump clearly feels as if he is on to something when it comes to connecting with the American people. On the policy front, Donald Trump has also committed to implementing a post-election fiscal stimulus package of at least double the amount announced by Secretary Clinton. Like Clinton, it will be applied to new infrastructure spending, but unlike Clinton will not be funded by tax increases.

Rather, Mr Trump proposes significant tax cuts including a reduction of the corporate tax rate from 35 percent to 15 percent; a reduction of the top personal tax rate from 39.6 percent to 33 percent; and the elimination of all estate taxes.

Mr Trump argues that the combined economic impact of increased spending and tax cuts will stimulate growth, thereby giving the US Government the necessary additional revenue to reduce the deficit.

On trade, Mr Trump wants to build a new "Reagan Economic Zone" which would be underpinned by a multilateral agreement with other nations committed to the principles of open markets.

Specifically, the North American Free Trade Agreement (NAFTA) would be renegotiated and the Trans Pacific Partnership (TPP), which is deemed unacceptable in its current form, would be rejected.

Furthermore a Trump Administration will introduce a 45 percent tariff on all Chinese imports into the US and levy a 35 percent tax on auto imports from Mexico.

Arguably, this is the most highly protectionist policy platform in over 100 years, and it defies the existing policies of the Republican Party.

In contrast with Hillary Clinton, Trump would maintain existing state and local minimum wages, rather than seek to introduce an increased national minimum wage. He would also develop all forms of energy that are marketable without subsidies, including coal, oil, natural gas, nuclear power and hydropower and would oppose the introduction of any carbon tax.

In addition to the stimulus, Mr Trump would increase military spending by US\$450 billion dollars over 10 years, including the modernization of nuclear weapons and their delivery platforms.

On foreign policy, there are some similarities between the candidates such as their agreed determination to swiftly defeat ISIL.

However, more broadly, there remain vast differences between Clinton and Trump's respective approaches to NATO and Europe, and of course their views on Russia. In our region, the candidates also have very different views on China and existing relationships with Japan and Korea. Mr Trump's view on the American rebalance in the Asia-Pacific is unknown.

On the hot button issue of immigration policy the candidates are also at odds. Secretary Clinton seeks to enact comprehensive immigration reform to provide illegal immigrants currently in the US with a path to citizenship, whilst Mr Trump wants to build a wall between the US and Mexico.

### **Beyond November 8**

On the basis of that brief policy snapshot, it is clear that Hillary Clinton and Donald Trump have very different visions for America and very different visions for its place in the world.

Those policy differences serve to fire up each side's political base.

Irrespective of who emerges victorious on November 8, based on a review of the facts, we can predict with a fair degree of certainty some of the actions that the 45th President of the United States – Trump or Clinton – will take.

Firstly, the primary focus of the new President will be domestic policy. They both will move quickly on economic policy, specifically in the areas of tax and infrastructure. The new President will use their precious political capital with Congress to achieve domestic goals, rather than focusing on foreign policy – to the extent that global circumstances allow them to do so.

Hillary Clinton's foreign policy positions will be informed by her extensive global political experience of over 30 years, while Donald Trump will engage through the prism of his predominantly US business experience over many years.

This will most likely generate vastly different outcomes.

For Australians, it is important to understand some of the factors driving this domestic focus.

In the twentieth-first century, corporate America is not the employer that it once was. Many relatively new American companies that are dominant in their industries like Google, Twitter and Facebook do not have the political or community clout that Ford, General Motors, GE or Boeing have had over time.

One useful example of this is a comparison between technology companies – both legacy and new.

On the legacy side we have Kodak, which at its peak employed over 60,000 people in the Rochester, New York area alone. By 2011, this figure was just 5,000 people. In contrast, the quintessential twenty-first century technology company, Facebook, employed just 14,500 people as at June 30 this year, while Twitter employed just under 4000 people.

These figures show that the base of employment in America is still in many of its more traditional industries and Trump has applied the protectionist rhetoric and policies to try and deliver on his message of *Making America Great Again*.

It's not hard to see what is motivating this nostalgia.

Both Trump and Clinton understand that US families have – on the whole – still not recovered from the Global Financial Crisis almost a decade ago. Many have had their lives disrupted with new technologies that have made their futures uncertain and seen their jobs exported offshore to countries with lower costs of production.

The median net worth of US families fell sharply from US \$138,000 in 2007 to US \$83,000 in 2013... a forty percent drop in net worth in just six years.

Real wages have barely grown in the US over the last fifty years and America's confidence has been eroded after the terrorist attacks on American soil in 2001 and on-going challenges in the Middle East and beyond.

### **Gridlock in Congress**

No matter who wins the election next week we should remind ourselves that what a US President *wants to* achieve and what they are actually *able to* achieve are two *very* different propositions.

At the core of the US Constitution is the enshrinement of a system of checks and balances, designed to ensure the exercise of government is, in practice, a power sharing arrangement.

James Madison – often hailed as the “Father of the US Constitution” - famously declared:

*“The truth is that all men having power ought to be mistrusted”.*

The modern day result of this fundamental desire to check power is the gridlock we have often seen during the period of the Obama Administration. It is likely this gridlock will continue, especially if the presidential election campaign is anything to go by!

More broadly, it is clear that irrespective of whether Trump wins or not, the Republican Party will undergo a process of reunification post the election.

Such a process may likely require them to focus on a common enemy: that being Democrats, especially if there is a Democrat in the White House for the third term in a row.

Gridlock will only serve to inhibit the ability of the new president to secure agreement for domestic reform and funding, and also for confirmation of over 1,000 individuals whose appointments to the new Administration require Senate approval.

Should this gridlock eventuate as predicted, the new president will have little option but to shift their focus to the international arena where the US Constitution permits the president much more latitude to act.

### **Trade: The Issue of the Cycle**

In the realm of foreign policy, it is the issue of international trade – and specifically trade agreements to which the US is a party - which has dominated this election cycle.

This was most clearly evidenced by the longevity of Senator Bernie Sander’s campaign - where anti trade sentiment was a consistent theme - but clearly is much broader than this.

Opposition to free trade appeared to be the only issue which united the disparate supporters of Bernie Sanders and Donald Trump!

Opposition to the TPP was also the only policy issue on obvious display at the Democratic National Convention which I attended in Philadelphia in July.

Given the constant vitriol directed at trade and especially international trade deals such as the North American Free Trade Agreement (NAFTA) and the Trans Pacific Partnership (TPP), there can be little doubt that any first term Administration – Democratic or Republican, Clinton or Trump – will *need to be seen to deliver* a better deal for Americans.

Any trade agreement – past, present or future – will need to meet this test.

Trump, Clinton and Sanders all focused on the issue of trade for a reason: right or wrong, many Americans believe international trade deals have stacked the odds against them and they are expecting their next President to rectify this.

### **The Legacy of the 2016 Campaign**

With less than a week to go before election day in the US, it is increasingly apparent that there is no absolute certainty about the result.

What is certain is that the anti-establishment fury that secured the Republican nomination for Trump – and catapulted him past 16 other challengers – will not disappear after November 8.

That same anti-establishment fury gave Bernie Sanders such a powerful voice during the Democratic Primary. He, and Elizabeth Warren, will continue to be powerful voices in the Democratic Party beyond November 8.

It is critical that those engaged in politics and policy development - including in Australia - take the time to understand the context of this new movement.

Donald Trump secured over 13 million votes during the Republican primary and even if he does not win, he will likely secure tens of millions of votes in the general election. These – millions among millions – of Americans are trying to send a message. Just like those who voted for the United Kingdom to exit the European Union before them. Only a fool would choose not to listen.

Americans want change.

The high watermark of this quest for change is often viewed as the election of President Barack Obama in 2007, when 54 percent of Americans agreed with the statement that it was time for a candidate who would above all bring greater change.

In 2016, this figure now stands at *61 percent*.

The mood in America appears to be generally one of pessimism.

In exit polling conducted by NBC News, when asked if they felt “*betrayed*” by Establishment politicians, over 50 percent of voters answered yes in the largest swing state, Florida – a state with a population of over 19.5 million people.

That was replicated in Missouri.

And Michigan.

North Carolina.

Virginia.

South Carolina.

Wisconsin.

Illinois.

And in Alabama.

Americans drawn from across the country; from Democrat-leaning states and Republican-leaning states; from predominantly rural areas; and highly urbanized cities...

All united by the feeling that those in charge have betrayed them...and they must be punished at all costs.

This is the real fact of the 2016 election and the context that Australia must absorb as a close and enduring ally of the United States.

### **US Values at Stake**

In 1783, George Washington – universally accepted as the founding father of the United States of America – proudly wrote:

*“The foundation of our Empire was not laid in the gloomy age of Ignorance and Superstition, but at an Epoch when the rights of mankind were better understood and more clearly defined, than at any former period...At this auspicious period, the United States came into existence as a Nation.”*

Despite this grand beginning, the US has recently appeared confused about the values that underpinned its birth as a nation.

This election cycle has highlighted that the US is going through a very public display of self-doubt.

Doubt regarding its future direction and its place in the world.  
Doubt that its long-held values are fit-for-purpose in the twenty-first century.  
Time and time again, candidates on both sides of politics have displayed a reticence to embrace the ethos of “American Exceptionalism” that has dominated previous campaign cycles.

This election cycle is the logical extension of the recent erosion in confidence in civic institutions in the US.

Between 1985 and 2015, Gallup found that confidence in the institution of the presidency had markedly declined.

So, to the US Supreme Court.  
And the US Congress.

Clearly many Americans feel as if the existing structures which underpin their republic are not working as they believe they should.

Or working for their benefit.

Of course this current malaise also needs to be put into context.

As Australians we generally feel a close affinity with the US – American culture feels very familiar and the genuine warmth between our two countries and peoples reinforces the feeling that we understand each other.

While this affinity is very real, it can often act to mask key differences between the US and Australia, especially in the area of political culture and governance.

It is critical to remember that the fundamental bedrock of the American republic is a distrust of government and a fierce individual desire for independence from government. While Australians have made a national sport out of distrusting individual politicians – you know I speak from experience! – at a cultural level, we do not share Americans' distrust of governmental institutions.

As Australians, we welcome institutional involvement in areas of our lives that we deem necessary and appropriate.

This is a very significant difference from the US.

### **Conclusion**

I often think that outsiders – such as myself – have more faith in the US than Americans do.

However, it should be noted that this faith is underpinned by the facts.

The United States of America is the only great power in history that has built an empire through the spread of its values, rather than the might of its invading armies.

The United States of America has not had to invade and occupy vast tracts of land, and subjugate those that it found there.

The United States of America has not had to force other states to sign up to become its allies. Instead they have gravitated to its example.

The United States of America remains a global superpower with a military, economy and technological dominance that continues to be without peer.

Whether it be Donald Trump or Hillary Clinton who obtains the 270 Electoral College votes necessary to secure the presidency, in the current circumstances it is clear that the incoming President must be seen to respond to those who fear that America - and the promise of its grand democracy - is no longer working for them.

**END**