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TRANSCRIPT

The Trade Guys Podcast

“Josh Bolten Joins the Trade Guys (Part II)”

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SPEAKERS

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Transcript by Rev.com

Scott Miller: I'm Scott.

Bill Reinsch: I'm Bill.

Scott Miller & Bill Reinsch: And we're The Trade Guys.

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. Hi, listeners. We had a lot to talk about in our discussion with Business Roundtable CEO and President, Josh Bolten so we divided the episode into two parts.

Andrew Schwartz: In part one, we talked about the USMCA, the politics of trade and more. In part two, we'll discuss the U.S.-China trade talks and the future of the U.S.-China trade relationship. Without further ado, here's part two of our discussion with the Business Roundtable's Josh Bolten, all right here on this episode of The Trade Guys.

Scott Miller: All right. We have to talk about China because as we speak, today was supposed to be the concluding day of two days of negotiations in China but they've extended it at least through Wednesday. What's going on in China and what do we think is going to happen with the U.S. and China as we continue to make a projection?

Bill Reinsch: Make a projection, Josh. What's gonna happen?

Josh Bolten: I won't make a projection.

Scott Miller: It's hard to make a projection.

Josh Bolten: I can make a projection. Let me begin by saying this, which is that I mentioned that there are areas where the CEOs of the Business Roundtable have found themselves in agreement with the administration and they have found themselves in agreement with the Trump administration on most of the objectives of the very aggressive posture that the administration has taken with respect to China.

Bill Reinsch: That's exactly what we've been saying, by the way.

Scott Miller: That's right.

Josh Bolten: As both of you also know, that is an evolution-

Scott Miller: Yes.

Josh Bolten: Of the business community's position. The Roundtable doesn't speak for the whole business community, but I think there has been an evolution throughout the business community on this. And that is that the posture of

waiting for democratic, market-oriented capitalism gravity to have its effect on the Chinese has proven not to be a viable approach.

Scott Miller: Yes. Reform has stalled out. It doesn't appear to be any hope of it re-starting.

Josh Bolten: Correct.

Scott Miller: That's driving a lot of experience.

Josh Bolten: Without some external pressure.

Scott Miller: External force. Right.

Josh Bolten: The Business Roundtable has been supportive of most of the objectives of the administration in its aggressive posture with the Chinese, and that includes pressuring them to stop outright intellectual property theft, to greatly diminish the forced technology transfer that is embedded in a lot of the Chinese economic system, and the element of policy that is most closely related to that is the Chinese practices with respect to restricting the level of foreign investment that's permitted.

Josh Bolten: Because once they permit more foreign investment, the majority Chinese owner, or the formerly majority Chinese owner will not be in a position to force technology transfer on otherwise reluctant US companies. Also, to put much starker limits on heavy Chinese subsidies to national favorites in targeted industries. All of those things are now very important on the agenda of U.S. multinationals, and we've been strongly supportive of the administration putting those on the table.

Josh Bolten: Now, we've disagreed with a lot of the tactics. From our perspective, the approach that the administration has taken over the course of the last year has been shoot first and ask questions later. We believe that that has not been a productive way to deal with the Chinese, but they are at least now finally at the table, having some substantive conversation about actual reforms in the Chinese system. Our hope is that the administration is serious about it. That the objective actually is these reforms in the Chinese system.

Josh Bolten: The fear is that what some members of the administration really like is the confrontation, and therefore keeping that confrontation going is the enemy of some constructive outcome here. That's why I said at the outset, Trade Guys, that I don't want to predict how this goes but there is a constructive path and a constructive outcome from this. If the administration handles the negotiation in a sensible way, and if the Chinese are willing to make some much more substantial reforms than they have over the course of the last decade demonstrated any willingness to do.

Bill Reinsch: Well, they won't be. I think the dilemma that we have is that we've ended up in the same place. The diagnosis is correct, the prescription is flawed. I think what's concerned me about it is that what we are asking them to do, which is

the right thing for them to do from many different points of view, including simply good economic policy-

- Andrew Schwartz: What we're asking China to do, you mean.
- Bill Reinsch: What we're asking China to do, at the same time will have the effect of decreasing the party's control over the country. That's the last thing they're gonna agree to. They can do something on IP theft. They promised Obama twice they wouldn't do it anymore, so they certainly can promise Trump, at least once that they won't do it anymore. They can do something on some of this other stuff, but if you look at their economic goals, which are reflected in Made in China 2025, what are they saying?
- Bill Reinsch: They're saying is, in these sectors, which include a lot of your members, we are going to create global champions. They're gonna compete against the rest of you, and if we do it right they're going to put you all out of business. That's fine to aspire. I mean, a country's got to do that. I think the policy question that frustrates me is that, what are we doing to get ready for the inevitable competition?
- Bill Reinsch: I think your members are conflicted because they're making decent money in China, a lot of them, but they're also at the mercy of the Chinese government in ways that you've heard many stories about. To me, the real battleground, we're never gonna win in China. The battleground is third countries. We're gonna take them on in all these sectors in a level playing field. What are we doing in India? What are we doing in Europe? What are we doing in Latin America? What are we doing in Africa? What I think we-
- Josh Bolten: Therein Bill, lies the tragedy of the rejection of the Trans-Pacific Partnership.
- Bill Reinsch: Yes, exactly. Exactly. I was just, brilliant. I was just coming to that.
- Scott Miller: Had somebody in the administration been playing chess instead of checkers, they wouldn't have ...
- Josh Bolten: That's what it was about.
- Scott Miller: Precisely.
- Josh Bolten: It was creating a whole area with a rules-based system into which the Chinese would have to conform ultimately if they wanted to play in that space, and TTIP was the same thing.
- Scott Miller: And if they didn't want to play in the space, there would be a much easier path toward decoupling the U.S. and Chinese economy. It's water over the bridge at this point. Look, I-
- Josh Bolten: Not yet.

Scott Miller: Not yet.

Josh Bolten: That water has gone over the dam or under the bridge or whatever, but there will be opportunities, I believe, in a sane trade policy future to reconstruct.

Scott Miller: Good point.

Josh Bolten: The dynamic of the TPP.

Bill Reinsch: Yes. Second chances.

Scott Miller: It just needs a better selling approach.

Andrew Schwartz: 'Cause they're all together right now without us, so us to join and rework it-

Josh Bolten: It just entered into force with respect to the other 11.

Bill Reinsch: Now are you guys conveying that philosophy and that point of view to the administration? The big picture?

Josh Bolten: Yes. We have. We have, and directly to the President.

Bill Reinsch: That's good.

Josh Bolten: He's listened.

Scott Miller: He still has public support for what's going on in China, so if this is an evolution of the China policy, he may be able to make it work. You don't really know.

Bill Reinsch: I think your assessment of where your members are is, I think there you really can speak for the whole business community. I mean, all the people that we've talked to are pretty much in the same place on that. It's a serious problem and the administration's identified the problem clearly and correctly and has made a compelling case that it is a serious problem, both from a national security perspective and from an economic perspective.

Bill Reinsch: How you deal with it is different. The other thing that we've recommended here is something that you'll know very well from your service in the Bush administration is build coalitions. The President is unilateralist and the Chinese, they respond much better to everybody telling them the same thing.

Josh Bolten: Well, and that's something that we in the business community, not just the BRT but the whole U.S. business community can do is build coalitions with our counterparts in Europe and Japan and elsewhere, because in the long game Bill, that you were talking about, all of our interests-

Bill Reinsch: Yes! Exactly.

Josh Bolten: Are actually consistent with each other in confronting the threat that a economically hegemonic China poses for the entire world.

Bill Reinsch: How is that going? Particularly in Europe. I have offended most of my European colleagues by telling them that they're five years behind us in understanding the Chinese. Maybe now it's only two years behind.

Josh Bolten: I don't want to characterize how many years behind my colleagues in other countries are. I think we, the conversation-

Bill Reinsch: Is the message resonating?

Josh Bolten: The message is resonating, and I think when I talk to counterparts in Europe and in Japan, there's a fair amount of understanding. Now, really outside the United States nobody has the tradition of aggressive business community advocacy that we have here in the United States, so we're dealing in a somewhat different environment. I think everybody that I've talked to so far has some appreciation of the picture that you just so eloquently painted.

Bill Reinsch: Well actually, that's good news. I was at a conference in Europe last month and the topic was what do we do about China? There were no Chinese invited. It was all Europeans, Japanese, Koreans, Australians and a handful of Americans. It was clear that they're coming round, I think.

Bill Reinsch: One difference though was, the Europeans are clearly inside the WTO box. Anything that we do has to be, via the WTO process and consistent with our WTO obligations. I don't have a sense that the Trump administration has locked itself inside that particular box.

Josh Bolten: They've set the court.

Bill Reinsch: I'm trying to be polite.

Scott Miller: Why start now?

Bill Reinsch: When you talk with Europeans, I'm just imagining how this conversation ... If the administration does decide that a coalition is a good idea, and I think they're beginning to get it with respect to China, probably because everybody, beginning with you guys have told them the same thing. The first half of the conversation with the EU was easy. They said, "Well, that's really important. We've all got to work together. It's a common problem," so on and so on.

Bill Reinsch: Then the second question is, "What are we gonna do about it?" I think they are in a very different place in terms of what tools they are willing to use compared to what tools we're willing to use. So I'm gloomy about the

prospects, even though everybody's heart may be in a good place. What do you think?

- Scott Miller: Look, I think it's an important conversation. I hope it starts at some point, and Josh is exactly right about the advocacy capabilities. The business community in Europe and Japan does not have the traditions. We have lobbyists protected by the First Amendment here, and that makes a difference.
- Scott Miller: It makes a difference in the way our policy work and our politics works, so the U.S. companies tend to have to take the lead there but I think presenting a common set of indictments against China but more importantly, having a common set of objectives that the rest of the business world works toward, I think would be a very positive outcome to the tensions we're facing now.
- Josh Bolten: I'm cautiously optimistic about it, Bill and Scott. Something we say persistently to the administration is that, that optimism is reduced every time you, the Trump administration do something to undermine and offend the folks who should be our best friends and allies in the confrontation with China, which really is the trade game here.
- Josh Bolten: There's treating Canada and Mexico as though their steel industries are national security threats to the United States isn't just idiotic. It's offensive to them and it makes it very difficult for us to find ourselves in the line with them on the issues that are really important.
- Scott Miller: It makes what the Trump administration actually wants to do even harder.
- Josh Bolten: Absolutely, and that's the message we try to deliver to them on every occasion we have.
- Bill Reinsch: I'm glad you're saying that. For me, the fundamental problem is it's bad manners and I just get very upset. It's also self-defeating for the reasons you said, it makes it more difficult ... I think the President may be one of these people that I run into from time to time who completely compartmentalizes these things.
- Bill Reinsch: He kind of thinks, "I can insult you today about something but then I can come back to you tomorrow and ask you to help me out on something else on the theory that you won't remember what I said yesterday." Most people remember what he said yesterday.
- Andrew Schwartz: Canada's got a lot of nice people in it, and hopefully they'll start-
- Scott Miller: They're nice.
- Josh Bolten: A country that produces Paw Patrol can't be bad.
- Bill Reinsch: What is Paw Patrol?

Scott Miller: Oh, it's a kid's show.

Josh Bolten: Also produced my mother so I'm a big fan of Canadians.

Andrew Schwartz: Josh, thanks so much for being on The Trade Guys. This has been a fascinating discussion.

Josh Bolten: Thanks for having me.

Andrew Schwartz: To our listeners, if you have a question for The Trade Guys, write us at tradeguys@csis.org. That's tradeguys@csis.org. We'll read some of your emails and have The Trade Guys react to it. We're also now on Spotify, so you can find us there when you're listening to the Rolling Stones or you're listening to Tom Petty, or whatever you're listening to you can definitely listen to The Trade Guys. Thank you, Trade Guys.

Bill Reinsch: Thanks, Andrew.

Scott Miller: Thank you.

Andrew Schwartz: You've been listening to The Trade Guys. A CSIS podcast.