

## **NADEC Prepares Exporters for the New Trade Environment**

The recent May, 2023 NADEC Annual Conference in Washington D.C. took a very different approach. The intellectual underpinnings for the Conference developed by the NADEC leadership was focused on making sure that attending exporters were briefed on the radically shifting trade environment which is now starting to appear.

This trade realignment, as presented in the opening Plenary Session, is a consequence of a number of shocks to the global trading system. The Plenary session discussants included Andrea Thompson, the Vice President for International programs at Northrop Grumman, former Deputy Assistant to the President, and the former Secretary of State for Arms Control and International Security. Ms. Thompson was joined onstage by Everett Eisenstadt who is one of the handful for experts with U.S. legislative and executive branch government experience in international trade and economic policy. Mr. Eisenstadt was formerly the Chief International Trade Council for the United States Senate and White House Deputy Director, for the National Economic Council. David Day moderated the discussion.

Some of the causation factors for this new trade alignment include:

- Russia's invasion of Ukraine led to food insecurity and European energy crisis;
- Covid pandemic disrupted supply chains;
- China's economic rise and related geopolitical tension; and,
- Inflationary pressures fueling debt crises.

These factors have pushed governments around the world to:

- Forge new economic alliances prioritizing national security over economic integration;
- Weaponize trade and investment in the name of national security;
- Reshore manufacturing and technology by embracing industrial policy and expanding the role of government in the private economy; and,
- Increase regulations and oversight on business and scrutinize supply chains to achieve climate, labor, and human rights goals.

The conversation then turned to the enhanced commercial risk that U.S. Exporters face, emerging new trade agreements like the RCEP and the CPTTP, the BRICs, the shifts and the China-Russia-China-North Korea-Iran Bloc. With risk comes opportunity and the discussion included markets that were new or refreshed opportunities.

The Plenary session ended with a conversation about the broadening definition of what constitutes national security and the critical linkage between the contribution that exporters make to the economic security of the United States and hence, to its national security. This discussion then turned to an issue that one of the NADEC Board members, Luke Lindberg has written about called, “economic patriotism.” The notion being that it makes a difference where the exporter selects as the target market as that choice impacts the economic and national security or the target export market as well.

The conversation on the concept of “economic patriotism” continued with one of the two concluding panels of the day, “Strategic Exporting/Investment to Enhance Global Competitiveness & Security.” The discussants on this panel further delved into the importance of deliberately selecting a target market for exports, taking economic security and national security into consideration in the context of current events in the Asia Pacific region. The discussants for this panel were Lt. Gen. Wallace C. Gregson, USMC (Ret.), former Assistant Secretary of Defense and former MARFORPAC commander, Col. Arthur M. Romanillos, Philippine Army Attache to the USA, and Anthony Scotti, Chief Operations Officer of Gyrene. Elizabeth Chan moderated this panel which was a “bookend” to the Plenary Session.

Some global events impacting regional trade in the Asia-Pacific region include the following:

- Aggressive Chinese military actions in the West Philippine Sea
- Chinese actions in the Taiwan Straits and surrounding Taiwan, including threatened closure of Taiwanese airspace (and actual closure of Taiwanese airspace)
- Potential blockade and military action against Taiwan
- China’s national security legislation and its push against foreign companies
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To counter the above national security issues, the panelists discussed the utilization of economic ties and trade to develop regional partnerships in the interests of national security. Trade development is particularly critical given the diplomatic situation of Taiwan, which is not acknowledged as a country. Absent formal diplomatic recognition of Taiwan, one of the only ways to further ties is through trade and economic development.

Using the Philippines, a US ally as an example, the panelists highlighted the recent visit of President Marcos to the United States. This formal state visit was particularly focused on developing trade and economic relationships between the United States and the Philippines. In addition, the Philippines is currently revisiting its foreign investment law and balancing the need to encourage foreign investment and joint ventures with national security concerns, particularly in the areas of technology and infrastructure (as in the case of the Philippine power grid and its telecommunications infrastructure).

Finally, the panelists concluded with a discussion on the need for quicker financing mechanisms for SMEs to encourage both strategic exporting and trade with allied countries as well as enabling SMEs to better withstand potential financial pressure from Chinese investors. Without a robust financial structure that facilitates SME agility, as our NADEC members know, it is difficult to scale projects to successfully counter aggressive Chinese Belt and Road type projects.