



The Global CEO Advisory Firm

Teneo Insights

A weekly update from Teneo: Leadership Amidst Social, Political and Economic Turbulence

A discussion between The Right Honourable Brian Mulroney, P.C., Jerome Hauer Ph.D.
and Kevin Kajiwara.

Thursday, June 18, 2020

Kevin Kajiwara (KK): Good morning, everyone. Welcome, and thank you for joining our weekly Teneo Insights call. I'm Kevin Kajiwara, Co-President of Teneo Political Risk Advisory, calling in this morning from New York City. Today, we continue to see the highest number of new infections of coronavirus globally, per day, that we have seen thus far. A number of U.S. states are facing their highest levels of new infections. We've seen the new outbreak in Beijing. And all of this as New York City prepares for Phase 2 of its reopening on Monday of next week.

Meanwhile, economic activity remains deeply compromised globally. While many countries are in the early stages of reopening and are trying to calibrate the right policy mix to support businesses and workers and incentivize both the supply and demand sides of the economy. The Black Lives Matter and related movements, which we devoted our call to last week, continue to demand, inspire, and force change, not only in policing tactics, but in a far broader array of systemic and historic injustices and inequality. But in a continuing story of the steps, both forward and back, that we see in this country, this past week saw another police shooting of a black man, but also a landmark Supreme Court ruling on LGBT rights in the workplace.

And all of this is going to continue to be refracted through the lens of the U.S. presidential election, which is only 138 days away. Given that, we thought it would be worthwhile to take a breath and step back and look again at the big picture. So today I have a guest with a very unique perspective.

Brian Mulroney was Canada's 18th Prime Minister, serving between 1984 and 1993. During which time, his government introduced numerous bold initiatives, such as the Canada U.S. Free Trade Agreement, ultimately culminated in NAFTA. McGill University has determined he had the best economic record of any prime minister since World War II. Canada's leading environmental groups have determined he's the greenest prime minister in history. And surveys have shown him to be Canada's most admired former prime minister. And he was the first conservative prime minister in 100 years to win successive majority governments.

Now, since leaving office, he's served as Senior Partner of the Montreal law firm, Norton Rose Fulbright. He's Chairman of Quebecor and Quebecor Media. He's Chairman of the international advisory board of Barrick Gold, and serves as a Director of Blackstone Group. And he serves on the boards of a number of other business and institutional



The Right Honourable Brian Mulroney, P.C.
Senior Advisor
brian.mulroney@teneo.com



Jerome Hauer, Ph.D.
Senior Advisor
jerry.hauer@teneo.com



Kevin Kajiwara
Co-President, Political Risk Advisory
kevin.kajiwara@teneo.com

positions, as well. And so, it's an honor for me to have him on the call today. As usual, we'd like to invite our audience to join this conversation by sending in their questions at any time, in writing, by clicking on the moderator chat button on your screen. But first, a very quick update on the pandemic itself with Jerry Hauer. For those of you who join the call often, you know Jerry served as the Acting Assistant Secretary for Public Health Emergency Preparedness for the U.S. Department of Health and Human Services during the SARS outbreak, and he coordinated the response to West Nile virus in New York City, where he was Commissioner of the New York State Department of Homeland Security and Emergency Services.

So, Jerry, it's been a couple of weeks since you were last on the call, and a lot has happened. The country is in full-fledged reopen mode at the moment, but obviously, we're seeing some disturbing trends in some states and even some heavy pressure on the medical systems in certain cities. Give us a quick update of what's going on in the U.S.

Jerome Hauer (JH): Well, thanks, Kevin. Morning, everyone. Mr. Prime Minister honored to be on the call with you. What we're seeing, Kevin, is a steady number of new cases on a daily basis, somewhere around 25,000 new cases in the U.S., around 800 to 900 deaths per day. We're seeing a troubling, as you said, increase in at least 12 states that are seeing their highest average daily increase in new cases, thus far. Many of these states opened early, despite not meeting the White House criteria for re-opening. When you look at some of these states, Georgia, 1,700 new cases a day, Arizona, 2,800, and they're treating the highest number of patients since the epidemic began here in the U.S. North Carolina, 1,200 new cases, Texas, very troubling, 4,400 new cases. Hospitals in

Dallas and Houston are being significantly strained. And then when you look at Florida, a real concern there, they're seeing about 2,700 new cases.

Part of the issue in Florida is that the population is so vulnerable. The elderly, the population in nursing homes, assisted living facilities, very vulnerable group. There's concern that Florida could be the new epicenter here in the U.S. We're also seeing increases in states like Oregon, Nevada, Alabama, 770 new cases. One of the problems that we're watching very closely is Oklahoma. As everyone knows, on Saturday, the President is going to be in Oklahoma for a rally. Two indoor facilities, tens of thousands of people. Couldn't be a worse environment for the spread of the virus. One of the things we're seeing in Oklahoma, that's extremely troubling is the number of tests is going down, but the number of cases is on a significant upslope. So, we can't say that this new case count is based on testing. So, when you look at some of these states, we have to realize this rapid increase is going to be accompanied by an increase in number of deaths.

As we know that people on respirators are usually on respirators between 8 and 12 days. So, there's going to be a lag time between the report in the number of cases and the increase in the number of deaths.

And then with the protests, so far, we have not seen the dramatic increase that people expected. Part of that is probably because it's an outdoor environment, and people have been pretty responsible about wearing masks.

So, as we look at this, there is a real concern that we are going to have to start to make a U-turn and reimpose public health restrictions in some of these states. There might be the political will by governors or mayors to reimpose restrictions but the will of the

public is not there. Getting people to go back and self-quarantine is going to be an enormous challenge. And personally, I don't think that's going to happen.

KK: Yeah, I think we can hold off on talking about vaccine development for a future call. I think most of the promising vaccines remain the most promising vaccines at the moment, and we'll get to that. But I do want to ask you your thoughts on two developments on the therapy front from this past week. One was the very promising indications of a common and cheap steroid, dexamethasone. Results out of the UK suggesting it's the first treatment shown to actually reduce mortality in severely ill patients. And the second is that the FDA revoked the EUA on hydroxychloroquine and chloroquine this week. We kind of finally heard the last on this now, do you think?

JH: Yeah, I think we have, Kevin. They gave the EUA, because it was some hint that it might actually show improvement in patients that are severely ill or some of the thinking was it could prevent infection. Neither of those turned out. In fact, they found that there were some really serious side effects from the use of the drug. So, the need for the EUA was no longer there, so they pulled it.

As far as dexamethasone, it's an interesting study out of the UK. And if it pans out, it's exciting news. They did this study in 6,500 patients in 175 hospitals. And what they showed was that the drug reduced the length of time on ventilators, reduced difficult breathing in people on oxygen, and overall it reduced inflammation, which had this positive effect on the lungs. So, it's an old tried and true drug, 60 something years old. The only real side effect is it does reduce the immune system's ability to respond. So, it does open you up for infection, but the results are very

promising. But they haven't been reviewed in a peer reviewed journal. So, we'll have to keep an eye on it and hope that as time goes on the data continues to prove it.

KK: Finally, very quickly, I know you've been watching very closely the new outbreak and the public policy response in Beijing. Any observations there?

JH: Yeah. Beijing, there's over 150 cases now. Most have been linked to a wholesale market in Beijing. The government raised the threat level to "2", which is the second highest level they have. Thousands have been ordered to take tests and they have been ordered to social distance, and some to self-quarantine. Anyone who visited the market has been ordered to self-quarantine, as well.

A member of the National Health Commission, at a press conference on Sunday, made it very clear that Beijing was not going to be another Wuhan. So, I would fully expect they will be very aggressive in ensuring this genie stays in the bottle.

KK: Right. Well, great. Thanks very much, Jerry, for the update. I'd like to pivot our conversation now, and Prime Minister, let me just start by saying thank you so much for joining us this morning. And my first question for you is just to ask how things are in Canada, from your perspective, pandemic wise, economy wise. Many of our listeners represent companies that have operations in Canada or are Canadian with operations in the United States. And among all the other complexities that they are dealing with, one of them is the travel restrictions between the United States and Canada. Do you have any sense on when those might be eased.

Brian Mulroneo (BM): Yeah. Well, there's a campaign going on right now to bring about flexibility in the relationship, air travel and so on, between our two countries. My guess is it's going to take some time, however, before the restrictions are completely lifted.

The situation in Canada is, relatively speaking, and I underline that word, not so bad. Our difficulties appear to be the number of cases and the number of deaths disproportionately attributed to Montreal and nursing homes, particularly in Montreal. Montreal in Quebec appear to have approximately half of the deaths in the entire country of Canada. For example, Ontario, with six or seven million more people than Quebec, have about half the deaths. So that nursing home chaos in Montreal has caused the country to pay a very, very big price for this.

The economy is, like it is in the United States, struggling. People want to get back to work. There's an enormous amount of work being done from homes. And that keeps the food on the table for many. But the government has, like in the United States and the Bank of Canada, has been shoveling money out the door, as they had to since mid-March. So, I wouldn't want to be Minister of Finance when the chickens come home to roost, but they have done a good job. I think the government of Canada and the provinces have done a good job of leading themselves, providing leadership, and visible leadership. Everyone wears masks. The six-foot rule is observed by all of our leaders. And so, the results are pretty good, I would say here. But I do hope that someone in the White House was listening to Jerry's comments this morning, two minutes ago. Because that's where it has to come from. That leadership has to come from there. And there's considerable doubt as to whether that happens all the time.

KK: Yeah. I want to pick up on that point here in just a moment. But just picking up on your comments regarding the economy, as I mentioned

at the outset, you sit on several prominent boards, but you also counsel numerous corporate leaders, both in the United States, and Canada, and elsewhere. What's your sense right now, as you speak to these people, of how corporate leadership is feeling as they embark on the second half of the year with all of the uncertainties that you've just outlined? And how do you think they're fairing?

BM: Well, they're more optimistic, of course, than when the virus first impacted us all about mid-March. And then it was uncertainty. Nobody knew what the hell was going on. And we're in somewhat a better position there now and that reflects itself in the attitudes of most corporate leaders with whom I have an association or with whom I've spoken.

That said, I think that the worst thing that the United States or Canada could do would be to return to work too quickly and then have to retreat. Because as Jerry has quite properly said, that is going to be one hell of a problem to get our populations agreeable again to return to masks, and shelter at home, and all of this, these things we've had to endure for the last number of months. So, I would think that many leaders view prudence in these circumstances as the very best thing.

And the general view that I can pick up is that most companies, certainly in Canada, are viewing the possible return by Labor Day in a significant way in the hope that there is going to be no second effect of this and that, as the winter moves on, things will improve. Prudence up here is going to, I think, ensure that there's not much economic activity during the summer months, but the early autumn should bring a return to work. That's the hope.

KK: Right. And the Vice President has indicated that there is no second wave. And I think we would agree with that because we're not actually through

the first wave yet. And I agree with you completely, Prime Minister, that I think one of the concerns about the second wave come fall, winter of 2020, 2021 is that very difficulty of getting businesses to re-shut down and people to stay home. And we know from 1918 that the second wave can be worse than the first.

BM: I'm inclined, Kevin, to follow the leadership and the words of wisdom of Dr. Fauci rather than the Vice President. I think he's a little more skilled in this area than the Vice President.

KK: I agree with you completely, sir. And you brought up this point of the necessity of U.S. leadership. So, as you know, obviously we have a very consequential election coming up. But there are political forces at work here that very much predate the arrival of Donald Trump. One of the biggest questions out there is the role of the United States in the world going forward, especially in the context of a rising China, as well as looming issues that require both a global common, as well as global leadership, such as climate change.

So, your premiership overlapped with some presidents who had very strongly held and definitive views on strong U.S. leadership and who helped set the stage for this phenomenon of globalization that might be at a turning point right now. Presidents like Ronald Reagan and George H. W. Bush. So, in your view, what role should the U.S. play, not only in the current situation, but more broadly speaking as we move forward into all of the issues that confront us in the 21st Century? What role should the U.S. play? And how does a world with not just less U.S. leadership, but less leadership in general look like? And what does that mean for business leaders today?

BM: Well, I've learned that very little of important significance will happen in the world without the leadership of the United States of America. That's just a fact that you see every day, if you are running a major country in participation with the United States. I was privileged to serve with President Reagan, President Bush and President Clinton. And all three were internationalists who saw the world's responsibilities, not as a zero-sum game, but as one wherein the United States provided the leadership, the daring, the vision, along with its allies, and the belief that as we progressed economically, and in every other way, there would be a sharing of benefits. That it's not, as I say, an opportunity for one country to enrich itself at the expense of others. So, this generous attitude of the leaders with whom I worked, which prevailed for the previous 75 years or so, kind of marked the United States as the undeniable world leader. They supported internationalism. They supported free trade, the mutual advancement of all of us.

Now, we have a different situation where, look, I readily acknowledged that President Trump didn't steal the presidency. He was elected very fair and square by the American citizens and that has to be acknowledged and respected by anybody who comments on the situation. But we've reverted to a regime now that in outlook is more protectionist and unilateralist than anyone has seen certainly in the last hundred years.

So, in terms of American leadership, this is problematic because, as an American president once said, leadership is the capacity to look around the corner of history just a little bit. And that's why President Reagan in the Cold War was so successful. That's why President Bush in the Gulf War and elsewhere was so successful. Mr. Clinton had his own areas of success. That's because they all put America's leadership, not as America first, America only, but as the leadership

of a fabulous western alliance with everyone working together to make American leadership successful. And there, in the consequence of that, to make themselves successful and more prosperous.

Look, when President Reagan and I first did the Canadian-United States Free Trade Agreement, the result was the largest bilateral trading arrangement, the richest and greatest free trade agreement between any two countries in the history of the world. That led to NAFTA, which in spite of the criticisms that you hear, which mostly are nonsense, NAFTA has been a huge success for America, for Mexico, and for Canada. That's the way friends and neighbors should operate. Not with a view that, I'm getting screwed in this thing, and I'm going to beat you down on the other. No. You put water in your wine, and you come up with new and innovative trading relationships, which means added prosperity for all free countries in this case.

And so, I think there's been a change in American leadership. And I think that it would be important that those involved consider reverting to what has worked so well for America, not as a protectionist or a provincialist thought organization, but as an act of leadership example for the entire world. That everyone was pleased to acknowledge American leadership and follow it towards a goal, which meant benefits for everyone in the world.

KK: I want to pick up on this a little bit. You commented on the unilateralist approach of the United States right now, and the importance of the western alliance. And I think that alliance system has been key to global security, but also the spread of U.S. soft power around the world. And, as you say, that's been weakened. Some of our most stalwart allies have been criticized and ridiculed. And now, not all of that criticism is undeserved, obviously. But diplomatic finesse, as you sort of suggest, has been in short supply.

You maintained very strong personal relationships and maintained cooperative working relations while also being able to disagree pressure on fundamental issues. Like you took a very strong stand against apartheid, while official U.S. and UK policy was still to support the regime in South Africa. So now, if anybody kind of disagrees with the United States they are immediately on the list, in a sense. I mean, what's been lost here? And do you think that, let's call it a less sui generis president comes along, are we still able to regroup that alliance system pretty easily? Or have we taken serious steps back?

BM: Well, we could reconstruct the alliance, obviously. But, when the United States treats North Korea with more consideration than Germany, you've got a problem. And now, where President Trump is right in this international challenge is his comments about members of NATO not paying their full share, including Canada, by the way, his criticism is entirely legitimate. Other countries have to belly up to the bar, do their thing, and meet the 2% of GDP objective set by NATO itself. In the absence of which the United States was left carrying an unfair burden. And that has to be corrected. And it's in the process of being corrected. But you know, and the fact is, you don't set about however as a corollary to weaken or erode the alliance which is vital for American and world security.

The other day when the Chancellor of Germany announced she wasn't coming to Washington for the G7 meeting, and the response from Washington was, well, we're going to cut the number of our soldiers in half in Germany. That was a failure to understand that American soldiers and American military are not in Germany for Germany. They're in there to protect Europe and the Transatlantic Alliance against assaults from Russia. And so, that's one of the problems, it's the way you look at it. There's retaliation now against friends and allies that didn't exist before. Let me give you a small illustration. SDI was very close to the heart

of President Reagan. But, after I took a very close look at it, I felt that it wasn't in Canada's national interest to participate in that. So, rather than make a fuss about it in the House of Commons, I called President Reagan at Camp David on a Saturday morning. And I said, Ron, look here's the situation for us. We cannot participate for the following reasons. However, we fully understand and accept your desire to go ahead with SDI. You'll get no criticism, no negative comments of any kind from Canada but we're not going to be on that bus for our own national security reasons.

President Reagan's response was, well Brian look we've worked together very successfully, I thank you for the courtesy of your call. I appreciate the fact that there's going to be no negative comments of any kind from the government of Canada and we will remain together to build new institutions of collective security. And we'll do great things together in the world. That was his reaction. And that's exactly what happened. What subsequently happened was what he had said.

Reagan used to say, he said to me quite often, Brian, I'll tell you something. It's amazing what you can achieve in this world as president of the United States if you don't mind who gets the credit. That attitude, a generous, thoughtful attitude was what marked his presidency, that of President Bush, and President Clinton. So, I think that, if I were an American, I'd like all parties, Republican, Democrat, take a look at what's succeeded so well in the past and consider going back to that attitude.

KK: Just as a reminder to everyone, SDI was the Strategic Defense Initiative which was known as Star Wars. Just picking up on your last comment there, in 1984, the year you came to power was an interesting political year because you won every single province and territory in Canada and over 50% of the vote. That same year Ronald Reagan won reelection by winning a staggering 49 out of 50 states. So, it was a time when political

figures could clearly go beyond party and co-opt members of the opposition to vote for them. And something like bipartisanship wasn't a bad word. How do we get back to that? Polarization is really just the name of the game right now in numerous democratic political systems.

BM: Well, first of all, politicians have to understand that their primary obligation is not to their political party, but to their country and the well-being of their citizens. It's not a question of 'I'm a Republican first or a Democrat first.' Question of 'I'm an American first or I'm a Canadian first.' Then you put forward policies that can gain support from both parties to some extent, and you get used to working together again. This has been a blight on the existence of everybody. This extreme polarization in Washington and elsewhere around the world. And the only way to do it is to inculcate into our leadership the absolute necessity of them all starting to think, not in partisan terms, but in national interest terms.

The national interest of the United States and Canada commands its public servants, namely its leaders, to do what is in the best interest of America and not in the interest of a Republican or a Democratic party. So, this is growing up time for all the leaders around the world who still find themselves mired in needless and suffocating partisanship, which precludes the possibility of them having a generous vision outlook on the world. So, I think it's a personal thing that comes from within, but the alarm has to be rung, sung by the leadership. The President, the Prime Minister, whomever is in charge of a given country.

KK: So, you mentioned this as a major milestone, the Canada-U.S. Free Trade Agreement, and your leading role in that, and that ultimately led to NAFTA. How do you see the evolution of a global trading regime today? You point out that this was the largest bilateral trade agreement in history. And that seems to be again where we're moving

to a greater focus on bilateral deals rather than multilateral deals under the auspice of the WTO - Doha Round is dead. So how do you see the evolution of the global trading regime and is it equipped to handle this shifting nature of global trade where we're seeing trading goods in secular decline, but digital trade is growing exponentially?

BM: Well, the WTO has been a bit of a disappointment for all its supporters, including me. When I was there, I was a very strong supporter of the concept and it's done some very good work, but not enough as a result of which the regional trade agreements have broken out. For example, I did the Free Trade Agreement, the Canada-U.S. with President Reagan. I did NAFTA with President Bush. While NAFTA has come in for a lot of criticism in the last couple of years, most of which I believe was unfounded, but what is it today?

Well, NAFTA today by way of illustration, by way of example, NAFTA represents three countries with about 500 million people. That's about 7% of the world's population. With 7% of the world's population, the three NAFTA countries produce 28% of the world's wealth. The entire wealth of the world. At least 55 million new jobs have been created since NAFTA came into being. There'll be \$1.3 trillion worth of trilateral trade between them. And it is the largest richest, most dynamic free trade association anywhere in the world by far. And so that's what's taken place in the absence of more vigorous leadership by the WTO.

Now when the United States pulled out of - the U.S. did a lot of pulling out - out of Paris, out of Iran, out of the WHO and also out of the trade arrangements with Southeast Asia, which required American leadership in the absence of which went ahead anyway. But for these things to work, the U.S. has to be present and has to provide. Look, no one has an economy.

A country becomes influential with the size of its economy. Germany is influential because it has the largest economy in Europe. The United States is influential because it has the largest economy in the world. That economic strength of \$22-23 trillion a year in GDP allows the United States to have the military outreach that no one else can even possibly match. That allows it to play important roles in foreign aid, economic development for others around the world.

So, it is vital that this great economic motor of American prosperity, generates prosperity everywhere in the world. That's America's role in the world because it is the leader that everybody depends on, but you have to marry the political outreach of that and the articulation of a vision by America, and then the strength to follow through which it has. When that takes place, other countries will willingly join America's prescription for peace and prosperity around the world. And that's when the magic occurs, but it only occurs with American leadership in the most important areas of world development.

KK: So, on that point, you've made this point a number of times regarding U.S. leadership. Are you concerned that, not just with regards to something like the WTO, you mentioned Paris, but frankly the institutions that came out of Bretton Woods and the United Nations and the nonproliferation regime and all of these things. And they seem to me that they're each only as strong as the member states and particularly the leading member states allow them to be really. Are you concerned that either China takes a more prominent role in many of these institutions, or as we have started to see with things like the AIIB and other institutions built up around, the Belt and Road Initiative and the like, that China starts to build a parallel set of institutions and then that

presents a series of complicated choices for a lot of the major trading partners of the United States and China going forward?

BM: Well, China is of course, approaching the United States for leadership and economic growth. The United States remains, on a per capita basis, by far the richer of the two and the more prosperous of the two, but China is now using its economic strength as America once did, to boost its nationalistic ideals. The action in the South China Sea is worrisome indeed and only the United States can send aircraft carriers through the straits and through the sea without fear of retribution by China because of its own military.

China's developing for the moment, it has an attitude that I didn't think it would have 25 years ago. I worked with Deng Xiaoping when I was there, who was the great reformer, as you know, who brought about the modernization of the Chinese economy. And he had a modest view and an interesting view of the role that China should play in the world once it was fully developed.

Well, as one of my friends said to me recently, an old China hand said to me, "You know Brian the China we have now is not the China we knew." And he's right. It's an entirely different kettle of fish that is going to require a thoughtful rethink of American and Canadian and Western foreign attitudes to China and how we deal with it. How do we contain this? How do we live with it? I always think that engagement is the way to bell the cat, but there may be other ideas. But certainly the growth of China and its new ambitions for hegemony, for example, in Africa and in the South China Seas and elsewhere, this is going to be the great challenge of the next 50 years. You're not going to get there by paying homage to the President of China. 'He's my best friend. He's a great guy and we get along well and so on.'

In this case, you're not talking about friendships with the United Kingdom or France or Canada who are friends, allies, and supporters, and have been friends

with the United States for 200 years without the slightest problem in any of those countries that I just mentioned vis-à-vis the United States, except you'll get the occasional trivial difficulty. But the fundamentals of freedom and democracy and liberty, which animates Canadian society and British society and the French society, do not exist in China. And therefore, a completely different attitude has to be adopted. Look, if France picked up its Muslims and built concentration camps for them in the northwest corner of France all hell would break loose. But they're doing that in China and nobody says a bloody word. We're dealing with a country that has great value. They have great people, and they have great achievements, and they're going to have more. But the leadership is directing them towards a station in life which is inimical to the ideas and ideals of the United States of America and its allies. And we have to recognize that and deal with it. We can't just pretend that it's business as usual. It's not.

KK: **There's a lot of people out there who are using a careless, shorthand talking about a new Cold War between the United States and China, which I think misses the historical context of the Soviet Union. But just as a shorthand, I guess it's okay to use for the moment here. I'm wondering what you think then, what a good relationship looks like between the United States and the countries that share its ideals of democracy and the regulated free market. Obviously, unlike the Soviet Union, we have very closely intertwined economies. There's a lot of technological R&D that's going on in China, and they are a rising country, unlike the Soviet Union. The hopes and dreams of the people are what the hopes and dreams of most are. A better life for themselves and their kids. And they're getting there.**

But the behavior that they are exhibiting, on the one hand, represents everything you just talked about. But on the other hand, if you're about to vie for being the largest economy in the world at

some point this century, you want to be able to protect yourself. You want to be able to protect your sphere of influence. You want to be able to have influence on the world. So, we can either try to contain that as you say, or we can try to coop. In many ways, China has gotten rich under this system that we designed. So, what's the right balance with them, do you think?

BM: Well, I think the President of the United States to your point has to, in a series of steps, re-engage all of the allies of America and there are many many around the world. Re-engage the important allies of the United States; Latin America, Europe, Southeast Asia, and so on. And articulate a new vision of cooperation with our allies, respect for our allies, then have them sign-on, not in a formal way, sign on to an attitude that the President of the United States will articulate and defend in his relationships with China. The Chinese will know that the President of the United States has most of the world behind him when he speaks. And he can have a civilized dialogue with the President of China, his colleagues, saying, "Look, there's been tremendous growth and tremendous prosperity in the last 25 years. But certain things are getting out of hand. Here are the principles on which we will conduct ourselves going forward with you. If you respond in a generous and thoughtful way, all I see at the end of the tunnel for us is a fantastic future and great prosperity. But unless you change certain attitudes, namely A, B, and C, there's going to be some problems there. I'm here to solve those before they get out of hand."

I think it's going to take an immense display of thoughtful leadership by the President of the United States and his government to bring all of the allies together in an unusual degree of commonality of purpose and foundational instruments, and meet with the Chinese over time and iron these things out. Because the alternative is unimpressive and unhelpful to us all.

KK: Yeah, and it seems like Chinese leadership is well aware of that prescription. And so, in the absence of that action being taken, they are taking action of their own to sort of divide the western alliance. We've seen this with Huawei, and we've seen this with Italy joining the Belt and Road Initiative, etc.

But your point again of the alliance system is that, China is vying with the U.S. for leadership as the largest economy in the world. But the United States, plus Canada, Mexico, the European Union, the UK, Japan, and Australia, well, that's a far larger economy than the Chinese economy.

BM: Absolutely, absolutely, Kevin. And that is the principal that President Reagan used. When President Reagan sat down with the Soviet Union, they knew when they took a look at Reagan across the table. I've been in the Kremlin for these negotiations, as well, starting in 1985. The day that Mikhail Gorbachev became leader. I met him that first day after the funeral in the Great Hall of the Kremlin.

Every time that Reagan sat down, Gorbachev and the others knew that they weren't just looking at Reagan. Reagan had cultivated relationships through NATO, NORAD, SETO, Latin America, all around the world. And so, when he sat down, they were not only looking at the representative of the most powerful economy and the greatest military on the face of the Earth, but he had all of these allies with him. And they knew that he spoke for them when he spoke on behalf of the west.

And that is the only way this works. In those days, it was a bipolar world with the United States and Russia, the Soviet Union calling the shots, really, on behalf of their alliances. And now, it's the United States and China. So, what worked in the 1980's at the end of the Cold War and the collapse of the Soviet Union, the strength and the leadership skills that

brought that about, this didn't happen in a vacuum. This didn't happen by accident. It happened by the implementation of good policy and good attitudes, and strong leadership.

And that's what defined the approach of the United States of America throughout those periods, including, for example, the second World War. And that's through the cooperation that was generated there. And so, this is the kind of approach that the United States of America has to adopt going forward if we are going to have the beneficial results that came about as a result, for example, at the end of the Cold War.

KK: I want to turn quickly, because this all leads to something else that requires some immense leadership. And it's kind of one of the paradoxes here, I think, that both China and the United States are sort of in aggregate, aren't doing their share on this. And yet, some of the greatest technologies in the world to address this issue are coming out of both the United States and China, and that is with regards to climate change.

One of the things, I think, that the pandemic has taught us, as Jerry well knows, epidemiologists and scientists have been telling us for decades that this was coming and be prepared for it from a public policy perspective. And clearly, much of the world was not. But it should be a reminder with regards to the climate change issue, that we ignore the science at our peril. And the climate change issue is much more existential in nature, even than the pandemic is.

So, the clock is ticking here. How do we get the, I mean, even if, let's say, we have a President Biden who gets right back into the Paris Agreement, you know, global leadership coordination still is lacking here. What do we have to do, to focus attention on the climate change issue?

BM: Well, let me give you a small, a tiny example of what can be done, and what now must be done in this new climate. When I came into office, the greatest environmental challenge that confronted Canada was acid rain. Acid rain was killing our rivers, lakes, and streams and forests throughout eastern Canada and the eastern United States. Killing them off, 150,000 lakes and rivers and streams were finished for good because of acid rain.

I dealt with this with President Reagan slowly and patiently. It went on for five years until we finally got an acid rain treaty between Canada and the United States. President Bush signed the document with me, but it took five years of hard work on all our sides. And it wasn't easy, because a lot of people in the American administration, for example, refused to acknowledge that it was even a problem.

So, but anyway, there it happened. And guess where we are today with acid rain? There is none. It's never mentioned, because the mutual programs that came about in the United States and Canada eliminated it largely, not a hundred percent, but largely, the threat of acid rain.

Now, we have a much bigger threat coming with climate change. An enormous threat. You're not going to get anywhere until the two leaders or the three leaders or the hundred leaders are sitting together at a table saying, "We've got one mother of a problem coming at us." It'll make the pandemic look like a cake walk. And we better do something about it now. If you take the acid rain, small acid rain illustration as an example, you define the objective. We've got the Montreal Protocol, which brought about the end of another form of threat to the environment, and so on. We worked at it constantly, and as a high priority.

That's not the case anymore, so that has to be done. And again, I don't care what anybody thinks or says, from personal experience, I can tell you quite honestly that nothing of significance is going to happen in that

area or any other without the leadership of the United States and its allies, period. Full stop. Well then, this has to be taken up at the highest level with a sense of urgency and commitment and devotion that we applied to the smaller, much smaller, problem of acid rain and resolved it.

The climate change problem can be resolved as well, but only, only with leadership that begins in America.

KK: Well, I would suggest that the other lesson for political leaders, not just in the United States, but around the world of the pandemic is that actually your populations can change their behavior on a dime when necessary. The flattening of the curve here in the U.S. and elsewhere with regards to the pandemic depended so much on the population acquiescing and doing the right thing.

And for the most part, I mean, Jerry talked about some of the alarming things we've seen, pictures we've seen in the last weekend or so, but the reality of it is, is that, we have collectively acted together. And so, we do have the ability to change our behavior for the common good. So, something to keep in mind.

BM: But you can't do it, Kevin, you can't do it with mixed messages coming out of the White House and elsewhere.

KK: Absolutely.

BM: The population have to see from the top to the bottom, and the bottom up, they have to understand that this is in their best interests, and that of their families. And so, the examples that the leaders provide are key to a solution of a grave, grave challenge. And it's all leadership, and it's all about the symbols of leadership and the reality of leadership. And we're not, we're getting some of it in almost perfect doses. Others are letting us down. That has to change.

KK: So, we have just a couple minutes left. And the word you have used the most in this call today has been leadership. And I want to turn back to the corporate leadership side right now. Because clearly, this has been a perfect storm in many ways. And I think it's testing the capabilities and experience of CEO's, boards, entrepreneurs, and others throughout their organizations in a way they've never had to before.

The pandemic and getting your workplace safe for your employees and your customers, and securing your supply chains, dealing with the economic fallout and restart, and what's going to happen with consumer demand at the end of the day. And of course, walking the fine communications line and action line in response to Black Lives Matter and all of the social causes that are associated with that right now.

You know, you, as a leader, experienced the highs of historic electoral victories. And you also experienced the lows of diminished public support. You've been on both ends of that spectrum. And I know part of that is just the normal to-and-fro of politics. But with the benefit of time and hindsight, what's your sort of counsel to leaders today going through a perfect storm of crises?

BM: Well, to remember that just because something is popular doesn't mean it's right. The bane of the existence of the United States and Canada in particular are public opinion polls. What there should be is our achievement polls for leaders. Holding their feet to the fire, to ensure that they achieve what they said they were going to do and bring it about. But no, we're hit by popularity polls every day, and leaders of all kinds kind of conduct themselves in a way to benefit from increased popularity.

Popularity is not leadership. It's the antithesis of leadership in many cases. You've got to do what you think is right for your country. In Canada, for example, I would say that I am going to govern this country with my colleagues not for easy headlines in 10 days, but for a better Canada in 10 years. Oftentimes, the important structural changes that are required in business, by business leadership, which is very solid in North America, business leadership and political leadership in the immediate is very unpopular.

Because North Americans think they don't need any change, but they do. Deep structural changes are required to keep that great American industry base humming. The same is true of Canada. So, the key is to get politicians and business leadership to accept the fact that they have to do things to improve their businesses, to improve their industry, and in the political realm, to improve their countries, knowing that it's going to make them unpopular for an extended period of time. But in the end, America and Canada, for example, will be the great beneficiaries of strong visionary leadership.

That's the way I think they should look at it. Try and set aside this daily concern of these silly polls that mean nothing, because the ultimate decision will be made by history. Did they provide good leadership? Is Canada better off today because of their policies? Is the United States better off today? Those are the questions that historians and history will ask and answer.

KK: And with that, another hour has gone quickly by. I want to thank everybody for joining us today. And in particular, I would like to thank you, sir, Prime Minister Brian Mulroney of Canada for his thoughts and comments today. And of course, Jerry Hauer, who's always with us. Thank you for your insights, as well.

Thanks everyone. Have a great day. Have a good weekend. We will be back next Thursday with our next call. Thank you very much.



Teneo is the global CEO advisory firm.

Working exclusively with the CEOs and senior executives of the world's leading companies, Teneo provides strategic counsel across their full range of key objectives and issues. Our clients include a significant number of the Fortune 100 and FTSE 100, as well as other global corporations.

Integrating the disciplines of strategic communications, investor relations, digital advisory, diversity & inclusion, management consulting, physical & cyber risk advisory, financial advisory, corporate governance advisory, political risk advisory, and talent advisory, Teneo solves for the most complex business challenges and opportunities.

teneo.com