Future Thinking S1 E1: What to expect from a second Trump presidency

00:00:06.206 --> 00:00:11.646
<v SPEAKER_1>Welcome to Future Thinking and Alongside podcast miniseries from NorthStandard, one of the world's leading marine insurers.

00:00:11.726 --> 00:00:12.566
<v SPEAKER_1>I'm Mike Salthouse.

00:00:13.506 --> 00:00:15.366
<v SPEAKER_1>In this episode, I'm joined by David Peyman.

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<v SPEAKER_1>David is a partner with the law firm DLA Piper and currently advises public and private sector clients on sanctions.

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<v SPEAKER_1>Previously though, he served in the White House for Donald Trump.

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<v SPEAKER_1>As the State Department Sanctions Chief between 2018 and 2020, David led the Office of Economic Sanctions Policy and Implementation and was responsible for managing 25 sanctions programs, including Iran, Russia, China and Venezuela.

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<v SPEAKER_1>So who better to shine a light for us on what the shipping industry might expect from a second Trump administration.

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<v SPEAKER_1>David, delighted you could join us.

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<v SPEAKER_1>Welcome.

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<v SPEAKER_1>Perhaps we could start by your explaining your role and responsibilities in the first Trump administration.

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<v SPEAKER_2>Mike, thanks for having me.

00:00:57.806 --> 00:01:01.466
<v SPEAKER_2>So basically, you laid it out very accurately.

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<v SPEAKER_2>I was in charge of creating and implementing US sanctions, economic sanctions, and counter threat finance policies worldwide, including in respect to Iran, China, Venezuela, Russia, other sanction jurisdictions like North Korea.

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<v SPEAKER_2>One of the unique things that we did in the administration was that for the first time ever, we created a sanctions targeting team.

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<v SPEAKER_2>And for the first time, I think, we looked at the shipping industry in a different way.

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<v SPEAKER_2>I think traditionally the US looked at the shipping industry in respect to its traditional security concerns and obviously proliferation issues.

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<v SPEAKER_2>So weapons proliferation issues, nuclear proliferation issues, and obviously shipping being a key node that may implicate those security interests.

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<v SPEAKER_2>But we also looked at it from an economic sanctions perspective.

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<v SPEAKER_2>How the shipping industry can play a helpful part in implementing US sanctions, because ultimately whether you have Iranian energy or Russian energy or Chinese goods or Venezuelan energy moving around the world, they're done by vessels.

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<v SPEAKER_1>If we stick with the last Trump administration, perhaps you could sort of outline what its foreign policy priorities were.

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<v SPEAKER_1>And then secondly, to what extent do you think they were achieved?

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<v SPEAKER_1>And I'm really looking through the sort of sanction shipping prism here.

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<v SPEAKER_1>Obviously, it had a very broad-ranging foreign policy agenda.

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<v SPEAKER_2>So I think at the very top of the priorities was Iran, obviously, the security threat posed by Iran.

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<v SPEAKER_2>And I think the objectives could be narrowed down to four key objectives.

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<v SPEAKER_2>One is ensuring Iran doesn't get a nuclear weapon.

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<v SPEAKER_2>Two, ensuring Iran doesn't expand and continue its ballistic missile program.

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<v SPEAKER_2>Three, stopping Iranian malign activities in the Middle East region, Syria, Lebanon, Yemen, other parts of the Middle East.

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<v SPEAKER_2>That includes terrorism, sponsorship of terrorism like Hamas or Hezbollah.

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<v SPEAKER_2>And four, releasing Western hostages that includes obviously American and hostages of other nationalities.

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<v SPEAKER_2>And how successful were we?

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<v SPEAKER_2>Well, look, there are several interesting data points.

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<v SPEAKER_2>Over the course of four years, we decreased Iranian oil revenue by $52 billion a year.

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<v SPEAKER_2>We bankrupted 17 out of 18 Iranian pension funds.

00:03:40.446 --> 00:03:44.906
<v SPEAKER_2>Iranian inflation was in double digits, unemployment was in double digits.

00:03:45.346 --> 00:03:48.626
<v SPEAKER_2>So you had the regime being squeezed financially.

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<v SPEAKER_2>And in respect to stopping Iranian, not stopping, but reducing Iranian malign activity in the region, because they continued certainly during that time, and decreasing Iranian funds to contribute to sponsoring terrorist groups, I think were goals that we largely achieved.

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<v SPEAKER_2>And there's a lot of debate today about whether the October 7 terrorist attack in Israel would have occurred under the Trump administration.

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<v SPEAKER_2>And there's a good argument to be made that the Iranians, Hamas, Hezbollah were really playing defense, because they were trying to survive financially in the face of the significant revenue cut of $52 billion a year.

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<v SPEAKER_2>I think for the first time in history, Hezbollah was making public pleas for donations, because it was facing a financial crunch.

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<v SPEAKER_2>So it seems like during that time, they were busy trying to survive, rather than planning and financing a very large, sophisticated terrorist attack against Israel.

00:04:54.306 --> 00:04:59.046
<v SPEAKER_1>It's interesting hearing you speak there, because we're getting the perception from the administration.

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<v SPEAKER_1>Talking about perceptions, what did the Trump administration, what did you make of the shipping industry when you came across it?

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<v SPEAKER_1>Because I think previously you worked with BlackRock, so probably slightly removed from shipping.

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<v SPEAKER_1>And how did that impression of the industry, and when I say the shipping industry, I'm talking about marine insurers, classification societies, as well as just ship owners and charters.

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<v SPEAKER_1>How did that impression evolve during your time in office?

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<v SPEAKER_2>Well, I have to say that I had a different impression of different parts of the industry.

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<v SPEAKER_2>I think obviously the insurance sector, maritime insurance, P&I clubs, were from the very beginning, and I think historically very interested in ensuring compliance with US laws, US sanctions, obviously the sanctions of the jurisdictions they're located in, UN sanctions.

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<v SPEAKER_2>And I think with you and others in the industry, we're looking for ways to work together to ensure ship owners and other actors in the industry also similarly comply and figure out ways where we can identify sanctions evasion and to address that.

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<v SPEAKER_2>I think with respect to other parts of the industry, I think it took some time for ship owners to understand that the US was extremely serious about implementing US sanctions and that we subscribed to the idea that no one was too big to fail.

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<v SPEAKER_2>So it didn't matter how big a fleet that you had, if you were violating US sanctions, you were going to be held accountable.

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<v SPEAKER_2>It didn't matter how many flags you registered or how many flags you issued and registered vessels under, we were going to hold you accountable.

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<v SPEAKER_2>And I think we saw that play out in two particular circumstances.

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<v SPEAKER_2>One was we sanctioned a subsidiary of China's largest vessel owner, Costco, and that I think sent a ripple effect throughout the industry and really sent the message home that the United States was serious.

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<v SPEAKER_2>And I think it produced a good result, because ultimately, Costco worked with my office to change its approach, to change its compliance policies, and to commit to not violating US sanctions.

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<v SPEAKER_2>I think unfortunately, in the new administration that has changed, I think we're seeing active evasion, blatant evasion, flagrant evasion of US sanctions, because there's no accountability.

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<v SPEAKER_2>And so some of those actors, I think, have reverted to their previous ways.

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<v SPEAKER_2>But during the administration, I think that was a strong message that we sent, and ultimately ended up working out for Costco, because they really, I think, during the administration, at least the Trump administration, really did change course.

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<v SPEAKER_2>And that led to larger conversations with other Chinese state-owned entities on how they could comply.

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<v SPEAKER_1>Fascinating.

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<v SPEAKER_1>And I do remember the designation of Costco.

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<v SPEAKER_1>You're absolutely right.

00:07:59.466 --> 00:08:01.386
<v SPEAKER_1>That sent shockwaves right through the shipping industry.

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<v SPEAKER_1>I don't think anybody really expected the US to go that far.

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<v SPEAKER_1>So it certainly sent a very strong message.

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<v SPEAKER_1>You talked a little bit about the changes under the current administration.

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<v SPEAKER_1>Is there anything you think that it's done well?

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<v SPEAKER_1>I suppose now we're getting onto the meat of this interview, which is what you think a second Trump presidency might change from the current approach.

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<v SPEAKER_2>Sure.

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<v SPEAKER_2>I think President Trump has been transparent about some of the key foreign policy initiatives he wants to pursue if he comes back into office.

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<v SPEAKER_2>I think at the top of that list is resolving the Ukraine-Russia conflict.

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<v SPEAKER_2>And I think the president has said that that will be one of his first priorities to ensure that war ends.

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<v SPEAKER_2>I think there's been some concern, bipartisan concern among Democrats and Republicans, that the massive amount of aid, billions of dollars going to Ukraine, has not all been used properly, that there's some corruption there, and that there needs to be a fresh approach to try to resolve this conflict.

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<v SPEAKER_2>And I don't want to telegraph exactly what the president might do and the kinds of conversations he will have, but I think one of his key priorities within the first few months, frankly, is to ensure an end to that conflict.

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<v SPEAKER_2>And obviously, that's going to have implications in respect to the price cap policy, with respect to the export of Russian oil that we see today, and other approaches in respect to Russia and US sanctions.

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<v SPEAKER_2>With respect to Iran, I think you can safely assume that you'll see again a maximum pressure economic campaign, holding Iran responsible and holding third party countries responsible for sanctions evasion.

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<v SPEAKER_2>And I think we learned a lot of lessons during the first four years.

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<v SPEAKER_2>And I think we'd be in a position, or the Trump administration would be in a position to very quickly move forward on that maximum pressure campaign, having learned lessons of the past.

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<v SPEAKER_2>And I think that has implications for the private sector.

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<v SPEAKER_2>Because I think now, private sector companies that either are intentionally evading US sanctions or violating them, or those that have simply taken a more lax approach and they haven't really prioritized compliance, I think would be wise to rethink that approach if there is a second Trump administration.

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<v SPEAKER_1>I suppose another question that really follows on from that is what we should really, in the shipping industry, we should expect from a new Republican administration, Trump or otherwise, but probably Trump as things seem.

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<v SPEAKER_2>Well, it's a very good question.

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<v SPEAKER_2>I think from a high level, you know, we discussed the maximum pressure campaign and the implications of that.

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<v SPEAKER_2>But frankly, I think it depends on the individuals and the personalities involved in those that might join a second administration.

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<v SPEAKER_2>I think to the extent that you have individuals that were part of the first administration that had the engagement with your industry and others, you know, obviously that will be built on and we don't have to start from ground zero.

00:11:22.126 --> 00:11:27.046
<v SPEAKER_2>And I think there is a real partnership there between the United States and the private sector.

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<v SPEAKER_2>And there's a lot that we learned that will be utilized going forward.

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<v SPEAKER_2>But if for some reason there are individuals that don't have that previous experience, there might be a steeper learning curve.

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<v SPEAKER_2>So I think when it comes down to implementation, it has a lot to do with individuals that might be appointed in the second administration.

00:11:48.126 --> 00:11:49.146
<v SPEAKER_1>Yeah, understood.

00:11:49.786 --> 00:11:56.446
<v SPEAKER_1>If you are to sort of give some very general guidance to the shipping industry now in anticipation of a change of administration, what would you say?

00:11:56.466 --> 00:12:14.786
<v SPEAKER_2>Look, I would say notwithstanding, perhaps non-existent or lax enforcement efforts by the current administration, at the end of the day, US law is US law, and it behooves a company that has exposure to the United States to comply with that law.

00:12:15.226 --> 00:12:27.546
<v SPEAKER_2>And you have to remember that violations today in 2024 or last year, in 2023 or the last couple of years could be enforced next year.

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<v SPEAKER_2>So it's not like anybody has a free pass, although today you might not see enforcement.

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<v SPEAKER_2>If there's evidence, and I can, you know, I'm not in the government, but there's a very good chance that those actors that today are either negligently or intentionally violating US sanctions, there are people that are tracking that, and that information is there.

00:12:53.366 --> 00:13:07.266
<v SPEAKER_2>So just because you don't see enforcement today based on acts today or yesterday the past couple of years, that's not to say that you won't see enforcement for acts violations that occurred during the Biden administration.

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<v SPEAKER_2>And I think that's a very important message.

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<v SPEAKER_2>Obviously going forward, the focus should be on how you proactively comply.

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<v SPEAKER_2>And I've always encouraged when I was in office and today in the private sector, for companies that have concerns, those that want to comply, but they have commercial challenges, they have business cost challenges, they have competitor challenges, whereby they feel like they're the only ones that would be complying, and others would have a market advantage because they're not.

00:13:38.846 --> 00:13:45.586
<v SPEAKER_2>I think those are all good conversations to have with policy makers in the United States government.

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<v SPEAKER_2>And I know companies oftentimes are hesitant to raise their head and initiate dialogue, but I think ultimately the point of this is not to catch someone and corner them, but rather work collaboratively and cooperatively to help companies that want to comply to comply.

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<v SPEAKER_2>So I always encourage private sector actors, especially if it could be done within an industry group.

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<v SPEAKER_2>So that way one company doesn't feel like they're taking the lead on this, but rather an industry group is making the effort to engage with the US government.

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<v SPEAKER_2>I think those kinds of conversations are always helpful for the private sector and frankly for the US government to get folks to a place where they could comply in a way that's commercially reasonable for them.

00:14:37.026 --> 00:14:38.366
<v SPEAKER_1>David, thank you very much.

00:14:38.386 --> 00:14:40.986
<v SPEAKER_1>That's been extraordinarily insightful.

00:14:41.186 --> 00:14:42.186
<v SPEAKER_2>Thanks for having me on.

00:14:42.206 --> 00:14:43.126
<v SPEAKER_2>Appreciate it.

00:14:43.366 --> 00:14:45.366
<v SPEAKER_1>Well, that's it for this episode of Future Thinking.

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<v SPEAKER_1>Remember to listen to all the Future Thinking episodes where we will talk all things maritime from the year ahead in geopolitics to the issue of sanctions avoidance and how sanctions breakers are seeking to avoid detection.

00:14:56.166 --> 00:15:04.506
<v SPEAKER_1>You'll find the Alongside podcast and these Future Thinking episodes on the NorthStandard website at northstandard.com or wherever you get your podcasts.

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<v SPEAKER_1>You can also click follow to ensure you don't miss an episode.

00:15:08.786 --> 00:15:10.226
<v SPEAKER_1>That's it from me, Mike Salthouse.

00:15:10.446 --> 00:15:10.926
<v SPEAKER_1>Bye for now.