

Is this the Final End of Pax Americana – Implications for Business and Society



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Outline of the webinar

Mona SUTPHEN was invited to the stars webinar to discuss the question “Is this the Final End of Pax Americana - Implications for Business and Society”. In the preliminary description to the webinar the topic was announced as: Where is "geopolitics" heading? Are we seeing the end of the Pax Americana? What impact will have a Harris or Trump victory in the US election in November of this year? Is the US ready to lead again? What is the impact of these geopolitical developments on the global economy? And what implications must international companies and organizations be prepared for? Geopolitical and geo-economic intelligence is a must for any company and organization. Every leader in business and society has to make sure to have a real plan for these disruptions.

Opening:

Dr. Toni Schoenenberger, Executive Chairman stars – for Leaders of the Next Generation

Moderation:

Mark DITTLI, Financial Journalist and Founding Partner The Market, Zurich, Switzerland

Executive Summary

In his opening stars Executive Chairman Toni Schoenenberger outlined stars to be a platform for dialogue, to discuss developments which will impact the whole society and our businesses in the next couple of years. He said: Today we are continuing our webinar series “Is this the Final End of Pax Americana – Implications for Business and Society.” We are facing a multitude of disrupting phenomena particularly in geopolitics and geoeconomics. Developments in the US are key to the world. Today we have the great privilege to talk to Mona Sutphen as our guest speaker. Welcome Mona and thank you very much for joining this webinar. Mona Sutphen is a leading expert in geopolitics and geoeconomics. She has over 20 years of experience in advising multinational corporations and investors. From 2009 - 2011 she served as a White House Deputy Chief of Staff for President Barak Obama. Now she is a Member of the International Board of stars. Mona, we are looking forward to your insights. I want to introduce you to our moderator. Mark Dittli. He is a leading financial and business journalist and founding partner of The Market in Zurich. This is the leading digital business and finance platform. Mark, thank you for moderating today's webinar, the floor is yours.

Mark Dittli welcomed Mona SUTPHEN as today's expert speaker as well as the webinar audience and said: We have a big topic to talk about. To open the discussion, I would like to start with the top title question “Is this the Final End of Pax Americana and what kind of world order is unfolding in front of us?” Furthermore, we will talk about the prospect of the US election in November. Mona let's talk about Pax Americana first. The decades after World War II were characterized by Pax Americana, a term used for a rules based liberal world order, marked by globalization and global trade. In recent years, this world order has been called into

question. By asking you, Mona, is this the final end of Pax Americana? Are we looking at the start of a new world order?

Mona responded: I'm not sure whether Pax Americana is over. But it is no question that the world order is changing fundamentally. It has been fractured in a variety of ways in the last 10 to 15 years. This change is now coming to its fruition. Reading the newspapers everyone can see the fracturing occurring. We used to call it an archipelago world pulling apart from a tightly connected set of countries and economic system. We were under the impression that the world should be fused together. We would have this borderless world where goods, services and capital as well as people would move seamlessly around the world. This vision has not unfolded. You have to see the cracks a decade ago a different version of the way the world interacts start to emerge. It creates opportunities and risks, it's just different. I've been struggling to put my arms around how I would define this. I happened to stomp into Walter Russell Mead who calls it the hamiltonian version of the US world. For many years, the US has been engaged in a world as a global enterprise and didn't so much to the extent to which the US had a direct National interest in what was going on in the world. It was the engagement of a cheer leader bringing the people together to solve problems far and wide. Many people around the world have seen that the appetite in the US have veined over the years. But it's not the norm if you think about the US history. The norm is that it is very cautious where and how the US engages with or without its business community. We are kind of rewording to what I would recall as the immediate post-World War II period where the US was engaged in rebuilding Europe but there was a common alliance between the US industry and the US government in promoting the global market as well as geopolitics unfold. Companies and actors who are global, belief that it has become harder to unfold. The US is leading in a bunch of directions, but it's no longer a dwell leader, which was the case for a very long time. We still have a lot of throw weight in the system. It's very hard to see how major conflicts or major opportunities get taken advantage without the US. It strains me that other countries could step into those shoes.

Mark Dittli outlined that the term often used to describe the current world order is a multipolar world order. Is that what is unfolding ahead of us?

Mona responded that by definition the answer is yes. But it was never a unipolar world. The US had more power and an ability to project power more strongly in the global system. When I think of a multipolar world that implies that there are different sources of geopolitical strength of national power that are driving the system. What I see now is a fundamental divide starting to unfold whether you are or not an open market capitalist society or a closed market capitalist society. This is where you see the divide. When it's closed there is less freedom or is it in the tradition of an open democratic capitalist system. So, it's a political divide. In the old world order the question was: Are we going to have a capitalistic system or not. The capitalism has won that debate. Now it's the function of what is the best political structure in order to foster capitalism and to promote and project to power globally. That is where the divide is. You see countries aligning with each other that are more liberal and others that are less liberal. That is the divide I see.

Mark says that the two big power nations are the US and China and their rivalry that defines the 21st century. Many voices describe it as a cold war 2.0 that is unfolding. Is this an appropriate term do describe what is currently happening between US and China?

Mona confirms that she understands why people say that term in that way. It's a shorthand for the big fracture that I have been talking about. There are certain undertones as you see two major political powers with two different political systems misaligned in terms to what they geopolitically want to achieve. But I don't know whether it is completely accurate. Our economies are deeply intertwined and the rest of the world order is deeply interwinded. It's not going back to the cold war of the nineteen fifties where there was the risk of a hot war of countries globally. I do see a lot of tension in the US China relationship. It's hard to see what the trajectory would be. And it is very clear that the Chinese are interested in leading a group of countries that are similarly oriented along with the Chinese. Mona thinks that the Chinese focus is a little bit different than in the core of the cold war. The Russians have a different perspective as well. It's a little less fuse the way than it was in the fifties and sixties.

Mark asks: When you say that China is trying to align with likeminded countries would you say that there is an element of ideological conflict between the liberal democracies on the one hand and authoritarian regimes on the other hand that might want to try to align on a common cause?

Mona agrees that there is a big ideological divide. I see it as the liberal versus the illiberal. The capitalist underpinnings of the economies are very similar. I see that the ideological differences are fusing several

countries together. What it is interesting about it, is that they are trying to resist the interests of the United States or they try to promote that world order globally, the way it was during the cold war. I see a huge interest of the Chinese of its engagement in Latin America trying to change Latin America and turn them into non democracies. I see the Chinese pushing into South America and Africa to gain commercial and political advantage but not trying to change the societies at their core. This is a little bit different than in the cold war.

Mark says this rivalry between China and the US is playing out on several levels: it's the trade level, the technological level, and the security level. When Joe Biden was elected, during the first months of the Biden Administration, there was the summit in Anchorage Alaska in Spring 2021 there were quite some voices that said: After the four Trump years with trade wars and so on we might find a new area of common ground where the US and China could cooperate on a constructive level. As it turned out, the Biden Administration was just as hard in its policies towards China as the Trump Administration was. In terms of technology it was even harder. Looking over the next few years how this rivalry would play out? Will it get worse and worse, or will there be areas where the US and China will constructively cooperate?

Mona said: I agree in the early Biden Administration people were assuming that we might revert back to an earlier area, but I don't see the impulse for that. In America politics there is no constituency that there is a forward engaged strategy vis-à-vis to China. There are a lot of people that don't want to get into a hard conflict of some kind with China. But the rivalry itself and the desire to protect intellectual property in the United States to promote partnerships and supply chains that might make the US more resilient, that is a very strong political and economic impulse in the United States. A lot of it is post pandemic. A lot of it happened also in Europe. If you have such a far flung supply chain, you cannot assume that other governments are going to make those supplies available. The near shoring impulse is somewhat ideologically driven but it is also a function of what we all saw in the pandemic and the desire to have some of the core components you need to run your economy closer by friendly countries, clearer roles, more rule of law to feel more secure. I don't see that impulse changing. That said: if you told me in a few years: do we go into a little bit more stable realignment of those supply chains and realignment of the rules of the road and then turn the page into a little bit more of collaboration with the Chinese, that wouldn't stun me. I don't see evidence of that. But it's not like we are at each other's throats every single day. There are lots of places where we have common interests, and we still collaborate. It is not so that we have a hot conflict as people believe.

Mark when we have that situation of a great rivalry of US and China, other countries like Europe, South East Asia, global South, will they come to a point where they have to choose sides and what would that mean?

Mona says: I see a situation with some technology decisions that the US government has made and the Chinese government has made. That is putting a squeeze on what used to be a globally integrated supply chain. I do think that there are some forks in the road decisions, like some semiconductors and energy related decisions, where people realize that they may have to sacrifice access to the United States if they want to stay in alignment with China and vice versa. Both capitals are happy to create that tension. It is getting much more complicated, especially when you think about critical areas and components of the economy. In trade related alignments friends get more benefits than non-friends. You see a lot of countries trying to navigate through, some know where they will naturally rest. Others try to figure out where they can stay in the middle ground. This is getting harder. In the area of critical technologies, it will be more and more critical to invest, to develop and to trade and collaborate in these technologies in both countries at the same time.

Mark says: Rivalry will decrease with an increase of the understanding of the rival. What is the long-lasting effect that now so many fewer Americans study in China. I have understood the numbers have decreased enormously. The understanding of the other side is deteriorating.

Mona says that it's a big risk and a natural consequence of the rivalry. From my perspective many Americans were excited when China joined the WTO and I can't tell you how excited American companies, government, cultural leaders were to engage China. It's been the vision of what was possible. It has been a disappointment for many constituencies. The business community was the last group that was excited about the US China relationship that faded over the years. People that travel to China cannot see their colleagues any more comfortably. People feel uncomfortable. Chinese students to come to the United States have also declined. Having studied in China I can say that the Americans thought they understand China, but they never did.

Mark continues that this leads to the US election. Tim Walz, the nominee for Vice President, studied in China and he was criticized by the republicans by the fact that he was in China. The democrat national convention is wrapping up in Chicago today. Two months ago, we had Joe Biden versus Donald Trump and now we have Kamala Harris versus Donald Trump. Let's talk about Vice President Kamala Harris first: During her time as Vice President in the last 3½ years she had quite a low profile, at least what we saw from the outside. She was quite marginalized in the Biden Administration. Can you share some light on her role over the last 3½ years and what her profile is becoming now?

Mona responds that Kamala Harris had a low profile as a Vice President, but many Vice Presidents had a low profile. It's kind of intentional. She was the first woman of color as Vice President, so people had high expectations that she would have a profile and role that would be much more visible. But when you think in history over Vice Presidents generally, Presidents have a tendency to claim a lot of the attention. As a cheer leader and engager around the country to work on the agenda Kamala Harris was always in the center of that. She worked on topics familiar to her Coming from California and on topics when she worked in the Congress. She was very active but not in the way that the public would expect and wanted to see. I don't think that people thought that she would be the nominee and therefore she would have had time towards the end if things played out the way they normally would play out you would start to see the Vice President step forward more as you get to the next election which is when a Vice President normally would run. Now it's coming earlier than it naturally would have. So, her profile is a little bit lower than it naturally would be in a normal cycle.

Mark asks whether this is an advantage at that stage of the election that Kamala Harris does not have quite a strong profile. She can now fill her profile with content. She cannot be criticized for the past 3½ years as she was not in charge for many things.

Mona says that she remembers that in the election of 2008 people thought that Barak Obama had quite a low profile when he was called. We had talked with him how he could have filled the gap. To your question: there is positives and negatives about the fact of Kamala Harris having a low profile at this stage of the election. There is a race on, to define her profile for the swing voters that are left. The core democrats are happy. The election is still very close. But this gives the party a boost of energy. It brings the excitement about the election back. It's the five percent of undecided voters that are left. And that small group, that could finally decide the election, does need to have a sense who is that person. They have certainly a sense who is Donald Trump. So, the race is on, to define her to that group of people. Post convention it's about going out and move the activities to the key states and away from the national level.

Mark int terms of geopolitics and of the role the United States play in the world: Is the US election a watershed moment, defining the US role in the world for the years to come or will either way not change very much?

Mona says that it is a little bit of both. Any election is hugely consequential. A part of the reason for the fraction into an archipelago world and the dynamic that we see, there is a question around the trust of the United States as a partner. Part of that is the swinging back and forth wildly in terms of policy, approach, and style after about one hundred years of fairly consistent policy, even though the parties changed. For the rest of the world the way they engaged with the United States was fairly stable. The impact of the first Trump Administration cannot be understated in terms of how much it really rattled the system and the institutions in the United States and certainly globally. From that perspective I see that this is a very consequential election. If Trump ends up winning again it is going to change the trajectory of the way the US engages in the world. Taking the bunch of conflicts, we are dealing with, the trajectory could change very quickly. In this sense the coming election could be what you call a watershed. In another sense this is turning up the page generationally in the American politics regardless of the outcome. It is a fundamental shift, and it creates a new opportunity for a whole new group of leaders to step forward. So, it is an exciting time. Regardless of the party and the outcome of the election, people are really focused on in the next four years, who are those next national leaders who are going to step forward.

Mark says when Joe Biden came in after the four years of the Trump presidency, he was a very effective alliance builder. He rebuilt the alliance with the Europeans and with the NATO. He rebuilt the alliances in east Asia. The question is how reliable is the US as a partner in the long term. In Europe and in Asia a lot of government leaders are asking themselves: Do I have to worry every four years that the US is making a crazy inward turn and shatter long term alliances? How will this play out after this election?

Mona says that there is a question about how the US manages, its alliances and the Biden Administration have done an incredible job stitching the relationships together. In a dangerous and complicated world, you cannot do everything yourself. You need to have like-minded partners who have a similar accord and understanding where their communalities and their differences are. So that you can project power together to solve challenges that are fairly complex and impact all of us. This mindset is something that was very strong with Joe Biden. It will be strong with Kamala Harris as well. We have learned those lessons. I think that we are changing how the US will engage, how much time, energy, attention, and dedication the US will have to their alliances. So, it needs to be more of an equal partnership when it comes to those alliances. I think that this will be important for countries like Europe and Asia that are in the frontline of some of these conflicts. That voice needs to be strong. So, the US will just be more centered and deeply cemented in those alliances and will be able to move forward. We are at an important stage of what those alliances mean and what the rules and responsibilities are to be effective.

Mark says: let's assume for a moment that Donald Trump wins, what would that mean for NATO and what would it mean for the US's stance towards Taiwan?

Mona says it's a fifty fifty shot whether Trump is President again or not. In regard to the US China relationship, I don't see much divergence vis-à-vis the China policy. When it comes to Europe and NATO it's clearer about where Trump's interest would lay. His perspective is that he could solve the conflict in Ukraine. There will be a lot of tension vis-à-vis NATO. Trump has got a lot of other priorities. One of the lessons the Trump Administration learned is that they tried to do too much, too far, in too many places, all at once. Several of his priorities are not global, they are domestic like energy transition and immigration. Also, the middle east conflict is super complex. The conflict in Europe is where you see a divergence immediately.

Mark asks what if Trump loses, what is about the republican party's strategy: did they embark on a losing strategy with Trump? Do they need to realign with their old roots?

Mona said, she wishes that this would be the case. A lot of her republican friends scratch their heads and wonder how their party ended up in this situation and don't believe in the direction of the republican party. I don't see a realignment happening in the near term. It's where the energy of the republican party is right now. The democratic party had this situation after the Jimmy Carter phase all the way until Bill Clinton got elected. You start losing elections and you convince yourself to try a little harder and convince people. Eventually people don't like to lose over and over again. I don't think that the republican party is going back to where the republican party was before. It's harder to reconcile the views of what we would consider to be the republican party of old times with the current group that is dominating the party. They are too different. I could see a third party emerging before I could see a republican party going back to the way it used to be. It is more likely to stay in the situation that more and more independents and republicans start to align with democrats and the republican party continues to shrink if Trump loses. If Trump wins that part of the wing will have a boost of energy and it will be an even fight for the next five years plus.

In his closing remarks Mark Dittli thanked Monas Sutphen for taking the time and sharing her interesting views about the current situation and for judging the situation in the United States in the run-up to the presidential election.

Executive Summary by Dr. Herbert Wanner, Wanner Management Services, Otterberg, Switzerland