

Center for Strategic and International Studies

“A Conversation with Six Former USTRs”

Featuring:

**William Brock,
U.S. Trade Representative (1981-1985)**

**Carla Hills,
U.S. Trade Representative (1989-1993)**

**Michael Kantor,
U.S. Trade Representative (1993-1996)**

**Charlene Barshefsky,
U.S. Trade Representative (1996-2001)**

**Susan Schwab,
U.S. Trade Representative (2006-2009)**

**Ronald Kirk,
U.S. Trade Representative (2009-2013)**

Moderator:

**William Alan Reinsch,
Senior Adviser and Scholl Chair in International Business,
CSIS**

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WILLIAM ALAN REINSCH: Good morning, everybody, and welcome to – (off mic) – an annual event, but an event that we've done a number of times in the past. And I'm very glad to see so many of you turned out. It's a real treat to have such good representation. We have six of the nine former U.S. trade representatives with us. Mike Froman sends his regrets. He's traveling out of the country today, otherwise he would have joined us. And John Hamre also sends his regrets. He couldn't be here. He's also out of the country on a CSIS program in Asia.

But the important people are here. (Laughter.) So – and we're going to have a conversation. Let me just say in the beginning that, you know, Kermit the Frog is famous for saying, "It's not easy being green." I think it's also not easy being a trade negotiator, particularly these days, where trade has fallen into, I think, some ill repute and we are in the midst of, you know, some fairly significant changes in trade policy. And it's a reality that I think our guests have all experienced, that trade agreements are not always the most popular thing to bring forward. Somebody is always unhappy and the people who don't get what they want always scream louder than the people that do get what they want. So these things end up being controversial, even when they're net-good agreements.

So our guests have been through the wars. And I would just – I want to say, even though they are, I guess, from one perspective, the people who negotiated all those historically terrible agreements – (laughter) – that the country is now suffering from, I have worked with all of them – with them, for them, in some cases against them. And I can tell you, this is the most dedicated and, I think, principled group of public servants I've ever dealt with. They serve their country with imagination, with dedication, with persistence. And I know a whole lot of sleepless nights in negotiating to America's advantage. We are all better off for what they've done. And we all owe them a debt. And I hope you'll take a moment to say thank you. (Applause.)

And we are very lucky to have them here to share both their wisdom and experience with us at a time when, as I think I said in this week's column not yet out is, you know, most of us have spent 30 years with trade being in the business section below the fold. That's a – for you Millennials, that's a reference to actual newspapers and not – (laughter) – and not this – not the screen. And now it's front page every day, and one good thing about that, I think, is that people are learning about trade and they're thinking about trade and discussing terms that nobody ever thought of. You know, whoever thought about global – integrated global value chains?

And now, all of a sudden, these are vocabulary terms that people know. This is good, and I hope one of the things that we'll be able to do today is shed some light on some of – on some of these issues.

The only procedural note to say is that you should all have – you should all be sitting on an index card. If you have a question or questions, put it on the card. And we have roving interns – just hold it up and an intern will come and take it away from you, and we're going to be handling the questions that way because of the size of the crowd. So if you don't have a pen or something, borrow from the person next to you. But we'll be coming around.

We'll be then curating the questions, which I think is a fancy word for censoring them mostly just to make – weed out the ones that are the same and so that we don't repeat ourselves. And then when we get to that point, I'll be asking the questions.

As for this, it's a conversation. I'm not – we're not – I asked – I asked them not to make prepared speeches and I asked them simply to react, and they will no doubt interrupt with each other – interrupt each other and periodically disagree with each other. You all know who they are but I want to identify them anyway.

We are lucky to have someone who served in every administration since the Reagan administration, beginning with Senator Bill Brock, who served in the Reagan administration; Ambassador Carla Hills, who served in the George H.W. Bush administration; Mickey Kantor and Charlene Barshefsky, who both served in the Clinton administration; Susan Schwab, who served in the George W. Bush administration; and Ron Kirk, who served in the Obama administration. So we have, basically, 35 years of trade and negotiating experience here and I want to take advantage of it.

So the first issue is to, really, begin with the big picture. The president has taken the country in a different direction on trade. We can talk about whether that's a wise direction or not a bit later, but let's begin with whether this – whether you guys think this is a one-off thing, a hiccup that will go away when he's not the president anymore, or whether you think that this is the beginning of a long-term shift in American thinking toward more managed trade, more protection.

I think if you're an historian you'd say it would be a step back to where the country used to be a hundred years ago. Are we reverting or is this just a temporary phenomenon?

Senator, do you want to begin? And then we'll go on with anybody else who wants to talk.

WILLIAM BROCK: Yeah. I'm not sure that I have the gift of prophecy so I don't know for sure where we're headed. I do think that we are, in a way, sort of going back to the days when we talked about international trade as if it related only to manufactured goods. We seem to be doing that again now, and that's confusing people. It's just – it's simple in the sense that you can come to grips with it on a one – product-by-product or state-by-state approach.

But the world has changed so fundamentally in terms of the internet, about goods and services – of services and intellectual property that the work that we did for 70 years to create a world trading system is having trouble adapting to a radically different world. I think the political systems are also having a lot of trouble dealing with the pace of change and addressing a reconstruction of the system to make sure it works in today's world.

So I don't think I know yet whether there's a fundamental change but there is something happening both domestically and internationally in terms of the construct of the conversation, in terms of what's happening in my own party, the Republican Party. I think the Democrats are going through something of a transformation, too. In the sense that as long as we're talking about industrial competition, it leads you into going back to the old days of tariffs. And that's not a system that we were trying to build. The world trading system has been an incredible blessing for this country, of course, but for the world for 70 or 80 years. And we seem to be walking away from that intellectually and politically. And I think the people of this country and elsewhere are confused by what that means. So I don't know the answer about where it's going to end up, but I do think we need to pay attention to the need to think about our institutional framework – WTO and others – to make sure that they are able to maintain some sort of a logical process for dispute settlement, for all the ingredients that are necessary for trade to grow as it has.

MR. REINSCH: Mickey.

MICHAEL KANTOR: I agree with Bill totally. I would just say, unless we believe airplanes and movement of people, movement of capital, movement of information, artificial intelligence and the internet are going to go away, then trade is only going to grow, as it has. I come from the state of California. And there we believe, of course, that we're deeply tied to the rest of the world. California is now, by the way, we're very proud, fifth-largest economy on the face of the Earth. And what – it's been, as you know, out of the Silicon Valley, out of the Silicon region of Los Angeles, out of our agricultural establishment. And they are deeply tied to the rest of the world. So they don't see trade going away. All they want is a rules-based trading system that's brought up to date. And that's what we should be thinking about.

So in answer to – at least my answer to your question, Bill – a very big question – is we're going to have a rules-based trading system because it's mandatory. The rest of the world in the main believes that as well. We are, for the first time in 70 years, the outliers. We've lost leadership. We created a vacuum. It's been terribly dysfunctional for our businesses and for our economy. And we need to turn that around. But, in answer to your question, that's not – this trading system's not going to go away. It's just going to grow and become different and try to address the issues that we all face today, rather than the issues we faced 50 years ago.

MR. REINSCH: Well, Susan, go ahead.

SUSAN SCHWAB: Yeah, I would agree with Bill and Mickey. And to say that we really have to focus on the revolution – the technological revolution that we're experiencing now. We're trading much more in services and technology, digital trade and that sort of thing, where need more of a harmonization of rules and an opening of global markets. And yet, most people that you talk with who are not in this room, who are not interested in trade, are concerned about this. It's kind of reminiscent of the industrial revolution as people poured off the farms and had to deal with the transition into the motor world.

But today, we have an economy of ideas. And it's changing more rapidly than we're adjusting. I think that we need two things. We desperately need to have people understand what is at stake. We could be better off. And to have a public-private partnership to make our population able to deal with the economy of tomorrow. We're in the 21st century, no longer in the 20th century. And we really have to change our strategy, our objectives, and have our politics keep up with it. And so we need all of you.

MR. REINSCH: Charlene.

CHARLENE BARSHEFSKY: I was going to make sort of two points. One is that globalization is here. It isn't going anywhere. Why do I say that? Because the first wave of globalization postwar was driven by the West. And it was trade-based. We're in a different phase of globalization now. It's not driven by the West. It's driven in part by China and East Asia. It is not trade-based, per se, it's digital. It's digital. And this technological change, and the change in the sites of growth and economic power will continue to drive globalization. So the only question for the United States is, are we in or are we out? Do we want to lop off 95 percent of the world and decide we're just fine, the 5 percent of us, or do we want to play? And if we're going to play, well, whose rules, by whose rules?

It seems to me, if we're looking out for our country, right, it should be rules that we can live with as well as other people can live with in order to maximize economic value and productivity. That's not the direction we're going in at all, which I think is unfortunate. And in a world that's changing very, very rapidly, we're losing valuable time.

What you see around the world are our allies hedging against the United States for the first time since World War II, hedging against the United States, accelerating the formation of their own trading blocs, accelerating the formation of their own free trade agreements, and we're busy relitigating NAFTA and imposing steel and aluminum tariffs ala the 1960s, 1970s, 1980s and so on as the rest of the world is moving slowly forward. So I have a big concern about our direction in the context of a globalization process that will not only continue, but will accelerate.

The other point that I'd make just briefly is the polling data, which I find really fascinating. As negative as the administration and others are about trade, the American public is more pro-trade now than it was a year ago and was more pro-trade a year ago than it was two years before that. Now, part of that is, you know, the economy is better so people feel a little more expansive. You see the same trend in Europe, by the way. But part of it is, I think, some growing appreciation that we are part of a more integrated whole and that we need to succeed in that environment. And to succeed in that environment, things like trade become net positives for the United States.

MR. REINSCH: Well, let's pursue that for a minute. Some of you were elected officials, too, and at different levels and can comment on this. But the polling data shows growing support for trade. It also shows some partisan divisions in trade. And Democratic voters tend to be more pro-trade right now than Republican voters, yet Democratic politicians are less pro-trade than Republican politicians, so there seems to be a disjunction in both parties. Both parties' elected officials are out of sync with their voters. Why? Does it matter? Is it going to go away?

Ron?

RONALD KIRK: I will – I will address that. And I'm glad we've made that shift.

I agree with everything everybody has said, but I'm – and I always love being here with all of you because I've got to believe this is – that we're preaching to a choir if not a roomful of choir directors – but I'm always amazed we can be here this long and nobody has said the most important word in terms of whether this is temporal or whether it's long term. It's all about jobs and we tried to make that point when I was there.

And I thought you were going there, Carla. You framed it beautifully when you talked about the migration from farms to an industrialized economy. People were nervous. What they weren't worried about is where the jobs were because they knew the jobs were in the factories. And as you have all correctly noted, we're now moving to a much more knowledge-based economy.

Underlying that transition is a fear of, where are the jobs? So no longer now are people worried – which I think incorrectly because we've allowed politicians who don't believe in trade to make them blame every job loss on Mexico or Canada – now there's this fear you're telling me that a robot's going to take my job or some artificial intelligence. And I – and I put that out there because underlying that polling data – as long as our presidential elections, whether it's a Democratic primary or the national elections – and we all watch the same deals where they basically lop off the middle of the United States because it's predictably red and they tell you California and New – as long as it's going to run through

Michigan, Pennsylvania, Ohio, you all know the states, those are states traditionally that believe they have been hurt the most by trade. And you're going to have people, in order to get elected, articulate some strategy about trade in which they blame all the bad stuff on these bad things that we've collectively done, and promise that if we just do them differently the jobs are going to come back.

Now, I'd like to believe what we're living through now is more what I like to call Twitter rage than articulated long-term policy – and hopefully that'll correct – but that underlying anxiety I think played a huge weight, not only in the outcome of our last couple of presidential elections, but it's the same sentiment you are seeing in Brexit. And so our collective challenge is whenever we talk about the benefits of trade, start with jobs, and there are jobs. There are going to be different jobs. They are going to be in the service economy.

But what I've found – since you singled me out as a former mayor – (laughs) – the reason mayors handle this stuff so well, we don't talk macroeconomics. We talk jobs. We talk jobs, we talk jobs, we talk jobs. And if we can continue to draw much more of a parallel between a thoughtful trade policy in which we do all the things my colleagues have articulated, I think then we can keep the American public believing in the necessity of our being globally engaged.

MS. SCHWAB: So I'm going to try to pull together your two questions because your first question, actually, we didn't answer, and that is is this part of a longer-term trend or short term. And what we see going on currently – you can go back to Seattle in 1999 – anti-globalization movement. You can go to Cancun in 2003 – thank you, Indian negotiators. You can go back to the Doha Round collapsing at least three times on my watch – a couple of times on your watch – I think any of us who were involved. And when you start tying that to jobs and manufacturing, you discover U.S. manufacturing output today, and over the last seven decades, has gone consistently up. We are making things – things – manufacturing things in this country at a growing pace year after year after year, but we are making them with fewer and fewer people.

There is additional, however, value added in each of these things we're making, and this gets to the digital side of the equation. Plus the services – the importance of the services economy – we've talked about agriculture and trends associated with that.

Concerns about employment are fundamental, but if you look into the implications of the value-added side of manufacturing, manufacturing can in fact – in an era of supply chains – stay in or move around where the knowledge-intensive capacity can be there. So that free flow, where the education is, there are a lot of moving parts here that would enable the U.S. economy to continue to thrive.

The challenge in terms of the rules, though, is we stopped writing global rules in 1993 – 1993, '94. The WTO is hopelessly out of date, and what we're doing now is arguably we're playing around at the edges, impacting manufactured goods. The trends in terms of impact protection – you know, you can look at – you can look at post-2008, 2009, obviously exacerbated recently, but there's plenty of empirical evidence to show us it's not just recently; it's just more obvious.

And the question is is that helping any of us. No. Small- and medium-sized companies in particular are getting screwed. Major manufacturers that are the source of most exports and still most jobs are in trouble – agriculture, obviously, because they can't pick up and move their production elsewhere. And so we get back to the, quote, “rules-based system” where no one is following the rules – or where fewer and fewer players are following the rules. And this is not just the United States at this point.

And where do we go from here? In terms of public opinion, the most recent poll that I saw – Chicago Council on Global Affairs – has Republican positive attitudes about trade improving and catching up to Democrats, but that doesn't impact votes. What I suspect will impact votes is the flipside of what happened on the downside, which is, as you have communities and individuals and factories negatively impacted by import protection, those anecdotes and those individuals and those communities that will lose their jobs and are losing their jobs because of import protection, those – you know, the spotlight's on those. Those become loud and those become vocal and those become evident. And the farm communities that are impacted, that makes a difference. It's those anecdotes and the deep well of impact.

MR. REINSCH: Carla.

CARLA HILLS: I think Sue outlines a major issue that we face, and that is, how do we deal with a 21st-century economy? I think we are woefully deficient in our education, both in schools to deal with what the youngsters are going to face, but importantly how to have a lifetime of learning. And the programs that we have, which range from Trade Adjustment Assistance to – we have a number of other programs. They're deficient. They're complex. They are very difficult to figure out. And what we need is a strong public-private partnership posting on the internet for everyone to see where the jobs are open. We have more job openings today than we have in unemployment, but we do have people who are sitting out in the labor force. So, number-one challenge for the United States is to begin to train our people effectively for the jobs that are open and are going to change more rapidly. So we – it's an ongoing sort of thing.

I slightly disagree with the statement that the rules that we have negotiated in our trade agreements are woefully wrong. I would just say they need an update.

MS. SCHWAB: Woefully out of date.

MS. HILLS: Out of date, OK. Then we are in sync on that – (laughter) – because I would not throw away the protection of intellectual property, the protection for international investment, the protection for services. But we don't have rules to deal with a number of things that are increasingly important and only are going to get more important.

And then we have some economies that do not fit into the rules that we have. That is to say that we don't have a good definition of what is an arm of the state, what is a state-owned enterprise, how do we deal with monies funneling to a state-owned enterprise. And so rules like that we need.

So it is definitely an upgrade. And we have to determine how are we going to get there. And I think there are some indications that some nations – I know that France is trying to get a group of likeminded nations to talk about these issues. But again, as we move forward as a democracy, we're going to have to talk to our own people about what is at stake, what are the strategies going forward, and how do we make a difference, because it really is going to be increasingly important.

MR. KANTOR: Let me – I'd like to follow on Carla and that because it's so important what she said. In order to change these agreements that need to be updated – I would drop "woeful," but that's another question. I'm woeful, but the agreements aren't. (Laughter.) But they need to be updated, no doubt about it. But we need leadership that's going to talk – speak to the American people's anxiety, frustrations, fears. Change has come upon us – and the whole world, by the way;

we're not the only country – so quickly people are having a hard time absorbing that. And if – unless people feel comfortable, confident, and able to embrace a new world that has – that has really come upon them so quickly, they're not going to be supportive of trying to move forward in the ways all of us believe we have to. I believe everyone here would talk about moving forward in a way – in updating these agreements and updating our rules-based system and how it deals with the new world that we're facing.

In 1995, when we – when we finished the – what Carla and, well, really Ronald Reagan had started and Carla followed up and we followed – the Clinton administration, in the Uruguay Round – frankly, folks, no one knew what the internet was. It was at UCLA and then it came to the sixth floor of the Commerce Department here in Washington. No one understood it. We had telephones that were so big you had to carry them around in a suitcase. That is only – that is only 22 years ago. Look how fast change has come upon us.

So the question is leadership. The question is building confidence. The question is not trying to mislead the American people as to what the world is about, but giving them the confidence to embrace it.

MS. BARSHEFSKY: Bill?

MR. REINSCH: Yeah, go ahead.

MS. BARSHEFSKY: You know, I was just going to make a few points.

The world is certainly changing fast. An exacerbating factor which I think is often overlooked is the devastating effect of our 2008-2009 financial meltdown because you saw overnight the elimination of over \$10 trillion in wealth from this economy. The wealthy have continued to remain wealthy and wealthier. But I just saw an interesting study that said that for the bulk of the nation, there is still a, on average, 20 percent diminution in net worth from 2008. That is to say, pre-2008 there is still a 20 percent lag in net worth. So you have a situation where people lost their jobs, lost their homes, and are still underwater relative to where they were pre-financial crisis. And I think this is an exacerbating factor of extraordinary magnitude and anger and resentment. It is the classic I did nothing wrong and look what happened to me scenario. And I think this is a large part of the anger that drove the last election. It remains a part of the anger on which politicians feed for the coming elections.

Trade, in that context, is swept up. Trade has its own problems, right, but it's swept up and it becomes the flypaper to everything else. And so there's a little bit of a conflation between the actual effects of trade and technology on jobs and on feelings of certainty on the part of people and their basic economic standing – where they were in 2007 and where they are now, and what they've been through in those intervening years. That's point one.

And, second, this issue of job creation is extremely complicated for a whole bunch of reasons, but one of which is sort of a series of newer findings is that labor is much less mobile in the United States than it used to be. People don't move. And the result is, if you lose your job and there are community impacts – and those community impacts are often similarly negative – and you don't move, you're looking for jobs in an area where jobs don't exist, and so you stay unemployed longer, or you pick up another job and work for substantially lower wages. This is extremely complicated. Why are people not moving? Why are they not willing to move? Is it economic? Is it family ties? Is it

cultural? What has happened to our vaunted labor mobility in this country, where you saw massive swings of people going, you know, in factories and going where the jobs – where the jobs were?

But having said that – last point – the net is people talk about trade and trade having – putting pressure on wages, putting pressure on jobs. Nobody talks about – until Carla brought it up – domestic policy measures. You want education? That has to do with the domestic laws in this country and where we put our money and what Congress is doing. Has nothing to do with China and nothing to do with Europe or Canada or Mexico or anybody else. You want infrastructure development? Domestic policy. Almost all of the areas – you want jobs? Jobs are domestic policy. You could have job training. You could have wage insurance. You can have minimum floor income for people. There are myriad programs around the world that are far more effective than anything the United States has ever had. But this depends on a functioning Congress and it depends on an executive branch that recognizes the domestic legal responsibility to do what needs to be done for our own people. And I don't see anyone in positions of authority who's doing anything serious along those lines. And until they do, the anger, the resentment, and the flypaper of trade is going to continue to take a series of hits.

MR. REINSCH: OK. Carla has a comment, and then I want to drill down to some specifics.

MS. HILLS: I want to comment on the mobility issue that is very prevalent. Just imagine that if we posted on the internet all the 7 million jobs that are available. And just imagine if we had programs – federal and state – that would provide a stipend to move you from West Virginia to Ohio to take an opening that seemed to fit you. By the way, in posting the jobs, it should say: What is the job, what will it pay, and what is the company? And then imagine that we had a private-public partnership where the companies that needs the jobs paid for the training? So at the end of the 20 weeks – which is about average – that you need to upgrade your skills, you would be having a higher-paid job? I think it would affect the mobility issue.

Part of mobility is cost. How do I get there? How do I bring my spouse? How do I bring my kids? And so if we had such a program that was simple and clear, it would make all the difference, in my view. And it would pay for itself, because as you move up and you make more money you pay more taxes. And it would be kind of like the Marshall Plan. You're investing in the future, but you're investing in your own people.

MS. SCHWAB: Can I – can I just note – can I just note that I think we would all agree, however – and I think we ought to go back to trade policy – but I think we would all agree that every administration and every government that we've been involved with has punted on Trade Adjustment Assistance, on mobility, on skills training. That none of the administrations we've been involved in has shown in that. So clearly, this is a deficit when it comes to the U.S.

MR. KIRK: I would violently disagree with that –

MS. SCHWAB: You can – OK. All right. All right, look –

MR. KIRK: Because I had the privilege of – when we – and we were severely criticized for not just rushing through with the Korea trade agreement.

MS. SCHWAB: Well, let me just –

MR. KIRK: Well, let me finish. I worked – since you gave us the license to do. (Laughter.) But we did. We refused to move forward with the Panama, Korea, and Colombia agreements until we got a concurrent – until we got a –

MS. SCHWAB: You do not want to go there. You do not want to go there. (Laughter.)

MR. KIRK: Until we got a concurrent agreement to include Trade Adjustment Assistance, which Speaker Boehner helped us do.

MS. SCHWAB: You do not want to go there.

MR. KIRK: But we did do that. But I would say – and I also want to respond to the other bills. One, we can't become victims of the narrative that's being said out of the White House that all trade is bad. There are some good things happening. And I would say one of the reasons – and, Carla, you said, boy, what about a world where people posted jobs and that? That's happening. But it's happening at the states and the cities. And the reason you're seeing some people begin to turn – because governors and mayors are at the tip of the spear on this. And every one of us – you can go back to the Uruguay Round, to NAFTA, to admitting China into the WTO. One of the forces that every president's martialized – martialled has been governors and mayors because we understand first-hand the correlation.

So, one, let's not become a victim of this negative narrative. There are some good things out there. There were rules that at least attempted to address the issue of state-owned enterprise. It was called the Trans-Pacific Partnership. It wasn't perfect but, look, we just have an administration that withdrew from everything that we knew. But I –

MS. SCHWAB: And Bernie Sanders opposed it. And Hillary Clinton opposed it. So other than that, Mrs. Lincoln –

MR. KIRK: But it doesn't change the fact that there was an attempt to modernize those rules and address some of those issues from that. I mean, we know where Democratic opposition to trade has been. The change has been there was this sea change the last election where trade was weaponized in the Republican primary, the way it typically is in the Democratic primary. That's what I think shocked everybody.

But there is some – there are good forces out there. And I think engaging governors and engaging mayors is a way to begin to change that narrative along with that.

MS. SCHWAB: I agree with that part.

MR. REINSCH: OK, Bill.

MR. BROCK: Boy, it is just too easy to blame people in this country. We're getting good at that. The politics – anecdotal politics, whatever issue hits your front page or the cable news in your hometown, is going to drive your vote. It's the negative politics that are – is driving me crazy. What's happening? Think about it. Back off a little bit.

Mickey mentioned the internet. 1995 is the first time the American people ever saw anything like the internet. What's happened as a consequence of that change? The process of change has – the

pace of change has picked up so radically. The government, by definition, is not going to be able to keep up with it. We have a responsive system.

It's not a creative political – it's responsive to the public. And if people don't believe anybody's listening to them – and that's what they do think. Both parties, they honestly believe that nobody can hear me and nobody cares about me. They care about them, but not me. If they think that, and then the Congress or the administration or the executive branch or regulatory agencies try to respond, what they're doing is responding to what happened yesterday.

The government, by definition, has to act that way. And what that means is the pace of change is out here and the government action is back there. We're going to screw it up, because your response is unrelated to the new fight. And that's going to increase the level of frustration and anger, to pick up your comment about it's not just rich/poor – it's them and us.

MS. SCHWAB: Yeah. But it's –

MR. REINSCH: Let's get into –

MS. SCHWAB: But, ultimately, in terms of trade, you're going to want to create – you know, what do you have control over? Domestically, what you have control over is creating an environment within which you are competitive, right, and that has to do with – it has to do with education. It has to do with infrastructure. It has to do with a number of things we've talked about. It has to do with taxes.

It has to do with regulation – a number of the things that are addressed at the state level, local level, and national level – and we could have discussions about whether we are moving in the right direction or the wrong direction. Some of us would agree. Some of us would disagree.

On the rules and the rules-based system, I think we all agree that we'd like to be moving the rules of the road forward – that there are big gaps when it comes to digital trade, when it comes to intellectual property, when it comes to services, when it comes to a whole variety of things, because the system is jammed up, whether it's the WTO, whether it is bilateral and regional deals that – in the case of TPP, I mean, we launched TPP and you all took it and ran with it. We would love to have seen it get accomplished. But everybody ran against it, right, in the last election – the last presidential election.

But even then there are issues that can't be addressed through regional and bilateral deals. So anyway, so –

MR. REINSCH: Actually, I wanted to go – pick right up on that. Brilliant. Let's – I want to drill down into a couple of issues – specific issues. You all are negotiators so you can give us some informed comments on this. One question that has come up is the president has repeatedly said that bilateral is better than multilateral. He doesn't like multilateral negotiations; we should go bilateral. Is he right?

MR. BROCK: No.

MR. : No.

MR. REINSCH: All right. (Laughter.) Well, Brock said the – got the first answer. Why is he wrong?

MS. HILLS: I want the second one.

MR. BROCK: Just think about the logic of that, or the lack of it. (Laughter.) If we need a construct of a world trading system, it has to have rules. It has to have certain objective standards. It has to be a place where we can get disputes settled amicably and under the set of rules. You don't do that on a bilateral basis.

Bilateral means that we can use our muscle and our heft to impose on somebody else. But unless we have a common interest around which we build the system, you don't have a system at all. You got chaos. And the ability to impose our will is going to create a disaster.

MS. SCHWAB: I think it depends on the issue and the country, right.

MR. REINSCH: Say that again.

MS. SCHWAB: It depends on the issue and depends on the country. So, for example, some of the issues that we're dealing with with China, and Carla talked about non-market activities – you know, subsidies, forced technology transfer, cyber issues, what I see as a failed model that results in overcapacity that gets dumped on the rest of the world, and trade distortions – those issues are not going to be adequately dealt with unilaterally by the United States. This administration has quietly been working with Japan and Europe on some of these issues. That, I think, is a very positive avenue. It hasn't gotten a lot of visibility; we'll see where it goes. I think there's a WTO component to this. But you're not going to – I think TPP would have been an avenue for that as well.

There's certain issues that you can – you can use WTO dispute settlement for, there's certain issues you can't. And again, in part, because the WTO is supposed to be adjudicating stuff, you know, over rules that were – that were settled in 1994. There's a limit to where that's going to take you. But it depends on the issue, it depends on the country.

MR. REINSCH: Carla first, then Charlene.

MS. HILLS: My own view is that bilateral are more difficult in the sense that when you have more people around the table, one of you, party A, puts something on the table that I want, but B wants it more and is willing to put something bigger on the table, so I get the benefit. And so the more people you have who are putting their wishes on the table and the more people you have who are willing to pay, but you get the benefit, that's a plus. The problem today is we have 164 members in the World Trade Organization and it's a consensus organization. As a result, it's very difficult to get hundred percent view.

Sometimes a plurilateral agreement is the path forward. I remember that the Uruguay round had cratered in Europe in 1970. We began the North American Free Trade Agreement in June of '91. We shook hands in August of '92. Bush Sr. signed it in December of '92 and President Clinton got it through the Congress in '93. It took effect on January 1, '94. Within four months, then the 126 ministers, trade ministers, came back to the table and picked out the investment provisions from the NAFTA, the intellectual property protections from NAFTA, the services protections from the NAFTA, a mechanism for resolving disputes now called the World Trade Organization, a copy of the NAFTA. So it was an incentive, it was the template.

And that's what we need today, is it's tragic that we didn't go forward on the Trans-Pacific Partnership. But you can't look back, you have to look forward. But my view is a plurilateral agreement is a marvelous boulevard to get a general agreement because others will want to have the same benefits and not have you have the preferential protections.

MR. KIRK: Bill, if I could quickly add, I agree with all of them. But again, looking at this through the eyes of who we serve, 95 – at least when I was here and coming over here, we'd always quote – 95 percent of our exporters are small businesses. So from that standpoint, for a small business, because it doesn't have the wherewithal of Boeing or Caterpillar, is it easier to give them one set of rules to do business in a bunch of places they can understand than have to go try to figure out a bunch of bilateral deals?

So I would – I would say, for that reason, if you can get something on a plurilateral level, a larger level, that makes it easier for the business.

And which back to your point, Sue, makes us more competitive.

Because the other thing, we just have to keep going. We've been winning at this trade deal. You know, American businesses are not afraid of competition. And those of us who believe in this have to keep hammering that point. This is a way we win by making sure we construct the rules, we construct the paradigms for competition in this globally linked economy that isn't going to regress. And if those rules are fair, if those rules are ones that our businesses – farmers, ranchers, innovators – can understand, we're going to do quite well with that.

MR. REINSCH: OK. Charlene?

MS. BARSHEFSKY: Yeah, well, no, you go ahead.

MR. KANTOR: No, Charlene, I will never interrupt you. (Laughter.) When I met you, I was 6'4" and blond, so go right ahead.

MS. BARSHEFSKY: I was simply going to say if you're a trade negotiator you use every tool you have: plurilateral, multilateral, bilateral, formal agreements, informal agreements, understandings, memoranda of understanding. There are a million tricks and a million ways to proceed, but you have to know where you're going. What's the point of the exercise? What's the framework? How do you think about where it is you want to go? What's the vision? What's the vision? Easy to do a bilateral agreement with country X. To what purpose? And is there a greater purpose? Could there have been a greater purpose to what you were doing in terms of economic growth, not only in the United States but globally – which also, again, lifts the United States? It's a double ratchet.

So you have to know where you're going, and you have to have a conceptual framework and reasons why the direction you want to go in is the right direction for the United States, for job growth, for the growth in GDP, and all the rest. And so the notion of simply saying bilateral – I prefer bilateral – is like saying in every meal I prefer pizza than anything else, always and forever. I like pizza, but I mean, really, there's a limit. (Laughter.) So I just think that trade negotiators have to remain extremely flexible, but you have to know where you're going.

MR. REINSCH: Mickey?

MR. KANTOR: I said earlier and I'm going to keep repeating the U.S. must provide leadership they're not doing. We have – we have walked away from leadership, and not just in trade; just about in every other area you can imagine.

But in order to do that, the emotionally mature and stable leaders of both parties – of which there are a lot, in both parties – need to come together and decide that we are going forward and build a – and continue to build a rules-based trading system, we can make the changes we need to make, that this too shall pass, meaning what's happening now in Washington. If you go – Ron Kirk is right. You go talk to mayors and governors anywhere in this country, you know what? They don't have ideological discussions in their city councils about where they go with jobs. They're leading trade missions all over the world. They're trying to train their kids in their schools so they can work in a global economy. They understand, because that's their job every day, how to grow. So they can be a base of support here in Washington for those, as I said, emotionally stable and mature leaders who are willing to come together. And I think there are a lot of them in both parties.

That means there has to be a starting dialogue, and all of you should be leaders in that – a starting dialogue among those folks in Washington who understand it, who are willing to go forward, who are willing to understand it. It's not a political risk; it's a political plus for them to take that leadership and to build on U.S. leadership around the world.

MR. REINSCH: OK. One of the questions that has come up – well, not one of the questions. One of the issues that lurks behind many of these conversations, as several of you have mentioned, is China. And we can't have a discussion without talking about China. Let's begin with maybe an easy one. I can dare to ask Charlene this. Was it a mistake to let them into the WTO?

MS. BARSHEFSKY: No, it wasn't a mistake to let them into the WTO. You're looking at a fifth of the world's population, a nuclear power, a permanent member of the U.N. Security Council, a country that began autonomous liberalization under Deng Xiaoping in 1978. And then you have Zhu Rongji, one of the great economic reformers of modern China, who said we have to open more. We won't develop if we don't. We can't raise our living standards. We can't bring people out of poverty if we don't. With China saying to the U.S. and others we'd like to be in the global system – a system which, by the way, in 1947 they helped to create. They were a founding member of the GATT, which was a forerunner of the WTO. They left after the communist revolution, but they wanted to, in effect, rejoin.

So is it a mistake to say to a country that is finally willing to consider moving in your direction that they shouldn't bother? I don't think so. I think every administration – even this administration – would have been hard pressed to turn them away and to say we aren't going to negotiate anything with you at all.

Where I think – and let me just say – and I think the outcome of the act is apparent in one statistic most people forget. China is today the world's second largest importer – importer. It's a mark of how much more open their economy is today than it ever was before.

But where I think the rubber hits the road – and I think the U.S. missed it in part – is that this economic convergence toward Western norms began sputtering around 2006 or 2007. Xi Jinping put an end to it, stopped it. So for the last five-plus years, you've had little bits of economic reform in country unrelated to market opening, and instead, the imposition of highly discriminatory measures and

programs, heavy subsidization, you know, the creation of national champion companies, so on and so forth, and particular focus on technology as the means by which China will move ahead.

That focus is fine; it's the means by which you effectuate that focus. And their means has been forced technology transfer and cyber espionage, as well as their own innovation – as well as their own innovation –

MR. REINSCH: OK, it would –

MS. BARSHEFSKY: – and so enforcement there would have been critical.

MR. BROCK: Yeah, it was not wrong to bring them in; it's wrong not to make them adhere to the rules that they have agreed to.

MS. : Yeah.

MR. KIRK: Yeah.

MR. BROCK: That's the fundamental question. Are we – do we have, under the WTO, as it's presently structured, the ability to deal with state-owned enterprises? Not really. Do we have the ability to deal with the expropriation of intellectual property? Not really.

What are we trying to address? We're acting as if China was the problem in terms of a mercantilist approach. It's not the investment competition. It is the fact that we need a rules-based system where there is dispute settlement available that can address these things, and there has to be some enforcement process that brings them to the table. You can't do that with bilateral approaches. You cannot do that with tariff or tax. You can only do it in a multilateral system.

If you want to get away from the present misery, construct a workable system where there is a set of rules, and people adhere to them, and we create a – at least in a group of like-minded people who work together to make that process work. Do that and you are beginning to address the problem. You can't do it the way we are approaching it now. It cannot work.

MS. HILLS: I would say that there are two basic principles of the World Trade Organization that we could have and should now use. One is national treatment and one is non-discrimination. We could join hands with those who have suffered by the transgressions of the Chinese, who also suffer from percentage caps on inward investment which discriminate and are non-national treatment; on inadequate protection of foreign intellectual property – discrimination. On a host of other things – I won't take – but the whole list that we most object to violate those two principles.

Approaching China to say we need to have you adhere to these principles, and if China were saying, get out of my office; I don't wish to continue this conversation, you who are on the other side of the table could bring, under the WTO, a nullification and impairment action, and that is provided by the provisions of the WTO, and is a way of making the negotiations go forward.

But I suspect that China, which needs to be part of the global system, would respond. It may be that, in certain areas, they'll need some time to adjust, but in every trade agreement it isn't that you do it tomorrow. Sometimes to open up your agricultural market we'll give you five years. Sometimes in specific sectors we'll give you 10 years.

With China on this non-discrimination and national treatment, I think we could make a giant step forward and keep the second largest economy in the trade organization. And keep in mind trade is not just an economic issue. If we can have rule of law in the global economy, it's like rule of law here at home. It makes all the difference. And if we can have predictability, that makes a difference that also enhances security. There are studies showing that for a 1 percent increase in trade with the poorer countries, you get a 1 percent decrease in poverty. And poor countries become too often havens of those who would do us harm – whether it's international crime or whether it is a violation of a range of issues. So I think we should sit at the table understanding where China's coming from. I totally agree with Charlene. I think we have to understand what their political objectives are, which are different than ours, what their economic possibilities are, which I think we could get a handle on, and to see how we could move forward and in what timeframe in these various areas.

MR. KANTOR: I'd disagree just only a tiny bit with Carla. Their objectives aren't different from ours, really, not in the main. They want peace, security and economic progress. OK, 1.3 billion people. They have to have that. We should have invited them into the TPP. Big mistake. Big, big mistake. Who was it that said keep your friends – I mean, your enemies close and your friends far away? The Chinese would have been – if they had been in TPP, we could not have – could not have – even this administration withdrawn from it. It would have been much more difficult.

There's a duopoly in the world between the U.S. and China. We need to reach out and figure out where our common interests – where they are many with China. Obviously we have problems. Obviously we have problems. We have problems not only with trade, also the South and East China Seas we have problems with China, the militarization of those islands – offshore islands, human rights problems. There are many problems. But we've always had problems with other countries. And that's where leadership and involvement and connection and entanglement makes a difference. If you don't deal with someone, if you're not willing to sit down and try to figure out where your common interests are and reach agreements, then you're not going to make progress, you're not going to solve problems, and you're going to have the kind of situation we find ourselves in today.

MR. REINSCH: This is good, you've move into my next question, which you anticipated, which is great.

MS. BARSHEFSKY: Oh, if I –

MR. REINSCH: Charlene?

MS. BARSHEFSKY: But if I could just say, look, I think there are three basic ways to approach the China set of issues. And I think you have to do all three simultaneously. One is enforcement. The China protocol of accession has a provision prohibiting forced technology transfer. No administration has ever brought a case against China based on that provision. I have no idea why not. It's sitting there. It should be used. There are provisions about the conduct of state entities – provisions, again, that hasn't been used by could form part of the basis of a case. And then of course, as Carla pointed out, a nullification impairment case, which basically says: You made a bunch of promises, we're not getting the benefit, something has gone wrong, and so on and so forth. So – and there's bilateral enforcement. There's lots of different enforcement mechanisms that are perfectly globally legal. So enforcement, including in the WTO.

Second, bilateral discussions with China. The area of services trade. Their economy is quite closed in many areas. Our economy could use some opening as well. That could be a very fruitful area of discussion. A bilateral investment treaty, which has been shelved. I'm not sure why. But there is a kind of reciprocity deal to be made there, which could be, in theory, a very good deal for both countries. There are other areas of bilateral negotiations.

And third, the U.S. needs to go back to plurilateral agreement. Asia and Europe – these are the two big areas. The U.S., Asia, Europe – 60 percent of global GDP. That's a new WTO. If you got the rules right, other countries would join in. And so – I think you've got to take TPP back, add to it in Asia, particularly, I would say, Korea and Indonesia. You take it to Europe to say to Europe, this is what you should be joining. It's a rewrite of the global rules. It's also a spur to China, where 60 percent of the world's going to operate on a basis a little bit different from where they operate and what they can reasonably expect economically.

So you would – you would have a new set of rules vastly updated, including to take care of the digital economy, you would push China, as you're doing these other measures as well, and you would spur the WTO much the same way as NAFTA spurred the Uruguay round. It would spur the WTO to get its act together. And I think that would happen in an evolutionary sense at a minimum as countries joined what would be the big bloc.

MR. REINSCH: OK. Nobody has made the case for tariffs. Anybody want to make the case for tariffs?

MS. SCHWAB: So let me – so I'm going to be a bit of a turd in the punchbowl here. I agree on, A, the enforcement side, including through the WTO. I would be – would have been much more WTO heavy in this exercise using the enforcement mechanisms. I agree also in terms of the WTO-plus, whatever WTO-plus mechanism, whether it's TPP-plus, whether it's another version of WTO-plus, and just raising the bar. I mean, there are a lot of us who want to raise the bar.

But I will tell you that from 2005 onward, we were seeing bad behavior and backtracking on the part of China. And Carla mentioned that. And we tried to get China's attention on a whole lot of issues that the Obama administration tried to get China's attention on, that the current administration is talking about. And we weren't able to get their attention. And we weren't able to get Europe and Japan to help us, even though quietly Europe and Japan would talk about this.

And this is in the context, I might add, where China is an important export market for the U.S. and all of us. And those of us who grew up in trade policy where there were all these U.S.-Japan disputes, the Chinese market is so much more open and so much more important to U.S. exporters than the Japan market ever was. So, I mean, let's put things in perspective here, OK? So this is a really important market for U.S. exports.

Still, you could see this backtracking from commitments made in 2001 or leading up to 2001 and a growing movement against not just the spirit, but also the letter of commitments with their WTO accession. And guess what? This administration has gotten their attention. Tariffs, I don't like tariffs, I'm an economist. I don't like unilateral action, I'm an economist. And let us note for the record that these are self-imposed wounds. And anyone who pretends that U.S. imposition of tariffs isn't hurting the U.S. economy is fooling themselves. However, it is part of a – let's start with a tactic, we'll find out if it's part of a strategy at some point. (Laughter.) It has gotten the attention of the Chinese authorities, which I was unable to do, which you all were unable to do. Maybe – maybe – the outcome

will be a change in behavior on the part of the Chinese that in the long run will result in a positive outcome for China and the United States and the rest of the world.

None of us would have gone into trade negotiating had we not been optimists. Otherwise, we would have slit our wrists somewhere along the way. So that's my take on tariffs. But the point is – the point is – if they are left in place, all we've done is hurt ourselves. If they ultimately are leveraged, as the president has talked about, let us see what they do with it.

So is that – is that what you were looking for?

MR. REINSCH: That actually punches several tickets. (Laughter.)

MS. SCHWAB: Somebody had – someone had to do it.

MR. REINSCH: And it's going to be – because we've got an enormous pile of questions, I'm going to segue to some of those. Fortunately, some of them were ones I was going to ask anyway. So let's begin and work our way through a few of those in the remaining time.

This is one that I was going to go to anyway, which is, in response to various Trump tariffs – 232, 301 – members of Congress have proposed a number of bills aimed at curtailing executive authority on trade. Is that a good idea? Are these bills a good thing? They would take basically authority for tariff setting back or require congressional approval for the actions that are made. Is that a good idea, a bad idea? And what is the likelihood that any of these are going to pass?

MR. KANTOR: In the short run, short period it's a good idea. But let me warn everyone – I guess I'm getting older – Bill Brock and I will tell you a fellow Tennessean of ours, Cordell Hull, in the '30s, after the Smoot-Hawley Act passed and exacerbated the recession, went to Roosevelt and said, we got to take trade away from the Congress of the United States, and we did, and it was smart. It was a good move and it's been there ever since in the executive branch.

In the – it's Article I, under the Congress. That's where trade is – international trade. It's not the –

MR. KIRK: Under the Constitution, yeah.

MR. KANTOR: Uh-huh, in the Constitution, yeah.

MR. KIRK: Yeah.

MR. KANTOR: So, folks, you've got to be careful of what you wish for. The unintended consequences could be quite difficult. Just because we have now in a year and a half or 20 months a(n) awful situation doesn't mean we should change where we're going and how we think of how our structure works. That doesn't mean it's been working well, and it should. So in the short run, should the Congress raise its head and its objection? Yes, absolutely. In the long run, I think keeping trade in the executive branch is really a critical matter.

MR. REINSCH: Anybody else want to comment on Congress? Bill.

MR. KIRK: I don't have any more reason to believe this Congress is going to stand up to this president on this than they've done on anything else.

MR. BROCK: Not until the 7th of November.

MR. KIRK: So, to me, that's sort of a – (laughs) – (inaudible).

MR. BROCK: I want to – I want to echo Mickey's comment about be careful what you wish for. Don't go too far down that line. I really do worry about 232 and the ability of the president to use national security as an excuse to do anything. The utter ridiculousness, if that's a word, of suggesting that Canada is a threat to the security of the United States doesn't drive me wild. Name a few others that would be put on the list that are allies and friends and supporters and share a common burden with us.

I happen to think that you could and should constrain the use of that tool, if not eliminate it. But going beyond that, I do think that Congress is utterly incapable, with all respect, of conducting trade policy. You need an executive branch that has a coherence to it – that has a common approach that is articulated, for better or for worse, by the president if that person is elected.

But Congress couldn't conceivably negotiate a trade agreement, ever, ever, ever. So I think what we've got is a pretty good system as long as we make it work. But be very careful about allowing abuse of things like the security argument.

MS. : I agree with Bill. I think two –

MR. KIRK: Bill, can I just add one amendment to that, though? I do think it would help to add some clarity about the president's ability to unilaterally pull out of agreements, whether it's NAFTA or something. I do think –

MR. BROCK: There isn't any.

MR. KIRK: – because it just – depending on who you talk to now you get five different answers. And I think if we clarified that, that would be helpful.

MR. REINSCH: OK. Let's turn to another issue that I was going to bring up anyway. We have got a number of questions about the WTO, and that's much in the news these days. The president has expressed skepticism about it, has periodically threatened to withdraw from it. The administration has made some very specific criticisms of the way the appellate body works and, because of the failure to address those criticisms, has held up new appointments to the appellate body, which means that they're now – as of the end of this month I think it'll only be three, which is the minimum number you need.

Let's begin with the specific and then we'll go to the general. Looking at the appellate body issue in particular, are our criticisms right – that they overreach? That they don't adhere to their own rules? That they've sort of created new law, if you will, that goes beyond what we agreed to? Or are our criticisms misplaced? If they're right, are we trying to address the problem the right way? Carla.

MS. HILLS: I think there has been overreach. Under the rules of the WTO, the appellate body is to apply the law. The panels below are to find the facts. And when the appellate body begins to

move around in the factual area or to decide on rules that haven't been agreed to, that could be called and no one disagrees, I think, overreach. But the way to deal with the issue is to try to get those who have complained – and there are a number of members of the WTO who have complained about needing to deal with a better enforcement mechanism at the WTO, again, joining hands with those likeminded nations and making recommendations for change. Some have suggested longer terms. Some have suggested only one-year terms so they're not a holdover and deciding on cases down the road that they decided before. And there are a number of things which could strengthen the dispute settlement mechanism. But it's not going to be fixed unilaterally.

MR. BROCK: You can make a pretty good argument that the (panels ?) have gone beyond what their purpose is. They have enlarged the area of response in some areas. They've reduced it in others – beyond the agreements that were the foundation of the case. You don't deal with that by strangling the WTO by refusing to put people on the appellate bodies. That's death by strangulation, which is – creates a conclusion that the WTO finally will stop working, and then you can say it doesn't work – which just is ridiculous. If you want to make it work, make it work. Get through reforms if you want. Put the people on the appellate bodies. And then insist on the rules being adhered to. You can do that.

MR. REINSCH: Susan.

MS. SCHWAB: I agree that there's been overreach by the appellate body. I also would note that the current, quote, "strangulation," policy started under the Obama administration and has been continued under the Trump administration. So this is not a new – this is not a new strategy. I think Roberto Azevedo as the – as the head of the WTO is as good a WTO director-general as we've ever seen. And I give him a lot of room to try to work this through, and hope that, you know, Bob Lighthizer has an ask when the time comes, and think this could be – think this could be addressed.

There are a couple trading partners that, as I understand it, are trying to work with the U.S. to get this addressed, because this is not just a U.S. concern. But it is one that needs to be addressed short term in terms of the appellate body. Long term, in terms of updating the rules. Again, this goes back to the point that we stopped writing the rules in 1993-94, and you've got an appellate body that's trying to extrapolate, that has no business extrapolating.

MR. KIRK: And obviously we've raised all of these issues with the WTO. I think tactically we took – I will just let that speak for itself – we took a very different approach to trying to resolve these. But like other administrations, we raised those concerns and we're working with the WTO. And we worked very carefully behind the scenes to get Roberto Azevedo installed because we thought it would take one of the leaders from the BRICs, frankly, to sort of do some things no one else could do. But generally, I think the – look, the challenge, we were talking backstage, for the current administration, all – they haven't misdiagnosed any of the problems. We're basically talking about what's the smartest way and the most efficient way the resolve them. And that's something where you find many of our disagreements with the approach of the current administration.

I would say I think the one thing all of us on this stage had that I'm concerned about the current trade representative, but we had the ear and the confidence of the president. Now, you can agree whether I did a good job, or you did a bad job with Charlene, but when we –

MR. KANTOR (?): Oh, mine was perfect.

MR. KIRK: Oh, we know you were perfect. (Laughter.) But one of my challenges now – this gets to Mickey’s point – is leadership. These are issues that traditionally were led. And the world understood when the U.S. trade representative showed up and said – who have we engaged? And, I mean, in China’s defense, who are they dealing with? Is it Wilbur Ross? Is it the treasury secretary? Is it Peter Navarro? Is it Ambassador Lighthizer? Every time we have a different engagement with China over the last 18 months, it feels like it’s been led by a different person. And I love nothing more than an opponent on the other side that can’t decide who they want to be. (Laughter.) Because I know who I am and what I want. And so part of what we need from this administration is to put the U.S. trade representative at the tip of the spear on those trade organizations, give them latitude and the power to go deal with issues that, again, I think have run across all of our administrations, including the current one.

MR. REINSCH: Here’s a personal favorite on the WTO. I didn’t write this, but it intrigues me. How does a rules-based trading system reconcile with a digital economy? Are the rules – are the rules made by governments or by global corporate oligopolies? (Laughter.) Can the WTO ever be reinvented to handle the digital economy?

MS. HILLS: Oh, yes.

MR. REINSCH: Yes, you say? Elaborate.

MS. HILLS: Yes. I think a first step was the Trans-Pacific Partnership, where the group of 12 – then 12 – tried to deal with the rules that would deal with the new economy. Could they have done more? Yes, always. There’s always more you can do, and we have to move faster. But to think that you can’t have rule of law governing the global economy when globalization is not going to stop – because it’s digital, it’s going to cross borders faster than any ship or airplane. And the services, if you can order what you want from Canada, you will order it. And so we do need rules and harmonization of regulation. I would say that if we can have harmonized regulation, it would cut costs and make us more productive. But there’s a lot of things we could and should do.

MS. BARSHEFSKY: And if I could just add –

MR. REINSCH: Charlene.

MS. BARSHEFSKY: You know, trade policy can only do so much, right? There are all sorts of other laws. There are all sorts of other administrative kinds of proceedings. There are all sorts of other means of either regulating industries or encouraging industry to refashion its behavior or retool, so on and so forth. And that’s no different for the digital economy as it is for goods and services and agriculture in a more traditional sense.

I think the challenge – and you see this on the Hill with testimony on technology issues – is that the people in authority generally don’t understand the technologies; and they don’t understand the means of transmission; and they don’t understand the interplay of the technologies with the physical world, with the tradeable world, and with the services world. And you see this in congressional hearings all the time. A senator will ask a question. It will be a great question. There will be a response. And then the senator can’t follow up because the senator doesn’t know what to say. (Laughter.) And that’s not a criticism; it’s partly demographic, frankly.

So I think there has to be a much greater understanding of what it – where the problems reside and what would be the best means of addressing those issues, and then go about it that way. But I think we have a paucity of knowledge, generally speaking, on the part of many decision-makers in this field.

MR. : (Inaudible) – for the members of Congress –

MR. KIRK: Bill, could I quickly add, though, I think that goes to Mickey's point. It's about leadership. I mean, you're right about – and, look, USTR isn't perfect, but there's a reason we have all those advisory commissions. So at least we have the ability to bring in those from the innovative world and do it. But it is to the broader issue that – whether you think we can solve that or not, one thing I'm certain. With the United States retreating from being that leading voice for a rules-based economy – whether it's in the WTO, whether it's in NAFTA, whether it's in Paris – it isn't going to happen. So one is to your point, Mickey: We need the United States to understand. We have the unique opportunity and I think the unique responsibility to reengage and be the leader to make sure we get a resolution of that. And what concerns me most right now about the current path that we're on, in a number of global forums I think it feels like we've retreated from that. And, frankly, our allies around the world believe that we've retreated from that. So that's the challenge for us, is will we step forward and lead that debate, lead the beginning of that process to bring a resolution of these.

MR. BROCK: Where do you want to go? Lead to what? For what purpose? I mean, it's really hard when you look at the problem that a member of Congress has to understand when the leaders of the industry come in and they don't understand the Congress. (Laughter.) They have not the foggiest idea what happens politically, nor what to do about it. And if you look at the fact that in the high-tech area, whether you call it internet or digital economy, there's no nation-state anymore anywhere, no nation-state. We're eliminating all barriers.

The problem that you've got, look at Europe and what they're trying to do with the – with the Googles of the world. We really don't have a handle on this. What you've got to end up with is a rule-based system where you can actually have a house in which you can resolve some of these disputes amicably within a broad construct of these are our larger purposes. But to say that we're going to have the same kind of a system for the digital world that we've had in agriculture and trade is ridiculous.

MS. SCHWAB: No, but there – but there are, when it comes to trade negotiations, there are some analogies here. And you've got countries that are doing their unilateral thing and sometimes it's hard to differentiate whether what they are doing is looking after their constituent or consumer concerns or whether what they're doing is just anti-American protectionism. And if you had a – if you were able to engage at the WTO or in negotiations, as we did in TPP – but you need a broader, you know, you need a broader forum than that – and had the conversation about rules of the road, can you get a highest common denominator on some of those rules? So some of it's going to be, yeah, some of it's going to be really practical stuff, like ecommerce and de minimis rules, some of it you're going to get into some really thorny issues like privacy, like data privacy and you may or may not be able to reach an accommodation.

I think – I think the issue of U.S. private sector advisory committees – I mean, you made that comment really quickly – you know, we have in the room for our trade negotiators advisers not just from industry, but consumer groups and they have at it and we are able to listen to that debate and that dialogue, our negotiators, to pull together U.S., you know, U.S. positions so that we're able to take into account all the different views that bubble up within the U.S. system, within the U.S. democratic system, so we're not surprised when you go overseas.

But the point is, being able to think through all the various permutations – and there are interesting comparisons with agriculture when you start getting into SPS – sanitary and phytosanitary systems – because countries will come up with rules that no bearing whatsoever on reality and health and safety, and they’ll block imports in the names of health and safety, so it is worth engaging. And if other countries want to shoot themselves in the foot in terms of their competitiveness, we don’t have to be doing that. But the sooner we can get to a plurilateral table or a multilateral table and start laying some basic groundwork, I think the better off we’ll all be. But anyway, my shot.

MR. REINSCH: Carla?

MS. HILLS: Coming back domestically, I’d like to pick up on a point that both the senator and Charlene made that we have here at home. In the olden days when I served, we had off-site retreats put together by the chair on the Ways and Means Committee to which he invited Democrats, Republicans, labor leaders, people who were involved in trade, like myself, and had a discussion about the most contentious issues, so that were we to do that today it would be easier for the congressmen when asking a question and got a response, he would know how to have a follow-up question. But we don’t do that. Not only do we not have off-site meetings that are collaborative, we don’t even have lunches together that are collaborative. We are one party is stranger to another party. So how do you get the two sides to work out a common solution to the issue that you all would agree exists?

MR. REINSCH: Let me go to another one. We have not – one issue we have not talked about is NAFTA.

MS. HILLS: (Chuckles.) The worst agreement.

MR. REINSCH: Don’t want to let – don’t want to let – yeah, the worst agreement in history – don’t want to let that one pass. There’s a very specific question and then a more general one. And the first, the specific one is the bait-and-switch question, would the executive be following the – properly following TPA authority if he submits a bilateral agreement only with Mexico, even though last year he notified the Congress that he was going to negotiate a trilateral agreement?

MR. KANTOR: The answer is no, of course not.

MR. KANTOR: No.

MS. HILLS: No.

MR. KANTOR: And it – and it would be – it should not be done.

Look, we were talking earlier, all of us; 1982, Ronald Reagan said we want to – he wanted a North American common market. He was right then. All of us here supported. All of you probably who supported – many of you, I assume, wanted the same thing. It has worked. Is it perfect? Of course not. Does it need updating? Absolutely. Should Canada be involved? Oh my God, they’re our biggest trading partner. It’s the biggest trading relation between any two countries in the world. Are we not going to have Canada involved? It’s just silliness. So we’ve got to get back to some rationality here and decide – call it something else if NAFTA doesn’t work. You know, call it the World Series. It’s OK with me. (Laughter.) Call it anything you want.

But the fact is these three nations have all profited by it. They've done well. It needs to be updated. It needs some changes. It needs a much better enforcement mechanism, by the way. And we'll – and we will all be better off. But my goodness gracious, to walk away from this or just have a U.S.-Mexico agreement and not have Canada involved would be a tragedy.

MS. SCHWAB: So I'm going to – I'm going to give a slightly different answer. And Bill, you – Bill Brock, you may want to disagree with me. But we will not know the answer to your question until the parliamentary rules, period.

MR. BROCK: Whether he's right or wrong.

MS. SCHWAB: Whether it's – whether –

MR. KANTOR: I'm not interested in the parliamentary. The parliamentary, whoever that person may be, you know –

MS. SCHWAB: I understand. But the answer to Bill's question is –

MR. KANTOR: – is wrong if they – if they allow that to go.

MS. SCHWAB: The answer to Bill's question is we will not know the answer until the parliamentary rules. (Laughter.)

MR. KANTOR: My friend already knows the answer.

MR. REINSCH: Well, what that means is that Mickey's answer doesn't matter; the parliamentarian's answer matters. But he's still entitled to an opinion.

MS. SCHWAB: Oh, yeah, yeah. That's right. (Laughter.) No, no, no, I think we all have opinions. We – I –

MR. REINSCH: What's yours?

MS. SCHWAB: I definitely want to see a NAFTA that includes Canada. But I'm not negotiating it.

MS. : Oh my God.

MR. REINSCH: Well, that's –

MR. : What's the opinion of the room?

MR. REINSCH: That leads to the other NAFTA question, which is good.

MR. KIRK: Bill, I know I stepped up, but as the only Texan here there's no way you can sell to our ranchers and farmers having 100 percent duty-free access to all of North America and you're going to swap that out for a deal where you only have half make sense for – on its face. That's just nonsensical.

MR. REINSCH: So what is your take overall on how the NAFTA negotiations have been managed? Why the negative treatment once toward Mexico and now toward Canada? Was that – was it necessary to do that?

MS. HILLS: Absolutely not. (Laughter.) I can't imagine trying to negotiate by putting your finger in your – the person you're negotiating with, in their eye. And there's nothing like courtesy, from telling your children to – when you're in government – that it does make a difference.

Besides that, we want to have the trio. North America is the most competitive region in the world if it moves forward on its partnership. It has 14 million jobs that are hinged to the supply chains that have synchronized across borders. We have exports. Who's our largest export destination? Canada. Who's our second largest? Mexico. When you hear the screeches of pain coming from our agricultural states because of the tariffs put on because, why? Mexico's our largest purchaser of corn. You can go through the statistics. But if we want America to continue to have economic opportunity, we want to continue and upgrade the NAFTA, create an example, and try to hope that others follow it.

MR. REINSCH: OK. Yeah?

MS. SCHWAB: I think, Bill – I think, though, one of the things that has not been said today is that all of us, when we approached trade negotiations, approached them as a positive-sum exercise. And you approach trade negotiations very differently if you think trade is a positive-sum exercise than if you think it's a zero-sum exercise.

MR. REINSCH: Here's a –

MR. KIRK: But I think, also, we all treat our neighbors with a bit more respect than we do – (laughs) – the leaders of North Korea and the Philippines. It's – (laughter) – I'm just saying.

MR. REINSCH: Here's a question that was addressed to Senator Brock, but I think it's one that anybody can answer if they want to. But you get first crack, Bill.

China already has a record of not complying with rules for decades. Will any mechanism of enforcement ever work without political or regime change in China?

MR. BROCK: Sure. I mean, the Chinese are, if anything, pragmatic. They know that the stakes are, for them, absolutely enormous. They have got to be part of the system. They have got to have an internal market that works, but they also have got to be part of a global marketplace if they are going to have the chance to grow.

So you can't do it by imposition, you cannot do it by attack, you cannot do it by tariffs as a bilateral approach. You can do it – and I understand what Susan was saying earlier – but you can do it by saying to the trading system at large – or at least the partners that count – we have a collective problem, and if we don't deal with it, it's going to get a lot worse, and we're all going to get – we're all going to lose. So let's form a coalition of the willing and go to bat and make it happen. And if it doesn't happen quickly, enforce your decision with some actions. That's not a bilateral approach; it's a multilateral approach. Then you've got some heft. But you've got to do it. You cannot leave the system untended, as it is now.

MS. HILLS: Right. Let me just give you one example because that question suggests that China has never abided by its rules.

I negotiated a tariff reduction agreement with Madam Wu Yi, vice premier of China, and we had a rolling opening, over five years – some things fast, some things took five years. And that – when they went – when China went to become a member of the World Trade Organization, I was asked to testify, and I called back to the USTR. And by the way, I had said to Madam Wu Yi, you know, Bush senior has lost the election so I won't be here. Can I trust you? And she looked me in the eye and said, Carla, you can trust me 100 percent.

And so five years – it was 2001 when they were joining, and I called back at the USTR. They got back to me, and I said, how did they do on that tariff agreement? They had abided by every single line agreement. So it can be done.

MR. : Yeah.

MS. SCHWAB: But there's a – but there's a contrasting story to that which is the information technology agreement extension.

MS. HILLS: Oh, there's no question that you have to watch it, and I think Bill's point is enforcement, and where there is egregious disregard of rules, to join hands with those who are also feeling the pain, the pinch, and approaching them to say, we will take collaborative action. Imagine if our closest allies – Canada, Mexico, the EU, Japan, South Korea – had approached China, how much more gravitas we would have had than to simply start throwing tariffs unilaterally in that direction.

MR. KANTOR: Absolutely.

MR. REINSCH: OK, let's come back to a – sort of an overarching question – of which there were really three – (laughter). The largest one is: What needs to be done to create a bipartisan consensus on trade? Where can we create convergence on trade policy issues? More specifically, are Republicans willing to work with centrist Democrats to forge a new consensus on trade?

We have three Rs and three Ds here. We ought to be able to get somebody – (laughter) – to comment on that.

MR. KIRK: I'm going to be optimistic and say you can.

MS. : Could happen.

MR. KIRK: Well, look, every trade agreement that was – any one of us will say passed – at whatever time was passed principally with about two-thirds of the Republicans voting for it and 30 to 40, 50, 60 Democrats voting for it.

MR. BROCK: A hundred and four Democrats voted for NAFTA.

MR. KIRK: A hundred and four voted for NAFTA –

MR. BROCK: A hundred and four Democrats voted for NAFTA.

MR. KIRK: – and, you know, I could tell you we got the largest vote ever for Korea, but look, at the end of the day – and I forget which one of you mentioned – it’s an economic argument.

Now politically it’s a tough sell to make during an election, but those members know where those jobs come from, they know what’s happening back in their home districts, and I think once we can build it and articulate it in a way that it shows how a smart trade policy – with all the things that we talked about – with enforcement, and for Democrats with protection for workers, and the environment and all of that, you can find that coalition. But it does take leadership from the White House, from the business community, from the ag community to come together to make that happen.

I don’t know if we’re going to see that under this current administration, but I don’t – I’d like to believe this is the exception rather than the rule. And when we realize the opportunities that we potentially have to gain by reengaging and taking advantage of the fact China has made a retrenchment under the new – the new leadership. That’s an open door for us, for the rest of the world. And if we will come together, form a coalition to do that, that’s a great opportunity. So I’m hopeful that it can happen.

MR. KANTOR: I’ll just say one thing. Only elections can change this. And depending what happens on November 6th and then beyond that, we have to change the narrative surrounding trade or to make progress. I’ll tell only one story here, which will tell you how important that is. During the NAFTA fight in 1993, in the fall, we met every other day in the Roosevelt Room with members of Congress, the president of the United States. And he was getting very frustrated. I know some of you know that about him.

And as he got more and more frustrated, he said to one group – he said, look, if there were a secret ballot in the House, how many votes would NAFTA get? And they said, oh, 410, 415. He slammed his briefing book on the table and walked out, because that told the whole story that what was happening was the narrative was wrong, the facts weren’t wrong, and we needed leadership. By the way, by the time we got NAFTA passed, two-thirds of the American public was for it. That’s what the polling said, because a president of the United States – and he wasn’t perfect, and there have been those who have been just as good – stood up and talked to the American public about what was going on and why it was important. And unless we have that, I’m sorry to say, economists can’t do it. Governors and mayors can’t do it. Only a president can provide that leadership.

MS. BARSHEFSKY: I would add just one other point, which is I agree that trade agreements have to be sold in the first instance on their economic grounds. But the strategic underpinning of these agreements can’t be ignored. And if you are looking for a case in point, think about China’s Belt and Road Initiative. You could characterize that as a series of agreements, trade and other forms of commercial agreements, with various Central Asian countries. That’s not the point of the exercise in its limited sense. The point of the exercise for China is also the creation of a sort of Sino-centric Eurasian landmass with distribution outlets for China’s manufacturing and overcapacity, as well as political and security outlets, because China’s security interests follow its trade flows.

So now, when you talk about a plurilateral agreement with the rest of Asia or with Europe, which hopefully China will join, but let’s put first things first. Then how do you sell that? Yeah, of course, it has to make economic sense or, come on, this is not going to go anywhere. But once you get over the economic hurdle, its real value is in the strategic importance to the United States and to our national security, and ultimately our welfare as a nation. So these agreements take on enormous proportion. When we did China’s WTO agreement – and bear in mind, it’s a one-sided agreement.

The U.S. didn't change a tariff line or anything. All the changes were on China's side. So this should be a no-brainer, but of course as was pointed out trade deals are very, very hard to get through the Congress when they have to vote in the open as opposed to on a piece of paper.

But at that time, Bill Clinton met with almost every member of Congress. We had him up in the residence. And the national security arguments were completely overwhelming to most members. And the economic arguments were sort of put to aside because of the basic and fundamental understanding that the United States can further its security interests through trade. And we see that still today.

MR. REINSCH: We have not heard from any Republicans yet. Bill first, and then Carla.

MR. BROCK: The problem we have is that politics has become so fragmented in this country. Part of it's identity politics. Part of it is the segmentation of the electorate into different mercantilist groups – agricultural groups and others. The way the system is working right now is that both parties have been pretty much battered by the people out at their edges. And that's terrifying because what it says is, if you're seen – back to your question, Bill – if you're seen going over and meeting with somebody in the other party, you're suspect and they will come after you in a primary. What we've found is that we can keep people, we can at least stop the others by stopping somebody that doesn't agree with us a hundred percent. It's really dangerous what's happened to this country. We're pulling further and further apart. The parties are fragmenting internally and they're both being driven by the negative impact of their extremes, to put it that way.

I don't know the answer to the question. I do know that – I think several have said leadership. I do know that I've seen Ronald Reagan, I've seen Bill Clinton and others, George Bush, pull people into a room and say let's talk. Unless you can do that, nothing else is going to happen. But unless you can legitimize that conversation by the national approach, it isn't going to happen. That's the imperative of leadership.

MS. HILLS: One of the challenges we face, in my view, is that the American public is misinformed or uninformed about the benefits of trade. Keep in mind that we have had two presidential elections: 2008 when two very respected senators ran harshly against trade, including the NAFTA, no more NAFTA, it steals your jobs; and then in 2016, again, the two leading candidates of the two parties ran harshly against trade, TPP was no good, NAFTA was worse. And what we have to do is to educate Americans about why trade matters, and we get back to why the benefits flow in terms of the consumer, in terms of the humanitarian abroad, in terms of the security and in terms of the economics. You know, with 5 percent of the world's population, we need to sell some of our stuff to the 95 percent that live beyond our borders.

And the other thing that we need to do, we've already discussed, is how to help those folks who are trying to navigate an economy that is changing rapidly. And they must be retrained, have lifetime retraining in fact as we move forward.

MR. REINSCH: OK, last question because we're out of time. It requires only a one-word response. And that is, what is the most challenging country that you had to negotiate with in your tenure?

MR. KANTOR: I didn't –

MS. SCHWAB: The most challenging country you had to negotiate with.

MS. HILLS: Actually one word?

MR. REINSCH: One, pick a country.

MS. HILLS: Pick any old country? (Laughter.)

MR. REINSCH: Right.

MS. HILLS: We regarded them all as challenging.

MS. BARSHEFSKY: Pick a country. The Soviet Union. (Laughter.)

MR. KANTOR: Oh, no, no. Pick a country.

MS. HILLS: The Soviet Union and then it broke apart, 15 republics, we had to renegotiate. NAFTA was not an easy run. And China, they were just beginning with, as Charlene says, Zhu Rongji, we were moving up the ladder in terms of the economy. They were all challenging, but we thought we were on the right track.

MR. REINSCH: OK.

Bill, which one?

MR. BROCK: Is it challenging or obnoxious? (Laughter.) If it's challenging it would be India, if it was obnoxious it would be the French. (Laughter.)

MR. REINSCH: Charlene? Charlene?

MS. BARSHEFSKY: The United States because every USTR here will tell you, you spend as much time negotiating within your own administration to move things forward than you do with any foreign party – the United States. (Laughter.)

MS. HILLS: Good answer.

MR. REINSCH: Mickey?

MR. KANTOR: They all were a piece of cake. (Laughter.)

MR. REINSCH: Sue?

MS. SCHWAB: India and South Africa because they didn't want to deal.

MR. REINSCH: Ron?

MR. KIRK: I would agree. The south – we did the Korean deal. That was just brutal, but nothing compared to me going before the Fair Trade Caucus in Congress. (Laughter.)

MR. REINSCH: All right. One commercial before we stop and that is Scott Miller and I are the trade guys. We do a weekly podcast. If you want to know more, learn more, we're not as funny as the NPR car guys, but we're working on it. Tune in, check out the CSIS website for the trade guys.

And please thank our guests for the wisdom they've provided. (Applause.)

(END)