TRANSCRIPT

The Trade Guys Podcast

“The Eminent Fred Hochberg”

RECORDING DATE
Tuesday, January 21, 2020

SPEAKER
Fred Hochberg
Former Chairman and President of the U.S. Export-Import Bank

HOSTS
Scott Miller
Senior Adviser, Abshire-Inamori Leadership Academy

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

Andrew Schwartz
Chief Communications Officer, CSIS

Transcript by Rev.com
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, we welcome a very special guest. Fred Hochberg was the Chairman and President of the US Export-Import Bank from 2009 to 2017. He was the longest serving Chairman in the institution's history and was also Dean of the Milano School of International Affairs, Management, and Urban Policy at the New School in New York. Fred has a brand new book out called *Trade is Not a Four-Letter Word*. We'll discuss his new book and much more on this episode of “The Trade Guys”.

The book is *Trade is Not a Four-Letter Word*. We have the eminent Fred Hochberg here, author of the book. Fred, tell us why you wrote this book.

HOCHBERG: I've never been described or introduced as being eminent, so already I'm on a high.

SCHWARTZ: That's not true. Fred, as our listeners know, is one of the all-time greats when it comes to trade, explaining trade. He's been involved in the game for a really long time. He's an old hand at this, Washington hand at this, looks extremely young and fresh –for our viewers, who should know this. The Trade Guys don't look as young and extremely fresh, but we all know that too.

MILLER: But we also don't care about Fred's eminence. We'll find out as this podcast goes along.

REINSCH: We could have introduced him as the imminent Fred Hochberg.

HOCHBERG: Well it was Koch who wrote that book, *Hizzoner and His Eminence*, about the Cardinal and the Mayor of New York.

SCHWARTZ: He did.

HOCHBERG: I digress.

SCHWARTZ: But seriously-

HOCHBERG: What was the question?
SCHWARTZ: Very simply—why did you write the book? Why is it not a four-letter word?

HOCHBERG: So I spent eight years as Chairman of the Export-Import Bank under President Obama and became a great booster of trade. And in fact, I only drank domestic wine for eight years because—I learned a lot about California wine as a result—we actually export a lot of that.

SCHWARTZ: Not a bad skill to acquire.

HOCHBERG: Not a bad skill to acquire. But I just noticed how much of the rhetoric, so much of what we heard from politicians, the fight over Columbia, Panama, and South Korean trade agreements, that there’s such a negative cast to trade that I found that increasingly perplexing.

I finished the administration and I got invited to be a fellow at the Kennedy School. At the Kennedy School, and also at Chicago with David Axelrod, and one of the things you do there is you teach a course to undergraduates. I said, “How am I going to get,” I said, “If I try and teach a course about the Export-Import Bank, no one will show up at that class.”

So I said, “How would I get 20-year-olds and 19-year-olds to care about where we are on trade?” And I came up with the title, *Trade is Not a Four-Letter Word*, figuring that would be a little spicy, and people would say, “well, I want to figure what that’s all about.”

Halfway through the first time I taught the course, first at Chicago, then at the Kennedy School, students kept saying, “Why aren’t you writing a book?” And I go, “I’ve never written a book.” ”No, you need to write this book. We need a book like this.” And that’s really how it started.

SCHWARTZ: Is each lecture informing a chapter? Is that how it went?

HOCHBERG: Well, not really. What happened was basically you bring in guest speakers. I had Eric Cantor, I had Gillian Tett from the Financial Times. I had Doug Oberhelman from Caterpillar.

SCHWARTZ: Did you ask Bill Reinsch?

HOCHBERG: I did not.

REINSCH: No. Not invited.

HOCHBERG: Bill was my secret weapon. He’s my secret weapon.

SCHWARTZ: Well, he was stuck back at University of Maryland, slaving away I’m sure.

REINSCH: I have to say, this is the scam of higher education. I was once invited to guest lecture at a local university that shall remain nameless and it was one of
these once a week, 9 to 12 classes. I walked in and the professor introduced me, left for coffee at 9:15.

MILLER: And that was it.

REINSCH: Came back at 11:45.

SCHWARTZ: You've got to be kidding me.

REINSCH: Thank me, and then I looked at his syllabus. He did that every week.

SCHWARTZ: That was his game.

REINSCH: He had 12 guest speakers and I thought what a great deal this is. He gets all the money and other people do all the work. Now, I assume you actually taught.

HOCHBERG: Well, actually I had guest speakers every week. That's generally what they would like. The students want to hear from somebody coming in from the outside. I would tee it up with a brief, maybe 15, 20 minutes, and then it opens to the students and it really became a discussion. I will tell you, the students they really want star quality. I love Bill Reinsch, but they want a big, bold thing.

REINSCH: They want somebody they've heard of.

HOCHBERG: They've heard of. The Chairman of Caterpillar, or the former Deputy in the House, or the Editor-In-Chief of a newspaper. I had Rahm Emanuel. They want big names.

SCHWARTZ: Did Rahm use any four-letter words when he was there?

HOCHBERG: Did he not use any four-letter [crosstalk].

SCHWARTZ: Well it's fascinating. I'm assuming that as you were teaching this class, you realize that while students turned away from the dryness of something like the XM Bank, which they might not have really understood or dove into unless they were real trade junkies, this policy became apparent to them that this is really what's ruling the world, what's making the world go around, and something they needed to pay attention to.

HOCHBERG: I would say in both cases, with more balance, because we had people from labor, I had Jared Bernstein, and people from the corporate side, they became much more pro-trade and I'm pleased today, I still get emails from former students from both Harvard and Chicago, before the book and now the book is out as well.

REINSCH: I do too, but it's only when they're looking for a job.
MILLER: You seem to start with the most receptive audience. If you look at an opinion survey, what you find out is the younger you are and the more urban you are, the more you embrace free trade or trade agreements. It’s part of your life. I’ve noticed this with my kids as well. You started out with that audience. In some ways your teachers were less pro-trade than your students. How did that evolve as your course went on? How did it reflect in the book?

HOCHBERG: Well, I think that, and part of how I got to the idea of six everyday products would make the case for trade, one of the props I use frequently in school, and I had also the Harvard students bring in a bunch of sophomore, junior, and seniors in high school who want to get advanced placement.

So they have a couple of, two or three weekends I think, in the course of a year to do a bootcamp for them. I thought, all right, and I’m talking to 15-year-olds, what will I do? I looked around my apartment and I thought, well here’s the cheapest prop in the world. I grabbed a banana.

I took a banana, which is in the book, and I put it on the lectern, and I started talking. I didn’t say anything about the banana for a few minutes because I’m sure people, “Why is he bringing his breakfast to the lecture?”

I go, "What did everybody have for breakfast today? Anybody have cereal? What’d you put in this area? Where do you think the fruit came from?” Even though we’re in Cambridge and it’s March or April, I said, "Bananas don’t grow here—ever. Not even in August."

SCHWARTZ: That’s right.

HOCHBERG: It is cold.

SCHWARTZ: Cold.

HOCHBERG: And so, they began to think about what they eat every day, the shoes they wear, the clothes they wear, and the iPhones in their pockets. I think it just began to open up, “where does this stuff come from?”

SCHWARTZ: Let’s go through this. You use a really interesting approach in the book. As you just mentioned, you talk about the six everyday products that explain trade. Let’s go through this. You use the taco salad, the banana, the iPhone, the classic American car, the college degree, and then you use Game of Thrones as an overarching theme for the American entertainment industry. Why did you pick those and how do they underscore what explains trade?

HOCHBERG: Well, I’ll start with the taco bowl. Donald Trump served that up on a platter to me when he had the taco bowl at Cinco de Mayo from the Trump Grill. That was a perfect one to start with.
In looking at the taco bowl, it was invented by a man named C. Elmer Doolin, who was traveling to Texas, met a Mexican immigrant at a gas station, had his taco pie, and bought the equipment, brought it back to Disneyland where had Casa de Fritos, and essentially developed the idea of the taco bowl at Disneyland. It has very little to do with Mexico.

REINSCH: Interesting.

HOCHBERG: Just the way corn beef and cabbage, chop suey, and a lot of other things have nothing to do with... They were invented frequently by the immigrants here. This was not even invented by an immigrant. This was invented by an American guy named Doolin, who got the idea from a Mexican immigrant.

It's a great story in that regard, and we enjoy taco bowls, whether you're in Alaska, or Maine, or Texas, or California. So it does tell the story of trade. It does tell the story about the idea.

I was visiting some friends in new England and they have a big platter at this hotel, it says seasonal fruit. And I thought, well that idea's gone. Seasonal fruit doesn't comport anymore. And so in fact, I have a section, I'm going off the taco bowl, about blueberries, where blueberries used to be enjoyed in maybe late July, August, early September. We now import over half of them. Blueberry consumption has more than doubled since 2001. A lot of them come from Chile, but now we think of blueberries year round. You may have had it this morning for breakfast.

SCHWARTZ: Great antioxidant.

HOCHBERG: It's a great antioxidant.

SCHWARTZ: Scott and I are really into bowl culture since we've both forsworn carbs, so bowls in this country, in fast food, tacos, every other kind of thing, cava, everything you can get, bowls are big.

HOCHBERG: Right. And then we've just read about the E. coli breakout in romaine lettuce. Something like 99% of the lettuce in this country comes from Yuma, Arizona. So when you have a horrible breakout like that, if we don't have imports, we simply stop eating salads. We import a lot.

And beef. We actually consume, no surprise, more beef than we produce. So we import a lot of it from Australia, New Zealand, and places like that. And that fills those taco bowls. The corn. The corn we make in this country, actually most of it is used for animal feed or fuel. So the corn you'll find to make a taco bowl may have come from Romania or the Netherlands versus-

SCHWARTZ: Did not know that.

MILLER: It's a different subspecies. A different variety.
First of all, writing this book and researching it was tremendously fun because I did not know all of this. This is not a memoir. I did not know all of this before I started. Notwithstanding the time I’ve spent talking to Bill Reinsch, I still did not know all of this before I started.

I did my best to tell him the rest.

He did.

That was your role.

You said something that was very interesting that I want to go back to because it’s a good factoid for, I think our listeners, when you talked about blueberries and basically the growth at the market, one of the things that happens sometimes with trade is basically the pie gets bigger and people that start out very protectionist saying, "Oh my God, we can’t let the foreign blueberries in because it’s a threat to me," what they don’t realize is, when you get blueberries all-year-round, you start eating more blueberries. Demand goes up and that allows supply to go up.

This happened with avocados. When we ultimately negotiated an agreement, the Sanitary Phytosanitary Deal, with the Mexicans that allowed their avocados in the country, at first, there was a lot of concern amongst California avocado growers. This was going to put them out of business. What has happened in the intervening period has been an explosion of demand for avocados, presumably not only for the taco salad bowl, but also for guacamole and lots of other things. So demand is so much bigger. California people are doing okay.

Sure, and there’ll be no guacamole at Superbowl parties without imported avocados.

We will smash 140 million pounds of avocado guacamole on Superbowl Sunday alone.

This is awesome. On Superbowl Sunday.

140 million pounds of avocados on that day.

That’s incredible.

And Tim Tebow will smash that many avocados during his keto diet in a year, I bet.

Well, you know, Fred, what you’re onto is something that a lot of trade policy people either forget or never get to. You’re talking about the benefits of trade. You’re talking about what’s in it? How does it make our lives better? All right, what I noticed, I came out of consumer products marketing before I got to Washington. In consumer products marketing, you always focus on
benefits, because if you don't tell the consumer what's in it for them, nobody's going to. You don't want to make them figure it out themselves.

I got to Washington and started doing trade policy and I realize, everybody starts with the problems, all right? Everybody's got a complaint. This is unfair. That's unfair. Instead of saying, you know, our lives are better every day because of trade. Nobody says it here.

HOCHBERG: One of the challenges, particularly like in clothing, clothing and food, at the beginning of the 20th century, Americans spent more than half their income simply on clothing and food. Today it's less than 20%, but if you go and you're buying sneakers, shirts, t-shirts, and so forth, and you get a good price, you think I'm a really smart shopper. See how smart and savvy I am. You don't think, well actually, the reason for that is, trade brought that in and brought the prices down. You think, I'm really smart.

SCHWARTZ: Right, and we're an era where clothes are cheaper than they ever have been before and they're more abundant and we have more stuff, but it's much more cheap.

HOCHBERG: We do track gasoline prices because they're like billboard-size signs. And so if gas prices go up or down, we evaluate our politicians based on that frequent alone. But we don't notice it if the price of avocados go down or the fact that bananas are still 19 cents at Trader Joe's.

SCHWARTZ: So, you mentioned that in your book that if we have a problem with bananas, with tariffs, how expensive could a banana get?

HOCHBERG: Well, I mean, it's sort of a theoretical thing, but if we started to really annoy those countries and impose draconian things and tough sanctions on some of those countries that ship us bananas, they might say, well, you know, we'll show the Americans. We'll ship our bananas elsewhere and after awhile, banana prices could start to go up because the supply would go down and they could go the way of the kiwi, an exotic, or papaya, more exotic fruit and not, the fact is, bananas are the most consumed fruit we consume as Americans: 27 pounds per person per year.

SCHWARTZ: This is amazing.

MILLER: We know this would happen because in the 1920s, because bananas are actually a berry and they are essentially clones of each other—they're all genetically identical—they're very susceptible to certain diseases. And there was a fungus in central America that basically destroyed all the bananas. The most popular song in terms of sheet music sale that year was, "Yes, We Have No Bananas."

SCHWARTZ: Wow.
MILLER: And that’s where the song came from. The song came from the fact that bananas went from being plentiful to basically disappeared from grocery shelves.

SCHWARTZ: Maybe you should have talked to Scott about the book instead of Bill, you know, I mean that would have been a good-

HOCHBERG: Well, I do have a reference to, “Yes, We Have No Bananas” in the book. And, you know, the United Fruit Company at one point had amassed as much land as the entire state of Connecticut in Central and South America...

MILLER: Do you have a chapter on American imperialism?

HOCHBERG: Well, you know, I make a reference in the book that what we did in the banana trade is not totally dissimilar to what China is doing today in Africa.

MILLER: And not something to brag about.

HOCHBERG: And not something to brag about.

MILLER: Where are we with China in your estimation?

HOCHBERG: Well, my estimation is, we are tied to China in terms of supply chains, in a significant way. We get a lot of tourists from China. Actually, they spend more per capita as a tourist in this country than from any other country.

SCHWARTZ: Well, you point out they’re our third largest trading partner.

HOCHBERG: Right.

You know, I think we’re going to have to find a path forward. They may not be a great partner, but we have had to find a way forward with other trading partners and other allies before, and I think the idea of decoupling, I don’t know how we’re going to do that. I think that’s not going to be good for us. I don’t think it’s going to be good for the world. On the other hand, there’s some severe issues that really, are going to take some painstaking work and some careful work on digital, on data localization and things of that nature.

So, this is not just a trade issue. I make a reference, this is dealing with something like, we were quite concerned about Japan in the 80s, we were concerned about the Soviet Union. This is like Japan and the Soviet Union and then some, because they also have over a billion consumers. So this is just too hard to sort of pretend they’re not there.

SCHWARTZ: Little known fact, too, Evan Osnos of The New Yorker, has a terrific article about competition between the United States and China, writes in his recent piece in The New Yorker that over a billion Chinese have yet to board an airplane. So, think about that, what the implications of that are.
MILLER: And yet one of our great services exports is tourism.

SCHWARTZ: Right.

MILLER: Chinese tourism in the United States, which is a surfaces export. Likewise, Hollywood, the movies, number of movie screens, the number of people who watch movies in China and developing markets, where middle class incomes are growing, is a huge revenue source for Hollywood and a very important services export for the U.S.

HOCHBERG: Yes, and you know, our entertainment businesses don't want, it's like a telephone number, $770 billion is the entertainment business and a huge portion in the range of like 200 billion are export sales.

SCHWARTZ: And you point out that, that's a third of the global entertainment market. So we export a third of the global entertainment market.

HOCHBERG: Which is why I put Game of Thrones in the book, to try and make the case, first of all, that show is about trade in and of itself, in the sense that the actors, the musicians, the sets could not be done without free movement of people and ideas and intellectual property, and the fact is, it also generated a lot of revenue for the United States.

SCHWARTZ: Right, this is why when my parents are in Spain and they're taking pictures and saying, "Look, we're where they filmed Game of Thrones." Right?

HOCHBERG: Exactly.

SCHWARTZ: Exactly.

You're going to start sending me pictures from all over the globe at some point, Bill, and saying, "This is where they filmed Game of Thrones."

REINSCH: Ireland. That's part of it, right?

SCHWARTZ: Yeah, exactly. There you go.

REINSCH: I don't know if I remembered that. We had Phil Hogan, the EU trade commissioner, who's Irish, just right before this episode, upstairs and talked a little bit about Ireland and Irish politics, but I want to come back to one thing you said about the entertainment industry. One of the interesting things that's beginning to happen, which we probably should talk about in a future episode, Scott, is that an interesting thing is happening in the movie industry in China. Chinese people are beginning to watch Chinese movies, and the American blockbuster is declining as, I mean the Chinese have always limited the number of foreign movies that they allow in, which has been a sore point with our studios and a significant element of trade negotiations.
SCHWARTZ: Because meanwhile-

REINSCH: Over the years.

SCHWARTZ: They're stealing the intellectual property from-

REINSCH: They're doing all that, but they're also restricting, they're also not only restricting the number that can come in, they're also insisting that the ones that come in are, what's the right word, sort of culturally acceptable. In other words, they censor them.

HOCHBERG: Well, what they don't like, I was told –Dan Glickman told me this when he was head of The Motion Picture Association—the thing they really don't like about American movies is, it's often the little guy against the government, against big business, against the establishment, and winning.

SCHWARTZ: Not exactly their narrative.

HOCHBERG: Not exactly their narrative. It's not the sex and the violence. It's the idea of the little guy taking on...

SCHWARTZ: The big...

MILLER: So Rocky’s a problematic character.

SCHWARTZ: Yeah, yeah.

HOCHBERG: Like Silkwood, all those things. They hate those ideas.

SCHWARTZ: And we love an underdog here in America.

HOCHBERG: Right, we love that.

MILLER: It’s uniquely American. Yeah, you got it.

SCHWARTZ: And we love to challenge authority and all the things.

HOCHBERG: That’s really what they don’t like.

SCHWARTZ: Interesting.

REINSCH: But it's also an example of, sometimes the market takes over in these cases. I mean the Chinese, one of the things that they've done aside from stealing our IP is, they've learned how to make big movies, and they learn how to, apparently are now honed to the fine art of making movies that Chinese people actually want to see. They're less propaganda and they tell stories. You know, and the Chinese have got 5,000 years of history. They got a lot of stories to tell-
HOCHBERG: They've got a lot of stories to tell.

REINSCH: That are not terrible stories. And if you dress them up with, you know, modern technology and green screens and lots of fancy stuff you can make really good movies.

HOCHBERG: And that's partly, Bill, I think the concern about the trade discussion debate that's going on in Washington and in this administration. We should be focused more on the services, more on entertainment, more on education and I feel like the dialogue is all about cars and trucks and airplanes.

REINSCH: Yep, cars and steel, exactly.

HOCHBERG: And that's a part of it, but it's not the future. It's not what we do best, and we are not paying attention to the entertainment and so forth, to the extent we should, because that's really our future.

REINSCH: Absolutely.

HOCHBERG: And we support millions of jobs and they're blue collar jobs. They're not just Hollywood stars, they're people's sound technicians, camera men, set designers, all those things that are good, solid jobs and that pay really good wages.

SCHWARTZ: What about education?

HOCHBERG: Education is another one I've looked at. Jerry Seib, of the Wall Street Journal, he and I were talking and-

SCHWARTZ: Our good friend, Jerry.

HOCHBERG: He's a great guy and he actually partly gave me the idea and I actually switched a chapter out of the book and edited one about education. We actually are one of the few countries with a surplus of seats. We could easily take another million college students in this country, are the estimates, and I'm talking about at liberal arts colleges, small colleges in the Midwest, state universities, and of course, the big thing is, foreign students pay full freight. They don't get a scholarship.

So in terms of revenue, they're very important to universities. They diversify the discussion in the classroom and most importantly when they go home, they bring a lot of American culture and values with them.

REINSCH: Exactly. Exactly.

HOCHBERG: When I was at the export import bank, working with people who had been educated here and then went back home, they had an inclination to want to do business with the United States. When I would meet, particularly in the Mideast and in the airline industry, when there was someone from Britain
who was running one of the airports, big surprise, a lot of British companies got the contracts because he was familiar with them. So, we really benefit enormously by training people and they become emissaries and ambassadors, and a little bit of pushback, when they get to their country.

SCHWARTZ: Let me ask you this, you point out in the book, that our current trade war with China might be getting slightly less hostile, but you say that the damage is done, and when you ask who gets hurt by the trade wars, you say very clearly, that it's American citizens, but American citizens don't seem to really get this. Why don't we get this?

HOCHBERG: Well, I think partly, number one, tariffs are attacks. We know that and it's a sales tax, and I was at a presentation at a Wall Street firm yesterday, and they're talking about the bad trade deficits, and I wanted to say, actually that's a bad talking point. Trade deficits certainly don't matter for us.

SCHWARTZ: Right.

HOCHBERG: You know, if we were South Africa or Colombia and we did not have a hard currency, and we had to really worry about how we're going to finance that giant deficit, that'd be one thing. But we are on a budget deficit. We were on a lot of deficits.

SCHWARTZ: We have other deficits that are much worse--

HOCHBERG: We should really worry about. Yes.

MILLER: But when it comes to trade deficits, we also have an investment surplus, which completely offsets that. In fact, that's the other side of the ledger. And because this is the place where the world wants to invest, that's probably the most important reason the trade deficit isn't a problem. That's for us.

HOCHBERG: So the trade, it's just not something we should worry about, but people hear the word deficit and they go, that's bad.

SCHWARTZ: Right, but why don't Americans understand that these trade wars are hurting them directly? Even Americans who have really staunchly supported president Trump in farm states, where farmers have been hurt bad. They're now saying, well, we're really glad we hung on because President Trump's really confronting China and he's the first one who's ever confronted China and ultimately we're going to get a better deal. But is it wrong of them to feel that way?

HOCHBERG: Well, I went out to Iowa to sit with a number of farmers to try and understand that better. And I think that President Trump as he positions himself as a smart businessman, "I'm a billionaire, I made a lot of money." So a lot of the farmers I met, and I did it with a number, said he's doing it for the right reasons. He's fighting for us. I think they would feel, and I served President Obama, if President Obama is doing it, it's about climate, it's about
human rights, it’s about geopolitical things. It’s about a lot of things. But they said, he’s fighting for me, because he’s a business guy. And frankly President Trump has made it clear, the only ledger that seems to matter is trade. Human rights are not issue. The environment’s not an issue. Labor practices aren’t an issue. So when you take all that off the table, people say, they feel he’s doing it for the right reason.

MILLER: So he’s got good marketing.

SCHWARTZ: Yeah, and he’s good at communicating that.

MILLER: He’s good at communicating it. So that’s good political communication. The other piece of it is scale. The tariff barriers have been in the billions. Our economy is 20 trillion and growing, of which 80% is domestic, mostly services. So people feel it at the margin. And people engaged in the trade or managing supply chains, they’re staying up nights. Life’s hard for them. But for the consumer, it’s very difficult to find an effect of that scale in the total scope of the economy.

HOCHBERG: There isn’t a lot of pricing flexibility for companies.

MILLER: Right. Right.

HOCHBERG: Particularly companies said, if the tariff is seven and a half percent or even 10%, maybe I can absorb some because I’m having a hard time passing it on. I think that was the concern. If they went to 25%, no business could find a way. But companies are trying to find ways. It may force them to be more innovative and cut steps out. Or I was reading, a company in China was substituting for children’s microscopes some of the metal parts for plastic and trying to shave costs out of the system.

SCHWARTZ: So let me ask you this a little bit of a different way. How are Americans being hurt?

HOCHBERG: Well, I think Americans are being hurt in two fundamental ways. One, the tariffs are a tax. And it essentially is a sales tax. Either if they’re not paying more directly than paying more in terms of getting lower quality. But in some way, they’re paying. That’s number one. Number two, we are giving up a sort of leadership role in the world. The world did follow us, and we are giving that up. And I think partly we’ve done ... the political system has done a bad job of saying, “Hey, you know what? Things like the World Trade Organization and NATO, the North American Treaty Organization, these have actually been good for us.” We had a terrible World War II, this was done to make sure that we don’t repeat that. And as a result, we’ve had greater prosperity and greater peace and part of it is a result of those things. And we’ve took a leadership role. It’s hard to explain that.

MILLER: It’s a great point though, because when there was a bipartisan consensus on trade, it was because it was seen as a peace project. And very importantly
sold that way by the government from Cordell Hull on. So that is a very important communication that we've seemed to have stepped away from.

REINSCH: Well, the other thing that Trump has done very adroitly is the way he articulates it is, it's a policy of victimization. Other guys are taking advantage of us. Countries are taking away your jobs, they're taking away your money, they're victimizing you. And I'm going to stop that. It's always easier to blame the foreigners for your problems. I think this resonates with people even when it's not true.

HOCHBERG: Right.

SCHWARTZ: But to your point, Fred, when we withdraw from leadership role in the world, who swoops in?

MULTIPLE: China.

HOCHBERG: One of the first things President Trump did was pull out of the Trans-Pacific Partnership. It was not perfect, but it was essentially an idea that said “let's have 40% of the world have a sort of a trading arrangement and then others will want to join.” And as I researched this book and spoke to so many people, most notably Bill-

SCHWARTZ: Should we say that again? Most notably Bill?

HOCHBERG: I haven't come up with a lot of better solutions than something like the Trans-Pacific Partnership. It's flawed, it's not perfect, but it has been hard to find something that people go back to. What would have been a way to sort of bring China more in line? Now we have it the other way is what Donald Trump is doing today. He's saying, “I'm going to act unilaterally. This is going to be my way or the highway versus getting 12 nations and others to try and ...”

REINSCH: I think you're seeing some modest recognition of that, I think in political circles. I was intrigued during the USMCA negotiation, the president would periodically threaten to pull out of existing NAFTA because things weren't going his way in the negotiation. What struck me at the time was the number of people, including Democrats in the Congress, who would say, “no, don't do that. That would be a mistake.” These are people who said NAFTA was a disaster and that it's responsible for all these bad things that have happened. But it finally, it was dawning on people that, 25 years later, it's accomplished all these things and we've developed supply chains and relationships that truly have integrated in the North American market.

MILLER: And it’s good for their constituents.

REINSCH: And yeah, it is good for their constituents.

MILLER: So they made peace with it.
REINSCH: And then if you get rid of it, it’s going to be enormously costly and disruptive. Same thing would have happened with TPP, I’m confident. But we never got there.

HOCHBERG: I believe I haven’t done all the fine-tuned research, but because of NAFTA and because of manufacturing cars in Mexico, the US, and Canada, I think that saved the US auto industry, because the quality of cars and the innovation that we saw in cars and the safety. Before when GM, Ford and Chrysler had 90% of the market. I grew up with a lot of lemons, a lot of cars. The doors didn’t fit, the windows leaked. And as a result the quality went up, because of foreign competition. And I think American cars remain competitive today, globally, which they would not have been left to our own devices.

MILLER: No less an authority than Bob Lutz, who spent his entire life in the industry at high levels, has made the same statement. NAFTA saved the North American car industry.

SCHWARTZ: Well, one thing I think, you point out too, that’s really interesting here is that you say that right now trade agreements have a bad reputation. So we need to put a hold on them until politicians start presenting them in their clearest format to Americans—not as a piece of policy that’s for or against their own political party.

HOCHBERG: Well, I think the vote on USMCA is the first step in that direction. You all have seen too many of these votes have been on razor thin one vote margins, two vote margins, and that leaves a lot of angry people. So the fact that we had 385 members of Congress vote for USMCA, and I did speak to one progressive member just yesterday, and the comment was, “well, we have to do a lot better than this.” I said, yes, but this is better than it’s ever been. It’s the first one you’ve ever voted for. First one Trump has ever endorsed. So this is really a new day.

MILLER: It’s a fresh start.

HOCHBERG: A totally fresh start.

REINSCH: We still have to deal with the problem that you always encounter on the Hill, I saw it over and over again in the time I spend up there, which is the perfect is the enemy of the good. So you’ve got these people say … Elizabeth Warren got over this by deciding to support it, but basically all these people saying it’s not good enough. But it’s still better than what we had before. And so are you going to believe in incrementalism? Let’s do this and now let’s then go on and have another negotiation and keep it going. Or are you going to say it’s not perfect, I’m going to oppose it?

MILLER: But you got a chance for politicians to have a positive experience. Most of them voted for it. They’re going to go out and in their campaigns, when they get reelected, their voting for USMCA was part of that reelection and they
will have experienced that benefit and I think be less likely to oppose in the future.

REINSCH: Yeah, I’m kind of thinking this may be a unique event. I hate to give Trump credit for anything, but he really, he provided cover for a lot of people on this. If Donald Trump says this is a good agreement, who’s going to be more protectionist than Donald Trump? There aren’t going to be many people who are going to weigh in and say, no, it’s a bad agreement. So Trump tells his base, which are trade skeptics for the most part, saying, this is good, and I fixed it. The Democrats, meanwhile, are coming in and telling their people, we made it better. And from their point of view, they did. There’s not very many people left. I’m not sure you can replicate that in other certain situations.

MILLER: Perhaps not. But I will tell you this is a much better feeling than the days when I was working on these nose counts. We scheduled floor votes when certain members were out of town. This was the only way to pass it by two votes.

HOCHBERG: Yeah. I think that this is a very important step. We’ve got such a large majority and I think Bill also may well be right that it may be hard to replicate.

SCHWARTZ: Well, this is a fascinating book and a fascinating discussion. Thanks for being here, Fred. We’re going to buy a ton of copies of this book and give them to all of our friends. We hope our listeners will also buy a ton of copies of this book and give them to their friends? Where can they find you on Twitter or on the internet?

HOCHBERG: At a Fred Hochberg on Twitter.

SCHWARTZ: Great.

HOCHBERG: And I’m on Facebook. I hope you buy the book and I’d love to hear what you think about it.

SCHWARTZ: Fantastic. All right. Well, thanks for being here with us today and we hope to have you back soon.

HOCHBERG: Thank you.

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.

TRADE GUYS: Thank you.
SCHWARTZ: You’ve been listening to The Trade Guys, a CSIS podcast.