

Center for Strategic and International Studies

Online Event

“Schieffer Series: U.S. Trade and Economic Leadership in the Next Decade”

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FEATURING:

Frederick W. Smith,
CSIS Trustee

William E. Brock,
CSIS Counselor and Trustee

Charlene Barshefsky,
*Senior International Partner, WilmerHale;
Former U.S. Trade Representative, 1997-2001*

INTRODUCTION:

John J. Hamre
President and CEO, and Langone Chair in American Leadership, CSIS

CSIS EXPERTS:

Nina Easton,
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*Transcript By
Superior Transcriptions LLC
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John J. Hamre:

Morning, everybody. This is John Hamre at CSIS. And I welcome you to a very special session of the Schieffer Series. As you all know, we've partnered with Bob Schieffer for now 15 years. And of course, Bob is – the Schieffer School of Journalism is named after Bob down at Texas Christian University. And this series is made possible by generous support from the Stavros Niarchos Foundation.

We're using the Schieffer Series format today to introduce the work of a very important commission that CSIS has hosted. And I'm so I'm grateful for the leadership that we've had, with our three co-chairs. I'll say a minute just in a second. When we launched the Trade Commission – this was back in the summer of 2019 – we felt that we really needed to redefine and revitalize American leadership on trade issues, because trade is fundamental to America's prosperity. But in many ways, it's fallen out of favor. So we said we needed to have a comprehensive approach to this. And there are three broad pillars within American leadership.

One is to improve the competitiveness of the American workforce. The second is for us to be an innovative leader and stay on the innovative edge of commerce and business. And the third is, the United States needs to help modernize and improve the international trading system. These were the three elements that we felt represented a consensus package that would be supported by – broadly by the American public if brought together in a coherent way. And I'm very, very pleased that this commission has done such exceptional work. Great, great thanks to our co-chairs. To Fred Smith, Bill Brock, and to Charlene Barshefsky. They have been leaders throughout this effort. They've defined it. They've led the group in such an effective way. And we're going to hear from them today.

This is the first that we'll be discussing, the Trade Commission, but we'll have subsequent discussions we can share with all of you about the elements of the Trade Commission, because there's a lot of rich detail here.

I'm very grateful again for these co-chairs. And Nina Easton, thank you to you for leading this session of the Schieffer series. Let me turn it to you.

Nina Easton:

Well, thank you so much. I think – I'm delighted to be here at the U.S. Trade Economic Leadership in the Next Decade. That's the name of our panel. This is part of the Schieffer series, and I'm standing in for Bob. It's just an honor to be here.

And we're going to discuss today what you saw in the video, but also take it forward to talk about some of the – how we're going to address a lot of those problems. I would like to go to our panelists now. And that's, of course, Ambassador Charlene Barshefsky, Senator Bill Brock –

And so I first would – I think we're going to show a video, just kind of lay out the problem. And when we come back, we'll go straight to the panelists.

(Video Presentation Begins)

Grace Hearty: For close to five decades, the United States enjoyed unparalleled economic growth and prosperity due to its world-class workforce, innovation leadership, and openness to trade. Economic strength enabled the U.S. to lead the building of multilateral institutions, rules, and norms. This system contributed to world economic growth and peace.

U.S. global leadership faces pressures, both at home and abroad. The 2008 financial crisis, slow economic growth, declining productivity, and growing inequality have increased voter skepticism of this role. New global challenges have arisen, and new challengers have emerged.

The CSIS Commission on Affirming American Leadership has examined these issues since 2019. It's issued recommendations to strengthen U.S. competitiveness and update the international trading system.

Matthew P. Goodman: The commission first looked at what the global economy might look like in 2030. Services will ramp up in importance; expansion of the digital economy, particularly in the wake of the COVID-19 pandemic, changes in the way we work, regionalization of supply chains, demographic shifts, and the expansion of the global middle class, especially in the Indo-Pacific region. These trends present a number of tough questions for policymakers in the years ahead.

William Alan Reinsch: A competitive national domestic workforce is essential to economic growth. U.S. policymakers supporting global competitiveness must ensure American workers do not fall behind their foreign counterparts. By 2030, American workers will face an even larger skill deficit as the nature of work continues to change. Our current workers need to gain new skills to keep up, and we will need more new workers as the baby-boom generation retires. That will mean immigration reform.

The near-catastrophic employment losses from the pandemic have also increased the urgency of addressing the needs of the American workforce. Many of the lost jobs will not automatically come back. The commission's recommendations include reforms to the social safety net, lifelong learning policies, enhanced opportunities for upskilling and reskilling, combining traditional unemployment insurance and trade-adjustment assistance into a single more effective program, and policies to attract and retain the best global talent.

Goodman: The U.S. must maintain its edge in innovation, in development of new technologies, and in the creative use of data. To help us sharpen our innovative edge, the commission offers recommendations to policymakers in three main areas.

First, the U.S. has to invest in innovation both broadly, by increasing federal funding for R&D and improving STEM education, and in a more targeted way, leveraging the government's purchasing power to create markets for early-stage technologies. We also need to get back to leading and international standard-setting.

Second, we need to protect critical technologies using risk-based methods to ensure that our national security is not compromised. Wherever possible, we should work with allies to control sensitive technologies.

Third, we need to take a leadership role in creating a more cohesive framework of rules, standards, and norms for the digital space. Today there is a real risk of data balkanization as countries build their own preferred rules. The United States needs to develop a federal privacy regime while also working with likeminded countries to promote a shared approach to digital rules.

Scott Miller:

The consensus-based arrangements that regulate global commerce have reached a prolonged stalemate. The U.S. must work with likeminded partners to create a more ambitious, more responsive trade architecture. We recommend a new alliance to redevelop modern, neutral rules for global services, digital commerce, and other matters beyond the capacity of the WTO to address. This does not mean abandoning the WTO. We recommend that the U.S. lead reform of the WTO and in other agreements to better meet the demands of the 21st century trading system. Finally, we recommend steps to improve the effectiveness of our domestic trade laws, to provide faster relief for firms and workers injured by unfair trade practices. An ambitious international agenda, consistent with American economic interests, should earn sustained domestic support.

Hearty:

The commission worked diligently over the past year to look beyond partisan politics, to recommend reforms at home and abroad that will affirm U.S. leadership on the global stage. With a more competitive workforce, a comprehensive innovation strategy, and a trade agenda fit for the 21st century, the U.S. can sustain that leadership to the benefit of Americans and the global economy alike.

(Video Presentation Ends)

Easton:

Hello, and welcome to the next installment of the Schieffer Series. I'm standing in for Bob. I'm Nina Easton. And we're here today to talk about U.S. trade and economic leadership in the next decade. I'm here with CSIS' eminent co-chairs on trade – Ambassador Charlene Barshefsky, Senator William Brock, and Fred Smith, chairman and CEO of FedEx, of course. We are going to be spending the next close to an hour talking about a lot of the issues that you just saw in that video, but also talking and touching on and explaining some of the solutions that we should be focused on moving forward in the next decade. They've released a paper called Affirming American Leadership: A Call to Action, which outlines a lot of what we will be discussing today.

So, Charlene, let me go first to you. What stands out in your mind when you saw that video? What problem is most uppermost in your mind this morning?

Amb. Charlene Barshefsky:

Well, thank you very much, Nina, for being our emcee today. Thank you to my co-chairs, who are so fabulous. And thank you most especially to CSIS. So John Hamre, Matt Goodman, Scott Miller, Bill Reinsch, and Grace Hearty –

all of the people at CSIS who have put in so much time and effort into this commission event, and into the papers that you will see released over time.

What stands out to me more than any single thing is the failure of U.S. domestic policymaking. If we look at the situation the U.S. now finds itself, we've been through two and are still going through one major crises – a global financial crisis and now COVID – which call into question the U.S. capacity to govern, as well as to appropriately regulate. We see a disavowal of our allies. We see the rise of China. We see a number of trends that have persisted for many, many years. And we also see a failure of domestic policymaking, most especially, which respect to labor force development, upskilling all of the various programs that one needs to consider to ensure an agile, and effective, and competent workforce – particularly as the nature of work is changing, as Matt said in the video.

We need domestic policymaking to help revitalize and ensure our leadership in technology and in innovation. This is a fabulously innovative economy, but domestic policy support could add immeasurably to that innovative edge, most especially given the increase in competition on innovation and technology. And of course, it's domestic policymaking that propels the United States to help lead globally. And global leadership is critical for our country. We are small in population size relative to the rest of the world – 4 percent – and we depend on global markets to grow our own economy. It is vital. It is vital for the United States moving forward that we operate in an international environment conducive to our interests, conducive as well to global growth.

These are all functions of domestic policymaking and support by the Congress, support by the executive branch of both parties. And it is this kind of domestic policymaking that is lacking in the United States and has led to a situation where countries look at us and believe the U.S. is declining, a declining power, and they point to any one of the number of factors suggesting that this may be the case.

So the United States must get back on track and it must get back on track now. There is no alternative but effective domestic policymaking and U.S. global leadership if we are to revitalize and retain our global preeminence, which is so vital to our future.

Easton:

Thank you, Ambassador. And I should note that you are the former trade representative, and as such you speak from a great deal of deep, deep experience.

Let me turn to you, Fred. Your paper starts with this sentence: "The United States is the preeminent but no longer dominant global economic actor." As the CEO of a major global company, what do you make of that?

Frederick W. Smith:

Well, Nina, we see at FedEx the global economy up close every day. We serve 220 countries around the world. We have 50,000 employees in Europe. We had 900 employees in Wuhan, where the pandemic started. I just give you those statistics just as little insights into our business. We're moving now

about 17 million shipments a day in the United States, which is our biggest market, of course, and in these global markets.

But I think the important thing is not to talk about the here and now, but the broader principles that led to the condition that you just referenced and then evolved into this very admirable effort by the CSIS scholars in this paper. First of all, when the pandemic started, the United States was enjoying about a \$10,000 benefit per U.S. family from broadened trade, which the United States has championed really since the Roosevelt Administration and then particularly after World War II in the – in the GATT. And of course, what's changed is with the entry of China into the WTO in 2001, I think, the movement from China from a more liberal market-based system to more mercantilist and state-managed capitalism has upended the trading system that created all of this wealth – particularly for China, where hundreds of millions of people were taken out of poverty, which is a good thing, because of this leadership of the United States.

So the current system can't continue. The pain at the individual worker or enterprise level is just intolerable, which has been a big part of the political discussion here in the last presidential election and has led to the United States, the former champion of free trade, to become more protectionist and unilateral in its trade actions. So when you look at the situation we find ourselves in today, it's a bit like Occam's Razor. And I think, again, CSIS scholars working on this with the commissioners and Senator Brock and Ambassador Barshefsky, you kind of come to one conclusion, and that is to restore a more liberal trade regime, which is about 26 percent of the U.S. economy.

Now, imports are subtracted from GDP because of the mathematics, but to give you another statistic that really sort of wows people, according to a BRT report just issued yesterday, there are about 7.7 million Americans working in the U.S.-China trade. So it's not an insignificant relationship.

So a coalition or a compact, if you will, of the willing, which is what we're suggesting to restore the focus on open markets that's been a cornerstone of U.S. policy and, quite frankly, the U.S. leadership and this prosperity that I just referenced, we've got to get a countervailing force that reembraces these multilateral open markets which created so much – so much wealth. During the last presidential campaign I wrote an op-ed for The Wall Street Journal which I entitled "Trade Made America Great," and it was an effort to try to get the two political candidates to look at the macroeconomic issues here.

Now, China, with 1.4 billion people in it, we can't possibly, even with the USMCA, match up with their internal market unless we reengage on a multilateral basis with people who are likeminded about the benefits of global trade. And that's the centerpiece of the trade part of this report, the others being innovation and the highly correlated, you know, workforce issues that come along with this which Charlene particularly mentioned. So, I think this suggestion, it's bold but it's got to be done in order to reaffirm America's commitment to open markets and global trade.

Easton:

Thank you, Fred.

Bill Brock, you have had this extraordinary career as not just – we call you Senator Brock, but not just a senator. You've been U.S. trade representative. You've been chair of the Republican Party. And I happen to know from my own experience learning about your background and your career that you actually had a lot to do with the creation of the WTO. Where are we right now in history, in your mind?

Sen. William E. Brock:

(Laughs.) That's a – that's a fascinating way to begin. We are behind the curve. We've spent the last – postwar period – let's say 75, 80 years building a world trading system that the United States, if it had not been for us there would be no system. We have crafted something that worked, and it worked well for the – for those decades. But it was focused more on tariffs. It was focused on the smaller parts of the – of the world economy.

Now we are in a different world. It's radically different. We have a workforce that is unprepared for the kind of changes that are – that have hit already. More are going to come, from, you know, artificial intelligence, robotics, things like that.

But more importantly, this is just a radically different world. It's much more competitive. And we haven't thought about what that means for us as a country. We haven't thought about it in terms of the role we've played in the past, what we've got to do now to craft a new trading system that allows us to be competitive and allows our workers to be competitive in this – in this global economy.

The thing that I like so much about this particular report, it doesn't just look at a single rifle-shot approach as if there were one thing we could do. There isn't just one thing. We have to look at it comprehensively. So, we have to reshape the trading system. We have to reshape the rules. We've got a system that doesn't work today. And as Fred mentioned, pulling together an alliance of the likeminded we can create a leadership team that can make China, among others, abide by the rules, play the game as it should be economically played, so that our workers have the same chance to compete as anybody else.

We then, at the same time, have to reshape our workforce. We have to create new skill opportunities. We have to work on achieving a lifetime learning process because the world is going to change very fast over the next several decades. And frankly, our businesses need the support in terms of R&D, in terms of innovation, creativity. We've led the world for so many decades, we took it for granted. You can't do that anymore. We've got a world that is truly globally competitive. The competition's knowledge-based, not muscle-based. So we've got to be able to put people on the task who have the education and the skill to compete, and to do so without losing their – (inaudible) – which is what's happened, frankly, in the past several decades. We have not given our workers the support they need.

So when we reshape the trading system, we have to reshape the domestic rules also so that our workers have the same prospect. That's the fun of a report like this, you can look at every aspect of the problem, pull these

threads together, and create a wave that says: This country is still the best in the world, the freest in the world. We have the best opportunities in the world. But we can't take it for granted. And we have such a divided public and such divisions in the political process, if somebody – you know, we got to stop acting like six-year-olds. We got to start listening to each other and working with each other. That's what Charlene was talking about. It is really important that we admit we got a problem. And let's go to work and solve it.

Easton:

So, I want to drill down on that, both the compact of the willing and the – and the domestic reforms we need in a minute. But first, you know, there is the elephant in the room, which you've all touched on, which is China. You know, a lot of your work is focused on China. There's a lot of agreement on what the problems are, both economically or whether you're talking about security or human rights. Could each of you talk about what we should be doing to, quote, "solve" – (laughs) – the China problem. Ambassador Barshefsky, do you want to start?

Amb. Barshefsky:

Thanks. (Laughs.) There is no one thing – to pick up on Bill's last comment – there is no one solution to the China issue, but there are a number of things that have to be done. I'll mention only a few. Number one, by far-away the single most important factor is for the United States to get its house in order. If we are not globally competitive, if our workers don't have the right skills, if we continue to narrow our vision internationally as other countries are expanding theirs, we will not succeed, and it will not be because of China. It will be because of our own failings.

The United States must do what it – what is in its sole power to do, and that is rectify our own domestic economy, the inequities that we see in it that not only hold people back but slow our own growth as a country, as well as a number of other important policy changes that must be – that must be made. So, there is nothing more important than the U.S. getting its own house in order on the current course that we've been on now for a number of years. We will defeat ourselves long before China has an opportunity, if that's what China would want to do.

Number two, it is clear that China is on a vastly divergent course from market economics than it was even ten years ago. So its divergence from market economics, the re-inauguration of vast state control over the economy – as well as over the public – but over the economy have been accelerated dramatically by Xi Jinping, the current president of China. This is an enormous challenge, because you have systems now in the world that are quite different. You have market-based systems, largely of the Western economies and the larger industrial economies. And you have a state-led, state-controlled, heavily mercantilist system led by China.

There isn't any reason these systems can't ultimately get along, but we have to work at getting them to get along. One way to do that is through the kind of trade compact we've suggested in our paper, and that is if you took the advanced industrial economies, the market economies, in the world and you put them all together in a room, you might ask, number one, what do you stand for? And number two, how can we address the coming challenges

which revolve around the digital economy, revolve around cross-border investment, revolve around the issue of state intervention in economic life?

How do we address these challenges and to come up with agreement, with a plan of action, with some concordance that goes beyond current WTO rules, because right now the WTO is paralyzed, and then to assert those rules and that model as critical to global growth and as a model in which China can most assuredly participate if it wishes. But if it doesn't, then at a minimum the United States and the market-based economies will have strengthened themselves, will have created, in Fred's words, a very large internal market that is extremely desirable.

So, this is another element in response to the issue of China. The third element as well is this. I don't know why we have an interest in making China an enemy. I don't think China has an interest in making the United States an enemy. It is not remotely in either country's interest to actually do that. And so there must be a mechanism designed so that the United States and China continue to talk, not just about issues affecting our two economies but also about issues affecting the global commons. COVID is one example.

But if we don't do that, if we decide that East and West can never meet and should never meet, we will create a world that is far less stable than it is today, that is under constant pressure, turbulence, turmoil, and that reduces the opportunities available to people around the world, including in our own country, that slows economic growth, which isn't good for anybody, and that leaves the world rather poorer than it is today.

Easton:

Thank you.

You know, it's very interesting that Senator Mitt Romney, on this Schieffer series, which I highly recommend this episode to everybody, he called China the issue of our times. And he also – picking up on a thread that seems to be clear with all of you is this creating a coalition of the willing, a coalition of free-market economies, that it can't just be the United States standing out there and raising concerns, whether it's state control in China or what happens with United States IP and the IPO countries. Fred Smith, do you consider China the issue of our times?

Smith:

Well, it's – if it's not, it's right in the top of the list. There are probably other issues, like nuclear proliferation and, you know, the ability of the world to handle health challenges like we're in today, which is not just related to China.

But I agree with virtually everything the ambassador just said. It's not in the interest of the United States to make China an enemy. And I don't think it's in China's best interest to make the United States an enemy. I mentioned a moment ago that there are 7.7 million people involved in just China-U.S. trade.

So China is a great and sovereign power. We may disagree with it and we may think our system will prevail in the end in terms of producing more well-being for our citizens. And I think that's correct, based on history and

the perils of state-operated industries, the SOEs that China has adopted, again, as Ambassador Barshefsky said.

But the only way to put those two systems into competition are to have one that's based on market principles, which was the case until the 2008 recession, and about that same time China really changed direction from what they had done since Deng Xiaoping had essentially said it's great to get rich and moved to a market-based economy.

So, we in the West and in the United States have to respect the fact that China can make those decisions. We're not going to make them by force. It's inconceivable that there be a major military confrontation. I mean, the lethality of today's weapons would be horrific.

So as the ambassador said, we need to stay engaged in China. They are increasingly focused on their enormous domestic market. Their trade surplus as a country has gone down, down, down. It's very large with us because we are not as adept at some of the lower-value-added manufacturing. I mean, we as a policy let that go abroad because it's cheaper for us to buy it and our folks to do the Silicon Valley things or finance or whatever the case may be. That's the essence of trade is comparative advantage.

But now you have these two systems. And when you have one team that's playing on eight-foot basketball goals and another one on 12-foot basketball goals, it's impossible to have a fair game. So if China is providing subsidies to their industries and we have private companies – they may be publicly listed on the stock exchange, but non-government supported – that's just not possible to reconcile over a period of time; and as the CSIS report states, again, quite boldly, not as an antagonistic move towards China but simply recognizing that production at scale is essential to produce the types of incomes and wealth that the American population want. And again, referencing the BRT document that I mentioned, you know, 86 percent of the real GDP growth in 2019 was outside of the United States. Seventy-five percent of the purchasing power is outside of the United States – \$66 trillion.

So we cannot continue to improve our standard of living and improve the incomes and well-being of the United States citizenry absent re-embracing a market-based trade system. And so I think this report, with the centerpiece of a compact of the willing, focusing very, very clearly on the workforce issues and backing up the benefits that are macro and diffused of global trade with the ability to help people who are the center point of localized pain because of those efficiencies.

And then finally, I mean, all human improvements have been based on invention, innovation, investment, and entrepreneurship. So the CSIS report focuses very clearly on that third leg. How do we make sure that innovation continues in this country, our STEM education, our basic K-through-12 education meets the needs of the 2030 economy?

So, I think the ambassador had it very clear – very well put that we don't need to try to make an enemy of China. We just need to try to engage in

market economics, with those that want, and then they can do what they want to do. We'll trade where we can trade and we'll see which system in the end is more beneficial for humanity.

Easton: Fred, let me just follow up real quickly on that coalition of the willing, because that does keep coming up. And as I said, Senator Romney brought it up. That requires leadership out of a White House, it seems like. Or is there another way to create a coalition of the willing? How do you see that emerging?

Smith: Well, I think that economics, at the end of the day, prevails, and I don't think that the policies that the United States is pursuing at the moment will meet the aspirations of the American people. So sooner or later, the same prescription that worked so well, as Senator Brock mentioned, from the end of World War II until the Great Recession, it'll have to be reembraced.

I have said on numerous occasions at the highest levels of government and publicly I think it's very unfortunate that we did not go forward with the Trans-Pacific Partnership. Many of the provisions of that agreement were actually the centerpiece of the USMCA, which is a multilateral trading agreement, and great credit to Ambassador Lighthizer. But much of it came straight from TPP. So you have those countries when we withdrew that, primarily because of Prime Minister Abe's leadership in Japan, went on and finished the treaty, just without the United States. We had two initiatives on investment and trade underway with Europe which were stopped.

That's why during the political campaign I mentioned I wrote that op-ed in The Wall Street Journal, was to try to get the political folks to look at this issue as a very grave threat to American prosperity and global leadership if we did not reembrace multilateral trade. Because we do not have the population, even with the USMCA – and those statistics I gave you about all of these markets being outside the United States – we simply cannot continue to improve our standard of living unless we are engaged in the global market, not just in the United States or even the USMCA market.

Easton: Bill Brock, same question to you: How do you create a coalition of the willing, first of all? And secondly, what does the report say more specifically about what needs to change and what kind of reforms need to come in the trade system?

Sen. Brock: Well – (laughs) – let's start with the fact that, as I mentioned earlier, we spent almost a hundred years building a trading system that is irrelevant to the world we live in now. When China joined the World Trade Organization, they made commitments. The commitments they haven't kept, even if they were employed. But the world is different from what was required of those commitments. Now we've got state-owned enterprises. We've got China subsidizing their industries. We've got them engaged in economic espionage. The rules don't apply to them. If we're seeing it, so are the Germans and the Swiss and the French and the Brazilians and the English and half the rest of the world.

Easton: The Australians, I might add. Yeah.

Sen. Brock: So if we want to act like grownups, it's time for us to be the leader. We're the only country that can. Nobody else has the capacity to do what we can do. What we have to do is to say, look, it goes beyond China. We need a system that deals with the world as it is now to deal with everything from transparency of data to workforce development. That requires a different way of thinking. It is long past time for this administration, this country to say to the willing: Let's form a coalition not just to deal with China, but to craft a new set of rules that allow all of us to compete equitably and give our workers a shot.

In fact, that one last point that Fred made. If we don't do something about our public education in the United States, we can forget the rest of it. We have got to give our workers the tools to be productive, to be competitive, and that's fundamental and it's a big part of our report here.

But all of these are part of a whole. You can't do one thing and another. We can form a coalition of the willing, craft a new system, use that to rebuild the WTO, and deal with China at the same time, and all of a sudden we've made a difference. And that's the – that's the bottom line.

Easton: Bill, I want to follow up with a question from Matt Goodman of CSIS for you. Your workforce-related recommendations are geared to preparing American workers for the economy of 2030, but millions of Americans remain out of work or underemployed because of COVID-19. How do your proposals help those people?

Sen. Brock: First of all, we need to think about whether the rules that we have today are helping or hurting. We have today Trade Adjustment Assistance, which is a federal program designed to help those people who lose their jobs because of trade. Well, it doesn't matter whether you've lost your job because of trade or you just lost your job because the world is a different world. We have got to come up with a better system. So let's look at combining our unemployment system and our trade adjustment system, doing whatever we need to give workers that have been disadvantaged by the world or by competition the tools to be more productive.

So I would love to have us think like we did after World War II, a GI Bill for jobs. If you do that all of a sudden you're putting something into this economy that we've lost. And then as the energy that comes from – American workers are not afraid to work. They work hard. If you don't give them the productive opportunity to be – to develop their skills and education and their knowledge, it's not their fault. It's ours. We're saying to them: If we give them the tools and then get out of the way, they'll do fine. That's what we're not doing right now, and we've got to do a better job.

Easton: So two key themes are coming out of this conversation. One is a GI Bill for jobs, and the second is the compact of the willing.

Let me go to you, Charlene. This is actually another question from CSIS, one of our great scholars there, Bill Reinsch. The report pays a lot of attention to American workers and how to prepare them for the future. Part of that is

helping younger women – (laughs) – excuse me – younger workers develop the skills they need to thrive. But what do we do about older workers who have lost their jobs because their factory closed and there's no other opportunities nearby?

Amb. Barshefsky:

So this is something that Bill Brock just really spoke to. And that is, the current system that we have for people who have lost their jobs, for example, from trade is that you have to show you lost your job because of trade. Well, what if you lost your job to changes in technology and the increase in productivity that technology creates, so that you just don't need as many people to produce the same amount of goods? What do you do about that?

Well, the short answer should be, as Bill said, what difference does it make why a willing worker has lost their job, assuming it's no fault of their own? Whether the issue is trade or technology or COVID, or some other extraordinary externality that was unanticipated but has led to drastic economic results for the country and for its labor force.

For any of those reasons, or any other external reasons as well, workers should be able to be supported. So how do you support them? Well, in the report we talk about combining the best parts of Trade Adjustment Assistance, for example, which has a wage insurance provision, with the best parts of unemployment insurance. And add to those best parts on a combined basis, so that workers are supported. There is a floor. And the floor is a livable floor.

And then you have to look at how do these workers become reemployed, reengaged in the productive economy? So part of that obviously is the creation of the jobs engine for the United States. Many have talked about infrastructure development as one of those great engines of productive employment for people, but there are many other engines that are possible.

But as well as ensuring that the workers you have can fill the jobs that you create. And that's a skills-related issue. It falls not only on the worker, but on government programs. For example, we have health – we have a health insurance savings – we have a health savings account. Why do we have an education savings account for every worker in the United States, so that they can be in charge of the – of parts of their own upskilling, if you will.

And then of course you have to have employers who put as much money into their labor force as they do into the technologies they buy. And right now, the disparity is breathtaking. There's very little money that goes into labor force development. There is some, obviously, but relatively speaking it is a small-potatoes compared to the modernization of corporate America. Which is critical, don't get me wrong, absolutely critical. But we also have to do more for workers.

So the notion of public-private partnerships and of companies taking on more responsibility for training, for upskilling, and for creating a workforce for the jobs that exist in those companies would be enormously helpful. And so there's a lot of other – there are lots of other programs and things that one – that one can do. But the bottom line is this: Issues of income inequality in

the United States have many potential, not solutions, but things that can be done to ameliorate those inequalities. But one of the most important things is to give people work, and to make sure they have jobs that pay a living wage. And so these are areas really on which the report focuses.

Easton:

Thank you. And, Fred, just following up on Charlene's point about the importance of a jobs engine, and it doesn't matter why or how you're out of work if you're a willing worker, I'd love for you to talk a little bit about the COVID economy. It's become this bifurcation where companies like yours are just booming and other companies are – you know, it's accelerated their decline. And so they're – it's not just – it's not just bad news; it's kind of bifurcated news. Can you talk a little bit about – more about how we reskill people in this COVID – hopefully at some point post-COVID economy?

Smith:

Well, I think that when it gets right down to it you have to have programs that allow people to reskill themselves. And I think secondarily, you have to have programs which incent people to do the things that have the most value for the – for the society. I will just give you one example in the latter case. I personally think that we should not have programs which subsidize higher education just in general, loan programs or anything else. That can be done by private philanthropy for a lot of skills.

But for STEM education, including medical and the caring economy, we should do what the military found out a long time ago to get doctors. I mean, pay for them to go to medical school, and then they'll give you four years of service. When I was in the service, that's the way we got our doctors. So if you want people to be in STEM education, have the government pay for it or pay largely for it. Have private philanthropy support education for the other fields which may be appealing to a lot of people, but they don't get to our key issue of global competitiveness and the ability then to repurpose one's self during the course of their – the course of their life.

People who are disrupted, as you're talking about during the pandemic – and unfortunately, there are millions and millions of them. It's the creative destruction, and it's, you know, pandemic destruction here. So many of these jobs are not coming back, particularly the close contact. We're on this telecommunications system talking to one another. If this had been a year ago we would have been at the CSIS headquarters talking about this with a group of people. So, I think that that's going to have an effect for a long time.

I mean, people have recognized that this type of communication is not just a little bit more efficient in terms of cost, it's, like, 1 percent of what the cost would be. So you have a lot of companies that said: We're not going to pay for a lot of business travel if it can be done by Teams, or Webex, or Zoom. So that's been going on for a long time. We have a – we have a program with Dean Kamen – many of you know, he's the Thomas Edison of our time – on a same-day bot – a robot that makes same-day deliveries.

His factory and his office is an enormous old clothing mill in Manchester, New Hampshire on the river. During the Civil War, it made virtually all of the uniforms for the Civil War. Well, those jobs after the war all migrated down South to South Carolina. So how did those people that were working in that

textile factory in Manchester, New Hampshire adapt? Well, you go to Boston today, it's a pretty thriving economy that went into higher education. They went into technology. They went into medicine. And the people that had the lower input costs in South Carolina took over the textile trade.

You cannot stop that type of evolution due to automation, due to changing tastes, due to a pandemic. So what you have to do is, as the report recommends, give people regardless of the cause – whether it was trade or a pandemic or automation or a new technology – the ability to repurpose themselves. There's no way you're going to preserve jobs where there's no longer any market for the job. I mean, you're not going to make, you know, a lot of people employed in the blacksmithing industry after automobiles come on the scene. We all know that.

But I think this report is very spot on with combining unemployment with reeducation and reskilling, and perhaps even some sort of assistance on being able to move if necessary. And that's hard for people because – if you're from a place and you've got family and so forth. But if you want the benefits of a market economy you have to let the market work, because there are only two kinds of economies. There is government-directed and there's market-driven. Now, people can talk about capitalism and state capitalism, but it's really those two. It's state-directed or market-driven. So the benefits of market-driven economies, and the innovation and invention and entrepreneurship that that engenders, history's very clear on this.

So we want to be a market-driven economy, but we've got to do the right thing by the folks who are affected by progress and innovation and invention and trade, where somebody can produce goods for us and raise our standard of living by making those goods better and cheaper than we can. So that's why the two things come together so clearly in this report.

Easton:

So while I have you front and center, Fred, we've got a question from Scott Miller, who is of course with CSIS. Trade rules have been a big help to globally engaged U.S. economies (sic; companies), which not surprisingly are some of the most innovative and productive firms in the world. Yet we seldom hear these companies describe how the rules advance their interests. The rules that advance their interests are actually good for Americans in general. What should the business community be doing to address this gap? Again, what kind of leadership should the business community be providing to – with the public to create favor for these trade rules?

Smith:

Well, as we sit here today we've probably got 14 triple-7 or MD-11 airplanes flying across the Pacific into the United States, the same number back. The crews that take care of those airplanes are very, very well compensated, in the 1 percent tile or above of all American wage earners. The aviation maintenance technicians that take care of them are very well compensated. Most of them went to community colleges to get their licenses, their FAA licenses. So when you hear about trade, you hear about the 70,000 factories that we've lost but you never hear about those FedEx employees who have benefited from trade.

So what we try to do with our team members is to talk to them just like I've talked today about the benefits of trade, how every family in America benefits over \$10,000 a year and all of the markets around the world and what that – what that means for us, and to show them examples of how trade has made America great. But I can tell you this without equivocation – because we're right in the middle of this and we see it – markets work.

So with this contention against the United States and China, and to a lesser degree – it's not reported on as much – but Europe and the United – and China – in The Wall Street Journal today there's an article where the ports on the East Coast are booming. Well, why is that? Because a lot of multinationals have diversified supply chains and production into Southeast Asia, and it's easier and quicker to go to the west through the Suez Canal and go into the eastern ports rather than to go across the Pacific, as is the case from eastern and northern China.

So these market economics are under way as we're having this conference. And the benefits of those market economics are represented by the FedEx team members that are engaged in serving these 220 countries around the world, based on the trade leadership the United States showed, as Senator Brock mentioned, from the end of World War II until 2008, when the situation began to move, in China's case, to a more state-directed economic system rather than a market-driven system.

Easton:

Great.

Bill Brock, as we come to a close here, could you talk about how – first of all, how we create the political will to achieve a lot of the recommendations in this report? And secondly, convince the viewers here why they should read this report and what they can do about it, once they do.

Sen. Brock:

I wish I knew the answer on how to change the political system to where it was when I was there, because we talked to each other. We listened to each other. Our kids went to school with each other. And we were friends. We had enough respect for each other to say, OK, you've got a different set of life experiences than I do. I can learn from you if we listen to each other.

We're not doing enough of that today. I think those of us who are involved in this kind of a conversation need to take it to the next level with our members of Congress and say quit looking at your navel. Start talking at your neighbor, and let's listen to each other and see what we can do.

We've got the most creative people in the history of mankind. We've got the most entrepreneurial people in the history of mankind. We have to give them the ability and the opportunity to compete. Let's quit solving yesterday's problems. If we want to talk about giving the tools – not every kid needs to go to college. I don't ever want a professor doing the wiring in my house. I want to have somebody there that is engaged in the things that make them feel good, that give them the Fred Smith kind of opportunity.

If we can start doing that again, then we can say to the – to the political class, look – (inaudible). Look at what this country can do if you give people the

tools to be productive. That's not so hard to do. But we've got to get off our duff and quit whining about what was and start looking at how good we really are and what that means to us in terms of our responsibility to make it better.

Easton:

Senator Brock, we can always count on you for those incredibly inspiring words and sense. So thank you so much.

I want to thank Senator Brock, I want to thank Ambassador Barshefsky and Fred Smith, not just for producing this terrific report but just for your public service. All three of you have done such extraordinary work over the years. You've been leaders. You've been providers of innovative thought and perspective and insight, and really, really appreciate that. Thank you so much.

If you are watching this and you care about these issues and you care about where the American economy is going, the name of the paper is "Affirming American Leadership: A Call to Action." And this session will be on the CSIS website. There will be a recording of it. Please pass it on. Encourage people to watching it. Encourage them to join the next Schieffer series. And, of course, encourage them to support CSIS, which does so much important work on this and so many other issues.

So thank you for joining, and we'll see you at the next episode.

(END)