

Ukraine's Impact Upon Trade Policy

It seems like it never ends. As if the supply chain disruptions commencing with the U.S.-China trade war and then exacerbated with the covid era and its attendant lockdowns (Omicron), followed by China's own power shortages and then its own crippling covid lockdowns, were simply challenge enough for business firms to navigate—there is now the Russian invasion and the war in Ukraine to pile onto the long list of risks and challenges that must be overcome.

The Ukraine war underscores for many of us how little we knew about that country. It is a country rich in natural and human resources that has been basically obliterated from global supply chains in terms of food security, energy, tech firms, and many, many other areas. Given the apparent devastation of the country that we are witnessing, it will be years, if not a generation, before that country can right and repair itself. Then we have the seemingly endless list of sanctions and business departures from Russia. The Ukraine war has essentially eliminated both the Ukraine and Russian markets for most firms.

So how does the war in Ukraine begin to shape our trade policy going forward?

One shift that is starting to happen is in the form of new transatlantic trade cooperation. We just saw the steel and aluminum tariffs eliminated between the U.S. and the U.K. a few days ago. Next, the White House recently brokered a special briefing between EU representatives and the NADEC trade policy committee. The subject was a proposal from the EU that the NADEC join in with the EU in an undertaking called the Enterprise Europe Network in an undertaking where both organizations and their members would look to assisting each other in helping their respective firms do business in each other's market(s). This is a complex proposal which the NADEC will be working through carefully. More on this later.

The third development in terms of policy impacting transatlantic trade is the U.S.-EU Trade and Technology Council (TTC) which was launched in 2021 to facilitate greater U.S. – EU cooperation in the trade and tech sectors.

The fact that key TTC negotiators had met for the 1st time last Fall and been given a mandate to cooperate, allowed the facilitation of the rapid agreement on export controls against Russia and Belarus. Sanctions had never been part of the TTC's mandate, but the atmosphere of closer collaboration made both parties more knowledgeable about the other's system—and what they could and could not do—and gave them confidence that political superiors would view enhanced cooperation positively.

There is a 2nd meeting of the TTC coming up this May. We expect that this trade council is going to identify the economic isolation of Russia as a key goal. The initial target of some TTC initiatives—investment screening, trade challenges, semiconductor supply chains—was China. China has not reformed its approach to global markets. But the issues it raises are not as urgent as adjusting supply chains to the total disruption of trade with Russia and ensuring that Russian companies have few, if any, opportunities for investment in the West. This is in addition, of course, to the damaged supply chains coming out of Ukraine.

During this 2nd meeting, we also expect that the TTC will encourage regular conversations about sanctions and their impact. Moreover, including sanctions on the TTC agenda will also recognize the interrelationship between sanctions, export controls, supply chains, and other measures.

The TTC also has a supply chain working group focused upon semiconductors. We hope to see the mandate of that supply chain working group shift to a more-critical focus on the specific impact of disruptions in trade with both Ukraine and Russia. Here are some of the essential issues that need to be addressed:

- What are alternative supply options for oil and gas?
- How can the United States and European Union compensate for Russian and Ukrainian agricultural exports, which currently make up 26 percent of global wheat exports (and more of other farm commodities). Ukrainian wheat feeds livestock across Europe, but also feeds animals and humans across the entire world.
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- Can the TTC identify alternatives in the supply chain that can ameliorate the threat of hunger in certain areas of the world?

It is important to recognize that while the TTC was designed as a U.S.-EU mechanism, and likely should remain so, there must also be room for conversations and coordination with other like-minded countries, such as the United Kingdom, Australia, New Zealand, Japan, and South Korea. These countries are already cooperating closely with the United States and EU on sanctions and export controls and should have some mechanism to encourage consultation and coordination.

A final note about Ukraine's tech sector. Before the invasion, Ukraine had a significant tech sector. Whether those companies remain in the country or move into exile, the United States and EU should find ways to support it—through money, technical support, and protection from cyberattacks—so that it can, in turn, support their own country.

While the both the TTIP and the U.S./EU FTA trade agreements have stalled out for now, the business and trade environment that we operate in has been turned inside out. We are witnessing now an extraordinary about turn in U.S./EU transatlantic cooperation which is going to result in new options and opportunities for SMEs and MMEs on both sides of the Atlantic, so stay tuned.