

# **Center for Strategic and International Studies**

## **The Trade Guys Podcast**

### **“Episode 29”**

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**Date: Wednesday, December 5, 2018**

SCOTT MILLER: I'm Scott.

WILLIAM ALAN REINSCH: I'm Bill.

MR. MILLER and MR. REINSCH: (Together.) And we're The Trade Guys.

(Music plays.)

H. ANDREW SCHWARTZ: You're listening to The Trade Guys, a podcast produced by CSIS, where we talk about trade in terms that everyone can understand. I'm H. Andrew Schwartz. And I'm here with Scott Miller and Bill Reinsch, the CSIS Trade Guys.

Today on The Trade Guys we break down all the news from President Trump's trip to Buenos Aires for the G-20, including his showdown dinner with China's president. Will their temporary trade truce last, or are the two countries destined to continue fighting? Plus, on President Trump's way back from the summit he made his first move in the upcoming congressional fight over the new USMCA agreement. Buckle up, because there's a lot to discuss on this episode of The Trade Guys.

Trade Guys Bill Reinsch, Scott Miller, we've got a lot to talk about here. Let's begin with the fact that as we speak it is Tuesday at 2:15 and the stock market is cratering. It's down almost 700 points, erasing the gains from the last couple days, and the reports are that it's because of the miscommunications over this trade pact that happened. I mean, I'm looking at a Washington Post headline from just yesterday. Our buddy David Lynch from the Post says that – headline says: "The Trade Terrain Has Forever Changed." What the heck is going on here?

MR. REINSCH: Well, it's hard to say. You know, if you look at last week it was down – one day it was down 600, got all that back over a few days.

MR. SCHWARTZ: Yep.

MR. REINSCH: I think this time it's uncertainty. The uncertainty is stimulated by something that has happened before, but this particular administration I think it's all the worse, which is there was a dinner Saturday night with the Chinese. President – our president pronounced it a great success, as he does all of his events.

MR. SCHWARTZ: It was beautiful.

MR. REINSCH: But there was no joint statement that was issued. Each side issued its own statement afterwards, and to the surprise of no one they were not the same.

MR. SCHWARTZ: So there's confusion –

MR. REINSCH: There's confusion.

MR. SCHWARTZ: – about what was agreed to and not agreed to.

MR. REINSCH: The Chinese statement left out several of the things that the president bragged about. They didn't talk about car tariffs.

MR. SCHWARTZ: Auto tariffs are huge.

MR. REINSCH: Yeah, they didn't mention that. Their statement about what they had committed to was a lot vaguer than the president's.

MR. SCHWARTZ: The president – the president tweeted that China has agreed to reduce and remove tariffs on imported U.S. cars and parts – and car parts.

MR. REINSCH: Yes, well, that's not – that's not what the Chinese said. The Chinese said nothing about that. And when Larry Kudlow was interviewed yesterday –

MR. MILLER: Correct.

MR. SCHWARTZ: So they don't have a specific agreement.

MR. REINSCH: – he said we're still talking about that.

MR. SCHWARTZ: We think we have it, but we –

MR. REINSCH: Yes, yes.

MR. SCHWARTZ: So what –

MR. MILLER: This reminds me of an old friend of mine who was a commodities trader who always said a verbal agreement's not worth the paper it's printed on.

MR. SCHWARTZ: Sure.

MR. REINSCH: (Laughs.)

MR. MILLER: And one of the reasons for that is people come away with different impressions. That seems to have happened here. Mr. Kudlow yesterday in the interview actually had to – had to issue a correction on when the 90-day period begins of the 90 days of intensified negotiations.

MR. SCHWARTZ: We don't even know when the heck this begins.

MR. MILLER: Well, we found out – he said it was January 1<sup>st</sup>, we realize now which would have made it 120-day period from the dinner. And then it got wound back. It's December 1<sup>st</sup>, so it actually is 90 days from the dinner on December 1<sup>st</sup>.

MR. SCHWARTZ: OK, Scott Miller. But to your verbal agreement, so this is the same thing. If a high-school football player verbally commits to Ohio – to The Ohio State University, it's not worth the – there is no paper and it's not worth the verbal commitment. It's not signed. It's not a deal. He could go to Notre Dame next week if Notre Dame comes around and says – and gives him, says, hey, you're going to start next year, you're not going to redshirt.

MR. REINSCH: Are we talking about your son here?

MR. SCHWARTZ: No, no, that's a – that's a whole other matter, and we can talk redshirting on another day. (Laughter.)

MR. MILLER: But that's right. And this – look, this is – this is why the people who follow – what we used to call the sherpas, who follow the leaders around to these joint sessions, take copious notes and prepare communiques and prepare joint statements, so this kind of confusion isn't the result. We didn't – that didn't happen here, and here we are.

MR. SCHWARTZ: So it was reported that there was a deal, but there is no deal on paper, so there's confusion. And what now?

MR. MILLER: Well, like we said last week, there's a deal to make a deal. In other words, the president –

MR. SCHWARTZ: Right.

MR. MILLER: What the president – we know the president agreed to, because both the president and the Chinese reported it, is that more tariffs that were scheduled to go into effect on January 1 will not; that those tariffs are suspended in the meantime. Now, there are – there are some market-access commitments from the Chinese that are not clear. There is a period of negotiation for the remaining problems, which is 90 days from December 1<sup>st</sup>, to be led by Robert Lighthizer, the U.S. trade representative. And so those talks will begin. Both sides agree those talks are happening. But in terms of what else happens besides the standstill on tariffs, it's anybody's guess.

MR. REINSCH: And once again I would say the greatest dealmaker in the world got played. What did –

MR. SCHWARTZ: You're talking about President Trump?

MR. REINSCH: I am.

MR. SCHWARTZ: OK.

MR. REINSCH: What he gave up was leverage, the additional tariffs that he was going to put on. So what did we get? We got an agreement to have more talks –

MR. MILLER: Correct.

MR. REINSCH: – with no sense that they'll be any different from the last 15 months. We got a commitment without any numbers about buying more stuff. The Chinese did seem to agree that they're going to buy more stuff –

MR. MILLER: Yes.

MR. REINSCH: – but there doesn't seem to be any agreement on how much stuff or what stuff.

MR. MILLER: What kind of stuff, yes.

MR. REINSCH: And, third, we got disagreement on a number of other fairly important things like automobile tariffs. So we come away with very little, I think.

MR. SCHWARTZ: What did we actually get? I mean, I – there is a report that they're going to classify fentanyl as dangerous.

MR. REINSCH: Yes. For me, this is the – this is the Chinese giving up their revenge for the opium wars, actually.

MR. SCHWARTZ: Right. So –

MR. MILLER: But that is – that is a tangle accomplishment. Both sides agree on that.

MR. SCHWARTZ: Right, so that's tangible.

MR. MILLER: Fentanyl is scheduled, so it will make it much more difficult to traffic.

MR. REINSCH: Well, but the Chinese commitment was vaguer than the American statement of their commitment.

MR. MILLER: Yes, that's correct.

MR. REINSCH: The Americans said they're going to list it and the Chinese said we're going to regulate it. So we'll see what that means in Chinese diplomatic-speak.

MR. SCHWARTZ: So nothing has really happened. So, like, for instance, we're talking about the car tariff issue. At issue is that there are 40 percent tariffs that Beijing has imposed on all U.S. exports of cars and car parts to China since July. That's a high tariff. That has not been eliminated yet.

MR. REINSCH: No, but you have to break it down into pieces because this has also been the subject of something, I think, that Mr. Kudlow said yesterday. The 40 percent is two parts. Part one is 15 percent, which is what the Chinese charge everybody.

MR. MILLER: That's their MFN tariff.

MR. REINSCH: That's their MFN tariff, which they had lowered from, I think, 25 (percent) before.

MR. MILLER: Twenty-five (percent) to 15 (percent), right.

MR. REINSCH: They brought it down to 15 (percent) unilaterally. And then the additional 25 (percent) – 15 plus 25 makes 40 – the additional 25 (percent) is that's their retaliation for our tariffs on them.

MR. SCHWARTZ: For what Trump had done.

MR. REINSCH: Yes.

MR. SCHWARTZ: Right, right, right.

MR. REINSCH: Now, here you got Kudlow, I believe it was –

MR. MILLER: Yes.

MR. REINSCH: – saying the Chinese agreed to take it down to zero. Well, they can't take it down to zero unless they take it down to zero for everybody because the most fundamental WTO rule is most favored nation. If they – they can take us – they can take us down to 15 (percent) merely by removing their retaliation.

MR. MILLER: Correct.

MR. REINSCH: That's OK. If they take us down to zero, they have to take everybody down to zero. And –

MR. SCHWARTZ: I see.

MR. MILLER: And not violate their obligations.

MR. REINSCH: Or otherwise they're in violation of their obligations. I don't think that's what they're going to do.

MR. MILLER: Probably not.

MR. SCHWARTZ: So why is this a landscape-shifting event? Washington Post says the terrain has forever changed.

MR. MILLER: You'd have to ask them.

MR. SCHWARTZ: Reuters is saying, you know, the landscape has changed – threat of tariff remains, but further down the road. What's changed here?

MR. REINSCH: This would obligate me to say something that's vaguely critical of a journalist.

MR. SCHWARTZ: That's OK.

MR. REINSCH: I don't know. I think they felt – I think they – at the time – and this was written immediately afterwards or the next day – I think the feeling was that this potentially broke a logjam; that here we had been beating each other over the head for 15 months, making no progress at all, and now the two – the two big kahunas have actually gotten together and said, in essence, we're going to solve this problem and we're going to solve it in 90 days.

MR. SCHWARTZ: OK. But isn't that still the case?

MR. MILLER: Yes.

MR. REINSCH: Yes. Yes.

MR. MILLER: And that was a change in – and there have been not even – we couldn't agree who ought to show up for a meeting before this, so there was no – there were no real serious meetings. We had the serious meeting between the two presidents, and now we have an agreement with, you know – with at least the USTR designee, Ambassador Lighthizer, is going to do some work for the next 90 days.

MR. SCHWARTZ: Right.

MR. MILLER: So that is a change to the landscape.

MR. SCHWARTZ: And one thing that we do know is that Lighthizer – Ambassador Lighthizer is going to be the man on point. There's no confusion about that, correct?

MR. REINSCH: Well, not –

MR. SCHWARTZ: Because Mr. Navarro is hanging around this issue, too, and he was – he was there over the weekend.

MR. REINSCH: Well, and Secretary Mnuchin says he'll be there.

MR. MILLER: Yes.

MR. REINSCH: And I guess Ross will be there. It looks – I mean, everybody else is saying it's a collective effort. The president has designated Ambassador Lighthizer, it appears, and most of the others – I think all of the others are now acknowledging, yes, he's in charge –

MR. SCHWARTZ: So is he first among equals?

MR. REINSCH: He's first among equals, but all of the other guys are going to be in the room is what it sounds like.

MR. SCHWARTZ: Oy vey, that's a lot of – that's a lot of guys in the room who all –

MR. REINSCH: It's a lot of firepower.

MR. SCHWARTZ: And they don't all agree.

MR. REINSCH: They do not all agree, that's for sure.

MR. MILLER: Well, and this is going to be critical I this period of time because, look, it's easy to agree that intellectual property theft is a problem. It's easy to agree that China treats foreign investors quite badly and should not do that. It's easy to agree there's subsidies for state-owned enterprises that are – that are probably unfair.

MR. SCHWARTZ: Right.

MR. MILLER: OK? Now, the question is, what exactly do we want China to agree to? How would we know if they accomplished it? You know, getting from the general statement that there's a problem to a specific set of actions, and then measuring those remedies and making sure they were

implemented, is quite – is quite a delicate and artful process. I don't know if a big room helps for that. I mean, if I had to choose somebody in the administration to deliver those kind of specifics, I'd probably choose Ambassador Lighthizer, but that's just –

MR. SCHWARTZ: Well, and Peter Navarro said yesterday – he told NPR, quote, “We've given the Chinese 90 days to do what they should have been doing for the last 20 years.” So this isn't exactly playing nice here.

MR. REINSCH: No. Yeah, there are different theories about how to do this, and –

MR. SCHWARTZ: Is this good cop, bad cop?

MR. REINSCH: No, I think there's genuine disagreement inside the administration on the answer to your question, which is what are we trying to do.

MR. SCHWARTZ: Yeah.

MR. REINSCH: But I think what Ambassador Lighthizer has said both publicly and privately is that he doesn't want to get played by the Chinese.

MR. MILLER: Correct.

MR. REINSCH: That what they are very good at doing, which is actually the same thing that he experienced with the Japanese in the '80s, is coming in and saying we'll give them all our complaints, and they'll come in and say, well, what do you really want. And then they'll come back and say, well, what's the one thing that you really, really want. And they've talked you down, you know? And what Bob does not want to do is get into a situation where he's negotiating with himself, where he keeps limiting his objectives. But the consequence of that is for the United States to steadfastly say we're not going to propose anything. We've sent you this six- or eight-page document that outlines all your sins, and what we want you to do is fix all that.

MR. MILLER: Just change your economy fundamentally.

MR. REINSCH: Just – yes.

MR. MILLER: Stop it with the state capitalism –

MR. REINSCH: But if we give – you see, he's afraid if we give you 12 ways to do that, then you're going to talk us down to three, and then at the end of the day you're going to talk us down to one, and then we lose. So we're not going to play that game. But the consequence of not playing that game is we never tell them what, you know, what we really want.

MR. MILLER: What we actually were looking for. Now, go get to an end point in 90 days with that challenge.

MR. SCHWARTZ: Well, so is there some reason here to be optimistic? I mean, the market clearly today, so far, is not optimistic. There seems to be some floundering, there's some confusion. There's administration officials who are talking it seems either past each other or they're trying to get each other to do something that the other one doesn't want to do. The president hasn't exactly weighed

in yet today on Twitter or otherwise. But is there some reason to be optimistic here about what happened and what we think is going to happen?

MR. REINSCH: I haven't been and I'm still not. I think our demands – and Scott said it correctly. Really, we're trying to turn them into a market economy. They're not going to do that.

MR. MILLER: Right.

MR. REINSCH: And this is the, you know, irresistible force and the immovable object. Somebody's going to – we're either going to have to scale back our goals or maybe the Chinese will have some kind of epiphany and suddenly decide to do what their economists have been telling them a long time. I mean, this is one of these ironic issues where their economists and our economists both understand what needs to be done, but the politicians don't listen to the economists.

MR. MILLER: Yeah. For instance, on subsidies, they are wasting too much capital and have been for many years.

MR. REINSCH: Yes.

MR. MILLER: It would be in their interests to stop the crazy subsidies of state-owned enterprises, but it's not in their political interests. So, look, is there good – is there good news here? Well, I think it was Churchill who said talk-talk is better than war-war.

MR. SCHWARTZ: Yeah.

MR. MILLER: So let's talk-talk for a while and see how it goes. I'm really skeptical of an outcome just because of exactly what Bill laid out. We have not been specific or clear about what we want. And we're going to have to have something that we can measure, that we can ensure is being implemented, that looks like real action in order to get anywhere in this.

MR. SCHWARTZ: But if you're President Trump and the gang, don't you emerge from this thinking that the Chinese leader has agreed to some concessions here, some important concessions? Even if they're not on paper, even if they're not all completely spelled out, I mean, that's what Lighthizer is supposed to now is go codify them. Don't you walk away from this thinking that the Chinese leader Xi Jinping has agreed to some concessions or many concessions?

MR. REINSCH: Well, if you believe President Trump, yes. But that doesn't seem to be, so far, what's happening. I mean, the other thing that Trump said, and Kudlow mentioned this yesterday, is they agreed to start making these changes immediately. And Larry said he went back and said, are you – what does "immediately" mean? It means right away, meaning, like, Monday, yesterday, we're expecting something. Well, the –

MR. SCHWARTZ: Nothing happened.

MR. REINSCH: Nothing happened. It sounds like nothing happened today either. And so –

MR. SCHWARTZ: Except the market crashed.

MR. REINSCH: Yes, but that wasn't – (laughs) – I don't think the Chinese could be held directly responsible for that.

MR. SCHWARTZ: No, no. But still, the market crashed, that's what happened today.

MR. MILLER: Well, just to be clear, the Dow Jones Industrial dropped to 25,000.

MR. SCHWARTZ: Yeah.

MR. MILLER: OK.

MR. SCHWARTZ: It's still very historically high.

MR. MILLER: Yes, right.

MR. REINSCH: It's still 600 above where it was, I think, a week ago.

MR. MILLER: Yes, right.

MR. SCHWARTZ: Right.

MR. MILLER: So there is – look, there is – volatility is back with us. It didn't go away for long, it's with us now. The two main sources of volatility that the street will tell you about are Federal Reserve policy and the U.S.-China relations. Those are the uncertainties that the market is trying to calibrate and is having a tough time finding the information. Volatility is just – is just a piece of evidence that the market can't find what it's looking for in the facts.

MR. SCHWARTZ: So if you had to say one or the other came out on top from this weekend, who would it be? President Trump or Chinese President Xi Jinping?

MR. MILLER: Look, I think both countries needed something to work on instead of continued escalation, so I think it's a good result for both sides. I think continued escalation without offramps seemed like – seemed like just looking over the cliff. I'm not sure I wanted to do that. I'm not exactly sure how they'll – how they'll manage to find a solution in the middle here, but what they've done is agreed to talk, they've agreed to work on something. And it seems to me both parties would like not to jump off the cliff, so that's probably a positive story.

MR. SCHWARTZ: Bill Reinsch, what do you think?

MR. REINSCH: Yes. I think – I think he's right. There's a – there's a degree of sort of symbolism to that – to this. Both parties do seem to want to reach resolution, but all they did was kick the can. So what's going – what it – what it means in practical terms, at least for us, is, you know, in the end of February we're going to have another one of these podcasts and we're going to be having the same conversation that we had last week and this week.

MR. SCHWARTZ: Now, you should not tell our listeners that. It's going to be a totally different conversation. It's going to be even more exciting, more fun, funnier.

MR. REINSCH: More dramatic, yes.

MR. SCHWARTZ: We'll talk music, we'll talk sports, we'll talk – it'll be great.

MR. REINSCH: We'll talk Porter Wagoner.

MR. MILLER: Well, yeah. (Laughter.) There's a famous country song, you know.

MR. SCHWARTZ: Tell us this.

MR. MILLER: I live in a two-story house: She's got her story, I got mine.

MR. SCHWARTZ: So in this situation, Xi Jinping's got his story and Donald Trump has his.

MR. MILLER: Something like that.

MR. REINSCH: Well, it's, what, the L.A. Times headline: "He Said, Xi Said."

MR. SCHWARTZ: Oh, yeah. Well, you can't – you can't – you couldn't pass that one up.

MR. REINSCH: No.

MR. MILLER: It's better in writing than verbally, so The Times got it right by putting it in print.

MR. SCHWARTZ: Sure, sure, sure. All right. So, shifting gears, we have to shift gears, because we have to talk NAFTA because this might be the last time we can call it NAFTA. President Trump has said that he's going to force a withdrawal from NAFTA by a vote in Congress over the new U.S.-Mexico-Canada Agreement, USMCA. It was designed to light a fire under lawmakers who might otherwise drag their feet, so Larry Kudlow said yesterday.

What about all this, Bill Reinsch?

MR. REINSCH: Well, they haven't had time to drag their feet. I mean, it was signed Friday.

MR. SCHWARTZ: Yeah, not a lot of time.

MR. REINSCH: So he's taken – it's a hardball move. And prediction is it's a hardball move, everybody in Congress will get very upset, some of them will sue him over whether he has authority to do this or not. I think they'll lose, but they'll do it anyway.

MR. SCHWARTZ: Congress will sue?

MR. REINSCH: Some members will sue.

MR. MILLER: Yeah. Look, here's the story.

MR. REINSCH: They have standing.

MR. MILLER: Article 2205 of the NAFTA says any party may withdraw with six months' notice.

MR. SCHWARTZ: Yeah. Yeah.

MR. MILLER: The legal question is, who's the party? Is it the president of the United States? Is it the people and government of the United States?

MR. REINSCH: Is it the Congress?

MR. MILLER: Is it the Congress?

MR. SCHWARTZ: So they want to kick this to the courts now?

MR. MILLER: Well, the –

MR. REINSCH: Well, I think somebody will. That hasn't come up yet. But the reason members of Congress will be upset is for two reasons. One, he's trying to jam them. He's telling them you have to pick new NAFTA or nothing.

MR. SCHWARTZ: Right.

MR. REINSCH: You can't have old NAFTA. And he knows very well that, for both parties, the worst-possible outcome is nothing, no old NAFTA, no new NAFTA and neither party wants to get the blame for that.

MR. SCHWARTZ: Right.

MR. REINSCH: And they also know that if it goes down, if they defeat it or don't vote on it, then Trump's going to blame them for having nothing.

MR. SCHWARTZ: Sure.

MR. REINSCH: So they're unhappy because he's trying to jam them. There are also –

MR. SCHWARTZ: All right. When you say they're unhappy, is this both Republicans and Democrats unhappy or –

MR. REINSCH: Yes, yes. Oh, yes.

MR. MILLER: Oh, absolutely.

MR. REINSCH: Yes. But it will manifest itself in different ways. The Democrats are unhappy. On the other hand, this is – they've been complaining about old NAFTA for 20 years, they're not going to say anything that sounds like it's defending old NAFTA.

MR. SCHWARTZ: Yeah.

MR. REINSCH: There is an institutional argument here. There are still members of Congress that are institutionalists. They believe in the legislative branch of the government. They believe in Article 1 of the Constitution. And they believe in Article 1, Section 8 which says Congress has control, authority over interstate and foreign commerce. And they're saying – they're going to say that the president's riding roughshod over Article 1 Section 8. And that's a bad thing. It's a bad thing for democracy. It's a bad thing for the government. It's a bad thing for Congress.

MR. SCHWARTZ: And if we had the late Robert C. Byrd of West Virginia here, he would be reminding us of that.

MR. REINSCH: He would be leading the parade, yes.

MR. SCHWARTZ: He would be reminding us of that.

MR. MILLER: Yes. And keep in mind, there are almost no precedents. The last time the United States withdrew from a trade agreement was 1868. This was the Andrew Johnson administration.

MR. SCHWARTZ: Wow.

MR. MILLER: It was an agreement with Canada, by the way, or a few provinces in Canada. And they had Congress' authority to do it. The Johnson administration had the authority of the Congress to do it. But we haven't withdrawn from a trade agreement since then.

MR. SCHWARTZ: Since fur trapping days.

MR. REINSCH: Yes.

MR. MILLER: Yes.

MR. REINSCH: But the interesting thing about this is, even though they're going to moan and whine and maybe sue, I think it'll work because in the end they don't want to be blamed for the thing going down. What you're going to see –

MR. MILLER: The leverage will work.

MR. REINSCH: Yeah, the leverage will work. Bull prediction here – or, maybe, you know, ignorant prediction here. What you're going to see is an extended negotiation between the Democrats and the administration. The Democrats are going to say – they've already said the agreement is not good enough. And they'll be specific. There'll be a list. But not everything on the list is going to matter. But the thing that will matter the most is they're going to say it's not good enough on labor – on labor standards. And they're going to tell Lighthizer, go back to Mexico and do better. And he says, I'm not going to do that. But I think in the end, he will. He can do better, and I think he will do better. There's a new Mexican president, who I think will be more disposed on this to be helpful.

But that's only half the story. The other half of the story is that this is going to get held for ransom. This always happens when the party out of power controls part of the Congress. A big bill comes up, a presidential priority comes up, and they can't resist saying: What can we get for this? Let's hold this hostage and we're going to get something.

MR. SCHWARTZ: Well, because, after all, the Democrats, if they let this go through, they're going to giving President Trump a signature foreign policy win.

MR. MILLER: Precisely.

MR. REINSCH: Well, exactly. And –

MR. SCHWARTZ: Which would – you know, fine, let's do the right thing here – but I think we all at this table know that in this town, in this age, both parties are reluctant to give each other –

MR. MILLER: Well, yeah. That's a quid. There needs to be a quo. I mean, they're going to look for one. So, they want something.

MR. REINSCH: And they're going to – they're going to have a big debate over what that should be. It won't be trade. It'll be an infrastructure bill. It'll be a DACA bill. Something else on immigration. Don't build the wall. Spend more money on something that we care about, a tax reform that we like. There will be something other than the agreement specifically that will be a demand.

MR. MILLER: Trade.

MR. SCHWARTZ: They're going to try to make a deal with the dealmaker.

MR. REINSCH: Yes. And there's always a danger they'll overplay their hand. Democrats have been known to do that from time to time. I say that being one.

MR. SCHWARTZ: Yeah.

MR. REINSCH: But that will go on. And what you're going to see between now and probably March is a negotiation over the terms of the agreement – labor, environment. And other people will climb aboard the train. I think last week we talked about this Freedom Caucus LGBT provision that they're objecting to. So there will be other people saying, well, you know, if we're going to complain about the agreement, you know, I've got my thing. And that'll get sorted out.

MR. SCHWARTZ: What's the LGBT thing?

MR. MILLER: Well, Canada had a provision – had a priority in the negotiation to deal with their diversity initiative, which is a government-wide initiative. It has to do with both indigenous rights and LGBTQ rights. And so it's not clear to me exactly how it works, how it operates –

MR. REINSCH: It doesn't work. Both countries agreed that the language does not require either country to change its law. So its rhetorical.

MR. MILLER: Right.

MR. REINSCH: It's anodyne.

MR. MILLER: It's anodyne to the conversation. But that won't stop people from taking –

MR. REINSCH: But the conservatives have picked up on this and said: We can't have something in this agreement that gives any recognition to LGBTQ issues. So the point is, other people are going to try to climb aboard the train.

MR. MILLER: There'll be lots of other things to pick at too, right.

MR. REINSCH: They won't all succeed. But there is a window here – time to do this because, if you'll recall previous weeks, the ITC is doing – the International Trade Commission – is supposed to do a study of the economic impact of the agreement. They have 105 days max from Friday to do that, may take less but that's the most they have. That would be the ides of March, more or less. And the administration has other things it has to do. It has to send up a list of changes in law that would be required. It has to stand up a statement of administrative action. There's all this stuff that has to go on. While that's going on, there's going to be this negotiation with the Democrats.

The other thing I think is going to happen, which for somebody like me who used to work there is welcome, is I think you're going to see the House Democrats taking back some of the authority to write this bill, because what happened in the '70s, '80s and through the Uruguay Round is the implementing bill was not written by the White House. The implementing bill was written by the Ways and Means and the Finance Committee. And in the end, they wrote it, they reconciled their two different versions, and then they handed it to the White House and said: Here, submit this and we'll pass it.

MR. MILLER: The last time this happened was the Uruguay Round Agreements Act in 1994, which had over 300 House votes in favor. So it works.

MR. REINSCH: And but the implication is, submit something different and you take your chances. So the '90s and the aughts, whatever we call that, the last decade –

MR. SCHWARTZ: I still don't know what we call it.

MR. REINSCH: The Congress got lazy and just started letting – accepting drafts that the administration had prepared for these various FTAs. And, you know, they would fiddle with them and make some changes. But the USTR was doing the drafting. I suspect in this case, because of the difference of parties, that at least the House will want to draft and go through the old-fashioned process. And in the end, hand something to the president and say: If you want the thing to pass, this is what you do.

And that'll – you know, there's no time limit for that. That all takes place before the president submits the bill. Now, the president can – you know, can blow off that process if he wants to, because once he actually submits a bill, it can't be changed. That's what they're going to vote on.

MR. MILLER: But this will take some work. Look, there are two new chairmen – Chairmen Grassley at the Finance Committee and Chairman Neal of the Ways and means Committee. So they're new in the job. They're staffing up. They're dealing with a series of issues organizationally and administratively. So they'll have to find a way to work together if they're actually going to produce the bill.

MR. SCHWARTZ: So what do you – what do you think is – Scott Miller, what do you think is most likely to occur with the USMCA, now that Trump's declared his intention to withdraw from NAFTA?

MR. MILLER: I think the first move is for the House Democrats, and probably the House Ways and Means Committee, to declare it unsatisfactory in some important ways and insist on renegotiation of certain components. That's the way they treated bills in the Bush administration they didn't like, well, last time there was a Democratic House majority. And I think that's the – that's the move that buys some time in this and allows the – a lot of things to happen under the waterline, while the administration has something to go do.

MR. REINSCH: Exactly. But the one thing we do know is lots of drama, you know?

MR. MILLER: There'll be no shortage.

MR. REINSCH: No shortage of drama. The Democrats have to create a narrative that this agreement is unacceptable. And there'll be lots of them that will be happy to do that. Some of them actually do think it's unacceptable, and some of them just want to play the game because they want to achieve – they want to hold it hostage. But you can't – you don't hold it for ransom by saying: I'm holding it for ransom. You hold it for ransom by saying: It isn't any good; we need to fix it. But that is also an enabling tool for them, because if they say it's no good and then Lighthizer does go off and fix it, that's good for the Democrats because it comes back and they say, ah, you know, you did a bad job and we made you fix it. And that then allows some of them to vote for it, which is why in the end – after all the drama – I'm optimistic. I think there'll get this through.

MR. MILLER: We wind up with the USMCA.

MR. REINSCH: But there will be lots of peaks and valleys, lots of cranky statements, and many occasions in which our friends in the media are going to say it's dead.

MR. SCHWARTZ: So what's the timetable for this, do you think?

MR. REINSCH: August recess.

MR. MILLER: Yeah, before the August recess of 2019.

MR. REINSCH: Yeah. It'll be done by then.

MR. MILLER: And probably it's – the House vote is the last vote out of the door before the August recess.

MR. REINSCH: Well, but the Senate vote has to come after.

MR. MILLER: Ah, yes. So sometime there.

MR. REINSCH: Once it is formally submitted there is a clock that starts to tick. It's a long clock, because it's measured by days that they're in session not days of the calendar. And it's 90 days of being in session. But it never takes that long because once it's submitted it can't be amended, it can't be delayed, it can't be filibustered. So there's not that much to do, in other words.

MR. MILLER: Yeah. If you want to approve it, why let it sit there? So.

MR. REINSCH: Yeah. So – but I – see, I don't see it being submitted until April at the earliest, and then there'll be – and then, you know, there's things you have to do. You have to have a hearing. People have to have a chance to have their say. There will be people against it. There will be a debate. So I think by the August recess would be realistic.

MR. SCHWARTZ: So you know what this is making me think? It sounds like we're going to be dialing from a remote location on a beach to talk Trade Guys next August.

MR. MILLER: That's the way life is.

MR. REINSCH: I can't think of many remote locations with beaches that would be good for that.

MR. SCHWARTZ: I agree.

(Music plays.)

MR. SCHWARTZ: To our listeners, if you have a question for The Trade Guys, write us at [TradeGuys@CSIS.org](mailto:TradeGuys@CSIS.org). That's [TradeGuys@CSIS.org](mailto:TradeGuys@CSIS.org). We'll read some of your emails and have The Trade Guys react to it. Thank you, Trade Guys.

MR. MILLER: Thanks, Andrew.

MR. REINSCH: Thank you.

MR. SCHWARTZ: You've been listening to The Trade Guys, a CSIS podcast.

(END)