


CIVIL UNREST IN THE USA



Tuesday 25 May is the one-year anniversary of the death of George Floyd. Whilst the killing of George Floyd was not an isolated incident, it was a watershed moment for civil rights and civil unrest in the USA and much of the world. In this global risk monitoring and strategic foresight paper, we look at the impact of civil unrest in the USA and the impact on business. The opportunities for Swedish companies in the USA is huge and growing. Notwithstanding these opportunities, the environment in the USA remains complex, and influenced by a variety of internal and external factors.

Many business leaders around the world welcomed the increase in GDP in the USA in the first quarter of 2021. This reflects increases in both personal and business consumption expenditures, and US Government spending. The continued economic recovery in the USA, coupled with re-opening of many businesses, as well as huge Government stimulus, is occurring at the same time as the amount of recorded Covid cases in the USA is at its lowest since June 2020. Effective Covid vaccination campaigns, along with widely accepted mask-wearing and social distancing have proved to be a boon for the US economy. Meanwhile, the US international trade surplus continues to remain in deficit by about \$74 billion, an increase of nearly \$4 billion from February. This is minimised in part by an increase in consumer goods totalling \$4.5 billion and uptick in industry activity (industrial supplies and materials accounting for \$3.7 billion). The US has had a trade deficit for decades, with the largest bilateral trade imbalance with China. We will have a look at what this means for the Biden Administration and Swedish businesses.

Read more to learn about the impact of civil unrest in the USA, and how the Biden Administration is positioning itself to tackle the biggest domestic and foreign policy issues. This global risk monitoring and strategic foresight paper is an essential read for Swedish business leaders.

CIVIL UNREST IN THE USA

AND THE IMPACTS ON

SWEDISH COMPANIES

ONE YEAR ON

May 2021, is the first anniversary of George Floyd's murder. George Floyd died during an arrest with Minneapolis police officer Derek Chauvin kneeling on his neck. On 10 April 2021, Chauvin was found guilty on three charges: second-degree murder, third-degree murder and manslaughter. The other three police officers that participated in Floyd's arrest and murder were charged on 03 June 2020 and their trial will start in August 2021. This is a particularly volatile time in the USA and important for companies with consumers, employees, or partners in America to understand.

George Floyd's death caused months of protests against racial discrimination and police brutality. Between 25 May and 18 November 2020, protests took place in more than 4,446 cities worldwide, in more than 60 countries. These demonstrations were supported by several civil rights movements including the well know Black Lives Matter political and social movement protesting against racial violence, which was founded in July 2013 in response to the acquittal of George Zimmerman in the shooting death of Trayvon Martin in February 2012.

Black Lives Matter protests in 2020 are considered one of the largest movements in US history, with up to 26 million people participating in various activities. Most of the demonstrations were peaceful, nevertheless, broken windows, fires, and looting was common. Many of the protest in the US ended with

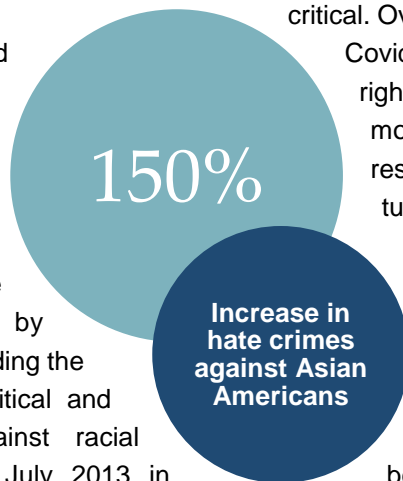
police using tear gas, pepper spray and rubber bullets against demonstrators. Civil protest in the US after the death of George Floyd resulted in significant financial losses and damage in more than 20 states causing an estimated \$1 billion in damages although the final cost could reach \$2 billion, marking it the costliest civil disorder in US history.

At the same time, anti-Covid restriction demonstrations occurred in every US state in 2020, including armed protests in Michigan in May. Right-wing mobilization against Covid restrictions has been critical. Over 23 percent of all demonstrations against

Covid restrictions across the US have involved right-wing militias and militarized social movements. Over 55 percent of the anti-Covid restriction protests involving these groups turned violent. Moreover, since the coronavirus pandemic began, hate crimes against Asian Americans increased by 150 percent. Over 30 percent of Asian Americans have experienced discrimination since the pandemic began.

Whilst Asian businesses have been vandalized with racist messages, 1,000

Asian American business leaders have pledged over 100 million SEK to fight racism in America. The Covid pandemic has also highlighted a long seething issue of equality in many workplaces. Well before Covid, Asian Americans were significantly under-represented at senior levels compared to entry-level positions. Similar experiences are felt by Black, Hispanic, and Latino employees in America.



Simultaneously, protests related to the 2020 Presidential Election took place in US throughout autumn and winter 2020. The impact on people and business was significant, with even the Australian Government advising its citizens against travel to the US in part because of expected election-related violence. Many of the people that participated in the 06 January protests genuinely believe themselves to be patriots and loyal Americans following the commands of their leader, then President Trump. In March, the Head of the FBI's counter terrorism unit, Jill Sanborn, told Congress that, "there is an elevated threat of violence from domestic violent extremists, and some of these actors have been emboldened in the aftermath of the breach of the US Capitol. We expect racially or ethnically motivated violent extremists, anti-government or anti-authority violent extremists, and other domestic violent extremists citing partisan political grievances will very likely pose the greatest domestic terrorism threats in 2021 and likely into 2022." At the same time, large and multi-national companies are taking a much more overt stance on political and civil issues including elections. In May, 50 trade associations and large companies, including Microsoft, American Airlines, and HP, signed a public statement calling on politicians to oppose changes that would restrict voter eligibility in the US.

Globally, violent and non-violent civil unrest has become much more common. The rise in activism, from civil society, and specifically amongst our own consumers, employees, and suppliers, means that managers ignore these risks at their peril. Consumers, and increasingly employees too, are looking for companies that will join them in advancing issues of concern. According to Global Peace Index, riots around the world increased by 282 percent in the last decade. And in the first few months of 2021 we have already seen 118 riots and 5,461 protests in the USA, significantly affecting many businesses and supply chains. It is important to note that almost 80 percent of people participating in protests have some

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university education, and over 30 percent earn more than 70,000 SEK per month (Swedish equivalent). The people actively participating in protests represent prime consumers and potential employees for many companies. They are the mainstream, they are engaged, they are energised, and they expect business leaders to be as well.

Civil unrest has led to significant social and cultural transitions. This unrest relates to a wide selection of social, political, economic, and environmental causes including racial and ethnic tensions, food insufficiency, food price rises, changes in international commodity prices, economic shocks, climate change and demographic variations. The spread of civil unrest is not only related to geographic proximity. Social instability spreads through social and mass communication networks around the world. The 2020 Edelman Trust Barometer reveals that "none of the four societal institutions that the study measures - government, business, NGOs and media - is trusted. The cause of this paradox can be found in people's fears about the future".

An ongoing sense of inequity in the USA (along with many other countries) is likely to lead to continued civil unrest persisting for the near future. In the last quarter of 2020, nearly 25 percent of adults in the US said they were worse off than one year earlier. The pain of the last year's economic decline is experienced widely, but unevenly. American's with a university degree are much more likely than less educated Americans to be financially secure. Similarly, Less than 60 percent of black and Hispanic adults were financial okay, compared to 80 percent of white Americans. The pandemic's socioeconomic consequences will remain in developing economies and these conditions will increase nationalism, religious extremism and xenophobia. Therefore, the risk of riots and violence is likely to grow globally. It is likely that demonstrations are likely to increase in over 70 countries over the next year.



CIVIL UNREST IS LIKELY TO EXPAND

Civil unrest and violent protest has overtaken terrorism as one of the main fears of business leaders in the US. Businesses can be affected by material damages caused by civil incidents from mobs, including fire, vandalism, broken windows and looting. In these cases, a company's insurance will often cover damage to property and contents but it does not cover the damage caused to staff welfare or perceptions of risk by senior leaders. But businesses do not have to be the direct victims of civil unrest to suffer financial losses; revenues can also suffer if supply chains or corporate reputation is negatively affected. Political violence is back in focus for risk managers with business interests in America. Companies need to invest in robust and comprehensive global risk monitoring mechanisms that assist with strategic foresight and warnings of possible event triggers that enable the reallocation of business resources in order to avoid the worst impacts of emerging civil unrest risks.

Racial justice protest in US and the high level of attention to racial issues since George Floyd's

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murder have had an impact in corporate brands and companies. For example, Aunt Jemima and the Washington Redskins announced planned changes to names and logos: The 130 year-old brand of syrup and pancake mix, Aunt Jemima, will get a new name and image. The brand has been accused of perpetuated a racist stereotype that dated

to the days of slavery. Moreover, the National Football League's Washington franchise will change the Redskins name and logo. Native American groups have long denounced the Redskins name as an ethnic slur. Furthermore, several companies and celebrities have announced donations to organizations working on anti-racism and police reforms. Well-known US companies like

Starbucks, Nike and Pepsi are other examples of big corporations affected by racial issues recently.

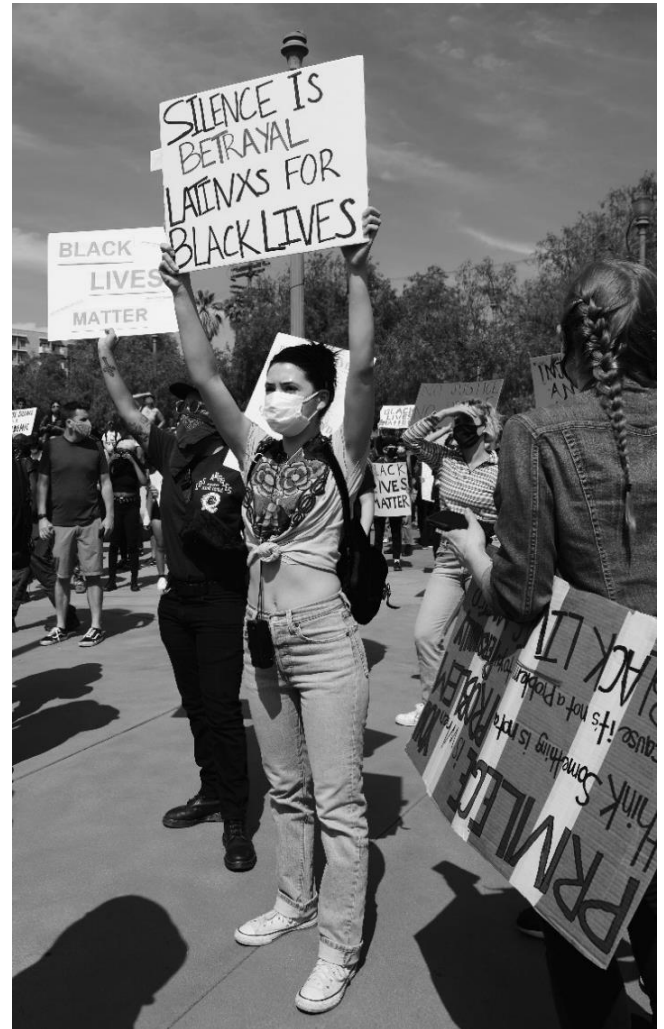
Starbucks had boycotts after banning staff from wearing t-shirts and pins supporting Black Lives Matter in 2020. In response of the criticism, the coffee chain allowed employees to wear BLM clothing and accessories, and it will design and distribute 250,000 t-shirts to support the Black Lives Matter movement.

In 2019, Nike suffered a boycott after releasing a controversial sneaker design using a US flag with 13 white stars in a circle, a design created during the American Revolution, considered offensive by NFL player Colin Kaepernick, because of its link to a period of slavery and white supremacy. After shipping the shoes to retailers, Nike asked for the shoes to be returned. However, Nike's response was not fast enough to dissuade people from publicly destroying Nike products and Nike's stock declined by three percent.

Similarly, Pepsi experienced widespread outrage and mockery online after releasing an advertisement borrowing the imagery of the Black Lives Matter movement in 2017. The ad showed Kendall Jenner join a protest and offer a Pepsi to a police officer. Faced with mounting criticism, Pepsi withdrew the ad and apologized.

Swedish companies must be prepared to handle the material damages coming from civil unrest including looting, broken windows, store and warehouse destruction, as well as strategic reputational and corporate crisis. Swedish businesses have to be forward learning in their engagements with communities and consumers and be aware of the importance of listening and showing commitment with different communities around the world. Even if US and Sweden do not have a geographic proximity, social unrest quickly extends through social and mass communication networks. For this reason, all Swedish companies should take into consideration civil developments in the US, as well as all politically

charged incidents around the world, which can directly or indirectly affect Swedish companies.



President Biden's campaign for office leaned heavily on resolving social injustices and ending civil rights conflicts and in 2020, Biden outlined his plan to address racial disparities under the name "Lift every voice". Amongst other things, Biden sought to make the Justice Department prioritise hate crimes and ensure that the cabinet reflected the demographics of the country. Economically, Biden sought to fund the Small Business Administration and the Minority Business Development Agency with the goal of supporting businesses owned by African Americans.

During the first months in office, President Biden has taken a strong and vocal stance on civil rights issues and openly recognised issues with systemic racism within the country. Through the use of executive actions and federal agencies, Biden has pushed for noticeable change. So far, President Biden published 45 executive orders out of which ten has been executive action on equity issues. The executive actions have included the reversal of the 1776 commission along with directions to agencies to review their actions to ensure racial equity. In terms of LGBTQ+ issues, Biden reversed the ban on transgender people serving in the US Military issued under the previous administration. Furthermore, the President strengthened the protections for LGBTQ+ people in the workplace, barring discrimination based on sexual orientation and gender identity.

On 20 May, following increases in crimes against Asian Americans, Biden signed a newly approved bill

China – the most urgent foreign policy issue

Besides having to deal with major domestic issues surrounding civil rights, the economy and the climate, the Biden administration has also had to find a way to handle China. During the last decade, US / China relations have become all the more complex, and at times, strained. Since the end of the cold war, the US has held an unchallenged position as a superpower in a unipolar world. However, during the last decade it has become evident that China is closing in and will soon be able to challenge the current superpower in terms of both economic prowess, military power, and global influence. As the Biden administration entered office in January 2021, Chinese relations was at the top of the agenda of foreign issues.

aimed at strengthening federal efforts against hate crimes. The bill forces the Justice Department to expedite their review of hate crimes related to the pandemic while local law enforcement is provided with more resources to track these incidents.

By taking a strong stance on a wide range of equity issues, the President hopes to temper future social unrest by defusing frustrations. However, the strong stance on matters of civil rights have not been without criticism and anger from across the aisle. Conservative voices has criticised the president for pushing what perceive as a progressive agenda while presenting himself as centrist. Furthermore, there has been congressional pushback on two of the voting right bills that the president have tried to get through. Both Biden's policy positions and some of his statements, such as the recognition of structural racism, reveals a progressive future for the country – barring pushback from the rest of the political system. The coming four years, the President will focus on reversing policies from the previous presidency as well as pushing new policies in an effort to set a new standard for the future US in regards to social issues. Global expectations are that the Biden presidency will lead to more stability and predictability, both in terms foreign and domestic policy but also in terms pf civil unrest. If true, this is of course beneficial to businesses as stability and predictability are crucial to healthy markets.

The Trump Administration had left behind strained relations with China following the initiation of a trade war. To this day, the US still has tariffs on approximately 66 percent of Chinese products. While the Biden Administration may approach China with more finesse than the previous administration, they still consider China an antagonist. Moody's rating agency reported in May that it is US importers that absorb more than 90 percent of additional tariffs imposed on Chinese goods imported to the US, and similarly, US exporters also absorbed most of the costs from tariffs imposed by China. To the current administration, China represents an autocratic challenger to the US-led liberal democratic world order. From a realpolitik perspective, they simply pose an imminent threat to the US' advantageous position in the global system. The majority of

business leaders in the US believe that Biden's measures are supporting global markets and aiding recovery. Biden's recent spending packages totaling \$4.1 trillion in spending boosts is certainly one contributing factor in the positive sentiment from business. Small business, traditionally a conservative sector within the US, remains concerned about inflation, partisan politics, and possible tax increases, but still largely positive about the Administration's expected economic boost. Some attacked the new Administration's economic management after the unexpected and steep increase in the consumer price index in April.

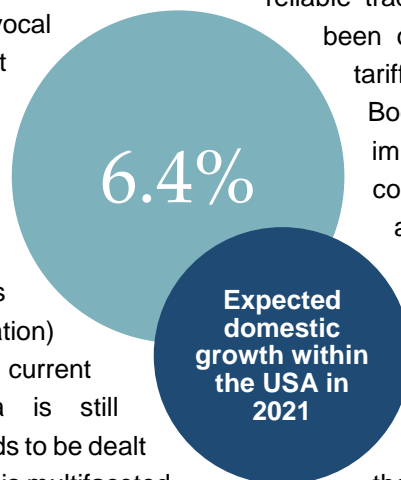
As the Trump Administration took a vocal and highly antagonistic stance against China, the Biden Administration has attempted to reshape the narrative from national conflict to national competition. However, the actions (or lack thereof in regards to the abolishment of trade measures introduced by the previous administration) and expressed intent of the current administration indicate that China is still considered a rising adversary that needs to be dealt with. The divide between the countries is multifaceted and they are ideologically diametrical. Moving ahead, even if the current administration would want to diffuse the situation with China and reshape the narrative to competition rather than conflict, the fact still stands – China is growing stronger and pose a serious threat to US influence globally. Notwithstanding China's growing influence, US consumer sentiment continues to be at its highest since March 2020.

The Biden Administration will most likely continue to promote cooperation in global threats, such as climate change, but will also continue to use all means possible to restrict Chinese advantages on the market. In a time where nuclear arms acts as a deterrent, military options are reduced somewhat. Trade is the safest means of power-competition and the means through which the US can try to outmanoeuvre China. Whilst some argue that the tariffs introduced under the previous Administration should be removed, many industries have now adapted to the tariffs and lifting them could cause additional economic damage to US industries,

industries that struggling to recover from an ongoing pandemic. Taken together, measures against Chinese trade, such as tariffs, in an attempt to limit Chinese influence, is likely to continue under the Biden administration. Even if more protectionist measures continue, the current administration will have to rely on clear and predictable trade policies if they wish to undo the upset caused globally during the last four years. The expectation is that the current administration will return to greater reliance on multilateral agreements and cooperation rather than protectionist measures, which would be beneficial to European businesses by making the US a more reliable trade partner. Improvements have already been observed with the US agreeing to end tariffs with the EU following the Airbus and Boeing dispute. Additionally, signs of improved future EU / US trade relations could be observed on 17 May when the EU agreed to not raise tariffs as part of the discussion to lift US steel tariffs.

China is becoming more independent and immune to measures from democratic nations, building a strong high-end domestic production, nurturing their trade relations with Europe and expanding their influence in Africa. China's economy had already returned to pre-pandemic GDP in 2020 and should grow by 8.4 percent in 2021, whilst many countries will not recover to 2019 levels until 2023. Furthermore, China's diplomatic sway increased in many developing countries after the distribution of China's Coronavac vaccines. In addition to diplomatic muscle, China is likely to overtake the US to become the world's largest economy within the next decade. Antagonistic measures directed at China from the US will not be enough to hamper this growth. The EU by contrast, may be using its soft power in the form of a new carbon tax on imports, encouraging the US and China to invest in greener industries. This combined with the US Government's clear intention to improve climate measures may show beneficial to Swedish businesses, especially the ones active within the US as Swedish businesses are ahead in terms of sustainability and climate issues.

Rest assured, the US is not asleep at the wheel. Last week, the US Federal Reserve Chair J.H. Powell outlined the Reserve's response to technological



advances, stating that the Reserve is “carefully monitoring and adapting to the technological innovations now transforming the world of payments, finance, and banking.” There are huge opportunities for American and for Swedish businesses with new digital payment mechanisms.

The US remains a positive influence on the global economy, and the IMF predicted domestic growth within the US of 6.4 percent this year. Globally,

economic growth should be similarly positive, albeit uneven. The future presents many challenges and the recovery, like Covid vaccinations, remains dangerously uneven around the world. For business and government leaders in Sweden, the US continues to be an attractive market and source of opportunity, but to succeed, comprehensive monitoring of civil unrest, government policy actions, and geo-politics is increasingly necessary.



2SECURE RECOMMENDS

1. All companies, regardless of their location should be actively searching for and recognising diversity and representation challenges along their employee promotion pipeline. Collecting, benchmarking, and analysing disaggregated entry and promotional data will be important for companies to achieve genuine, lasting, and positive changes in their company's diversity.
2. Remaining silent in the face of growing consumer and employee activism is not a good option. Silence is interpreted as complicity, and companies must be closely monitoring the global risk landscape to determine what issues are most likely to impact their business operations.
3. Consumers and employees choose their business partners on a variety of criteria, but most common is ethics and competence. It is important that your company is monitoring public perceptions of whether your company is delivering on promises (competence), and doing the right thing (ethics).

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