



The Global CEO Advisory Firm

Teneo Insights

Coronavirus: A weekly update from Teneo

A discussion between Lord Davies of Abersoch, Jerome Hauer, Ph.D.,
and Kevin Kajiwara

Thursday, May 7, 2020

Kevin Kajiwara (KK): Well, good day everyone, and welcome to our Teneo Insights conference call. I'm Kevin Kajiwara, Co-President of Teneo Political Risk Advisory, coming to you from a beautiful day here in New York City. Thank you for joining our weekly call. I would say that there are two narratives right now that are vying for the attention of voters, of markets and that are serving to severely complicate the lives of corporate decision makers and other employers. And those are one, the reopening and restarting of economies, often in conflict with guidelines that have been set out by governments. And second of course, is the relentless challenge of a foe that can't be negotiated with and remains not fully understood and that is of course the coronavirus itself. It's virulence, its lethality, its lifecycle and its related illnesses, particularly COVID-19. We're going to start with that second part, the coronavirus itself, and as ever I'm joined by Teneo Risk's Senior Advisor, Dr. Jerry Hauer.

Jerry is the former Commissioner of the Division of Homeland Security and Emergency Services for the state of New York and Director of the Office of Counter Terrorism. And he was also the Acting Assistant Secretary of the US Department of Health and Human Services for Public Health Emergency Preparedness. But the challenges of restarting businesses and the economy writ

large are certainly not unique to the United States of course. And to discuss that with me further, as my featured guest today, Lord Davies of Abersoch. Now, Mervyn Davies was the Minister of State for Trade, Investment and Business in the Cabinet of Labor Prime Minister Gordon Brown. And prior to that, he was the Chairman and CEO of Standard Chartered Bank. Mervyn is a Teneo Senior Advisor. He is also the Chairman of the private equity firm, Corsair Capital, which specializes in financial services. And he's on the board of the drink's maker Diageo. He is the Chairman of the international investment firm, Letter One. He is the Chairman of the Lawn Tennis Association, the governing body for tennis in the United Kingdom and is a member of the House of Lords.

As ever, we will have time for your questions at the end. You can submit your question in written form really at any time during the call. All you have to do is click the moderator chat icon at the top of your screen and I will address those questions at the end of the call, and all of these questions will remain anonymous. So, where are we? So, today we have about 3.8 million cases worldwide. That's up about 800,000 from our call last week. And of course, one in three of those cases are in the United States. As of this morning, there've been over 73,000 deaths in the United States versus just under 60,000 at the time of last week's call. And mere moments



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ago, ahead of tomorrow's employment data, the initial jobless claims number that came out this morning is 3.17 million. That now takes the jobless claims numbers to over 33 million since the start of lockdown.

So, Jerry, let's start with you. This week, we've seen another shift in rhetoric and tone from the Trump administration. At his event in Arizona earlier this week, he pretty firmly said that we are heading into Phase Two as they call it. Including maybe, maybe not, disbanding or at least reconstituting the coronavirus task force. And he indicated that an imminent easing of stay at home policies is really basically a federal plea and suggested that he's willing to tolerate greater illness and by extension death. So, there's a lot we could talk about on the politics of all that and indeed the electoral politics of all this, but the curve really is, when most starkly, you can see this when you take New York out of it, but the curve in the United States still bending upwards. And the news came this week that the CDC projects 200,000 new cases per day in the United States by the end of May versus 25,000 to 30,000 new cases a day now. So, a 700% increase by the end of the month, and 3,000 related deaths per day by June 1st which is double current levels. So, I guess I would start with all of this latest data coming out of the CDC and the conflicting reports, what do you make of all of this?

Dr. Jerome Hauer (JH): Well, Kevin, at this point in time first of all, the notion that we're transitioning into a Phase Two here in the U.S. is so far from reality it's hard to describe. As I look at the states here in the U.S., that there's only two states showing significant declines. There are five other states or six other states showing modest declines. Sixteen states are showing increases, and of those, three states are showing

significant increases in the number of cases. So, we are not showing that leveling off across the country. We might in several states, New York, Montana, South Dakota, where we are seeing the beginning of the decline in the number of cases. In New York, it's a more aggressive decline, finally. The Governor has been very aggressive in interrupting the spread of the disease, and that's one of the reasons New York is on the decline, but in places like Texas, Missouri, Illinois, we continue to see increase. As I said, Nebraska, Minnesota, Puerto Rico, we're still seeing significant increases. The projection that you talk about was the result of a study that was done that showed, and let me back up and talk about the modeling. Modeling is an extremely difficult process and the input into the models really changes the whole dynamics of the model. If you remember when we first started out, the projections were at 1.5 million deaths throughout the course of this epidemic here in the U.S. It was then reduced to about 250,000, then 64,000. Two weeks ago, it was increased to 68,000 and we're now up to about 150,000 to 200,000 deaths. I actually think 150,000 is on the low end when you think right now we're at 70,000 deaths. And you think about 3,000 deaths a day during June or July, that's 90,000 additional deaths. So, we're already over 160,000 deaths.

So, I think this is a conservative bottle and I think, again, the model is going to change based on these states that are reopening either prematurely or as they reopen, people are looking at the faucet as wide open instead of a more measured process, which I think is going to significantly increase the number of new cases. Georgia and Texas, we're seeing that phenomenon. So, I think that at this point in time we will continue to see an increase in the number of deaths. We haven't seen a decrease here in the U.S. of the daily average, about 2,000 deaths. It's disturbing because we would hope to start to see somewhat of a

decline, but we're at 2,000 and the model projects that we're going to rise up to about 3,000 deaths per day.

KK: So, Jerry just going back to, you delineated between these states that are showing significant decline and those that are showing increases. Clearly here in New York and out in places like California and Seattle, which were hit very hard early on, but they also have some world class medical institutions and capacities. And we saw those basically pushed up to the breaking point, particularly here in New York. It also happens to be easier in a world of lockdown for a media world that is based here in New York to show us effectively what was happening. We saw the trucks parked outside of the hospitals, the lines to get into the emergency rooms and the like. Can you comment at all? Obviously, some of the states where you're starting to see the significant increases, you're talking about are in the middle of the country, they are less urban, people are more spread out, perhaps there are fewer major medical centers. How do you view capacity to deal with an increasing medical emergency in a lot of these other places?

JH: Well, good question, Kevin. Two comments. Two of the states where we've seen the most dramatic increases, Minnesota and Nebraska, were a bit late to the game in shutting down or being aggressive in shutting down. These are, as you said, rural states where a good percentage of the hospitals are small hospitals in rural areas. So, as they see these upticks, they're going to have the most trouble trying to handle a surge of cases. Washington State interestingly had the original control after that nursing home outbreak. We're now seeing an uptick in the number of cases in Washington. My sense is that most of those are outside of the big cities in rural areas. Again, 150 bed hospitals where a surge of any size will tax these hospitals and cause just an overwhelming strain on

the healthcare system. One of the things that I did want to mention, as you look at 2,000 deaths a day and this continuing trend, I'm a little disturbed by the fact that with all the lockdowns, with all the clamping or restrictions on movement of people, businesses, we continue to see an increase or a steady state that is projected to increase. So, I'm not sure how to interpret that in terms of this lockdown, but what does disturb me is the lockdown being loosened and this projection for the increase in the number of cases. That's not a good trajectory for this epidemic.

KK: I want to move back to the concept though of reopening, because clearly that is what is happening, irrespective of what you've just talked about. And a lot of our audience today obviously is here in New York or is normally based in New York. What do you make of the guidelines that were put forth by Governor Cuomo, the metrics that would need to be met in order to allow orderly reopening, and how does that measure up against best practices that you would expect?

JH: Well, I think that the guidelines that Governor Cuomo released earlier this week should be a model for the rest of the country. It's a combination of using some of the White House guidance, the 14 days of steady decline on a three day rolling average. But what the governor did was actually make his guidelines more restrictive.. A region cannot exceed 15 new total cases for five days in a row, three days in a row or five new deaths for three days on a rolling average. He then introduced metrics on testing, on diagnostics, antibody testing. He talked about opening a business in phases. That's absolutely critical. The other component, which you talked about a few moments ago is capacity in hospitals. He talked about having at least 30% of the total hospital and ICU beds available. Very good move to ensure there's capacity in case, and most likely, we see a second wave or an uptick in the number of cases.

The other component is a regional basis, so there can be a sharing of resources, so that one county doesn't become overwhelmed and the regions can depend on each other, these counties within the region.

KK: In a moment I'm going to turn to Mervyn who's based in the UK. We've been so focused on the U.S. thus far in this conversation but give us a sense of where emerging hotspots are now outside the U.S. and around the world. Obviously, we're seeing some of the major economies of Asia come out of lockdown and starting to see that increasingly in parts of Europe as well, but where are we on the upward part of the curve?

JH: We're seeing them across the world. Over the last couple days, Russia is averaging about 11,000 new cases a day. Brazil continues to be a problem with about 7,500 new cases a day, with about 600 deaths. The UK has now surpassed Italy with the number of deaths, and is only, at this point in time, behind the U.S. The UK, at this point, has 195,000 cases and 29,500 deaths. They're seeing between 5 and 600 new deaths a day, and about 4,000 or 4,500 cases. Peru is the other place we're continuing to see a steady climb in the number of new cases.

KK: Thanks, Jerry, very much, and just a reminder to everybody, we're starting to see questions come in, but please hit the moderator chat icon on your screen if you'd like to ask a question. Mervyn, I'd like to turn to you now, and obviously every country is different both in terms of what it's facing pandemic-wise and its capacity for political response and institutional response, of course, but we learn from the lessons of other countries, as well.

One thing, I think, that has become abundantly clear on this call over the last several weeks as we've spoken to CEO peers of yours is that shutting down economies is far easier than restarting them, much less reengaging an entire

global just-in-time supply chain, but maybe you can start by giving us a picture, an overview of sorts of the economic and business situation in the UK and how you see the restart dynamics there playing out, both from an organizational, as well as an implementation perspective.

Mervyn Davies, Lord Davies of Abersoch (MD):

Great to be on the call, thank you. Look, I think I'm an optimist by nature. Let me start by saying this, but the Bank of England today published guidance on what might be the outcome of what's happening, and I can read it to you. It's, "Britain's economy will shrink by an estimated 14% this year," but the stark thing is that it had shrunk by 30% in the second quarter. Car sales down 97.3%, six million people furloughed. Unemployment, two million people are going to be unemployed.

I think that we have to accept, in a business sense, that some employees will not want to commute. Some employees are going to be very nervous about going into offices. Some employees and some companies have got very used to a new way of operating. I think the great thing that's come out of this, if there is anything good is, we've speeded up the digital transformation of the economy. We have realized that using technology, you can cut through all sorts of bureaucracies, etc., and so your business model is going to change.

I believe that we are sort of in the middle, I'm not the health expert, in the middle of the health crisis, but we're only at the very beginning of the economic pain. Final couple of comments, my view is that every country is going to look at its food supplies, every country is going to look at its supply chain and what it needs to learn from this, but I think every company is going to have a look at its business model, because I think the problem in reentering, it's like a sociological experiment across the world. You stop, sort of, 87% or 85% of the workforce across the world, stop them working for a couple of months, and then you go

back to work. Let me tell you, the international travel market is not going to go back to normal. The food and beverage market is not going to go back to normal, so the problem we've got, whether it's the U.S., UK or anywhere else, and I lived in Hong Kong for 10 years is that you get your costs going back but you don't necessarily get the revenue.

My final point is I think we've got an SME, small business crisis right across the world. We've got state capitalism or state intervention everywhere. Virtually every country in the world, the state has had to support, but I think the crisis is going to be in the SME side of the equation over the coming months.

KK: Can I push you a little bit on that point? Because, obviously that's something, as you say, it's going to be a worldwide phenomenon and it's something we're seeing on a daily basis both in the data and in news reports, but also, frankly, those of us in our own neighborhoods, we're seeing how hard they are being hit. Clearly, they have far fewer financing options than listed companies do, as an example. But they represent a lot of employment. They are a critical part of the fabric of many communities.

As you say, we're just at the beginning of the economic pain, here, and everybody's got to look at their business models. What more do you think is going to be done from a state perspective? You can focus on the UK if you'd like, but what more is going to be done to support them through this bridge period, but also help them survive, and whatever that new normal, and you've talked about it through the lens of a number of industries that a new normal is going to look pretty much nothing like what the old normal looked like. How do we help these SMEs survive?

MD: Yeah. If somebody told me that I would be in favor of state intervention pay wages or state intervention support industries a year ago I'd have said, "That's against my ethos." But the reality is, the only way we're going to come through this, if the state, which already, countries have already furloughed and we've done that in the UK as you have in the U.S., but I think this is, for the UK, as it is in most other countries, until you get children back to school and until the parents are able to go back to normality in terms of work, you can't say we're in the normal economic cycle.

I have grandchildren who live in Hong Kong. They haven't been to school since January, and there's no prospect of them, even though it's easing and the general perception is that Hong Kong's getting back to normal, they are, but there's no kids going to school. I think that the state is going to have to intervene more than we would like, but it's the only way to support the SMEs across the world, which then leads into the banking industry.

I would argue that when we went into this, we were late on in the economic cycle. House, corporate and sovereign debt levels had risen significantly. A lot of banks across the world were trading at a discount to their book value. We had geopolitical disputes. We had arguments about wealth disparity, immigration, climate change emerging everywhere. You could argue we were coming to the end of an economic cycle, so I think what's going to happen now, the pressure on banks across the world to support SMEs, whether it be in the US or anywhere else, is profound. There will be all sorts of look-backs on this crisis as how governments coped, what they got right, what they got wrong, but I think we're really dependent on the banking industry, as we were in the financial crisis, but now they have to deliver for the small businesses. The big guys, within reason, they'll be okay, but it's the medium and small businesses across the world that need life support.

KK: When you look at the United States and the UK on that front, particularly here in the United States, we've had some massive fiscal injections to keep companies afloat and to keep people paid. I wouldn't call these stimulus measures as yet. It's kind of survival measures, if you will, but then the challenge becomes the implementation of that and getting that money spread fairly and equitably and efficiently.

That's where some of the institutional constraints and some of the handcuffs on the banks themselves actually do that. In a sense, the rules bias the support for the bigger players, those who are regular clients of the commercial sides of the banks, but a lot of small or medium-size enterprises obviously deal through the personal side of banking and they have gotten delayed in terms of being able to get this aid. Do you think that there's an evolution here that the institutions catch up with the scale of this problem, or are they not going to be up to the task?

MD: No, I think they will be, you know I worked for a U.S. bank, Citibank, for many, many years. I do think that, come the summer months, there will be only one focus and that is the cash strain and crisis in the corporate sector. At the moment, we're all obsessed about lockdown, we're obsessed about making sure that we control the health side of the equation, but we're moving very, very quickly into the cashflow crisis that is going to emerge right across, and certain industries like food and beverage, sport, creative industries, etc., airlines, travel, much worse hit than others. It doesn't matter what part of the world you're in. If international travel stopped, I mean I heard one of the CEOs of one of the largest airlines in the world say, two days ago, on a video I was at like this, that best estimate, a good scenario would be if the airlines are back to 40%, you know, if 100% was 100% in January,

the 40% by the end of the year, and 65% by the end of next year, well, you think of the knock on impact of that on travel, of hotels, etc.

I think, in the summer months, when the banks and everybody will realize the expense of support certain industries and certain companies will need. Out of that, look, out of every crisis there are opportunities. I think there's going to be huge attention given to the health and wellness industry, community activity. I think employee power is going to be a big thing.

I think, boards of directors, doesn't matter how big the company is, they were already on this journey, but they're going to have to really think, what is their role in the community, and are they doing enough? Are they giving enough? Because, the employees will vote for their feet if they're not doing enough.

I think the final comment is on employees. I think the workforce of the world has had an opportunity to reflect on their lifestyle, on all aspects of their life, and I think that's going to result in a lot of employers having to radically change their working practices. I do believe this is one of the outcomes of this whole crisis.

KK: Yeah. I would say that that's certainly a view that's been matched by your peers who've been on this call in recent weeks. It's really one of the big, emerging themes. If I could just ask one final question on the banking sector, though, beyond their role as efficient conduit of funds from states to companies. At a more macro level, obviously the central banks have continued to provide unlimited funds, effectively, but are you comfortable with the capital positions? In other words, that we're okay for the moment in terms of this morphing into a banking crisis in addition to an economic crisis?

MD: Yes, I am. I think the banks have been generally well capitalized. I think though that I'm one of those individuals that think there's as a little bit of a disconnect between the stock markets and where it is today and what I see in my various businesses, what I see in, you know, I've done a lot of personal investing and chairman of few small companies that I've supported, what I see is a lot of carnage and Armageddon type situation for corporates and industries. I don't see that in the stock market. And the reason is there's been so much liquidity pumped into the system, but at the time that's going to evaporate. And so there's huge pressure on the banks to support their communities, the businesses, their customers, and there's going to be huge pressure on them, but I think the other thing that's changed for the next few years is businesses' relationship with government. The view is, in government, they want business to butt out, they'll call on when they need them, and business don't want the politicians anywhere near. So I'm afraid that's changed and there's going to have to be in every country more of a partnership because otherwise you run the risk of social unrest and a real divide between extreme left and extreme right opinions.

So I think it is a new, slightly refined, form of capitalism because this crisis has brought the economies around the world to their needs. And I think the danger in the U.S., which we will obviously watch, everybody is watching, the whole world is watching how the presidential election is going, how Trump in particular is going to handle this China issue. If it's just a huge war against China of rhetoric, then the danger is we head towards massive trade problems and trade barriers across the world, which will compound the problem.

KK: Yeah, absolutely. It's been a subject of calls here and we'll be doing more on that going forward. Related to that point, I wanted to digress

from our subject matter here for one second since I have you here, but if you rewind the tape to that period, long, long ago, prior to coronavirus, the situation in Hong Kong, was in crisis beforehand with the protests and all of that. Increasingly, people were raising the question of the future of Hong Kong as the major financial center of Asia. What's your view? You ran Standard Chartered, a big presence in Hong Kong obviously, what's your view on the future of Hong Kong?

MD: Look, it's gone through, it's had every type of crisis. Anything that could go wrong has gone wrong. Obviously, they had the disturbances, now they've got this and now there's even talk of disturbances again. I think the one thing about Hong Kong is never underestimate. It is the gateway to China, and I still believe that appreciating the answers we need on the Wuhan, the origination of this virus, but I think China and India, at the end of the day, they have, let's call it 2.73 billion people. We in the rest of the world have got to capture some of that business.

So, India and China for me still, strategically over the next decade or two are going to be the absolute places that you have to have a share of their business. I think Hong Kong is going to face continued pressure on the democracy movement. Despite that I'm still optimistic about Hong Kong and Singapore. I think they are full of extraordinary, extraordinarily talented places. They're in the right place at the right time. I do pray that the disturbances don't escalate again because then obviously that is extremely bad.

But just what one wider issue on, just following on Jerry's comments, I think the two places in the world that I worry about in terms of the virus, one is India, given the extraordinary poverty and the proximity of people living in these cities in pretty bad conditions. And then the other continent is Africa where they

just don't have the health system. You know, we might make progress on combating in the Western economies, but I worry about India and Africa.

KK: Yeah, absolutely. At the outset of the call, I was talking about the reopening process that we're seeing in so many countries and in states here in the U.S. And certainly government has a role to play in terms of setting the conditions for reopening. But as we're seeing in places like China and in South Korea and elsewhere, and even in some of the states here in the U.S., just reopening places doesn't necessarily mean you will get customer traffic coming in.

There is an enormous hit to consumer confidence, obviously related to the employment situation and uncertainty about the future of the economy. And you're on the board of Diageo, so clearly you've got a global company that's highly dependent on consumer demand, and while the pandemic, I suspect has probably driven us all to drink, but in general, how do you see re-stimulating consumer demand in this environment beyond just getting people back to work?

MD: It's a great question. Wearing my Diageo hat, which I've been on the board of for 10 years, but also other hats, I think the way that you market was already changing, the increased use of social media, moving away from other traditional methods of advertising, everybody was obsessed about the experiential side of life. What I think has come out of that is an explosion, certainly in parts of the States, but also worldwide, is the ability to order online, the ability to get home deliveries, just different types of experiences.

So, I think this is going to lead to extraordinary evolution and speedy in digital marketing, new channels, new ways of connecting with your consumer, direct to consumer. Food and beverage industries obviously have been dramatically hit, but

it will come back. My thesis is, do I think that large sporting gatherings are going to come back in a hurry, theaters in a hurry, do I think that international travel is going to go back to normal in a hurry? The answer to all of those is no.

So you've got to assume a very gradual re-introduction, and you have to go out and stimulate demand, but I think the consumer is going to be more cautious, more worried about their savings, more worried about, are they spending too much on clothes versus drinks or eating out or whatever, because they've had their wealth shaken. And I think they're going to be quite cautious. So whether you're Diageo or any other company, you're going to have to connect with your consumer in a different way. And you are, it's nothing to do with Diageo, but you are going to be looking, every company is going to look at the supply chain.

JH: Kevin, if I may, let me follow up on Mervyn's point, which I think is an excellent one. There were two surveys, one asked what the feeling of the public was as far as the economy and businesses opening, even if the virus is not fully contained. Only 25% people in the UK supported that. In the U.S., about 35% agreed with that. The majority of people do not want to see businesses open if the virus is not contained. A Washington Post poll, as Mervyn just said, movie theaters, 82% of the people surveyed said movie theaters should not be opened right now, gyms 78%. So there is this reluctance to rush back, particularly, large gatherings unless the virus is better contained.

MD: Yea Jerry, I'm an avid Premier League football soccer fan. The idea that I'm going to go, and I love going and my wife goes with me and the whole family is committed to it, but the idea of going to be in a big stadium with some individual staff, coughing profusely next to you, you're going to be running for the exit.

JH: Absolutely.

MD: And I'm on the board of an opera house, wonderful, wonderful organization called Glyndebourne, which is very English, and we've canceled the season because we just couldn't see people going to a theater in August because one person coughs and everybody's screaming. So I think it's going to take quite some time for that confidence to come back.

JH: Yeah, I agree.

KK: If I could push you a little bit more specifically on this, both on the cultural front end and on the sporting front, as I mentioned at the outset, you're the chair of tennis's government governing body in the UK, and as we head towards summer, of course everyone starts to think of Wimbledon, but frankly, all of the other summer sporting spectacles that are out there. What do you see in terms of, perhaps there won't be anybody in the stands, but sports are things that, sporting spectacles and cultural events are more than just things we spend money on, they are a part of our cultural fabric, they are what gets us talking to each other and the like. Do you see the major sporting leagues and sporting events trying more of these, let's put on the event without anybody in the stands and just televise or stream these things? What's the model going to look like, at least until we can safely all sit together again?

MD: I think it's a tough one. Various sports across the world, for financial reasons, have got to try and finish seasons and try and get some activity, be it behind closed doors, almost to satisfy TV contracts and keep the businesses afloat. It's too early to tell what the spectator watching on TV, what the TV followers, what their reaction is to it, but I think it's inevitable the dislocation in sports is profound.

But you could imagine that 2021 it's going to be very different. But, as you say, we did cancel Wimbledon and I think very, very difficult decision making for the

governing bodies of all sports right across the world. I think the other thing that we haven't discussed is, no disrespect to all the Americans listening, don't take this as an insult, but you are a pretty litigious nation, world leaders.

The other thing that a board of directors has got to figure out, or indeed a sporting governing body is lawsuits, if you get it wrong. That's also a big issue. And that's why I think any HR directors listening or CEOs, you know, one has to over communicate and really engage with your employees around flexibility, commuting, visiting clients, all of these things that are just taken for granted, while this is center stage, for a board, for a CEO, for the whole executive, because if you lose the confidence of your employee base because you're pushing them too early or before they're ready, you've got a problem. I'm sure Jerry would agree.

JH: Absolutely.

KK: So we've got a few minutes left here and I want to leave time for some questions at the end, but Mervyn, as the UK deals with the day to day elements of the outbreak and tries to envision reopening, in the background, of course, is the Brexit process. And at the end of this year, United Kingdom is meant to make its final break from the European Union, but looming in the near term, June 30th is the date by which a decision must be made, whether to request an extension of this transition period that we are in. And the Brexit debate has gotten subordinated under all the other news, but it's obviously a huge event for the UK with big implications. How do you see all of this impacting Brexit right now, and where do you see UK/EU relations on the other side of this?

MD: Look, I should say very openly, I'm very much a Remainer. So I was against Brexit, but Europe needs the UK and the UK absolutely 100% needs Europe. So whatever happens, the trading partnership with Europe

for the UK is fundamental to import and export. So I have no idea to be honest. You hear the mood music is that they're just not going to go for an extension. The mood music is they're just going to carry on regardless because if you go for an extension, despite the crisis, it could open up all sorts of debates.

So, at the moment based on what I hear and see, I don't think they're going to go for an extension. But as I say, I don't know. I think the more important thing is that you have seen devastation to the Italian economy, and I think Italy will need, you know, it's going to be an intense repair almost as a country. And Germany and others will have to help, and indeed, I think the thing that hasn't happened in this crisis, which I am so sad about is that in the financial crisis, whatever you think of the behavior of everybody in the global financial crisis, you know what, the world came together. The G7 meeting, G20 meeting, I was very involved in it. You saw the world come together to solve a problem. I am so sad that that hasn't happened this time, and there's no evidence of that.

But what is going to be needed in the coming months is there will be some countries who are in bad shape, and other countries will have to help. Otherwise we'll have social unrest in various parts of the world, and it will be disastrous. So I've got that off my chest. I think we really do need greater cooperation at the top table. That's going to be critical.

KK: Well, I hate to say it. I think a critical element of the dynamic that you're talking about is the abdication of U.S. leadership, which is going to be the subject of an entire call.

MD: I was being very British. I was very British, not trying to enter the U.S. I was putting it in a very British way.

KK: It does segue into, well, one final question before we turn it over to questions, and that is one of the hallmarks of this, of course, and you referenced this earlier, is the rhetorical war of words between the United States and China in all of this. And obviously that argument has to be refracted through the lens of domestic politics in both countries, but the playing field is going to be in the rest of the world as it always is between superpowers.

And I want to pivot here to something that was an issue before, but I think it's likely going to get at least tangentially caught up in COVID-related geopolitics as well as China asserts itself around the world. You're the Chairman of Letter One, and one of its major investments is the international telecoms group VEON. We had Ursula Burns on last week, who is Chairman. One of the key battlegrounds between the U.S. and China of course is over Huawei and the role it is going to play in global 5G rollout, etc. You've got the perspective of being on the telecom side here. How do you see this being impacted?

MD: Yeah, it's a delicate one, isn't it? I think the U.S. fell behind on some of the psychological aspects of 5G, etc. China's raced ahead. Now we've got this battle around confidentiality, whatever, and can people trust Huawei etc. I don't think that is the issue. At the end of the day, Huawei's had a very strong relationship with the UK government, and I think the bigger issue is that it's almost like a smoke screen. I think it is going to be for my children and for my children's children, we have to have the U.S. and the Chinese relationship on a stable footing because if we're going to argue about telecoms, we're going to argue about everything else, then eventually the world will divide. And that will be disastrous for climate change, disastrous for tariffs and trade. So, I think that the UK, I'm not close to the

Huawei decision. The government's obviously decided to stick with Huawei, and the Chinese ambassador's been very vocal in the last few days here, Chinese ambassador to the UK. What I really, really worry about as I said earlier is in the coming months as part of the election is that this anti-China rhetoric really becomes the cornerstone of U.S. policy, which if it does, ultimately it's going to be bad for us all.

KK: Yeah. And just to punctuate that, I mean even pre-COVID, we were in a world that was slowing down. We were getting excited over low to mid-single digit global GDP growth. So clearly with the two largest economies in the world where they are on that spectrum between conflict and cooperation is going to have a meaningful impact on global GDP growth, and that's why it is the defining relationship of the 21st century. Well, thank you very much. We've got a couple of questions here, and I'd like to try to get to them quickly here before we close out our call. The first question here is for you, Jerry, and that is how long do asymptomatic carriers remain contagious?

JH: Asymptomatic, usually they start shedding the virus two to three days before what would have been the start of symptoms. Basically, they remain contagious for 14, possibly a few days past that.

KK: Okay. And another question here is that we have started to see reports that the first cases in Europe, specifically France, may have come as early as in December. Now the first official case outside of China currently remains a case in Thailand on January the 13th, and France didn't go into lockdown until March the 16th as much of America did. But how does the person who had the coronavirus test positive in December in France, had not been outside the country for months, so had got it through some sort of community contagion within France, how does that blow up the narrative, or does it? Or what is your concern when you see new data points like this?

JH: Well, I think, Kevin, what it shows is that there was some kind of asymptomatic community transmission. This person, unfortunately, they probably didn't do any contact tracing. So it's difficult to know what the point of contact was, where this person was infected clearly not by travel. So somewhere along the line this person came into contact with somebody that was a carrier of the virus. It spread, and they became infected. That's at least a working theory on my part.

KK: Yeah, and this may require a working theory as well because I don't know how much we know about this, but there have been reports this morning coming out of China of reactivation rates, meaning recovered patients, then testing positive again and that that's happening in somewhere between 5 and 15% of cases. Is this way too preliminary to comment on or does it trigger a thought in you?

JH: Yeah, there's two thoughts. One that the initial test gave them a false positive, and we know that a lot of the particularly early diagnostic testing was not terrific. So my sense is that these tests early on were false positives. Then the person either became sick and was tested again, came up positive on a newer type test.

KK: Got it. Well everyone, we are at the bottom of the hour. I want to thank everybody for joining us today, and I particularly want to thank our guests Mervyn Davies and Jerry Hauer for their participation. And I would just let everybody know that next Thursday morning we will be having our weekly call. My guests next week will be Pat Russo, Chairman of HP Enterprises, and Jerry, I'm sure will be back again. So thanks very much everybody for joining us. Have a great day and a good weekend. Thank you.



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