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Ambassador Robert Lighthizer
United States Trade Representative

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Webinar

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Introduction

Welcome, everyone, to The Economic Club of New York. This is Barbara Van Allen, President of the Club. We will get started in exactly two minutes, Thank you.

Marie-Josée Kravis: Good afternoon, and welcome to the 539th meeting of the Economic Club of New York. I'm Marie-Josée Kravis, the Chair of The Economic Club of New York and a Senior Fellow at The Hudson Institute. The Economic Club of New York is the nation's leading nonpartisan forum for discussion of economic, social, and political issues.

And I want to extend a special welcome today to guests of our members, members of the Economic Club of Chicago and Washington, DC, who have also been invited, invited to join the webinar today. And I'm also delighted to have joining us, the members of The Economic Club of New York 2020 Class of Fellows.

Before we begin, I'd like to thank our health care workers and all of our frontline workers for all they do during these difficult times to keep us healthy and safe. I'd also like to add that we all grieve for George Floyd and his family, and our fellow citizens, who, in the past and currently have sometimes been victims of prejudice, injustice, and violence. We know that to tackle the scientific or the health crisis, we are putting our best

scientific minds to work to try to resolve this crisis, and hopefully with regard to this later crisis will put our best minds and also our best hearts to work to try to find solutions for our country.

It's a pleasure for me today to introduce our guest, Ambassador Robert Lighthizer, who was sworn in as the 18th United States Special Trade Representative on May 15th, 2017. Ambassador Lighthizer was chosen by President Trump at a time when he was serving as a partner of the law firm, Skadden, Arps, Slate, Meagher and where he practiced international trade law for over 30 years.

His work there on behalf of American workers and businesses in the heavy manufacturing, agricultural, high-tech and financial services industries opened markets to U.S. exports and defended U.S. industries from unfair trade practices. He was lead counsel for scores of trade enforcement cases and was a well-known advocate for the type of "America First" trade policies supported by President Trump.

Before joining Skadden, the Ambassador served as Deputy USTR for President Ronald Reagan. And during his tenure, he negotiated over two dozen bilateral international agreements, including agreements on steel, automobiles, and agricultural products. As Deputy USTR, he also served as Vice Chairman of the Board of the Overseas Private Investment Corporation.

Prior to becoming Deputy USTR, Ambassador Lighthizer was Chief of Staff of the United States Senate Committee on Finance for Chairman Bob Dole. In this position, he was a key player in enacting the Economic Recovery Tax Act of 1981, which included major tax reform, as well as other basic elements of the Reagan economic program.

Most recently, Ambassador Lighthizer has been very busy renegotiating the U.S.-South Korea Agreement – Trade Agreement – the U.S.-Japan, U.S.-Japan Agreement, the USMCA, the replacement to NAFTA, the China Phase One trade deal. And he's just embarked in bilateral negotiations with the United Kingdom. And I'm only highlighting his busiest, or the most well-known agreements that he's focused on. He's been busy with many other, many other issues.

So the format today will be a conversation. Well, first of all, a presentation, a few remarks by Ambassador Lighthizer, and then a conversation, which I'm fortunate to be moderating. I have incorporated, and I will try to incorporate in the conversation, questions that were sent by members. We'll end promptly at 2:45.

And on that note, over to you, Ambassador Lighthizer, and thank you so much for being with us today.

Remarks by Ambassador Robert Lighthizer

Well, thank you very much, Marie Josée, I appreciate the opportunity to be here. I'm honored to appear before The Economic Club, The New York Economic Club. And I'd like to thank you for all you do there, but also at The Hudson Institute, of which I'm a, I'm a huge fan.

I should begin the same way you did. And that is to say how badly we, in the administration, feel about George Floyd. But the whole, the whole process, this whole issue, which is playing itself out right now in the United States, it's legitimate grievances and the protesters who we are sympathetic to. We're not sympathetic to that rioters, and the President is very much, as people know, on the side of getting us back to normal. But these are real grievances and they're something that everyone should take a moment and pause about, because we all have a part in them.

I'd also like to express my condolences to all of the people who have been affected by this Covid-19. I mean, it's hard to even remember what we all thought before this virus struck this country. It seems like it was 100 years ago and, and to think that 100,000 people have died and many, many people have had their lives really, really destroyed because of this virus. It's very sad. And, and I sort of, I completely agree with you on that we've made some new heroes in this, in this country, and there's a variety of them

in the medical area, and the like.

It's funny. On the one hand, it makes you think that what we're talking about is less important. But in another way, maybe it's more important, because we have to build the lives through economics, and economic policy, rebuild the lives of these people who have been affected by this virus or by the rioting, or people who have been negatively affected by the issues that are being protested. So, these are interesting times. They were interesting before Covid and we got a lot done, and we've gotten a lot done in the middle of it.

I think we should remind ourselves at the beginning that the economy was very, very good before this, this scourge hit the country. We had record unemployment. It was doing good for, for, I think, for all Americans. The thing that I'm happiest about really was that we, we brought so many people who had been out of the workforce back into the workforce. And I think that's really a fundamental thing that the President did, and that's African Americans and Hispanic Americans, but a lot of Caucasian Americans also who had taken themselves out or had been really not let into the workforce were now brought back in.

So, there were a lot of good things. The President accomplished a lot. We had a tax bill which was historic. We had deregulation which was historic. And we had these trade

agreements that you talked about as well as a variety of other things. So, the first thing I think we have to remind ourselves is that while we're in a crisis now, we were in a good place before. And thank, God, we were, because that means it's going to be more likely that we can get to the other side of it, and really have a very, very vibrant economy again, and have people return to their lives and, and really prosperity, really, from the top to the bottom.

Now, now my area, as you say, is trade, and that's part of economic policy. The President has a different view. I have a different view on what trade policy is about, and that's why we've renegotiated agreements and the like. We start with the proposition that there is a problem, that the way that we were going for the last decades was not maximizing the benefit to American workers and farmers and ranchers.

It led to a country that was, in my opinion at least – and in the opinion of the President – divided and moving in the direction of division between rich people and poor people or rich people and lower middle-class people. So I'd cite as evidence of that the fact that we have trade deficits that were enormous over a long period of time. Now I know many people listening will say: trade deficits don't matter. And certainly bilateral trade deficits in a normal circumstance have limited importance. But when you have hundreds of billions of dollars of trade deficits, and with most of the world, it's reasonable to say something ought to change and we have a look at the rules of trade, and that's what the

President has asked me to do.

Further evidence is the loss of manufacturing jobs. I know some of your members will say, well, it's productivity, but I think it was a lot more than productivity. So, and then, and then when you looked at the details of trade you saw a lot of unfairness. You saw a lot of places with high, with high tariffs, much, much higher than ours and trade barriers had made it difficult for American companies and workers and farmers to compete. So I would, I would say that's more or less where we started.

The President's objective is not solely on efficiency, and efficiency for companies and efficiency in the marketplace. It is that to some extent. But it's also, he wants jobs. He starts off with the proposition that we want more Americans with better paying jobs. If we have that, will have a better community, and that's in all our interest.

And he approached trade with that as his objective, and you've seen the results. First, we renegotiated NAFTA and made the USMCA, which is the biggest trade agreement ever made in history – \$1.3 trillion worth of trade. And we made it, we made it modern. We made it the absolute gold standard in areas of digital trade and financial services and the like. But also, we began the process of bringing a lot of manufacturing jobs back to the United States. And I think it's also good, by the way, for Mexico and Canada, so I think it was a great, great success.

We did the deal with, I should say, by the way, USMCA goes into effect July 1, so I expect you all to have some kind of a party there at the New York Economic Club to celebrate.

Chairman Marie-Josée Kravis: It has to be a virtual party.

Ambassador Robert Lighthizer: And I'm going to come, you know, virtually to the party when you have it. So, and then we did a very historic deal with Japan involving agriculture and e-commerce, and, I think, \$40 or \$50 billion worth of trade. We, as you said, the South Korea deal, was renegotiated. We did a lot of other very small deals, individual products, and problems involving various agricultural and industrial policies. But we also did, and signed on January 15th, the Phase One deal with China, and I think a lot of people are very interested in that, and they should be, it was an historic deal. It was really the first real trade deal that we had ever done with China. We'd had a very imbalanced relationship for a long period of time and I think this agreement, this Phase One agreement, is the beginning of rewriting the rules and correcting the relationship so that it's in both of our interests.

So, I'll stop there. People are going to ask me about China, I know, and maybe NAFTA and other things. And I'm also happy to talk about the UK Agreement, which we've just

begun renegotiating, and Kenya, which you didn't mention. It's the President's view and certainly my view, that we're going to look back in 20 years and say we should have done something in sub-Saharan Africa. This is a very important part of the world; the United States has generally not been involved as much as we should have there. And in 20 years, it could have two billion people living there. So it's really, really important that we begin to make some, some integration of their economies and ours. So, why don't I stop there. I've probably spoken too long. I'm happy to answer questions. Look forward to getting into all of these issues.

Conversation with Ambassador Robert Lighthizer

CHAIRMAN MARIE-JOSÉE KRAVIS: Well, maybe we'll go into the specific trade agreements as we go along. But just as a general question, and you've highlighted all of, you know, so many of these separate agreements – you've tended to take more of a bilateral approach to trade negotiations than a multilateral approach, a WTO approach, and so on. Could you elaborate on that, what you're thinking, what the thinking is behind that, why that was a chosen avenue?

AMBASSADOR ROBERT LIGHTHIZER: Yes. I mean, I have felt for a long time, and I know the President has also, that the United States has the biggest economy in the world, and can do better negotiating country on country. That is not to say we wouldn't

have any international involvement in the WTO. But for the most part, if you're the biggest economy in the world, you'll make sure you get a fairer deal if you use your bilateral leverage. When you sit down with multilateral contacts, you end up making concessions to one country that you might not have to make to another. Now, ultimately, what we want is a mix.

And I would say this, I think it's important, when we think about this. We have been accused of and have, in fact, engaged on a bilateral basis more than prior administrations. But I want people out there to think about what has Europe done because Europe complains about our bilateralism. Europe, over the last 70, over the last maybe 15 years has accelerated their bilateral, their FTA negotiations to the point now that they have 77 different FTA agreements, which means another way of putting that is, they give better than MFN treatment to 77 countries. Now, tell me that isn't really a bilateral approach.

CHAIRMAN MARIE-JOSÉE KRAVIS: Let me just say, for our listeners, that MFN is most-favored-nation.

AMBASSADOR ROBERT LIGHTHIZER: Oh, I'm sorry.

CHAIRMAN MARIE-JOSÉE KRAVIS: It's okay.

AMBASSADOR ROBERT LIGHTHIZER: I plead guilty to that. I know how sophisticated your members are.

CHAIRMAN MARIE-JOSÉE KRAVIS: I didn't want to interrupt.

AMBASSADOR ROBERT LIGHTHIZER: Well, your members all know, but there might be a guest who doesn't, so it's good. To hear this criticism, I think, one, it makes more sense for us. And two, it's the Europeans and others who are doing exactly the same thing. In many ways, Europe is far, far more of a bilateral trade. Even though they talk about multilateralism, they're doing more to harm the multilateral system through all of these FTAs by far than we are. But I think it makes sense. We'll see how it works out. I've always believed, you're better off – if you're the biggest economy in the world – negotiating fair rules on a bilateral basis.

CHAIRMAN MARIE-JOSÉE KRAVIS: So, does that mean wither WTO, the World Trade Organization?

AMBASSADOR ROBERT LIGHTHIZER: See now, if I had said WTO, would people really, they would have figured it out. No, no, I'm not in favor of getting out of the WTO. I've been very critical of it as has my boss. It has really, I think, not served us well. The

Dispute Settlement Process has turned into basically a forum for litigation and it really shouldn't be that. The WTO, if you look back since the Uruguay round in 1994, we've had essentially no real trade negotiations. We had one trade facilitation agreement. But that was really, you know, kind of custom stuff. We've had no trade agreement. Why would...I mean no serious trade negotiations. We had the start of a go around but it just petered out. Why would that be?

Part of the reason is the WTO has morphed from a negotiating forum into a court, into a litigation, and it's not set up for that. It's a clumsy way to do trade policy. So we have a lot of criticisms of the WTO, but I think you do need a body that hosts negotiations and that keeps track of what the agreements are and the WTO does that. And we're looking forward to you know to reforming the WTO as time goes on.

CHAIRMAN MARIE-JOSÉE KRAVIS: So let's go to the specific trade agreements. And of course I received so many questions from members about China and about Phase One. And let's start with a general question because you had mentioned that the success of the Chinese trade agreement is going to depend on China, on whether the reformers are able to see it through. It's still, I mean, it was only January. It says, you said, it seems like it was 100 years ago, that January 15th seems like 100 years ago, but it's only been a few months. But what is your sense as to the commitment to the Phase One agreement?

AMBASSADOR ROBERT LIGHTHIZER: So, I feel very good about it. First of all, let's remind ourselves how we got here. We had a very unbalanced economic relationship with China. I mean, I would say by far the most unbalanced of any two countries in the history of the world, by far, and it was not just the result of economic forces. It was the result of state capitalism and of various kinds of unfair trade, which I won't list here because it's not a positive thing to do. But we had a, we had a grievance, we had a problem, we had a trade deficit, which ballooned up to over \$400 billion. And it went up and up and up and up, and it was not the result of market efficiency. It was more the result of state capitalism, so that's what that's where we started.

To their credit, China engaged in good faith negotiations. It went on again, it went off again. We began with a study that went on for eight months in 2017. This has been a steady, planned trade policy by the President, and we looked at questions of forced technology transfer, of IP theft, and a variety of other similar kinds of grievances. At the end of that, we had a study, a very, very well received study, I think, a very scholarly study. We went through a period when we escalated tariffs back and forth. And we ended up now with a situation where we have large tariffs, and an attempt, I think, by both sides, to try to work our way through this.

Now, in my case, when people talk about China, as you alluded, I always say, China's

not like one thing. China is a lot of different people, and they have a lot of different interests, and like the United States, over a period of time, they have a way of working out who's on top. And if the reformers, the people who want to have a good relationship with the United States, if they have their way, then I think we're going to have, then we're going to see the Phase One agreement become an historic first agreement between the two biggest economies in the world.

And I would say at this point, remember, it was signed in January, it was effective on Valentine's Day, so, and in many ways, it was March 1st before they could get some of their things in place. So if you look at what they've done since March 1st, and given the context of this crazy virus, I think they've done a pretty good job.

We have to remind ourselves, this is, it's two things, it's structural change, which is to say in the area of technology transfer and financial services and currency and intellectual property protection and agriculture, and then it's enforceable. And I think the fact that it's enforceable and covers these substantive structural things is often lost by people who just focus on the last part, which is, it also involves a commitment to a certain amount of purchases.

And I would say on the structural changes that, that China has done a pretty good job. And I think under the circumstances, they're committed to live up to the agreement on

the purchases side also. And we've seen significant purchases over the course of the last many weeks. So, I feel pretty good about it. You know. We'll find out. It's one of those things where, you know, you'll know what the score is, you know, before too long. But I think the people with whom I negotiated this, who are honorable people, want it to be a success. I know that that the Premier indicated over there, in his speech to the Congress, that they expect to live up to the agreement. And I know the President expects them to live up to the agreement.

CHAIRMAN MARIE-JOSÉE KRAVIS: There were recent reports – or I should say rumors rather than reports – that perhaps they would not live up to their commitment to purchase U.S. soybeans. Was that accurate?

AMBASSADOR ROBERT LIGHTHIZER: No, it wasn't. It's interesting. It's one of these things, it's anything you're involved with – anyone listening out there – when you see somebody write about it in the paper, you say, whoa, that's not how it was. No, I don't know where that report came from. The reality is that on Monday and Tuesday of this week, which is after that report, China bought \$185 million worth of soybeans so that is not true. The people that I deal with tell me it's not true, and I expect you'll see them live up to their agreement, and we certainly expect them to. So I did see those reports. I thought they were disruptive and unhelpful, but I don't know where they came from. I don't know whether it was bad sourcing or intentional misinformation on behalf of

somebody somewhere, but we don't believe they're true.

CHAIRMAN MARIE-JOSÉE KRAVIS: Now, obviously, the context has been altered somewhat with the Covid-19 issue, and the back and forth as to China's role in sharing information and being transparent and its overall role in the management of the crisis. Do you think that that's going to have an impact on the implementation of the trade agreement?

AMBASSADOR ROBERT LIGHTHIZER: Well, all right, so let me just tell you, first of all, how I address these things. I mean, clearly, China has a lot of, there's a lot of blame that can go China's way in this whole area. But, as I say, when you talk about China, it's a process rather than a thing, right? And it's a process of a lot of people. The same thing is true of our relationship. We have a very complicated relationship. I have been someone who had been critical of the relationship for, for a number of years, but the relationship involves security. It involves the economy and trade. It involves science. It involves cyber theft. It involves a lot of different things.

The way I approach it is, I stay in my lane. I can't solve all the problems between the United States and China. What I can do is try to negotiate an agreement that begins the process of balancing our relationship and helps Americans have, you know, more and better jobs. That's what I'm trying to do. And, there's an awful lot of criticism in a lot of

other areas, by the way, security areas, cyber theft, and, of course, the virus, that can go China's way. But that's not my job. If I tried to do that, I'll end up doing nothing. So, what I want to do is work with the people there who want to have a good relationship, try to write rules that are new and fair, and work for both of us, but mostly work for American workers and farmers. And, if I do that, I will have spent my time well.

CHAIRMAN MARIE-JOSÉE KRAVIS: But, I mean, and I hate to bring you back to the Covid crisis, but there has been a lot of discussion relating to our vulnerabilities, especially to pharmaceutical and medical medicine, you know, whether it's antibiotics or ibuprofen or acetaminophen. We were highly dependent on China for many of these, many of these drugs. Do you see any change there? And how would that, I mean as companies look at their supply chains and look at, you know, better, more resilience in their supply chains and as we try to minimize some of our vulnerabilities, that's certainly going to have an impact on the relationship, on the trade relationship, don't you think?

AMBASSADOR ROBERT LIGHTHIZER: Well, I think it'll have an impact on the trade relationship with China, with India, and with a lot of other countries. The United States, in my opinion, needs to bring these supply chains back. We need to make, in America, what we need in a crisis, in America. And there's two ways to think about that. One way is, well, let's get rid of all the trade barriers. And during the crisis for sure that's true. But I would suggest that after the crisis is over, we have to have an industrial policy that

assures that the United States has – in any future crisis – the ability to manufacture at home all the things that we need. Now, that means medicine, but it also means PPE. We don't have to say to anybody what PPE is, do we?

CHAIRMAN MARIE-JOSÉE KRAVIS: I don't think so.

AMBASSADOR ROBERT LIGHTHIZER: So, we need to be able to manufacture the high-tech stuff, the medicine, the low-tech stuff. That should be part of our industrial policy. The President feels very strongly that way. I know a lot of people in Congress are looking at that, and we need a policy, be it subsidies or tariffs or whatever.

Whatever it takes, we have to have industrial policies so we never find ourselves in this position again where we're not independent on matters, on material that's really, really important to the country.

And we're a big enough country – I should say – we're a big enough country that we can do that, right? A small country, it would be harder. The United States can do that. We have the technology, we have the ability to make all of these products through a whole – particularly in the pharmaceutical area – through a whole lot of, a number of years of people not paying attention, we've allowed this to drift in one direction. You know, bad tax policy, a whole lot of bad decisions were made, policy decisions in the United States that got us into this position and we just have to correct it and I think the

President will correct it.

CHAIRMAN MARIE-JOSÉE KRAVIS: So let's go to another part of the world because we could have this whole conversation only on China. But the relationship with Canada and Mexico is also, as you mentioned, the largest trade deal to be concluded. It's also an important one. How do you think each of those countries is, well, we don't know yet because it comes into force later this year, but thus far, do you think that they are abiding by their commitments?

AMBASSADOR ROBERT LIGHTHIZER: So, yes, I think they have. I think they will. And I think if they don't, we'll use Dispute Settlement Process and we'll bring actions against them. But, look, this is, this is the biggest market in the world. It's a gigantic market. There are a lot of reasons why we should have a relationship with Canada and also Mexico, and that it should be mutually beneficial.

Before the President decided to renegotiate, the agreement became very, very out of balance. If you look at – before we started to negotiate – of the 11 automobile plants built in North America, eight of them were built in Mexico, just as an example, all right, eight of them. And almost all the cars are sold in the United States. Now, to some extent, that was a labor arbitrage. But to another extent, it was industrial policy by the Mexicans and U.S., U.S. governments who just let it happen. And I think that was a

mistake.

You and I remember the great debate over NAFTA and Ross Perot and the sucking sound. And I think in recent years that was very, very true. And it became an extremely, extremely unpopular agreement. Both presidential candidates in the last two or three elections have said – Democrats and Republicans – we need to renegotiate it. Nobody did. We lost, we lost literally millions of jobs in the United States. And these are good middle-class jobs that we lost in the United States. And this President ran on, and then said, we are going to renegotiate this agreement or we're not going to have an agreement, and I think that was the right approach. We got a very good agreement.

As I said, it's the gold standard on what some people call the new economy, but to me at least – and on agriculture, but to me, at least even more importantly, it will stop the flow of jobs out of the United States, manufacturing jobs. It'll bring an awful lot of them back and it'll add to the middle-class and the general wealth of this country. And at the same time, because we constructed the rules of origin so as to help the whole region, it'll be good for Mexico, it'll be good for Canada, but it'll really be good for the United States. And we'll see, people forget and they shouldn't, how unpopular and how unsuccessful – except for a few people in the United States – that agreement was. And now I think we've righted the ship. We did something no one thought was possible, and that is to get an overwhelming majority of Republicans and Democrats in the House and

Senate to vote for it. We had every agriculture group in favor of it. The labor unions, the big labor unions were in favor of it. All the business groups were in favor of it.

So now we'll see. We did our 168-page uniform regulations. Got out yesterday. July 1, as I said – we're going to come and have the big party at the Club – will be the beginning of it. And I think you've already seen people take action to bring jobs back just in anticipation and planning. So I think it's going to be very good for the country.

CHAIRMAN MARIE-JOSÉE KRAVIS: It's interesting that you mentioned both Democrats and Republicans working on this agreement. I'd say with regard to China also, there seems to be a convergence amongst certain members of Congress and the Senate with regard to, you know, changing position on China or changing views on China. Do you find that maybe there's more convergence now on economic policy, that there is a new consensus that's shaping in Washington? Or is that just an illusion from the outside?

AMBASSADOR ROBERT LIGHTHIZER: I'm not one to prematurely predict that things are going to be harmonious or that there's going to be a new working together. That may be, we may be decades, or maybe never to see that. I do think, on USMCA, there were a lot of very important provisions and the Democrats made a contribution in a lot of areas, just like the Republicans did, and so, we worked closely with both of them. And

on China, I think you're absolutely right. There have been a number of people who have been very worried about that relationship for a long period of time, but there were others who had a different view, or really didn't focus on it.

And, I think there is a consensus in the United States that we have to have a better relationship with China, that China has taken advantage of the United States and that, and that it has treated unfairly, not just in the economic sphere, but in the security sphere and others. So, I do believe there's that consensus, and there have been some people who have had that view for a long time. The Speaker is a good example. The Speaker has had that view for a long time. The President has had that view for decades and others in the Congress. So I do believe there's a bipartisan consensus on both of these issues.

When you get much beyond that, I'm not so sure. Although, you know, having said that, we did pass what, almost \$3 trillion worth of stimulus. So I mean there's, there are a lot of things, you know, to feel good about if that's your predisposition.

CHAIRMAN MARIE-JOSÉE KRAVIS: I was really focusing more on trade, nothing else. But let's talk about the UK because you've just formally started negotiations with the United Kingdom. And that comes in, maybe a delayed context of Brexit with. With Covid and so on, that seems to have been put on the back burner. But what are the areas that

you're most focused on with regard to the UK?

AMBASSADOR ROBERT LIGHTHIZER: Well, this is going to be, yeah, it should be a good agreement, once again, for both of us. We have similar economies. We have a long, long history of working together. We have \$269 billion worth of two-way trade already, and interestingly, each of us employs – through investment in the other country – about a million people, citizens of the other countries. So there's a close relationship there already.

But we want to have a full-blown free trade agreement with the United Kingdom. We think this is an opportunity. Right now they have a very unbalanced trade relationship with the European Union, as do we. And this is an opportunity, I think, for each of us to sell more product to each other and perhaps increase trade. So we feel good.

What are the areas we're looking at? Not only the areas of e-commerce and financial services, were both, by the way, enormous service industries, service economies, so there's a lot of headway that can be made on that. We're looking forward to that.

Agriculture is a very big issue for us. We have the best agriculture in the world. We have the most efficient agriculture in the world. We expect to make real headway there. And then there are, there are a variety of industrial areas also.

So, across the board, it's going to be a free trade agreement that I think it's going to be good for both countries. It's going to take time. To be honest, these things are not negotiated – we negotiated with three countries, the USMCA, in about a year. And that was probably, you know, a fourth of what anyone would have done under normal circumstances. So these things take time, both because they're complicated, but also because each of us has to, has to wrap ourselves around the fact that there's going to be compromise. So it's going to take a while, but we're, it's not going to go for lack of resources. So, we're both working on it hard. Minister Liz Truss is, you know, a good partner in this, and we're looking forward to making headway.

Our second round begins the week after next, on the 15th of June. We're in the process of laying down text. There's a lot of text. These things are, you know, a couple thousand pages long at the end of the day. They're very, very difficult and complicated, but I feel good about, about us getting there.

CHAIRMAN MARIE-JOSÉE KRAVIS: You mentioned services. And I wonder if you, if there's any appetite anywhere in the world and especially in the United States for some kind of trade agreement regarding, that covers services more broadly? Because the U.S. certainly has a comparative advantage in many sectors related to services.

AMBASSADOR ROBERT LIGHTHIZER: Yes, so, one of our initiatives is in e-

commerce, which is related, but services specifically, yes, in the United States, we believe we have a comparative advantage. Interestingly, the UK thinks that they have a comparative advantage. One of the anomalies that you find when you spend a lot of time in the trade area is that the numbers tend to be a little bit screwy.

So, when we look at the UK and the United States, each of us believes that we have a \$12 billion approximate surplus with the other. Services numbers are hard to figure out what they are. When you think of services, or I think of them, a lot of people, it's financial services, it's insurance.

CHAIRMAN MARIE-JOSÉE KRAVIS: Retail.

AMBASSADOR ROBERT LIGHTHIZER: Financial management and the like. What it tends to be in most of our economies is, is health care. And in trade, it tends to be travel and tourism and education. But clearly financial services is an area where the United States views itself as having a real, real competitive advantage. Interestingly, so does the UK. You know, compared to the rest of the world, we may both be right.

CHAIRMAN MARIE-JOSÉE KRAVIS: Now, some of the members sent questions relating to climate, because, for example, the European Union will not sign a trade agreement with a counterpart that has not signed the Paris Agreement. Is that correct?

And how do you, does that impede any further progress in negotiations with any European country?

AMBASSADOR ROBERT LIGHTHIZER: So we have a negotiation of sorts going on with the European Union. We have a very unbalanced relationship there. We have \$180 billion goods deficit, and it's growing. So it's something the President is focused on and that we have to do something about. I have read and heard the European Union say they won't enter into an agreement with anyone that doesn't have a climate change provision. And, you know, we'll see, we're not close to having any kind of agreement with them, so it's at this point, at least, not my problem. We'll see what happens as we move along.

CHAIRMAN MARIE-JOSÉE KRAVIS: Do you think that the Europeans, speaking of the Europeans – we'll go back full circle to China – talked about now China's a strategic rival. They've changed their rhetoric on China. So, do you see maybe more of a partnership with Europe in your negotiations or maybe a Phase Two approach to China's trade, to a China trade deal?

AMBASSADOR ROBERT LIGHTHIZER: Well, we have, for three years, had what we call a trilateral group, and it's Europe, the United States, and Japan. And we work on these issues involving China and how the rules could be changed in a way that helps

market economies and eliminates some of the, some of the ill effects of, we believe, of state capitalism. So we, we have worked with them on that. The Japanese have been good partners. The Europeans from time to time are good partners. But we have worked together on that.

Europe is a little bit, like when I say China is a lot of different people and a process, so is Europe. And there are parts of Europe that understand the fact that we have to change the rules with respect to China better than others. But I think we are making headway in that. And it's for sure true that over the last couple of years the attitude that Europe has had on these issues has changed dramatically. Not just in trade but also in investment. You've seen them sort of, in my opinion, at least wake up to the fact that they have to take on this issue and we have to have new and better rules.

CHAIRMAN MARIE-JOSÉE KRAVIS: So, just in closing, I'd like to maybe, if you could say a few words about Kenya and the African continent because you're right, it's a huge area, a huge demographic – there'll be huge demographic growth there but hopefully also economic growth and more engagement in the world economy. So maybe a few words on Kenya.

AMBASSADOR ROBERT LIGHTHIZER: So there's a long process in using Trade Promotion Authority which is our fast-track legislation which allows bills to pass. See,

I'm explaining all of this now because you've sensitized me to the fact that people don't understand my jargon. So, it's a long process. It's been going on for several months. We've consulted with Congress. There's a lot of support in Congress. The President is in favor of it. We have met twice with President Kenyatta. And I think they very much want to move forward. He wants reform. He wants the kind of rules that allow their country to move forward. So I'm optimistic.

It's a big issue and there are a lot of – I mean a big, big negotiation – there are a lot of issues we have to work our way through. It's not going to be easy. We'll probably kick it off, because of the timing of our legislation, we'll probably kick it off early in July. And at that point, we'll do the best we can. You know it's been these kinds of video conferences and then at some point we'll sit down and really hash things out. But that also will take time. But I think it's really, really important that we have one African country that we really have a good agreement with.

Europe has a bunch of agreements, but they're really not very complete and they're not very high standards. China has some activity there. So it's important that the United States have a real, what we would consider to be a really, really good agreement. And then hopefully over a period of time, it'll move from not just Kenya but to other countries. Sub-Saharan Africa, you know, itself is in the process of integrating their economy. So they're making a lot of headway down there and it's the perfect time for the United

States, I think, to move in and try to get the rules right for everyone.

CHAIRMAN MARIE-JOSÉE KRAVIS: Well, thank you. We could go on and on. And the only thing, I think, we all hope is that global trade does pick up because it is an important component of the world economy. And thank you so much for everything you're doing and thank you for taking the time to share with us. And good luck in all of these negotiations. So thank you.

AMBASSADOR ROBERT LIGHTHIZER: Thank you. It was a pleasure to be here. And one thing I can promise, trade will come back.

CHAIRMAN MARIE-JOSÉE KRAVIS: Yes, and also, you'll come back, at least July 1. And I just wanted to say to our members, thank you for being here and reminding you that we have more events planned. So, upcoming next week we have Paul Tudor Jones, the founder and co-chairman of Tudor Investments. He'll be with us on June 9th. And then we have Ellen Zentner, the Chief U.S. Economist at Morgan Stanley. And Elena Botelho and Bill McNabb, the former Chairman and CEO of Vanguard will be with us on June 18. So please stay connected to our website to follow what we're doing. And please stay safe. And, as I said, stay tuned and hope to see you next week, or see you at least virtually. Thank you again.