TRANSCRIPT
The Trade Guys Podcast

“The Canadian Deputy Ambassador and You-Smacka”

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Transcript by Rev.com
Scott Miller: I’m Scott,

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Scott Miller and Bill Reinsch: and 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.

Andrew Schwartz: I’m H. Andrew Schwartz, and I’m here with Scott Miller and Bill Reinsch, the CSIS trade guys. In this episode, we welcome a very special guest. Kirsten Hillman is Canada’s Deputy Ambassador to the United States, and she comes with a lot of trade experience. Kirsten was formerly the Assistant Deputy Minister of Trade Agreements and Negotiations. We’ll ask the ambassador about the latest in the steel and aluminum tariff saga, the USMCA, and much more all right here on this episode of the Trade Guys.

Andrew Schwartz: We’re in for a serious treat today, because we have Kirsten Hillman, the Deputy Ambassador of Canada to the United States here with us today. Ambassador, it’s so great to have you here with us.

Kirsten Hillman: Thank you so much. I’m really happy to be here.

Andrew Schwartz: To put this in perspective, Trade Guys, U.S. goods exports to Canada in 2018 were just under $300-billion dollars, while goods imports from Canada were around $320-billion. Canada is the largest U.S. export market, and the largest market for U.S. agricultural exports. In 2017, services exports to Canada from the United States totaled $58-billion dollars, and services imports from Canada were about $33-billion dollars. This is a big trading partner, it’s our biggest trading partner.

Bill Reinsch: And one that is reasonably even, if you count services. We don’t have the 2018 numbers yet, but even ...

Andrew Schwartz: So, Bill, we’re good with Canada, we like Canadians in America, we’re friends with Canadians, we all know Canadians. Bill, I believe you have Canadian heritage.

Bill Reinsch: My mother was Canadian. I mention it every chance that I get. I love Canadians.

Andrew Schwartz: Yeah, and many of us are thinking about a second home in Montreal at some point.

Bill Reinsch: No, Nova Scotia, I think.

Andrew Schwartz: Yeah, or Vancouver.

Bill Reinsch: Or Vancouver, yes.
Andrew Schwartz: I mean it's all good. It's a beautiful, wonderful place, has great sports teams, great food, great beer, great cities, on and on. We love Canada, Deputy Ambassador, we love it.

Kirsten Hillman: That's great.

Andrew Schwartz: Why is there friction, what's going on? Trade Guys, tell me. Trade Guy Scott.

Scott Miller: Look, this is a large productive commercial relationship that we have with Canada, they probably have been our biggest trading partner since 1789, if we actually had the numbers to show it, because the exchanges across the border are mutually beneficial, and it's a wide and deep relationship on the security standpoint as well as the economic standpoint. The United States is blessed to have a neighbor like Canada, far more than we ever acknowledge.

Scott Miller: Now, it does have its irritants, like any relationship. Think of this as a long very sound marriage. There are still some things after nearly 40 years that irritate my wife about me, and I probably haven't fixed them all yet.

Bill Reinsch: Would you go ahead and give us a list? This is interesting.

Scott Miller: I'm sure she could. Okay.

Andrew Schwartz: I don't irritate my wife at all after 20 years of marriage. That is absolutely not true. Ambassador, we are blessed to have you here with us today. Can you tell us what's going on between the United States and Canada right now?

Kirsten Hillman: Sure. I was afraid you were gonna ask me about irritating my husband, but I'm much happier answering that question. What is going on between the United States and Canada? I think I'd like to start where Scott started, which is this is the biggest bilateral trading relationship in the world.

Andrew Schwartz: As President Trump would say it's huge.

Kirsten Hillman: It's huge, and it's over $2-billion dollars a day, $2-billion dollars a day in bilateral goods and services trade. So . . . and then there are all the others, the security and the border and our participation in NATO and in NORAD, and fighting the opioids crisis, and I could go on and on. That's one of the privileges of living here and working here with our team not only in DC and across the whole country, is that I see all the ways in which we're working together all the time. A profoundly deep relationship as trading partners, as defense partners, and as family members in so many ways, and I think that that goes to the question of what about these irritants.

Kirsten Hillman: Because when something is so huge and significant, small features of that relationship that aren't going well get amplified. Also, when we have tensions, because we're not maybe on the same page or communicating very well with respect to what is going to be in our mutual interest, those things have that much more importance. They're that much more economically
important, or if it’s a security matter it’s that much more important for our security of our citizens or our environment or our shared resources. I think that’s why. The magnitude of the relationship leads to the intensity of the challenges, but they are infinitesimal compared to everything that’s going well.

Bill Reinsch: I think the frustration on the U.S. side is that that’s all true, but we don’t seem to be able to get them behind us. Lumber has been going on now for 30 years, I think. I remember when I worked on the Hill in the eighties, lumber first came up, and we are still arguing about lumber, and the issues are still roughly the same as they were before.

Andrew Schwartz: Bill, why can’t we get these issues behind us?

Bill Reinsch: I don’t know. Scott, do you know?

Scott Miller: It’s one of those mysteries. Maybe it just is a reflection of how good the rest of the relationship is on a routine basis, that we have some things we can’t solve. Look, ultimately, they’re different sovereigns, they’re different nations with different histories, and it usually comes when there’s a different approach that the policy makers have taken.

Scott Miller: I mean the core of softwood lumber is really the issue of who owns the trees and how you manage the subsidy programs, which exist on both sides of the border. Same with some of the agriculture programs. These are policy choices that Canada put in place a long time ago. It had the political support to do it. Likewise, U.S. irritants of Canada, our pharmaceutical industry has some very different views about how things ought to be in Canada. That’s a political consensus that we arrived at in the United States, but because we’re different in structure and organization and in outcomes of the government policy, we wind up, these things wind up being some little burrs under the saddle.

Andrew Schwartz: Yeah, I know, but this is the only other country in the world that has a viable professional football league. They really have something in common with us. I mean

Bill Reinsch: But their rules are different, Andrew.

Andrew Schwartz: Slightly. We actually pay attention to Canadian football now because there’s some innovation in it that we need to look at here in the United States.

Bill Reinsch: You want to go to 3 downs, you think?

Andrew Schwartz: Well, there’s a whole situation about punting or not punting. My son as you all know is a punter, a 4-and-a-half-star punter going off to college next year, so we pay a lot of attention what’s going on in Canada.

Scott Miller: Even Johnny Manzel wound up drawing a paycheck there for a little while.
Andrew Schwartz: A little while. It was a brief moment for Johnny, Johnny Football. But no, really, we’ve got issues with Canada, it’s our closest trading partner, from your perspective, Ambassador, why don’t you think we can put some of these issues behind us?

Kirsten Hillman: Well, you know what, instead of talking about some of the more perennial issues, maybe we could try to talk about some of the issues of today, the issues of the last let’s say year or so, which is the renegotiation of the NAFTA.

Andrew Schwartz: Great idea.

Kirsten Hillman: The renegotiation of the NAFTA, which you call USMCA, in Canada we call CUSMA, Mexico calls it T-MEX, so we each have our own lingo ...

Andrew Schwartz: It used to just be called NAFTA, and now it’s like called a lot of things.

Kirsten Hillman: Right.

Scott Miller: USMACA is my favorite.

Kirsten Hillman: USMACA.

Scott Miller: That sort of puts it right in its face.

Andrew Schwartz: That’s new. Scott Miller has not put that one out yet. That’s good, USMACA. That’s the name of the episode, right. Yumi, our producer, is taking notes over there. USMACA, okay.

Bill Reinsch: You stole it from Lori Wallach, I think.

Andrew Schwartz: Oh, really?

Scott Miller: It’s been floating out there, but ...

Andrew Schwartz: Look, Bob Dylan says a lot of things, and I use them all the time. It’s okay. We’re good.

Kirsten Hillman: All right. So, on that note, I think we spend a lot of time in a challenging negotiation for that deal, and we got ourselves to a place where at least speaking for our country we are very happy with the outcome. We feel that this has taken an agreement that was hugely outdated, from my perspective having been in Ottawa with the negotiating team with our agreement that we negotiated with Europe with the TPP, looking at these other agreements that were being modernized, that were including really important provisions that respond to the way business is doing business today, and here we were with our most important agreement, with our most important trading partners, and it was we couldn’t even administer the government procurement provisions because they just weren’t functioning anymore.
Kirsten Hillman: So updated. I think some innovations that are good, and that is all terrific. There’s nothing we would like more than to move along with that agreement, but we can’t. We can’t because we are still facing tariffs on our steel and aluminum, under Section 232, and within our country that is sort of the number-one thing that Canadians are thinking about and talking about when they think about our relationship with the United States. I think there was a sense that during the negotiations, okay, this is in place now, and the President even said so, this is in place now, but when the negotiations are done they will come off. They’re causing important, you know, challenges, and cost challenges within our industry and downstream industries, and they’re still there. That is not a perennial kind of problem that comes up and goes away, and comes up and goes away, and we try and discuss it, you know, over as our respective domestic policies evolve, that is a fundamentally, a fundamental challenge, I think, to our trading relationship, and hopefully not, but potentially, you know, seeping over into other parts.

Bill Reinsch: What’s your strategy for making them go away?

Kirsten Hillman: My personal strategy, our government’s?

Bill Reinsch: The government strategy.

Kirsten Hillman: Our government is saying that they have to go. If we want to normalize trade relations, they have to go. Our minister said as recently, I think Minister Freeland, Minister of Foreign Affairs, and our ambassador here as recently as last week, it looks very difficult to move forward at all with the new NAFTA, with those tariffs in place. Our government is heading into an election in October, it makes that even more complicated, but even without the election there’s no justification for these tariffs, and they’ve got to go.

Andrew Schwartz: By the way, we have a standing invitation to Minister Freeland, who has spoken at CSIS before over the years in her various roles as a leading journalist and other things, and so we have a standing invitation for her to come speak at CSIS and to be part of the Trade Guys podcast.

Kirsten Hillman: Okay. I’ll let her know.

Bill Reinsch: Can I pursue one thing here?

Andrew Schwartz: Yeah.

Bill Reinsch: Ambassador McNaughton mentioned the other day that Canada is considering revising its retaliation list, which is a logical thing to do. Other countries have done this from time to time. Can we commit a little news here, can you tell us what’s going to happen? Who’s on, who’s off?

Kirsten Hillman: No, actually, I can’t because those decisions are not finalized. But

Bill Reinsch: I’m just hoping for a headline, you know?
Andrew Schwartz: Awe man, look,

Scott Miller: The ambassador does have allies, important allies in many members of the United States Congress, who also have at the top of their list of concerns the steel and aluminum tariffs on both Canada and Mexico. So you've got some allies there. Interestingly when I talk to members of Congress and staff the two concerns they have are the steel and aluminum tariffs interfering with North American trade, and then second if you're an Ag state senator or congressman you're a lot concerned about the market access we gave away by tearing up the TPP in the beginning of the administration, and so there's a lot of questions for this administration about hey, geniuses, you walked away from this market access, how do you get it back? But more importantly, I think they're with you on aluminum and steel. What's your sense of that?

Kirsten Hillman: No, I think that's right. I think that we have strong allies. There are a lot of people on the Hill and Congress in particular that are just getting up to...

Kirsten Hillman: People on the Hill, in Congress in particular, that are just getting up-to-date on these trade files, and that takes a little bit of time. But I think they're hearing from their constituents and saying, "Look, it's more costly, it's harder to do business, we're having supply shortages." I think that's really important. And it's not only the steel and aluminum sectors, but it's the sectors that are being hit by the counter-tariffs from us, from Mexico, from the Europeans. So I think that that resonates as well. And yet there's no doubt we have strong allies.

Kirsten Hillman: And I guess, just to, I don't mean to take up the whole conversation with steel and aluminum, but one of the things that I find most perplexing about this is that the challenge that our steel industry faces, the American steel industry, and Europe, as well, is a problem of overproduction, and largely created by China. And the fact of having taken this measure to address the challenges faced domestically on overproduction in the United States has had a very skewed effect. And that effect is that the one country who is responsible, maybe there's more than one, but a country that is primarily responsible for the problem we face in that industry in our countries is the one who is actually really not suffering at all from these 232 measures right, at all.

Kirsten Hillman: We've got ... we were in a position before where we were ramping up joint efforts internationally to try and put pressure on China. When we, as countries, you know, are facing tariff attack, if you will, then we are not in a position to do those cooperative efforts as much anymore. It's not that we're not willing to, but we have to put our energies elsewhere, which is trying to get the tariffs off-

Scott Miller: Yeah, to defend your own interests.

Bill Reinsch: But you've taken some actions against the Chinese, haven't you?
Kirsten Hillman: Well we have, we have.

Bill Reinsch: There's a safeguard action, right?

Kirsten Hillman: But, yeah, absolutely. But just to finish my sort of my list here. So there's the diminishment, I would say, of our ability to spend as much time on the joint actions. We're doing domestic safeguard actions in response to our domestic industry and petitions they've made. And we have some of the toughest AD/CVD duties in the world in place vis-à-vis China. We also have a situation where the way the remissions are being administered by commerce, we have, in the first, I think it was four months, and I might get these numbers a little bit wrong, but I think it was in the first four months of the 232 tariffs being in place, 40% of volume of trade, equivalent to 40% of last year's imports of Chinese steel, were subject to remission orders.

Kirsten Hillman: And for Canada, it was two percent. Right? And aluminum's even worse. So there's this skewing of imports, so there's this skewing of international supply. And the other thing that's happening, we're getting more and more reports of within our country and from folks on the ground here in the U.S., is that some of our manufacturers who were importing raw materials and manufacturing, sort of small manufacturing, so you know, kegs and small metal manufacturers like nails and axles and that kind of thing, are no longer competitive because they just can't get the product. And so what's happening is that their purchasers, their customers, are buying straight from third countries, predominantly China.

Kirsten Hillman: So how can this possibly be, you know, for all these reasons plus the fact that Canada's not a national security threat and we're a great ally and we have an integrated industry, we're the best customer of the United States for steel, right? The U.S. sells more steel to us than every other country combined. It's just, I'm throwing up my hands, people who are listening can't see that, but my hands are going up in the air. I'm throwing up my hands because we don't quite know what to do with this.

Andrew Schwartz: You're making me nervous, too, because I think what you just said is our beer and your beer is in Chinese kegs?

Kirsten Hillman: Yes. Well some of it.

Andrew Schwartz: Okay. Well that's something to be nervous about.

Scott Miller: This is one of the national security risks we had not encountered before this.

Bill Reinsch: I want to go back a step. I think the kindest thing you could say about our administration's policy is that it's clumsy. But I think that we've all analyzed the problem the same way. It's a global overcapacity problem. And there's really only one culprit, and it's China. So the issue then becomes how do you deal with that? I think the administration's logic, which I don't think has turned out to be correct, has been if we just get everybody else to do what
we’re doing to the Chinese, which is through anti-dumping countervailing duty laws or other restrictions, basically make them eat their own surplus. Because you know, what we did when we pushed them out of our market, effectively, via AD/CVD cases is all that stuff just went somewhere else. It went to Europe, it went to Canada, it went to other places in Asia. And so the right answer, I think in Trump’s mind, is all those other countries should do what we’re doing and push it all back on China with the same kinds of restrictions.

Bill Reinsch: And I think the Trump argument would be, "You’ve done that. The Europeans have done that." So from his point of view, this is a strategy that’s working.

Kirsten Hillman: But we were doing it before. Right? So the duties that we had in place vis-à-vis China and the tracing that we had in place and the cooperation that we do with the U.S. government with respect to ensuring that we are in our integrated supply chains not using underpriced Chinese steel, that was all in place before.

Scott Miller: And it’s working so well that we’ve implemented, essentially punitive measures that we won’t withdraw, which is really odd.

Bill Reinsch: Well, I said the best thing you can say about it is that it’s clumsy. But conceptually, it’s trying to get at the problem in a different way. I mean your suggestion was that we should all get together and work together, which is sort of what the OECD and steel committee is trying to do to come up with a plan, a global plan to deal with global overcapacity. Which I’ve always thought is the right answer, just from a policy point of view. But that’s slow-going and I don’t know if we’re going to get there. I mean I sort of understand why the administration has done what it does, what it’s done, even though you end up arguing it isn’t really being effective.

Scott Miller: Well Canadian diplomats often work with similar like-minded parties in a variety of settings and come up with several out-of-the-box solutions. So do you think there is one when it comes to steel overcapacity? I mean Bill’s right about the OECD process. Great idea. Right group of countries. Bad execution. Is there a way that helps us all get out of this, back away from the edge and start doing what’s sensible for our economies, even if the United States can’t figure it out first?

Kirsten Hillman: I think so, but everybody has to come to the table right? And everybody has to be playing by the same rules, because as I said, we have a situation where the volume of Chinese imports into the United States, volume equal to 40% of last year’s imports, are now no longer subject to 232 tariffs where we are. So

Andrew Schwartz: Doesn’t seem to make a lot of sense.

Bill Reinsch: So you’re arguing that the United States should impose more tariffs?
Kirsten Hillman: Well, what I’m saying is I think we should be working with our partners to solve the problem where it lies.

Bill Reinsch: This has been ... That’s a tactful way of making the point that we’ve made more bluntly in the past which is our president is not really a big believer in multi-lateral action.

Andrew Schwartz: Bill, you started this by saying, "At best our strategy's clumsy." But you also said that maybe he’s right about trying to get us all together and pin China. And ambassador, you’re saying you know, Canada and the United States should be trying to ...

Kirsten Hillman: Yeah. And I think the measures are also about incentivizing increased steel production in the United States, right? I mean that’s part of the objective. And that was an objective that carried through into aspects of our negotiation into NAFTA. And those are objectives that we support wholeheartedly. We have such an integrated industry, and we are, as I say, your best customer by far. Why wouldn't we want a healthy, robust, U.S. steel industry? We have a very complimentary industry. We don’t make the same things you make, you don’t make the same things we make. So Canada wins when the U.S. wins. There’s no doubt about that. I think my comment would be, then let’s do a fortress North America, or fortress Canada-U.S. steel industry. Let’s do that. Let’s not tear each other down, because ultimately that’s what these fights end up being, and put ourselves in a situation where conversation on how to find solutions is very difficult. Let’s put ourselves in a situation where we’re actually trying to join arms and solve it together.

Scott Miller: This notion of the complementarity of the industries is something that was envisioned within NAFTA, and it’s probably the biggest benefit of NAFTA. NAFTA has served as a set of rules for production in North America that allowed industries to specialize in what they did best. And the North American steel and aluminum industry is highly specialized and highly integrated at various levels. So the ambassador’s proposing, this is a Canadian solution, at least in concept, I think there are supply chain managers all across North America who would stand up and cheer for it.

Bill Reinsch: Actually, that raises a really good question, if we can slightly switch topics, which is to go to autos. I mean the NAFTA concept was an integrated North American market. And over 25 years, we’ve really moved significantly in that direction. Now we have new auto rules, and we just put out a report on this subject, that suggests the administration's trying to go in a different direction, they're trying to bring manufacturing specifically inside the United States at the expense of Canada and Mexico. Are you guys concerned about that?

Kirsten Hillman: Yeah, I don't actually ... I don't see it that way and I think that we ... So we worked very hard with our industry during the process of constructing those rules and trying to find a way of constructing those rules that would
not only meet the policy objectives of the US that would be manageable for Mexico but that would also, I think, leverage the Canadian advantage. And we are very much confident that they do. And the reason that they do is, I think this is fairly technical stuff here, but they are provisions in those rules that first of all incentivize the use of North American steel and aluminum, which is good for all of us. They change the way the value is counted in a vehicle to count innovative aspects, right? IT, this is stuff of the vehicles of the future. They value those components of a vehicle in a way that is more reflective of their real value in that product. Of course, the old rules didn't do that, because our cars are essentially gonna become computers very soon and they certainly weren't back in the days that NAFTA was negotiated right?

Kirsten Hillman: They also have provisions with respect to labor and wages. And for Canada, we're a high ... You know we pay high wages, we have a highly educated workforce in the auto sector. How can that not be useful for us? So to answer your question, I think the rules are, they're different, they will require an adjustment. An adjustment the industry will have to adjust to them as they did when the original rules in the NAFTA were created. But I think that they will actually incentivize North American production and they won't be hurting us.

Bill Reinsch: Well that's interesting. The report we put out essentially concluded that, from an American point-of-view, in the short run, it will lead to more investment inside the United States, more production inside the United States, more jobs inside the United States. But in the long run, it would make the industry globally less competitive.

Kirsten Hillman: Well, I'd be interested to look at your analysis and ...

Bill Reinsch: It was brilliant.

Kirsten Hillman: ... I am sure I should have before.

Andrew Schwartz: We can get you a copy.

Kirsten Hillman: I can't believe that I didn't read it before.

Andrew Schwartz: We will get you the copy

Kirsten Hillman: I apologize.

Scott Miller: But the ambassador has an interesting point here.

Bill Reinsch: It's a great cure for insomnia, I can tell you that.

Scott Miller: The point that the ambassador made is the auto industry is not the same as it was in 1994.
Bill Reinsch: Exactly right. Exactly right.

Scott Miller: And may not be the same, probably won't be the same in another 20 years, so a lot of this will have to play out and modernizing the rules every once in a while, is a good idea. Now, whether production in low-wage countries like Mexico is a feature, as the auto industry thinks it is, or a bug as the Trump Administration seems to think it is, has yet to play out, and could play out in a way that hurts competitiveness. But this is a very fast-changing industry.

Kirsten Hillman: Yeah, I’d just make a comment on that.

Bill Reinsch: Sure.

Kirsten Hillman: So since the NAFTA was concluded, until we renegotiated it, we had, I believe, 12 at least, maybe more than 12, but it’s around 12 renegotiations of NAFTA rules of origin, and we had the successive series of conversations where we looked at the rules of origin under our agreement and we said, "Are they still making sense for the way we’re doing business?"

Bill Reinsch: Do you mean autos or everything?

Kirsten Hillman: Everything.

Scott Miller: Everything.

Kirsten Hillman: I can’t say for a fact that we did it in autos, to be honest, but what we have just gone through in trying to ensure that the rules for autos makes sense for our policy objective as nations today I think is a very important component of what we’ve just done, and hopefully will make it more top of mind I guess for us as this particular industry, as we all know, is going to evolve at a pace that we can’t even quite imagine yet, I think, or at least many of us can’t. I think that it gives us a bit of an example of what we could do on a more frequent basis.

Andrew Schwartz: I want to ask the Trade Guys a question because this might be a little bit un-diplomatic. I don’t want to put you in an un-diplomatic situation here, Ambassador, but to quote Walter Moseley, the great author Walter Moseley, when compared to the United States, isn’t Mexico and Canada always outnumbered and always outgunned? And Trump knows that, and in a standoff with the United States, Mexico and Canada aren’t going to win. Isn’t this President Trump flexing his muscles and saying, "You’re not going to win, and I’m going to get you the best deal." And this is good politics for him with his base and could potentially lead to leveraging all of this for more jobs in the United States. Is that what he’s trying to do here?

Bill Reinsch: I’d say, yes, that’s probably the way he thinks about it. It’s terrible diplomacy, and it has a whole bunch of-

Andrew Schwartz: But is this what he’s-
Bill Reinsch: It produces a lot of collateral damage, but I think that’s the way he thinks about it.

Andrew Schwartz: Right.

Scott Miller: Look, our president was a real estate developer before he got his current job, and he really understands leverage at a very deep level in the real estate business. It appears to me he always tries to apply leverage in any situation. It’s one of the reasons that I think the president has a very economics-focused foreign policy, in general. Ask him a foreign policy question about troop deployment and he’ll give you and answer about military equipment sales. But he does look for leverage anyway.

Scott Miller: Now, look, the partnership in North America has gotten very deep and very productive for everyone, and so, while, yes, on a straight sort of America-first approach, I mean, yes, I agree with Bill, the president probably does see it as we’ll work to try to solve the problem and then we’ll do it our way, as an operating philosophy. The fact is, being in a good neighborhood helps everyone in the United States. And so, I think in practice, when the president comes to a conclusion, it winds up he leaves something on the table for almost everybody, and despite declaring victory.

Bill Reinsch: One of out - maybe you can comment on this best. One of our conclusions looking at the negotiations that have been completed, which were Korea and USMCA or CUSMA, was that he does tend to fold at the end. Was that your observation?

Kirsten Hillman: I think what I would say is that every ... So this negotiation was different than any negotiation I had participated in over my career of you know, 20-some years negotiating in many respects. But in some respects, it was exactly the same. The way in which it was exactly the same was you work on ... Say there’s a hundred issues, and there’s a hundred issues being worked on, and they're sort of moving ahead or they're not moving ahead, and at some point in time, you get to a point where you really can’t get any further unless you put everything that’s remaining on the table and look at it as a package and figure out what your package of outcomes is going to be. That’s exactly what happened here.

Kirsten Hillman: So, I wouldn’t say cave. I wouldn’t say anybody caved. I would say there was a package that could make sense for everybody that was found. That’s no different than any other negotiation I’ve been in.

Andrew Schwartz: All right, so question for all of you, how large of a factor will the USMCA deal, or USMACA, be in the Canadian and U.S. elections, which you guys have an election coming up. We have an election that we’re beginning to be very obsessed with. How big of a deal is the new NAFTA going to be, or USMACA, as we’re now calling it, going to be in our election cycles?
Kirsten Hillman: In our election cycle, I would sort of harken back to what I said a moment ago, which is it's not the CUSMA or the USMCA that will be the first conversation in our election. What will be dominant will be the 232 tariffs should they remain in place, because I just don't think we'll get to the NAFTA conversation until that has found its way to be solved.

Scott Miller: Look, American voters are very practical. They vote their pocketbook. Jobs and the economy is always the top reason to select a candidate. And so, jobs and the economy will be the big story in our 2020 presidential elections and congressional elections. Certainly, the president will declare victory on USMCA and consider it a great and luxurious accomplishment.

Andrew Schwartz: It's USMCA, stupid.

Scott Miller: It is now. That's right.

Scott Miller: But for me, the interesting part of this is his Democratic opponent will need to do something different, as the Democrats, to position themselves against the president, in other words, to create the contrast. I think Democrats need to rethink trade policy because we had this oddity in the 2016 election where all the three ... The three candidates won state contests, Hillary Clinton, Bernie Sanders, and Donald Trump, and they're all opposed to the TPP. They all thought NAFTA needed to be renegotiated. So, it really was not a point of contrast.

Andrew Schwartz: But there was only one candidate who could articulate a message that American's could understand.

Scott Miller: I think actually Senator Sanders did a pretty good job. To have a small organization and win 24 state contests is not nothing.

Andrew Schwartz: Yeah, but I don't know what his message is on trade now.

Scott Miller: That's the key.

Bill Reinsch: Same as Trump's.

Scott Miller: He's probably the same as Trump.

Bill Reinsch: Pretty much, on trade.

Andrew Schwartz: Okay, so his message is the same on trade, but I don't hear him articulating anything that really resonates the way Trump resonates with trade.

Scott Miller: Well, that's true, but think of it as a point of contrast. How will the Democratic candidate contrast him or herself versus President Trump, really? I don't know the answer to it, but it's an interesting question that we think we ought to follow pretty closely.
Andrew Schwartz: Very interesting.

Bill Reinsch: No, well, my answer to your question is first of all, I think the whole ... For us, because our election is a year later than Canada’s, I think the whole thing will be superseded by whatever happens on China, which is not only much bigger economically, but also an area where there’s I think much more public support for what he’s trying to do on China than there is in some other areas. So, I think that if USMCA gets done, meaning that the Congress approves it, Canada and Mexico approves it, it becomes implemented, he’ll use it as a great victory and a testimony to his negotiating skills.

Bill Reinsch: My guess is that the Democrats will probably, by and large, talk about something else, and it’ll be mostly about China, which I think will probably not be better than it is now in many respects.

Scott Miller: Or the domestic agenda, which is always a big topic in our elections.

Bill Reinsch: I mean, the signs from the Democrats right now on the new NAFTA, as they call it ... They don’t even call it ... It’s not CUSMA, USMCA, or USMCA, a lot of the Democrats, it’s NAFTA 2.0. But, I think one of the quiet little things that’s happened is in the Democratic party has been some appreciation for the value of the old NAFTA. After 25 years of attacking it, they have begun to realize that it’s not all bad.

Scott Miller: It’s a strange new respect.

Bill Reinsch: And in particular, it’s driven by the realization that if we got rid of it and had nothing, that would be bad, and it would be a political disaster and Trump would blame them. I mean, that may not be their fault, but he would certainly blame them. So there’s a lot of activity going on now trying to figure out how to get to yes. By getting to yes means saying that what the president has done is not good enough. Again, it’s an ... I was talking about this earlier in the day. It’s not a flawed concept, it’s an implementation flaw. He hasn’t done it right. He’s missed a step. He didn’t do this. He didn’t do that. So, we’re going to fix it. You know? And if they can fix it, to their satisfaction, then they’ll be able to A, take credit, and B, partly vote for it, but also sort of push it aside and move onto other things.

Andrew Schwartz: Well, this is all issues we’re going to have to be watching and continuing to talk about. Ambassador Hillman, thank you so much for being here with us today and enduring the Trade Guys. We hope you’ll come back and keep talking about these issues with us.

Kirsten Hillman: I will. Thank you, Trade Guys. It’s been a lot of fun.

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

Scott Miller: Thanks, Andrew.

Bill Reinsch: Thank you.

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