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TRANSCRIPT
Schieffer Series

“Confronting the Challenges of Trade in a New Century”

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INTRODUCTION
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John J. Hamre: (In progress) – for 15 years he’s been doing this. It’s just wonderful. Of course, we do this jointly with TCU. And Bob is the loyalist alum for TCU. He’s got his purple socks, see? Yeah, he’s got purple socks. We don’t have color socks at CSIS, otherwise he would wear those. But he’s a champion for TCU and a wonderful friend.

I want to say a special thank you to the three panelists tonight. All of them are active at this new commission that we’ve launched on trade policy. And we’re going to explore some of that with you tonight. And I would like to say a special thanks to the Stavros Niarchos Foundation. They make it possible for us to have this thing, for all of you, because this is a set of issues that needs to be brought in wider circulation to the American people. And today we’re going to have a wonderful opportunity. Bob, let me turn it to you, and thank you. Glad to have you here.

Bob Schieffer: Thank you, Dr. Hamre. This is a big day, because this is the day that CSIS has convened this commission on trade policy. They’re hoping to work out some sort of positive trade agenda, maybe have that done by the fall. And we’re fortunate to have the three chairs of that commission with us today. You’ll find their detailed resumes. I think you probably know most of them. If you’ve come today, you will certainly know who they are.

Ambassador Charlene Barshefsky. She was the U.S. trade rep during the Clinton administration. Former Senator Bill Brock right there. He is a Republican of Tennessee. He served in President Reagan’s Cabinet as both trade representative and labor secretary. And down at the end, Fred Smith, the founder and CEO of FedEx. So how could you get three more qualified people than that to talk about trade?

And I don’t want miss the lede here, so the commission met today for the first time. Senator Brock, when are you going to have some news for us on what happened?

William E. Brock: Weren’t you there? You missed the story.

I think our present agenda calls for us to meet in January, again in March. We’ve got teams here at CSIS working throughout the next several months. And my hope is, and I think we would agree that we’re going to get mid to late spring for – I really want this group – it’s really a good commission. I’d love to have the opinions expressed by Fred Smith on our behalf to have an impact on the conversation of the presidential election. We need to talk about trade in this country, and we don’t do enough of it. So that’s my hope.

Bob Schieffer: Yeah. Very good. The thing I want to stress today – and it just sort of occurred to me as I was trying to prepare myself for this discussion – we’re going to talk about trade today, but what we’re really talking about is what is America’s place in the world, and what do we wish it to be? Under the firm guidance of the United States in the decades since World War II, new alliances and trade

agreements emerged which produced prosperity, the flourishing of global commerce, and the avoidance of nuclear war. But now some people are beginning to worry that maybe the price of leadership was too high, that we were being played for a sucker by others in the world, that maybe we should step back.

As a result, as Alex Pascal wrote in *The Atlantic*, instead of working to find new alliances, national policy has been to disengage, notably from the climate accord, the Iran nuclear deal, the Trans-Pacific Partnership, and we have defunded the U.N. and paralyzed the World Trade Organization, as well as questioning NATO's core commitment to mutual defense, not to mention the trade war in which we now find ourselves with China.

So let me just start by asking each of our panelists here today, is what we are seeing telling us that the United States is retreating from our traditional role, not just in trade but in other areas as well? Is this a different state in which we now find ourselves?

Charlene Barshefsky: I think it's a combination of both. So I think, with respect to the overall environment, you've had a number of issues that have been sitting there for a long time, pre-this administration, unaddressed. So the pace of globalization and global integration, which has been very, very fast; the reemergence of China, which has structurally changed the global economy, and of course China has become a more state-led economy than we thought it might be at one point – those two factors have intensified competition. And while competition became more intense, the U.S. had its global financial meltdown, which spread around the world. So as competitors got stronger, the United States got weaker. And then what you saw was an acceleration of the disruption of classic industries in the United States. Manufacturing jobs had been declining since 1950, largely because of productivity. But you see an acceleration during and then after the financial crisis because the recovery took so long.

So all of these kinds of pressures, and now of course nationalism, have really created an environment in the United States where simple slogans – we've been cheated, which is untrue by the way – and simple answers – let's put tariffs on everybody, which by the way is a tax on United States companies and United States consumers, paid by the United States – take the place of thoughtful policy analysis. As you said, Bob, we have to decide what is our position in the world. What do we aspire to be? What are the rules in which we want to operate as a country? What is the environment that can be created that's most conducive to American and global interests? We're tearing down a lot of things, walking away from any one of a number of things as you've pointed out – big things – with no substitute, with no strategy, with no articulated conception of where it is the United States should be and to whom are we answerable. And this is extremely dangerous for U.S. prosperity, for our security, and for the kind of country I think in which we all want to live.

Bob Schieffer: Senator Brock, just to add on to that, how would you describe our policy? What is American policy toward trade?

William E. Brock: I don't have the foggiest idea – (laughter) – and I don't think anybody else does in Washington. I don't think there's any strategy. I don't think there's any larger purpose. I think we've responded to the events that are causing governments around the world to take a look at who they are and what they're trying to achieve.

It's a radically different world – technology, China, we now have supply chains that Fred Smith probably does more for than anybody else. The companies that are producing in the United States probably are producing 40 percent of their – of their materials in the United States. They're coming out of Canada. They're coming out of China. They're coming out of Brazil. They're coming out of China. And if you think we're paying too much for American leadership, try doing without it. Four billion people have come out of poverty in the 70 or 80 decades (sic) since we started building the world organization with our leadership that says there is a purpose to doing business with other countries, and that purpose is to advantage everybody and give everybody opportunity.

One out of five Americans is on a job that is dependent upon international trade. Tell them we don't need to worry about trade policy. But we don't ever tell them. We haven't talked about trade as if it were something fundamentally important to every American, and I think maybe that's something that we can do here. I hope we affect the national elections next year because the people on this commission are really good, and they're really smart, and we've got a heck of a chairman.

Bob Schieffer: If we do step back, Fred, what are the consequences of that?

Frederick W. Smith: Well, I think the consequences could be quite dire because, since the Roosevelt administration – as we were talking about upstairs before we came out here – it has been U.S. policy to engage with the world in trade, and Roosevelt adopted that position because the Smoot-Hawley tariffs of 1930 had been an enormous contributor to the beggar-thy-neighbor economic meltdown that the world experienced during the 1930s, the Great Depression.

So when we came out of the war, we were more than 50 percent of the total world GDP, we were the arsenal of democracy, and we and the allies decided we needed a rules-based system. And on that basis we opened and liberalized markets. A lot of times I think we made geopolitical trade-offs, particularly as it applied to Germany and Japan, our former enemies. We wanted an unsinkable aircraft carrier in the Pacific, we wanted a bulwark against the Soviet Union. But in the main, as has been mentioned here, billions of people – because markets had been opened – have come out of poverty, most recently hundreds and hundreds of millions out of poverty in China.

But I think two things have happened here. The first and most important, probably, is the rise of China, and China is unprecedented – a country of that size that has prospered to the degree it has in such a short period of time, uses market-based principles but authoritarian government. And then secondarily, the rise of populist governments, particularly in the United States, which exploits, if you

will – I don't mean this in a negative fashion, but certainly to a great journalist like Bob, you'll understand what I'm saying – the benefits of trade are diffuse. We all save per family in the United States about \$12,000 a year because of the benefits of trade, but if you are the factory worker that loses their job because we've opened up markets, it doesn't feel like that \$12,000 benefit is particularly useful for you.

So that has become a central feature of both the U.S. administration and Europe. It's a key part of the Brexit debate. Immigration and trade are basically the two issues there. So we have something that we all know historically has been of enormous benefit to the world that has been led, if you will, by the United States, with the traditional allies that we had from World War II, that's now abandoned that premise. And so that's half of the problem.

And then you have a Chinese government that's big enough and has views of its role in the world which makes it not willing to accept the rules-based system that was put in place after the World War II. So it's those two fundamental things that are creating the angst that we have today.

Bob Schieffer: Let me ask you about that. Are we approaching China in the right way? Because we are talking about they are a state-based economy. If the Chinese leadership sees a problem out there, they get some money together, and they go to a company and say, solve this problem. We are a free-enterprise-based economy. Can our system operate and compete with that system? What would you say, Charlene?

Charlene Barshefsky: I'd say that you have two systems that are very different. I think Martin Wolf of the Financial Times coined a phrase, "One world, two systems." The question is how stable that, right? Duopolies can be stable but aren't always stable.

And so for the United States, you first have to ask yourself what make the United States the strongest possible country. It needs a strong domestic economy. It needs a strong security footprint. It needs strong alliances, strong projection of power through these various means, and a population that is willing in the same direction economically, as well as with respect to at least core values of free speech and so on. That's the first question, regardless of China. Put China to aside, right? First things first.

You add China in, and the question is, since you have this alternative system in operation, how do you change that? Which is what you're asking. How do you change that? And it seems to me that changing it in the way we're trying to, by bludgeoning China, since we're paying the tax we imposed on China, is a stop or I'll shoot myself policy, which makes no sense whatsoever. Instead, in my view, we should go back to the Trans-Pacific Partnership, which puts us in partnership with the growth region of the world – that is to say, Asia. We should fix it if it needs to be fixed, amend it, change it, whatever. But take that agreement, which puts us in the center for global prosperity, take it to Europe. Add Europe to it. Now you've got 60 percent of global GDP and a system that is strengthened,

regardless of China, but a system that China can join if, in fact, it'll play by those rules. And if not, they're out.

William E. Brock: You know, I –

Bob Schieffer: Go ahead, Senator Brock.

William E. Brock: We are really good in this country in examining our collective navel. We are the strongest, healthiest, best country in the history of mankind. There's never been anything like us. We are a unique people. We have a unique system. And what we have achieved is beyond calculation. If our grandparents had seen what we're doing now, they would have said: That can't be done. We're the most innovative, we're the most creative, we're the biggest manufacturers in the world now. Everybody thinks about China? Baloney. They're slipping down. We're eating everybody's lunch right now. Quit apologizing.

We're acting like it's going to be healthy to contain China. It's like putting a fence around them. I don't care about that. We let them into the World Trade Organization because we need a world of rules – a rule-based system that allows everybody to compete on a fair basis and have a place where you can settle disputes. We let China in and then made all these commitments, and they didn't do any of it. They broke their word. And we're sitting there, how? (Laughter.) What is wrong with us? Kick their can out if you don't want to be part of the system. Then let them see how much fun it is to operate without a rules system.

You can't do that without some allies. And you can't keep kicking your allies in the shins. You got to get them involved. If you get Europe, and the BRICs, and Japan, and South Korea and say: This is the WTO. If you play by the rules, you can be part of it. If you don't, you don't. And then let's see who wins. But quit apologizing for us. We're incredibly blessed as a people. We got good people. And they're not afraid of hard work here. They'll take them on. Open the door and let it happen.

Bob Schieffer: Fred, was it – I'll just ask you flatly – was it a mistake to pull out of the TPP?

Frederick W. Smith: Yes. I feel very strongly that as Ambassador Barshefsky just said a moment ago, that pulling out of TPP was a major error, I've expressed that to any and everyone that would listen to me at the highest levels of the American government and given speeches about it. And I think in the same vein, particularly with the relationship that we historically have with Europe – at the same time we walked away from TPP with walked away from, there's so many acronyms, TTIP, I think it was.

Charlene Barshefsky: TTIP.

William E. Brock: TTIP.

Frederick W. Smith: The European relationship. And as the Ambassador said, if you – if you take the 11 other countries of the Trans-Pacific Partnership and the EU or the EU and

Great Britain, now you have an economic mass the size and economy that matches up against China. And I think that the current administration's view has three things that are very different than anybody else.

First, deficits are losses, and you know, when you buy something, say an imported automobile, you still have it in the garage. But that politically is the mantra.

Second, that trade, at least with the United States, has to be bilateral in nature. And this very day they announced a new Japan agreement, which is the administration's substitute, if you will, for the – for the – for the TPP.

And those two premises are, you know, extraordinarily different than all of the things that these two worked on. And I think, at the – at the end of the day, when have such a fundamental disagreement on those two issues – and then there's a third, and that's the view that the United States consumer is a market to be protected. In fact, the president's advisor, Jared Kushner, when they signed the USMCA, the replacement for NAFTA, I watched him being interviewed and he said he thought one of the most important aspects of the – of the deal was the five-year renewal provision, because at the end of that five years it gave us the opportunity to in essence see if we would license Canada and Mexico. I'm paraphrasing his words, but the view was it's our consumer market that's the jewel. And of course, that's been true for the last 75 years, and it remains true that we're doing well versus everybody else. But if that's true, think what the world will look like when China's consumers – because then they will be able to license the rest of the world to deal with them.

And so that's really the question, is what's the world on a go-forward basis with China, who is mercantilist in nature and authoritarian, and – you know, China's a great country. They can do what they want. But what we need to do is to convince that – convince China that the system that made them rich remains the best system: a rules-based, multilateral system. I think that's the challenge. But that's not what many of the countries of the world, including this one at the current moment, believe, so.

Bob Schieffer: Well, Ambassador, what is the right approach to China right now? How do we get them to coexist with us? How do we prove to them it's good for everybody if you can work out some rules and so forth?

Charlene Barshefsky: I think China is on its own path in many respects. You know, for a country that operates in an opaque fashion, they publish a whole bunch of stuff. They have their five-year plans and their science plans and their tech plans. And we can go back to 2002 and start tracing the origins of a lot of what has come to fruition today with respect to technology, with respect to intellectual property, with respect to various elements of their economy that they are subsidizing heavily. None of this is actually surprising.

What has been surprising is the United States and Europe watching this train move down the track, sort of lumbering along, and doing not too much about it.

We substituted dialogues for results and promises for outcomes, specific outcomes, and this has left us really behind the eight ball.

So the – to my mind, the approach to China is always, of course, engage with China. This is a fifth of the world's population, and it is – it is the world's oldest civilization. And until roughly 600 years ago, which for them is a blink of an eye, was the world's most innovative country, and they will be again. This is a really smart population, and it's huge.

So you engage with China. You try and persuade them. You make the arguments. You try and come up with alternative arrangements. But at the same time you fortify the system in which you believe. And this country has always believed in a rules-based, market-based system, fair play, transparency. You strengthen that – WTO reform, other forms of agreements like TPP, working with our allies and so on – so that the counterweight to this more mercantilist China is very hefty, extremely hefty.

Protecting our own interests regardless of what China does, regardless – we can't control China. We couldn't bring democracy to Cuba, which is a pinprick on the map 90 miles off our – off our border. So we can't control what China does. But we can control what we do. And we can activate sort of those impulses, I think, in the American people to reinvigorate our own economy, our own innovation engine, our infrastructure engine, our education engine – none of which we've been doing, by the way – in terms of changes of policy, and really be able to meet this other challenge very effectively, I think. So you try and work with China, but you also fortify yourself and your alliances.

Bob Schieffer: Senator Brock, you're the politician here, and I say that with great respect because you were a good one.

William E. Brock: I deny. I don't want to be associated.

Bob Schieffer: I can – sometimes I get the same feeling about journalists.

William E. Brock: Well, you're at eight and I'm at nine.

Bob Schieffer: I want to ask you this, though. How is it – as we're sitting here talking about the Trans-Pacific Partnership, what caused us to pull out of it? I mean – and what caused Hillary Clinton, who had a part in putting it together, to come out against it in the presidential campaign eventually? How did we get to there?

William E. Brock: I haven't got time to give you the kind of an answer that I'd like to because it takes – I mean, there are so many factors. But what was happening in this country is happening in a lot of other countries, starting with England, but it's also true in Italy and a great number of the world's countries. The world has changed so dramatically that governments have pretty much lost touch with their fundamental responsibilities.

So when you talk to the American people, how many of them – how many of them are going to say, hey, I'm fed up with all of them – press, Republican, Democrat; I'm up to here because nobody's listening to me? Well, the fact is they're not. Governments are having a real trouble connecting with the people they're supposed to reflect because we simply have lost touch with what's happening to that individual that you were talking about.

And we talk about the larger times. We have got to back off and say there is something fundamentally important about a trading system that allows any business to have some predictability about its investments. If you as a businessperson don't know what's going to happen to the rules, you're not going to take the risk of making that investment. So the rules system, that we have not talked about with the American people, is at risk because we haven't enforced the rules that we set up, particularly with China.

But I guess the thing that worries me is that we're awfully good at finding somebody to blame and we're not real good at picking ourselves. We have not done an adequate job of educating our children. We have not done close to an adequate job of developing our skill base. We have done anything less – they've done nothing about our infrastructure. We've got a financial system that is totally out of control. You can't keep finance funding this country with these deficits without destroying our currency and its value and affecting every American. Start with the fundamentals, get back to that, and then you can talk about what was important with the TPP.

The reason we pulled out of TPP and the Brits have pulled out of – Brexit – because people don't trust what it is. You can say, well, every agreement we ever did is a bad agreement, was WTO or TPP. The fact is, we have not talked about the value that we have created with 75 years, Fred, of constructing a trading system that works. Let's talk about it. These kids today think that everything happened yesterday, and it didn't. We've been building this for a long time, and you walk away from it at our risk. And that's scary.

Bob Schieffer: Fred, what's going to happen on the tariff front? Are there going to be agreements worked out? Are there not? Will this just go on for years and there'll just be general uncertainty? Where do you think, where we are today, what's going to happen tomorrow?

Frederick W. Smith: Well, like most things, Bob, they're – in life – there are not a multitude of choices. I think there are only a few endgames here in terms of our relationship with China. And as I hope I've made clear, I don't agree with U.S. trade policy, I don't agree with China's either, because neither one of these policies follow the rules-based system that's made the world rich. They're putting this at risk.

So if you have followed President Xi Jinping's view of China's role in the world, China dream, indigenous innovation, China 2025, Belt and Road, their version of the World Bank, and so forth, he and the Communist Party which rules China, has a very different view of China's place in the world. And I do not think that

they are going to follow the rules-based system that was put together by the United States and the allies after the war.

So you've only got three options. One, Hank Paulson talked about it on this very stage when this commission was announced last summer. You'll go into a new Cold War. There'll be a Chinese sphere of influence. You'll have Huawei 5G in Angola and you have to choose one or the other. The second would be that China comes to a different point of view and decides to reengage in the rules-based system which, as I said, at least for the short term I think is unlikely.

But if we were to go back into TPP and with the Europeans, I think that prospect is possible because I don't think the Chinese are any better at running state-owned enterprises than the Russians were. I mean, there are only two kinds of economic systems – state-directed and market-driven? So theirs is moving increasingly towards state-driven, including putting Communist cadres in the management of Alibaba and things of that nature. So if we would just stick to our knitting and the principles that we have done, I think at the end of the day they might change their point of view.

And then the third, I think, is an agreement where you divide the relationship – the commercial relationship into three parts. Commodities, we sell you soybeans, LNG. Middle things are non-controversial products, clothing, TVs, whatever the case may be. And then up at the top are these dual use technologies and thing. And there we have a very formal relationship where the engagement between the two parties is very restricted and heavily managed by the approval process, and so forth.

So I think that that's probably in the near-term the more likely outcome. But even to get to that point it seems to me we need to reengage with our allies, just to face off against their consumer base of a billion, 400 million people. Because, again, and I didn't mean this in a derogatory way, if you really view our consumer as the crown jewel and we sort of license you to trade with us to get to that – if that is the case, and they're moving rapidly towards a consumer base rather than an industrial or manufacturing base, then when they become the only place that you can sell something, their power becomes immense.

And the final thing I would say is, the trade wars began in March of 2018, when the president tweeted, famously: Trade wars are good and easy to win. Now, I don't know the exact term there, but those were the exact words –

Bob Schieffer: He may have an exclusive on that. That's what we say in journalism.

Frederick W. Smith: He may. But in any case, so from that point forward began this series of events with the tariffs and the negotiations which are taking place in this city on Thursday and Friday of this week. But what I don't think was realized, that when you fire tariffs against China, if those are the bullets you're going to use in your trade war, it's the ricochets that hit Europe. And that is what has brought Europe to its knees with the worst numbers in Germany announced just this morning in 10 years. So this is a beggar-thy-neighbor policy, which is going to

cause a significant slowdown in the worldwide GDP growth rate. It began last year in the fall and it's continuing. And if you look at these PMI numbers, they are very concerning.

Bob Schieffer: All right. We want to go to your questions, but while you're thinking of them I'm going to ask a final question.

So what do we do about Huawei? And whoever decides to answer that will begin by telling us what Huawei is.

Charlene Barshefsky: He's looking at me.

Huawei is China's state-owned company. It's a national champion company built by the Chinese. It is a network equipment company, largely, but all facets of network architecture, communications networks and technology networks – all facets of the architecture from soup to nuts, from hardware to software, all the way through 5G and ultimately beyond 5G. It is –

Bob Schieffer: 5G being?

Charlene Barshefsky: 5G meaning the fifth generation of mobile telecom communications. It's a particular architecture of communications, largely revolving around speed but other things as well.

And so this is a ferocious competitor. It's a – it's a very good company, but it – because it is largely state-supported and state-directed, it doesn't actually need to make money or too much money. The point for Huawei is market share, not cash. And this creates an untenable situation for American equipment providers in competition against Huawei. American companies typically have to show financial rewards at the end of the day, but that's not the Huawei game.

So what you do is very complicated. The U.S. has taken the position Huawei is a security threat. This is not new, by the way. Many administrations in the past have had the same series of concerns about Huawei.

Bob Schieffer: And tell us a little bit about why that is so.

Charlene Barshefsky: Because Huawei installs your network equipment. And you can run checks on that as it's installed – you can determine it's clean, there are no backdoors, there's no way to intercept messages, there's no way to get involved and to pull apart your network. The problem is, of course, networks have to be serviced. And so it is so simple – not scientifically, but conceptually – easy to just do something in the course of servicing or updating a network remotely that changes things, changes the security profile of what was just installed. So that's really the biggest sort of series of concerns.

Bob Schieffer: And what you're saying here is that so you become involved in that, they can find a backdoor into your –

Charlene Barshefsky: They can create a backdoor into your networks, and of course those networks pervade the entirety of your commercial space, but you see, they also pervade your military sphere as well.

And so much of today's technology, including technology supplied by Huawei, is considered dual use. You can use it for commercial/civilian purposes, but you could also use it in the same or different configuration for military purposes. And a question, then, is, well, what do you do with a Huawei and with American companies that have this dual-use capability? And so this has to be managed carefully and balanced carefully, which is to say the commercial side of these businesses versus the security side, and oftentimes it's a very delicate balance. But I think you can't bludgeon these companies to death. They're not going to die that way.

Bob Schieffer: I'd just say as a civilian looking at this, I think this is the hardest problem right now –

Charlene Barshefsky: Yeah, I agree with that.

Bob Schieffer: – that U.S. policymakers face.

Charlene Barshefsky: I agree with that.

Bob Schieffer: And what to about it.

Frederick W. Smith: Can I make a comment on this, Bob?

Bob Schieffer: Yes.

Frederick W. Smith: Well, this is, obviously, of concern to us because some of you may know FedEx, talk about ricochet bullets, has been hit with a couple of ricochet bullets because of the United States policy against Huawei.

First thing you should know is there is no direct American competitor with Huawei and their routers. There are only European competitors, and there's only two of those.

Second thing is I personally believe that our policy against Huawei is not well-founded and that the people that had the best approach to Huawei's technology and position in the world were the British. So what the British did was to set up a joint unit with the British intelligence services and Huawei that they certified all of the equipment that Huawei wanted to sell in the – in the – in the U.K., which seems to me to be a perfectly reasonable suggestion.

And then more recently, the founder of Huawei has made an offer which hasn't gotten very much publicity in this country at all. He has offered to license the Huawei technology to Western companies. Well, take him up on it.

So I just think that this specter of Huawei being this, you know, commercial, state-sponsored NSA is not borne out by the reality of the type of technology that they are actually selling. So I think we should figure out a way to let Huawei sell routers to whoever they wanted to, including the people in Montana, and Texas, and Arizona where they've actually proved a big benefit to American consumers because they make low-cost communications for these less sophisticated infrastructure in those parts of the country.

So the intelligence folks – they always want to put controls on all kinds of things, but I think the policy that I just suggested would be much more conducive to a better relationship with China, and the security risk – quite frankly, if you did those things that I just mentioned: have a joint overview of their technology or, you know, take them up on it and license their technology, then you've got basically a view of everything they're doing. So that would be my suggestion.

Bob Schieffer: All right, questions.

William E. Brock: No, before you go –

Bob Schieffer: Oh, OK.

William E. Brock: – if Fred Smith were doing our negotiation, I would say, hallelujah, we're on – we're on track. He's not. And the people in this country that are in serious positions of leadership, whether it's in intelligence, or military, or our major companies, they're scared to death of this stuff. They are. They really do worry that the Huawei system can get embedded and have a backdoor that they can access technology that is crazy available to them. And, you know, we do the – we do the innovation work, and they can steal it at virtually no cost. That's the fear.

And we're not thinking about how to – how there is a better way to do business, and Fred, it may be the best way. But what we're doing now is absolutely nothing. We'll try to ban them in this particular area, do something else. We're not changing anything. We're not addressing a really fundamental problem.

Technology is being ripped off to the extent that we heard today in the commission – 500 billion – billion with a B – billion dollars a year by China. That's a lot of money.

Bob Schieffer: You're right. All right, let's start. Well, here's a man on the front row, right here. And we love questions.

Kami Burtah: My name is Kami Burtah. I'm with The Pakistani Spectator, and my question to Senator Brock. I used to work with Sandy Brock and Julie Brock, your daughter, during Bush II campaign, so it's nice to see you here.

So my question has to do about America's place in international arena, international trade versus human rights, and it mean that we are – what my question is about – we are totally ignoring what's happening in Kashmir because

we have a larger volume of trade with India compared to Pakistan. So is international trade that important that we can forget about our place as the champion of human rights in American, you know, political arena? Thank you very much.

William E. Brock: Of course, of course. Yeah, I said at the outset, American leadership, the crafting of a system – the IMF, the BIS, the World Bank, the U.N., the elimination of the GATT and moving to the WTO – has so energized the world global trading system. We've taken four billion – billion people out of poverty. Those are four billion customers of ours, for gosh sakes! They're not all in China. How long do you – is it going to take for us to talk about India? More people, more opportunity, a really good country that has the same ethical standards, political objectives that we do. So of course you may have to work that way.

Bob Schieffer: Let's have a – do we have a woman who would like to – here's a lady back here.

Sandra Scham: Hello, Sandra Scham, Catholic University.

And I wanted to ask about international development because China is now – has for some time been a donor country in international development, but they have a unique approach that is different from other international development actors in that the Belt and Road Initiative, for example, seems geared towards increasing Chinese markets, as well as increasing trade and other things. There's nothing necessarily wrong with that, but I was wondering what the panel – members of the panel thought of their involvement in international development and what effects it might have on trade in the future.

Bob Schieffer: Who'd like to talk about that?

Charlene Barshefsky: Well, I think, if I might just say, CSIS put out a terrific report not very long ago on the global buildout of infrastructure, which isn't just Belt and Road. There's a whole global buildout going on now, to the tune of tens of trillions – trillions, T – of dollars. And this report goes through many features of that global buildout, much of which the United States is, unfortunately, not participating in. And we do also go through Belt and Road. And one of the point – so I would commend this report to your attention.

Well, one of the points that's made is that the United States ought to be looking – particularly at Belt and Road countries, because they're largely on the Eurasian landmass – looking at those countries, determining which are important to the United States, either economically or strategically or for other reasons. Determine whether the U.S. and Western countries can offer an alternative to the buildout being suggested by China. And one might want an alternative because Western methods of finance are transparent. They're not opaque. And because Westerners tend to hire locals to do the work, rather than bringing in wholesale your own workforce to take the jobs away from locals.

But to take a look at what is strategically important, because the U.S. has limited funding, and decide what are the areas that we think is fabulous for China to

develop because countries need development and we should always support that, and what are the areas that we believe we don't want China to control globally. 5G networks might be one such area. Energy might be another such area. So you pick a few narrow areas where the U.S. has strong competitive and comparative advantages. You pick critical countries. Can't have everybody.

Pick just the critical countries. And work with them to come up with alternative ways in which to develop that are as efficacious or more efficacious for those countries over the long term. But certainly China's contribution generally to public goods, which global development is, should be welcomed. The world is in dire need of money and it's in dire need of development. And the global financial institutions don't have a fraction of the budgetary resources that really are needed to continue this bringing of people out of poverty and continue the raising of living standards globally.

Bob Schieffer: OK. We have time for one more question. Who – and I'm going to say this because this is the last question – who has a question on this side of the room that they believe simply has to be asked to give a full –

William E. Brock: You got three of them over here.

Bob Schieffer: You got three of them? All right, you guys arm wrestle or something. All right, now –

Saldor: Thank you.

Bob Schieffer: Tell us who you are.

Saldor: My name is Saldor (ph). I am from Uzbekistan. I'm a – (inaudible) – fellow. And we are running the e-commerce platform in Silk Road countries.

My question is, we talked about a lot trade, and now trade is transforming to the e-commerce and electronic trade. My question will be like this. The U.S. market size on the e-commerce is 600 billion (dollar) market and making more than 11 percent of the trade is already online. But if you take it China, it's almost 2 trillion (dollars) and making 17 percent of the trade making online – like the big players, Alibaba and here is Amazon. And China is now on the leadership. My question is, to the panelists, does the U.S. has a clear strategy to back the leadership on e-commerce? Thank you.

Bob Schieffer: Who would like to address that?

Frederick W. Smith: Well, we're right in the middle of the e-commerce revolution. I mean, we move about 15 million shipments a day every day, 220 countries. So we have a granular view of it. As it applies to China, first thing you got to remember about China is when they started moving towards a consumer economy, which they had never been, they didn't have the retailing infrastructure that we historically have in the United States. So with the growth of mobile telephony, which was really the accelerant for e-commerce – if you look at Amazon's growth it was like this

and then, boom, as soon as mobile telephony, because now you've got an order-entry device in your pocket. So China went very fast to mobile telephony.

Secondarily, they had armies of unemployed people coming in from the – from the rural parts of the – of the country, and so they adopted it to a much greater extent than we did in this country because we have high wages for the delivery aspect of the thing and we have the retailing infrastructure – 4,700 Walmart stores, 1,800 Target stores, I could go on and on.

So I think at the end of the day the e-commerce revolution is going to continue. But where is probably has the most impact for the subjects we're talking about, it allows small companies anyplace in the world to access the entire global market. We have a shipper in Jamaica who makes this hot sauce that'll just lift the hair off of your head. Well, guess who his biggest customers are? They're the Chinese. I mean, FedEx picks up in Jamaica and they move these things into Sichuan and Beijing and Tencent and one thing or another.

We have a custom watchmaker in Colombia, way up in the mountains of Colombia. They make these beautiful wooden customized watches and they sell them by the thousands.

OtterBox. You probably don't know who OtterBox is. They make the little rubber thing that your cellphone goes on. They're in Colorado Springs, California. They sell OtterBoxes in Russia and China and Dubai, one thing or another.

So I think the democratization of trade and the ability of small companies to participate in trade because of the internet is going to be where the real opportunity comes. And where it may even be bigger than China is Africa because Africa by the end of this century will have one out of three people on the planet living on that continent. So it should not surprise you that one of FedEx's biggest initiatives is to expand FedEx throughout Africa, because when you unleash that type of entrepreneurial ecosystem you've got the real possibility to lift a lot of people out of poverty that may have been not available to access the manufacturing, the heavier industry type of growth that China and the four tigers before that had. So I think that's where e-commerce is headed more than anything else.

Bob Schieffer: All right. Well, on behalf of TCU and CSIS, thank you very much for coming.

(END)