



Mr. Jeffrey Steinberg
The Real Story of the Victory of Trump:
From the Eyes of Grass roots Political
Activists Who Had Envisaged It
(Q&A)
(Summary)

Date: January 19, 2017

Venue: CIGS Meeting Room, Shin Marunouchi Building

Mr. Tomoyuki Tono, Ministry of Defense: What role will Washington D.C. based think tanks, such as the Heritage Foundation, have on the Trump administration?

Mr. Jeffrey Steinberg, Chief Editor, Executive Intelligence Review: The Heritage Foundation has tried to position itself to be the go to place in Washington for the incoming administration. They have several people, particularly people involved in the defense studies area, who were on the transition team. However, nobody from the Heritage Foundation has been offered a position. The general tendency has been that Trump has worked outside of the Washington think-tank environment. Until we see who gets key positions at the vital second and third tiers within the administration, we cannot say whether think tanks such as the Heritage Foundation have positioned themselves correctly. In the Reagan administration, the Heritage Foundation was part of the core apparatus that filled out the midlevel positions in the government. However, for the Trump Administration, few members have been hired. In terms of the President elect, the administration is not neoconservative in the same manner.

In 2000, Donald Trump wrote a book called “The America We Deserve,” in which he wrote that he considering running for President. In that book, Trump wrote that there are two modern Presidents who he admired above all others, Franklin Roosevelt and Richard Nixon. He also wrote that he would never run for President unless he thought he had a good chance of winning. There’s not a lot of ideological coherence between FDR and Nixon at all.

Trump said that Roosevelt got us out of the Depression and prepared the nation for war, which are very practical accomplishments. Then, in terms of a model for job creation, in the first year of his presidency, Roosevelt created 9 million jobs. Therefore, we can understand Trump’s admiration for Roosevelt. If Trump is thinking about an infrastructure bank and capital investment, one very clear and obvious option would be to create a national infrastructure bank, and capitalize it by having the Fed deposit \$500 billion in treasury holdings. A 5 cent raise in that gasoline tax would cover viable interest payments, with 4% interest payments on bonds that could be issued to finance infrastructure projects. This is the oldest method associated with United States infrastructure development going back to Alexander Hamilton, and so these ideas could be potentially adopted. In terms of Nixon, Trump likely admires him for opening China as well as his tough stance on the Soviet Union.

Ultimately, every single Washington DC think-tank has an ideology associated with it. However, because we cannot yet pinpoint what policies and stances the Trump

administration will take at this moment, it is difficult to say what role these institutions will play in the coming years.

Questioner 1: Do you believe the investigation into the Russian connection with Trump may potentially weaken him?

Mr. Steinberg: The CIA, National Security Agency, FBI, the Director of Homeland Security, and the Director of National Intelligence released a 25-page report that was the declassified version of the evidence that the Russians were hacking into the elections on behalf of Donald Trump. However, I believe the report did not have any substantial information.

The hacking of the Democratic National Committee was never investigated by the FBI. The FBI was never allowed access to the computers of the Democratic National Committee. A third-party company, CrowdStrike, who was founded by a Russian immigrant Dmitir Alperovitch who has close ties to Hillary Clinton, were the ones that concluded that the computers had been hacked, and that they had traced it back to the Russian KGB and the GRU.

There are people who claim that the DNC documents that were released were published by WikiLeaks, and that a few other leaks came from DNC staff members who were Bernie Sanders' supporters who were furious, as it turned out accurately that the DNC was basically working on behalf of Hillary Clinton against Bernie Sanders throughout the primaries. The CIA, FBI, and the Department of Homeland Security, all expressed a high degree of confidence in the assessment that Putin ran this operation on behalf of Trump. However, the one agency that was skeptical about the level of evidence was the National Security Agency, which is the only agency that has the technical skills to deal with these issues. So the picture is foggy and unclear.

I am also not excluding this possibility, as I have not sat down with members of the House of Senate Intelligence Committee who received the full closed door briefing. There is an argument to develop rules of engagement and disarmament treaties as most first world nations have the capabilities to do this. The Chinese and Russians engage in military hacking as well as other modern nations such as France and Israel. There have been US and China negotiations and preliminary agreements on rules of engagement in the cyber domain, because the Chinese were stealing corporate secrets and delivering them over to state-owned enterprises, and a line had to be drawn.

I believe that the level of hysteria on the part of people who were absolutely convinced and felt completely empowered that Hillary Clinton was guaranteed to win the election, was unprecedented. The fact that Trump has delighted in poking his thumb in the eye of the intelligence community is another factor to be aware of. If the President of the United States gets into a war with the intelligence community and doesn't resolve those issues quickly, historically that can lead to a bad conclusion, such as when the CIA brought down Richard Nixon with the Watergate Scandal.

We should keep an eye on these developments, as there are many people who have very strong vested interests in keeping the United States and Russia at each other's throats.

Questioner 2: I have two questions. First, what are the issues with the current NAFTA Agreement? Secondly, many border states such as New Mexico, Texas, and Nevada voted blue, but was that because they were not happy with the message from Donald Trump about building the wall?

Mr. Steinberg: First, regarding the question about the border states, there are many areas where it is almost a single economic area that involves the United States and Northern Mexico. There are paired border cities and an enormous amount of transit that goes back and forth from there. This is also an area where you have a very high percentage of Mexican-Americans on the US side of the border. But the main factor in this area is the large concentrations of Hispanic majorities. Donald Trump's strategy centered on breaking what was called the Blue Wall. The last time that a Democratic presidential candidate lost the combination of Pennsylvania, Ohio, Michigan, and Wisconsin was in 1992, when George McGovern was running against Nixon.

Under NAFTA, despite Trump's assertion that many jobs had been lost to Mexico, in fact Mexico suffered the worst under the treaty, while Canada fared the best in terms of added jobs and other benefits. If Trump is pragmatic, fact-based, and non-ideological, much of the rhetoric and promises made during the election may change. It will be difficult for Trump to keep jobs in the United States on a major scale. Therefore, I believe that the United States will not be abandoning trade agreements, and that they will likely be renegotiated.

In terms of the US-Japan relationship, security and trade are very important. The security factor is not in danger of being unbalanced. The Head of the Pacific Command is very close to General Flynn, and there is a strong shared feeling that preserving the

naval security architecture is paramount. The question of how the relationship on the economic front will be worked out is a bigger question mark.

Questioner 3: What role if any may be played by Henry Kissinger in terms of the relationship between China and the United States? He has had several meetings with Mr. Trump. If not Henry Kissinger, who may play the role of mediator between the Trump Administration and China?

Jeffrey Steinberg: There have been a number of meetings between Kissinger and Donald Trump. There were two meetings over the summer in the midst of the campaign. In the first meeting, Kissinger made a strong effort to convince Trump to scale back his anti-China rhetoric. Trump listened very carefully and changed his rhetoric for about a week, before returning to his China bashing, as it was part of the appeal to the voters out in the Midwest who lost their jobs.

Another aspect of the United States/China relationship that is important to note is that the next generation of China experts in the United States leaves a great deal to be desired. The environment in Washington that has persisted for the last 16 years has been one of growing hostility for both China and Russia. This is going to be an issue that's going to have to be resolved. On the potentially bright side, Trump is the kind of person who will make judgments based on personal interaction. If we emphasize the lesson in the 1980s when the United States needed massive capital investment in infrastructure and job creation and began to engage with Japan, similar developments may occur in the Japan/China relationship.

Last year, there was more direct Chinese investment in the United States than there was US investment in China. The Chinese are very good long term strategical thinkers and have made it a point of doing an enormous amount of investment across Eurasia under the broad umbrella of One Belt One Road, AIIB, and BRICS New Development Bank. It is no longer a US unilateral game, but there is also opportunity. Trump may do something about job creation which is going to be tied to larger scale capital investment in infrastructure. For example, the United States right now officially has zero miles of high speed rail. The best estimates from people involved in railroad engineering are that the United States could use 25,000 to 30,000 miles of electrified high speed rail, and the best high speed rail technologies come out of Japan and China. Therefore, since Trump is not ideological and wants to make a name for himself of rebuilding the US economy, there are potentialities in the situation.

Questioner 4: I have three questions. First, what is the importance of the current candidate for the position of the US Ambassador to Japan? Second, who recommended Mr. Rex Tillerson to Donald Trump? Third, what do you believe was the personal motivation for Mr. Trump to meet with Mr. Jack Ma?

Mr. Steinberg: The Tillerson recommendation came from several people. However, the decisive recommendation came from the former Secretary of Defense, Bob Gates. Gates was invited to come to New York by General Flynn, and during his one on one meeting with Trump, made a very strong push for Tillerson at a time when Trump was unhappy with the three potential choices in Mitt Romney, Rudolph Giuliani, and David Petraeus. When someone with Bob Gates' stature as a bipartisan politician makes such a recommendation, it calms people's nerves because they saw that there were reasonable and respected people who Trump was willing to listen to, take advice from, and act upon.

In terms of the position of the Ambassador to Japan from the United States, William Hagerty is not a household name. He may be more well known in Tokyo than he is in the United States, because he lived here for 6 years at the beginning of his career and business. But behind the scenes, he was one of the most important people who was not a member of Trump's family in the transition. He vetted everybody who was being considered for a White House job. Therefore, someone is coming to Tokyo who will have the ear of the President, and laid the basis for Prime Minister Abe to be the first foreign leader to meet with the President-Elect. Therefore, Mr. Hagerty is an important figure to have in Japan for both nations.

Tillerson's name was raised in the Senate for the nomination through introductions from the two Senators from Texas, Bob Gates, and former Senator Sam Nunn, who is highly respected from both sides of the aisle as well as someone familiar with Russia. Nunn noted that the United States was in a very dangerous and precarious situation with the Russians in terms of cyber security and NATO's proximity to the Russian border in the Baltics and Central Europe. Therefore, he called for somebody who would be a calming voice and had some knowledge and experience in Russia. Tillerson has been involved in major projects with Russia, such as in developing oil reserves in Western Siberia and the Arctic region. With both Nunn and Gates embracing Tillerson's nomination, it went a long way towards smoothing the way for his confirmation.

Regarding Jack Ma, there are two aspects to consider. There is a real hostility in conflict between Jeff Bezos of Amazon, and Trump, because Bezos owns the Washington Post.

The Post has been hammering away at various Trump scandals more than any other major newspaper, even the New York Times. Who is Amazon's number one worldwide competitor? Alibaba. Trump is playing all the angles, and sees these negotiations from a business calculus point of view. We will see how this strategy transfers into politics over the next several months.

The second aspect is that cozying up to Jack Ma has the potential to open small and medium businesses in the Midwest to being able to efficiently expand into the Chinese market. The Chinese government has recently stated that they are going to relax some of the restrictions on foreign investments inside China. If China continues the process of shifting away from export towards a more balanced economy with more emphasis on consumer goods, and can create jobs in the United States, it can be a pathway towards putting the Chinese on the other side of the ledger as good guys rather than as currency manipulators and job stealers.

Questioner 5: Can you elaborate on the current public atmosphere regarding Obamacare as well as the cost of higher education?

Mr. Steinberg: One of the factors that was very helpful to Donald Trump in the November elections was the fact that during the month of October, approximately 10 million American citizens received letters that their Obamacare premiums were being increased by anywhere from 50% to 70%. Therefore, on election day, there were many angry people who were very much persuaded that Trump was correct in saying that Obamacare didn't work and that there were serious flaws in Obamacare. While Obamacare was being brought through Congress, there were many Democrats who questioned why Medicare wasn't extended, rather than go through the elaborate process of private health insurance with the added feature of paying the health premium for the very poor.

This resulted in two options. One was to make Medicare a universal program which many countries in the advanced sector have. This is a single payer form of public healthcare funding. There was another proposal that was much more modest. In this proposal, the age for qualifying for Medicare would be brought down from 65 to 55 years old, as the biggest costs of health insurance are those people from 55 to 65 years of age. This would also result in the people buying commercial health insurance being younger and healthier, with health premiums capable of being reduced more greatly. However Obama decided to not go with either of those public healthcare insurance options, and instead gave the health insurance industry the green light to write the bill.

While there is reason to be critical of Obamacare, it should not be destroyed without any replacement. We cannot say what the Trump administration will do at the moment, but they are saying they are drafting legislation that would be a replacement and not create a vacuum. If you have 10 or 20 million Americans suddenly either without health insurance or having to pay even more exorbitant premiums, it's going to have a very big economic impact, as well as a terrible impact on the health of those people.

Trump has also talked about closing certain tax loopholes including eliminating the tax break on the portion of mortgage payments or interest payments, which in many instances can be 40%-50% of mortgages. If you cancel that tax benefit, then you're going to be delivering a deadly blow to middle class families. These are things that can have terrible consequences if they are just simply acted on without thinking through the implications and consequences.

The issue of college tuition is a major problem. In the United States, tuitions are very expensive for a whole variety of reasons. To date, nobody has come up with any sort of a viable plan to deal with this cost. Bernie Sanders and Hillary Clinton talked about free college education, but did not present a viable plan that would resolve it. As a personal example, my nephew went to a very good college, resulting in his parents being \$300,000 in debt. His father was a researcher in the pharmaceutical industry, however his company was taken over, and he found himself jobless for two years. My nephew was then accepted into NYU Law School, which is one of the best and most expensive law schools in the country. He knew his parents couldn't pay for tuition, and ended up not going to the school because he did not want to wind up with \$150,000 in debt and work for a big law firm or the government for five years to pay it back.

The exorbitant cost of higher education is a major concern and one that nobody has come up with a viable solution for. When I went to college, the tuition and board was \$500 a semester at a good state university, and I worked during the summer to pay for college. Ultimately I graduated with zero debt and a respectable education. While there are individuals who claim they have no issue with inflation, when you leave out factors such as college tuition costs, it becomes evident that there is serious need for reform on this issue.