

Center for Strategic and International Studies

TRANSCRIPT

The Trade Guys Podcast

“I Predict A Rerun”

RECORDING DATE

Tuesday, June 25, 2019

SPEAKERS

Scott Miller

Senior Adviser, Abshire-Inamori Leadership Academy

William Alan Reinsch

Senior Adviser and Scholl Chair in International Business, CSIS

HOST

Jack Caporal

Associate Fellow with the Scholl Chair in International Business, CSIS

Transcript by Rev.com

Scott Miller: I'm Scott.

Bill Reinsch: I'm Bill.

Scott and Bill: 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.

Jack Caporal: In this episode, I fill in for Andrew as Scott and Bill preview all things surrounding the G20 meetings in Osaka, Japan next week.

Pres. Trump: I'd like to make a deal, but we'll see what happens. But I can tell you as much as I'd like to, China wishes they had that deal to do over again.

Jack Caporal: President Trump is slated to meet with Xi Jinping on the sidelines. What will come out of those talks? Plus, some optimism on the USMCA timeline and a preview of the first Democratic debates. I'm Jack Caporal. You'll hear all about that and more on this episode of The Trade Guys.

Jack Caporal: So there's a lot of ground to cover on this week's episode. The main event coming up at the end of the week, June 28th and 29th, is the G20 Leaders' Summit in Osaka, Japan. There, President Trump and Chinese president Xi Jinping are going to sit down and try and restart trade talks or call a trade truce or, or what, what are the expectations that we have for this meeting?

Bill Reinsch: Well first, in a way, technically it's a sideshow because there is a G20. There are 18 other countries, they are having a meeting. The Japanese hosts have put digital trade on the agenda. They put WTO reform on the agenda, which is interesting because there, I think our president will be under some pressure. CSIS had a press briefing last Friday with Matt Goodman, Mike Green, and Heather Conley about expectations at the G20, so for all of you out there listening, go to the website and see if you can find it, if you care about the larger issues. For us, the sideshow is what's important, and that is the Trump-Xi meeting, primarily. There's obviously going to be a Trump-Abe meeting.

Scott Miller: Sure, no doubt, and he's visiting South Korea on his way, so it's a fairly involved week of travel for the president. But to my mind, the fact that there will be a Trump-Xi meeting means that there'll be some sort of progress announced, whether it's just we started the talks or perhaps an agreement that things ... there was a favorable enough discussion that the president's decided to not put tariffs on the List 4 group of products, the next list that we talked about last week with Steve Lamar and others, I had mentioned the List 4. I think something will happen of that nature because the leaders are getting together and they'll want to look, in some ways, like they're making progress.

Jack Caporal: Sure. So, there's kind of a broader context to this, right? If you look back to the last time Trump and Xi met in Buenos Aires at the last G20, they essentially called the trade truce and then months later the U.S. ratcheted up tariffs after negotiations broke down. I mean, why should we expect this time to be any different? It's like history is repeating itself.

Bill Reinsch: Well, it is. I predict a rerun. I have clients who always want a percentage. You know, they always want the odds, and so I'm forced to do that even though I think it's silly, but I would say 70% chance, sort of temporary happy ending. They either repeat Buenos Aires. Handshakes, smiles, we're going back to the table, tariffs are postponed, the new ones ...

Scott Miller: Right.

Bill Reinsch: Alternatively, I wouldn't rule out the possibility that they could announce some cosmic agreement in principle, fine print to be filled in later, which will be functionally the same thing because they won't agree on any of the details, but they'll agree that they agreed. Then they'll dump it on Lighthizer and Liu He to do what they would have done otherwise. That puts a more positive spin on it, but it's the same thing. 30% chance, it's like Kim Jong Un in Hanoi. President walks out, tariffs next week or the week after, and it doesn't start all over again. But if it's a 70% chance, I think you're exactly right. We have a rerun at some point, and we've talked about this before here. The president is going to have to confront the fact that he can't get an agreement that gives him everything he wants. So we have to decide if he wants a weaker agreement and suffer that criticism or if he wants to continue the war and escalate the war and suffer that criticism.

Scott Miller: Sure. Summits are all about show business, and there's no doubt this bilateral between the two leaders will be ... has to be considered in that manner, and so I think the president, our president, and President Xi both would like an outcome that satisfies their interests in stability. So I think that's why ... I agree with Bill's 70-30, maybe a little higher. The odds of something that looks like an agreement and quacks like an agreement is probably the likely outcome.

Jack Caporal: Sure. Yeah.

Bill Reinsch: The one problem, I think, is that ... or the one danger I see, is that it seems to me that both presidents seem to believe right now that the other is in the weaker position, that Trump clearly feels that the Chinese are being hurt more than we are and that if he just pushes harder, they'll fold. He always says this, and then he doesn't always act on it, but Xi I think feels that, you know, President Trump has an election. He doesn't. There are political forces here that he doesn't have to deal with there. This is not usually a good sign for getting into an agreement if each guy thinks he's stronger than the other one.

Scott Miller: Right. But a confrontation now has downside risks for President Trump in, you know, consumers actually finally figuring out that they pay the tariffs, and some pressure on markets or increased volatility. Likewise, President Xi, I think it's in his interest to keep this stringing out at its current level just in case he gets a better counterparty in 2021. So, I think both of them have an incentive for stability here instead of confrontation.

Jack Caporal: Yeah. The other piece of this puzzle is in the background, there's this growing tech Cold War between the U.S. and China, right? It seems like every week now is putting more export controls on U.S. companies, high tech companies preventing the export of, you know, computer chips for example, to certain Chinese companies. It kind of raises two questions, right? What would the overall value of trade agreement be if, if there's just this section of trade that's essentially sealed off between the two countries? Then second, can the two sides separate the two issues? I mean, what is a trade negotiation without negotiating over high value products?

Bill Reinsch: Well, I have to say in a moment of non-humility, I predicted this. I predicted this a year ago, year and a half ago. It was only a matter of time before the president discovered export controls and technology transfer controls as a way of squeezing the Chinese, and they're now doing that and searching for every possible alternative. The thing that makes it a little bit difficult is they got a lot of help from the Chinese. There really are security issues. There are sanctions violations issues. The rumor today about some Chinese banks being sanctioned for breaking the ... violating North Korea sanctions; ZTE and Huawei got in trouble because of Iran sanctions. You know, we're not talking about innocent parties here. The fact that there is a significant security overlay, the fact that it all relates to 5G, I think has done a couple things. One, it's consolidated public opinion here. I think people here are much less sympathetic to the Chinese than they used to be. They may or may not see a trade threat, but I think a lot of them see a security threat, and so they're sympathetic to this. They do blur together. I mean maybe Scott has a thought about whether it's going to be possible to separate trade and security in the end, but right now we're going in the opposite direction.

Scott Miller: Well, in the column of great minds think alike, I would note that at the end of February, former Treasury secretary, Hank Paulson spoke at CSIS and in his address, he specifically identified what he called the tech cold war as not only the flash point in the relationship between the U.S. and China, but that the tension would spill out into other areas. So, I think both Bill and the secretary are right about that. Look, I think that this is the one area ... I look around this town for signs of bipartisanship, and there are very few except for two areas — regulating big tech and dealing with China. That has current bipartisan credence at this point, and I think the American people not only recognize that China is an unfair trader, which clearly comes out in all the polling, so there is reluctance of the American people to push back on the president's trade actions with China, but also the security threat I think is real and Chinese behavior here is really making the case. You don't have to have to like President Trump or listen to what he says. You just read the

paper and see what's happening from China and you realize we have to do something about this.

Jack Caporal: So do you think there is a chance that Trump and Xi get together, sit at the table, you know, they're in Japan and President Trump makes an offer and Xi says, "Well, you know, the offer's pretty good, but if we accept this deal, what's stopping you from slapping export restrictions and basically hamstringing our high tech sector outside of the confines of the deal," and things just kind of fall apart?

Bill Reinsch: The Chinese have always tried to insist on commitments from us, not only not to do that, but to liberalize our controls on tech transfer.

Scott Miller: Yes.

Bill Reinsch: I mean, they've been conveying that message for 25 years. When I was in the government and met with them, it was in the Clinton administration, it was the same thing. Then they linked it to the deficit. You want the deficit to go down, sell us more high tech. The message hasn't changed, and no administration has bought that. Clinton didn't buy it. Bush didn't buy it. Obama didn't buy it, and Trump is certainly not going to buy it. If they make it a condition of the deal, then it seems to me it's going to be very hard to get a deal.

Scott Miller: Yes, that could make things worse. I'm personally skeptical that that happens in a leaders' meeting, but it's likely to play out after the Osaka meeting.

Bill Reinsch: It would demand a grasp of detail that we're not entirely confident our president has.

Scott Miller: That's exactly why I'm suspicious of it.

Jack Caporal: No, that's fair enough.

Bill Reinsch: You were more tactful than I was though.

Jack Caporal: So, there's also, like Bill, as you mentioned, there's the rest of the G20 that's happening, right? That really is the main event, and so on the agenda is WTO reform. Japanese Prime Minister Abe has this whole push for discussion on digital economy governance that he calls Data Free Flow with Trust. Then an issue that seemingly always pops up at these meetings with the Trump administration is whether or not the final joint statement, what kind of language on trade will be in the joint statement, whether there's language on fighting protectionism or embracing free and open trade. I mean, is there a risk that these issues are just overshadowed by kind of everything else that's happening? Not just U.S.-China, but I mean there are a lot of global issues going on. Is there a risk that there is just no common ground on issues like WTO reform and digital governance?

Scott Miller:

Well sure, because there isn't. I mean look, sorry for being the skeptic of the gang, but the G20 was formed at a period of crisis, during the global financial crisis, 2008, roughly speaking, was the first meeting, and for a while provided some useful cooperation, especially among G20 finance ministers. Because we had a global crisis, world finance is a matrix, and coordination was required, and it seemed to help. Really, since that time, the G20 has completely and convincingly demonstrated its inability to do much of anything. I think there just are the same diverse opinions. I mean, how do you have a meeting on advancing the digital economy when you have the United States, China, and India in the same room, or ... you know, they are all G20 members and there is no process or agreement or treaty that says we have to accomplish something. So different points of view get stated and nothing gets resolved. That's been the story of the G20 for about a dozen years. Look, hats off to the Prime Minister of Japan for hosting the meeting. It's a pain, it's difficult, it's work, and I appreciate an ambitious agenda, but I think it's going the way of lots of other ambitious agendas.

Bill Reinsch:

What's sad about it is it's sort of another blow for multilateralism. Plug my column this week which discusses this in a little bit of detail. I think one of the things that we need to be focusing on, and the G20 has tended to focus on, although less so with Trump, has been global problems, and global commons problems, so, climate change. The problem of overfishing has been a WTO multilateral problem. Epidemics. The new one, plastic pollution in the oceans. I mean these are all multi-nation problems. They're caused by multiple nations, and the effects affect a whole bunch of other nations, many of whom have nothing to do with causing the problem. They're the victims, because the plastic washes up on their shores, or the dirty air blows over their atmosphere. And we seem to be moving into an era, well back into an era where might makes right, and everyone for himself. And if you're big and strong that you do better. Although I think it's a closer question than it used to be, at least for the United States. But what gets lost in that whole transition are these global problems. No one nation can fix climate change. Our government seems not even to be interested in it. But even if we are, China being a good example, because it's a political issue there, because they've had so many pollution problems, they can't solve the problem by themselves ... and what we're losing, by the failure of not just the G20, but all the multilateral organizations, is our ability to cope with all that. End of rant, sorry.

Jack Caporal:

Scott, you said the G20 is born out of a time of crisis, and it seems like, you know, Bill has pointed to five or six different crises. The WTO is definitely at a hinge moment, it's at a pivotal moment, and it's on the agenda. You could argue that there's a crisis in terms of how digital governance is being shaped, right, it's kind of an "every nation for themselves" exporting models like EGDPR, and then you have China at the other end of the spectrum. And so I just want to push you a little further. There are crises, and are you saying the countries aren't up to the task?

Scott Miller: Well, the forum has not demonstrated capability. So what I would do, if I were the G20 czar, I'd pick a problem and actually fix it. So for me, fishery subsidies is the low-hanging fruit among the ones Bill listed, because you can debate about Earth's temperature in 30 years, and have lots of pleasant conversations or unpleasant conversations about it. But there's really not any debate that we now have the technology to basically remove every fish from the ocean, okay? And that would be a bad thing for people.

Bill Reinsch: Not to mention the fish.

Scott Miller: Not to mention the fish. Yeah, the fish wind up, they're going to wind up as dinner one way or another if we have our way. But we can literally fish out the oceans. That's what maritime technology has evolved to, and that it's in all our interests to not do that. So that one's a very practical problem. And so for me, if I wanted to demonstrate the organization's value, I would find a problem that is solvable, or at least addressable, in cooperation with say, the WTO. WTO fishery subsidies have been on the agenda since I'm pretty sure Seattle, 1999 is the first time they were on. So this is not a new problem. It's not one that lacks definition. And it is one that as technology evolved ... fishery technology, it is clearly a threat to not just fish, but human beings, given the proportion of the diet. So, go do something and make it actually, make it happen, make it stick. And build the reputation of the group, and move on to other problems then.

Bill Reinsch: You know this brings back uncomfortable memories, because when the EU-U.S. relationship was running into headwinds in the Bush administration, and some CEOs came in to the president and talked about revitalizing the relationship, that led to a discussion between the commission and the White House over, "What do we do?" and the answer was, "Let's pick one thing. And let's see if we can make that one thing work. And then we build on that." Well the one thing they picked was chickens.

Scott Miller: Oh my goodness, I had no idea.

Bill Reinsch: It is now 15 years ... that was the EU's idea, it wasn't our idea, and now 15 years later we still have a chicken problem. So, I'm not optimistic. The other reason I'm frustrated is on fishery subsidies. To the WTO's great credit, they have done exactly what you suggested. They've flagged it, identified it, and targeted it as the big accomplishment for their next ministerial, which will be about a year from now in Kazakhstan. Not exactly an ocean state, but that's all right.

Scott Miller: That'll be all right.

Bill Reinsch: But, you know, they are now getting down to more serious negotiations. And what has happened most recently is the Indians have come in, to the surprise of no one, and suggested we need to have a system here that exempts developing countries.

Scott Miller: Well what an opportunity for the 19 other leaders of the G20 to browbeat the Indians at this week's meeting.

Bill Reinsch: Yeah, we'll see. I hope that's what happens, and I hope you're right. But I'll be surprised.

Scott Miller: Like I said, we're looking for a measure of effectiveness. It's hard to find.

Jack Caporal: So, pessimistic about the G20, maybe a little pessimistic about fishery subsidies despite that being a UN Sustainable Development Goal, and they've been given direction by world leaders to come to an agreement by the end of the year. And now you have a developing country saying that all developing countries deserve exemptions despite the fact that I think over ... that would include China, which is the largest economy by fish capture, you know a ton of other developing countries in the top 20 in terms of fish capture, so ...

Bill Reinsch: There's a huge frustration for me about the logic of this argument, because what the developing countries will say, and they say it about climate change and pollution is, "You rich countries are the problem. You've been polluting, you've been building factories, you've been using coal for 100 years. It's all your fault." And then they basically say, "Now it's our turn." Which is tantamount to saying, "All right, you guys have been stupid for 100 years, so now it's our turn to be stupid." And the loser is the global commons.

Scott Miller: So perhaps restate the argument, and rather than exclude developing countries, basically have it only apply to modern technology. So, if you've got a wooden boat, and three people on it, and no mechanization, fish all you want, okay? But if you're using modern technology that is capable of really destroying fish stocks, then you've got to be part of the disciplines.

Jack Caporal: Sure.

Bill Reinsch: Which would capture the Chinese for sure.

Scott Miller: Right, yes.

Jack Caporal: We've gone down a bit of a rabbit hole. I've noticed that Bill is also wearing a fish tie, a salmon fish tie today, which is somewhat coincidental.

Bill Reinsch: Indeed, I'm wearing this because Andrew told me that it looks good on TV. And I did TV this morning. So, I'm following his advice implicitly.

Jack Caporal: What channel were you on?

Bill Reinsch: Well I was almost on MSNBC, and then they realized I was in the wrong studio, because I was supposed to be on CNBC, which is where I ended up. Talking about what we were talking about. China and Xi and Trump.

Jack Caporal: Yeah. It's the news. Let's shelve fisheries for a minute. That's like a whole other podcast in and of itself, it's very complicated, and turn maybe to USMCA, which is still the issue du jour in terms of what's on the U.S. trade agenda domestically. And U.S. Trade Representative Lighthizer was on the Hill last week making the case for USMCA. He told lawmakers that he would do whatever it takes to get them onboard, specifically Democrats, when it comes to their concerns with enforcement. But you have the top Democrat on the Ways and Means Trade Subcommittee, the Ways and Means Committee which has jurisdiction over trade issues in the House, saying, "There's not a chance that lawmakers will take up the agreement before the August recess." Some folks have seen the August recess as kind of an informal deadline to consider the agreement before it gets sucked into the vortex of the 2020 election cycle. So is he basically foreclosing ... Mr. Blumenauer, is he basically foreclosing the chance that we're going to see a vote on USMCA before the election?

Scott Miller: Well, believe it or not I'm not that pessimistic anymore. Okay. I actually think ...

Bill Reinsch: Aha! You've been listening to me!

Scott Miller: Or I've been paying attention to events, maybe, as well as listening to you, which I always do. But look, first, Mexico ratified it this week. So, the Mexican Congress approved USMCA. That's one out of three. The Canadians are prepared to move forward, even if Prime Minister Trudeau has to recall the parliament.

Bill Reinsch: And they're just waiting for us.

Scott Miller: And they're basically waiting for us to move, so that's good.

Jack Caporal: But the Canadians still do have a tight schedule, right? They have an election in October, and the latest they can recall the parliament is before their election period begins, which is late September.

Bill Reinsch: They have to dissolve the parliament in September, so it really is in the next couple of months.

Scott Miller: The window is not forever, but it is not August 1. And in terms of the August recess, look, having lobbied on enough issues. Floor managers for either party want to make tough issues right before a big break. So you basically back the vote up, don't let members leave town, okay, make them vote. All right so that's the popularity of doing it before a big recess. And then lots of things happen while you're out on recess, and by the time the fall rolls around, everybody's forgotten and moved on to the next outrage. So, now look. This still remains complicated in the Democratic Caucus in the House. I note that there are 134 members of Ms. Pelosi's caucus, so over half, who have never cast a recorded vote on a trade agreement. So this is new for a lot of Democrats. It's going to take some time to work, and I'm actually most

encouraged by the fact that Chairman Neal, of the Ways and Means Committee, has formed a working group to deal with the very specific issues that Democrats have raised and to work directly with Ambassador Lighthizer to fix that. That says to me, that's a plan to get to a "yes" between the administration and House Democrats. Once that happens, I think, you're able to make the rest of the things move pretty well.

Jack Caporal: Sure. Let me just push back on one point you made, which is they could do it after the August recess, but when they get back, they have to do the budget, then they have to do the debt ceiling. Right? Before Christmastime essentially? And those are some major fights, and those are some major political issues as well.

Scott Miller: Well this is why they pay big salaries to members of Congress, and they have beautiful views of the National Mall from their offices. It's going to be hard work, okay? And they haven't done a lot of legislating this year so far. Devoted a lot to oversight and those kind of things. Appropriations are with us always. So my view is, once the Speaker and the Chairman of the Ways and Means Committee feel they have a grasp of a ... whatever the number of votes both "aye" votes and people who aren't going to sort of break up the party over it, when they get comfortable with that, then we're going to be ready to move, and it's going to be ... what's happened in the past is trade agreements actually move very fast once you reach that threshold. So it's actually not a lot of floor time, it's not a lot of effort. You don't have a problem with a 60-vote threshold in the Senate. There's lots of things that allow this to move faster rather than slower, once you decide you're ready to move.

Bill Reinsch: Exactly, I think the last one moved in 11 days after it was set up, as I seem to recall. And Scott is exactly right. You can't amend it, you can't put a hold on it, you can't filibuster it, you know there are time limits.

Scott Miller: So you fight about other things.

Bill Reinsch: There's not that much to do. So the delay so frontloaded. Which is what's going on right now. You have to work everything out because once the bill comes up it cannot be changed. And I still think that they're doing exactly what they're supposed to do right now, they're addressing these issues. They set up a structure for addressing these issues. Once they've reached an agreement, I think then the bill comes up and it moves along fairly quickly.

Scott Miller: Yeah, and for me the best politics of this is to deal with it, put it in the rearview mirror, and move on to the next issue. Because come time for 2020 elections, no one will remember that it got done. There'll be people who are concerned if it didn't get done, mostly traders, you know, who have dealt with uncertainty. But I don't think there's much retribution being dealt out a year from now.

Bill Reinsch: And no one will care whether it got done in July or it got done in October.

Scott Miller: Exactly.

Bill Reinsch: We had Mr. Blumenauer here like six weeks ago or something like that, and the same issue came up. And he was more evasive on the August question, but clearly skeptical about August, but did say that if you do it in the fall ... it was doable in the fall. He said if it went into 2020-

Scott Miller: Eh, maybe it's a problem.

Bill Reinsch: ... then it would be toast.

Scott Miller: Yeah.

Bill Reinsch: And I think the election argument, probably, that kicks in around the New Hampshire primary. But I think in the fall ... it's still time to do this.

Jack Caporal: I might be a little bit more pessimistic just because ... the number of fights that they're going to have in the fall, I think-

Scott Miller: Well, come on-

Jack Caporal: ... you're going to throw in more-

Scott Miller: ... we're fighting about everything. Okay?

Jack Caporal: Yeah, the budget's a big fight.

Scott Miller: Yes.

Jack Caporal: And then throwing this in the mix ...

Bill Reinsch: But the difference is there's a whole bunch of games you can play with those.

Scott Miller: Yeah.

Bill Reinsch: And there's amendments, and you can hold them up, and there's all kinds of brinkmanship. With this bill, once it comes up, there's a timetable. The committee gets so many days. The floor gets so many days. The Senate gets so many days. You can't change anything.

Scott Miller: That's why pro-traders moved heaven and earth to get TPA in 2015.

Jack Caporal: Right.

Scott Miller: That's why it's so important, and we might as well use it to pay off.

Jack Caporal: Okay. But there's still work that needs to be done to get the bill-

Bill Reinsch: Yes.

Scott Miller: Oh, yes.

Jack Caporal: ... on the floor, right?

Scott Miller: Oh, yes.

Jack Caporal: And so Lighthizer last week says he's willing to do basically whatever it takes. He tells congressional Democrats he's willing to do whatever it takes to get them on board with the agreement. But at the same time, the administration has said they're unwilling to reopen the agreement, and Democrats are saying, "We need changes to the text." So-

Scott Miller: We'll find out.

Jack Caporal: Where's the middle ground there?

Scott Miller: Well, look, this is one of Bill's landmines. One of Bill's landmines is the overreach of Democrats. It's still possible. I think this working group or committee makes it less likely, not more likely. And I also think that, look, this is something that once they've decided it's going to happen, they'll try to find a way to do it. Now, politics are still complicated. And the fact that a lot of people who are members of Congress now have not voted on a trade agreement, will make this very difficult and challenging for the people on, say, the majority whip and the minority whip's teams to pin down members and make sure you have the votes to pass.

Bill Reinsch: Every administration says they won't reopen, and every administration reopens. They say they won't until the last possible minute. And then if that's the choice-

Scott Miller: If they have to, they do.

Bill Reinsch: They do, and they try to contain it and limit it. People don't see this, but in a way, the whole debate has been substantially limited already. There are four subcommittees. They're doing four issues. Everything else has been pushed aside.

Scott Miller: Yeah.

Bill Reinsch: Where is ISDS? Where are regional vegetables? Where is dairy? It's-

Scott Miller: No longer for discussion.

Bill Reinsch: Right.

Scott Miller: No longer.

Bill Reinsch: It's focused in labor, environment, enforcement, and drugs.

Scott Miller: Yep.

Bill Reinsch: And that's a lot. Those are not simple issues, but it's only four, where it could have been 15. And so, in a way, without ever anybody standing up and saying, "Well, we've thrown all these things under the bus." Nobody ever stands up and says that. But de facto, that's what's happened.

Scott Miller: Yes.

Bill Reinsch: They're focusing on four things, and when they're satisfied on those four things, then we move forward.

Scott Miller: Right. No stern letters being written on anything else right at the moment.

Jack Caporal: Right. No, that's true.

Bill Reinsch: And there will be six or seven House members who stand up and say ... the Florida delegation will stand up and say, "They've screwed my tomato people, and I'm voting no."

Jack Caporal: So be it.

Scott Miller: That's 29 members. It just takes 218 to pass. All right? It's all you need.

Jack Caporal: So we're thinking this gets done before 2020, and then we're in election season. We get a taste of that this week with the first Democratic debates. It's a packed stage. There are about a million Democratic-

Scott Miller: 25 candidates.

Jack Caporal: ... candidates. Well, there are a lot.

Bill Reinsch: It will be 24 as of this week.

Scott Miller: Oh, okay.

Bill Reinsch: Joe Sestak joined the pack.

Scott Miller: I thought he was number 25. I guess I've lost count.

Bill Reinsch: He was 24, I think.

Scott Miller: Okay.

Bill Reinsch: It was 23 ... 20 in the debate. 10 and 10.

Jack Caporal: Yes. Over two nights. Yes.

Bill Reinsch: Yes.

Jack Caporal: And they have ... you would expect trade to come up at the debates. And the candidates, in my opinion, have a range of views on trade. So you have some more free trade type folks like Joe Biden, and maybe Pete Buttigieg, and some of the senators. And then, on the other end of the spectrum, you have folks like Elizabeth Warren and Bernie Sanders who are almost aligned with the president on many issues. So, is there going to be some infighting within the Democratic Party? Does the party need to do some soul searching to figure out where they stand on trade before they get to the big kahuna in facing the president?

Bill Reinsch: It's always a debate during the nomination process. There was a big debate amongst the Democrats in the '16 nomination between Bernie and Hillary on this. In the end, they didn't end up that far apart, at least on paper. But it was a big issue in the debate. It was a big issue when Obama was running in '08, but then it faded in the general. It tends to be a nomination issue for Democrats and then fade because it's not really something that they like to talk about. This election will be different because it's a signature issue for Trump. So he won't let it fade, and so the Democrats have to deal with it whether they want to or not. There is some common ground. Plug here, we are putting out today an issue brief on the Democrats and trade, or actually all the ... including the one Republican, the non-Trump candidate, on trade, a lot of quotes about what they say and some analysis that ... it doesn't land anywhere. It just helps you understand what they think. So, it's a good guide going into the debate. There is common ground. One is they all think Trump is going about it the wrong way. Implementation is terrible. Most of them don't like the tariffs because they read the polls like everybody else, and understand the polls are negative on tariffs. And the positive thing they all say is he's not building coalitions, and that trade is inherently an issue where you need to line up as many friends as you can, particularly on China, and get them all saying the same thing at the same time and working together. And we're not doing that. And I think that's, first of all, it's a compelling criticism, a good one, and it's one they'll make. Beyond that, there's a breakdown, exactly what you said. Biden, of course, has had eight years with Obama and a long record in the Senate where he voted for a lot of these agreements. And I think he's going to stand on his record. Some of the governors ... Hickenlooper is a good example. He's come up with a trade plan of his own, which is pro-trade. You've got Sanders and, actually, Warren who ... I've complained that Trump is stuck in the '50s. They're really trapped in the '30s. It's class warfare for them.

Scott Miller: Yes. Yeah.

Bill Reinsch: And trade is just one more element of how big companies cheat the workers. Warren has spelled this out I think more coherently than Sanders has, but it's the same point, which is trade is part of a larger inequality in our society

in which the rich get richer and the poor get poorer. And trade agreements are manifestations of ways in which large companies and powerful executives arrange things to their advantage and to the disadvantage of the worker. We'll see how far that gets. That was sort of Trump's policy as well.

Scott Miller: Sure. And I actually, as a bold prediction, I don't think the conversation gets very far this week in these debates for several reasons.

Bill Reinsch: They have a minute each.

Scott Miller: That's the most important one is there are 20 people on the stage, or 10 and 10, however they structure it. And you'll recall a little less than four years ago when there were 17 Republicans on the stage in their primary process. Issues weren't the definitive factor in the early stages. Second, also policy positions, with the exception of Senator Warren, are not as thoroughly developed at this point. So, the contrasts really haven't been drawn below the sort of the top line principles. So, I think we'll just see how this plays out. I don't think we'll learn much this weekend, but now that the process is kicking off, it's great we'll have something to talk about.

Jack Caporal: Yes, that's true. Stay tuned.

Bill Reinsch: We will do ... our brief that's coming out today will be updated as the situation is refined. As people disappear from the list, it will get a little bit easier, and there'll be more pressure on them to come out with fully fleshed programs I think, particularly on trade, because Scott's right. It's all going to be sloganeering and, "How do I stand out and make myself different?"

Scott Miller: Who's the fairest of them all?

Bill Reinsch: Who's the fairest of them all, well, or who's the most outrageous of them all?

Scott Miller: Yes.

Bill Reinsch: That was how-

Scott Miller: That could work.

Bill Reinsch: ... Trump prevailed.

Scott Miller: That worked. Yeah.

Bill Reinsch: But Trump will ... this and immigration are signature issues for him.

Scott Miller: Yes.

Bill Reinsch: So, it's not going to go away, and the Democrats are going to have to confront it.

Scott Miller: There will have to be a contrast.

Bill Reinsch: Yes. I think ... me too ... I've been saying this ever since he won. The Democrats are not going to be able to out-protectionist Trump.

Scott Miller: No. No, he's-

Bill Reinsch: He owns that particular thing.

Scott Miller: His credentials are now very strong. Okay?

Bill Reinsch: Yes.

Scott Miller: And if you want four more years of that, he's your guy.

Bill Reinsch: Yes.

Jack Caporal: Yeah. They could argue that they're better for the worker, which is a-

Bill Reinsch: Yes, they can.

Jack Caporal: ... distinction with a difference.

Bill Reinsch: And I think they will.

Scott Miller: Yes, but they will have to provide a contrast-

Jack Caporal: Yes.

Scott Miller: ... and explain why.

Jack Caporal: Yes.

Scott Miller: So it's going to be interesting.

Jack Caporal: Yes, for sure. Well, something to discuss next week.

Bill Reinsch: Indeed.

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. Thank you, Trade Guys.

Scott Miller: Thanks, Andrew.

Bill Reinsch: Thank you.

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