

Center for Strategic and International Studies

TRANSCRIPT  
The Trade Guys Podcast

**“Deal or No Deal”**

RECORDING DATE  
**Tuesday, March 12, 2019**

SPEAKERS  
**Scott Miller**  
*Senior Adviser, Abshire-Inamori Leadership Academy*

**William Alan Reinsch**  
*Senior Adviser and Scholl Chair in International Business, CSIS*

HOST  
**H. Andrew Schwartz,**  
*Chief Communications Officer, CSIS*

*Transcript by Rev.com*

Scott Miller: I'm Scott.

Bill Reinsch: I'm Bill.

Scott Miller: We're the Trade Guys.

Bill Reinsch: We're the Trade Guys.

Andrew Schwartz: You're listening to the Trade Guys. A podcast produced by CSIS where we talk about trade in terms that everyone can understand. I'm H. Andrew Schwartz and I'm here with Scott Miller and Bill Reinsch, the CSIS Trade Guys. In this episode-

[Joe Scarborough via news clip]: News breaking over the weekend that President Xi now getting very concerned about the possibility of a summit in Florida.

Andrew Schwartz: Beijing is worried that the US-China deal is in jeopardy after seeing what happened at the Trump-Kim Summit in Hanoi. What will happen to the planned US-China meeting at Mar-a-Lago? Plus the trade deficit soared to a 10 year high. Is that good or bad for trade, and the USMCA is about to go out for congressional approval. Will it go through? And last but not least, India has become the President's latest trade target.

[Sakshi Batra via news clip]: U.S. President Donald Trump has announced plans to withdraw the tariff concessions available to India under the Generalized System of Preferences or GSP.

Andrew Schwartz: You will hear about all of that and much more on this episode of the Trade Guys.

Andrew Schwartz: Gentleman, it's not really same old, same old when it comes to China-U.S. trade deal because now it's not just the President who might walk, it might be Xi Jinping who might walk, right?

Bill Reinsch: Yes. Chinese made a move and hinted that he didn't want to show up unless everything had been settled in advance. Sounds like he was watching the Hanoi Summit and didn't want a situation where he was left holding the bag and the President walked out because the deal wasn't good enough.

Andrew Schwartz: Especially if the bag says Mar-a-Lago on it. Right? You don't want to be holding-

Scott Miller: It's a bad place to be sitting in the lobby waiting for your Uber after the deal falls apart. That's not a good look for any leader, let alone Xi Jinping.

Bill Reinsch: He probably doesn't come with his own car.

Scott Miller: You're right.

Bill Reinsch: He probably needs an Uber, but-

Andrew Schwartz: Is that the image? It would be Xi and President sitting down at Mar-a-Lago and the President could actually get up and walk and abandon the talks and the optics for China and for Xi Jinping, their fearless leader, would be not good.

Scott Miller: Well yeah but think about the logistics. The thing about the logistics of it, Trump lives there. How could he leave?

Andrew Schwartz: He can't leave. Doesn't need to leave.

Scott Miller: I guess he can go to the club house or something or do a round of golf.

Bill Reinsch: It's a little hard to imagine the entire Chinese-

Andrew Schwartz: But all he has to do is say, "Hey, we're done," and go give a little news conference ... He never gives a little news conference. He's widely available to talk for many, many hours I'm assuming, but you know he could very well do the same thing he did as part of his art of the deal with the North Koreans.

Bill Reinsch: There's an interesting twist to that though and I don't think we talk about this before, after the Hanoi Summit failed there was a lot of speculation about what did that mean for China and one school of thought was it meant that Trump demonstrated he can walk away and the Chinese therefore should pay attention and pony up some better offers because otherwise he is going to walk away.

Bill Reinsch: The other school of thought said no, the opposite, that having not made that deal, it makes it all the more important that he makes the next one.

Andrew Schwartz: He needs a win.

Bill Reinsch: He needs a win and Korea is not a win, so he needs the China win and Chinese better take the ... the lesson for the Chinese on that is he should hold fast because he's going to fold and make the deal, and now the answer was none of the above. The Chinese came back with their own interpretation which is we don't want to be in a situation where he walks out on us and we look bad.

Andrew Schwartz: Yeah, Scott, what do you think about all this?

Scott Miller: Well, there's still time to patch this all together. I mean all the drama has not played out here. In addition, there's a moving part today that is probably worth mentioning which is Ambassador Lighthizer is testifying before the Senate Finance Committee.

Andrew Schwartz: Right. Today is Tuesday. We're taping this Tuesday morning. He's up on the Hill as we speak.

Bill Reinsch: No. Well, they all went to lunch. They don't do all day hearings anymore.

Andrew Schwartz: Unless it's Michael Cohen's all-day hearing.

Bill Reinsch: This is true. Grassley graveled them to a close about 12:10.

Andrew Schwartz: Charles Grassley, the chairman of the committee.

Bill Reinsch: Yes and the very issue that Scott has started to talk about came up because he was ... Ambassador Lighthizer was pressed by, Lighthizer was pressed by several senators on, "When is this going to end?"

Scott Miller: Right.

Bill Reinsch: And "How far along are you?"

Andrew Schwartz: When is U.S.-China going to end?

Bill Reinsch: Yes. Well, a lot of other things. They wanted to know when they were going to end. They mostly wanted to know when the tariffs were going to come off, but when the deal was going to be done and several of them pressed him for details about what actually the deal was, and he offered to brief them in private, but did not want to do that in public which makes perfect sense. What he did say was that we're getting to the end game. We are well down the road. We are making progress and I think in the next few weeks, I think that was about as specific as he could get, we should be able to either have something that's good or something that is not good enough and the President will reject it.

Andrew Schwartz: But Scott Miller, isn't that same old, same old Lighthizer saying, "We're getting closer, we're getting closer."

Scott Miller: A few weeks is a pretty definitely period of time. That's within the window of President Xi's trip to Europe that he could tack on the visit to Mar-a-Lago so that all fits in the timetable and we're either getting close or we're not, so we will find that out and it looks to me like Ambassador Lighthizer at least has picked up a fair amount of support in both House and Senate to remain tough on this, to keep pushing and make sure American interests are delivered against.

Andrew Schwartz: But Lighthizer has been the guy who has been skeptical versus White House Economic Advisor, Larry Kudlow, who on Sunday said that he's bullish on the prospects of a US-China trade deal being finalized by April.

Bill Reinsch: Well, he's Mr. Happy. He's always bullish.

Scott Miller: He's also the guy ... He doesn't have to cut the deal.

Andrew Schwartz: Some people just think he's just trying to juice up the markets.

Bill Reinsch: Why, really? Why would anybody think that?

Andrew Schwartz: Well, your guess is as good as mine.

Scott Miller: It's Bob Lighthizer's job to actually get the deal done, so in this case, not to discount anything that Mr. Kudlow says, Ambassador Lighthizer seems to be the guy who would have the closest, the best estimate of what this is going to shape up to.

Bill Reinsch: He did emphasize today that they are not in agreement on the enforcement mechanisms.

Scott Miller: Yes.

Bill Reinsch: And the enforcement details and he emphasized that what the United States wants is a way in which they can unilaterally act if they decide that the Chinese have not complied, and it was pretty clear that the Chinese have not yet agreed to that. It doesn't sound like it's a closed issue in the sense that we've folded either. It's an open area of disagreement, but a really big one.

Andrew Schwartz: Back in the day, Larry Kudlow did a mean Gordon Gekko impression.

Bill Reinsch: Really?

Andrew Schwartz: I'm talking Wall Street here, the movie Wall Street?

Scott Miller: Yes.

Andrew Schwartz: The great, great movie Wall Street-

Scott Miller: Greed is good.

Andrew Schwartz: Greed is good. I mean he really embodied the Michael Douglas, Gordon Gekko character with the sweep back hair and cigarette and the suspenders and the-

Scott Miller: He was on CNBC in early days.

Andrew Schwartz: That's right.

Bill Reinsch: He looks a little bit like a gecko. He's not green, but he's got the-

Scott Miller: But not Gordon Gekko?

Bill Reinsch: No. That would be Michael Douglas.

Andrew Schwartz: Michael Douglas had a great look going in that movie. We all agree on that, right?

Scott Miller: No question about that.

Bill Reinsch: Yes.

Andrew Schwartz: Okay.

Scott Miller: Excellent movie.

Andrew Schwartz: Okay, but we digress. Why is Congress getting anxious? Does it have anything to do with the overall trade deficit? The fact that the U.S. trade deficit specifically with China has grown? I mean President Trump during his first two years in office, the trade deficit in goods with China set a new record.

Bill Reinsch: The senators that made the most forceful points said the uncertainty is killing my constituents and one senator, I think it was Senator Hassan from New Hampshire, but I'm not sure, went into some detail about being approached by constituents who have to make a decision about a major investment, like a \$50 million investment and they can't do that without knowing how some of these things are going to turn out.

Andrew Schwartz: Okay. Makes sense.

Bill Reinsch: She would talk about the cost of it.

Andrew Schwartz: Senators like certainty.

Bill Reinsch: There were senators from farm states, Senator Danes from Montana-

Scott Miller: Sure.

Bill Reinsch: Went into great detail about how the farmers and ranchers in Montana are suffering from the tariffs.

Scott Miller: Yeah, sure. They want to see a deal done to see the tariffs lifted. That's the same concern most members of congress have raised about USMCA. Let's settle the steel and aluminum first because it was the tariffs applied by Canada and Mexico on farm products that hurts so badly so let's get back to square one before we move forward. That's part of it. I don't think Congress is particularly concerned about the trade deficit nor should they be.

Andrew Schwartz: Okay. Explain that, why shouldn't they be. Let's just put this in perspective. The trade deficit soared to a 10 year high in 2018, despite having a strong

economy for 2018 as a whole, the deficit grew to \$621 billion, the highest since 2008, the Commerce Department reported and even when the service sector is excluded, the gap was even greater. It rises to \$891.3 billion.

Bill Reinsch: Which I think is a record for goods.

Scott Miller: Well yes, but let's step back from it. First of all, we often give the President credit as an excellent persuader and being able to communicate issues in very succinct manner. In the case of the trade deficit-

Andrew Schwartz: We being the general we, not specifically the Trade Guys-

Scott Miller: The we being the Trade Guys.

Andrew Schwartz: Oh, yeah no, okay, we right. He is a good persuader, yes.

Scott Miller: On this podcast, we've credited his persuasion skills.

Andrew Schwartz: Yeah.

Scott Miller: But he's chosen the wrong scoreboard when it comes to the trade deficit. With the trade deficit, it is actually ... Well, when you really get down to it and look at what's happening to our economy, it is the fact that there is a huge demand for capital that cannot be satisfied by domestic savings. That's the net of it.

Scott Miller: The national accounts have a current account and a capital account. What we really have is a capital account surplus because the American economy growing at 3% attracts more capital than our current domestic savings can provide. That capital comes from foreigners and is offset by the purchase of foreign goods and services which we call the current account. Now the current account and capital account are always in balance, but what we have in this case given the fast growth of the U.S. economy is we have an investment surplus, not a trade deficit, alright? Those by the way, it's just double entry bookkeeping.

Scott Miller: Now I will also say that the trade deficit doesn't have a lot to do with trade policy. It has more to do with savings rates, monetary policy, the value of the dollar, lots of big picture issue. If you look at say the 20 countries where the United States has a free trade agreement, so we have the levelist playing field in 20 countries and you look at the goods and trade balance, there's a slight surplus. There's a small deficit in goods and a slight surplus ... a slightly bigger surplus in services exports, services trade and so net, net we have a balanced trade with our best trading partners, but the overall trade deficit is large and has been for roughly 40 years, large and growing because for a lot of reasons, but mostly because Americans don't save enough to support the country's massive investment needs.

Scott Miller: The faster we grow the more the economy sucks in in terms of capital and we pay for that in terms ... in foreign purchases on the current account, so that's the real story and trade policy as I said, doesn't effect it that much, but the President unfortunately has chosen a measure and he talks about it a lot and it only leads to confusion.

Bill Reinsch: Since I'm not nearly as smart as Scott, I put it in much simpler terms.

Andrew Schwartz: Well, after that, I can honestly say I don't think anyone is, but yeah.

Bill Reinsch: Yes, but from a simple perspective, he delivered a massive dose of stimulus to the economy via the tax bill.

Scott Miller: Right.

Bill Reinsch: The economy is growing, I think it's slowing down, but last year, it grew faster than it had been growing before.

Scott Miller: And faster than our neighbors-

Bill Reinsch: Yes.

Scott Miller: ... which is the key point for the trade deficit.

Bill Reinsch: And the result was increased demand here. We bought more stuff. We bought more imports, they poured in, we have a deficit. And if you look at the last 15 years of trade data, the cure, if you want to practice it, is very simple. You want to reduce the trade deficit, have a recession, then demand.

Scott Miller: In fact, in 2008 the trade deficit dropped by 67%. No jobs were created. In fact, it was the deepest recession since the '30s.

Bill Reinsch: Yeah, this is not a good policy.

Scott Miller: Not good policy.

Bill Reinsch: Well, the Trade Guys are not recommending having a recession. But if you're only indicator of success is that number, then really, that's the only way to get it where you want it to go.

Scott Miller: Right.

Andrew Schwartz: So how should we look at this number?

Bill Reinsch: We shouldn't pay a lot of attention to it, I don't think.

Scott Miller: Well, look, there was an interesting pivot in the Sunday shows. Larry Kudlow, who you mentioned, the President's Economic Advisor-

Andrew Schwartz: AKA Gordon Gekko.

Scott Miller: AKA, Gordon Gekko, was asked about the growing trade deficit. And he completely finessed the answer and basically says, "Well, that's not that important."

Bill Reinsch: He got it right.

Scott Miller: He got it right. He got it right as an economist, that this isn't that important, that it really isn't about trade, and it's more important that the economy's growing. And we want reciprocal trade, but that's ... he sort of addressed it separately in his comments.

Bill Reinsch: And there was no ... most important, there was no tweet an hour later saying, "Larry got it completely wrong-

Andrew Schwartz: Yeah.

Bill Reinsch: ... and the deficit is still important."

Scott Miller: Yeah, so-

Bill Reinsch: So radio silence, from the White House.

Scott Miller: ... Mr. Kudlow had it right on Fox News Sunday, with Chris Wallace, and he did not get corrected or backed down in a Twitter timeline.

Andrew Schwartz: You know where there's a lot of stimulus? My sons continue to purchase Nike cleats at an alarming, alarming rate.

Bill Reinsch: And you let them do that?

Andrew Schwartz: You know, I'm not in charge-

Bill Reinsch: You're the dad.

Andrew Schwartz: Well, you know, I mean, I'm sort of a sucker for cleats purchases because I want them to grip the field, like I want them ... you know now that it's baseball season.

Bill Reinsch: Broken legs are not good.

Andrew Schwartz: Yeah, it's baseball season, my oldest is, he's starting his Senior year, my middle has decided to forego baseball and get out on the track, he's running track in order to get faster for football.

Scott Miller: Sure.

Andrew Schwartz: But the purchases of Nike are alarming.

Scott Miller: Well look, but now let's take that as an example, look at the box-

Andrew Schwartz: Yeah, this is why I wanted to bring it up.

Scott Miller: Look at the box, all right, and it will say Made in-

Andrew Schwartz: Made in-

Scott Miller: -someplace other than the United States.

Andrew Schwartz: Right.

Scott Miller: That is part of the goods trade deficit.

Andrew Schwartz: Right.

Scott Miller: However, Nike is an American company-

Andrew Schwartz: Right.

Scott Miller: -and the value added of Nike in the U.S. economy is largely Americans. Americans do the R&D, they do the design work of the product, they're responsible for the branding. Americans work in all the retail stores including the ones where your son buys the cleats.

Andrew Schwartz: Yep.

Scott Miller: And Nike supports some of the great entertainment venues like the National Basketball Association. And worldwide there's a lot of services, exports, that are in the form of royalties paid by foreign broadcasts of the NBA sponsored by Nike. So the thing is, I guess, yes, you can identify individual items that will factor into a goods trade deficit, but the whole economy is benefiting from all this activity and you don't want to look at just a little piece of it.

Andrew Schwartz: Got it. That makes a lot of sense. It also makes sense that my 12-year old's feet are still growing, and he's a basketball player, and like he just had to get these enormous shoes, which his feet are starting to get bigger than mine. It is-

Bill Reinsch: So what size feet, shoes are we talking about here?

Andrew Schwartz: Like I'm a nine and a half, and this kid is like, I believe his next purchase is going to be nine and a half, or ten.

Scott Miller: Well I was only a size 13 in seventh grade.

Andrew Schwartz: There you go.

Scott Miller: And I made it all the way to 15 as an adult.

Andrew Schwartz: There you go, there you go.

Scott Miller: So good luck finding shoes in that size.

Bill Reinsch: I've never been more than a nine and a half my entire life.

Andrew Schwartz: Me either, I'm a nine and a half/ten. I'm good.

Bill Reinsch: And I think I'm shrinking now.

Andrew Schwartz: Well, that's another matter.

Bill Reinsch: I'm also sadly getting shorter, I've discovered.

Andrew Schwartz: Is that right?

Bill Reinsch: Well, I learned this from my grandfather who began to get shorter as he aged, and I've discovered when I go in for my annual physical they do height.

Andrew Schwartz: Yeah.

Bill Reinsch: And weight which we won't talk about.

Andrew Schwartz: Not on this show we won't.

Bill Reinsch: But I'm about, probably an inch shorter than I was thirty years ago, which is complicated because I've told my children their entire lives that I am taller than they are.

Andrew Schwartz: Right.

Bill Reinsch: And they've until recently believed me I think. And now I can't prove it anymore.

Scott Miller: Just don't let your medical providers measure your nose or ears because they get larger as you age.

Bill Reinsch: Really?

Scott Miller: True.

Bill Reinsch: That's a depressing thought.

Andrew Schwartz: Well, you heard it first here on The Trade Guys. All right, speaking of getting larger, coming to conclusions, the President said that he will submit NAFTA's replacement to Congress, the USMCA, very shortly. What does that mean?

Scott Miller: I hope very shortly is a period of time that includes a chance to agree with the Congress on what's in the bill. Because I think any other path, submitting the legislation before complete agreement about what the Congress is prepared to advance is going to blow up in his face.

Andrew Schwartz: So there's a danger that he moved too fast.

Bill Reinsch: Yeah, it's one of my nightmares ... I've refined my thinking from the last time we talked about this. I still think it's going to happen. I still think we're going to get there, but I figured out that I think there are four ways that this can get derailed.

Bill Reinsch: One way is the Democrats overreach and demand too much which I'm sad to say has been known to happen with Democrats from time to time. The second way is that Ambassador Lighthizer ends up not being able to deliver enough, what they want. He will go back and try harder. He may not get what they want, that we want. The third trap is that the President makes this about him and not about the agreement, because that will force the Democrats to oppose it because it's about him. The best thing he can do is not do that. And the fourth thing which you eluded to, is that he either preemptively withdraws from old NAFTA, or he prematurely sends up the bill before all these little differences are worked out.

Bill Reinsch: So when he said soon, I hope this was, you know, he was thinking three or four months and not yet, soon.

Scott Miller: Well look, this may not happen in Manhattan real estate, but jamming the Congress really only has bad outcomes for anybody who tries it.

Andrew Schwartz: Sure.

Scott Miller: Okay, they protect their prerogatives jealously regardless of the substance.

Andrew Schwartz: Yeah, and they're well practiced at doing that.

Scott Miller: Oh, and frankly will get great support from their political base by doing so.

Andrew Schwartz: What does each side want before they support the agreement?

Bill Reinsch: Well, it's frag-

Scott Miller: It's complicated.

Bill Reinsch: It's fragmented. The good news is that the USTR team is up there selling it. Lighthizer is meeting this afternoon with the new Democrats in the House.

Andrew Schwartz: And let's remember Republican or Democrat, Ambassador Lighthizer is good on the Hill.

Bill Reinsch: He's well respected.

Scott Miller: Yes.

Bill Reinsch: There were a number of compliments today. Not everybody agrees with him, but-

Andrew Schwartz: But respected.

Bill Reinsch: Yes. He's going to meet with the new Democrats today. The new Democrats, the new Democrats in the past have been the core of House Democrat support for trade. There didn't use to be very many of them. The last time we had a trade bill there were ... I think were about 28 of them, and they voted for TPA at the time.

Bill Reinsch: In this Congress, thanks to the election, there's 101 of them. So, they are a much more significant force amongst the House Democratic Caucus.

Scott Miller: There was 28 House members in 2015.

Andrew Schwartz: That's amazing. So, it's really grown.

Scott Miller: So it's quite peopled.

Bill Reinsch: Now some of these may be ones that had an epiphany and joined even though they've been in the House before, but there's 101 of them now which makes them not only one of the bigger groups within the Democratic party, but the group that is most receptive, and most open to listening about why this is good. He's meeting with them this afternoon.

Bill Reinsch: Equally important I think, the Speaker, Nancy Pelosi, has asked him to come up and initiate a series of briefings on the agreement with the House Democratic Caucus. So, he's coming to the first one which I think is tomorrow or Thursday.

Scott Miller: Yes.

Bill Reinsch: And it sounds like then there will be subsequent ones. They'll probably break it into pieces and do subsequent ones on the various parts. That's important. It's important that she asked him because it indicates some willingness to have a process-

Andrew Schwartz: Right.

Bill Reinsch: -that could end up with an actual vote instead of

Scott Miller: It's also important that he said yes, because that indicates that at least from the USTR's point of view, they are not trying to jam the Congress. They're trying to cooperate. They're trying to find a way forward.

Bill Reinsch: Yes.

Andrew Schwartz: Well it certainly flies in the face of the notion that there can no longer be any bipartisanship in Washington.

Bill Reinsch: Yes, and it's a good sign. I think, you know, this is another case where the President may be his own worst enemy. I think Lighthizer knows how to get this through. He worked up there. He knows what needs to be done. He's paid an extraordinary amount of attention to the Democrats beginning with the Speaker, and they've been careful not to say irrevocably no. They have found fault which is what you always do when you're the opposition. They will have demands which you always have when you're in the opposition. But so far, nobody has drawn a line in the sand that's going to doom the thing.

Bill Reinsch: These are all good signs, and the fact that the dialogue is beginning is a good sign. In the short run what worries me is ... is the Speaker going to be able to control all the asks from all the various parts of her caucus, including the people who want it to go down and will come up with demands that cannot be met? And they don't want them to be met, they want them to be an excuse for the thing to fail.

Scott Miller: The way to look at a trade agreement is there are three negotiations. At the opening there's a negotiation about what the objectives of the action with the foreign party are. The second phase is when you actually negotiate, in this case, with Canada and Mexico. We're now in the third phase and the administration is negotiating with the Congress. When that negotiation is complete, the bill is ready to send, and not before.

Andrew Schwartz: All right, so we'll watch that. And then what happens once the bill is actually submitted?

Bill Reinsch: The clock starts to tick. The most important fact is that once it is formally submitted it cannot be amended, it cannot be changed, and it cannot be filibustered.

Andrew Schwartz: So it's an up or down vote.

Bill Reinsch: It's an up or down vote and in the Senate it's 51, no filibuster, so you don't need 60. In the House, it's a majority. There are no amendments, and the clock has maximum 90 days on it. Now those are days that Congress is in session, not days of the calendar.

Andrew Schwartz: So it's 90 days, 90 Congressional days for them to actually take the vote up.

Bill Reinsch: And it's divided up, it's not just-

Scott Miller: Right, it's-

Bill Reinsch: The Ways and Means Committee in the House gets 45. The House floor gets 15. Because it's a revenue bill it has to initiate in the House under the Constitution. Then the Senate Finance Committee has 15, and then the full Senate has 15. That's supposed to add up to 90. It doesn't take that long ever because there's nothing they can do, you know?

Scott Miller: Right.

Bill Reinsch: The negotiation happened before the bill was submitted.

Andrew Schwartz: So it should just be ready to roll.

Bill Reinsch: There can't be any amendments.

Scott Miller: Right, all the work is happening now.

Bill Reinsch: Yeah, so it should ... it may not sail through, but it won't take the full amount of time. You know, they'll have to have a hearing or two, the committee will vote on it-

Scott Miller: Right.

Bill Reinsch: -but then it goes to the House floor and it will be an up or down ... there'll be three or four hours of debate, maybe five or six hours of debate, and then there will be a vote.

Bill Reinsch: And so once it's submitted, unless Trump ruins it by truncating the informal negotiation process and just submitting what he wants now ... if he doesn't do that, I think it will be on track to a happy ending.

Scott Miller: Yeah, the last time we actually did this was in 2011, and in that case I think it was less than a week time elapsed from the time the bill was introduced to both chambers had approved it. And there was actually three agreements done within the space of a calendar week.

Bill Reinsch: And it was because of all the preliminary work that-

Scott Miller: Right.

Bill Reinsch: ... is going on behind the scenes, even while we're sitting here talking.

Andrew Schwartz: Who's doing the work? Is it staffers, is it members, or is it a combination of both?

Bill Reinsch: It's staff and USTR staff. C.J. Mahoney, who is the Deputy U.S. Trade Representative for that part of the world, I guess, is in charge. Frankly, most of the members want to talk to Ambassador Lighthizer.

Scott Miller: Right.

Andrew Schwartz: Yeah.

Bill Reinsch: It's what they, that's what they expect, and various people ask and promise to consult with them on whatever was on their mind. And his answer was consistently, I've been consulting, I'm happy to consult. He said at one point, there's not a day that goes by when I don't talk to at least four or five senators or members of Congress. I'm happy to come up and see you. And that's right. And, that's what he has to do.

Bill Reinsch: And the two committees, they believe, they own this process and they own the U.S. Trade Representative. That they created the job way back and he's their guy.

Scott Miller: They have all the oversight responsibilities, and ultimately they'll be involved in getting to 18 and 51.

Bill Reinsch: I mean the dirty little secret of the way this works in the Hill, is the way the process is structured, the Ways and Means Committee and the Finance Committee hold all the cards.

Bill Reinsch: And nobody else has very many at all, because in the informal process that we're talking about the House doesn't vote. The committees will consider them. And the committees will advise the USTR. And the committees will get together, the two of them will get together and decide hopefully on a common set of advice. But everybody else is out to lunch.

Andrew Schwartz: This is something we are gonna have to watch and hopefully they'll get it done.

Bill Reinsch: I should say other people can shove their way in if they've got a particular interest and that often happens-

Andrew Schwartz: Yeah, I was gonna.

Bill Reinsch: ... but it really is the committees that call the shots.

Andrew Schwartz: But other people are always gonna try to shove their way in it with last minute little things that-

Scott Miller: Oh yeah. Look if

Andrew Schwartz: ... interests.

Scott Miller: ... the vote is close, and you get a call from a constituent, and you know, and you get a call from a constituent and they need your vote, your constituent gets what they're asking for.

Andrew Schwartz: Right.

Bill Reinsch: Yeah, when I was at the National Foreign Trade Council, during that period when it looked like the Trans-Pacific Partnership might be voted on, one of the issues that we got deeply involved in because of our members, was a provision on tobacco. There's no need here to go into details, but basically there were probably depending upon how you counted there were probably 12 members of Congress who were deeply unhappy with the tobacco provision that was in TPP, deeply unhappy.

Bill Reinsch: And if you think about these things passing by three votes, if you have 12 members of Congress that are very unhappy-

Scott Miller: You might want to listen.

Bill Reinsch: ... you want to pay attention.

Andrew Schwartz: Right.

Bill Reinsch: And another point of view, is say well there's 535 of them cares about 12. And the answer is if it's gonna be 221 to 214, you need to listen to the 12 and that was the way we advanced that particular ball, of course, then it ended up not having a vote, so we never had to be tested.

Scott Miller: Yeah, the Central America Agreement passed by two votes in the House, and at that time Ambassador Portman's work on pockets and liners, which was a textile issue that never came in entire during the entire negotiations, nobody ever mentioned it as a problem, at the last minute it was a problem for members of the Georgia delegation, and Ambassador Portman-

Andrew Schwartz: Because they wanted to line their pockets?

Scott Miller: Well, it was about who made the lining for the pockets.

Andrew Schwartz: Got it.

Bill Reinsch: Which is not necessarily the same as who makes the suit.

Scott Miller: Yes.

Andrew Schwartz: Right.

Scott Miller: I mean, it's really, it's complicated, but you get that far down in the weeds and Ambassador Portman wanted to get it across the finish line. So we dealt with pockets and liners.

Bill Reinsch: There's been a major-

Scott Miller: Won by two.

Bill Reinsch: ... Over the years, there's been a major sock issue too, which is mostly Alabama as I recall.

Scott Miller: Right.

Bill Reinsch: One guy.

Andrew Schwartz: What's the major sock issue?

Scott Miller: Well, about 90% of socks sold in America are made in America. They're one of the few pieces of apparel that still has largely U.S. sourcing.

Andrew Schwartz: Yeah, see this is a perfect opportunity for the makers of great socks to sponsor the Trade Guys, right, like Mack Weldon or one of these companies that, right, I mean seriously.

Scott Miller: It could happen.

Andrew Schwartz: Yeah.

Bill Reinsch: Are we accepting sponsors

Scott Miller: It could happen.

Bill Reinsch: ... do we take sponsors?

Andrew Schwartz: Sure we take, especially if they give us good socks. I'm a sucker for good socks.

Scott Miller: We're trade guys, we'll find a way, come on.

Andrew Schwartz: Yeah, I'm a sucker for good socks, I'll wear their socks. Are you kidding me?

Bill Reinsch: Well, I think we should trade up, let's get some car company to sponsor. I mean, maybe we can get a Mercedes out of this.

Andrew Schwartz: Yep, there you go, Mercedes are made in America now, as are Audi, as are Toyota, as are we've learned on this podcast. Hat tip to the trade lady.

Scott Miller: Indeed.

Andrew Schwartz: Who was with Toyota.

Andrew Schwartz: Real quick before we go. Gotta ask you guys, India all of the sudden has become President Trump's latest trade target, why are we talking about India now?

Scott Miller: Well, look what created the opportunity to discuss India's trade practices was the renewal of the Generalized System of Preferences, which is an old, it's a piece of development economics more than anything else in 1974, part of the trade act of '74. We created this preference program for developing countries and to give them better access for exports to the U.S.

Scott Miller: And there is still about 120 countries or so who participate in the GSP. It's not a big part of our economy, it's about 1% of imports.

Andrew Schwartz: Explain with the GSP is.

Scott Miller: The Generalized System of Preferences. It grants developing countries tariff preferences.

Andrew Schwartz: Got it.

Bill Reinsch: Zero duty.

Scott Miller: Zero duties on goods that developed countries would, where the normal tariff, what we call the MFN tariff is more than zero.

Andrew Schwartz: MFN, most favored nation tariff.

Scott Miller: Right. But in order to qualify for these preferences you have to have improvements in your trade practices, and India had a lot of bad practices for a long time, it's been a very difficult place to trade with, very difficult place for U.S. companies to do business, and the Trump administration used the opportunity of GSP renewal to essentially raise that issue. And that's why it got into the news papers.

Bill Reinsch: And the Indians have been recalcitrant in trying to deal with any of the issues that we want them to deal with. And in fact, they're going backwards, this is probably related to their election, which starts next month. And where the ruling party is trying to be re-elected, but they've actually been going backwards in terms of market opening to the disadvantage of a number of American companies. Something I'm hoping we'll talk about here at a later point is somethings they are doing on data localization, and on e-Commerce that disadvantage American companies that want to provide sort of direct delivery services there, and e-Commerce services there as well as financial services there.

Bill Reinsch: And basically the Indians are essentially trying to block the foreigners from doing that, they're trying to protect their domestic retailers.

Scott Miller: Now, all in all, GSP is a fairly small hammer to bring to this kind of nail driving contest.

Bill Reinsch: Because it excludes a lot of the stuff.

Scott Miller: Right.

Bill Reinsch: That the poor countries make very well, like textiles and apparel.

Scott Miller: Exactly. The total imports covered by GSP is about 220 billion a year, we have 2.3 trillion in imports, which it's about 1% of that's the total GSP imports. It doesn't really amount to much although it's enough to get people's attention, at least it got, it got a rise out of India.

Bill Reinsch: If you're a small economy with one or two successful companies that have been able to use this to their advantage-

Scott Miller: It's important to the companies.

Bill Reinsch: ... it makes a big difference.

Scott Miller: Yeah.

Bill Reinsch: It's important to the companies, and it's probably important to the government, because these are gonna be companies that are succeeding.

Scott Miller: Right.

Bill Reinsch: In a poor country, and that's a big deal.

Andrew Schwartz: So this is a skirmish.

Scott Miller: Yeah.

Andrew Schwartz: This isn't the beginning of the war.

Scott Miller: Yeah, it's a little piece of leverage.

Andrew Schwartz: This isn't the beginning of a war here.

Bill Reinsch: Depends on the outcome of the election, there, not here. Normally what happens in India, like a lot of places is they follow a much more protectionist policy up through the election, and then once, regardless of who wins, the next government tends to open up. So we'll see what happens.

Andrew Schwartz: To our listeners if you have a question for the Trade Guys, write us at [Tradeguys@csis.org](mailto:Tradeguys@csis.org). That's [Tradeguys@csis.org](mailto:Tradeguys@csis.org). We'll read some of your emails and have the Trade Guys react to it.

Andrew Schwartz: We're also now on Spotify, so you can find us there when you're listening to the Rolling Stones, or you're listening to Tom Petty, or whatever you're listening to. Thank you, Trade Guys.

Bill Reinsch: Thanks Andrew.

Andrew Schwartz: You've been listening to the Trade Guys, a CSIS podcast.