



# A conversation with Lord Malloch-Brown

KPMG Board Leadership Centre



The world is volatile and unpredictable, with geopolitical tensions on all sides. As countries grapple with the fallout of the COVID-19 pandemic, and a new president takes the helm in the US, what does the future hold? Lord Mark Malloch Brown, former deputy secretary-general to the United Nations and senior adviser at Eurasia Group, joined our Board Leadership Centre FTSE350 meeting to share his views on the big threats to global confidence.

COVID-19, trade wars, the Trump era, high stakes negotiations finally leading to a Brexit deal – it's been quite a ride in recent times. Now, with Joe Biden installed as president in the US, a new era beginning for a Britain independent of the EU, and a pandemic that will hopefully begin to abate as vaccines roll out, where does this leave us all as we look forward?

## The Biden presidency

The key question that everyone is asking is, 'Will Biden be able to turn back the trajectory established under Trump?' In recent times, we've been witnessing a decline of the US, with the rise of China and more generally an eclipsing of US power. Both militarily – the old 20<sup>th</sup> century notions of military power just aren't as effective anymore – and economically. It's been a humbling time for traditional calculations of power and its projections.

"I don't think it's going to be straightforward. In fact, we caution against views of the Biden administration coming roaring in to reverse all the troubles of the Trump era. For one thing, Biden – just like Obama and then Trump in the second half of his term – will be condemned to govern by executive order. He has no majority to do otherwise. For someone who likes to work by centrist, bi-partisan consensus, this is going to be a challenge. The \$1.9 trillion COVID package he is trying to push through will be an early test. With his major long-term goals, such as the green recovery programme and electoral reform, it is not at all clear that the Republicans will go with him.

"Internally, he has inherited a completely divided electorate, more divided than any of us have seen in our lifetimes. America is an angry place, with a seriously skewed distribution of wealth and so many social issues. This domestic crisis will consume much of Biden's time."

## US-China tension

"Relations with China will obviously be key," Mark said. "And in fact, the Democrats are very hawkish on China, more than some people realise. President Trump broke with Obama's policy of engagement with China, turning from co-stakeholders in a global economy to competitors or enemies in a new global order. While we'll see less of the seemingly unmanaged outbursts, I don't think we'll see a radical turnaround under Biden. He will pressure China on human rights issues such as Hong Kong and the Uighurs, and he'll also keep up a battle in the technology space, for example continuing efforts to push Huawei out of 5G networks in countries the US is allied to. But he'll pick his fights. Already, Myanmar is providing an early test – it will be interesting to see where that goes.

"There will be areas of cooperation though, especially on climate change. John Kerry has already been very clear that there must be partnership and collaboration between the US and China here. We'll see an effort to find areas like this for collaboration, to balance out the competition and confrontation elsewhere."

That said, Mark sounded a cautionary note even on climate change. "COP26 will provide plenty for the optimists to get excited about in the short-term, but in the medium-term early collaboration on climate change will turn into competition around the new technologies and dominance in the different sectors."

## Russian rumblings

Turning to other major powers, Mark cautioned on Russia where President Putin is coming under growing pressure internally. "Putin and his circle are a bit on the slide. But despite the attention Navalny has received, there still isn't a nationwide organised opposition to create systemic change."

Putin has a history of solving his domestic problems by being taken seriously – and being feared - abroad. So we could see more from him on the world stage. Putin has found many low-cost ways of causing disruption – through cyber warfare and support for groups in countries like Libya and Syria. I also expect him to increasingly rub up against President Erdogan of Turkey, which could potentially result in some regional destabilisation.”

### Britain after Brexit

Mark takes a somewhat muted view on Britain’s prospects. “We’re one of the top six economies in the world and that won’t change. But I think our trajectory will be flat or on a slight decline. I expect us to have a good formal relationship with the US, but one without any particular warmth to it. A trade deal with the UK is certainly not high up the Biden agenda.

“On Brexit and the EU, I hope we can see some positive areas of progress in the coming months. Now that the media glare has subsided, committees can more calmly and dispassionately work through various issues and some real deal-making can begin. Some major issues need to be resolved, such as financial services. Businesses and the City really need answers on issues such as passporting. But with countries like Germany and France having so much skin in the game, and also the likes of Ireland and Luxembourg, I think Europe could prove very reluctant to make concessions. I fear the atmosphere could become quite toxic.”

Another area of concern is international aid. He sees the cut in the UK’s budget for overseas development from 0.7% to 0.5% of GDP as highly problematic. “It’s a real blow to our soft power leadership. Countries like Germany and France are just reaching 0.5% themselves and so could overtake us. The impact on some of the bilateral programmes the UK funds could be even greater. There are some highly emotive causes involved like girls’ education and humanitarian assistance. I think the cut is going to cost us.”

### Long economic COVID’

Attendees were keen to hear Mark’s views on the notion of ‘long economic COVID’ and also on whether the world would emerge more unequal than before.

“Watch out for the economic impact of COVID this year. A number of sovereign debt crises could be likely,” Mark said. “Middle income countries like South Africa, Turkey and some Latin American countries that have limited fiscal headroom and that have had their economies heavily impacted could struggle. We are going to have a contracted global economy. It won’t be a recovery to 2019 levels – rather, recovery to perhaps 90% of that. There will inevitably be winners and losers.

“The issue of inequality, and also the disproportionate impact on the younger generation, is really worrying. If you cast your mind back to pre-pandemic times, we saw a significant rise in youth-led protests in late 2019 and early 2020 – in places like Chile, Lebanon, Hong Kong, Iraq, and Iran. This was mainly the middle class young protesting about a lack of jobs, opportunities and services. The pandemic put an end to the demonstrations, but the problem hasn’t gone away. In fact, everything they were complaining about is now a lot worse because of the pandemic... These issues will come increasingly to the fore over the next 5-10 years.”

### And more besides...

With Angela Merkel due to step down soon in Germany (“I don’t think we’ll see a dramatic change of direction there”) and the ongoing question of Scottish independence (“It’s going to be a hard one to stop – but I think a referendum may not happen for five years rather than the one or two years some are pushing for”) – there is no shortage of issues to keep geopolitical watchers busy.

“I don’t envy you in corporate boardrooms,” Mark said. “There are no golden rules and geopolitical issues have highly individualised impacts. It’s a case of watching and anticipating as best you can.”

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### Contact us

Timothy Copnell  
Board Leadership Centre  
T: +44 (0)20 7694 8082  
E: [tim.copnell@kpmg.co.uk](mailto:tim.copnell@kpmg.co.uk)



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