TRANSCRIPT

The Asia Chessboard Podcast

“Pawn or King:
The Future of the IPEF and Economic Statecraft in Asia”

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FEATURING
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Andrew Schwartz: Welcome to the Asia Chessboard, the podcast that examines geopolitical dynamics in Asia and takes an inside look at the making of grand strategy. I’m Andrew Schwartz at the Center for Strategic and International Studies.

Hannah Fodale: This week, Mike is joined by Wendy Cutler, Vice President at the Asia Society Policy Institute, to unpack President Biden’s economic strategy towards the Indo-Pacific and his most recent trip to Asia. The two discuss the Indo-Pacific economic framework and regional reactions, prospects for a digital trade agreement, and China’s bid to join CPTPP.

Mike Green: Welcome back to the Asia Chessboard. This is Episode 61 and we’re joined by my friend, Wendy Cutler, who is one of the leading veterans of trade negotiations in the Indo-Pacific and thought leaders on the future of trade strategy in this region with the Asia Society Policy Institute. Very importantly, a graduate of Georgetown University School of Foreign Service. This is an all Hoya Saxa episode because Hannah Fodale and Hannah Goda of Georgetown are helping us out. And we’re going to talk about IPEF, trade, trade politics, and the role of economic state craft and grand strategy in the Indo-Pacific. Wendy, great to have you on.

Wendy Cutler: Well, thanks Mike. It’s really my pleasure to join you.

Mike Green: So I know your time as a student at Georgetown was critical in this trajectory, but let’s start with how you got interested in trade in Asia and ended up where you are.

Wendy Cutler: Well, sure. I mean the quick story is, undergraduate, I went to George Washington University and I majored in Russian studies. And my first job was for the US Government, in all places, the US Fish and Wildlife Service. And I worked with at that time, Russian and US Wildlife scientists that were working on detente, cooperative efforts. And then our relations with Russia, at that time the Soviet Union, plummeted like they are now. And so that program ended and it was time to go back to school. Georgetown was very attractive and I decided I’m not going to specialize in any country. I’d rather specialize in an area. And trade and business sounded very interesting to me. Georgetown had a great program. And so that’s where I went.

Wendy Cutler: I graduated. Became a presidential management intern, now called Presidential Management Fellows. Started my career at the Commerce Department on Trade. But I always had my eye on USTR and after five years at Commerce, I joined USTR and spent a long 28 years there working for nine US trade representatives.
Mike Green: What was your first USTR job?

Wendy Cutler: My first USTR job was actually in the Multilateral Affairs Office, at that time the GATT Office. And I worked on the Uruguay round, the last successful round of multilateral trade negotiations in Geneva. And once that round ended and I needed to find a new job, that’s how I fell into the Asia world, because there was an opening to implement the US-Japan Semiconductor Agreement in 1991. And once I started working on Japan, I just kind of stayed in that beat and then broadened out to work in all parts Asia until the time I retired from the USTR in 2015 and joined the Asia Society Policy Institute.

Mike Green: So I had the great pleasure of working with you when I was in the White House. And I remember our first meeting, because USTR was always a little bit suspicious of the NSC.

Wendy Cutler: A little!

Mike Green: Yeah, the highfalutin, geopolitical strategists messing with trade negotiations, but I always felt like we were very well aligned, in part because of the way the NSC was structured under Bush and subsequently, where the Senior Director for Asia, the job I eventually had, had the senior economics person in Asia reporting through them, but also up to the Deputy for Economics. So the economic and security issues were kind of crosshatched and integrated. And I thought it worked pretty well, at least from our perspective.

Wendy Cutler: I had the exact same recollection. And I remember as we all prepared for summits between the Japanese prime ministers and the US presidents, it was almost seamless the coordination between USTR and the NSC at that time under your leadership.

Mike Green: I mean, part of it may have been that I was well trained. The first job I ever had in government was interning on the Japan desk at USTR.

Wendy Cutler: I knew that would come up. You probably felt sorry for me.

Mike Green: It was all pity. I mean, USTR is an extremely hardworking place. It’s intense. It’s as intense, maybe more intense than the NSC. I used to see you at the gym every day at about 6:00 in the morning, because that was the only way you could keep sane, was getting up early and going to the gym, right?

Wendy Cutler: Exactly.
Mike Green: So you worked on a lot of agreements, but just quickly recount some of your battle trophies.

Wendy Cutler: Yeah. So I worked in a lot of these sectoral agreements with Japan and autos, semiconductors, insurance, telecommunications. In those days, we just hopped sector to sector, tried to take care of problems, only to find out we'd have to go back to the table and renegotiate. And then probably the most memorable experience in my life was negotiating the US-Korea Free Trade Agreement, an agreement that we actually negotiated in 10 months. Most people thought it would never happen, that the Koreans would never open their market, but it did happen. And it took a long time to get through Congress, but it was quite an experience.

Wendy Cutler: And then I was promoted and was able to work with China and India, elsewhere in Asia. But really, the capstone of my career before I left was my senior role in the Trans-Pacific Partnership negotiations. And even though, I'm sure we'll get to it later, that agreement was never put into force with the United States as a participant, it has lived on through what the other countries, they put the agreement in place without us. But also, if you look at agreements like the US-Mexico-Canada Agreement, the USMCA, about 60% of those provisions are lifted directly from the TPP. So it does live on internationally and for the United States as well.

Mike Green: The remarkable thing about you, Wendy, is I've watched a lot of DAUSTRs and AUSTRs, Deputy Assistant USTRs, Assistant USTRs do these negotiations and in the Nikkei Shimbun or in JoongAng Ilbo in Korea, they're always presented as sort of evil, invading, Mongol warriors. You think of some of your predecessors and they're always presented in the press as these sort of fanged, evil people coming in to destroy the happy marketplace and export for the US. But the amazing thing about you was in Japan, but especially in Korea, you had a cult following, especially from Korean women, who just loved the image of you taking on the Ministry of Foreign Affairs and Trade and the bureaucrats. And that was always fun to see.

Mike Green: But the last thing you negotiated was TPP. And then Donald Trump thanked you by pulling out of the agreement in 2017. You've probably thought about this, but what happened? What happened to the way we do trade agreements? To politics? Not only did Trump pull out, but Joe Biden's been clear he's not going to go back to what's now called CPTPP. What's your assessment of what happened to the way we did trade policy that we got in this place?
Wendy Cutler: And that’s a great question. And I’ve reflected on it a lot. Now, I think with the TPP negotiation specifically, they went on for a long period of time. And during that period of time, I think the public sentiment on trade was changing. And frankly, I don’t think we were attuned to that. And I also think that trade got mixed up with globalization and with technology change. But trade agreements really became the scapegoat for everything wrong in our connectivity and interaction on economic matters with foreign countries. And trade agreements kind of were blamed for a lot of the economic woes of the United States and increasing inequality, unemployment, loss of manufacturing jobs, et cetera.

Wendy Cutler: I think it’s unfair. I think in some respects and in instances, trade agreements maybe have contributed to some of those developments. But when you look at the data and you look at the trends in the world, I think even without trade agreements, this was kind of where we were headed. We were no longer the number one economic power. Other countries emerged, including China, but not limited to China. And it was just inevitable that there’d be more competition in the world.

Mike Green: So you and I, and Faryar Shirzad were in this little cell that worked with Rob Portman to think through whether and how to do the Korea Free Trader agreements, if you remember that, I really enjoyed working with Rob Portman. And it was an intense and fascinating discussion. And we talked a lot about the geopolitics. We talked a lot about how to get it through Congress. We talked a lot about the politics in Korea. We didn’t talk a lot about the public sentiment, as I recall. And so looking back, and then of course after that with TPP, which you worked on, what would you have done differently? Or do you think just the way we do trade agreements is fundamentally now going to have to be different? Do you think there was a way to sort of capture that creeping narrative in parts of the country about trade or was it just too hard?

Wendy Cutler: I mean, of course you can look back and think of things you could have done differently. I think one of the best things we could have done was to really have beefed up and expanded our Trade Adjustment Assistance Program. I mean, the TAA program always accompanied trade agreements when they went through Congress. But they were limited in scope and the bar was high for companies or workers to get funds for retraining or to find their next job. And I think in retrospect, trade agreements should have been accompanied by much greater worker assistance programs.
Mike Green: I mean, the way Bob Zoellick and Portman and Mike Froman as US trade reps got these through Congress was basically aggregating interest groups that would benefit farmers and tech and finance and stuff. And not really paying a lot of attention to the people who were opposed. And that didn’t really work by the time of TPP maybe.

Wendy Cutler: Well, I don’t know if that was fair. I think we always paid attention to people who had concerns. And we tried to address them. It was just really hard to do, because in these trade agreements, there are people and stakeholders that benefit. There are others that are left behind and are negatively affected. And we could have done a better job, I think, dealing with their concerns in the trade agreement, but more importantly, domestically. But again, I think by the time TPP came around and again, it was such a long negotiation that over time, we weren’t questioning the issues we were pursuing. And maybe if the negotiation had been shorter or it started later, the scope of what we were negotiating, maybe we would’ve adjusted that a bit.

Mike Green: And maybe left too much time for the opponents to organize themselves, which they did pretty effectively.

Wendy Cutler: Yeah. And that’s a great point as well.

Mike Green: Tell me if this hypothesis is wrong. I don’t get the sense this is a permanent reversal of American support for free trade. I see it as a transitional period. Because when you look at polls, Americans, especially younger Americans, are more supportive of international trade than ever. And the 2016 elections shocked the Democrats and sort of Wall Street and business-oriented Republicans, because TPP was such a huge factor in the Midwest and probably hurt Hillary Clinton a lot. And the Republican party’s all upside down. And the supporters of free trade now tend to be younger and therefore Democrats. But the opponents tend to be more associated with trade unions, also Democrats, whereas Republicans, you’ve got the Trump effect. But you still have agricultural exporters in business.

Mike Green: So the politics are just all topsy-turvy and not sorted out. And so it feels a little bit like this is temporary and something new, some new equilibrium is possible on trade politics. Won’t be what it was, but what do you think?

Wendy Cutler: Yeah, I mean, I think a new equilibrium, but I think the important thing, Mike, is, we’re not going back to where we were. I mean, this unfettered kind of quest to open markets and to lead every trade negotiation, I just don’t think that’s where we’re going and where we should be going. I think we need to learn through our experiences on
what went wrong with TPP. I think we can learn from our approaches now maybe they’ll work. Maybe they’ll be insufficient. But we’ll need to find kind of the new path on trade. And I know that’s what this administration is trying to pursue. But it still does seem like a work in progress. And in many respects, it seems like we don’t have a trade strategy.

Mike Green: So President Biden announced the IPEF, the Indo-Pacific Economic Framework, when he was in Tokyo. And you and I followed the politics of this pretty closely. It was fiercely fought over inside Washington. And there were those who saw this as a pathway to trade agreements and therefore adamantly opposed to anything substantial being in it, especially market access. There were others, I think, more in the Commerce Department, State Department, parts of the NSC who were terrified of the thought that President Biden would go to Asia and have nothing to say on economic state craft. And so this battle yielded IPEF, which the president announced. And it was vague enough that they got 12 countries to sign on, which is good. It shows we’re back in a way. But, of course, the problem is it’s pretty darn vague. So is there something in there to build on, do you think? Or is IPEF just going to sort of be a footnote in history?

Wendy Cutler: No, my view is that this is a substantive initiative. And I think the fact that 12 countries signed onto it is a testament that these countries want us back in the region economically engaged. Many of them would prefer us to return to TPP. But they kind of get it, that that’s not going to happen. So they joined the president in launching the IPEF. What was a little discouraging to me is when you read the actual document, launching this initiative, it's launching a process to establish the IPEF. As a trade negotiator, I look through all these words and I can almost live through that negotiation or the fact that they’re launching discussions towards future negotiations. It does seem that they had to soften that language in order to bring on more countries.

Wendy Cutler: But let’s be honest, a lot of us who were concerned and maybe somewhat critical about this initiative, we kept saying that you need to bring more countries on board. And so they succeeded in that. The hard work now will be in the coming weeks as they try and what’s called scope out the parameters and the shape and the content of each pillar so they can actually launch the negotiations. So I think the rubber’s going to hit the road now and I think they’ll get a better sense of how committed each of these 12 countries are in terms of wanting to work with the United States in delivering something really meaningful for the region.
Wendy Cutler: But I continue to keep an open mind. I was pleasantly surprised by how many countries signed onto this initiative, including Indonesia and India, that I really thought there’s no way that they were going to be able to muster their own domestic political support to join. So kudos to the administration. But again, this story is far from over. They’re just beginning this process. And in many ways they’ve done the easy work and that wasn’t so easy.

Mike Green: It does feel like the momentum is slightly in favor of those who want a more robust economic state craft in the region. It feels like the trip helped those in the administration. But I also, perhaps cynically, look at the way they got 12 countries to sign on. And it wasn’t by putting market access on the table or carrots from the US side. It was basically by removing sticks, right? Because some of the earlier ideas that were being floated had very high standards for labor and environment, but no carrots, but no incentives. You know what I mean? It's not like they put juicy things on the table. They just took away some of the things that were scaring countries, which really kind of means they're at square one, doesn’t it?

Wendy Cutler: Well, again, I agree with you. Market access to date has been the main carrot to incentivize countries to do things that they don’t want to do, including agreeing to some of our requests on labor and the environment or intellectual property. That’s kind of been the history of trade negotiations. But again, as you said earlier, we may be just be entering a new era. And we’re going to have to start thinking of other incentives and other carrots. And I think the administration has gotten this message. And so I would hope as the weeks and months progress that they’ll be finding concrete ways to provide benefits to these countries, short of tariff cuts, because what had been explained to me and others is that there is some market access in the trade pillar, because for example, the administration has put trade facilitation on the table.

Wendy Cutler: And trade facilitation these days, particularly with all the supply chain disruptions, is extremely important. You want to move your goods as quickly as you can through customs using digital tools and taking advantage of any means to expedite shipments. And so I’m hopeful that they’ll be able to find alternative sources of incentives. And maybe over time, they will begin to realize that at least for certain countries, they’re going to need to consider some tariff cuts.

Mike Green: You raise a really interesting angle, which is for 70 years, we thought about trade agreements in terms of reducing tariffs. That’s what we usually meant by market access. And when the United States started down this path with the establishment of Bretton Woods and the
entire postwar free-trade system, we had 50%, half of global economic output. And then in the ’70s, when we were down to half, we sort of complemented the access to the American market, carrots with sticks and that USTR used to punish cheaters. But still the core of a lot of it was market access to tariff reductions, reductions at the border.

Mike Green: And maybe now that’s just not possible. We don’t have enough to give, politically. But maybe now it is about regulatory issues, technology standards, trade facilitation. Do you think that menu is enough to do for us geopolitically what trade agreements did, which was cement alliances, deal with rising hegemonic powers like China? Is that regulatory trade facilitation enough to do the geopolitical piece we need to do?

Wendy Cutler: I mean, time will tell. Again, I think that some tariff cutting probably would help. I mean, I’ve heard the administration mention, “Well, tariffs are not a big deal, because our average tariff is about 2.3%.” But that’s a bit misleading, because that’s an average trade-weighted average, right? When I think of Vietnam during the TPP negotiations, they wanted access to our apparel and footwear market. And for those products, we have what they’re called tariff peaks. Our tariffs are much higher, 7%, 10%, even in some cases over 10%. And so for Vietnam, that market access was critical for them to agree to ambitious commitments, particularly on labor.

Wendy Cutler: So I would hope that maybe over time, some tariff cutting would be possible. But I don’t think it’s going to be the bread and butter of trade agreements or any type of economic agreements going forward, because as you mentioned, standards, non-tariff measures, regulatory barriers, technical barriers have become more and more the means for inhibiting trade.

Mike Green: The other thing that attracted Vietnam to TPP was the understanding in Hanoi that TPP would create a group of countries that would be investing, would be moving their supply chains from China to Vietnam. I mean, you’ll recall the estimates were hundreds of billions of dollars in movement of trade from China to Vietnam. And that raises another question. The Trump and Biden administrations have no real policy with respect to American investment in China. I mean, a lot of these trade agreements are designed to set rules, to protect investors in the hardest, but growing economies like China. And I don’t think there’s any political support right now for any trade policy that’s about protecting American investors in China, which is a problem for American investors in China. But it seems to be where the politics are. Do you think that’s right?
Wendy Cutler: But I think it's more than China, because in the old days we used to negotiate bilateral investment treaties and very robust investment chapters. And I just think that, I mean, Lighthizer made that very clear in the USMCA negotiations by really paring down what we were going to do on investment and weakening and narrowing the scope of investor-state dispute settlement, which had been so controversial. And so I think that trend is going to continue-

Mike Green: That's one of the carrots that maybe even for a Vietnam or an Indonesia, a bigger carrot than the tariff schedules in the United States. Is that going to limit what we can do?

Wendy Cutler: I don't know if it's the investor protection. I think more it's the setting up a regime that makes their country attractive for investment. So by adopting common rules, by having strong IPR standards, by lessening regulatory barriers, that makes those countries attractive for investment. And I think that's kind of one of the key reasons, as you mentioned, that particularly a lot of Southeast Asian countries probably even signed onto the IPEF with the hope that this will be a vehicle to attract shifting supply chains out of China and just attract more foreign direct investment, because that's really a driver of growth and development for those countries.

Mike Green: So that's a potential carrot that doesn't necessarily involve tariff reduction or difficult negotiations in Congress that perhaps they can build on.

Wendy Cutler: Right. And when you look at the supply chain pillar, I think there's a lot potentially that can be offered in that pillar if it produces more resilient, secure, and trusted supply chains and brings some of these countries into our supply chains. If it ends up being more about re-shoring, then I think you'll see a lack of interest. But my understanding is they're going to be moving towards working with other countries to develop an early warning system, to reduce vulnerabilities in the supply chains, to promote redundancy and dual sourcing. So I think potentially there's a lot of opportunity for countries that participate in that pillar.

Mike Green: You testified in the House Foreign Affairs Committee about the importance of digital trade, digital economies. And one of the four pillars focuses on digital trade. But it's not a digital trade negotiation, at least not yet. Do you think there should be a digital trade negotiation coming out of IPEF, or even broken out of IPEF?

Wendy Cutler: Well, the digital work now will fall under the trade pillar. And that's one of the pillars where you can't just say you're going to do digital.
You have to do all of the topics that are covered under the trade pillar, including labor and the environment. In my understanding, this was a strong request by Congress wanting to make sure that countries adopt through the IPEF strong labor and environmental standards. My view has always been we should have been doing a digital agreement even before IPEF. As soon as we left TPP, I always thought the digital work was kind of a narrower way we could get back in the region, do something meaningful and really help set the standards and our vision for what an open, digital, data internet regime should look like. I think here, the administration really wasted a lot of time and we'll see what the parameters of the digital negotiation will be under IPEF.

Wendy Cutler: But I would hope over time that just even de facto, the digital negotiations will kind of operate separately, because I think it's so important. There's a lot going on in the region in digital. It doesn't just have to be about benefiting big tech. Small and medium-size enterprises have a lot to gain from more accessible digital tools, more rules in this area. And there's stuff to be done for consumers in terms of bolstering consumer trust and consumer privacy. And so I would hope that this ends up being a real front-and-center piece of the IPEF, doesn't end up getting buried away in a trade pillar, where many countries are reluctant to sign on, because they don't want to do all of the issues in the trade pillar. We'll have to see how this plays out. But I think the scoping in particular, for the trade pillar in the coming weeks and couple of months, I think is going to be critical.

Mike Green: I think a lot of people in this business think that the digital trade, as you said in your testimony, is such a logical step to build a coalition of countries that are writing the rules for the future of economic order in Asia. And you already have in the USMCA, Canadian-American-Mexican agreement, a chapter on digital trade and one in US-Japan. And then countries in the region, Australia, Singapore are doing their own. I worry, and you're implying this in what you're saying, that what happened was the administration skeptics of these trade agreements attached labor and environment to the most attractive part of IPEF, digital trade. And I can sort of understand the labor dimension, but to me, it's very odd to attach environmental issues to a digital trade agreement.

Mike Green: I can understand attaching environmental issues to an energy production agreement or manufacturing. But digital trade? So it really feels like that is being held hostage to an agenda in the Congress and the administration that is going to hold it up, unless it is broken out, just to sort of put an even starker point to what you're saying.
Wendy Cutler: Yeah. I mean, I’m not going to disagree. But again, let’s see how this plays out. But it would be a shame if we see countries signing onto all the other pillars, but not to the trade pillar because of concerns of the asks of the United States across the board.

Mike Green: So when you and I were doing this stuff together with Korea, with Singapore, Australia, early TPP, we were very, very focused on ag. We got to know the Cattleman’s Association and the 20 other agricultural associations. Where is our ag trade policy? I don’t quite see it in IPEF. Is that coming? Or have we just dropped the ball? Or what do you think?

Wendy Cutler: Well, I think in the trade pillar, there will be discussion about agriculture standards and what are called SPS, sanitary and phytosanitary restrictions, but not market access. And this is why you’re hearing some congressional members, including Democrats, asking the administration, “Well, can’t we do market access?” Because for our farmers, they want market access. But you can’t get market access if you don’t give market access. And so that’s what I think is going to be tough for the agricultural community, which have always been strong supporters of economic and trade agreements.

Mike Green: So President Biden showed up at the party, the trade party, and he brought a bottle of, we’re not sure yet if it’s Dom Perignon or Two Buck Chuck, but he brought something to the party. Meanwhile, China’s knocking on the door to join CPTPP. You hear, I’m sure, the same thing I hear from friends in Japan and Australia and the region, which is, “China’s not getting in right away. But if the US doesn’t get its act together and show some leadership, it will become harder and harder to keep China from sort of picking off smaller states in CPTPP and building momentum towards joining.” Is that a hollow threat? Should we be worried? What do you make of the China bid?

Wendy Cutler: I think it’s a very serious proposition. And my discussions with folks in the region, echo what you’re hearing and that is for a while, they can kind of put China off, ask a lot of questions, put the onus on China to show how they could live up to the high standards of the CPTPP, but over time, it’s going to be more difficult. And I know just this past week when Singapore announced that it was ready to join the IPEF, it also said at the same time, “We’re ready to welcome China into the CPTPP.” And so I think that we should be seriously concerned. We shouldn’t just think, “Well, they’ll never live up to the standards, so this isn’t really a serious proposition.” I think it’s very serious.

Wendy Cutler: And I think the first step and the first decision point for the CPTPP members will be establishing a working group to negotiate China’s
accession. And once that happens, in my view, it’s going to be very difficult to turn that off. Even if it takes a number of years, I think then that will lead to an outcome where China will join, unless CPTPP countries really feel that the US is going to get back into the trade agreements game.

Mike Green: The big elephant in the room is China. And the trade strategy of the Clinton, Bush, and Obama administrations, whether it was US-Singapore, US-Korea, TPP, it all was aimed at shaping China’s choices and eventually, having the possibility of negotiating a position with China on a bilateral investment treaty on a free-trade area of the Asia Pacific, which in 2007, the APEC members all said we would seek, that all these different trade agreements should go to one broad inclusive one, inclusive of China, too. So all of this in the back of everyone’s mind was aimed at expanding markets, strengthening alliances and partnerships, but giving all of us more leverage to shape China’s choices, to get China to play by the rules.

Mike Green: I was really struck by the administration’s Free and Open Indo-Pacific strategy document, because it said really clearly, "We’re trying to shape the environment around China, not China." And it seems like there’s zero consensus in the administration about what a US economic relationship with China looks like down the road. And that really, in my view, puts us at odds with some of our allies, because you read Australian, Japanese, Canadian, Korean documents, they all postulate that they want a productive economic relationship with China. Are we ever going to get to a point where we have a China economic strategy? Or do we have it? And it’s basically just enforcement, export controls, and gradual decoupling?

Wendy Cutler: I think what the strategy is, is work with our allies and partners to shape rules that reflect our norms and values as we build our competitiveness and also coordinate on defensive measures. I mean, I think there’s a lot of realism inserted into the Biden approach towards China. And that is, we’ve kind of tried everything. I mean, through my years working at USTR, we tried dialogues. We tried WTO dispute settlement cases. We tried the TPP. And all of these kind of, we ended up with a China that was getting bigger and more influential using its influence in a course of manner, but also pursuing unfair trade practices. And through its non-market economy practices was able to kind of benefit from the WTO rules without really having the WTO rules apply to a lot of their practices. So that’s kind of where we are.

Wendy Cutler: And I look back on the Phase One Agreement during the Trump administration and if we could not get China to change its practices with $370 billion worth of tariffs imposed, I mean, is there any chance
of getting them to change? So I kind of, when I think of the Biden trade policy, I think they’re being realistic that the prospect of changing China’s behavior through trade negotiations or economic negotiations is pretty slim, unless China for its own reasons decides that its model’s not working for them in terms of their economic growth and development objectives. And so let’s focus on what we have control over and that is working with allies and partners and becoming more competitive at home.

Wendy Cutler: But all that being said, I mean, I still believe that we should find ways to engage with China, even if it’s on very discreet issues. There must be a way we could work with them now to start unwinding some of these tariffs, particularly the ones that just haven’t worked and are really hurting the US consumer and contributing to inflation. But I’m concerned, because I think a lot of the relationships we had, Mike, during the years when we worked with many countries across the board where you can pick up the phone and have these conversations in very private hypothetical ways, I just don’t think those channels of communication are there anymore. And I think that really inhibits the ability to find solutions to some really critical issues.

Mike Green: I think you’re right on the trade policy side. I think the quiet discussions that people in your job, Bob Zoellick, Mike Froman and others had, are not possible right now, because there’s such a fight about trade within Washington. On the diplomatic-

Wendy Cutler: There’s a fight. And there’s no trust, right? There’s just a lack of trust.

Mike Green: That’s right. But on the diplomatic and security side, I think it’s the opposite story. I think there’s much more trusted channels than ever before. So in summarizing what you’re saying, I think I agree with it as whether you think somewhere down the road, we can get back to an economic strategy with China, maybe around bilateral investment treaties, maybe around other things, if you think that’s not possible, then you strengthen alliances and partnerships and protect ourselves. But if you think it is possible, you do the same thing, because that’s the only way we’re going to get the leverage. So maybe I’m being a little too hard on the administration saying it doesn’t really have a plan beyond this first phase.

Wendy Cutler: Right. And I viewed the IPEF agenda as being kind of the offensive, like looking at well, okay, what kind of rules, what kind of norms, what kind of standards do we want in the region? And what type of issues should we be working with, with our allies and partners to address? And so some of these issues, like supply chains, the transition to the green economy, they’re not trade issues per se, but I think they’re
important to get on the agenda and to work with our allies and partners to find a way forward. It shouldn't all just be about responding and defensive actions.

Mike Green: So you've always been really generous with Georgetown students, giving advice, speaking with students, speaking at panels. For everyone else listening today, do you have any quick advice for people who are starting out in their careers? Who want to be doing what you do, but with a very different kind of economy globally and domestically, with a different kind of negotiating process? Anything they should be thinking about to get in this game and shape it in the coming decades?

Wendy Cutler: Well, thanks. For me, my government career is just unmatched. I mean, and I would just would recommend to students coming out of school to really give government service a serious thought, because there's a lot you can do at a relatively young age in terms of responsibilities that you can acquire. I remember in my early 30s being at a negotiating table with the flag of the United States in front of me. Now, it was a very minor negotiation, but wow, was that cool! I'm not saying everyone should stay with the government as long as I did, which was over 30 years. That just kind of worked out for me. But what a great ride I had. So I would just really encourage students who are sometimes, are always so anxious to go to the private sector and make a lot of money to think about government service, because there's so much you can get out of it. And again, particularly early in your career, there's just so much that can be done.

Mike Green: Well, thank you for your service, Wendy, and for joining us. And your work in government was very consequential and as everyone can hear really very interesting. So thanks for joining us.

Wendy Cutler: Well, thank you Mike, and I wish you all the best in your next adventure in Australia.

Mike Green: Thank you. And we'll continue doing this podcast from Down Under, so hope you join us again.

Wendy Cutler: Hope to see you out there.

Mike Green: Thank you for listening to the past 61 episodes of the Asia Chessboard. We've had some great discussions on important developments. We'll be taking a few months hiatus and return from Down Under, where I'll be the new CEO of the United States Studies Centre in Sydney, Australia. We'll bring you guests from the region and from Washington to continue the Asia Chessboard.
Andrew Schwartz:  
Thanks for listening. For more on strategy and the Asia Program’s work, visit the CSIS website at csis.org and click on the Asia Program page.

Bonny Lin:  
Hi, Asia Chessboard listeners. I’m Bonny Lin, Director of the CSIS China Power Project and host of the China Power Podcast. I’m inviting you to listen to our conversations with leading experts on the challenges and opportunities presented by China’s growing power. We discuss topics such as Chinese military capabilities, China’s relations with other countries and critical issues in US-China relations. You can listen and subscribe to the China Power Podcast wherever you get your podcasts or on ChinaPower.csis.org.