

The Next Four Years in International Business

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Over the past few weeks, we have been speculating on the international trends and tides we expect to see in the next four years under a new U.S. presidential administration. So that you can enjoy our prognostications (before our program gets greenlighted as a Netflix special) we provide here:

1. A recording of our webinar, entitled "[The Four Years in International Business Webinar](#)" (for those playing along at home, see if you can spot the part where Scott's power goes out while we're discussing tariff reductions!)
2. A bulleted summary of the key takeaways of our webinar.

Key Takeaways

1. Macro Trends

- Pandemic Recovery. The pace and details of the economic recovery from the pandemic will give different results in different sectors.
- Shift From Disruptive to Traditional Foreign Policy. We expect the Biden administration to shift to a more traditional foreign policy, particularly toward traditional allies, particularly in Europe.
- Aggressive China Policy. We consider many aspects of the Trump China policy to enjoy strong bipartisan support, which may make the Biden China policy look a bit more like Trump than like Obama.

2. The U.S. China Divide

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- The 2018 U.S. [National Security Strategy](#) expressly names China as a strategic adversary of the United States in a struggle for worldwide technological dominance.
 - Under the current NSS, the United States takes the position that technological knowhow (even privately owned knowhow) is a strategic national asset. We expect the Biden administration to continue this position in various forms.
 - One major form this strategy has taken involves U.S. export controls. The Trump export control regime has very effectively restricted the worldwide supply chain of Huawei, which is one of world's largest tech consumers.
 - The Biden Administration may be expected to continue to use this very effective tool to control worldwide trade with China.
 - Other China-focused initiatives may survive in some form, including tighter controls on exports to Chinese "Military End Users."

3. Economic Sanctions

- [Iran](#). President Trump withdrew the United States from the Joint Comprehensive Plan of Action (JCPOA) and embarked on a "maximum pressure" campaign against Iran. We expect President-Elect Biden (who considers maximum pressure to be a failed strategy) to try to revive the JCPOA, but recent global political events may make that a difficult task. If a Biden Administration does take steps to reduce sanctions on Iran, the biggest beneficiaries would be in Europe and Asia, not U.S. companies.
- [Russia](#). A Biden Administration will likely take a harder line with Russia, particularly with Putin and his supporters in the oligarchy. We believe President-elect Biden will maintain or strengthen the sanctions on Russia, targeting those measures where it hurts most, in the Russian oil and natural gas industries, perhaps Russian banking and, of course, against the individual oligarchs who help prop up Putin's regime.
- [The Americas](#). We view it as unlikely that Biden will shift his policy substantially on Cuba and Venezuela. Candidate Biden lost the state of Florida with a surprising turnout of Cuban and Venezuelan Americans in Miami Dade county, where a republican advertising blitz tied Joe Biden to the socialist dictators of Cuba and Venezuela. A Biden administration would work to undo that damage, but cannot be seen as easing up on either of those two countries' leaders unless there is a change at the top of either country.

4. FCPA Enforcement

- [New Old Playbook](#). The prosecutors' handbook for FCPA enforcement will likely be similar to the one we saw under the Obama administration.
- [Numerous Rank and File](#). In contrast to a Trump Administration that aimed to reduce the size of federal agencies by cutting or not replacing staff, the Biden Administration is already

sending feelers out through the legal community to scout new talent and old colleagues to join the team.

- Sophisticated Enforcement. Many of the highest risk industries have been through enforcements sweeps before and, by and large, those groups are now comprised of sophisticated companies with mature compliance infrastructure. Similarly, government prosecutors are becoming more sophisticated in recognizing indicia of corrupt activity farther from the source – activity on the ground that may lead back to persons acting on a company's behalf.

5. Customs

- We expect U.S. Customs and Border Protection to increase its audit and other enforcement activity in the Biden administration, continuing a trend that accelerated in the Trump administration.

6. Customs

- China Tariffs. One of the most substantial trade restrictions put in place by the Trump administration were 25% tariffs on billions of dollars of Chinese imports. We believe that a Biden administration may reduce some of those tariffs, but it will maintain many and will target them to most effectively achieve U.S. goals of curbing Chinese state support for its companies and fighting the intellectual property theft that is endemic in the Chinese business climate.
- ASEAN. ASEAN countries have been beneficiaries of the U.S.-China technology and tariff confrontations. We believe opportunities will continue to flourish in that area.
- South Asia. We view it as unlikely that a Biden administration is not likely to reinstate India to its special customs status under the Generalized System of Preferences (GSP). The Biden administration will view India as a partner, but also as a major player in the global economy, and one that does not need special support of import duty forgiveness.
- Europe. With respect to the EU and UK, the biggest change is that the trade policy with Europe will be more stable and predictable. That should help industries like the automotive sector, particularly in Germany, which dealt with a constant threat that President Trump might impose tariffs on them.