

PENELOPE NAAS

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Penny, we discussed the US. I think the US has been one of the key drivers and shapers of global trade, and 1944 was the beginning of the Bretton Woods conference and bringing the world together, trying to define some rules of the game. Now, lately, we have seen that these rules are changing. You have been looking at that for many years from different vantage points – from corporate and from government – so, what is your view on geopolitics and trade? And what can be done today, in light of what will happen next year?

Penelope Naas, Non-Resident Senior Fellow of the Atlantic Council, former President of International Public Affairs and Sustainability at UPS

Great. Thank you. I believe trade is a force for good and I am so pleased to be here today because I can actually say the word ‘trade’, which you cannot really say in Washington DC at the moment. Everything is ‘supply chains’, ‘economic security’, other issues, but we do not really talk about ‘trade’.

Earlier today, we saw some fantastic slides and some presentations about how trade has contributed to global wealth creation; and we have also seen how trade has been impactful at helping poverty decline globally – because the lowest 25% of our populations are the ones that are most impacted by the regressive trade policies, like tariffs and non-tariff barriers that go into effect.

When Covid-19 hit, people suddenly had to grapple with the fact that everything was not available instantaneously. I know I had to deal with my kids who did not understand why they could not get exactly what they wanted, exactly at that moment, because of the overwhelming but slightly odd demands we all had during that period.

Trade and supply chains were actually quite resilient during Covid-19 and, while we may not have been able to get the hair clippers we needed; or the Peloton machines; or some of the other things that all of us wanted when we were at home, making bread and trying to do jobs and educate children at the same time, supply chains generally adjusted because international trade and the rules generally worked and I think that that is not understood or appreciated enough by folks.

What people have focused on are some of the export controls and export restrictions that went into place; some of the port issues that arose; the hard infrastructure issues that arose, because it is people that are behind the movement of goods – and, when people cannot get to their jobs because of Covid, it does bollocks things up a little bit. Then there was also, in some cases, really extreme demand for things that we had to retool factories and other things to do.

When I think about the geopolitics and when I look forward, I think what impact is really coming into the fore is the lack of trust that developed coming out of this. While trade moved relatively well, there was some distress that came up, building on what had been developing over time already – but I think it really came to the fore coming out of Covid-19, and you can particularly see that around the vaccine issue, especially in the global south.

That resulted in a whole lot of supply chain resilience groups being developed and a whole lot of other things that are going on, but that current geopolitical situation and the tensions that are there between some of the big countries is really leading to these debates, as you have pointed out, about deglobalization; reglobalization; or maybe everything is just a lot of hot air that we are talking about and nothing is really changing.

I think trade is like water. It finds its way around the rocks in the river, but there are ways to control, guide, sometimes dam water – but, as long as there is demand or gravity, the water will continue to flow.

What we are seeing now is governments trying to control the flows of trade in ways that I think were pointed out earlier – using export controls; using sanctions; using indirect means; using investment, outbound investment regimes and other regimes. All of that is coming to the fore to try to control where we are today. As a result, I think trade is becoming more regional – both physically and culturally.

Let me turn now to where we are in the US. There was a great piece last week, it was a comedy skit on a show in the United States called *Saturday Night Live*, and it was a skit about George Washington trying to rally the troops to fight for life, liberty and the pursuit of the American's ability to use their own series of weights and measures.

It went through a whole discussion about how Americans wanted to use irrational, slightly random weights and measures – whether it be Fahrenheit; whether it be pounds; whether it be tonnes; whether it be any of the measures we use in the United States – and it pointed out how we wanted to be able to do exactly what we wanted to do and, even though it was not 100% rational, that was what our goal was.

I think sometimes, when I look at our trade policy, it reminds of how Americans have adopted our series of weights and measures in the United States. It is not always in our best interest but, by gosh, we are going to do it.

Jake Sullivan recently published a piece in *Foreign Affairs*, talking about our current US foreign policy, and where we are going to re-establish US leadership – but he did not mention trade once in the piece. If you look at other US government publications, they have pretty much stopped mentioning 'exports' as well.

For the Biden administration, global leadership is back and they really are trying to rebuild friendships with people around the world – but they are also trying to grow the US economy, as they say, from the middle out, the bottom up. That seems to be taking precedence in terms of how they are approaching our international economic relations.

They are trying to develop a whole series of new economic tools that will help them to deepen these relationships with countries, but not sacrifice the middle class. We can see things like IPAF; this week, they are doing the American Leaders' Summit – all of which are tools that are generally not binding, do not fall under any kind of enforcement mechanism, and, frankly, may not be durable if the administration changes in a year's time. Therefore, very innovate, trying to be very creative but, at the end of the day, unclear how durable these new things they are developing are going to be.



The WTO has been largely ignored and neglected by the administration, and we can see that where it is and that may be the best case scenario for the WTO at the moment, as we look forward.

As we also look forward, there is a heavy focus on manufacturing – and you had the chart on goods – but services is a huge part of the US economy, and services does continue to grow. However, the administration made some kind of surprising announcements last week about digital trade that I think were quite confusing, given where the US is on digital trade.

People are asking, 'Will a Biden 2.0 be more open to trade?'. I am not convinced, if you look at Biden's record as a senator, in his voting record, you will see that he has got a very mixed record with regards to trade. I know a lot of people are pinning hopes that maybe Biden, if he stays on, or wins re-election, will do something ambitious. I just am not convinced that that is where we are going. I think that where we are today is probably the best-case scenario for the US with regards to trade.

Let me conclude with companies. I think what also became really clear out of this is that companies did not know where all their risks were. Generally, risks are generally not what the last crisis was. It is something new, usually something that surprises you and, while it might occasionally be a black swan, what hits you is usually something that is within your control.

Supply chains were an issue, not necessarily because of other things, but because it did not really rise to the C-suite in the past. Being able and sitting down and doing creative scenario planning, looking at some of the issues in a much more thoughtful way, I think, are really important for companies – and I know others on this panel will be discussing some of the specifics around how to do that moving forward.

With that, I would like to conclude. Thank you, Nikolaus, for the time and thank you all in the audience. I know we are post-lunch. It is always the hardest slot to have at a conference, so thank you for your attention.

Nikolaus Lang

Thank you very much, Penny.

Just on the last point that you mentioned, it is interesting that I met with a CEO – and maybe he has a very focused view of the world – but he said to me, 'I have had three new topics on my agenda in the past ten years. Ten years ago, digital appeared on my agenda; five years ago, sustainability appeared on my agenda; and geopolitics appeared on my agenda on February 24th of last year.' I found it interesting that there was a five-year increment between each of these major events, and we also see that geopolitical muscle needs to be developed – and fast.