Running Your Business through Shifting Sands:
Traversing Diplomatic Crises and Domestic Causes

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Welcome & Overview

Jeffrey A. Sonnenfeld, Senior Associate Dean for Leadership Studies, Yale School of Management

What is REALLY Happening in China

Robert E. Lighthizer, United States Trade Representative
David P. Abney, Chairman & CEO, UPS
Sean Duffy, Congressman, State of Wisconsin – 7th District
D. James Umpleby III, Chairman & CEO, Caterpillar
Kevin Rudd, President, Asia Society Policy Institute; 26th Prime Minister of Australia
Carla Hills, U.S. Trade Representative (1989-1993), 5th Secretary of Housing and Urban Development
J. Stapleton Roy, 5th U.S. Ambassador to China
Catherine Mann, Global Chief Economist, Citibank; Chief Economist (2014-2017), OECD
Robert D. Hormats, Under Secretary (2009-2013), U.S. Department of State
Eddie Tam, CEO, Central Asset Investments
Carmine Di Sibio, Global Chairman & CEO, EY
Jeffrey M. Solomon, CEO, Cowen Inc.
Nicholas T. Pinchuk, Chairman & CEO, Snap-on Incorporated
Tamara L. Lundgren, President & CEO, Schnitzer Steel Industries
Martin Schroeter, Senior Vice President, Global Markets, IBM
Miriam Sapiro, Acting & Deputy U.S. Trade Representative (2009-2014)
John S. Lapides, President, United Aluminum Corporation

The Elusive Prospects for Mideast Peace — What You Missed in Bahrain

Aryeh Bourkoff, Co-Founder & CEO, LionTree Advisors
Thomas Storch, Sr. Director, Global Economics, Finance & Development, National Security Council
Dennis Ross, Special White House Advisor, Persian Gulf & Southwest Asia — Bush, Clinton, Obama Administrations; Co-Author, Be Strong and of Good Courage
David Makovsky, Former Editor, Jerusalem Post; Co-Author, Be Strong and of Good Courage
Alan J. Patricof, Founder & Managing Director, Greycroft Partners
Philip Lader, U.S. Ambassador to the UK (1997-2001); Senior Advisor, Morgan Stanley
Nasser J. Kazeminy, Chairman, Ellis Island Honors Society
Allan A. Myer, Executive Director, The Frankel Foundation
Dan Raviv, Senior Washington Correspondent, i24News TV
From Here to Kashmir — Where Else Should You Care?

Farooq Kathwari, Chairman, President & CEO, Ethan Allen; Author, Trailblazer
Bruce Ackerman, Professor of Law, Yale University; Author, Revolutionary Constitutions
Douglas H. Ginsburg, Senior Judge, District of Columbia Circuit, U.S. Court of Appeals
John Yarmuth, Congressman, State of Kentucky – 3rd District
David J. Shulkin, 9th U.S. Secretary of Veterans Affairs
Richard C. Adkerson, Vice Chairman, President & CEO, Freeport McMoRan
Bob Woodward, Associate Editor, The Washington Post
Mark J. Penn, President, The Stagwell Group
Elizabeth R. Nugent, Professor of Political Science, Yale University
Joel N. Myers, Chairman & President, AccuWeather
Steve Odland, President & CEO, The Conference Board
John M.B. O’Connor, Chairman & CEO, J.H. Whitney Investments
Nels B. Olson, Vice Chairman, Korn Ferry
D. Quinn Mills, Professor Emeritus, Harvard Business School
Anthony Scaramucci, Former Director of Communications, The White House
Tom Rogers, Chairman, TiVo
Tom McMillen, Member of Congress (1987-1993), State of Maryland

Maintaining the Leadership Narrative through Adversity & Global Disparities

Dennis A. Muilenberg, Chairman, President & CEO, The Boeing Company
Alex Gorsky, Chairman & CEO, Johnson & Johnson
Stefano Pessina, Executive Vice Chairman & CEO, Walgreens Boots Alliance
C. Allen Parker, Interim Chief Executive Officer, Wells Fargo & Company
Mark A. Weinberger, Former Global Chairman & CEO, EY
James P. Keane, President & CEO, Steelcase
Kevin A. Lobo, Chairman & CEO, Stryker Corporation
Raymond J. Quinlan, Chairman & CEO, Sallie Mae
William D. Anderson, Senior Managing Director, Evercore
Greg Fischer, Mayor, Louisville, Kentucky
Marc S. Cooper, Chief Executive Officer, PJ SOLOMON
Mark D. Ein, Chairman & CEO, Capitol Investment Corporation
Sarah Keohane Williamson, CEO, FCLT Global
Dan Bigman, Chief Content Officer & Editor-in-Chief, Chief Executive Group
Marc Rotenberg, President, Electronic Privacy Information Center
Laura R. Walker, Former President & CEO, New York Public Radio
Lisa Osborne Ross, President, Edelman, Washington DC

Legend in Leadership Award: Colin L. Powell, Chairman, Joint Chiefs of Staff (1989-1993); 65th U.S. Secretary of State

PRESENTATION
David P. Abney, Chairman & CEO, UPS
Carla A. Hills, U.S. Trade Representative (1989-1993); 5th Secretary of Housing and Urban Development
Farooq Kathwari, Chairman, President & CEO, Ethan Allen; Author, Trailblazer
Running Your Business through Shifting Sands: Traversing Diplomatic Crises and Domestic Causes

Most business leaders agree with the need to address China’s unfair trade practices. But with trade tensions affecting the economy and creating uncertainty, business confidence is suffering. Some CEOs support Trump’s tariffs and believe the long-term gains will be worth the short-term pain. But many aren’t so sure. Most business leaders want a trade deal in the near future, yet only 42% expect an agreement by the end of the year.

In addition to questioning the Trump Administration’s policies, many participants questioned the Administration’s approach and tone. Experienced diplomats emphasized the need for coherent strategies, diplomacy, and alliances. They stressed that agreements are reached by showing respect for others and building trust, not through shouting, criticizing, or showing hostility.

Participants were encouraged by the Business Roundtable’s decision to restate the purpose of the corporation. The BRT now sees corporations as responsible to multiple stakeholders including consumers, employees, and communities, as well as shareholders. This represents a change to rebuild trust in business.

A Republican Congressman gave President Trump credit for the country’s strong economy and said his constituents are grateful Trump is looking out for them. But critics of the President see a lack of a coherent domestic or international strategy, believe President Trump has damaged U.S. relationships around the world, and think his unpredictable, disrespectful behavior has negative consequences for the country. The majority of participants (73%) don’t believe the public can trust the President.

A legal scholar believes the President’s unilateral actions without Congressional consent represent a constitutional crisis. Other legal experts disagreed, believing the courts can maintain the government’s checks and balances.

Views differ on whether USMCA is an improvement over NAFTA.

A representative of the Trump Administration is optimistic about the USMCA, which represents $1.4 trillion in trade and was scored highly in an analysis of the agreement. The Administration believes USMCA “has to pass” and is hopeful it will pass in bipartisan fashion. Progress on the USMCA was applauded by trade representatives from previous administrations and from business leaders.

While the majority of CELI participants don’t plan to vote for Trump for President, they don’t see a recession and don’t support impeachment.

When asked who they will vote for in the presidential election, only 38% of business leaders plan to vote for Trump. More (42%) would vote for Biden and 20% would vote for another Democratic candidate. (These results are only among business leaders).

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<th>Survey Question</th>
<th>Yes</th>
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<tr>
<td>Will there be a recession in the next 12 months?</td>
<td>33%</td>
<td>67%</td>
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<tr>
<td>Should Democrats begin official impeachment proceedings?</td>
<td>19%</td>
<td>81%</td>
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<tr>
<td>Can the American public trust that President Trump is telling the truth? (Saudi Arabia, Iran, North Korea, obstruction)</td>
<td>27%</td>
<td>73%</td>
</tr>
<tr>
<td>Are we facing a Constitutional crisis?</td>
<td>33%</td>
<td>67%</td>
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However, despite the lack of support for the President, most participants (67%) expect the economy to remain healthy, few (19%) favor impeachment, and a minority believe the country is facing a constitutional crisis.
The division between hardliners and reformers and the articulation of red lines makes it unclear whether China wants a deal, what kind of deal China would agree to, and how to get to a deal. Observers believe the challenge is to tip the balance toward the reformers so they will make a deal.

Disagreement on solutions
Many CELI attendees support the Administration’s tariffs approach. But others were critical of the Administration’s approach, tactics, and tone.

- **Support the Administration’s approach.** A representative from the Trump Administration said past approaches to confronting China haven’t worked for American workers or companies, leading this Administration to take a new approach. The decision to enact tariffs was characterized as thoughtful and done in an organized way.

In response to critics who say the U.S. has not worked with allies, this official said the U.S. is in contact with allies in Europe and Japan, but the U.S. can’t rely on allies to drive this issue; the U.S. must take the lead.

Business leaders who support this strategy offered comments of:

- **Taking a hard line with China was essential.** One CEO sees this conflict as about access to the Chinese market. Did we expect China to change by asking nicely?

- **The gain will be worth the pain.** One CEO who speaks with many other CEOs said most believe the benefits of a firm response toward China will outweigh short-term difficulties. He believes most CEOs are comfortable with this tradeoff and he doesn’t see consumers experiencing any pain.

- **China is having more pain.** It appears that China is suffering economic pain and being affected by the trade war more than the United States.

- **The Democrats have come around.** Even though Democrats initially opposed tariffs, in the recent Presidential debates, none of the candidates wants to roll back the tariffs now. One CEO said, “I’m glad we broke the egg and moved forward.”
Bilateral agreements may be more effective. The Obama Administration pursued TPP, a multilateral agreement. This Administration is focused on more dynamic bilateral agreements, which may work better. It will be interesting to see how this evolves.

- Criticize the Administration’s approach. Critics of the Administration’s approach offered the following arguments:

  - The trade war is hurting the global economy. A leading economist believes supporters of the trade war are glossing over the negative economic impact. Tariffs create uncertainty, which undermines investment. Data shows a significant drop in capital investment, and there could be long-term damage to the U.S., Chinese, and global economies. A former ambassador agreed “both sides are being hurt” and argued that trade wars take time to be felt by consumers. A Congressman emphasized that tariffs on Chinese imports are taxes on American consumers.

While the U.S. has provided subsidies to farmers, there is still a rise in bankruptcies for agricultural companies. Other industries are also being badly hurt and are not receiving subsidies. The CEO of a major commodity company bluntly stated, “Tariffs are killing us.” And the CEO of a major retailer said his company’s business in China is off by 20%, due in part to anti-American sentiment toward his American brand.

“We are experiencing a very tough time, almost solely because of tariffs.”

- The U.S. lacks a coherent China strategy. It is unclear what the U.S.’s objectives are. Is the U.S. seeking to “level the playing field” or does the U.S. fear China’s global growth and wants to suppress China? U.S. leaders send unpredictable, conflicting messages. Some in China believe the U.S. wants to constrain China’s growth and prevent China from being successful. China is aware of the lack of a clear long-term U.S. strategy and may be waiting to make a deal until after the election.

- Going it alone is less effective than enlisting allies. Multiple former diplomats lamented the Administration’s decision to not work with allies. Doing so would strengthen the U.S. position and make it harder for China. One participant said, “If this is truly a ‘war’ it would have been better to fight it with allies.”

“We could have joined hands with allies, which would have been a better stance.”

- The U.S.’s tone makes it more difficult to reach a deal. A former ambassador said the U.S. sends signals of “unrelenting hostility” which makes it difficult for China’s reformers to make a deal. “To make a deal with someone, you must show them respect and understanding,” said a former diplomat. You must stop shouting and screaming at them. Disrespecting someone is not the path toward a deal, especially in an environment where the reformers need to win over hardliners to convince them a deal is in China’s interest. The U.S. government and American companies need to build trust.

Despite support for tariffs among some CEOs, the majority of CELI participants lack confidence in America’s trade policy and believe business confidence is suffering as a result.

Business confidence is suffering as a result of US trade policy....

Linkage to national security
Members of Trump’s economic team see their role narrowly as “trying to stay in our lane to do a trade deal,” but other CELI participants see a trade deal occurring within a larger political context that must take national security into account. One CEO termed China “an expansionist power, not an ally.” Among CELI attendees, 81% believe Huawei is a threat to U.S. national security.

Skepticism about a near-term deal
Opinions differed on the outlook for a trade deal. CEOs from two of America’s largest, most prominent manufacturing companies—which have been negatively affected by trade tensions—strongly want a deal, as do several other CEOs in attendance.

Colin L. Powell, Chairman, Joint Chiefs of Staff (1989-1993); 65th U.S. Secretary of State

Catherine Mann, Global Chief Economist, Citibank; Chief Economist (2014-2017), OECD

Carla Hills, U.S. Trade Representative (1989-1993), 5th Secretary of Housing and Urban Development

D. James Umpleby III, Chairman & CEO, Caterpillar
A foreign diplomat with extensive relationships in the U.S. and China predicted a trade deal by Thanksgiving. With economic pain in China, China’s need to export, and a desire by Trump to tout a deal heading into elections, there is great resolve to reach an agreement. However, this optimism was not broadly shared. Only 42% of CELI participants believe a U.S./China trade deal will be reached by the end of the year.

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<td>Will there be a U.S./China trade deal by the end of the year?</td>
<td>42%</td>
<td>58%</td>
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Some see a possible short-term deal, a “skinny deal,” or a phased approach, which will show progress, allow Trump to claim victory, and give China time to make reforms, which can’t occur overnight.

Opinions are mixed on the White House’s “Peace for Prosperity” plan.

The White House’s “Peace for Prosperity” plan was released at a conference in Bahrain in June 2019. This plan is billed as a new vision for the Palestinian people and the broader Middle East. It focuses on improving the economic situation for Palestinians by attracting $50 billion in investment. It is not a replacement for dealing with political problems, but aims to proceed with economic development while working through political issues. The White House is hopeful that investment can jump start peace and prosperity.

“If you can’t solve political problems, it’s ok to solve economic problems.”

Middle East experts who have worked on previous peace initiatives expressed support for this idea and vision, but don’t see it gaining traction. One expert said that in the Middle East, when the only options are all or nothing, what occurs is nothing. Instead of trying to hit a home run, hitting singles would have been better.

Another expert said this plan isn’t new and elements have been tried before. He said momentum for such a plan requires building credibility by doing a few small projects before trying to raise $50 billion.

The Israeli press has viewed this plan as fiction, relayed a journalist, and results from the plan have been invisible thus far. Credibility is hindered because Jared Kushner’s team and the Administration’s previous behavior is viewed as strongly pro-Israel and not respectful to the Palestinians. While the plan has grand ambitions for economic development, Palestinians still lack water, electricity, and sewage treatment, and have high unemployment. Credibility could be built by first addressing these basic necessities.

A representative from the White House replied by saying “drips and drabs don’t work.” Progress requires a vision, framework, and committed capital, which this plan has.

CELI participants are unsure what to make of this plan.

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<td>The U.S. Peace Through Prosperity economic plan in advance of a political plan makes sense.</td>
<td>51%</td>
<td>49%</td>
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While reaction to this plan is unclear, CELI participants are clear that Netanyahu’s election loss will not be bad for the United States. Experts on Israel interpreted the results of Israel’s election as a statement by Israelis that a booming economy is not sufficient. Netanyahu lost the public because he overreached in going too far to the right and he was seen as eroding institutions for personal interest. Even with a change in political leadership, it doesn’t appear there will be a two-state solution in Israel anytime soon.

CELI participants briefly touched on other global hotspots.

After discussing China and Israel, attendees briefly touched on Iran, North Korea, and Kashmir.

• **Iran.** The U.S. strategy toward Iran is unclear. Does the U.S. want a revised nuclear agreement or regime change? Some criticized Trump’s withdrawal from the agreement with Iran. Others believe the U.S. needs to work with allies to now isolate Iran politically.

• **North Korea.** In the view of one diplomat, North Korea will never give up nuclear weapons because their threat gives the country power. But North Korea won’t use these weapons, as doing so would amount to suicide.

• **Kashmir.** Only 28% of CELI participants want the U.S. to help resolve the Kashmiri conflict. Those who support U.S. intervention see Kashmir as strategic area and see human rights issues.

The discussion of various international hotspots highlighted the lack of a coherent U.S. international strategy. It also reinforced the need to use diplomacy and to treat leaders and citizens of other countries with respect.
CELI participants support the BRT’s evolution on the purpose of the corporation.

To navigate inevitable crises, CEOs discussed creating value-based organizations that have a framework based on values for making decisions. Values, including integrity and humility, are necessary to guide CEOs and companies through difficult moments.

Participants were encouraged by the Business Roundtable’s recent decision to restate the purpose of the corporation. No longer are shareholders the sole stakeholder. The BRT now sees corporations as responsible to multiple stakeholders including consumers, employees, and communities, along with shareholders. This represents a change to rebuild trust in business.

LEGEND IN LEADERSHIP AWARD

Colin L. Powell, Chairman, Joint Chiefs of Staff (1989-1993); 65th U.S. Secretary of State

Colin Powell was commended for his extraordinary leadership and service to the country. Those who worked under General Powell in the military and at the State Department recognized him as a transformational leader with intelligence, wisdom, courage, and compassion.

Throughout the Caucus, Powell discussed the importance of strategy, diplomacy, understanding, trust, and respect. During his career he resisted demonizing others or labeling a country as an enemy. Instead of seeing enemies, he saw problems to be solved. He gave foreign leaders his home phone number and encouraged them to call him at any time to talk through issues and avert crises. Despite his distinguished career in the military, Powell sought when possible to avoid conflict and prevent war.

Powell said a leadership key is remembering that it is one’s followers who enable leaders to get things done. Leaders must recognize and show appreciation for their followers.