

NADEC Trade Outlook for 2022

As we move into the 1st and 2nd Quarters of 2022, many of our members are seeing the decentralizing of supply chains from China (to diminish unhealthy dependencies), especially regarding the manufacturing sector, and we fully expect that will continue to be a priority for our DEC members and other SMEs and MMEs, as well as a central point in the redefinition of the geopolitical alliances.

During the 1st half of 2022 expect to see a more concerted approach with other western economies to address the disruptive trade practices engaged by China. These disruptive trade practices are exacerbated now by the supply chain crisis generated out of China by the covid situation (and associated lockdowns), energy shortfalls impacting manufacturing, and general economic downturn which Beijing is struggling with.

While most the current Administration's trade initiatives are still in a holding pattern, as a consequence of other priorities, the pending negotiations for a US/UK and US/EU Free Trade Agreements have now been put on ice.

There are a number of key developments in our trade outlook that we want you to be aware of:

- (1) On the important topic of mitigating your business risk, if you have supply chains that are dependent upon imports coming out of China, we urge you to please keep the energy shortages and supply chain interruptions out of China in mind. Recognize that while the supply chain interruptions out of China are carrying substantial risk, the global situation elsewhere is no panacea. The downstream supply chain interruptions are going to be ugly on a global scale, whether emanating out of China or elsewhere, and we will feel it. In addition, the supply chain interruptions are going to be coupled with serious inflation challenges rippling throughout the global supply chain construct.
- (2) The situation outlined above will result in accelerating the exodus of more companies out of China. In turn, that exodus is going to further impair China's ability to earn foreign exchange via exports, further trimming back its international projects and lending abilities.

The 2022 export outlook is not all bleak and there are encouraging developments that you should be aware of:

(A) Looking at Southeast Asia, During the ASEAN Leaders Summit this past Fall (October 21, 2021), the President proposed the creation of a new, *U.S. Indo-Pacific Economic Framework* which would prioritize U.S. business engagement with that Region in the following areas:

- a. Trade Facilitation
- b. Standards for the digital economy and technology
- c. Supply chain resiliency
- d. Decarbonization and clean energy
- e. Infrastructure
- f. Worker standards
- g. “Other areas of shared interest”

While no formal policy has yet been established, the announcement could help address concerns that the U.S. is lagging behind China in regional trade ties. You should know that the U.S. is not part of the Regional Comprehensive Economic Partnership, the Beijing-backed free trade agreement among Asia Pacific countries which covers nearly 30% of the global economy.

The NADEC Trade Policy Committee is in the process of setting up a meeting with USTR to discuss the details of this proposed economic framework further as there may be benefits to our DEC members flowing from this framework as it is built out.

(B) India holds a great potential export market, the second largest population in the world just after China. The Indian market is presenting a unique opportunity not seen in years, resulting from recent challenges experienced with its neighbor China—forcing India to realign its interests. While India is emerging as a more desirable destination for U.S. exporters, U.S. firms suffer from a lack of basic education, connections, and experience in working with that market.

The NADEC will host a special educational program on India at its upcoming Annual Conference in Washington in May. We hope that DEC members and other SME/MMEs will take advantage of this opportunity so that they are better positioned to engage in new India market opportunities.

(C) The Commerce and State Departments have created an interagency overseas business coordination concept called “Deal Teams.” Led by the Commerce Department, the “Deal Team” concept is just being rolled out and has, as its objective, the coordination of efforts across the appropriate Federal Departments and Agencies to create a “one stop shop” for U.S. businesses to be able to avail themselves more efficiently with US. Government financing, programs, and support in the international arena. This interagency effort has been created to mobilize the resources of the U.S. government to help U.S. companies win business abroad and to advance U.S. strategic commercial interests.

The NADEC Trade Policy Committee is in the process of setting up a meeting with the Deal Team leadership in Commerce to discuss the workings of this interagency group further. If any of our DEC members have had experience to date working with the “Deal Team,” the NADEC Trade Policy Committee would appreciate hearing from you as to your experience.