TRANSCRIPT
Event
“A Conversation with Former U.S. Trade Representatives”

DATE
Monday, October 17, 2022 at 3:30 p.m. ET

FEATURING
Ambassador Carla Hills
U.S. Trade Representative (1989-1993)

Ambassador Susan Schwab
U.S. Trade Representative (2006-2009)

Ambassador Ronald Kirk
U.S. Trade Representative (2009-2013)

Ambassador Michael Froman
U.S. Trade Representative (2013-2017)

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Transcript By
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John J. Hamre: I’ll ask our speakers to – OK, everybody, let me ask you – find seats. We’ve got seats. We’ll bring in more, and it’s – I just have to say how wonderful it is to see real people at a conference. You know, we’ve been doing “Hollywood Squares” now for so long and it’s just good to have an actual audience. This is so much fun to have you here and I want to say thank you all for coming.

And we have – we always do a little security announcement. I’m going to be responsible for you, so if anything happens follow me. We’re going to go out through that door.

But I’ll take care of you. Don’t worry. We’ll go over to National Geographic and ask them to open the ice cream parlor. (Laughter.) Well, we’ll have a good time.

This is a wonderful opportunity for – you know, CSIS now for about 15 years, this is one of our signature events, which is to feature former U.S. Trade Representatives in a dialogue about the world that we’re in.

You know, we do it because, I mean, this is probably the most difficult and unusual Cabinet position that we have because it not only requires a strategic intellect, you know, seeing the great purposes that we have as a country, but you got to work all the details. I mean, it’s the details that really matter when you’re the Trade Representative. It isn’t just the great theory.

And we’re going to have four masters of this with us today and we’re going to be learning from everybody.

I’m so grateful that Ron Kirk is here. He comes up – he rarely gets here from Texas because he’s such in demand and we’re grateful to have him here. Thank you.

Mike Froman – Mike has more positions in the federal government than, I think, anybody except George Herbert Walker Bush. But he is, fortunately, here and we’re really delighted that he’s here.

Susan Schwab, of course, is in the Washington area and we’re so grateful for that and, of course, we celebrate Carla Hills every day. I mean, she’s been so helpful to us, and I also should tell you that she’s the recipient of this year’s Zbigniew Brzezinski Award and we’re very proud of her for that. (Applause.)

So we were going to have Rob Portman with us and he was going to squeeze us in before he was to fly out with a CODEL this afternoon, but they moved the departure time to 11:00 this morning. And so we missed him. And he wanted specifically to say that he regrets not having a chance to be with us today.
This is – you know, I think it’s really important to have this conversation about trade policy in America. I’m not sure what our trade policy is right now. We’ve got something called a foreign policy for the middle class. It certainly looks like protectionism to me, but I could be wrong. And I think I may be learning here, if I have a chance to listen rather than talk. So at this stage the best thing for me to do is to get off the stage, turn it over to Bill Reinsch, who’s going to lead a fascinating conversation. Would you all, with your applause, welcome our four panelists and Bill Reinsch? Thank you. (Applause.)

Well, thank you. Thank you, John. It’s a pleasure to be back doing this again. It’s a pleasure to be doing it live. I think the last two were remote, as I recall. And it’s good to see them adding chairs here in the back. This is good. We have a very large online audience as well.

And to do the one housekeeping detail, if you have questions there will be time later for questions. If you are here in the audience, we have a mic you can line up behind, and we’ll do that later. If you are online, you have apparently a QR code that you can scan, not that anybody’s going to go up and try to scan that one. But you can scan that one and submit questions that way, or you can simply I think probably click on something on the invitation and send us your questions online. And I will do my best to read them from the screen in the house, in which we’re using the biggest font that is available. (Laughter.) This is a high-tech operation.

Anyway, as John said, this is kind of – I wouldn’t say we’re necessarily at a turning point. We’re going to be talking about whether we’re at a turning point. We certainly have an administration that has articulated a trade policy that’s a bit different from those that have gone before, at least conceptually. Although, some of the things they’re doing are not that different from some of the things that have gone before. And we can tease that out a little bit.

But the world is in the middle of a lot of changes – COVID, which had an enormously disruptive effect on supply chains that we’re still living with. The war in Ukraine, which also had an effect on supply chains, particularly in Europe, and has caused people to kind of rethink globalization and talk a lot more about global fragmentation. Both in the digital world of the internet but also just of production and generally. And trade in goods and services. We are at a point where, you know, this quote of Lenin, you know, was talking about the new economic policy as two steps forward, one step backward. And I guess the question that we’ll be talking about, are we in the one step backward, or are we in the two steps forward, or either way where do we go next?
And as Dr. Hamre said, we have experts here who’ve lived through this. And I think you know from past – the past version of this event, they always have thoughtful wise words to say. Senator Portman, unfortunately, is missing. And I’ll also say the sad part is another person is missing too. And that’s Bill Brock, who never missed one of these, and passed away last year. And I know we all miss him. And I’m sorry that that happened. But the event lives on and these people are just as wise as he was. And I’m looking forward to the conversation.

Before I turn it over to them, because all I have to do is ask questions, one of the things that Senator Portman said, before he – (laughs) – before his schedule changed and he got on the plane – was he really was sad to miss it. And he wanted to show you all a short video telling you how sorry he was that he missed it. So we’re going to do that first, and then we’ll go to the conversation. So if we could play the video, that would be cool.

(A video presentation begins.)

Senator Rob Portman (R-OH)

Good afternoon, everybody. And greetings to my fellow former trade reps. I’m really sorry I can’t be with you all in person today. I’m in the air to Latin America. But I want to thank Bill Reinsch and CSIS for being kind enough to allow me to join you all for a few minutes by video. This is one of my favorite events of the year. I always learn something very valuable from this group.

We’re having this conversation at a time of uncertainty about the future of trade. The World Trade Organization recently reported that it expects world trade to actually increase only 1 percent over the next year. That’s down from the 3.4 percent the WTO had previously expected. The reasons for this are varied – the lingering effects of COVID-19, certain, high energy prices, the effect on the economy generally of inflation, the war in Europe, just to name a few. Efforts by many countries to reshore manufacturing contribute too, as nations intentionally become less reliant on others for certain critical goods. Congress took a step in that direction, actually, when it passed the CHIPS and Science Act at the end of the summer.

Many of these efforts were motivated by real concerns that trade, particularly with China, have hollowed out America’s industrial base, making it difficult to compete. I share these concerns and have proposed legislation, the Level the Playing Field Act 2.0, to beef up our trade-remedy laws in order to challenge the new ways that countries engage in anti-free-market practices. But it also has to be about fairness.

I’m also concerned that sometimes this debate causes us to lose sight of the benefits of trade. Trade is a valuable tool in our competitive arsenal. We
must continue to deploy this tool in service of American workers, manufacturers, farmers, service providers.

Nowhere is this more important than in the WTO’s broken negotiating mandate. The consensus requirement has empowered countries to act as spoilers, defeating the high-ambition efforts to liberalize trade. We’ve all seen this. Combined with the frozen Appellate Body, I’m worried that our multilateral trading system is at great risk.

I supported blocking appellate-body appointments to drive reforms, and I believe that we should consider what specific reforms can be achieved to correct past abuses by the Appellate Body. This is why I proposed a bipartisan resolution on the WTO to signal the Senate’s interest, at least, in backing a reform that ultimately recharges the WTO to face these new trade challenges.

Building off the aspirational language from the resolution, I’ve also proposed the Trading System Preservation Act, a bipartisan bill with Senator Chris Coons. This is a timely proposal. I believe each one of you, at one time or another, have expressed favor for this general concept, allowing new negotiating authority for sector-specific plurilateral agreements without most-favored-nation requirements.

The idea is very simple. The United States should continue liberalizing agreements with those countries with similarly high ambition in sectors such as environmental goods, digital, services and medical countermeasures as an example. And the benefits of these agreements should flow to its members. Drawing on the Government Procurement Agreement as a guide, I think we can bypass spoilers and their vetoes to actually get deals done with our allies, while moving supply chains away from our adversaries.

This is one of the best pro-trade proposals we can pass right now, in my view. And the more we can talk about it, the more likely we can get it done. So if you agree with me, let’s all talk about it more.

The same, by the way, goes for a trade agreement with the United Kingdom. The U.K.’s negotiating agreements with countries, and we should not keep them in the back of the queue. They’re one of our best allies, of course, and we should restart the talks that are probably four fifths of the way there; came very far in the last administration.

I’ve also introduced the Special Relationship Act with, again, Senator Chris Coons, a bipartisan bill, to give TPA for a U.K. agreement. At a time when both of our economies are struggling with high inflation, getting a free-trade
agreement done just makes a lot of sense for both countries. And having TPA would be incredibly helpful right now, even if it’s that narrow.

I was disappointed there was not a trade title to the CHIPS and Science Act, but I’m ready to negotiate a grand bargain on trade with my colleagues in this lame-duck session of Congress we’re about to have after the election.

I may only have 81 days left in the Senate, three hours and 14 seconds. But who’s counting? But I’m planning on doing all I can during that time to ensure these policies are advanced in the lame-duck session when we get back.

I’ll have more free time in 2023, so I look forward to seeing more of each of you over the next year and beyond.

Thanks very much for letting me come on this morning via video, and I hope you have a great conference. Take care.

Mr. Reinsch: Well, that was a long agenda. And let’s turn to our live people at this time. And let’s start with picking up where I kind of left off. For each of you, what’s different now than it was when you were in charge? And are we headed for the more fragmented, compartmentalized world that some people are afraid of, or are we not?

Carla, you’re senior. Do you want to go first?

Carla Hills: (Laughs.) You’re asking what was different then. Well, I think that our politics, not only here at home but globally, has become much more polarized. And it’s too bad. We need more of Bill constantly talking about the merits of trade. And when you think about the fact that we have 300,000 exporters, 98 percent are small and medium-size businesses, and then we want to be worker-centric, there ought to be a connection there and we ought to be thinking about the benefits that flow and create opportunities here at home. Which is not to say that we don’t have to do things to help the lowest quintile move up as the technology changes the economy, but let’s not turn off the faucet of growth, and exchange of ideas, and the things that have made us prosperous. Let’s try to deal with the problem that we have and make the prescription fit much better than we have in the past.

Mr. Reinsch: Who wants to be next?

Susan Schwab: What she said. (Laughter.)

No, I mean we were more optimistic. We were more upbeat about what we could accomplish and then what it would accomplish. We were right on some things; less right on others.
So on the bilateral free trade agreement side, on some of the plurilaterals, we made a lot of progress. We totally ran aground at the WTO on the Doha Round. So some of that optimistic was well placed. Some of it was misplaced.

And today you look around and you see just a lot more partisanship and a lot more skepticism sort of across the board – some of which one could argue is well-founded, a lot of which I think is ill-founded, and we can talk about that later.

Mr. Reinsch: So, Ron and Mike, you did this more recently then these two, and maybe the change isn’t as big for you.

Ronald Kirk: Well, the thing I love about being here – and one, I came to celebrate a friend who’s been such a great champion and leader for all of us, so I have to start with saying that. And I thought about this knowing there’s always so much comedy among us.

I mean, to me, right or wrong, it is in the sense – if I can take off where you said, Carla – sort of the fracturing of the traditional coalition we relied on, presuming we wanted to get something – and I want to be careful. I’m not pointing fingers, but traditionally, we knew we could count on 70, 75 percent of Republican votes, you know, coupled with the 30, 40 Democrats who could vote, and during the last administration for the first time, at least in a while, trade became less well thought of among the Republican Party, even though I think behind scenes people get it.

But in the sense that I think Senator Portman – and you both had mentioned we need to talk about it more – that we haven’t created an environment right now that American politicians feel there’s a lot to be gained by going out and talking about trade. The good thing I think when you peel away that curtain, we know intuitively that we cannot decouple from the world. That’s not in our interest.

So, when you ask, are we one step back, two steps forward? I’m always hopeful. I was the guy always sitting, you know, sort of at the side. I wasn’t the pretty boy like Mike, you know, hoping somebody would be left for me to dance with. So I’m going to – I’m going to always hope that when this ends we’re going to find a way to restore that coalition reengagement.

It is going to be different, and it’s going to have to be articulated in a way that the American people feel speaks to their values, including this worker-centric trade policy – whatever that is. (Laughs.) Whatever that is.

Mr. Reinsch: Well, we’re getting to that.
Michael Froman: Well, maybe I'll jump in there. And first of all, you're going to find this is a very boring conversation because we agree completely with each other, and so –

Mr. Reinsch: I'm working on that, too. (Laughter.)

Amb. Froman: We're going to work on that, too. (Laughter.)

But look, I think – I agree with what Carla said about the deteriorating politics both here and around the world; also with Ron, as you said, the traditional coalitions fraying. But I think we have to look underneath that.

And I wish we could wish away politics, but we can't. And I think one thing we've all learned over the course of the last few decades is there are groups of people who feel alienated and left out by the system, that the system is not serving them right. Those are legitimate concerns they have, and they may attribute that to immigration. They may attribute that to trade agreements.

But whatever they attribute it to, there's a real issue that domestically we have not spent as much attention from a policy point of view, Congress and executives, Republican and Democrat, figuring out how to address those issues effectively, and they're hard issues in terms of helping people who feel like the widening income inequality, the difference in impact of a global economic developments are leaving them behind. And that's something, I think, if we ever hope to get back to a coalition that can support a more proactive trade agenda we're going to have to address that, and that's a lot of our domestic colleagues in the Cabinet. It's a lot of our colleagues in Congress who had a hard time legislating in this area, and I think we just have to focus a lot there.

By the way, the thing about two steps forward and one step back, at least it's forward movement. So I'm an optimist there. I'd be happy with two steps forward one step back at the moment. I'm not sure we're exactly there.

But I'm hopeful that as we – we may – there may be a lot of questions about what worker-centric trade policy is. But whatever you want to label it, we have to address the concerns of people who feel left behind by the system and we've not done that effectively.

Mr. Reinsch: Well, that gets right into what you had alluded to a couple of minutes ago, which is the trade policy for the workers.

And so what does it mean? Anybody have a clue?
Amb. Kirk: Well, I would argue, Mike, and we started this discussion a little bit when we worked together during the Obama administration and I remember doing a panel like this and didn’t know that Alan Greenspan was going to be invited to interrogate us and I was scared to death, and I remember him looking at me saying, you know, when did trade become about worker rights instead of business and I said, well, when our unemployment hit 12 percent.

And the reality is I don’t know that it’s much a change in philosophy as that we have not done a good job of articulating how the benefits of trade – what we do, what we sell, how we engage around the world – flow through average families at home.

And you remember we worked with other groups to get businesses – you know, big employers like Boeing to make sure their suppliers knew. You know, all of these flags on planes aren’t just for bragging rights, you know, because we’re selling planes. That’s how you keep your job, and I think we have to rebut the accepted proposition among most Americans right now that we’ve come out on the short end of trade.

They know we get cheaper clothes and cheaper electronics but they believe the jobs have gone elsewhere and I think, to me, worker centric is just being much more focused, much plainer about making sure these workers know how you’re going to create the jobs that you’re worried about for your kids is, largely, dependent on our being able to sell what we grow, what we make, what we create, to all these emerging markets, and if we do that this can be a great opportunity for us to engage with the world and create the jobs that Americans are so anxious about.

Mr. Reinsch: Anybody?

Amb. Hills: Well, I would agree with Ron, as I usually do. I don’t think having worker centric be a policy of trade is sufficient. I think we need to move forward on our trade policy and understand that the economy is changing.

We’ll be doing more than making clothes and shoes and so forth, and as the economy changes we have to have our population up to using and improving the economy. So there’s nothing wrong with the base. We need the trade base. I am a great and fervent believer in the World Trade Organization.

But what I say is it needs to be upgraded just like a house occasionally needs to be repainted, and things need to be made clearer. There is a clear path of what we should do, for example, on the WTO. We could support the reform of the dispute settlement mechanism. The Walker principles from the ambassador of New Zealand spell it out beautifully, and Jennifer Hillman is – was on the panel and agrees and thinks that’s a step that we could take. And we could describe that but it might be a little bit too much in the detail.
But we need the WTO, which doesn’t mean that regional agreements aren’t good. But it means that we have a global economy and we need rules of the road for the global economy, and often having a good regional agreement provides a path forward because people say, oh, I want that, too. I would like to have good intellectual property protections. I would like to have services covered, too.

And so that makes me a big fan of the Trans-Pacific Partnership. Get us into it, Bill. (Laughter.)

Mr. Reinsch: Well – (laughter) – we’ve recommended that, to no avail. Either of you? I want to push you a little bit, all of you.

Amb. Schwab: I’m waiting for Mike.

Mr. Reinsch: Well, before he goes, I want to push you a little bit on the trade policy for the workers thing. And we’re going to come back to the WTO. But –

Amb. Froman: I think when I was there, and I don’t want to speak for the others but I imagine they’d say something similar, we always thought we were pursuing a trade policy for workers, and farmers, and ranchers. And everything that we did was based on that notion that 95 percent of the world’s consumers live outside the United States, and that export-related jobs pay more than non-export related jobs. So that if we could open – we were already a very open market, generally. So that if we could open other markets disproportionately and export more, we would be helping and supporting workers in this country.

Having said that, I think, again, it’s not enough to be able to say, as the economists do, that trade is good. Trade is good, in the aggregate, over time. But it does – the benefits of trade are not equally shared. And they’re not equally shared at the same time. So that folks that are displaced by the competition need support – education, training beyond TAA. Trade adjustment assistance, as we know, is a – is a small measure in the right direction but is a very small measure. We need to have domestic policies that really look for how to support workers from different stages of life succeed in a global economy. And we’ve never really been able to address that. Until I do, I think there’s not going to be that kind of support.

On the WTO, all I’d say is I completely agree with Carla’s view on the – on the dispute settlement mechanism. We should fix that. I’m a little less optimistic about the WTO having a strong future ahead of it in terms of a negotiating forum. And I think, to her point, open plurilateral, where coalitions of the willing, coalitions of the ambitious, get together, negotiate good agreements,
and then open them up to others who want to live by the same high standards, may be a better and more productive way of at least furthering the trade liberalization agenda, among those who are willing to take those high standards on board.

Amb. Schwab: I’d like to come back to the WTO. I just got back from Geneva two weeks ago. And actually, my –

Amb. Froman: Is it fixed?

Amb. Schwab: It’s not fixed, but I was a lot – I come back a lot more optimistic than I got there. Once I got over my PTSD from 2008. (Laughter.) But I want to go to the quote, “worker-centric” trade policy, because everything you described is a worker policy, is a labor policy. It’s not a trade policy. And the implication that the solution to the very real issues you are describing require trade policy, those are not trade policies. Those are education policies. Those are – let me finish –

Amb. Froman: Are we about to disagree?

Amb. Schwab: Of course, we are. But if less than 10 percent of your workforce represented by organized labor is at the top of your Maslow’s hierarchy of what you listen to, you’re going to come up with a trade policy that doesn’t necessarily take care of workers, that doesn’t necessarily take care of farmers, ranchers. Doesn’t necessarily take care of consumers – God forbid we should even think about consumers. And so you need to have a balance. And I hope – you know, we may get into the juxtaposition of national security policy and trade policy, which is a whole nother set of issues.

But if you really do care about workers, you need to be thinking about both supporting those whose jobs are impacted and careers are likely to be impacted by imports, but also those who should, in an affirmative way, be impacted by exports. That includes market liberalizing trade agreements. And even the Trump administration, who some might argue was protectionist, got it about trade agreements and trade liberalizing agreements.

Mr. Reinsch: But that’s – you know, let me – let’s go –

Amb. Schwab: The U.K. –

Mr. Reinsch: Go ahead.

Amb. Schwab: The U.K., Japan –

Amb. Kirk: (Laughter.)
Amb. Schwab: Oh, come on. We got to get this interesting here. (Laughter.)

Amb. Froman: But I think, on your point – and this is something that has cut across multiple administrations – the trading system is a powerful tool. And market access is a powerful tool. And so using it, for example, to raise labor standards in other countries, I think, is very much part of a worker-centric –

Amb. Schwab: And we’ve been doing it.

Amb. Froman: And we’ve been doing it in varying degrees, and USMCA being the most recent example during the Trump administration – absolutely right – with some new labor enforcement mechanisms to help raise the standards in Mexico and level the playing field I think is a positive and most recent step forward in that regard. But I think there’s a little bit of sequencing because – look, we all represented an agency whose goal was fundamentally about opening other markets, also enforcing our trade rights.

Amb. Schwab: And leveling the playing field.

Amb. Froman: That’s right. But I think bringing the rest of the government along so that you’re not opening those markets in isolation but you’re doing it in the context of a robust, domestic

Amb. Schwab: Of course.

Amb. Froman: And that hasn’t really been the case.

Amb. Schwab: I agree with that.

Amb. Froman: And just to your point: You’re right, 10 percent is a relatively small portion of the American workforce that is unionized, but the people who feel resentful about the global trading system is broader than that.

Amb. Schwab: Is that USTR’s job?

Amb. Froman: It’s the job of any administration.

Amb. Schwab: I agree with that.

Amb. Kirk: It’s part of our job now – I mean, it’s not the principal part but you can’t – we can’t be out here in the field by ourselves just saying trade is good while –

Amb. Schwab: But you were doing it when you were USTR. I was doing it when I was USTR.
Amb. Kirk: Right, but I mean – but you asked, was it our job? I think we elevated it more, and I remember specifically making a strategy after my first year in office to visit as many cities that felt like they were aggrieved by trade as I did foreign countries. So I went to Detroit. I went to Maine. I went to – I just went and let them bang on me. And I wish I’d kept it – and The Wall Street Journal wrote this scathing editorial, called me America’s do-nothing trade ambassador, that I needed to be out negotiating deals, and my argument was if we can’t make people in Detroit and Maine and those communities feel a part of it, that’s why we can’t get anything done. It wasn’t our ability to finish Colombia and Cuba; it was the dissent here. But yeah, the jobs become more complicated, but I don’t get hung up on the labels, whether it’s worker-centric or trade – I mean, USMCA is TPP pulled out so Trump could say he did something because it had disastrous, horrendous decision to withdraw from the Trans-Pacific Partnership and so they papered it over and called it USMCA. Fine. Other, you know, trade promotion authority is fast-tracked. Somebody else will call it something else. Call it whatever we want; let’s just get the damn ball moving so that we can go forward and re-engage.

Amb. Froman: Let’s go back and –

Amb. Hills: That takes us to the WTO conversation.

Mr. Reinsch: No, not quite yet. I’m not finished with you yet. (Laughter.) Let’s go back to something that Mike said about – and it’s an important point; it’s well taken – which was that when you all were doing this, you thought you were pursuing a trade policy for the workers. I remember you say – every time Lori Wallach said you were not, you would give a speech explaining why you were. But now we have an administration that says no, you weren’t, you know, that our past trade policy did not do that and it was a failure from the standpoint of the workers, and we need to do it differently. And what different seems to mean is to not look at market access but to look at rules and labor enforcement elsewhere – presumably we don’t need that here; I guess that’s the underlying assumption – sustainability, and sort of a regulatory approach. And I guess the question is, is that enough?

Amb. Hills: How do you bring other countries along?

Mr. Reinsch: Well, I’m asking you. (Laughter.) I mean, is that – the answer is that that’s not enough to bring other countries; is that –

Amb. Schwab: I think you need to be doing these things as part of broader packages, so there’s a reason why USTR is in the executive office of the president. I mean, as you know, until 1962 USTR was part of the State Department, and the Congress said, wait a minute, there’s too much of a foreign policy overlay in
trade agreements being negotiated by this group over in the State Department. We want them to be thinking about labor. We want them to be thinking about manufacturing. We want them to take all of these other issues – agriculture – into account so let's stick it into the executive office of the president, against the will of the president, as you know.

Amb. Hills: Well, trade is just one policy, and then we need – we have an educational policy; we have a labor policy. And when Bush Sr. was president, we would get together – the five Cabinet officers – for breakfast every Tuesday and we would talk to Treasury, Commerce, Labor, and Agriculture and just say: What are you running up against? What are the problems? And we would try to address that.

And I think your point is very well taken to try to create advisory groups that bring in diverse points of view and listen to what they say, and so that you can hear that there is resentment or there is applause. It does make a difference. And working with governors, with mayors, with rotary clubs, going out and making a speech about what it is that they're interested in, that makes a difference. But you have to have a cohesive policy.

And I do think that having plurilateral agreements set an example. And one example that I will never forget was the fact that the Uruguay Round collapsed in Europe in '91. It was done. If we think trade is bad now, that was a time of real sadness. When we negotiated the North American Free Trade Agreement, we started in June of '91. We completed it in August of '92. Bush senior signed it in December, and the three presidents – Clinton led it through our Congress.

But the way we got it done was to talk to these various groups. And interestingly enough, when it took effect in '94, within four months the then 123 members of the World Trade – well, it wasn't the World Trade Organization – the General Agreements on Tariffs and Trade came back to the table, and they picked off all of the things that the NAFTA had set forward, like intellectual property, services, covering of agriculture mainly, and so forth, and created a dispute-settlement mechanism that they called the WTO.

And so a plurilateral agreement can be kind of the little shiny house on the hill that shows the way forward. But we've got a lot of work to do, and I think we have to be more conscious of talking at the local level of why trade matters. I don't think you can just do it in Washington.

Amb. Kirk: Bill, I know you're to get us there, but it seems like the audience is like we're talking about everything. And I'm glad Senator Portman mentioned. Look, we were all doing our best to get to this place. But the last 24 months have
been pretty remarkable. COVID was a shock to our collective conscience of how close we are as a world, to our health, to the trading system.

And we are having this conversation – I wish we were having it three weeks from now, because then we could be looking back on the general assembly in China and at least making a more informed view. But, I mean, the world, Congress, the American public, having thrown away any notion that we are in a period of collective sort of engagement with China. And I think to ignore those two big elephants and the impact on how it’s changing the discussion about trade, to me would seem to be not terribly productive.

So we weren’t perfect, but we were moving in the right direction. Those were two pretty big shocks to the system. So I would just throw out that I think we’ve got to look again at Ukraine, but particularly – I mean, there’s clear – President Xi has said we’ve gone as far as we’re going. Not only are we not going any further; we want to go back.

That has changed very much a lot of people’s thoughts about trade. And even though I don’t like the articulation of it, that could be the opportunity, because America likes a common bogeyman. And it seems to me the only thing you can get 535 votes for in this Congress if you were to say China is bad and let’s go get them. They’ll all go yeah.

So, you know, one of the ways that maybe we articulate a worker-centric, market-opening, you know, trade policy is to do it in the spirit of constraining, competing with, containing China.

Amb. Hills: Competing. You run faster if you’re in a race with people that are following you pretty closely. You play a better tennis game if you have a good person on the other side of the net. So let’s compete. Let’s not be so accusatory.

Mr. Reinsch: Since several of you – let’s turn to the WTO since we’re already halfway there and since several of you have brought that up. Let’s take kind of a closer look at that for a few minutes.

I guess a couple questions, maybe, for Susan. You said you came back with a little more optimism than you left. Tell us about that. What made you more optimistic?

Amb. Schwab: Well, first of all, you’ve got Ngozi Okonjo-Iweala, who is this force of nature who kicks ass and takes names, which is just such a refreshing change, and the WTO members are kind of – you’ll be amused by this – they’re sort of conflicted, right. This is a member-led organization, we do it, and you can’t have a DG tell you what to do. And then there’s the, please lead us. You know, we’ve got to get something done. And she’s incredibly talented.
And MC12 looks sort of small and paltry in certain ways, but when you get to Geneva you discover that they’re all really excited that they got something done finally, and MC12 is sort of the built-in agenda for MC13 and they’re all talking about it and there seems to be an increasing number of voices in Geneva, it seems to me – now, being optimistic about WTO it’s all relative. OK.

But there’s an increasing number of voices saying, well, we’ve had enough of these theological debates with India and South Africa, and, in particular, India stopping everything. Let’s just do it. Let’s just start negotiating plurilaterals and let’s try to get higher ambition deals and if somebody tries to stop us then maybe then we can have a conversation about whether they’re MFN or non-MFN.

Let’s go to the next step on some of the things – you know, fisheries and some of the other issues that were – that were addressed. And you go back, take a look at – take a look at one of the few things that came out of the Doha Round, which was trade facilitation – which, arguably, was the most valuable thing that could have come out of the Doha Round of all the things that were in the Doha Round to begin with.

So there’s this sense of let’s just start the ball rolling forward and then you can have conversations about confidence building and – now, I go back a very long way in this business, but you don’t actually have to have a formula to negotiate trade agreements and market access. You could do request offered.

Were any of you – none of you have done request offer before. You do a request offer, like, I’ll put this on the table if you put that on the table and I want this and you want that, and all of a sudden you feel like you’ve gotten something, whereas we spent how many years in the Doha Round negotiating about negotiations and what the shape of the table was going to be like.

So there’s some interesting thinking and that includes, you know, even on the dispute settlement mechanism. So I was sort of pleasantly surprised, and that includes the U.S. delegation. I think the Indians have kind of worn out their welcome or are wearing out their welcome, and there are a lot of emerging economies in developing countries that are going, wait a minute. I’m not sure these guys are really talking on my behalf anymore. It was sort of interesting.

Mr. Reinsch: Do the rest of you all agree that plurilaterals is the way to go?

Amb. Hills: I think it’s a step forward. You set an example and if – particularly if major economies adopt plurilateral rules others will at least study it. I would be – I
was very disappointed that we did not rejoin the Trans-Pacific Partnership because I think that we would have given more muscle to that agreement – the size of our economy – and it could have been built on.

I also think it would reverberate and others would have wanted to come in, and that’s one way to get to the general broad agreements is you keep adding people to it and it sets an example.

Amb. Schwab: Let’s say that’s not going to happen. Let’s just get the – let’s get a digital trade agreement done and let’s stop worrying about this absolute nonsense about this moratorium on digital commerce, and you start – you could start negotiating it in the WTO, parallel to the WTO. If you can’t get it done in the WTO, you take it outside the WTO. I mean, there are a whole lot of – just get it – just start moving in that direction –

Amb. Hills: Plurilaterals with the WTO.

Amb. Schwab: – and you get coalitions of the willing. It doesn’t have to be all the same countries.


Amb. Froman: I think that is – probably jumping to some of those questions at the bottom of your list, Bill. (Laughter.) But, you know, that is a little bit of what the Indo-Pacific Economic Partnership is doing, right? It’s taking digital, and taking a group of 13 countries, and seeing whether they can build on, what was in TPP, what’s in CPTPP, what’s in USMCA, what some of the countries in the region have done, between Singapore and New Zealand, and Japan, and South Korea, and begin to build up a critical mass of countries that are willing to uphold high standards for what is, arguably, the most important set of new issues for the economy looking forward, and what’s likely to be an increasingly important part of the economy going forward.

Mr. Reinsch: Does that mean that MFN is dead? And does it matter, if it is?

Amb. Kirk: I like the way Susan articulated. I think we’re beyond being slaves to language and those concepts. It means – I mean, I violently agree with Susan that you get a coalition of the willing. And then at that point, you can say: Now we can talk about what MFN means. But we’re not – we’re not going to be constrained by these three or four countries that always stand in the way of doing anything. So.

Amb. Schwab: Let me give you for example. Let me give you for example. And I’m just sort of off the top of my head. We all, all of us, at some point in terms – maybe Carla, but certainly the other three of us – environmental goods agreement, OK?
Amb. Hills: Oh, yeah.

Amb. Schwab: It is a no-brainer that we should by now have had an agreement to eliminate tariffs on products and services that facilitate the elimination of emissions, reduce emissions, eliminate the, what, carbon spewing into the atmosphere, right? And that has been held up by primarily China. There was an agreement on 54 products. You guys could have closed it, but for bicycles, as I understand.


Amb. Schwab: OK. Now, I’m sorry –

Amb. Froman: The Europeans –

Amb. Schwab: Yeah, but I’m sorry. If everybody else is willing to agree and bicycles suddenly comes in at the last moment as the 55th product, who is spiking the ball, right? So at that point – and is India going to be part of it? I don’t know if India’s going to be part of it. Then you have a conversation at that point. If everybody else is willing to do the 54 – go to zero on the 54 products, isn’t the world a better place? And then you can decide, are you going to go to zero on the 54 products for products coming in from China? Maybe not. And then maybe China will decide they want to be a part of that deal, even within bicycles.

Mr. Reinsch: We actually did a study of that, trying to figure out why it tanked and what to do about it. And it concluded –

Amb. Schwab: That was very weedy, I apologize.

Mr. Reinsch: No, but it’s interesting, partly – I think the reason why it tanked is more complicated than – I think China was the proximate cause, but there’s other issues. But more interesting to us was why hasn’t it restarted and why haven’t the Americans tried to restart it? And the rumor seems to me that we haven’t

restared it because we think China will be the biggest beneficiary and we don’t want to support that.

Amb. Schwab: Climate will be the biggest beneficiary.

Mr. Reinsch: Well, yeah. (Laughter.) I’m not disagreeing with you. But, you know, the fact is, we have done nothing.

Amb. Schwab: We have done nothing.
Mr. Reinsch: I mean, nobody thought that –

Amb. Schwab: Lately.

Mr. Reinsch: Nobody thought that when Trump was president that it was going to go anywhere. So now we have a president for which climate – for whom climate is really important. It’s a priority.

Amb. Schwab: We don’t do market access.

Mr. Reinsch: There’s been –

Amb. Kirk: I don’t know that we know what we’re going to do until after the midterms. That may not be satisfactory to you, but I think everything changes after the midterms. And Mike heard it and I heard it the first two years – Then you get through the stuff. You pass – and every administration does it. They deal with their domestic priorities, and then we find an open lane, the votes to move forward. But I agree with your approach, that it’s time to put our cards on the table and tell them: We’re going to play. With or without you, we’re going to have a game.

Mr. Reinsch: It’s curious, because one of the incipient plurilaterals underway in Geneva is one on plastics – ocean plastics, which is a really big problem, particularly if you’re an island state and you see these giant things floating out there. But the U.S. is not part of that. We’re not participating.

Amb. Schwab: We're not.

Mr. Reinsch: No.

Amb. Schwab: I don’t know.

Mr. Reinsch: I don’t know.

Amb. Schwab: Do you know anything about that?

Amb. Hills: Sorry. We’re not part of what?

Mr. Reinsch: I can get into the weeds as well as you can.

Amb. Schwab: The ocean plastics.

Mr. Reinsch: No.

Amb. Hills: I don’t know. Sorry.
Mr. Reinsch: So, well – no, let’s – well, let’s finish off the WTO by getting back to something that I think that Carla alluded to. I think it seems like we’re not ready to dispense with it, but see the plurilateral route as one that’s very promising. That gets us then into sort of institutional reform. And the Appellate Body came up. Is this something that we should – what should we do about the Appellate Body? It’s functionally gone. Does it matter if it’s gone? Should we just have panels?

Ambassador Lighthizer really argued for just going with the panels and stopping there. I think his complaints about the Appellate Body were very similar to the Obama administration’s complaints about the Appellate Body and the Bush administration’s complaints about the Appellate Body. So it’s not like this is just something that came up recently. So what do we do about it? Or do we just let nature take its course, which probably means nothing will happen for a long time? Carla?

Amb. Hills: We need leadership. We need to have a plan and a strategy. I think a slogan is not a strategy for trade. Trade has to work with all the other policies. We’ve mentioned the environment and labor and health and a host of other things. But there’s no question that if we can get a good agreement with a group of willing and likeminded nations and prosperity is absolutely obvious by reason of the agreement, you’re going to get a lot of others that want to sign aboard.

And I think that the United States, because of the size of its economy, has an obligation to take a leadership role and to try to make things happen. And I worry that we’re falling a bit behind. And so that is a disappointment. But I’m not going to be pessimistic about it. Look at all the people out here who know about what we need to do to advance our economy. And we cannot, with 5 percent of the world’s population producing over 15 percent of its output, simply say we’re going to put a wall around our country. It’s not possible. And we could be much stronger, even if we were to start with making the USMCA a stronger agreement.

You know, I can remember that Bush senior wanted to have free trade from the tip of Alaska down to the tip of Argentina. Well, we haven’t been setting that kind of example. And were we to do that and to spread out, I think it would make a huge difference. And I think it is doable.

Amb. Kirk: Bill, I don’t know as much, but I liked what you articulated earlier when you referenced the Clark plan back on the Appellate Body. One, I think we need it, I mean, because without us having put a fine line on it, I think what you’ve heard is agreement that we’re much more likely to have a plurilateral path
than a global agreement out of the WTO. And within that, I think dispute resolution becomes incredibly important.

So, one, I hope we’re not headed to a dissolution of that. And it sounds like, Carla, what you referenced earlier –

Amb. Hills: I agree with that.

Amb. Kirk: – the Clark plan may be the best way to go forward. And even though, much as Ambassador Schwab says, the WTO chafes at anybody telling them what to do but then says lead us, the fact that it’s coming from New Zealand, Australia, could be the force that at least gets it going rather than it being seen as them capitulating to the complaints of the U.S. and others. So I hope there’s a path forward in that.

Amb. Schwab: U.S. –

Amb. Hills: On the dispute settlement, though, I would say there’s no question that if the United States were to remove the block on condition that they do a number of things – limit the terms that have been spelled out – I think that you would get that dispute settlement back. And I agree with you, you have the World Trade Organization having rules that are not quite as sophisticated as some plurilateral. But if the plurilateral flourishes, believe me, people will either want to bring those rules into the WTO or they’ll want to join the plurilateral and it’ll be much larger.

Amb. Schwab: So one of the things I observed in Geneva was there are conversations going on on dispute settlement. The U.S. is very much engaged. And it’s one of those areas where they’re trying to get away from this, again, theological dialogue about WTO reform, and they’re trying to see whether they can get some things done.

But I suspect all of us would agree that if the U.S. walked into the general counsel today with a piece of paper that says this is what we want, even if it was the things you’re describing, it would be laughed out of the room. There is no way it would happen because the U.S. walked in with it.

So having – you know, USTR is sort of involved when these conversations sort of ground-up. It’s not just Appellate Body, and it may never be Appellate Body. And I am very sympathetic to the complaints about the Appellate Body, I have to say.

Amb. Hills: Well, I would say we wouldn’t walk in the room alone. We’d walk in with likeminded nations that believed as we did, and I think that you could cause
that to be an attractive option. But we haven’t been doing much walking lately.

Amb. Schwab: But the point is, there are conversations going on now. I think we all agree you have to have enforcement –


Amb. Schwab: You have to have an effective enforcement mechanism otherwise your trade agreements don’t count for spit, so.


Mr. Reinsch: Michael?

Amb. Froman: Rules can’t go back to the way it was before, and it’s lost so much credibility –

Amb. Schwab: That’s right. That’s right.

Amb. Froman: – in terms of how long it took to get a resolution – the fact that by the time you’ve won a case the industry you were defending has already gone out of business. You know, we can’t go back there. And so, whether it’s the U.S. demands or other demands that might be different, it’s got to be seen and be in reality an effective mechanism for quickly getting resolution of these issues. Otherwise, there’s not going to be the support there.

And Susan and I, we do this dog-and-pony show a lot at various conferences. We always disagree on this point, but I’m much less of an institutionalist, and I think we’ve spent a lot of time talking about the WTO as an institution.

If the political consensus was there as to what we wanted out of the multilateral trading system – and maybe that’s a dispute settlement mechanism, maybe it’s an Appellate Body – we would get there. And it’s not about the institution, it’s about the political consensus in capitals.

And that’s where that leadership, as Carla says, has to come from with the key trading partners being willing to expend political capital if they think this is important, and they’ve got the consensus behind them.

Mr. Reinsch: OK. Let’s turn now to the elephant in the room, China. I’d like to talk about trade, OK, and we don’t have to talk about the whole panoply of difficult issues we have with China.

What should we do about China? And is the administration doing the right thing? Who wants to be brave?
Amb. Hills: Well, I think we probably have a variety of views here on China. If you limit it to just to trade, it – there are other factors that will creep in. But there’s no question that we could sit down with China.

I had hoped that we would gradually remove the tariffs, mutually. The tariffs that were imposed in the last administration for the most part are still in existence, and we ought to be able to do step by step dealing with the areas where we need to deal with China.

You know, the administration came in saying they wanted to be competitive. They wanted to have a cooperative, and then there would be the problems. Well, let’s consult. In the past, we have worked with China, and I think that there’s an opportunity there to take small steps, each of us, that will tend to reduce the friction and make a difference.

Mr. Reinsch: You all agree with that?

Amb. Schwab: Do you agree? No. (Laughs.)

Amb. Froman: Look, I think the bulk of the problem on resolving the U.S.-China trade relationship, I hate to say it, lies with China, and we’re all waiting to see coming out of this party congress – maybe we’ve put too much emphasis on this party congress – what is the direction that they’re going to take, both in terms of personnel – are there reformers in the system? What role do they play going forward – and in terms of policy.

So far in the first few days of the party congress we haven’t see any significant indication that they’re moving back towards market reforms, but that’s ultimately what we need them to do if we’re going to be able to resolve a number of these issues.

I do think – yeah, I think there’s some debate over whether the tariffs that are in place create leverage for us or not. I’m not sure that they do if China’s already adjusted to the impact of the tariffs by moving factories to other countries or otherwise.

But I think the question is, leverage for what? We need to be able – it’s great to have leverage. And as negotiators, we all loved those few moments in our life when we had leverage over others. (Laughter.) But that leverage is only useful if you’re actually having a conversation with the other side and have a pretty clear and distinct list of what your demands are. And I think we’re still working towards that. Right now, there are no conversations going on. And the latest, at least from the press, is that the Chinese may be moving back from the perceived agreement to have a meeting between President Xi
and President Biden next month. So without any real conversation going on, it’s hard to see, one, how we put those issues on the table and, two, how we use that leverage.

Amb. Hills: I really agree with that. And we ought to find some win-win situations. We’re not going to change China’s political regime. But we do business with Vietnam, and we’re good trade partners. If we could just begin to have win-win, as you say, step-by-step progress on areas where it would make a difference and benefit both sides, it would be a big plus.

Mr. Reinsch: Well, why don’t we then turn to another part of Asia. Mike, you mentioned the IPEF earlier as sort of a plan B, with TPP being plan A. What do you all think about it? Is it the right approach? Is it the right initiative? What are its chances?

Amb. Schwab: It’s something. (Laughter.) No, it’s –

Mr. Reinsch: There’s an endorsement.

Amb. Schwab: I mean, ask me in a year or two years. I mean, it’s forward movement. The good news is it’s forward movement. And it’s – there’s a trade component to it. Digital – we talked about digital trade. That would be terrific. There’s some countries – I mean, we’ll see. If all the countries opt out of the difficult stuff, or you end up with lowest common denominator deals, you haven’t gotten very far. But I think our trading partners who are involved in this are pleased to see the U.S. is taking an initiative, the jury’s out. Because there’s a limit to how much we’re going to be able to do to make it meaningful. So, you know, I’m a little skeptical, but it’s the Missouri show me state kind of thing.

Mr. Reinsch: That’s right. You used to work for somebody from Missouri.

Amb. Kirk: You hear me earlier –

Amb. Schwab: Indeed, eight years with Jack Danforth –

Amb. Kirk: I’m still struggling to get over the fact that we created this incredible opportunity with TPP and walked away from it. But in the spirit of what Mike and Susan said, look, we’re in a practical world. And it’s the vehicle now by which we can engage. And I’m still hopeful that once we get past the midterms that will create more time for Ambassador Tai to be more robust. But I agree with Sue. Our allies just want to know we’re engaged. And then that will go forward and do the work and see. We can’t let the perfect be the enemy of the good, because we’ve got to be engaged.
But I do want to go back to the discussion on China. And, Mike, thank you. I mean, we’ve got to be sober. And, you know, I was thinking about this coming up. We have to be sober and opportunistic, because however poorly you think we collectively engage China versus Trump, what we know is President Xi has very radically changed the nature of this conversation. And so I don’t think it’s in our best interest to keep sitting here saying, oh, well, we’ll look for when’s that. We’ve got to be ready to compete. We’ve got to be ready to engage. And obviously if there’s opportunities, we can find common solutions, tag those. But I think we’ve got to be very sober about the fact we’re entering an engagement with a very different China.

Amb. Schwab: No, I agree entirely. We can’t be negotiating with ourselves. And it really is a response to a China that does not appear to have any interest at this point in –

Amb. Hills: It’s hugely useful if we would have regular high-level meetings and working groups by each side to address –

Amb. Schwab: So tell the – tell that to the Chinese.

Amb. Kirk: I think it would be useful if we had a political party that didn’t say our elections were stolen, but that’s –

Amb. Hills: We have had so few meetings with the Chinese it is shocking, since it is the big challenge on the horizon. At least we should be talking. And to have regular high-level meetings would make a difference, in my view. And if you decided that you wanted to move in a certain course – I mentioned mutual reduction of tariffs that were put on by the last administration, and then the reaction was to have retaliatory tariffs. OK, let’s talk about that. Maybe we have a little panel of five on each side with economic and political background, and we can decide which ones first, how fast. And I think it would make a difference.

Amb. Schwab: Can I add something, though? Which is –

Mr. Reinsch: Yes, then I want to move onto Europe.

Amb. Schwab: Which is what we have – well, this is sort of where I’m going. Which is we’ve left out a very important component of a China strategy, which is we have to do a better job of working with our allies. And that includes not just trade policy, but it does include trade policy. And you can’t be conducting a trade policy that systematically alienates all your other trading partners and think that’s going to make them warm and fuzzy about your China policy.

Mr. Reinsch: Mike.
Amb. Froman: So, just before we leave the Asia-Pacific – (laughter) – I’m in the – distinctly in the glass half full caucus on the IPEF. And I think it certainly relates to what we were just discussing with regard to China as well. It’s not TPP. It’s not CPTPP. But I think it creates a real opportunity, as Carla and Ron said, for the U.S. to be at the table, to be back at the table, to reengage.

And while much has been made of the fact that tariffs are not on the table, I’d remind people that over half the countries that were in TPP already have free trade agreements with the United States. They were not getting any additional market access to the United States through TPP. And yet they were still willing to sit with us and negotiate high standards around labor, and environment, intellectual property, and investment, and any number of other – digital economy issues – any number of other new areas, because it was important for them to have a partner like the U.S., a partner in the U.S., in the region, to serve as a counter-balance to what else was going on in the region. And that remains even more the case today.

So I’m optimistic about it. And when we look at the issues that really affect the economy, of course, we all are – you know, learned our bread and butter around tariff reductions. But you look at the fact that 80 percent of our economy is services, 80 percent of our employees. Our services are our largest export area of surplus, that the digital economy – all those issues that we look ahead to – it’s not that tariffs are unimportant, but compared to standards and rules and nontariff barriers, those are far more important to the future competitiveness of our economy.

Amb. Hills: And far more difficult.

Amb. Froman: And far more difficult. (Laughter.) Which is why it’s – as we’ve all talked about, it’s great to start –

Amb. Hills: Better getting a few little wins.

Amb. Froman: – with a plurilateral agreement among a coalition of similarly situated countries, and then build out from there. And I think IPEF has the potential, it’s got to be fleshed out obviously, but it has the potential to be just that.

Mr. Reinsch: Well, on the glass half-full category, I just remember what Dilbert says. You know, the optimist says the glass if half full. The pessimist says it’s half empty. The engineer says the glass is the wrong size. (Laughter.) So –

Amb. Kirk: My thought is to just add another drop of water. (Laughter.) Problem solved.
Mr. Reinsch: Susan had a good segue, which is to Europe, as one of many allies we look to. But we have a very long history with Europe of frustrated bilateral relationships in terms of trying to solve individual problems. My favorite – my personal favorite is chickens, but we don’t need to – we don’t need to do that today. (Laughter.) That’s a dead end. But what do you think about the trade situation with Europe right now? Is the TTC, the Trade and Technology Council, going to be – is it going to be a better shot at dealing with some of these issues? What should the administration be doing on Europe that it’s not doing?

Amb. Kirk: I’m going to let you go first.

Amb. Hills: I didn’t get his question, really.

Amb. Froman: Well, on Europe, I’ll say, look, I think the Trade and Technology Council is a good place to start. Again, it’s sort of a pragmatic way of taking issues and trying to knock them down one after the other. We certainly learned during the Obama administration, the aspirations that Europe initially articulated for TTIP were something they were not prepared to do actually and mobilize political support for. And they quickly collapsed under the pressure of criticism. So I don’t think a big trade agreement with Europe is likely anytime in the near future.

But in the meantime, these same sets of issues – digital economy issues, data flows – difficult issues, as Carla says, but really important to the future of both of our economies. I think there’s a lot that we can do to sit down together and try and resolve those. And position us – when you think about IPEF in Asia, and doing something with Europe on these issues, you begin to assemble a global coalition that, to Carla’s point, can really become a magnet for others who want to be part of a competitive digital economy. That’s where the innovation’s going to come from, from those countries that we are now in that dialogue with. And so if others want to be part of that innovation economy, they’ll want to join as well.

Amb. Hills: I agree. I think that we ought to be working on the technology issues with Europe. And not only would it be a magnet, but they are the largest or one of the largest groups that we have to deal with. And we don’t have rules in this area. So it sets a good example.

Amb. Schwab: Wouldn’t it be nice if we set a template on a bilateral with the U.K.? (Laughter.)

Amb. Froman: Right after they join TPP.
Amb. Hills: Everything helps but, you know, it’s kind of sad to see the U.K. has cut bonds with all. Scotland is thinking of leaving and, you know, when I was in college I spent a semester in England and then it was the United Kingdom with tentacles around the world, and today it’s a sad – I worry about the future for the – Britain.

Mr. Reinsch: Well, I was – the last time we did this someone complained that I had shorted the rest of the world in talking about China and Asia and Europe. So let me ask a question about the developing world, which we had not always talked about in these sessions.

Right now it looks like our main programs for developing countries are primarily GSP, which has expired, and AGOA, which has several more years before it expires.

Is that enough? What else should we be doing with the developing world? Anybody want to take this one on?

Amb. Kirk: I don’t – look, I don’t think it’s enough. I think the development world would welcome that next evolution of engagement. But, again, it’s got to come into the context of us doing a better job of explaining to the American public that – I used to love to go before the Fair Trade Caucus in my own party and they would beat up on me how much they hated the trade agreements.

And I said, but you all vote for AGOA and you all vote for GSA because you think it’s a good thing. But now that they’re mature enough to have a trade agreement, like Colombia and Panama, then you want to say no. That makes no sense. This is the next evolution of it. But we have to do it.

But, look, a lot of it is just bandwidth. I mean, it’s what all you can get done. Africa – you know, my experience is many of these countries, like many of our partners in southeast Asia, would welcome more engagement from the U.S. so their only option in dealing with the very overbearing China. But it’s going to – it’s just our appetite for how much we can bite off at one time.

Amb. Schwab: I think it’s incomprehensible that we’ve let GSP expire again. But GSP is a – because of the way it’s set up and it keeps expiring it fails to do what you really need it to do for emerging economies, not even mentioning the fact that it excludes a whole lot of things.

But, I mean, what trade agreements do is creates the certainty and the stability that enable investment to take place, and so if you look – look at, for example, the U.S.-Morocco free trade agreement. It hasn’t particularly increased U.S.-Morocco trade but it’s done a lot to increase Morocco-European trade and foreign direct investment in Morocco, not necessarily by
U.S. companies, and Moroccan investment rather than capital flight in Morocco.

And so a lot of countries want to do these trade agreements because they want to self-impose some of these rules – you know, the rule of law and the stability – on their own economies and the emerging markets – emerging economies and developing economies want to do that.

The challenge comes – I mean, AGOA is a good example and, perhaps, South Africa is the best example of how things can go wrong where you’ve got South Africa benefiting from AGOA and benefiting from the EU version of AGOA, and then being right hand in glove with India at the WTO taking hostage every trade agreement, every trade initiative, that others at the WTO would like to go through because they can hide behind their free market access to the U.S. and the EU because of our, you know, policies for – you know, our AGOA policies.

So, you know, in Africa – an AGOA that does not include South Africa might make more sense, quite frankly, than an AGOA that includes South Africa because it has – does collateral damage.

Amb. Kirk: Well, one challenge – and I'm going to really complicate your stewardship of this – (laughs) – whether you intended or – you were talking about the benefits of GSP and if we could do it longer in civility. You know, our – and I know we're talking trade. Part of our problem is we have a fractured government at home, and if we aren't willing to deal – I mean, we can't do trade outside of the context of having a Congress that won't do things that make sense, and we've got to fix our politics. If we could do that, look, we can – we know the answers to all of these things. But our politics are broken. So we do –

Mr. Reinsch: That's actually –

Amb. Kirk: – things like GSP expire. We have an attack on the Export-Import Bank just because – so we –

Amb. Schwab: If you’re looking – I agree with you, but if you’re looking for an inexpensive, cost-effective way of projecting power, of making friends and influencing people around the world, it’s through trade. I mean –

Amb. Kirk: I don't disagree with you but –

Amb. Schwab: It costs you a fraction of what a F-35 would cost you.
Amb. Kirk: I don’t disagree with you at all. I’m just – my frustration is we are at a moment in our politics –

Amb. Schwab: Sorry, Lockheed Martin.

Amb. Kirk: – that we can’t agree, you know, whether an election’s fair or not or whether Joe Biden’s president or not or whether what we all saw on January 6th was a bad thing or not. And that’s a dangerous place for us to be and we’ve got to fix our politics and get back – much like China, we’ve got to get back to a world where we have two parties that are willing to sit down and debate these issues, the big, tough ones, but also these easy ones like that.

Amb. Hills: And we should remember that we are not perfect on the trade regime. You know, last year Bangladesh paid us more in tariffs than France did on trade that was much, much higher. Why? We still have huge tariffs on soy, rice, sugar, a whole host of things that poorer countries create or rely upon. And so I think that renewing GSP, the general system for helping poor countries, is a step in the right direction. But if we didn’t have such political splits, as Ron has so ably spelled out, we wouldn’t have the problems of renewal that make it an uncertain program.

Mr. Reinsch: Well, let’s segue to an institutional question. But first, to the audience: We’re getting to the point where it’s time for your questions, so start thinking of them. If you’re online and haven’t already sent a question in and you want to, now is the time.

But let’s go back and spend just a minute on Congress because you reflect widely different administrations with different majorities at the time. When Carla was USTR the other party had a majority I think the entire time, I believe. Maybe only part of the time when you were USTR and the other party had a majority in the Congress. And I think all of the rest of you functioned with switching back and forth. So how is Congress different now on trade issues than it was when you were USTR? Is there a sufficiently high level of expertise there? Do we need to have information sessions for our members of Congress? You probably don’t want to answer that but – (laughter) – maybe stick to, how is it different now than then?

Amb. Hills: I think, as has been pointed out, the politics has changed. You know, I served in two Republican administrations and in both experiences we had a Democratic House and a Democratic Senate, but they had lunch together; they went on retreats together; they talked regularly together. Lee Hamilton carpooled Gerald Ford’s kids to school. You know, it doesn’t happen today. We have – some don’t even know each other. And they have lunch – the Republican table and the Democratic table. That didn’t used to be that way; it used to be a table of Republicans, Democrats, union leaders; business
leaders were invited. And I remember Danny Rostenkowski had offsite retreats where all of those that I’ve mentioned were invited and we could hear what their problems were and what they thought their political flexibility – because some of this is politics. And that doesn’t happen anymore.

Amb. Schwab: Although trade policy has been bipartisan for many, many years, since the ‘50s, and was sort of one of the last things to become partisan, and arguably has become bipartisan again but not necessarily where we would like to see it.

But if you take a look at the last votes on major trade agreements, USMCA was a very bipartisan vote. And the free-trade agreements that went through when you all were in office were very bipartisan. I think the committees are – I worry more about Senate Finance Committee, but that may be because I was more familiar with the Senate Finance Committee just in terms of focus and partisanship.

Losing Rob Portman is going to be, you know, a problem. And you are losing some expertise and some folks who really are deeply in the weeds on this. But that doesn’t mean that you aren’t going to have other members who decide, hey, this is going to be my issue, and maybe in a good way; good by my definition rather than somebody else’s definition.

Amb. Hills: When I think about, though, the NAFTA, I give credit to President Clinton, who got it through our Congress. It wasn’t all that popular. There was a lot of resentment on the agricultural side and a variety of other agreements. And he had Bill Frenzel, a Republican, and me, a former USTR, over to the East Room to talk to a group about this size about why they should care about the NAFTA. And he got it through.

It wouldn’t happen today. So I think partisanship – we’ve become more polarized, and that worries me.

Mr. Reinsch: Mike.

Amb. Froman: Yeah, I think – I always found that in private, members of Congress were actually quite thoughtful and pretty well educated on trade. They didn’t always have that flexibility to express that when they left the private room and went into a hearing and used it for other purposes.

But I think the one argument that really cuts across in a positive way – bipartisan – is the strategic argument for trade. And wherever people fall on labor or environment or market access, the one thing they all get is that trade is a key component of our national-security positioning in the world
and our capacity to demonstrate leadership and to engage allies. Not everything can be about military, not everything can be about alliances, but that there’s an important economic element to these relationships. And I always found that those arguments, you know, wherever they disagreed on any particular issue, those were the arguments that ultimately got them over the line.

Amb. Schwab: I think that’s absolutely correct. And the other thing I would add is – and all of us, I’m sure, have explained to our foreign counterparts that we spent as much time negotiating with our domestic constituencies as we did with them when we were in office.

Spending time on the Hill with members of Congress and congressional staff on both sides of the aisle, no matter what party you’re in, is time well spent. No matter how much you may enjoy it or not enjoy it, it comes with the territory and it’s critically important. And any administration who doesn’t do it is at their peril.

Mr. Reinsch: OK, let’s go to some audience questions. If you have a question and you’re here alive, there’s a microphone over there. And we’ll start with a question from online. That didn’t come out very well.

With the benefit of hindsight, would any of the – we’re scrolling here, so – and we’ve lost the rest of it. Jaffat (Laughter.) Would any of you have done anything – oh, there we go – have done anything differently while drafting trade deals?

Amb. Froman: Absolutely.

Mr. Reinsch: Absolutely. You want to elaborate on that one?

Amb. Froman: Several thousand things, I think – (laughter) – done differently. I mean, I think it’s not so much in the drafting, but I think the balance between focusing on what’s in the trade agreement and how the trade agreement is being sold and understood on the outside, I would have struck differently. At the end of the day, I think we got an agreement, in many cases, that solved a lot of particular issues and that various constituents were willing to either support enthusiastically or acquiesce in. But if you don’t pay enough attention to how it’s being explained and received on the outside, then I think it doesn’t matter what’s in the agreement.

Mr. Reinsch: OK. Let’s go to the next one.

Do you think Biden should involve Congress and other agencies more when it comes to trade negotiations? I think we already said that, didn’t we, or didn’t you?

Mr. Reinsch: All right. That was easy.

Step up to the microphone if you’ve got a question and please tell us who you are and ask a question.

Q: Good afternoon, Bill Reinsch. Thank you, and thanks to CSIS for this very interesting conversation. Thank you, Ambassadors.

I’m Michelangelo Margherita. I’m from the European Union. I am here in Washington.

We haven’t heard a word today about subsidies, and I think it’s very important because, first of all, it looks like we’re moving more and more towards a competition on industrial policy – a competitive industrial policy in the years to come – for reasons that we can all very well understand. But it is going to create quite a number of issues.

And the other reason is also relating to your conversation about plurilaterals. What can we do on that aspect of subsidies in a plurilateral? Because we know that this is one of the reasons why the WTO has been in such dire straits is the fact that some uncompetitive behaviors are actually affecting the entire structure.

So how can we move ahead on disciplines on those particular elements, which are very important? Thank you.

Amb. Hills: Well, your first question was about plurilateral agreements, how do we move forward?


Amb. Schwab: No, it’s subsidies.

Amb. Hills: Oh.

Amb. Schwab: The first question was on industrial –

Amb. Hills: Yeah.

Amb. Schwab: We’re all industrial policy activists now. (Laughter.)
Amb. Hills: Well, we are moving in toward more industrial policy. Susan’s right about that. And – but we have a little history of giving monies from the government. But in the past they’ve been given to research organizations, universities, and that kind of thing, which helped build up our scientific wherewithal and it’s – to give it directly if you produce something in North America with North American products, I think it does not set the kind of example that we have set in the past. So that’s a – I don’t know whether you agree with that.

Amb. Schwab: Right. I think –

Amb. Hills: Subsidies have – we have rules and one of the areas that we have greatest differences with is China on its subsidies because the state-owned enterprises get free land, free taxes, and a host of other things and we say, well, that’s not fair to compete with someone that’s out in the private sector moving without those subsidies, and under the World Trade Organization we have rules governing that.

That doesn’t prevent governments from giving money to a university to do research to find out why a disease comes from a certain source.

Amb. Schwab: If I could build on that.

I was and have been very surprised, and unhappily so, that the trilateral conversation that was going on on steel between the U.S., Japan, and the EU, which would be the most obvious place to reach a deal on industrial policy and subsidies and come up with definitions of disciplines, why that has not been realized – you know, why that has not come together because it would seem to me that if you can come up with definitions there and you go to – you’re looking at trade-distorting impacts, I mean, because that’s really what you’re talking about is trade distorting impacts, and you take a look at what has happened with China and Chinese steel production and dumping around the world and the impact that it’s had on, really, everybody else’s steel production, that would seem to be a no brainer and I don’t – I’m not close enough to it. But I don’t understand why that has not come together.

And in the past I’ve been told that, you know, the EU has its own state-owned enterprises and that’s been part of the challenge here. But, again, if we look at, you know, what are the common elements even as we move into more industrial policy in response to China or our worker-centric whatever we’re doing, how much of it is trade distorting? And is there a way of containing the trade-distorting component? And then, on the other side, monitoring and enforcing WTO rules.
Mr. Reinsch: OK. We’ve got one more online here. Rather than debating, fighting over the details of issues like EVs and digital trade policy with our European trading partners, shouldn’t we be recognizing the dangers inherent in the current era of great-power competition, and be sure that we are jointly supporting resilient supply chains and democratic values? Is the answer a yes? (Laughter.)

Amb. Froman: But I’m not sure where that leaves you. That Europeans should just drop their objections and we should just move on, right? (Laughter.)

Amb. Hills: Yeah, we can just be buy America everything and – yeah, there’s a problem – there’s a problem with the question.

Mr. Reinsch: I think we’re about out of time. (Laughter.) Let me ask you one more. Oh, there’s someone here all right. We’ll have a live person question, and then I’ve got one more.

Amb. Kirk: You’ll get us in trouble because when you go, OK, one more question. (Laughter)

Mr. Reinsch: I saw there was one about Trump, and that disappeared. So I don’t know what we’re going to do about that.

Amb. Froman: Maybe live in the audience.

Mr. Reinsch: Go ahead.

Q: Hi. Thank you for being here. My name is Irene. I’m an intern at CSIS and a student at SAIS.

You spoke earlier about a worker-centric approach. And in economic classes they always teach us about the diffuse benefits and concentrated costs of trade. I’m wondering if there’s a sort of hidden and sad reality that certain aspects of the manufacturing sector just cannot be compensated for, and that workers just cannot be effectively retrained into the service sector or higher technology industries. And if we’ve seen evidence, you mentioned TAA with very mixed reviews and limited effectiveness. Do you think that’s the case, or do you think we just haven’t had the right policies to targets specifically the manufacturing sector?

Amb. Schwab: That’s a really good question.

Amb. Kirk: Look, I think Ambassador Froman’s colloquy on that earlier – I mean, sort of answered that more honestly. Neither party wants to make that admission, that there are some industries that aren’t going to come back. So, you know, Mike, I think, was in a more polite way trying to make the point: We have a
service-based economy. That’s where 80 percent of our jobs are. But we still live in a world where U.S. presidential elections come down to the industrial Midwest, Mideast, you know, Michigan, Pennsylvania, all that. So everybody’s got to do, we’re going to bring back the jobs, we’re going to bring back the factories. And we say that.

And we don't want to just honestly say: We've got to move people into a different way of thinking, of education and training. That's what I think Ambassador Froman was talking about, a more global policy. Not just – not just trade, but in terms of education, labor, and training. And that’s the challenge that we have. How do we prepare workers for a very different workforce? Because the one thing that frustrates all of our administrations, there are millions of jobs out here that are open that Americans aren’t equipped for. So we have to more honestly have that conversation, think about how we prepare people for those opportunities. And I think that’s – I think that’s broader than just the trade.

Amb. Hills: Yeah. I couldn’t agree more. And you see that in negotiations in Congress. I mean, if we were negotiating together, and I’m fervently for free trade and you say, oh, no, it’s really going to hurt a segment of my electorate. And I’d say, well – what are you looking for? And you say, well, I’m looking for more education. And then we could try to get a program. And you could put that together and make it a more attractive package. That’s what was the benefit, in my view, of when we every Tuesday had a meeting with five Cabinet officers who had different approaches and different priorities, but you could try to make your priority more attractive by listening and thinking about how to make their priority more realistic.

Amb. Froman: I’ve got to defend my honor against Ron’s comments. (Laughter.) In that I’m not prepared to give up in American manufacturing. I just think that American manufacturing is changing. And 49 of workers in the manufacturing sector are actually performing services jobs. And increasingly, those services jobs are digital-related services jobs. And we need to be better-positioned as a country. It goes to your question. I think the answer – my answer is we haven’t figured out or pursued the policies we need to pursue. I remember during the Obama administration Secretary Pritzker, the secretary of commerce, and Secretary Perez of Labor looked at all of our training programs, our worker – and there were dozens of worker-training programs across the government of really questionable effectiveness.

And how to bring – and I think other countries actually do this a little bit better than we do in terms of having demand-driven worker-training programs where people know where the jobs are needed, what they need to do to get those jobs. We look beyond just four-year university education as a
necessary criteria. We look at skills-based hiring, which is the direction that the private sector is largely going in now. There's just a lot better we could do here to link the demand of the market with workers, with worker retraining, and create that kind of confidence that, as we're buffeted by economics ups and downs and while we're competing in a global economy, that the worker can not only survive but thrive. And that, to me, is a worker-centric policy.

Mr. Reinsch: And if you have any doubts about the change in manufacturing that Mike talked about, go to The Washington Post this morning and read David Lynch's frontpage article about exactly that in Ohio and how the nature of—simply the nature of making things is very different now than it was 20 years ago.

Amb. Schwab: Or go look at a chart on agricultural production, agricultural employment, and output in the United States. In 1790, 90 percent of the U.S. workforce was on the farm. Today, it's less than 2 percent. And nobody would argue about our competiveness in agriculture. We're clearly competitive in agriculture, but we're also highly productive in agriculture.

Mr. Reinsch: OK. We're over time, so I'm going to ask you each one sentence, is all you get. You're meeting with the president, President Biden in this case—traditional question—so you've got, you know, one minute to tell Biden something. What would you say? We'll start at this end and go that way.

Amb. Schwab: Start at that end.

Mr. Reinsch: All right, we'll start at that—(laughter)—we'll start at that end and go this way. Ron, what one sentence would you tell him?

Amb. Kirk: He can accomplish everything he wants to do with lifting up workers, rebuilding our economy, and confronting China if he would find a way to reengage with the Trans-Pacific Partnership. But I'll take his new approach.

Mr. Reinsch: Carla?

Amb. Hills: Well, I would certainly encourage our rejoining the Trans-Pacific Partnership, but I think that also having small working groups on specific issues to try to find a position of compromise would be a good thing. We do not have a great record for regularly meeting either those that we deem to be our adversaries of those that are our partners. It took us five years to bring back the high-level agreement that we had with Mexico. Five years we didn't meet to talk about some of the things that we could move forward on. I think that is a mistake.
Mr. Reinsch: Longest single sentence since James Joyce, but OK. (Laughter.)

Mike.

Amb. Froman: Very little good goes on in the world of trade without U.S. leadership. And U.S. leadership requires engaging in the international economic system as well.

Mr. Reinsch: Last word.

Amb. Schwab: If we’re back in an era of great-power politics, there is no more cost-effective means of U.S. projecting soft power, making friends, influencing people than international economic policy, including trade policy.

Mr. Reinsch: A fitting note to end on. Lots of words of wisdom. It was enlightening for me. I hope it was for you. Please thank our guests. (Applause.) And thank you all for coming.

(END)