

Center for Strategic and International Studies

TRANSCRIPT

## The Trade Guys Podcast

# “Throwing the Last of the Luggage on Board”

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SPEAKERS

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*Transcript by Rev.com*

Scott Miller: I'm Scott.

Bill Reinsch: I'm Bill.

Bill and Scott: 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: I'm Jack Caporal, filling in for Andrew Schwartz. In this episode, Scott reports back from the windy city on USMCA. He'll tell us what more needs to be done to push the deal across the finish line. And U.S.-China negotiations are slated to start back up again. What does the U.S. hope to gain from a proposed meeting next week in Shanghai? Plus, the European Commission's Director General of Trade discussed the future of U.S.-EU trade at CSIS earlier this week.

Cecilia Malmström: The EU stands for a market of 500 million people, and we want to leverage the size and the importance of this market in order to shape the global environment in a way that is conducive to fair trading practices.

Jack Caporal: You'll hear about all that and more on this episode of The Trade Guys.

Jack Caporal: So, Scott just got back from Chicago at a meeting of the Council of State Legislatures Midwestern Legislative Conference. Did I get that right?

Scott Miller: Yeah.

Jack Caporal: And there, USMCA came up. There were some Canadians, apparently, at this meeting. So, what was that all about?

Scott Miller: Well, first, I was very grateful for the invitation. As a Midwesterner, I always like getting back. It's like going home.

Bill Reinsch: Well, that's Chicago.

Scott Miller: Chicago, which-

Bill Reinsch: The cultural center of the nation-

Scott Miller: Which it-

Bill Reinsch: Main street of mid-America.

Scott Miller: Just a great, great city, and it's a wonderful place to travel to. I adored going to Chicago when I lived in Ohio. We'd travel there reasonably frequently. My

daughter went to school near Chicago, so we went back quite frequently when she was there. And so, it's always great to get back, but I think it's great to get out of the Acela corridor and talk to people. And in this particular case, what I was struck by was first, state legislators. So these are state representatives, state senators, elected officials who attend the meetings. Very hardworking group, very dedicated, very close to their constituents. But what struck me is the politics of trade are very different for state government officials versus the federal officials. Now, basically, all the policy decisions are made at the federal level, as we know, for trade policy. But the politics of trade is much more about, basically, what are my constituents looking for economically? You know, it's sort of an economic development question, how do I help them get ahead? How do I help them get what they want out of these agreements? It's very practical and it's rooted in collaboration, which I found really refreshing. And so, what I found was a group of people who, first of all, very curious, they had detailed knowledge from the constituents they had spoken to, about what the issues were, and what was going on. Had lots and lots of questions, but their aim was always cooperation. Okay? So, these committees had formed. There was one of the subcommittees, which indeed had officials from the Canadian government, provincial governments, and the government of Canada, as well as U.S. State officials from the Great Lakes region. And they've worked together for years. They've solved a lot of problems. They have problems of an invasive species in the Great Lakes. Back 20-30 years ago, there was a problem of acid rain, that all these states worked together on. Thanks to our commerce clause, states have learned how to cooperate because there are always issues. I mean, Indiana has issues with Illinois and other bordering states, and so that comes up all the time. This seems to be one of the fora that they use to solve it. So, I found the attitudes quite refreshing. People were open-minded about it. And more importantly, they really get what NAFTA and USMCA are about. They don't think of them as trade agreements. This is a set of rules that helps us work together with our neighbors, whether it's our neighbors in the next state, or our neighbors in Canada, whatever it is. Which is exactly how NAFTA functions. It's why we make things together and sell them to each other and the rest of the world. So they got it, had a strong commitment to collaborate. They had a four-day meeting, and they spent, basically, a half day on trade, and NAFTA, USMCA.

Jack Caporal:

Wow.

Scott Miller:

I was part of a panel, we had a large plenary session, and then there was a working group with Dan Ujcz of Dickinson Wright, who is one of the most sophisticated guys when it comes to auto rules of origin. A real ... A true expert on that subject. They spent an hour and a half with Dan, basically, doing a deep dive into automotive rules. And so, they were really hungry and curious for knowledge. But clearly, USMCA is a big deal. I also found out that Buy America, the new Buy America executive order, has irritated a lot of people from Canada. Just wanted to say. We might want to cover that at some future point.

Bill Reinsch: Did it irritate the Americans too or not?

Scott Miller: Well, the Americans were mostly scratching their heads, but most of the irritation comes from, it's very unclear how this gets interpreted. So, we can save that for another topic. But that's the issue I didn't expect to come up and was somewhat obvious once I got there.

Bill Reinsch: Well, it comes up a lot with Canadians in multiple contexts because they really, I think, see an integrated market.

Scott Miller: Yes.

Bill Reinsch: Of course, it's in their interest to see an integrated market, because the larger part of the market is here, and wanting to maintain an open border and open procurement opportunities is a bigger deal for them, I think, than procurement opportunities in Canada is for us. But it's a reminder that ... And I just had a conversation with somebody on the Hill about this, this morning. It's a reminder that despite what the president has said from time to time, NAFTA really worked.

Scott Miller: Yes.

Bill Reinsch: And it worked in the way that you were talking about it. It created an integrated North American economy. And one of the interesting things about the current debate is the absence of people saying what a lot of them said for the last 20 years, which is how horrible NAFTA is, and how we need to get out of it. And you don't find people saying that anymore because I think the public and therefore the constituents, voters, have by and large come to terms with it, accepted it, and recognize the benefits that you just described. It really does set up a framework.

Scott Miller: Absolutely. Well, in the group that I was with, mostly sort of Midwesterners who border Canada, they never saw Canadians as the enemy. Canadians are the partners. And so, that's part of what helped the collaboration. But I think you're right, that this is really a set of rules for how we work together, and they're anxious to get on with it.

Jack Caporal: Yeah. It's an entirely different perspective than a lot of the debate that's happening here over USMCA, and certainly it's a lot different than the rhetoric that the administration was using when they were negotiating USMCA, right? Where we were badgering Canada about all of these trade irritants. We had the steel and aluminum tariffs. The whole negotiation was set up as a, what can we do to make sure America wins and we get the better deal?

Scott Miller: It was the worst trade agreement since the earth cooled.

Jack Caporal: Right.

Scott Miller: And something had to be done.

Jack Caporal: Right. And it's interesting because that perspective of, how do we make an agreement that works for everybody, versus how do we make an agreement that works for me and works less well for you, essentially. That attitude was carried forward, I think, by Canadian officials throughout the negotiations, but kind of outside of Washington. Right? I remember speaking to some folks at the embassy a few years ago when they were negotiating USMCA, and they said they had a huge campaign outside of Washington at the state level, to drum up support, kind of like an outside in strategy. Right? And it's a little bit reflective of now what the administration is doing to try and sell the deal. Right? You have the vice president traveling across the country, giving some speeches for USMCA. He's in Iowa today, and they're really trying to build up support. So, are they on to something there? Do you think that's going to be an effective strategy now that they're employing it?

Bill Reinsch: Well, I think it's still on track and I'm still optimistic. As you get closer to the end, you get more worried because things kind of loom, and one of the rules of the Hill is when there's a train leaving the station, more and more people try to throw their luggage onboard. And so, you find new issues coming up late in the day, and new demands as people try to squeeze more and more into what they think is going to be a successful vehicle. I mean, the good news as I said, is that you don't have that baked in hardcore opposition that you usually have from Democrats on trade agreements. You still have most of them wanting to try to get to yes. There will always be a contingent that will never find an agreement they can vote for. We are going through a period where there's a growing amount of finger-pointing from each side at the other, and a lot of it at this point, is process finger-pointing, which is, who is slow rolling the thing?

Scott Miller: Sure.

Bill Reinsch: The Democrats seem to believe the administration is not responding to their concerns, is not coming up with anything. The administration seems to believe that the House Democrats have not been specific enough to tell them what it is that they're supposed to do. And so, there's this tension there that encourages people to come up with more.

Jack Caporal: Sure.

Bill Reinsch: I don't have any reports on the delegation that went to Mexico over the weekend, so I don't have a sense of where that has come back from.

Scott Miller: Well we've mentioned there is a working group, and it sounds like they're working, which is unusual for congressional working groups.

Bill Reinsch: Yeah, they're working, but it's going to be interesting to see what happens after this week because the House begins its recess at the end of this week,

which means the members will scatter, which means it'll be at the staff level for a month.

Scott Miller: Right. So, basically, we've ran out of legislative days to do anything before August. People come back after Labor Day, so it's a fairly long break. There is no election that forces an early adjournment, so they're here for a while. But what happens when they come back?

Bill Reinsch: Yeah. There's plenty of time. I think one question will be, whether the staff can actually put things together during August to get to a point where they can actually have a negotiation. What's been going on now, is that the Democrats come in and say, "We have this problem, we have this problem, we have this problem." And Ambassador Lighthizer says, "I have fixes for this. I have fixes for this. I have fixes for this." But nobody has put enough on the table, to sort of test the hypotheses. The Democrats have not, as near as I can tell, put their problems into demands.

Scott Miller: Right.

Bill Reinsch: This is what we need to see in the bill, and Lighthizer has not come forward with his fixes.

Scott Miller: Sure.

Bill Reinsch: And so, people are beginning to get a little bit nervous about how long this is taking. And it then leads to, I think the Democrats saying, "Well, we can't entirely address this in the bill because the flaws are in the agreement." Which is a little worrisome because I don't think that's necessarily so. I mean, my advice to the Democrats has been, don't start with where the problem is. Start with what the problem is, and then figure out how to deal with it-

Scott Miller: Identify it as specifically as you can, and then identify might be the solution, and work that way.

Bill Reinsch: Yeah, and I'm worried. I mean, I still see a happy ending for all the reasons I said before, so I won't repeat that rant. But I do get a little bit worried that we're going to see some escalation here on the part of the Democrats that is demanding more and more. I'm also worried that on the Republican side we're going to see some reluctance to come forward with actual remedies. And as you know, one of the problems the Republican side has had, and it's the reverse of the same problem that Obama had to deal with, which is this deep-seated view that the other party is never going to give them anything. And there are a number of people in the White House who just think the House Democrats will never give Trump a victory, so what we ought to do is try to force it through. I mean, the flaw in that is that they can't procedurally.

Scott Miller: Yeah. We've seen that movie before.

Bill Reinsch: Yes.

Scott Miller: It ran to cheers in 2008.

Bill Reinsch: Yes.

Scott Miller: And it didn't work out for the administration.

Bill Reinsch: The speaker has more cards on that particular play.

Scott Miller: Yes.

Bill Reinsch: But there's people that want to do that anyway. And, of course, then that kind of poisons the well. If you believe that they'll never do anything you want, you don't really have an incentive to compromise or to step forward.

Scott Miller: Right.

Bill Reinsch: And if the Democrats begin to believe, "Well, they're never going to accommodate our concerns." We're getting to a point where there's going to be a crunch here, and I think... I still have a lot of confidence in Lighthizer and the House leadership wanting to fix this.

Scott Miller: Yes, it looks like Chairman Neal is in the right place in terms of his seriousness. Also, Ambassador Lighthizer has been a totally honest broker from everything I've heard said about this conversation. So-

Bill Reinsch: Yes. I think that's right. There's just people, other people on both sides, pulling them apart rather than together.

Jack Caporal: It seems fairly clear what cards each side could be holding, right? The Democrats have four concerns, environmental provisions, labor provisions, drug IP, and drug prices and enforcement. It seems like the issue is no one, neither the Democrats nor Lighthizer and the White House, essentially, have come forward with a concrete solution that would satisfy the other side, right? And we are getting to crunch time, as Bill said. There are no legislative days in August, and then you get back and you have essentially two and a half months until you're into 2020, and then the election cycle spins into gear.

Bill Reinsch: Yeah, but the endgame is short. Once it comes up formally, it doesn't take very long to pass it, so the critical phase is now.

Scott Miller: Right. And it looks to me like... I have not yet talked to a Democratic member or Democratic staff that thinks this is a good issue for 2020. Most of the ones who have actually been through this before would like to get it over with. They've made peace with trade with Canada and Mexico. The agreement is what it is. If they can improve it, that's great. But dragging this out and using it as a campaign issue doesn't seem to serve anybody's interests.

Bill Reinsch: There are Democrats who are nervous for the same reason I've been nervous, which is that the president can always decide that he'd rather have a campaign issue than a victory.

Scott Miller: Yes.

Bill Reinsch: I think it's in his political interest to have victory because he doesn't have very many so far on trade. But I don't get to make that calculation. He does. If he thinks that there is political gain in having this thing fall apart and then blaming the Democrats for it falling apart, I can see him going down that road. It's not the right road for the country. I also think it's not the right road for him politically. But we'll see.

Scott Miller: Yeah, he seems to be working for a win right at the moment.

Bill Reinsch: So far.

Scott Miller: So we'll watch this space.

Jack Caporal: One space where he also is working towards a win, maybe, although he's maybe, probably less likely to get one, is on China. There's likely to be another round of negotiations in China next week. The U.S. will send Lighthizer and Treasury Secretary Mnuchin. It'll be the first round of negotiations at that level since the talks broke down. Then there's a more fundamental story, which is some of the economic data now coming out of Asia, specifically out of Singapore, which shows huge slowdown in their GDP, huge contraction in exports from Singapore, which usually signals that the region as a whole is slowing, large drop in chemical exports to China, which bodes poorly for China's manufacturing numbers. There's the day-to-day what's happening with the trade war at the negotiating level, and there's the fundamental issue of the Asia slowdown. Do you think that that creates any urgency? Do you think that the dynamics at all in the negotiations have changed?

Bill Reinsch: I don't think the president cares about the Asia slowdown. I'm not sure it's as clear as you're making it out. We had a conference here last week, last Wednesday, with people from the Asia Trade Center, which is in Singapore. They commented on this, and you're right. I mean, the numbers you've got are correct. The question they raised, which they said it's really too soon to say is, is this a one quarter or two quarter thing that will come back, or is it a downward trend that will end up being significant? At this point I think they just don't know. There's a lot of disruption, and they reflected that. But a lot of it is manifest in uncertainty and people waiting, and we've talked about this before. People are motivated to, if not get out China, get their supply chains out of China. It's not just the tariffs and the Americans, it's the Chinese slowdown that you alluded to. It's crackdowns going on inside of China that make people nervous. It's rising Chinese wage rates that make it a less profitable place to work than it used to be. So there's a lot of things combining, but then they think about where to go. This produced one of the,

I thought, more amusing exchanges in our group. They think about, well, where will they go? I says, "Well, you know, Mexico." Of course, then the president threatened Mexican tariffs. Then Vietnam, and then suddenly they were the second worst country in the world per a Trump tweet. Then they were thinking, "Well, maybe India." And now we're attacking India. That led me to the conclusion that maybe the only safe place for them to go is North Korea, because that seems to be the one country that is in good favor with the president.

- Scott Miller: Good luck finding the ability to produce anything at scale in North Korea. I just wanted to point that out.
- Bill Reinsch: I don't think that drives the American train in this negotiation.
- Scott Miller: Right.
- Bill Reinsch: They're out for themselves, and I also think they've painted themselves into a corner and are trying to get out. On the day-to-day stuff, I'm just intrigued. I saw today they're not going to Beijing, they're going to Shanghai, and I'm kind of curious why.
- Jack Caporal: Does that mean anything to you?
- Bill Reinsch: I don't know. It was at the request of the Chinese.
- Scott Miller: I don't know what to make of that.
- Bill Reinsch: I don't know what to make of either.
- Jack Caporal: Maybe a change in the scenery.
- Bill Reinsch: It means they can't take a nonstop flight from Washington. I can tell you that.
- Scott Miller: Yeah, maybe that's all there is. Who knows? But look, yeah, Asia looks to be slowing down from all the macro numbers. The United States, the Main Street Economy, continues to roar on. Look, we're going to have to watch and see. Trends have not yet developed in any of this. It'll take a trend to put pressure on the talks.
- Jack Caporal: And then just, you know, one more comment on the nitty gritty and then there's another China story that we should cover, which is the Trump-Xi meeting, it seems as though has only produced more confusion than clarity on at least two of the major issues, right, the status of Chinese purchase of U.S. agricultural products, and then what's going on with how the U.S. is treating Huawei. The administration had U.S. tech CEOs in yesterday for a meeting on Huawei that apparently the president stopped by and it's... They are obviously unhappy with that situation because they want to export their products to Huawei or allow their products to be used in Huawei equipment.

But it's just not entirely clear to me if anything has changed over the past six months that would allow the negotiations to progress in any way.

Scott Miller: Well look, I think both parties see it in their interest to let some time elapse. Certainly the Chinese want to just wait us out. I guess they are playing the long game.

Bill Reinsch: They'll negotiate for 10 years if they can get away with it.

Scott Miller: It doesn't really matter. They don't want to change, so they'll keep talking. At this point, I think the president and his team would be reluctant to take any action which would have a big downside for the domestic economy. I think that's why they backed away from the List 4 tariffs that at the Osaka meetings. I think overall, the president would like to not stir things up and not disrupt the economy anymore, because it looks to me like he wants to be reelected. I think, thinking about that, it's unsurprising that nobody's willing to escalate or pressure the situation between the U.S. and China. Neither party sees that in their interest.

Bill Reinsch: And you know looking back on it, I realized it's not that unusual to have this happen when leaders meet. I remember when I was on the Hill and working for Senator Heinz, and we had a dispute with something, I don't know what it was. But it resulted in the senator and the Secretary of the Treasury, who was Don Regan at the time, having a one-on-one meeting. The two of them disappeared into his office, and they met for about 45 minutes, and they came out and announced that they had agreed.

Scott Miller: Big smiles all around.

Bill Reinsch: Big smiles all around. They had agreed, and then Regan left and went back to the Treasury Department, and both parties subsequently produced a press release on what they had agreed to that were 180 degrees apart, and there was no one else in the room.

Scott Miller: So nobody could check.

Bill Reinsch: When leaders get together, you can't always assume that clarity is going to ensue. They say things that are designed to accommodate the other without necessarily giving anything away, and there's a great opportunity for misunderstanding.

Jack Caporal: This is also what happened when the president met Jean-Claude Juncker from the European Union about a year ago, right? Despite issuing a joint statement that said that agriculture would be off the table when they entered into trade negotiations and that there would be no U.S. car tariffs, here we are a year later, and there's still a disagreement about whether or not agriculture should be included, right?

Bill Reinsch: I love this.

Jack Caporal: Yesterday...

Bill Reinsch: Sabine Weyand.

Jack Caporal: Who is the...

Bill Reinsch: The New Director General for Trade at the European Commission.

Jack Caporal: And, Bill, you had the pleasure of having an armchair conversation with her on this topic and others. Where did she say we were when it comes to the negotiations, one year in?

Bill Reinsch: First of all, she was charming and not materially different from her predecessors as far as reviews were concerned, which is exactly what you would expect, but a wonderful person to talk to. But she did on this... On the point you raised, she was exactly predictable. She reminded everybody that the Juncker-Trump declaration did not include agriculture. She also said something that I hadn't heard before, which was it was not because it wasn't discussed. She said it was extensively discussed, and the decision was made to leave it off the document. I think... She didn't put it this way, but it's pretty clear. I think their view is they won on that point and they're not going to let go of it. Here we are a year later saying it is not there and we're not going to negotiate with it. She mentioned the same thing that her boss, Cecilia Malmström, has mentioned on several occasions, which is there's other stuff that's not in there either. Getting rid of the Jones Act is not in there. Government procurement is not in there. A whole bunch of things the EU wants that we don't want to give are not in there. Malmström's point was you want agriculture in, you've got to put this other stuff back in too, which is not likely to happen. So there is not yet a lot of give on the EU side on agriculture. I think what happened in the United States was the administration has subsequently realized that they probably made a mistake on this. Although I have to say in talking to them, they're, I think, as much motivated by politics as they are by substance. I mean, everybody loves the farmers, but the reality is the 114 members of Congress that are sending a letter saying we won't approve any agreement that doesn't have agriculture in it. That has a lot more to do with our current insistence, I think, than actually trying to address the problem.

Scott Miller: Well, but all that just tends to lead to stalemate.

Bill Reinsch: Yes.

Scott Miller: Because here we have the administration really unwilling to engage the Congress on negotiating objectives. We've got this muddle for what was agreed versus what Congress expects. Then when it comes to Europe, I don't think any of the European officials... Elected officials don't want to go talk to their voters about this, because there didn't seem to be a lot of appetite for a U.S.-EU trade agreement. It seems to push all the wrong buttons. I don't know how to get off dead center here. Did she have any views on that?

Bill Reinsch: She had a plea, but it wasn't a helpful one. The plea was that we should be bigger than this. I mean, the plea she gave to the public was the same plea that I gave to her privately, because we had a small breakfast beforehand, which was, there's a greater challenge out there. She alluded this to specifically in the Boeing-Airbus case, which came up, said there are other competitors in the world besides the two of us. She was not talking about Embraer and the Brazilians and Canadians. She was talking about the Chinese, and that we ought to be getting together to solve this problem so that we can tackle the bigger problem with a united front. That's exactly the right message for the big picture.

Scott Miller: Yes. But it's the wrong message for our leader who-

Bill Reinsch: Well...

Scott Miller: Because what that sounds like is the kind of song and dance that every American president since 1947 has heard. It really means, "United States, just suck it up this time. Take one for the team. We'll be there with you." As Trump basically campaigned on the fact that our European allies rip us off routinely, as he would say. Whether it's NATO dues or reciprocity and trade. He's the guy who intends to fix that.

Bill Reinsch: And what was clear, I think, in the discussion was... And this is not a case where it's clear they'll be with us at the end of the day, in the sense that they are still... I mean, the uncharitable way to put it as they are still several years behind us in recognizing the nature of the China problem. I don't think they'd agree with that, but I think they would say that they approach it a different way. For them, it's an economic problem. It's not a security problem. I mean, if you think about it in the most elemental way, the missiles are pointed at LA and San Francisco, they're not pointed at Paris and Berlin. They don't see the threat in the same way that a lot of Americans see it as a security issue. It's an economic challenge for them and they are beginning to see that the same way. But they believe, deep in their souls, it sounds like, that the way to fix it is to stay firmly within the WTO box and use WTO rules and WTO procedures to tackle these problems. Of course, the issue that keeps coming up, that they don't have a good answer to, is you've got Ambassador Lighthizer here saying, "The Chinese don't fit in the box."

Scott Miller: Right.

Bill Reinsch: They're too big and they're unique. The rules are not equipped to deal with them. We need to do something else. It was clear in what Dr. Weyand said yesterday, that, "Europe has not arrived at that point yet."

Jack Caporal: Right. It seems like the Europeans just want to make the WTO box bigger, essentially. They want to make new rules to fit China into the box. And from the U.S. perspective, I mean, what's the point of making the box bigger if they're not going to respect the walls of the box to begin with? Right.

Scott Miller: Yeah, this is the U.S., particularly this administration has a very different interpretation of the last 20 years of results and Geneva. all right? They basically... That expanding the box... This current box doesn't solve problems. Okay? You want to apply a set of rules that basically, at least in the mind of our officials, haven't worked, so it doesn't sound like we're even at the right starting point yet.

Jack Caporal: Right. That doesn't help the Europeans either, because they don't know how invested we are in crafting new rules and whether they can count on us

Bill Reinsch: Well Japan, and the trilateral thing-

Jack Caporal: Yes I...

Bill Reinsch: Go ahead.

Jack Caporal: That's what I'm talking about in that context. The one positive piece of news she brought was when it comes to the bilateral negotiations, there has been progress apparently made on regulatory cooperation and harmonizing standards. Maybe Scott, you can fill us in, because you probably used to deal with this a lot. I mean, what does that mean? What is the importance of that?

Scott Miller: Well, start with the point that there are sophisticated regulatory bodies who determine product safety and have efficacy in a number of countries. So take all the industrial democracies, or, in this case, the United States, Japan, and Europe. All have competent authorities when it comes to qualifying products for the marketplace and determining their safety and efficacy.

Bill Reinsch: We have the Food and Drug Administration. We have the National Highway Safety Transportation Agency-

Scott Miller: Right, and now-

Bill Reinsch: ... Highway Traffic Safety.

Scott Miller: Yes. So at this point, each regulatory organization has been created by its home country for domestic regulation. But because we're different people, and we sometimes have different problems, the regulators often come to different conclusions and often use different methods. This is the important part, use different methods to assess whether or not the product is safe and effective, whatever it might be. Sometimes the differences are quite legitimate. When you operate high beams in the western United States, you want to look a great distance out into the darkness if you're driving across Wyoming. If you're driving the Italian Alps, your high beams don't really need to quite cover quite as much distance. So you can understand why standards often vary. At the same time, there is a lot of economic efficiency and acceleration of innovation, which is available to the extent that regulators cooperate. And look, there's many, many products sold in the United States, Europe, and Japan, which have a great record of not harming

anyone at any time. So each of the regulatory bodies comes up with good decisions. The fact that they do it differently or through different processes complicates matters for manufacturers and marketers. And to the extent you could simplify that task, where we accept each other's data, when you have a new drug, or something like that, that you use the same dossier, the same set of data that was used in one market to qualify it for another. Obviously, in the case of prescription drugs, that would get medicines to patients faster. So there's lots of benefits that spill out of this. But the real thing is we currently have competent regulators who have no incentives to work together. They've developed domestic only regulatory systems and it can get complicated. So launching a new cosmetic product, or shampoo product, in Asia, you have satellite TV, which covers all the households. You have regional customers who sell the product, get it in their stores and move it ahead. You have regional production systems so you can get product ready to launch everywhere if you need it. And you have 18 to 20 different regulatory bodies, all of which have different timetables, different levels of data required for the approval, different labeling requirements, things like that. If you could simplify that last step, a lot of manufacturers could go faster on a lot of products.

Bill Reinsch: It's weeding.

Scott Miller: Yeah.

Bill Reinsch: One of the things that we've talked about before here is that if you're President Trump, if you make an agreement, he wants to go back to Detroit, or Cleveland, or Des Moines, and say, "I got you more ag sales. I got you a deal on the steel. I took care of the car problem." He doesn't want to go back to Detroit and say, "Boy, do we have good rules on conformity assessments."

Scott Miller: That's not an applause line for any politician that I'm aware of.

Bill Reinsch: A point that Dr. Weyand made, which I had not realized was, she thinks they've made a good bit of progress on conformity assessments, and pharmaceuticals, and a number of other sectors. The irony of it is it really is not about changing the trade balance, it's about saving money. Because what they're doing is reaching agreement to basically recognize each other's procedures.

Scott Miller: Right.

Bill Reinsch: So you don't have to have testing here and in the EU, you can have one set of tests that both sides will recognize. You don't have to have different application forms for approval. You can have one form that both sides can use. You have independent regulators making the judgment still.

Scott Miller: Yes.

Bill Reinsch: That doesn't necessarily lead to more transatlantic trade. what it does lead to is significant efficiencies in production. And so companies on both sides can save a lot of money and become more competitive.

Scott Miller: And accelerated innovation in the marketplace and bring consumers the benefits they're looking for.

Jack Caporal: So I'll leave with this question. What are the chances, do you think, that a U.S.-EU deal gets done in Trump's first term?

Scott Miller: Approaching zero.

Jack Caporal: Really?

Scott Miller: Well, look, I actually think it's highly likely that there'll be something done with Japan. So I'm an optimist when it comes to U.S.-Japan trade.

Bill Reinsch: I agree.

Scott Miller: I'm still a pessimist with U.S.-EU trade, because we have the same bed, different dreams. Okay? We want different things. We are looking at the trading relationship very differently and we haven't yet found the area of common ground that everybody embraces.

Bill Reinsch: Well and plus, you know, there are timing issues now. There's a new parliament in Europe and there's going to be a new commission as of November 1st. And they just selected the new President, Ursula von der Leyen, the now former German Defense Minister, and she's going to be spending the next three months picking out commissioners, including the new trade commissioner. There's a lot of comp... This is an enormously complicated process, because every country gets one. So there'll be 27, assuming that the EU actually leaves. So there'll be 27 commissioners and dividing up the portfolios and making sure everybody is happy is an enormously complicated problem. The countries get to nominate somebody, so it's not entirely her pick, although she can, apparently can, if she's adroit get rid of some of them. Juncker, I think, was able to get four or five of them to be withdrawn, when he first came in, but they're going to be preoccupied and this is not a time to close a deal. It's a time when everybody's looking out for themselves and their job. The commission comes in and Dr. Weyand made the point that they don't need to have a new mandate. They don't need to start over, but it's going to take months before they're going to be ready, I think, to seriously negotiate. So I would look at, you know, winter or spring before anything serious happens and that's awfully close to our election.

Jack Caporal: Indeed. Put the EU on hold and then cross our fingers for Japan, which is another topic.

Scott Miller: Well, I mean, let's be honest, the-

Bill Reinsch: He's right about Japan.

Scott Miller: Yeah, I think Japan is more than crossing fingers. I think that can actually be delivered. But the EU, we started to go shake hands with them in 2010, okay? We've gotten nowhere in a decade. Draw that graph, okay, and it's hard to project a sudden acceleration, sudden hockey stick toward satisfactory results.

Bill Reinsch: And one of the issues there is the unpopularity of the United States, and the unpopularity of a trade agreement with the United States. Between the people that don't like the president, our president, and don't want to have an agreement. And the people that believe that European standards and regulations are superior to ours, and that therefore a trade agreement would be a giant regulatory downgrade for Europe that would lower their quality of life rather than approve it. That doesn't lead to a constituency trying to make this happen.

Scott Miller: Exactly. The TTIP has been the one thing that unified the anti-U.S. crowd, the anti-Brussels crowd, and the anti-globalization crowd, so they all agree TTIP's bad. Okay, so good luck with that. It's tough politics.

Jack Caporal: It's the one point in the middle of that Venn diagram.

Scott Miller: That's the way of it, it's TTIP.

Bill Reinsch: At the same time, you've got the commission, Dr. Weyand, and also Commissioner Malmström, and I assume her successor, and people on the American side. Actually, probably not Ambassador Lighthizer, but other people saying, "You know, that's all too bad, because the right answer is to work together to deal with China, because we cannot..." And she was very clear about this. "We cannot deal with China by ourselves. Neither side, you know, if we're going to confront the competitive challenge they pose, we have to team up." That's a happy note to end on, isn't it?

Scott Miller: Well, such is life, in-

Bill Reinsch: All gloom, but next week, we'll be back with good news, supposedly.

Scott Miller: That's the world of trade for you.

Andrew 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. 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.