



Oxford
Analytica

Summer of Uncertainty Referenda, Coups and Populist Politics.

Oxford Analytica Conference Call Summary – 28 July 2016

The past month or so stumped pundits and confounded elites. Events from the United Kingdom's 'Brexit' vote to an attempted coup in Turkey, and the nomination of Donald Trump as the Republican candidate for the White House has upended any notion of politics as usual and ushered in a summer of uncertainty risking a further fragmentation of a fragile world order.

This conference call looks at the deeper currents at work - currents that will continue to throw up surprises. It will examine what lies behind the rise of populist politics in the West, why politics is becoming so unpredictable and what the implications are for the global political economy.

Donald Trump's Nomination in the United States

Donald Trump and his campaign to become the Republican's candidate for the White House personifies populism in many ways: he speaks to American citizens' turn against globalization, their fear of external conflicts coming into the United States, and their perception of suffering under economic stagnation, especially with regards to wages. Many are still struggling with the continuing effects of the 2008 financial crisis.

Trump's campaign is revitalizing the contest to define what it means to be American, and fills it with a meaning of opposition to involvement in the world. At the same time, Trump's success highlights the dysfunctionality of the American electoral and party system, both of which are underlying high polarization.

From a historical perspective, it is not unusual for a populist to become a strong political figure. It has happened several times in the United States, though a populist receiving the nomination of one of the two main parties is exceptional. However, while Trump's personality is unusual for a mainstream party candidate and his statements controversial, many of his policies reflect trends long present in the United States, such as isolationism and the erection of trade barriers.

The election in November is expected to be a close race between Trump and [Democratic Party nominee Hillary] Clinton. If Trump were to succeed in Florida and Ohio, though, his prospects of winning the White House would be very strong.

Rise of Populist Politics in Europe

The rise of support for populist parties in Europe on both the right and the left is seen to have many parallels with Donald Trump's support in the US.

On an economic level, the lack of recovery from the great recession is a strong factor in the rise of populism: the past decade has seen very low growth and stagnant wages in Europe, and parties in national governments as well as the EU have been seen not to have had answers to these challenges.

Additionally, cultural aspects have generated populist support: anti-immigration sentiment and scepticism of multi-culturalism raise popular concerns that are not addressed by elite parties, who have been open to both.

Europe has also witnessed a decline of social democratic (centre-left) parties over the last decade. They have been challenged by losing their traditional voters base of unionized workers in the post-industrialized societies, and have struggled to form a

new identity. Voters that were traditional supporters of the centre left were additionally disappointed by these parties' responses to the 2008 global financial crisis not being much different from those of the centre right. Thereby a perception was conveyed that the centre-left parties are no longer offering an alternative.

Latin America's Lessons on Populism

Latin America has a long tradition of populism and populist political parties, which can be looked at for lessons that could apply to Europe and the United States. Two factors that nurtured populism in Latin America were weak political parties and labour unions coupled with high social inequality.

There are four characteristics that, from a Latin American perspective, are identified with populism: 1. an attempt to create a direct link between the electorate and a particular, usually charismatic, leader; 2. a perceived separation between the mass of the population and the elite; 3. a clear definition of enemies; and 4. an inconsistent policy agenda.

It should be born in mind that regardless of the spread of party-contested elections, there are still high levels of inequality in the region and populism is still prevalent. It is likely to become influential again, especially in Brazil, where the middle-class will be expecting social services and employment, both of which the government will not be able to provide.

Economic Background of Populism

The continuous slow growth that has been present in the West since the 2008 global financial crisis, and which is expected to continue, will sustain the trend of populist movements. Consequently, it is important for mainstream governments to trigger robust growth again, which is challenged by EU commitments on fiscal probity. Many of the countries have been in political and economic crisis for some years, and electorates are frustrated by the inadequacy of existing policy solutions.

Nevertheless, it is striking that populist forces have been gaining support in some of the countries that, by objective measures, have been doing better than others, such as the United States, United Kingdom and Poland. Similarly, in the Brexit referendum, many constituencies that most strongly voted to leave the EU were those with the lowest levels of immigration.

Populists have benefited from mostly not being in national government, and thus able to offer broad, untested promises of how things would look better under their leadership. Therefore, if a populist party actually took office and proved not to have better solutions, the general trend could be reversed, and return popular support to more moderate parties.

Demography also must be taken into account: older people, in particular, have been voting for populist parties, which is explained by the rapid changes of a globalized world being seen as unsettling and inspiring support for inward-looking solutions.

Further topics from Q&A session

Implications for Global Trade

With regards to global trade, the upcoming US elections are expected to be a transformative moment. Since the 1990s, the United States has been an agent for increased global trade and the lowering of national trade barriers. Now, both its Pacific and Atlantic proposed trade agreements – the Trans-Pacific Partnership (TPP) and the Transatlantic Trade and Investment Partnership (TTIP) -- seem to be extremely difficult to achieve. Clinton, originally a supporter of TPP, pulled back from her free-trade position during campaigning; Trump has gone to great lengths to attack free-trade agreements alleging that they take jobs out of the United States.

European public support for TTIP has also been decreasing, even in exporting countries such as Germany that would highly benefit from it. This is not seen as opposition to free trade per se but rather to the fear that TTIP would allow US multinational corporations to water down European standards on labour, social welfare, and environmental protections.

Economists are almost unanimously agreed on the capacity of global trade to generate growth. Public opposition to free trade agreements is thus also seen as a manifestation of populism's explicit turn against expertise as part of a general distrust of elites.

It is not clear what the extent of the failure of TPP and TTIP would be in practice on merchandise trade as both agreements are heavily concerned with international property rights, and less with the actual flow of goods. It is doubtful that multinational corporations will change the way they operate on the international level.

Implications for relations with Russia and China

Donald Trump has made headlines by urging Russia to hack into his opponent's email and campaign documents, thereby raising questions about future US-Russian relations in the event of a Trump presidency. While a Clinton presidency would offer much more stability and continuity with previous US policy towards Russia and China, Trump taking office would probably mean a more pragmatic, though more unpredictable policy. The risk is that Russia or China would mistake that for a weak or foolish policy stance and make opportunistic, adventurist moves.

Populist right wing parties, especially in Eastern Europe, have been actively supported by the Kremlin under the premise that anything that might discredit successful liberal democracy will help Russia to promote its autocratic model as the more desirable alternative. The same sentiment applies to China.

Western democracy challenged by Populism

Rising populism is already seen as challenging Europe's democratic institutions. So far, the testing ground for that has been in Eastern Europe, especially Hungary where prime minister Viktor Orban has expressed his rejection of liberal democracy.

A victory of Donald Trump is expected to significantly weaken democratic institutions in Latin America. It would be difficult to appeal to Venezuela or Mexico to believe more strongly in democratic institutions with Trump in the White House. Similarly, it would hinder the West's general promotion of democracy around the world if populism were to gain political influence at home.

It is highly probable that there will be further anti-immigrant incidents that will generate growing support for calls by populist parties for further immigration and security restrictions, regardless of the fact that populist parties are not offering substantial solutions for migration issues, beyond exclusion.

After Brexit – where next?

After the Brexit vote other referenda are not expected, especially since there has been a notable resurgence of EU support among public opinion since the UK referendum. If there was to be another referendum, it would most likely be in a non-euro Scandinavian country, though that is still unlikely. Additionally, [National Front leader Marine] Le Pen promised that if she won the presidency in France, she would hold an EU referendum.

Especially faced with current security challenges arising from extremist threats, cooperation within the EU is highly important for security and policing. Populists, both from the right and the left, are pushing against that with Eurosceptic and isolationist positions.