

The George Soros empire strikes back

By William Pesek

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A year ago, George Soros's musings seemed distant and vaguely hyperbolic. Today, he's looking more like an oracle of global chaos to come.



Trump's talent for own goals is playing into Soros's vision of the year ahead. Photo: AP
Twenty-five years ago, George Soros became famous for breaking the Bank of England. Five years after that, Malaysia blamed him for crashing its economy. Now Soros, 87, is cast in a new role: that of Cassandra, warning of a crisis to come.

That calamity is Donald Trump. On the same day the US president arrived in Davos, Switzerland, Soros said: "I consider the Trump administration a danger to the world." His biggest concern is a nuclear confrontation as Trump trades barbs with North Korea, but economic risks are a close second, and they're rapidly rising.

In the days before the World Economic Forum annual meetings got going, the White House imposed 30% tariffs on imported solar panels and washing machines—a sign Trump's trade war with Asia isn't just talk. Next, treasury secretary Steven Mnuchin abandoned the 23-year-old strong dollar policy. Though Trump tried to row back the comments, there's no doubt a devaluation is coming. Taken together, these policies could soon shake global markets.

Granted, Soros's reputation as a cagy short-seller took a beating in the first 12 months of the Trump era. In January 2017, Soros warned that stocks were racing ahead of fundamentals. Since then, the Standard & Poor's 500 has rallied nearly 30%. Soros cautioned that China's days of growing north of 6.5% are ending, only to see the pace of expansion there accelerate.

Trump's talent for own goals, though, is playing into Soros's vision of the year ahead. Here are a couple of reasons why Soros and his ilk aren't as crazy as Trump's boosters say.

One, brace for trade and currency wars. Soros is an intriguing lens through which to look, given the outsized role world leaders often assign him in their hardships. In 1992, UK Prime Minister John Major's government accused Soros of knocking the pound out of Europe's exchange-rate mechanism, the precursor to the euro (ignoring the vulnerabilities he exploited). In 1997, Malaysia's Mahathir Mohamad cast Soros in sinister, puppet-master-like terms. Trump's orbit, meantime, is ablaze with conspiracy theories of a Soros-Hillary Clinton cabal, a secret political empire, attacking the White House.

It must grate on Trump, then, that Soros upstaged him at Davos. So did Narendra Modi. On 23 January, a day after Trump's tariffs and one before Mnuchin's dollar comments, the Indian prime minister mounted a passionate defence of globalization. "Many societies and countries," Modi said, "are becoming more and more insular. The downsides of these types of attitudes and misplaced priorities are no less significant than the threats posed by climate change and terrorism."

But those misplaced priorities are at the heart of Trump's "America First" imperative. Trump is miffed, for example, that China's Xi Jinping isn't curbing Kim Jong-un's provocations. He is also desperate to alter the narrative away from scandals and investigations. That's why Trump is about to make trade tensions—and market turmoil—great again.

Two, the "Beijing consensus" is ascendant. Soros, a Hungarian-born American, rode the post-World War II capitalist wave to fantastic riches. That hasn't stopped him from highlighting the shortcomings of the "Washington Consensus" system's democracy, free markets, financial liberalization and transparency. But China's illiberal model of autocratic government, semi-open markets, limited internet freedoms and press censorship are hardly a workable alternative, as both Soros and Modi effectively argued.

Trump's vision, oddly, often seems more in alignment with Xi and his fellow authoritarians than, say, Germany's Angela Merkel. Hence, his cozying up to Vladimir Putin of Russia, Rodrigo Duterte of the Philippines, Recep Tayyip Erdogan of Turkey and other leaders who have now adopted Trump's "fake news" mantra. Trump has been more complimentary toward North Korea's Kim (he's a "pretty smart cookie") than South Korea's Moon Jae-in or Australia's Malcolm Turnbull.

As Trump tears up global agreements on trade, security, and climate, and forsakes American ally after ally, he's ceding the future to China. Beijing, in turn, is harnessing giant enterprises such as "One Belt, One Road" to buy influence everywhere, shrewdly filling the void as America turns inward. No one is saying American-style capitalism is state of the art. The 2008 subprime crash is proof enough of that. So is the acceleration in inequality in its wake, a wealth gap likely to widen even faster thanks to Trump's recent tax cut. But is a "Beijing consensus" that champions state control over innovation, disruption and freewill really preferable?

Now for the good news: the Trump era will eventually end. As Soros puts it: "I regard it as a purely temporary phenomenon that will disappear in 2020, or even sooner." He's also betting on a Democratic "landslide" in the 2018 elections, a Trump short, if you will.

In the meantime, Asia should brace for a potentially chaotic 2018 as the trade and currency confrontations of governments' worst fears become reality. A year ago, Soros's musings seemed distant and vaguely hyperbolic. Today, he's looking more like an oracle of global chaos to come.

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