Center for Strategic and International Studies

“The Future of Global Trade”

Expert Panel With:

Peter Allgeier,
Former Deputy United States Trade Representative

Victoria Espinel,
President and CEO,
The Software Alliance

William Reinsch,
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Moderator:
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MATTHEW P. GOODMAN: My name Matthew Goodman. I work on international economic policy here at CSIS, and am delighted to welcome you on behalf of CSIS and the Simon chair. This is part of a series that we do called the economic statecraft speaker series. And it's generously supported by ALCOA Foundation. And we appreciate that support. We do a lot of things under this series, but today we thought it would be quite topical to talk about the subject of trade, which has been in the news, if you hadn't noticed, recently. And so we're going to have – we've got a dream team up here that I'm going to introduce in a minute to talk about this. And Mike Froman after that, from 11:30.

But let me first make a couple of administrative announcements. First of all, in the case of some sort of security event basically follow me, is the bottom line. Instructions – there are exits behind here that go down – there are stairs down to the alley. Or you can go out front and there's a little park across the street where we assemble. So that's point one. Point two is we're going to do a break from 11:15 to 11:30, and there'll be coffee up on the Sam Nunn Terrace. There are restrooms basically behind me here that you can get to around this way. And finally, if you have any phones or other noisemakers, if you could set those on stun or otherwise silence them we'd appreciate that.

So, with that, let me just say that, you know, I've been watching trade, like many people, for decades. And, you know, there have been some heated debates along that road, but I don't think it's ever been like this. I don't remember a time when it's been this heated and there's been as much controversy around the topic of trade and trade policy. And, you know, there are some underlying trends that are worrisome in trade itself. Global trade over the last three or four years has been growing more slowly than global GDP. And that's historically an anomaly. It's always grown faster than the global economy. Protectionism, not in massive 1930s ways, but in small ways has been rising. And the WTO and independent groups have sort of catalogued all of that and it's quite worrisome.

Global trade negotiations have been stalled. The Doha Round is effectively dead, multilateral negotiations are focused on some specific areas. But even those are not moving as far as they could or should. Mega regional agreements like TPP, the Trans-Pacific Partnership, TTIP, the Transatlantic Trade and Investment Partnership, even the Regional Comprehensive Economic Partnership, which is another Asian arrangement, is not moving very far very fast. And then, of course, you have all this anti-trade and anti-globalization rhetoric and positions being taken by presidential candidates on both sides of the aisle against trade, which is, again, a first, as far as I know, with so much anti-trade rhetoric from both sides of the aisle.

I mean, I will say that the election – I think I learned some things from that debate and the election results about trade. I think we – you know, there's obviously a lot of anxiety about trade and economic change in other ways – technology and other changes in the economy and, I think, a sense that we folks in this room and in Washington don't understand those anxieties and certainly are not delivering the solutions to those problems. And, you know, whether it's looking at policies like adjustment assistance or retraining and education or wage and income support of some kind, we're not delivering things that people want. And I think we all need to listen more and understand what those anxieties are and what the solutions may be to these issues. And the Simon chair is going to be doing more work. We're already starting to do more looking at those questions, which we haven't done as much on in the past.

But I also think – and I think most people on this panel and in this room would agree – that trade is also sort of getting a bit of a bum rap. It's being – it's become a poster child for a lot of anxieties that aren't directly related to trade. I mean, trade has provided broad benefits for our economy, for the global economy. If they understood it, I think 600 million Chinese would agree that trade and globalization had been a good thing for them. And so I think part of the problem here is that we're not doing a good enough job explaining trade. And that's the purpose of today, is to help try to explain things in a specific way. Not just say it's good for the economy or it's – you know, there's broad benefits, but to look specifically what's at stake and what some of the areas of trade policy are important for the U.S. economic and, in some cases strategic, interests.

So we have, as I say, a dream team up here to help do this. I think they're probably all familiar to all of you. I've had the pleasure of working with everybody up here. In fact, when I was young I wanted to grow up to be these folks. So delighted to have – I'll go down in order here – Victoria Espinel, who is president and CEO of BSA, the Software Alliance. She's worked for both Democratic and Republican White Houses, including the Obama White House, where we had the pleasure of working together when she was IP – intellectual property enforcement coordinator. And so delighted to have Victoria here. You have more background on her in the biographical information.

Next to her is Peter Allgeier, who, again, I'm sure is very familiar to people in this room. He's president of Nauset Global, LLC, a consulting firm, but I think you all know him as former deputy U.S. trade representative, former president of the Coalition of Services Industries. And so it's just a thrill to have people here with us as well. Thank you, Peter. And at the end another familiar figure, Bill Reinsch, who is senior international trade and government relations advisor at Kelly Drye, a law firm here in town. But again, I think probably better known to most of you here as long-time president of the National Foreign Trade Council. And before that, he was a – he was undersecretary of commerce for export administration. And he is a friend and mentor and has taught me a lot about this subject. So I very much appreciate his willingness to join us here today.

So I have talked a lot. I now want to let you talk. And the first thing I'm going to do, before we delve into individual areas that you each have a lot of expertise and knowledge about, is I want to ask each of you – and I maybe am going to start with Peter because you've been doing sort of trade policy at USTR for a long time, sort of what your diagnosis is of the point we're at in trade and trade policy. You know, you can disagree with aspects of what I said or enhance that, add other points. But what do you think is going on? How did we get here?

PETER ALLGEIER: OK. Well, thanks, Matt.

Well, as you've pointed out, there is a lot of disenchantment or really widespread opposition to trade and to trade agreements, certainly here in the United States, but we're also seeing in Europe and in other developed countries primarily. And a big part of it in the United States, obviously, is the concern about manufacturing and what has happened to our manufacturing sector and the people who have worked in manufacturing.

And if you look at the statistics, over the last 30 years manufacturing production in the United States has increased about 85 percent. But then you look at the employment picture, and employment in manufacturing over that same period – and mostly since 2000 – had declined 30 percent. And so – and a lot of people, of course, attribute this to trade. But I think when people look at it, and a lot of the research points out that really what the main fact – the overwhelming factor in this is change in technology. And so that's the situation with manufacturing.

Now, another big part of it – and this is something that Victoria will talk about, is the digital revolution. And the digital revolution is spreading, obviously, across our entire economy and almost every aspect of our lives. So there is a great need for people to – who are digitally literate in their jobs. And not just those who are in Silicon Valley or someplace like that, but in every single business more and more of the business depends in one way or another on the digital economy.

And the problem here, as I see it, is that we have a huge mismatch between the skill demands of the digital revolution and the skill supply, that we still have a mismatch between people who are prepared for, I'll call them brain jobs, versus people who previously have had muscle jobs. And, I mean, there still are a lot of need for various kinds of muscle jobs, but not to the same extent that there has been in the past, and certainly in the future it's going to be a smaller and smaller percentage of the working population.

So obviously this – these issues, and particularly the one about manufacturing, were important in the – in the campaign, because they were important to the general public. And the response, at Matt pointed out, from both candidates, was we need to be more aggressive in defending America's interests and promoting America's interests. Now, in terms of defining what America's interests are going forward, a little sketchier there in terms of the prescription being given by, from my point of view, the incoming administration.

And I think one of the things that perhaps we can talk about is, you know, it's going to be a more aggressive trade policy. And there is aggressive smart and there is aggressive dumb. And so the challenge – I mean, we're going to have to deal with a more aggressive trade policy, and in some instances we should. But we need to make sure that, as I said, it's aggressive smart not aggressive dumb.

MR. GOODMAN: OK, we will come back to that, because that is kind of the $64,000 question, is how to get that smart policy right, and what advice we have for the new administration. So thank you for raising that.

But, Victoria, before I ask you specifically about the digital economy and the issues that you're working on, again, what's your take on what's going on and why we – and how we reached this point on trade?

VICTORIA ESPINEL: So I was thinking, you gave us a great setup. And as you were talking so many thoughts came to my head. I was thinking, I'm going to winnow. So I've tried to winnow that to three. One is, you made the point that concern about trade has been around for a long time, but it certainly seems like it has escalated, to a certain extent. And I think – but, you know, the reality – I think we should all recognize the reality that trade has been a difficult and controversial issue for many, many years. Trade votes are always difficult votes. So it may feel worse now, but it's not like – it's not a totally new situation, so.

The second thing I would say is, I think trade – and what we mean by trade – has changed. Certainly it has for my industry. And I think we'll probably come back to this when we're talking more about the digital economy and the data economy. But, you know, trade policy needs to keep up with where the global economy is going – that sounds kind of obviously, but – and I think USTR has started to try to do that. But I think we need to see more progress thee. The nature of trade and what we mean by trade, certainly from my industry, has changed a lot. And if trade is going to continue to be one of the drivers of the global economy, as I think it should, it needs to reflect what the global economy is becoming. And so I think that's a big shift. And I think there's actually some room for optimism there. And I'm happy to come back and talk about why. I think there is – I think there is room for optimism in terms of where trade is going.

The third thing I would say – and we probably need to have more conversation about this as well – is, you know, you talked about some of the fears. I think it is – I would agree with you, that I think putting all of those fears on trade is probably misplaced, but I think there are real concerns about what is happening in the United States and the impact it's had on jobs. I can certainly tell you, from the perspective of my industry, it's something that we care about a great deal. If you look just at the software industry, we create 10 million jobs in the United States. And additionally, we are an industry that has more jobs than we can fill. We have empty jobs in software because we don't have people with the skills and the training to fill them.

So we are in a very different place than many other industries, where we have – you know, you by 2020 they have said there is going to be 1.4 million more computing jobs in the United States. We only have about 400,000 students in the pipeline to fill those jobs. We have a real pipeline issue. And so I think focusing on training and education is certainly something our industry is focused on. I think we need to get our governments more focused on it. And I think that's – you know, that needs to be part of the narrative that we're talking about as we go forward.

MR. GOODMAN: Great. Again, another great topic to come back to. Bill, what about you? What's your sort of take overall?

WILLIAM REINSCH: Well, after this, I'm sort of in the position of what I learned when I was working on the Senate staff, when people were talking about Senate debate. Everything's been said, but not everyone has said it. (Laughter.) And so, you know, here I am saying, yeah, good, you're right. Let me try to add a slightly different tact. I think we've agreed trade is a scapegoat. Not a surprise. The gains tend to be long-term and diffuse. The costs tend to be short-term and specific. That's not news. At the same time, it's more than a scapegoat, because the gains have been disappointing and the losses have been – I think, as a consequence of global market integration – the losses have been sharper and greater than people expected and the gains have – in part because of the state of the economy – have been less than people have been – have expected.

You know, part of the answer is we need to do a better job of talking about the gains, which I think we haven't done. But the more important part of the job is to make sure the gains actually accrue, and that the system is structured in such a way that people benefit from what's happening. Now, we can talk a little bit more about that if you want. I think, though, at the same time, the election creates kind of an institutional dilemma for us, that we need to think about above and beyond just the argument about trade policy. It seems to me we're kind of at a fork in the road. As Yogi would say, we should just take it. That's the answer.

But in this case, you know, we have a number of people that are really talking about a policy that is more isolationist, more protectionist and, in some respects, more nativist than a policy of outward-looking expansion and global integration. That's not new for the United States. We really pursued those policies the first 150 years of our history. It wasn't until the Depression and the Roosevelt administration that we really turned into an international country, if you will, on a sustained level. And post-World War II, you know, what we spent a lot of time and investment in is constructing a global architecture of institutions and rules that, among other things, worked to our benefit – which I think is one reason why we did it – but also worked, I think, to the benefit of a larger number of countries by creating some sense of order out of a lot of chaos.

I think we may be reaching a point where there are people that are going to – that are challenging that order. There are already people in other countries challenging that order. China's probably the best example of a country that has not been a defender of the existing system. And we have been. And I think it's benefitted us. We are in a situation now where we face a lot more competition globally – not only for economic gain and market access, but also for global leadership, and the maintenance of and further construction of a system that works to our advantage.

I think we have an incoming administration that has a lot of skepticism about that, and may take us down an older road in our history. And one of the things that I worry about a lot – which is macro, more than the micro question of what do we do about trade policy domestically. One of the things that I'm beginning to worry about a lot is that we have competitors for global leadership. And you're going to see this next week in Davos, when Xi Jinping is going to be there, and we're not. And you're going to see somebody else saying – claiming the mantle, if you will, of global leadership in the economic sphere. People may or may not buy that, but I think there's a trend here that's important.

And it's not only important from some sort of, you know, thing that all the foreign policy people – of which I am not one – do about, you know, the U.S. role in the world is important. It's important economically, because the system contains rules about how companies do business with each other, how intellectual property is protected, how data is stored – or they don't have rules, in some cases. (Laughs.) And they have rules about tariffs and things as mundane as that. That system's been advantageous for us. And I think we want to maintain that system. And in order to maintain it, I think we have to maintain our role in it. And I'm worried that it's going to be eroding, partly because a lot of people here have lost confidence in it – which the election reflects – and I'm not sure that the incoming administration has much enthusiasm for it.

MR. GOODMAN: This is such an easy panel to moderate. It's like having wind-up toys. I just wind it up and they can – (laughter) – they can do this all for me. I don't have to do anything. It's fantastic. I'd like to just let you guys continue to talk, but let me try and steer it a little bit diving a little deeper, and then we'll come back up and talk about these broader issues again.

So, Peter, again, to start with you on services. So you spent a lot of time working on that. Before I actually ask you about, you know, services trade itself, first of all, what are services? Because I think of services as – what are cross border services in particular, because, you know, we all think of haircuts or restaurants. Those aren't tradeable things.

MR. ALLGEIER: Yet.

MR. GOODMAN: Yet. (Laughter.) Yet. That actually is good point. So tell us – help us define, you know, what we're talking about here, and why they matter to the United States.

MR. ALLGEIER: Well, services are the largest – by far – the largest sector of the economy. And, yeah, we often think of services as what happens to us in our daily lives. But a lot of the services that we do have in our daily lives either are trade internationally or they can be traded internationally. So services, obviously they include the whole array of financial services, of banking, of insurance, and so forth. The whole telecommunications area of services. So you think of AT&T and Verizon. And then the whole digital area of services – you know, whether it's Microsoft or Facebook or Google or any of the other services that we all take advantage of. It's services – logistics services. You think of FedEx and UPS. All sorts of services.

And the services are integrally related to manufacturing. And if you look at businesses today – there's a misconception about manufacturing trade and services trade. And what I mean by that is that when an automobile comes across the border – let's say from Germany – customs looks at it and it says, OK, here's a $40,000 BMW. That's $40,000 of manufacturing imports by the United States. But when you look at how BMW is manufacturing, and what it needs to manufacture, a huge part of what it's doing are services. Obviously, the financial services, the logistics of moving the cars, engineering and design services, accounting, the communications and public relations advertising services.

So several years ago – a few years ago, the WTO did an exercise and said: Let's look at whole range of products – so-called manufactures that are going across borders. And let's break it down. And what part of the manufacture is really, you know, tightening the wrench – well, you don't use wrenches anymore – but the robots manufacturing the car, and all these other ancillary, but necessary, services that are part of BMW's operations. So they did this. And they did this more or less globally, looking across a whole bunch of countries. And they said, if we look at the customs figures now, something like 25 percent of world trade is services. But when we break it down and take out the services part of a washing machine or an automobile or an airplane, we find out that actually services are 48 percent of world trade.

So there's all these services that are kind of hidden under the guide of manufactures, but are absolutely essential to all these manufacturing businesses and the products that they produce. Now, in the case – the United States is the leader, by far, in services – internationally trade services. One example of that is that we run a quarter of a trillion-dollar trade surplus in services. And frankly, the United States is the most innovative in introducing international trade services. Even the Europeans are concerned that they're not competing well with the United States because we are the innovators.

So this is something that one hopes the incoming administration will understand, and understand that success in manufacturing also means success in services, and in terms of U.S. competitiveness down the road, they need to be paying attention to what are the rules of the road on services. And are we, who are the leaders in services, the ones who are defining what the rules should be. And this will get a lot, also to the part that Victoria has responsibility for, the digital economy, because services are completely dependent upon the digital economy. And, again, it's the U.S. that has been using its leadership in the digital economy to support its leadership in services.

MR. GOODMAN: So when it comes to actually trade in goods, it's fairly easy to deal with the – at least the border problems but cutting tariffs and, you know, integrating and increase trade that way. With services, what are the – it's not as – it seems not as easy to get services integration across the globe. What are the – what are the main problems for services across border, and what needs to be done to address them?

MR. ALLGEIER: Well, there are a number. I mean, I'd say the first one is, again, the digital economy, and the ability to move your data and to store your data where it makes the most sense. It doesn't make sense to have – to hold your data in every jurisdiction in which you're operating. Regulatory issues are huge in services. I mean, it's pretty obvious in the case of financial services, but it's true in all the other services. I mean, you think of something like express delivery. And, you know, all right, what are the rules under which our express delivery companies operate in a place like China? Well, they're very, very restrictive or they don't even know what the rules are – the rules keep changing or they're so obscure.

So the sorts of things that we more or less take for granted in terms of rulemaking, transparency in regulations, that the regulations apply equally to a domestic operator and a foreign operator – which is often not the case – that companies – U.S. companies, are they competing against state-owned operators which have different rules applying to them than to our companies, or other foreign companies that are operating? So I would say the digital issues and regulatory issues are, across the board for services, two of the highest priorities looking forward in trade policy.

MR. GOODMAN: OK. Well, you've perfectly teed up the next two panelists, because I want to turn to – and I want to actually come back to you on a definition question in a sec if we have time. But, Victoria, let me pull you in here. And Peter's already sort of, I think, delivered your punchline. But first of all, definitionally, what is the digital economy and, you know, why does it matter in this context?

MS. ESPINEL: So, you know, digital economy is a term that's used a lot. I'm actually chairing a group at Davos next week on the digital economy and society. And I think, you know, one of the – one of the things we'll be talking is exactly how you define the digital economy. But for purposes of this discussion, let's define it as industries that are producing things that are digital, right? So things that are in digital form – software being an example, therefore, of the digital economy.

And I think one thing that's important to note about the digital economy, and kind of this – you were talking about the economic slowdown – is that the digital economy is actually performing quite well. Businesses that are in the digital economy have grown 30 percent in the last five years. The digital economy is out-performing the rest of the global economy. And that's not growth that we want to stop.

But what I would – what I would like to do is kind of go one step down below the digital economy, and talk about the data economy, because that I think matches up very much with what Peter was saying. So, you know, in my industry we talk a lot about this data revolution moment that we are in right now. And you know, this is a fact that is widely known, but every time I say it out loud it kind of amazes me yet again. If you – if you stand here today on January 13th, 2017 and you look back to the beginning of recorded time – to when humanity started recording the knowledge that acquired – 98 percent of the data that exists, that has been recorded, has been created in the last two years.

That is – that's not even exponential growth. That's growth in information and data on a scale so far beyond anything that humanity has seen before that it's hard for us to get our minds around it. That's going to have impacts far beyond trade policy and global economic policy. That's going to have societal impacts that are, I think, going to have enormously beneficial consequences for the world at large, but are also, I think, going to change a lot of the ways that we think about how we live our lives and the economy.

So we're living in this moment. And I think it's also worth remembering, that's happened. We're still at the beginning of that. So I think it is incredibly important, therefore, when we are thinking about something like trade policy to be thinking about how trade policy and economic policy needs to adjust to try to account for that. And in terms of data, one of the things that I think is really interesting – or at least it's interesting to me as a former trade negotiator – is you have – you have something that is already so important to the global economy, and yet we don't have enforceable trade rules on data, by and large.

And I kind of – I was an intellectual property negotiator when I was at USTR. You know, one of the highlights – always will be – one of the highlights of my career is being a negotiator for the United States at USTR. But one of the things the United States had done that was very prescient in the ’90s, is realize how a big a driver of the global economy intellectual property was going to be, so the United States went out and negotiated trade rules on intellectual property. And at the time, that was considered unusual. There wasn’t a consensus that intellectual property should be part of global trade rules. Now I think you can argue about what those rules should be, but I think it’s obvious to everyone that there should be international global rules on intellectual property.

Well, data is kind of at that moment now. There are not strong, enforceable rules in the WTO on data, which makes sense because it wasn’t part of the global economy when the WTO was brought into being, the way it is today. TPP was the beginning of having an international framework on data. But that is it. It is a big gap in terms of our international trading system rules right now. And it’s a gap that clearly needs to be filled. And I guess going back to what I was saying in the beginning, part of the reason I am optimistic about at least one part of the trade agenda going forward is I think that gap is too big and too important to the U.S. economy to be overlooked.

So I am optimistic that any administration – including the next administration coming in – as they’re looking to negotiate a trade agenda that will create jobs for the United States, will see that as an area to focus on. And I’m happy to elaborate further on what I mean by that, like what – but I’ll pause for a moment.

MR. GOODMAN: Well, let me ask – I do want you to do that – but let me just ask on the cross-border dimension of this, why is it so important for data to flow internationally? Why does it not flow as smoothly as it should? And how is government involved in this? And why are they trying to stop data from flowing?

MS. ESPINEL: OK, that’s great. Thank you. And there’s data localization, and cross-border data is kind of the terms of art. But they’re, like, hideous opaque terms. So I’m glad you asked me that.

So when I’m talking about data, you know, often people think of personal data. And that makes sense because, you know, their own data is often what people are interacted with. But there’s an enormous amount – in fact, the majority of data is commercial data. So a practical example of that is every time you’re in a plane, that plane now – this was not true years ago but it is true today – that plane is throwing off a terabyte of data with every transatlantic flight.

MR. GOODMAN: Terabyte of data, on one flight. That’s a lot.

MS. ESPINEL: Enormous amounts of data that are—

MR. GOODMAN: It sounds like a lot.

MS. ESPINEL: It is a lot. And that data is measuring things like the wind velocity or the amount – the fuel efficiency. And so Boeing has been using that data to figure out both how to make its planes more safe and to make its planes more efficient. And that kind – and that is happening in agriculture and transportation, in manufacturing. And literally every economic sector that we have is now depending upon data to do what it does better, either make its manufacturing goods or services more efficient, more responsive to customer demands.

That data and the ability for our companies to use that data as effectively as possible, it needs to move back and forth. If you have a plane that is flying from the United States to Europe, you need to be able to send that data back to the United States so that Boeing can use it in a way that's effective. If you are looking at agricultural data and measuring weather patterns around the world to try to make sure that we can grow crops in the United States, or in any country around the world as well as we can, you need to be able to share that data around the world. It's true in medical research. It's true in every field.

The problem that we are facing is that there are countries that are either considering or put in place policies that say we don't think that data should be able to move across borders. We want to keep that data here, inside of our country. And one practical way that that manifests itself is saying data centers have to be built here in this country if you want to be able to operate in our country. So instead of having data centers in the United States creating jobs in the United States, trading partners are requiring that data centers be built, and the jobs that go with them, be built inside of their countries. And those – and there's a variety of reasons why governments might pursue those policies. But that's a practical way that they manifest themselves.

MR. GOODMAN: Can you give a sense of one or two of those reasons? Is it to do with their citizens' own privacy? Is it commercial?

MS. ESPINEL: So I think – I think it's – so I think there is – yes. There's a – as I said, there's a variety of reasons. And there are some legitimate reasons why a government would want to keep data. So data that was, you know, essential to its national security is a reason, that we would all agree, a government might want to keep its data very close to itself. But I think there are times when privacy or security concerns are mentioned as reasons, but they may – they may sometimes be a legitimate reason.

There are other times I think they are not. I think there are certainly governments around the world that are looking to try to build their domestic industry. And they see this as a way of slowing down the U.S. I mean, this is an area where the U.S. is a leader. And having restrictions here limits or impedes companies' ability to expand their consumer base. And that, you know, hurts jobs back in the United States. It hurts our competitiveness. And that is a motivator. Maybe not always the motivator. But that is a motivator.

MR. GOODMAN: You mentioned that TPP was trying to get at some of that rulemaking and dealing with some of those areas. What would it have done? What will it do, I should say – (laughter) – because I still believe TPP is going to happen eventually, I'm just not going to predict when. But so what – how does it address some of those things?

MS. ESPINEL: So TPP was the first trade agreement that had a default rule that said data should move back and forth across borders. It had a default rule that said you cannot – you, a government, cannot require a data center to be built within your borders in order for a company to do business in your country. And there were exceptions to that, as there are always exceptions in trade agreements. But that was the default rule, and so that does not exist in any trade agreement. And we need to have sort of default baselines on international basis. And I also am confident we will get there – whether it's through TPP or whether it's through other mechanisms. I think it's just – as I said, I think it's just too important to the global economy for it not to be addressed.

MR. GOODMAN: Where else are we talking about these things other than in these trade agreements?

MS. ESPINEL: Well, TPP has been the main place. And so if TPP is not going to move forward – and I don't know that we actually know that. I think there's enough unpredictability in the system that I certainly wouldn't want to say that's 100 percent. But I think if it does turn out that TPP is not the mechanism, that's certainly – we will not stop pushing for those – to have international rules in this area.

One thing I would mention, that I find interesting and something we definitely need to keep an eye on, is the European Commission came out with an announcement on data flows two days ago, which said a number of things. But one of the things it said in that announcement is that it was going to start negotiating deals with Japan and South Korea on data. And as the Europeans are wont to do, as any country would be wont to do, they will then export their notion of what data flows means.

And their notion is not as open, as expansive as the United States'. So I think any former trade negotiator would look at an announcement like that and think: That is definitely something the United States should be watching with some degree of caution. And the Europeans are going to be out there talking to Japan or South Korea and other governments. We need to be out there talking to them as well. And with our vision of what open data looks like and data flows across borders.

MR. GOODMAN: OK. Fantastic. Lots more to ask about, but let me get Bill in here as well, because another chapter of TPP was dealing with – deals with state-owned enterprises. And that word gets its own acronym, SOEs. But I don't think, again, that's all that well-defined. What is a state-owned – does a state-owned enterprise have to be something that 100 percent owned and controlled by a government? Or is there a problem that's broader than that? And what is the problem?

MR. REINSCH: Well, I once – when I was on the China commission, one of my former colleagues once said that in China there were only two categories of companies – those that are owned by the government and those that shut up and do what the government tells them. And I think that was a bit of an overstatement, but it also illustrates that there's a range of behavior that probably is subsumed by the term. I mean, state-owned enterprise technically is an enterprise that's owned by the government. But in fact there's – as you've said, there are degrees. You can own it. You can control it, which means you own – if it's a stock thing, you own the majority of the stock or even, you know, a controlling minority of the stock. But beyond that, even if you don't do either of those things, you can heavily influence it one way or the other.

Chalmers Johnson wrote years ago, described Japan's policy as state developmental capitalism, which was not ownership of companies but a heavy hand of guidance, if you will, by the state, suggesting that various companies do certain things, and in some cases suggesting to certain companies that they ought to combine and merge, or that you ought to work on this or you ought to work on that in order to prevent messy competition.

So there's a range of things. And I think at the far end it – and it probably, in a way one of the most pernicious things that happens, is it ends up being sort of credit allocation and investment allocation. The state decides who gets the money. And that leads to – you know, I guess I would say there's probably three problems. Two problems of discrimination and one problem of overcapacity. If the state is deciding who gets the money, and they decide that either by their ownership or by telling banks lend to them, don't lend to them, several things are happening. One is, that you're directing capital in one area, so somebody's not getting it. And that means there are other people in the economy that are not going to be able to grow or, you know, do the things they want to do because, you know, the market's not making the credit decision, the government is.

At the same time, it is inevitably discriminatory against the competitors, which tend to be foreign competitors. So if you're being given governmental advantages, whether it's trough credit allocation or non-tariff barriers, or licensing restrictions, of buy-national provisions – we've been known to do that – what you're effectively doing is giving a leg-up to your guys as opposed to their guys. And I think from the company – from the country's standpoint – well, let me go – before I talk about the good things.

The third problem which we're seeing a lot now, is it's almost inevitable if when you get into the SOE game that you end up with overcapacity. And you see this particularly now in steel and aluminum and particularly with China. I mean, the reality is, for all the flaws of the market – and there are many – that governments don't allocate capital as efficiently as the market does. And what governments tend to do is overshoot. They decide that an industry's important – semiconductors in Japan in the '80s, autos wherever, steel and aluminum, and they channel investment in that area. If it's state controlled, that's an easy thing to do. Even if it's not, you know, people read tea leaves and they think, ah, you know, that a growth area. The government's putting money in there, or the government's favoring that sector. I'll follow them.

And what you end up with is more capacity than you need, which means more supply than you need, and then you end up with what we're seeing right now in steel and I think aluminum too, people sort of – then you dump the product, because you've got all this stuff. And then other countries have to match you if they're going to not lose market share. And then you get kind of a worldwide problem, which has happened over and over and over again. We're in the midst of it in the sectors I described, but it's not really confined to them.

There are people who will tell you – and I think with some argument – that there are advantages to state-owned enterprises. I think the main argument is various variations of the infinite industry argument. Particularly if you're a developing economy, you're not going to get industrialization off the ground – the argument goes – unless the government takes a hand in the business and provides either protection or investment funds, or both, to nascent industries who, in the absence of that kind of help, would not able to compete with established companies, foreign companies in the same sector. I think there's some truth to that. Whether it makes sense to be creating, you know, 47 countries having steel industries is, you know, kind of something else we can debate.

But clearly, you know, SOEs have permitted the development of important things over the world – over history. I mean, the most obvious argument is Airbus, which I thinks really is a creation of government. I expect if you were Boeing you wouldn't be very excited about that. They're not. On the other hand, if you're Airbus you say, well, we did the same thing with Boeing. So it's – you know, everybody's guilty. I don't think the balance of guilt is nearly the same. But that's what's being litigated in the WTO.

The point is though, that a lot of countries, including developed countries, including this one, have from time to time, with a good big of success, allocated capital and government favoritism in one form or another to – in specific areas in order to achieve national policy goals. And we did a lot a long time ago. So we tend to forget about that. And then when other people now do the same thing we say, oh, well, you can't do that. You know, that's sort of the way the game is played, I guess.

So I don't – you know, in contrast to what Victoria was talking about, what I'm talking about is old. You know, SOEs have been around forever, probably back to the Roman Empire. You're talking about things that are new. You're talking about things that are fairly new. This is old news. They're not going to go away. They're not – they're never going to go away. It's just too tempting.

MR. GOODMAN: It is old, but it's been – it hasn't been subject to international disciplines. And so what was new about TPP was it was trying, for the first time, establish international rules on not whether – how much you could own in a state-owned enterprise, but what state-owned enterprises could do –

MR. REINSCH: To try to make they operate according to market principles. I mean, I think that's the underlying idea of what was going on in TPP, a recognition that you're not going to get rid of them, and nobody's going to agree to do that, but if you can make them operate according to market principles, price according to market principles, and deal with the market as if they were a private company, then you've at least leveled the playing field.

MR. GOODMAN: OK. I'm conscious of time. And I really know there are a lot of smart people in the audience as well who have interesting thoughts and questions. So I want to give you time. And I think I'll just do that. I have another question for each of you, but I'll try to circle back and ask that afterwards, if I have time.

While you're thinking about a question – and there are microphones which will come, and please identify yourself and do ask a question – I just want to say about TPP that all three speakers have highlighted aspects of what are in TPP and what's at stake. And you know, I think whether you call it TPP or you put it in some other format – I mean, these things are clearly critical to U.S. national interests. And one way or another, we're going to have to find our way back to, you know, rulemaking in these areas. And so, you know, I think we – the logic brings us back to something like TPP eventually.

In fact, I'd even say – I'm going to stick my neck out – because the optimistic position on TPP has always been the correct position. That is, everything that was supposed to happen has happened – not necessarily in the time that it was predicted to happen but, you know, the agreement was reached and signed by the 12 members. And so I think, you know, there's every reason to believe we're going to eventually come back and implement it, except for the reasons that might get in the way. (Laughter.)

So, with that, questions, please. If you have questions, again, there's a gentleman right there. And please do identify yourself.

Q: Yeah, thank you. I'm Dan O'Flaherty, former of the National Foreign Trade Council.

And I'm wondering, given the tenor of our recent election and the debate surrounding trade, what do you foresee as being the U.S. trade agenda, say, in the next – in the near term, in the next couple of years?

MR. GOODMAN: Are you addressing that to anyone in particular?

Q: No.

MR. GOODMAN: Anyone? Anybody want to start?

MR. REINSCH: Yeah, I will.

MR. GOODMAN: Bill? OK, let Bill go first this time.

Mr. REINSCH: I think in the short run it's going to be primarily defensive. The president-elect is focused on domestic issues like creating jobs, bringing companies back, bringing manufacturing back, on the unfair practices of other people, which means, I think, sort of essentially playing defense. It means more enforcement. I mean, this – the current administration has been doing more enforcement anyway. So I'm not sure how much of an uptick you can – you can make. But we could get into the weeds on that. I think you'll – but you'll see more enforcement.

I think that – because I think the president-elect is also a fan of the grand gesture – I wouldn't be surprised to see an announcement that we're going to – I mean, he's already said we're going to go after Chinese unfair trade practices, we're going to renegotiate NAFTA. So I'm assuming that we'll do both, which means there'll be a negotiation. Mexico and Canada have said, OK, we'll talk. So I think that will happen. Whether it amounts to anything, we'll see. My view has tended to be that he's setting up a situation – two situations, those two, where inevitably he won't get everything he wants, and then is going to have to make a decision. Do we fold, if you will, or, you know, agree to a compromise that will be the greatest compromise ever agreed to, or do we retaliate? And it remains to be seen in that case.

What I don't see is a lot of interest in – and this is what I was alluding to in the beginning – I don't see a lot of interest in working with international organizations or working within the WTO to move out – you know, move out the borders of market access. He's not talking about better IP rules. He's not talking about doing things about SOEs. He's not talking about changing the framework. What I'm worried about in the WTO is we'll lose a case – I mean, we always lose a few. We win more than we lose, but we'll lose one. And then there will be this wave of anger here. Well, they – you know, they cheated us. We're going to leave. Now, I don't think it'll happen. Cooler heads will prevail. But it's fundamentally a defensive posture.

MR. GOODMAN: Victoria, did you want to go, or Peter? Go ahead.

MS. ESPINEL: Yeah. Well, I would – I agree with that, but I would add to it one point where I disagree. I think – or, potentially disagree. I think one thing that's interesting about the data trade policy issues is that they are not the subject of controversy. There is – they are bipartisan issues. And I think there's been a pretty solid consensus on a bipartisan basis that the data issues are good for U.S. jobs and they're good for U.S. competitiveness.

So I think as the president-elect is looking for a trade agenda that will create U.S. jobs, I think it will be very natural for him to navigate to the data issues, and for that to be a focus for the next administration. And I think – so I think that is a place where we could have an affirmative trade agenda. We don't have international rules now. We need them. They are not issues that are controversial. There's a lot of bipartisan consensus around them. And they create – help create jobs here. So I think that could be – and I anticipate that that will be an aspect of the next administration's trade agenda.

MR. REINSCH: But not one word said about that yet.

MR. GOODMAN: Not one word said about –

MR. REINSCH: Not one word said about that from the incoming people, that I know of.

MS. ESPINEL: Well, the administration's not in place yet.

MR. REINSCH: I hope you're right.

MR. GOODMAN: Week to go. We'll test it then.

Peter, just actually, as you answer the question – your take on this – what's the role of bilateral agreements, because that does seem to be something that, you know, this administration – I mean, they have talked about that as a priority. Is that a good thing in itself? And how does that support or undermine the multilateral system?

MR. ALLGEIER: OK. Well, first of all, I think, in terms of the broader picture, I think there are certain things we can say almost certainly, and then there are other things that depend on a few factors. In terms of what we can say certainly is the administration has said it is going to be more aggressive. And so, for sure, the administration will be more aggressive in things like anti-dumping and countervailing duty, for example. A question is, are they going to be aggressive smart, or aggressive dumb? And I think a lot of that will depend on whether the business community steps up and speaks about its real interest.

For example, the automobile industry. It would be a disaster for the automobile industry if the rules were that we're going to close down the auto trade or we're going to put tariffs on auto trade between the United States – or among the United States, Mexico and Canada. The auto industry is so thoroughly integrated that it would – it would – it would destroy the North American auto industry. So one hopes – and that – and it's true for many other industries. The degree of integration globally, with supply chains which, by the by, the United States has been a leader in setting up global supply chains. So, you know, it would be reversing – and I think it's impossible to reverse. I mean, it really is the classic King Canute ordering the waves to recede. And even the president-elect can't do that.

So what would be the thing to do? Well, I think, for sure, there will have to be more aggressive use of anti-dumping, countervailing duty. I think with China – I mean, he's got to be tough with China. One thing that China wants very much is to be classified as a market economy. And there's no way that's going to happen in the near term. But the new administration should set out the criteria. If you're going to be treated as a market economy, these are the things that you need to have in place to be treated as a market economy. And it runs the gamut from the disciplines on state-owned enterprises to how you treat the digital economy, how you treat your investors, and so forth.

In terms of other negotiations – just picking up, Matt, on your point about the TPP – the TPP – and if you're going to look at new trade agreements and new trade policy and how you're going to change NAFTA, for example, it's ironic that the incoming administration has talked so poorly about – negatively about TPP. There are an awful lot of things in TPP that you would want to take and, let's say, apply to NAFTA. So, for example, people worried about labor and environment, well, the TPP has gone much further than any other agreement in terms of the labor standards that would be required of countries like Vietnam, for example, or the environmental standards. Similarly, introducing the digital disciplines there.

Now, as for TPP itself, I think it's going to be necessary to go back to the TPP other members and say: Look, guys, if I'm going to sell this at home we're going to have to fix some of the things that were not right in TPP. So, for example, as Victoria said, the default position on data and localization was that you couldn't require localization. However, in financial services you could. And that makes no sense. So that should be rolled back. I think that some of the rules on the state-owned enterprises are quite weak.

So, for example, TPP focuses mostly on the behavior of state-owned enterprises in the export market, but doesn't really go to the core of how they are treating people in their own market, and so – or how they compete in their own market. So things like that could be put forward to the – or the auto rules of origin in TPP are much laxer than the case in the NAFTA. So one thing would be for the new administration to go back to the TPP partners, who desperately want the agreement, and say: All right, we need to make some changes and some fixes.

In terms of bilaterals, I think that bilateral agreements that are of the quality that we have pursued in recent years are good, solid agreements that are – provide, perhaps, a basis for international agreements. I think we should offer to do a bilateral agreement with the U.K. I mean, we've been doing the TTIP agreement with the EU. And there are lots of problems with that, that the European Commission has points of view that really are in conflict with ours. And we might do better with the U.K. So those are some of the things that I think that we should be looking at.

But one other thing in particular is we need to be looking at home of how we are dealing with the dislocated workers. And we have this Trade Adjustment Assistance program, or a whole plethora of programs. The question is, how well are they working? And I think that we should take a very rigorous look at those sorts of programs, consider other things that we can do to support and to help people make the transformation, whether they are 50 year old auto workers or they're youngsters coming along that have just come out of high school and, you know, what kinds of skills do they need so that they can compete in the 21st century rather than sit back and be unemployed with their 20th century skills.

MR. GOODMAN: Yeah. And again, we are going to be doing more programming on those subjects.

I'm going to take another question from the audience. But I don't want to put you on the spot, Ambassador Hills, but seeing you there and hearing all this talk about NAFTA, I just – since you negotiated NAFTA I'd be interested in sort of your thoughts about any of this, but in particular about the prospect of doing something different in North America – I mean, trying to do something, whether tearing up and starting over or adding things or subtracting. But whatever you'd like to address. I'm not going to call on you right this second. I'm going to ask the gentleman next to you first. And then maybe he can hand the microphone to you next. Right up here in the front please, Alex.

Q: My name is Dickson Ogwang. I'm the charge d'affaires of the Uganda Embassy in Washington, D.C.

Between the 4th through the 6th of August 2014, there was an historic summit – the U.S.-Africa summit in Washington, D.C. And a lot was discussed, including U.S. trade relations with Africa. What progress has been made, if any, since then in respect to the U.S. trade relations with Africa? I would think any of you could answer this question.

Secondly, in line with the rapid growth in technology, specifically I would like to address Madam Victoria on this, and digital advancement in the service sector of the global trade, where do you find the place for Africa in the current trend of global trade? And finally, what should Africa do differently, if any, for it to be able to compete favorably in the global trade arena? Thank you very much.

MR. GOODMAN: OK. All right. Good. Three-part question about trade with Africa. Maybe Peter, did you – you oversaw AGOA at some point in your career. Did you work on that?

MR. ALLGEIER: Not really, but I –

MR. GOODMAN: Not really, but you know enough about it to talk about that and other aspects of our African trade policy?

MR. ALLGEIER: Yeah. Well, AGOA had –

MR. GOODMAN: You want to spell that out for folks?

MR. ALLGEIER: Oh. AGOA is the African Growth Opportunity –

MS. ESPINEL: Act.

MR. GOODMAN: Act.

MR. ALLGEIER: Act, right. And basically it was a set of tariff preferences for African countries that was meant to be more generous in terms of coverage and so forth than our broad preference program, the generalized system of preferences. And it has had a degree of success. But part of the problem is the limited product coverage, not because of the law so much as because of what the capabilities of most of the African countries has been – have been. So if you look at what the trade flows are in AGOA, it's heavily petroleum products and textiles and apparel.

Now, the problem – a problem is that the textile and apparel business is incredibly competitive globally. And so what we have seen happen is that other countries – countries that even don't have preferences, for example, Vietnam – have been more competitive than many of the African countries. And so the African countries have been losing market share in our apparel market, and there haven't been other industries for them to move into. And so a big question is what is the capability of various African countries to diversify and to be less dependent upon textiles and apparel?

Now, I think that in some cases here too the digital revolution can be very helpful, because a big constraint in Africa, of course, has been various of the physical infrastructures – whether it's the transportation infrastructure or the telecommunications infrastructure or the financial infrastructure. And so we do see instances within Africa of them not having to build a whole telecommunications network, but using the mobile capabilities – we see that in banking and so forth. And it does offer opportunities for small entrepreneurs to tap into the global system through telecommunications, through the logistics that are available. But I think also –

MR. GOODMAN: In some parts of Africa, they're way ahead of us in mobile –

MS. ESPINEL: Mobile banking.

MR. GOODMAN: Mobile banking and other services, right?

MR. ALLGEIER: Yeah. Yeah. So, you know, the challenge is to put together the necessary infrastructure – institutional and physical. And, you know, a big part of that is the policies that they adopt and whether they're adopting policies that facilitate these things, or whether they are policies that, because of state-owned enterprises or whatever – stand in the way of that.

MR. GOODMAN: Victoria, do you just want to add briefly?

MS. ESPINEL: Yes. So I want to thank you for that question, because I think there is a view that emerging tech – you know, with cloud computing or data analytics – is something that's helpful to big companies or in developed countries. And that's just not true at all. In fact, I think you could argue that the efficiencies and the cost savings of cloud computing are even more important to small companies and startups that are trying to get themselves off the ground.

And as Peter already said, we've seen really amazing things happening in African nations where small entrepreneurs are using the internet infrastructure and the digital economy to get out to a marketplace that they would not have been able to before, and even to leapfrog some building of some of the expensive, traditional infrastructure. So in terms – you asked what African countries can do. I would say, support an open internet, support digital trade policies, and also focus on training and education for your young people so that they are as well-suited and as best-able to adapt for that as quickly as possible.

MR. GOODMAN: OK, great. Ambassador Hills, is it OK? I'm sorry to put you on the spot, but I really am interested to hear your sort of reactions to this and not just NAFTA, whatever you think.

Q: Well, Matt, let me say that you have three great experts on your podium. And it's a pleasure to listen to all of you.

To your specific question –

MR. GOODMAN: Maybe the mic is not actually working. Just one sec. There we go. Try that one. Thanks.

Q: Your specific question to me was with respect to the North American Free Trade Agreement, which Peter addressed beautifully. It would be a disaster if we were to pull out. The president has that authority in the agreement, to give six months' notice and pull out. But it is not only the auto industry that would be devastated. It would be many of our industries and our competitiveness. Every dollar that we import from Mexico, 40 cents in U.S. content. And when we think about how we manufacture goods, we need to get parts from the best places we can get them, and do what we do best. The NAFTA has made us highly productive.

I suspect that the business community will speak up. But we should encourage them to do so. I think there's a lack of knowledge of how hard the hit would be were we to withdraw. And there is a path out. The president-elect has said he prefers bilateral negotiations. He would sit down with Mexico and update it – not tear it up. But it's – we didn't have digital issues when we negotiated in the early ’90s. We did not have some of the modern questions that we address today, that all three of you have alluded to. But it was a template for U.S. trade.

It was the first agreement that had an intellectual property chapter. We eliminated tariffs among – across the board. We opened up the agricultural market between the United States and Mexico. No other agreement has done that, indeed not multilaterally either. Services were brought in so that we could provide services across border. But we could do more. And so the path out, in my view, is to, first, have think tanks – like CSIS – point out the detriment of walking away. Have the business community, like the Chamber, the Roundtable, the services and the NFTC and digital point up what the disaster would be. And then also maybe help formulate a path out, which I think is very much there. And that’s what we need to do.

We cannot, with 5 percent of the world’s population, turn our backs on the rest of the world. We need to have our borders open. And it’s not only with Mexico that we need to have that view. It’s with the world at large. And I would say that it is not just with respect to our economic benefits, which are enormous. But our trade agreements have advanced our development interest. You know, if you think back to the Marshall Plan, and we helped rebuild our – the European community, the fact today, when we help and open markets for African nations, for Vietnam, they become partners and our customers for tomorrow. You can call it an act of enlightened self-interest.

And it also has a tremendous security benefit. If we watch countries around the world slip into deep poverty, and it’s because their economies are stagnant, that’s where we find international crime, terrorism, Ebola, and all kinds of things. So I compliment your panel. I came to learn and listen, not to talk. But thank you so much what you’re adding to the intellectual knowledge that we need to move forward in the 21st century.

MR. GOODMAN: Let me say that back to you. Thank you. (Applause.) Well, I’m sorry for ambushing you, but I’m also not sorry – (laughter) – because I’m glad that it validated my decision to do that, because you’re such an expert, but also a class act. So we really appreciate that input.

OK, let me just quickly – I know we’re running out of time and I’m getting the axe. But I’m still going to take two questions, because I didn’t give people much time. Right here, and then there was somebody over there – maybe this gentleman here. Take them together, and then we’ll answer them quickly, and then we’ll take a break.

Q: Hi, yes. Thank you. My name’s Isabelle. I’m with Inside U.S. Trade.

And I’m just kind of going of more what you were saying with the prospect of President-elect Trump pursuing two sort of separate bilateral deals, sitting down at a separate table with Mexico and another table with Canada. I’m kind of interested in hearing what the experts are thinking that the prospects will be with that, and how that would affect him kind of being able to declare a victory on renegotiating NAFTA, in that sense?

MR. GOODMAN: OK. And this gentleman. Yes, go ahead.

Q: Yeah. Eric Kulisch, American Shipper Magazine’s Adam Smith Project.

Just curious if – what you think the prospects are for a global trade war, or more protectionism around the world when, you know, other countries see the lead that's – you know, with this more aggressive potential policy that might be coming out from the U.S. administration.

MR. GOODMAN: Worries about a broader trade – global trade war.

Q: Right, could it spark other countries to follow suit or take things further?

MR. GOODMAN: OK. Do you want to take on either of those, Peter?

MR. ALLGEIER: Well, I think – well, first of all, in terms of the question over here, my sense is that the president-elect is a negotiator. And part of negotiation – in many negotiations – is you start up here with your demands, and what you're really willing to settle for is somewhere in here. And hopefully that will be the pattern, and so that the more extreme rhetoric is simply to, you know, put the other side off-balance, but that again, as I say, if the business community and others are putting on pressure for a more reasonable approach, then maybe we get to something that is, you know, less catastrophic than perhaps the rhetoric would suggest.

In terms of – you know, an all-out trade war, I think that also depends on where – what actually the administration does. And if it more aggressive within the rules, that's one thing. If it imposes 45 percent tariffs on a country that is a member of the WTO, like China, then they certainly will find a way to retaliate. And that can lead to a counter-retaliation and counter-counter-retaliation, and so forth. I don't think that we will have that happen. But it could happen if people are irresponsible about being aggressive.

MR. GOODMAN: So just to give Victoria and Bill a final chance to – whether to answer those questions or to give, in a way that Peter has given advice, do smart things not dumb things, to the new administration, any advice to them and how to take these issues forward?

MS. ESPINEL: Well, I think I would just say, you know, the new administration is not in place yet, and so I think there's still a fair amount of unpredictability. But the president-elect has been very consistent in saying that his focus is U.S. jobs. And I think a global trade war is not helpful in terms of creating U.S. jobs here. So from his focus on that, I would – I would infer that there will not be a global trade war, because I do not think that would be helpful to creating jobs here in the United States. And he has been very clear that that is his focus.

You know, I think I've talked a lot about the data economy, the data trade agenda. So clearly I think that's a place where the administration should focus among others, in part because it will help create U.S. jobs here and is good for U.S. competitiveness. But I would also say, just looking beyond the United States for a moment, you know, having restrictions on data is also not helpful for other countries around the world, and for the companies in those countries, because it means they don't have the best access to the best data services in the world. And that's slowing down their economic growth.

And then I would – the last thing I would say is, you know, in my world we talk – we are cloud computing and predictive data analytics, and all the amazing things that are happening with that right now are very evident. But I would also say, it's clear that we're just at the beginning. You know, there are so many exciting things happening, but this is all happening in the last few years. And I think we're at the beginning of the data revolution.

And so one caution I have is, to the extent there are shadows put over the future of cloud computing or the future of predictive data analytics because of things like restrictive data policies, we shouldn't forget, this is still a relatively new industry. It's doing incredible things, but it's relatively new. And putting a shadow on top of it kind of at its inception I think will have really negative impacts, not just for the companies that are using it today but for where the industry can go and for what it can mean to the global economy in the long term.

MR. GOODMAN: Fantastic. OK, Bill.

MR. REINSCH: I think, just to – I mean, I agree with the others on the trade war issue. I won't say more about that. The only final comment I'd make is my advice, among other things, would be to lose this fascination with bilateralism. I mean, I think the argument that you get taken to the cleaners in regional sort of plurilaterals is simply wrong. I think everybody that's negotiated them will tell you that it's wrong. And that there's situations where bilaterals are appropriate because – and the U.K. is probably one of them.

But the idea that regionals are bad, I think, is misplaced because – I mean, I think it's demonstrably wrong. But also, because going forward negotiations are increasingly going to be about rules. They're going to be about the things that you guys have been talking about and less about tariffs. It's a lot more efficient and you avoid the spaghetti bowl problem at the end if you can negotiate a set of rules with a larger number of people.

Now, you can make sort of the least common denominator case that, well, you know, it might be as good a rule as if we did it with one country. But if – you know, if you negotiate rules with one country then what have you got? You've got a set of rules for one country and nobody else. And then you've got to do that – you've got to replicate that multiple times. It all will be different, which creates the – you know, the uniformity problem.

And it's just enormously inefficient. I particularly don't see it in NAFTA. You've got an existing trilateral agreement. Why do you want to blow that up and reinvent it as bilaterals? It seems to me that at some point he will articulate what he wants to accomplish with a renegotiation of NAFTA. People who – other people other than him have talked about what that is. He has not really said much about what that is.

Eventually there will be an agenda and we can look at it and respond. But it seems to me the way to deal with that agenda is within the existing framework. And the other two countries have said they're willing to have that discussion. So we should do it that way.

MR. GOODMAN: OK. This is a huge and complex topic. And we've, you know, really in a sense only scratched the surface. But I personally learned a lot today, which I didn't – doesn't surprise me, because these guys are the best. And I really think we need to continue this in all its dimensions and, I said, follow up on some of the aspects of this story that are causing the anxiety, the fears, and the complaints about trade and trying to take those head on. And we'll be doing more of that. But for now, please join me in thanking this fantastic panel for their comments about trade. (Applause.) Thank you, guys. Really appreciate it. Thank you.

(END)