

Center for Strategic and International Studies

## Online Event

### **“A Conversation with Former USTRs”**

RECORDING DATE:

**Thursday, December 17, 2020 at 12:00 p.m. EST**

OPENING REMARKS:

**John J. Hamre,**

*President and CEO, Center for Strategic and International Studies*

FEATURING:

**Senator William Brock,**

*U.S. Trade Representative (1981-1985)*

**Ambassador Carla Hills,**

*U.S. Trade Representative (1989-1993)*

**Ambassador Mickey Kantor,**

*U.S. Trade Representative (1993-1996)*

**Ambassador Charlene Barshefsky,**

*U.S. Trade Representative (1996-2001)*

**Senator Rob Portman,**

*U.S. Trade Representative (2005-2006)*

**Ambassador Susan Schwab,**

*U.S. Trade Representative (2006-2009)*

**Ambassador Ronald Kirk,**

*U.S. Trade Representative (2009-2013)*

**Ambassador Michael Froman,**

*U.S. Trade Representative (2013-2017)*

CSIS EXPERTS:

**Bill Reinsch,**

*Senior Adviser and Scholl Chair in International Business at the Center for Strategic and International Studies, CSIS*

John J. Hamre:

Good afternoon, everybody. Welcome. This is John Hamre. I'm at CSIS. And this is going to be the most interesting program that you will have a chance to watch this year.

And I'm so excited to welcome the eight former U.S. trade representatives who have joined us today. This is – we do this every – twice – every other year, basically, and I'm grateful that Bill has brought us together at such a crucial time to be listening to these leaders talk to us about trade. You know it's been – there's a lot on the – on the plate. These last four years have been really unusual, very high priority for trade issues, and we had a president who really pursued trade goals very aggressively. And the incoming president, Vice President Biden, President-elect Biden, you know, has said that his initial focus is going to be on domestic issues, but, you know, I think trade has become such a crucial national priority that he's going to be brought to it soon. And so I think this is a unique opportunity to listen to these eight leaders, you know, all of who – we bring a bipartisan point of view here because each one of these people had a distinguished record, and they worked with both sides of the aisle when they served as USTR. So it's going to be a real opportunity.

You know, obviously, the new U.S. trade representative-designate is going to be inheriting a very complicated agenda, and there are things that we need to talk through. And I hope we can be helpful along the way. We've got to decide, you know, what – how are we going to reform the World Trade Organization. In many ways, it's just on life support right now. There are some really crucial issues we have to – have to discuss, and we're so very fortunate to have this remarkable collection of leaders be with us today.

I don't want to take a minute away from their time with all of you, and so let me turn to Bill Reinsch, who has been organizing this and will moderate the discussion. But let me just say thank you to all of you for the great service that you gave America when you were USTRs and now that you continue with your interest in this policy dimension.

Bill, why don't you take it from here?

Bill Reinsch:

Well, thank you very much, John.

Welcome to all of you. I really look forward to this event every time we do it. We really do get a lot of – a lot of wisdom out of it and a lot of good advice. And we have a record eight former USTRs with us. We just were joined by Rob Portman, who I guess has been voting. So welcome. We're glad you're – glad you're with us. Hope you'll be able to stay for a while.

Sen. Rob Portman:

Thank you. We're in the middle of a vote.

Bill Reinsch:

As I've told all of them in advance, this is a conversation. We didn't – we're not asking anybody to make a speech. We've got questions. And what I've done, because there's eight of you, I've indicated a first responder for each question. So I will follow that script and put out a question, and then turn to the first person, and then anybody – it's a conversation. Anybody who wants to weigh in after that, we'll just keep going as long as we can.

We will take questions from the audience. If you have a question in the audience – and we've already got some; even before this began questions became to accumulate, so I think we probably have a big crowd out there – go to the link on the invitation on the webpage and you can – there's a place you could click there to submit your question, and we'll do our – our best to include all of those as we go along. So that's what we're going to do.

I'm not going to introduce them. You can see them on camera and they're all very well known here. And it is truly bipartisan. We have four who served in Republican administrations: Bill Brock, Carly Hills, Sue Schwab, and Rob Portman; and we have four that served in Democratic administrations: Ron Kirk, Mickey Kantor, Charlene Barshefsky, and Mike Froman. And we span the years from the Reagan administration through the Obama administration, so we've got an enormous depth of and breadth of talent and wisdom here. So it should be a good conversation.

And I'm going to start with the biggest-picture question of all, really, which is – and John Hamre alluded to it. We've just come off four years of a president who pursued a very different policy from that of his predecessors. And I guess the first question is, has that – has Trump shifted U.S. trade policy permanently? Are we entering a phase where America first is king and managed trade is the order of the day? Are we going to go back to the way it used to be or are we going to go to something else? And let's start with Mike Froman on that one.

Amb. Michael Froman:

Well, thanks very much for having me, and it's great to see so many of my former colleagues and predecessors who were so helpful to me when I was in office.

Look, I think we learned a lot about trade through the Trump administration – about the use of tariffs, about unilateralism, about leverage – and I think some of that will carry over into future administrations. I hope future administrations will figure out how to use leverage in a way that has maximum impact.

I do think that every administration – I imagine all eight of us always felt like we were putting America's interests first. It was just a question of how we defined them. And I think we've had a debate over the – over the last few years about protectionism which I think is actually quite healthy for the country. People who had once advocated for protectionist measures are now concerned about the dangers of trade wars, and I think that is a healthy debate to have and will help influence going forward.

But fundamentally, I think the main change isn't so much the Trump administration, it's the fact that the American public and the polity of the

United States has made it clear that they are very concerned about there being an unlevel playing field, and they expect trade policy to be much more integrated into the broader domestic policy that will support jobs in the United States, and that help support workers and farmers and ranchers in the United States. And I think we all did that when we were in these jobs. We always had that as a top priority. But I think the last – the last couple of elections and the debate around the elections has underscored just how important it is for the trade agenda to be linked to the domestic policy agenda and be in the service of supporting workers and farmers and ranchers and firms here in the United States.

Bill Reinsch:

OK. Anybody else want to add anything?

Let me ask a corollary, really, because – that's stealing a question from something that John Hamre said, but it follows on what Mike said. President-elect Biden has indicated during the campaign and subsequently not to expect trade initiatives early in his term because he's going to focus on the pandemic and he's going to focus on the economy. So I guess one question is, is that realistic? Is it realistic to defer trade policy? It is even possible? What would the consequences be? Susan, you want to take that one?

Amb. Susan Schwab:

I think that's a – I think that's a good follow-on question to your first question. I agree with – I agree with what Mike had to say. And I don't think an incoming president, whether it is President-elect Biden or any other president, has that luxury of saying, well, we're going to wait and to trade later and undertake trade initiatives later. It's sort of – I think my colleagues would agree this is sort of like a – it's like a relay race, and someone's going to hand you the baton whether you want it or not. And issues that the Trump administration addressed or tried to address, many of them were issues that the rest of us were trying to address, were addressed during the course of our tenure.

So a couple of – you know, a couple of examples, or obvious examples. One, let's say there's some kind of U.S.-U.K. deal between now and the 20<sup>th</sup> of January. What will a Biden administration do with it?

They have until July 1, 2021 when Trade Promotion Authority runs out. What happens to Trade Promotion Authority? They could let it run out, but it strikes me that it is such a fundamental question as to whether the U.S. is going to be in the game of negotiating trade agreements. I mean, it's got major geopolitical/geostrategic implications that that ought to be an affirmative decision like, yes, we're going to try to be in the game, we're going to need some form of TPA; or, no, we're just not going to do it and we're going to risk not being a player in this field.

And then – and then perhaps the most obvious of all – and you alluded to it – there are a whole bunch of tariffs sitting out there, and a lot of trading partners and a lot of U.S. constituencies that are expecting that those tariffs will come down or they'll be used as leverage or they'll get exclusions. All of that is going to be there the first day that the new team walks into the office.

Bill Reinsch:

Comments from anybody else?

Amb. Michael Froman: Susan and I have this ongoing debate about TPA, so I won't get into it here. But I would just say I think there's a difference between the Biden administration saying we're not going to be negotiating any big trade agreements early on and being involved in trade. Obviously, China's going to be the number one, two, and three issue on the incoming administration's agenda, and the trade issues will be a key part of that.

I also think there's a lot we can do as we reengage with Asia and reassert our leadership in the region that involve trade, including things around digital trade and working with some of the partners there that have begun to negotiate digital economy agreements that don't require TPA, aren't a big FTA, don't carry any of the negative political baggage that a traditional trade agreement has, and yet can still, in Susan's word, keep us in the game. And I imagine a Biden administration will find ways of inserting itself in ways that doesn't distract it from also the domestic imperative that it has.

Amb. Mickey Kantor: I think there's going to be pressure immediately, Michael, following on your comment, to rejoin TPP. I think we're going to need our allies for many different reasons, especially dealing with China. And if we don't reassert ourselves with our allies and build – and build those relationships back again, it's no longer America alone but it's America rejoining and asserting leadership, then we're going to have a problem. And so TPP is just hanging out there, and I think it's going to come up earlier than people think.

Bill Reinsch: Charlene?

Amb. Charlene Barshefsky: Yeah. I would just add onto that it isn't just TPP that changes the nature of the Asia-Pacific with respect to the United States, it's also RCEP – which is a weaker agreement, it's a thinner agreement, but what both agreements are really about is Asian integration – Asian integration. And as Asia integrates – and of course, this is the growth region of the world – the U.S. has simply got to be in the game or, of course, we cede territory to China, we make our Asian partners more dependent on trade with China, and to the extent these partners feel pressure that pressure will not inure to the benefit of the United States.

So it's TPP. It's RCEP. It's all of the intra-regional arrangements that predated those and that will post-date those that really is a wakeup call for the United States to indicate what its specific interests are in Asia, and why, and how that relates to a domestic agenda, and therefore what the steps are that we need to take in Asia in order to rectify what is clearly now a significant imbalance and a significant disadvantage strategically for the United States.

Sen. Rob Portman: Hey, Bill?

Bill Reinsch: Yes.

Sen. Rob Portman: This is Rob. I've got to run and vote in a minute, so I'm going to jump in if that's OK.

Bill Reinsch: Yeah, please.

Sen. Rob Portman: A couple of thoughts. One, I'm glad that Katherine Tai is the likely nominee. I think that will help in terms of moving a trade agenda forward vis-à-vis Congress because she, obviously, knows how we operate, understands TPA well. I spoke to Liz Truss yesterday, who's the trade minister in the U.K., and as you know we're trying hard to close that out even before the end of the year. It probably won't happen, but there's a possibility, as was indicated, that could be done before January 20<sup>th</sup>, and that has to be noticed by April under TPA. Susan's right. You know, TPA is expiring. So I would – I would hope that we would focus on keeping TPA active so that we can not just make progress on the U.K., but other free trade agreements.

As I read what they said in the – in the campaign, the administration – incoming administration is not interested in free trade agreements. I didn't note that they were saying they were taking a timeout on trade altogether. I hope they will amend their free trade agreement position as well, and I think they will. But there's no reason if the focus is on the economy, which is one of the things they're talking about, that you can't walk and chew gum at the same time. And so the trade agenda needs to be pursued.

My hope is that – with regard to Asia, that we do have a reengagement to a certain extent. But also, remember, Japan is the big economy in the TPP and the one that is the outlier. We have trade agreements with most of the other countries already that are in TPP. So it seems to me the focus ought to be on Japan and taking this initial step, and Mike talked about it. It's not an FTA, and so it didn't require TPP – or, I'm sorry, it didn't require TPA, but it did require some tough negotiating, and they actually acquiesced on some agriculture issues I never thought that they would, having been through that as all my predecessors have, so – and successors. So this is – I think the key issue to me is to get Japan into a more formal FTA-type arrangement and then be able to link effectively most of those countries in the region. Vietnam is the other country, this kind of an outlier, where they have a strong interest in expanding their commercial ties with us and I think it's very strongly in our interest.

So that's my hope, is that we can work with them here in the – in the Congress to get the Trade Promotion Authority extended; in the meantime move forward with the U.K., which I think is a template for at least Switzerland and perhaps for the EU itself; and then can continue to focus on Japan and try to make steps there because I think it's quite, quite promising.

Finally, just to thank everybody on this call who was so helpful to me. We've got 37 years spanning from my friend Bill Brock all the way to my friend Mike Froman on this call, and it's just been great to work with all of you. And in the case of Katherine Tai, again, I think she's going to be knocking on all your doors. I hope she will. But again, we have somebody who's an experienced trade lawyer who understands how the Hill works, which is I think enabling the new administration to hit the ground running.

Bill Reinsch: Well, while I've got you and before you have to go for another vote, let me ask you, because several people have brought up TPA, do you think it's

realistic to try to get that renewed within the next six months? Is that going to be possible in Congress?

Sen. Rob Portman:

Well, it depends, as always. You know, there will be people who will like to make alterations to it, as we always do. Currency manipulation was something I was interested in last time. We just had the currency report come out yesterday, and I think that's been positive. Others will focus on labor and the environment and so on. But yeah, I think it is possible if the administration gets behind it. And we're going to have a very narrow majority here in the Senate one way or the other, but I think enough of us are focused on the fact that, you know, we can't stand still.

The analogy was often made when I was there, you know, it's like riding a bike; either you're falling over or your moving forward. And to be able to move forward – and the U.K. agreement is, obviously, the example of one that's relatively easy. The labor and environment issues are not difficult. We have a lot of similarities in terms of our economies already, and that there are some benefits to uniformity and standardization. And I had a good talk again yesterday with them about the ag issues. So my hope is that by showing that good agreements like that can be done, that we can get TPA done.

Bill Reinsch:

I first heard the bicycle analogy from Bill Brock probably 30 years ago. Bill, do you want to – what do you think about that? You served in the Senate, too. What do you think about TPA chances?

Amb. William Brock:

I think they're pretty good because no administration can go in expecting to be successful without that authority. You've got to be able to put it to the members of the Senate to act or not. And the more you weight it down with other provisions or even do without, the more you put at risk any trade policy on the part of the president or the USTR.

So my sense is that they'll probably go through the same exercise they've done before. They'll take up TPA as an essential tool of trade policy success. We'll go through the debate about some of the add-ons, whether it's in the area of environmental or labor. We'll probably end up doing something that has them as a sidebar. We'll see. But if you weight it down with too much, you have destroyed the effectiveness of it, so. I think that's pretty fundamental.

Bill Reinsch:

Sue? Yeah, unmute.

Amb. Susan Schwab:

Yeah, sorry. Yeah, I think, well, you know, on the issue of TPA, it is a heavy lift by any definition. I think we all recognize that. And you need – you need a president who is behind it, but it isn't just the president. I mean, there is a precedent for the Congress initiating it. 1988 was an example of that. Bill, you were involved in that. I was involved in that.

Also, when we think about TPA, you know, there were fundamental – the 1974 Act was very, very different than the original 1934 version. It's quite possible the next version is going to be fundamentally different. I mean, think about a TPA that looks like USMCA, right? I mean, there are parts of it

that we may not like or we may like, but if you think about a TPA that outlines what an agreement needs to look like, you've got more, you know, narrowly crafted congressional objectives, the deals could be – I mean, think about – instead of TPP, think about an expansion of USMCA that includes Japan, that includes Vietnam, that includes Malaysia, you know. Anyway, you see where I'm going with this. Or you think about a skinny version that has fewer ornaments, per Bill Brock's comment, so the Christmas tree doesn't fall over. But I mean, there are a lot of different ways of thinking about it.

But yes, you could have a trade policy that's proactive that doesn't include Trade Promotion Authority, but it's like, you know, one hand behind your back. Xi Jinping doesn't have that problem. And if you're thinking about your trade policy in the context of addressing the China challenge, and being fully engaged in the world geopolitically, and as part of your, you know, geopolitics, your strategy, you need that as part of your tool. It doesn't mean you're going to sell out your worker interests, your agricultural interests, doesn't mean you're going to sell out your environmental interests. But you want that as part of your portfolio, it seems to me.

Bill Reinsch:

Ron?

Amb. William Brock:

But what this is doing is it's going to force the administration to think about the complexities involved in developing their trade policy per se. I don't think this country has done that for quite a while now. And what Trump has done is to throw the – (inaudible) –

Amb. Ronald Kirk:

Bill, at the risk of –

Amb. William Brock:

– into the system and left us with an administration that has to face some issues.

China is one, and it's a big one, but it goes way beyond that. We don't spend near enough time talking about Japan, as Rob Portman mentioned. That's a hugely consequential player in all of Asia and in the world. They're good. They're efficient. They're allies. Same thing is true with Korea. It has not even been mentioned, South Korea. When you look at the complexities of Asia per se, then you got to say, OK, what are we doing? We've insulted a lot of them by just walking away from TPP. We're not any way part of the conversation that Charlene mentioned.

And we really haven't thought about what is the trade policy we fundamentally want. Is it more open? More liberal? It is more on the managed-trade side, which terrifies me because I don't think government is competent to manage much of anything? But we haven't had that conversation. And I think what you're going to – when you start talking about TPA, add on China, add on these other issues – EU, particularly, and Brexit – it's going to force us to think larger thoughts about what it is we are fundamentally about in the conduct and composition of trade policy itself.

Bill Reinsch:

OK. Ron and then Carla.

Amb. Ronald Kirk: Yeah. I'd just – I mean, at the risk of all of us answering – (laughs) – every question, one, you know, the difficulty, I think, there's probably reasonable amount of uniformity among the eight of us on this call because we all believe in the system. But I would speak – try to speak from the position at least where Rob is now of an elected official. (Laughs.) I mean, we run a little bit of the risk of, you know, we've got the choir here together, we're all singing from the same hymnbook, and the church is on fire outside. (Laughs.) And while I think all of us agree we would love to see it.

And I would say the big override to me with TPA is we have a deadline. You've got an expiration that might force it. But I just don't want us to ignore the reality of what Senator Portman – and I'd love to hear him speak to it before he has to go – he's hearing the same thing from education groups, from small businesses, from infrastructure. And I just know from the standpoint that my worst transition, you know, with the Obama administration coming in, with the financial crisis, I mean, that sucked up so much of the energy. And I know everybody said, oh, they don't have a trade program. I just think we can't run the risk because we all believe in trade that we somehow think that's going to force its way onto the agenda. I mean, this is going to be COVID job one, COVID job two, COVID job three, trying to get the economy going. And I think but for the fact we have expiration – I'm a little less optimistic – (laughs) – than you all that somehow that's going to force itself onto the congressional agenda.

And Rob, you're dealing with this now. You know how many other issues you all have that are just –

Sen. Rob Portman: Yeah.

Amb. Ronald Kirk: – waiting for this bottleneck to open so you can address something other than COVID.

Sen. Rob Portman: Well, Ron, I think that's – it's a great point. I do think there is a hunger for finding that bipartisan policy that we can move forward on, and this might be one of them. That may sound a little discordant compared to what you normally hear out of Washington, which it's all about partisanship, but I do think infrastructure; perhaps health-care costs, not a broad health-care reform; maybe retirement security, something I'm real involved with. There are some things we could get done. But trade could be one, just in terms of establishing a framework. And again, the U.K. makes it relatively easy, doesn't it? I mean, don't you wish you were USTR when it was U.K. rather than – (laughter) – some developing country where labor and environment were such big issues? So I think that's why I'm relatively optimistic. Maybe it also just shows my preference here, but – and I'm biasing my view, but what the heck. I mean, we might as well try to do some things on a bipartisan basis, and this could be one – if the administration is behind it. I totally agree with Susan they have to be strongly behind it.

Bill Reinsch: Look, Carla's been waiting. Carla, go ahead.

Amb. Carla Hills: Well, let me say that I would pick up on the optimistic note of Rob because the president is a multilateralist. He has supported prior trade agreements.

And when he campaigned, he said I'm not going to move first into trade until I fix the economics at home. Well, you have to say that because the public reaction to trade is it siphoned off jobs. And so what he can do is to show how trade actually could be positive in the economic field. And if we deal ourselves out, as Susan said, of Asia, we lose big time in terms of jobs. We also lose our voice at the table, where we help set the rules. If RCEP goes through and we're not there – we are not there – and TPP goes on and we're not there, it – the world moves on without us, trade diversion is multiplied, and the economic realities here at home are in dire straits, in my view.

Bill Reinsch:

OK. Let's talk a little bit about China because we've raised that issue. I wanted to come back – nobody's said anything yet about the WTO. We're going to get to that. But let's pursue China because Charlene brought it up, and I want to go back to her for maybe a quick minute to talk about – I think for all of you: What do you think the chances are of being able to solve the fundamental issues that we've identified with China? You know, the debate with the Trump administration has tended to be between the parties. Right diagnosis, wrong prescription? There seems to be broad agreement on the problems, but not agreement on what to do about them. So maybe we should begin with an assessment from some of you. Let's begin with Charlene about the nature of the problems, but also the likelihood of whether we're going to be able to do anything about them.

Unmute.

Amb. Charlene Barshefsky: Thanks, Bill. And let me just echo what Michael said. It's really wonderful to see everyone and to be with everyone.

So I think you have to have a diagnosis of the China issue before you launch into a determination of what it is you need to do, even if you can intuit what you need to do. And so I think it's important for the administration to consider that Xi Jinping is quite wedded to his economic model. It's a model that produces growth. It produces innovation, even under tight sociopolitical control in the country. And it does that through a state-led system, a state-fueled system, that runs in tandem with the dictates of the party with respect to control.

And the result, of course, is that China has grown extraordinarily. The model that it uses, which is state-led plus control, is one that was resilient during the financial meltdown in '08-'09, highly resilient during COVID, with China the first economy out of the block to recover. And now the latest estimate I saw this morning was that Chinese growth for '21 is on the order – projected to be on the order of 10 percent – 10 percent.

So in addition, of course, the control element in the Chinese view stands in sharp contrast to social disintegration in the West.

So Xi Jinping has said we are different politically, we are different ideologically, and we have a different economic system, and these things will not change. And to me the proof point in these things not changing was the administration's tariff gambit. You put a 25 percent tariff on \$370 billion

worth of goods, and the U.S. blinked first, not the Chinese, in accommodating a phase-one deal.

This tells you something about the nature of the economic and political model China has, something about its resiliency, and something about the Chinese leader, whose view is that dependency on the West, as exemplified by the tariffs, is dangerous, that it is ultimately not in China's interest to be particularly dependent, that China has to be independent with respect to technology and innovation among other things, and that rather than China being dependent on the West, it is the West that should become more dependent on China as China feeds more and more for itself.

And when you read the 14th five-year plan, which will be out in full in March but there's a lot already out, this is all spelled out extremely directly, extremely directly, a doubling down on Made in China 2025, and all of the rest of the state-led and state-molded initiatives.

So if that's where you're starting – and in my view, that is where you're starting – then you have to ask, what does provide leverage? Well, one element of leverage, of course, is something happens internal in China that is disruptive or you have another huge external shock like the financial crisis was, particularly in the West.

But the other potentially disruptive element is a heftier approach by Western economies, by market-economy countries, in response to the China model; first off, to strengthen the West, but second off, to try and push China back in the direction of market-based economics rather than the state-led mercantilist system that it's adopted.

And so it is – it may be intuitive that one needs multilateral heft, but it is also, I think, an analytic matter; that is to say, one needs multilateral heft, plurilateral heft, to try and move China. But if China won't move – which is, of course, its own choice – the West itself must become significantly more strengthened, including economically, than it is today.

That's why I think Biden is smart to focus on domestic agenda, because we have to get our own house in order, absolutely, or there is no initiative that will be of assistance on the trade side. And it is why I think you see increasing discussions about a group of democracies or a group of market economies coming together to try and work to address the challenge.

Bill Reinsch:

OK, you opened a bunch of good doors there. Let's pursue several of them.

Mickey, what do you think is the first thing that Biden should do with regard to China?

Amb. Mickey Kantor:

The first thing I think he should do, in my view, is you have got to make it clear to China that nothing is free and create leverage. On going after China with our trade laws and IP protection, on state-owned enterprises, on subsidies, on forced transfer of technology, everybody knows all the issues, and including the human-rights disaster that's occurring in China and what they're doing in Hong Kong, and what they might be doing in Taiwan; so to

create – not only to create leverage, but also to build a common agenda with our allies in that vein in order to show China that there is a common purpose among the market economies of the Pacific and that China is going to have to create policies that are consistent with the ideas and the goals of these market economies.

And I believe that can be done. I think it's the first thing that has to be done. Our credibility, as we know, around the world, but in Asia we're talking about particularly right now, is not high. We need to rebuild it. We need to show it's not America alone anymore. It's America trying to reassert itself not only as a partner, but also as a leader in certain areas. I think that's why we need to rejoin TPP and then begin to deal with China from a point of strength, not from a point of weakness.

Remember, China in November exported \$70-something billion in goods and services. Over half of that came to the United States of America. So in spite of the tariffs, in spite of the lack of relationship with China right now, our trade with them is growing. And it's growing mainly because China is growing.

And so those of us who live in Los Angeles – and certainly Carla Hills will know this – we live on the face of the seventh – the sixth-biggest port in the world. It's a huge employer in California and in the West. It's amazingly important to the rest of the country. And it's somewhat dependent on China. The largest owner of port facilities in Los Angeles happens to be state-owned Chinese.

So we are all tied together at the hip. But we need to use that leverage and rebuild even more leverage, working with our allies and working with, I think, rejoining TPP.

Bill Reinsch:

So Carla, Mickey said there's no free lunch. So the question for you, then, is what do we do about phase one? What do we do about the tariffs? Does Biden get rid of the tariffs for free? Does he negotiate? Do you continue to go into phase two? Or what's the next move to deal with what's right on the table the day he becomes president?

You've got to unmute.

Amb. Carla Hills:

I apologize.

First I would say that I would not attribute all of China's growth to its state mercantile system. It was growing very rapidly under Deng Xiaoping. And I attribute a large measure of its growth to the fact that it was moving toward a market economy.

It does now face some issues. Its debt is growing. Its state-owned enterprises are not vigorous. And it's aging. So the question is, how can we deal with it? I don't think it would serve the – your specific question, Bill, is I don't think it would serve the president to walk away from phase one politically and publicly. And I don't think that he can day one eliminate the

\$370 billion worth of tariffs. I think that the fix will be gradual and it will require negotiation.

On structural issues, there are many; limiting the subsidies to state-owned enterprises and forbidding them to compete with the nonstate sector without notification and so that the actions can be taken; the percentage caps on investment. And we should involve likeminded nations who share our views and our complaints.

And this shouldn't be a shouting match. I belong to the school – you know, Indira Gandhi said you can't shake hands with a clenched fist. And I think we need to talk to China in terms of specifics. How can we move it in the direction that is positive for it but for the rest of the world? For example, as I mentioned – (inaudible) – losing money but receiving bank credit, and it wastes government assets, whereas private companies are crying out for credit.

And so there are things, I think, that we can achieve. And by the end of the day, if China decides it does not want to abide by market principles, that it wants to be a state-run mercantile system and stay on the Xi Jinping path, then it can drop out of the WTO. Joining hands with our Western allies – we represent more than half of GDP, which we could – under the WTO provisions, we can say you're out; you're not part of the club.

And so I think that to try to work out, in a more positive way, a forward agenda has some possibility. But at the end of the day, we can, if we don't act unilaterally but act multilaterally, we can, I think, change the scene.

Sen. Rob Portman:

Hey, Bill, can I jump in for a second on that? I'm sorry, I didn't hear the whole context of Carla's comments because I ran up to vote. But I want to say amen to what she just said. You recall that – assuming we're talking about the WTO here and specifically about the relationship with China and other nonmarket economies, you remember that there was a resolution that we thought we were going to be required to vote on to pull the United States out of the WTO. And in the context of that, Senator Cardin of Maryland and I introduced a resolution. And among the things in the resolution, it said we ought to reform the WTO, which I strongly believe, and Carla does as well.

From that conversation, Carla, you just had, I think you are absolutely right that we need to ensure that the WTO works better or else we're going to continue to get pressure to get out of the WTO, not just from this administration but from members of Congress who think that this is a good issue.

One thing we said in that resolution with Cardin in terms of the reforms is we ought to get the WTO back to its role of negotiating, not just the appellate system but negotiating on trade disputes, but also that we should encourage plurilateral agreements, along the lines of the government procurement agreement. And that's an example, Carla, of what you're talking about –

Amb. Carla Hills:

Right.

Sen. Rob Portman: – where we can move ahead with likeminded countries. And we, of course, need to do more outreach to them and to organize our efforts better. But those plurilateral agreements – as an example, you know, China is not part of the government procurement agreement, nor should they be. And we've got to be sure as members that we keep it that way. Otherwise it's unfair.

So I think that's one of the solutions is these plurilateral agreements within the WTO. I just wanted to add that.

Bill Reinsch: Thank you.

Mike, you were going to say something?

Amb. Michael Froman: Yes. Look, I agree with everything that's been said about collaborating with others, building up a coalition, not just of advanced industrialized countries but major emerging economies like India, Brazil, Indonesia, others, who have serious concerns about elements of China's policy, and being very clear about what our expectations are.

I think one of the challenges of the last four years has been that we've been a little bit all over the map between structural reforms and purchases of soybeans, and to say this is what it takes to get the trade relationship back on the right track.

I wouldn't get rid of the phase-one deal. I would just build upon it, and being very clear to China as to what that requires, along the issues that Mickey laid out. China will either agree or they won't agree. They're a sovereign country. And we should be somewhat introspective about our capacity to fundamentally change China's views about how it sees its own interests. But if it doesn't agree to change policies that are having a distortive effect on the global economy, then it should probably expect other countries to take action in terms of closing their markets to either exports or investment or scientific and technical collaboration, and the like.

As you said, Bill, up front there's no free lunch, and I think that's the choice that needs to be put to them. We know from the bilateral investment treaty negotiations, which started – I don't know, it started in Susan or Rob or maybe even Zoellick's time. I don't think it – I don't think it went back to Bill Brock, but it was, certainly, started before me, and at the end of the Obama administration we were about 90 percent done with it.

We had one rule and one sector left that was to be – that was to be resolved with China, and we know the value of the negotiation was less than the agreement itself, and the fact that it required China to go through its internal decision-making process as to what it was willing to do on state-owned enterprise reform and subsidies and forced technology transfer and IP protection and a level playing field on market access. And if we can pick up and build on what we know that they were willing to do four years ago, perhaps there's a pathway forward to normalizing the relationship.

Bill Reinsch: Sue?

Amb. William Brock:

Yeah, I just want to jump a little bit, Bill, in, if I may. All of these things fit as a part of a whole. You're not going to deal with China without dealing with the reform of U.S. trade policy. You're not going to deal with China without a reform of the WTO, the latter being really difficult as long as you have the unanimous vote requirement. But if you think about what, I think, virtually everybody has said, we have got to form a coalition of the willing because the United States must not, I don't think, be in a one-on-one battle with China over their policy versus ours.

Their policy is not consistent with the World Trade Organization. We made them a big exception when we let them in. They haven't, you know, been part of any of the rules. They've played their own game. If you're going to change the WTO, it's going to take a coalition of likeminded countries to kick it off and to state the reforms that have to be done.

If you're going to deal with China, you're going to have to have a coalition of likeminded countries that can work in common purpose to say to the Chinese the price is too high for you. And I do think we're going to find a way to get away from this idea that tariffs are a negotiating tool. They hurt us. They don't hurt anybody else as much as they hurt us. And it's really silly for us to be dependent upon one policy approach when we've got a problem with this degree of complexity.

So I think a lot of us are saying, essentially, the same thing. But in the bottom line, if we don't get together with a lot of other countries that share our values, whether it's the Brazils and Indias of the world, or the Europeans, or the Japanese, or all of the above, we're not going to make the kind of progress. We're going to end up on one-on-one trade battles, and I think we lose that.

Bill Reinsch:

OK. Susan, and then I want to ask Ron about the likelihood of being able to get together. Susan, go ahead.

Amb. Susan Schwab:

So I – yeah, echoing what everybody else said, I think Charlene laid it out really well. Carla, Mike, everybody. Just a couple – let me add a couple thoughts. One, it will be interesting to see how the Biden presidency and the Congress dynamic works. I mean, one of the things Ambassador Senator Portman may want to comment on, if you've looked the last couple years there has been a consistent theme, bipartisan theme, from the Congress pushing the executive on China. So that's one.

Two, the – if you hear what all of us are saying, this is not the conversation we would have had 10 years ago. You know, Hell hath no fury than a former China negotiator scorned, right. All of us at some point in our history counted on reformers in the Chinese system who, clearly, have been squashed by Xi Jinping, and are there still reformers in their system.

Three, one of the points to be made with the coalition of the likeminded is to point out that Xi Jinping's China is exacting trade-distorting costs on everybody else. You know, when we talk about China's overcapacity, that is a nonmarket system dumping its mistakes on the rest of the world, right. Whether it is steel or aluminum or solar panels, whatever it is, those are

Chinese economic mistakes in their system that are flooding the rest of the world and hurting workers and production systems elsewhere. And I don't even have to get into cyber and hacking and stealing of intellectual property to, you know, enhance that – you know, that case.

So there are a lot of issues there. So perhaps a conversation about, I don't know, nullification and impairment at the WTO. I mean, you could start getting very weedy and wonky here. But there is, obviously, a major conversation to have even before you get into trying to keep what's good about this bilateral commercial relationship and identify and address those trade-distorting practices that China has and, of course, national security interests.

Bill Reinsch:

Ron, one of the questions, and maybe others will want to comment too, when this issue comes up everybody says we need to work together with our allies. Biden has said that multiple times, and he's a coalition builder. He's a multilateralist, as one of you said. In the case of China, Ron, give us a sense of how likely do you think that is. Is it going to really be possible to work with our allies? It's easy to say we should do that, but turning it into reality may be a little more complicated. Is everybody on the same page?

Amb. Ronald Kirk:

Bill, I think your answer to both questions is yes, I think, optically, and because Biden has that history of being a multilateralist and all that. And I – and, as Bill Brock said, this won't just be in the trade context. The fact that he's signaling, yes, we're going to reengage on Paris, we're going to reengage, you know, with NATO, and all of the important global institutions, that will make that path easier.

But, Sue, I loved how you framed it, Hell hath no fury like a trade negotiator scorned. We also know what it's like to be in the table with our, quote/unquote, "allies" who welcome us back to the table. But we know they're going to want us to pay a price for whether it's coming back to the – I mean, we're going to be welcomed back at the table, but everyone's not going to all of a sudden yield to the authority and wishes of the U.S. We're going to have to earn that trust. But we can do it.

But I want to go back to something, and I agree. Charlene, you did a beautiful job of laying this out. I just want to underscore whether we have the political spine, and when I say we, collectively, and that would include all of us. I got my introduction to the world of global trade as mayor of Dallas when President Clinton asked me to write an op-ed in favor of admitting China to the WTO, which almost cost me my confirmation because labor forgave me for being in favor of NAFTA but the fact I was, you know, just this wild-eyed, you know, pro-trade guy.

But, you know, are we willing in terms of leverage to say to China – you know, Sue, as you just framed, you know, 10 years ago we believed we could make this work, but we were wrong. And Xi Jinping – you know, President Xi has made it plain he is not interested in reform. And I think, depending on how we want to frame that prescription, as Mike said, what it is we're looking for, then we're going to have to convince our allies they have more to gain by working collectively with us. Because somebody has benefitted from

this impasse with us and China. I mean, China didn't just stop buying soybeans, sourcing from the U.S, you know, whether it's Brazil or Europe or Mexico and Canada.

But yeah, I think because of Biden's history, Bill – Bill Reinsch – I mean, we'll get everyone back in the room. But it is not – none of this is going to be easy. But it has to start at least with that effort to make the case to our likeminded market-based allies that China is on a path that's unsustainable for our economic future, and then go from –

Bill Reinsch: Charlene?

Amb. Charlene Barshefsky: Yes?

Bill Reinsch: You began the (pointed ?) discussion. If you could wrap it up, because then I want to move to the WTO. So go ahead.

Amb. Charlene Barshefsky: Oh. I just wanted to make two points.

First of all, with respect to the Biden administration, I would urge the administration not to confuse political ideology with interests. Western democracies are ideologically compatible. Their interests diverge. Germany is highly dependent, trade dependent, on China, highly, and Germany takes a different view of the China challenge, indeed, a different view of security because German security is not directly challenged by China as the U.S. believes its security might be. So I think for the administration coming in, you have to really think about what like-minded means. And my own recommendation would be, think interests more than ideology. And of course, interests means you also have a bigger tent, you have more partners to work with – not on every issue – not on every issue. But packets of partners may differ depending on that – on a particular issue, whether or not they are ideologically aligned with the United States.

And the only other point I would make is this: Leadership really matters. It matters for the country, obviously, but it matters in international relations and in what other countries may be willing to do. I don't think we're at the end of history with China. Xi Jinping will not live forever. Our own political system works to produce new results. And so let's not decide this is how it is forever that the notion of engagement with China failed, that China can't work, that our relationship will never work, and therefore reframe a policy that is ultimately a bit of a dead end. I'm not suggesting we not be tough and rigorous with China. I have a very strong stomach for conflict. And so I say, absolutely beyond tough – beyond tough, because they merit it. But that's not necessarily forever. And I think we ought to just bear in mind that things change, and that we're not at the end of history.

Sen. Rob Portman: Bill, I think – I think that's a very good point that Charlene has made. And I would go back also so what Mike Froman said earlier about dealing with China and these other countries. I mean, interest is sometimes aligned with our philosophies, sometimes it's not. But it goes both ways. So there are plenty of developing countries that might be viewed as having more of an interest than we do with China on an ideological basis, but who are very

scared about what's happening to their own economy because of pressure from China. Including some large developing countries that might be more socialist in their orientation but, frankly, they're looking for us to give them some cover, not just in terms of a market and an enhanced commercial relationship – think India or Brazil – but also cover politically.

So I think leadership is really important, as you said . And as, again, Mike said, being consistent, because I think this is hard enough. (Laughs.) And if you're not consistent, not just with China but with the alliance that would want to build up, then I think it's much more difficult. Just quickly, I want to tie three things together and then I've got to run to go vote. But one is the WTO stuff we've talked about, the Trade Promotion Authority issue, and China. I do think – and this may be way too optimistic or pie in the sky, but I think with regard to the expiration of TPA there is an opportunity to attempt to supercharge it, as we did in the 1980 Omnibus Trade and Competitive Act, where we both seek TPA to extend our authority to be able to negotiate agreements, but also put the United States in a stronger position.

And vis-à-vis China, that means investing more in artificial intelligence and other technologies as part of that. So I think it fits. With regard to trade generally and China in particular, strengthening our countervailing duty and anti-dumping laws, and bringing them more up to speed. And I've shared some drafts of some ideas that we have with some of you. I'd love to get your input on this. But I think it is time, as Bill Brock said earlier, to have a relook at our U.S. policy and come up with a policy that works better for us, and so more of our citizens can say: OK, this is actually working. We think trade is a good thing.

So anyway, that's a thought, is that taking advantage of TPA to kind of both reinvest in American and in our technologies, we're doing this in the National Defense Authorization Act right now with regard to artificial intelligence, by the way. We've taken some nice steps forward. But I think it needs to be even more we've got legislative issues to do that, to catch up, and perhaps that combination of trade policy, TPA, and investing in technology could be successful where a narrow TPA could not. Anyway, just a final thought. And thank you all. Great to see everybody. Thank you, Bill, for letting me join today.

Bill Reinsch: Thank you for joining us. Go vote, if you make it back, that's fine. But if you don't, thank you for doing it.

Sen. Rob Portman: Thank you. Thanks to John, too.

Bill Reinsch: Let's turn to the WTO for a couple minutes, because I want to make sure that the organization doesn't get short shrift. Several of you have commented about the difficult situation it finds itself in. I want to start with Carla. And do you think that our approach to the WTO has permanently shifted as a result of the Trump administration? Are we going to just leave the appellate body inoperable? Ambassador Lighthizer has said he thinks that would be a good idea. Do you think that – you know, the first issue confronting Biden is going to be what to do about the new director-general, to continue to block Ngozi Okonjo-Iweala or to accommodate consensus. What should we do

there? Should we give in, in return for concessions, or how should we play it? And how do we get the organization back on track? Just a small question there for you.

Amb. Carla Hills:

OK. (Laughs.) Yeah, small question. I think our position the last four years with respect to the WTO has dramatically shifted. And you want to know – I mean, we've moved from being a multilateralist to being a unilateralist. I hope that we say within the WTO, but it – that hope won't come to fruition unless we address the tough issues that we confront. There is a general agreement – I think pretty widespread – that the WTO needs to be upgraded. And that is very tough. Because of the consensus need they need 164. You know, since – a great change has occurred.

You know, the in the GATT times we were dominated by a very few and we were focused on manufactured goods. And today we're increasingly entwined with services and technology and so – and the players have multiplied. You know, in the GATT days, there was the quad – the United States, Canada, the European and Japan – representing a majority of GDP. And we reached an agreement, came back, and that was the deal. The others had very little interest in it, because we were the majority players. And they benefitted from lower tariffs, but we didn't ask much of them.

Today the field is crowded. And we have multiple players. The WTO was launched to negotiate, to monitor, and to settle the dispute settlements. And I think it's failed, to some measure, in all three areas. And to upgrade it needs leadership, which I do think that the United States can contribute. And what should we do? I think, again, I believe in small steps. Immediately remove the block on the director-general. That's absurd. 163 to one?

And secondly, work with likeminded nations to deal with the shortcomings that are clear at the WTO. On dispute settlement, support the Walker Principles. I think we can agree that we should have decisions in 90 days, that the appellate members should leave immediately after their second term, that facts and municipal laws are not within the province of the dispute settlement mechanism, not subject to appeal, and deal with only the issues that the plaintiff and defendant have put before the court. And prior decisions are not precedent. No stare decisis. And to ensure that we adhere to this kind of thing, have an oversight board that says the appellate body has stepped out, or just have some kind of discipline.

But on monitoring, I would support a stronger secretariat monitoring and regularly making public data that comes out of the OECD and others as to where members fail. There are reports out from global institutions with regard to subsidies. Put it out in the public, and then – and then we can take action. And on negotiations, again, work with the likeminded nations on the new areas. I think you have to start with plurilateral agreements, but we've done that, and successfully. So there is a blueprint to move forward, but it's going to take some political will.

Bill Reinsch:

OK. Sue, can you talk to us – respond to Carla, but also talk to us about the spoilers, the people in the Indias of the world, that tend to object to everything.

Amb. Susan Schwab:

I think that the two are obviously related. I agree with some of what Carla had to say, but I must say not everything.

Let me just start with the director-general comment. Both of the remaining candidates seem to me to be highly qualified – I don't know either of them, by the way – highly qualified, very nice. I was very surprised at how that played out. It strikes me that we, meaning we in this conversation, don't know what we don't know. There are things that the Trump administration folks know that we're not privy to that we should give the incoming Biden team a chance to get right into. I have no idea whether it was the right call or the wrong call. It was obviously an awkward call. But let's see how it plays out. I just – I don't think – I don't think I'm in a position to second-guess them because I just don't know what I don't know. So you know, set that aside. I was surprised at how the WTO played it out too.

In terms of the WTO, some of the issues – you know, the issues – clearly this has not been a marriage made in heaven between the Trump administration and the WTO. But I think all of us would agree, a lot of the issues predate the Trump administration. I mean, the appellate body issues definitely. I mean, I can say for my part that the appellate body was way over its line – the line – way over its role in decisions that it was making when I was USTR. And the best example I can give – and there are people who will just scorn what I'm about to say – but the best example I can give is on zeroing. And forgive me for being wonky and for not getting into details. But as an economist, it is really hard to explain zeroing, so I'm not even going to attempt it.

And I can tell you that I can understand where there are people who hate zeroing. We started losing the cases on zeroing not in the panel. The panel agreed with the U.S. position. It was the appellate body that overruled and overruled on no basis that the appellate body had any business overruling. Now, I may not think zeroing is such a hot idea, as an economist, but it was not up to the appellate body of the WTO to make that decision. It was up to the U.S. negotiating with our trading partners on what constitutes appropriate anti-dumping and appropriate countervailing duty and subsidy rules. That's not the appellate body's call.

So that's an example where they just overreached, and they kept overreaching. So that's got to be – you know – excuse me – that's got to be addressed. How do you address consensus with 164? I don't think you want to consider going to a one member one vote, but I do think you need to think about how you define consensus and think about the definition of substantially all trade. And I think Carla was sort of going in that direction. When you talk about government procurement, that is a non-MFN deal.

When you look at plurilaterals, those don't involve every member. When you look at some of the sectoral deals, look at the information technology agreement. India opted out. India was not able to block it. India opted out of the information technology agreement. Other countries – Brazil did too. And I would argue, to their detriment. Both of those countries have less competitive IT sectors today by virtue of the fact that they're not integrated.

Now, they got the MFN benefits, but they have barriers that nobody else has. OK.

It seems to me that we need to be thinking in terms of MFN applications, non-MFN applications of agreements. That's one example. We also need to be thinking about, in terms of spoilers, not letting them drag down these deals. And take a look at RCEP. I mean, RCEP, India – it was originally ASEAN plus six. And India was one of the six. And ASEAN plus five decided they weren't going to let India drag down that regional deal. And they went ahead and did that deal without India. At some point it looked like they were going to do the deal without Indonesia. Indonesia said: Nope, we're going to be part of that deal. Deal me in. We're willing to take on the obligations.

But if you look at something like the Environmental Goods Agreement, the Environmental Goods Agreement, which, I don't know, maybe Charlene they started on your watch, or maybe we started on our watch. I know we were negotiating it. The Chinese have been blocking it. Now, it is crazy when we all care about climate issues and the environment that the Chinese are effectively blocking an initiative to reduce barriers to environmentally friendly goods. We need to go ahead without it. And quite frankly, if it needs to be on a non-MFN basis, it should be on a non-MFN basis. And the Chinese just lose out.

OK, my tirade.

Bill Reinsch: Enough said, well said.

Amb. Carla Hills: Could I raise a – juse a –

Bill Reinsch: Charlene, then we want to turn to Mike.

Amb. Charlene Barshefsky: Which I think is really, I think, the most fundamental question. Which is: What is the purpose of MFN any longer? There are 306 plurilateral agreements. There are even more bilateral agreements. By definition, these are not MFN. They are either intended to be exclusionary or they operate in an exclusionary manner. And many are trade-diverting, further compounding the non-MFN nature of them. So what is that we're actually protecting and why should it be a bar to doing agreements among likeminded countries, and having indeed those agreements go forward – whether it's environmental goods or ITA – even if you have a spoiler? You toss the spoiler out. So I just raise the question, do we actually have MFN any longer for the bulk of trade that occurs? And outside of agriculture, it's not at all clear to me that the benefits of MFN still exist. So I just raise that as just a thought piece, a thought issue.

Bill Reinsch: Mike, what do you think the prospects are? And then we need to turn to audience questions shortly. What do you think the prospects are for better WTO rules on subsidies? Because that's one of the big issues that the Trump administration has raised, that the rules don't cover a lot of the things that China is doing. Are we going to be able to amend the rules to deal with that?

Amb. Michael Froman: Yeah. Look, unless China fundamentally changes their views – and they're not the only one out there, of course, that subsidizes but they're the one that this is mostly directed at – then I don't think the prospects of getting a fully multilateral 164-member agreement is very – is very high. But I would just – it goes a little bit back to something Ron said earlier. I think, whether it's on TPA, or FTAs, or the WTO, I think it would be useful for the trade community to take a step back and focus more on what it's going to take build – and Bill Brock was also the one mentioning this – what is that we want out of our trade policy and how do we build political consensus behind it?

We've seen powerful things get done on trade when there's political consensus, whether or not TPA's in the mix, whether or not it's an FTA. And we've seen nothing happen when there isn't political consensus. And sometimes I feel particularly the Europeans are – have a little bit of a fetish around multilateralism. Multilateralism is a means not an end. And I know economists will bat me over the head for that one, but we ought to – to Charlene's point – we ought to be more open to open plurilateral, regionalism, bilateralism, non-MFN agreements if necessary, if it's going to help us raise the bar among likeminded countries, create new standards particularly around new issues of the economy, like the digital economy, data, and things of that sort, and not let our preoccupation with either an institution like the WTO or concepts like multilateralism and MFN become an unnecessary obstacle.

Bill Reinsch: Anybody else have any thoughts about the WTO? We've got a question here from the audience.

Amb. William Brock: My – may I just raise one? I'm so much in agreement with Charlene and Mike. I just – I wonder if we really believe that the WTO is capable, whether this current context complexity of rules – whether it's capable of dealing with the issues that did not exist when it was formed, or even as it evolved. Nobody knows how to present to it questions on investment, which is arguably the easy one. State-owned enterprises or theft of data or data control or privacy, those are issues that we never even considered with the WTO. And the administration has, I think, put the conversation on the backward train by letting it – making it look like trade was simply a matter of manufactured goods. That's where all the tariffs are so destructive. That's not what we're talking about here. Can we reform the WTO and make it into something that is not only relevant, but has the prospect of remaining so? Or do we have to go out as a first effort to reform the WTO by forming groups, and end up with the groups of likeminded in a given interest area, as Charlene has noted, working together in common purpose and walking away from MFN, for example? I just think we're walking into a thicket here without having a clear sense of where we want to end up.

Bill Reinsch: Does anybody else want to comment on that? We have an audience question from John Newfur (ph), who many of you know, about what are some concrete steps the WTO should be taking to get the organization back in the business of opening markets. And I think some of you have suggested multilateralism and some of you have suggested plurilateralism. Anybody want to say anything more on that subject before we move on? Charlene?

Amb. Susan Schwab: What I would say is I would turn to John Newfur (ph) and ask his opinion.

Bill Reinsch: Well, he's got one, actually: Go for another expansion of the ITA or restart the Environmental Goods Agreement. These seem like sensible confidence-building, elegant bite at the apple.

Amb. Charlene Barshefsky: I think what might be helpful in addition to John's (sp) comment, which – with which I would agree, is that when plurilateral agreements are done – whether TPP, RCEP, or MCA – these ought to be brought to the WTO, first of all as a matter of notification, but second of all to see if these agreements can spur a larger conversation in the WTO and open up members in the WTO to consider these agreements. So in my own view, agreements that are done outside of the WTO, if – and this is Bill Brock's injunction to think about trade policy – but if we want the WTO to survive or some successor organization, then there ought to be a rule that these agreements that are done should be open agreements to those who can join if they meet the requirements and the assent of the existing participants. And in addition, these agreements should be brought to the WTO for consideration by that body. Maybe you start to light a fire there, just as – and Carla often talks about this – just as she did with NAFTA, and finally getting the Uruguay Round back on track. So I think – I think there might be some synergistic effect there that we're missing by not having these agreements be put forward in the WTO.

Bill Reinsch: Many of the – Ron?

Amb. Ronald Kirk: If I could.

Bill Reinsch: Sure.

Amb. Ronald Kirk: I mean, I'd love – I can't remember now whether it was Ambassador Hills – (laughs) – or Schwab that said it, but I agree with everything that everybody's said. But just all of us have the scars of trying to get the WTO membership to do what we thought was rational. But in the context of your question, what could they do, I think reforming, making the appellate – the dispute-settlement system work to me would be the most logical place for them to start.

Now, I'm not arguing that the principles that I think Ambassador Hills or Sue went through in terms of what needs to be done would be easy, but I think that's more achievable than the notion that somehow we're going to all – (laughs) – come to agreement on the application of MFN or plurilateral/bilateral. A lot of the frustration that at least we got – and I'm very much the non-trade technician – but you know, at least the biggest complaint we heard politically among the American people who get the broader argument about trade was just that nobody plays by the rules, including the WTO. So I think, to your question, I would love to see them, presuming we can get beyond the selection of a DG, as a major initiative to reform and make the dispute-settlement system work.

Bill Reinsch: OK. Here's a question. Many of the questions that are coming from the audience really have already been addressed by one or more of you and I'm not going to ask you to repeat them, but here is one that has not been

addressed, which is the following. Before we can work with our allies to deal with China, what do we do with the tariffs that we put on our allies, especially the EU? Shouldn't we immediately repair those relations as quickly as possible? Who wants to take that one?

Amb. Mickey Kantor: Well, I would just – it's Mickey.

Bill Reinsch: Go ahead, Mickey.

Amb. Mickey Kantor: Address that very quickly, and others would probably have better things to say about it, except I would use those tariffs on our allies as leverage to create a common agenda. I think our allies are – I don't think it'll be very difficult. I think our allies, whether in Europe or in Asia, are looking for our leadership. I think they're looking for us to rejoin the international community. And as we do so, everything from the Iran agreement, the Paris Accords, to TPP, whatever, I think they're going to welcome our involvement. And so I think that will be the easiest first step, but a good first step.

What we need to do is walk before we run. And I would suggest that in the first at least six months in leading up to trying to get TPA through the Congress as we do, that we pay strict attention to dealing with our allies, building those bridges. Trade is a bridge to our relationships in so many areas, and bridges our domestic policy to our foreign policy, bridges our interests of our allies to our interests, and we need to do that. And those leverages, Bill, just give us a chance to get people to the table with a serious purpose. And I think we're not going to have to work very hard at it, frankly.

Bill Reinsch: OK. Carla? You have to unmute yourself.

Amb. Carla Hills: Keep in mind that a lot of the tariffs that we've imposed upon our allies are based upon national security, the 232. It boggles your mind that we have high tariffs on things that come in from Canada. It's actually cost us more jobs in the steel and aluminum users than we've ever dreamed of creating by reason of the tariffs. So tariffs on our allies without a discussion of what the issue is, certainly in terms of national security, is no way to build up an alliance.

Bill Reinsch: OK. Here's –

Amb. Ronald Kirk: I would agree. Considering that under COVID I'm drinking more than ever, the fact that I'm having to pay more for my alcohol is just unconscionable. (Laughter.)

Bill Reinsch: Here's one. Actually, we've got two questions on an issue – another issue we didn't deal with, which is special and differential treatment in WTO. One question was just what about that.

The other question is, you know, if you move away from MFN, where does that leave LDCs? And don't they get the short end of the – end of the stick because they have relatively less leverage? Anybody have any thoughts about that? Mike?

Amb. Michael Froman: Yeah. Just on the second question, I think one has to really look – pull the onion apart a little bit and take a look at what trade is really coming from LDCs that's not covered by a preference program, GSP or AGOA or one of the other preference programs. But I also think – and we started doing this at the end of Obama, and I think the Trump administration has actually continued and built upon it – it's time to look at some of these developing countries, emerging economies, as candidates for, you know, joining some of these trade liberalization efforts.

So the fact that we're talking about a bilateral free trade agreement with Kenya, not just reliance on AGOA, I think is a – is a positive thing. And beginning to have them step up, as well, either – again, the benefit from the preference programs as a development objective, but also to be able to step up where they can and join some of these trade liberalizing efforts in order to build more competitive sectors I think would be a positive dynamic.

Bill Reinsch: Carla?

Amb. Carla Hills: On the first issue of special and differential, it's important that we have a definition of that. And we have OECD put that data that shows what the percentage – of what your GDP is. And I think that we have abused it. When you look at the list, it's quite long of those who claim to be poor; Singapore – amazing; China – amazing. So I think we should have a definition, and you're either on the list because the data shows it's justified or you're not on the list.

Amb. Susan Schwab: I agree entirely with Carla. I mean, the – it used to be you're either developed or you're developing. That is – that has not been the case now for at least 10, 15 years, where you've got this continuum of development. And I think the use of special and differential treatment needs to acknowledge and reflect this continuum of development. And the WTO – the WTO approach of self-designation as developing just is a little out of date in that regard.

I do think, in terms of your question, Bill, that if you have the approach that, for example, Charlene was describing, where you've got plurilateral deals that are open to economies that are willing to take on the responsibilities, the obligations, and you've got two tiers or three tiers of responsibilities or you've got lesser responsibilities for legitimately developing countries built into that system and a graduation mechanism, I think that makes sense.

But going back to your point about spoilers, one of the things that is distressing about some of the spoilers – and I think of India and I think of South Africa in particular – some of your spoilers that are blocking trade-liberalizing initiatives and consensus-building at the WTO are economies that benefit from one-way trade preferences given by the U.S. or given by the EU. And so they have, you know, free-trade access to developed-country markets and then turn around and block trade-liberalizing or trade-reform initiatives at the WTO that other emerging economies could benefit from. So I think that needs to be taken into account as well.

Bill Reinsch: Let me ask, then – we're getting near the end, and I want to do a lightning round of advice to Katherine. But there's one question that has come up in the audience that Mickey already answered himself, but I wanted to ask

maybe the others what their answer is, is what do we do about TPP? Do we go back in? Do we do something else? Do we ignore it? Mickey was very clear saying he thinks we need to get back. Other people have thoughts?

Amb. Ronald Kirk:

Bill, if I could go first, because I am going to have to jump up. Obviously, I think all of us – (laughs) – would agree that we could go back in. But I'd go back to Bill Brock's place – I mean, earlier admonition. I think if it's – as much as I hate saying this, but the reality, China is going to be a challenge short term, taking into account Charlene's, I think, wise counsel to take the long view.

But given the sentiment in Congress as part of a strategy to preserve our integrity, move the supply chains over, I think that is the window that we have to make TPP part of the response, part of a stronger strategy in terms of responding to China. Obviously, you'll have the business community in favor of it for reasons that Carla and Sue mentioned in terms of us being excluded from RCEP and others. But I think if it's part of that broader strategy within that, that could be the only window that you get enough political will within the Congress to get it done. But clearly I don't think we have a choice but to reengage or we really are putting our farmers, ranchers, exporters at an incredible disadvantage.

Bill Reinsch:

OK, let's go to the lightning round.

Amb. Ronald Kirk:

I just plead with you all to forgive me. I've got to jump on a matter. But Bill, thanks to you and CSIS for convening us. Everybody stay safe. And I can't wait to see you all in the new year.

Bill Reinsch:

Well, thank you.

Amb. Carla Hills:

Great to be with you.

Bill Reinsch:

For those that are remaining, let's have a lightning round in the remaining one minute. What is – one of the questions I got to have you made sure that Katherine Tai is listening to this? And the answer is I invited her. So I don't know, other than that.

But let's ask each of you – and I'll start with Bill Brock and go forward based on when you were USTR, so Mike will have the last word – what is – and this is just a sentence now – what is one piece of advice you would give Katherine going into the job?

Bill?

Amb. William Brock:

Create as much of a sense of optimism and purpose as you possibly can, as quickly as you possibly can. That's one of the reasons TPP is important. But if we don't let the American people get a sense that they benefit from trade, we're going to lose the support we have. The majority of Americans still support trade. The majority of Americans still believe it is of benefit to the country. If we don't take advantage of that attitude and give them some specifics, then we've got a problem. I think we've got to do that.

Bill Reinsch: OK. Carla, you're next.

Amb. Carla Hills: I think forming some working groups to help build the kind of support that Bill mentions; if you have a working group advising the USTR, that it consists of business leaders, labor leaders, and can come up with – not a big group, 12 people that can come up – it will provide political pressure to move forward in a direction that I think we all agree 100 percent we need to do.

Bill Reinsch: Mickey?

Amb. Michael Kantor: Let me build on Carla's. I agree with that. I would also, of course, build a real consensus in the Congress that you can in a common agenda; but most importantly, build a common agenda among our allies.

Bill Reinsch: Charlene?

Unmute.

Amb. Charlene Barshefsky: I would tell her she needs to know what she thinks, because she'll do more negotiating within the administration than she ever will with a foreign party. And if she's not clear in her own mind about what she thinks, she'll get buffeted and twisted and turned, and you end up with a bit of a muddle. So my advice to her is always know what you think.

Bill Reinsch: Susan, unmute yourself.

Amb. Susan Schwab: Yeah. I think – first of all, I think Katherine is just a terrific choice, because, having worked both on the Hill and the executive, including USTR, I think she's just – she'll be really, really good in that job. And that's one of – my principal piece of advice is to be able to integrate with the rest of the executive branch.

There's some very fine people being nominated for positions who really don't know a whole lot about trade. And she is in a position to explain and to articulate how her portfolio fits into a much broader agenda. She's in a position to do that with the Hill. She's in a position to do that with the executive. And as Charlene said, she will spend far more time negotiating with domestic constituencies than she will with international constituencies.

Bill Reinsch: Mike, you get the last word, except for me.

Amb. Michael Froman: Learn from and avoid all of our mistakes and make your own mistakes instead. (Laughter.)

Bill Reinsch: None of you have ever made any mistakes. How could you – how can you say that?

Well, thank you to all of you. I hope she was listening. It's been recorded, I think. So if she hasn't, we can make sure the opportunity is there.

Once again, I think a lot of wisdom and a good discussion and some large issues that I think are going to occupy the debate forum going forward for some time.

John Hamre, do you want to have the actual last word? No. OK. Well, then I'll just say thank you to the audience for joining us and thank you to all of you for participating. And I hope that this hasn't deterred you from being willing to do it again.

Amb. Susan Schwab: Thank you, Bill.

Amb. William Brock: Thank you, Bill.

Amb. Susan Schwab: Great reunion. Thank you.

Amb. Charlene Barshefsky: Good to see everyone. Take care.