

[Transcript] The Realignment / 382 | Robert Lighthizer: Building the New Pro-Worker Trade Consensus

Marsha here, welcome back to the Realignment.

Today's guest is Ambassador Robert Lighthizer, who served as U.S. trade representative during the Trump administration and deputy USTR during the Reagan administration.

He's written a new book, *No Trade is Free*, changing course, taking on China and helping America's workers out today.

Trade policy, especially towards China, was one of the defining issues of the 2016 campaign and the overall populist moment.

Unlike other issues like immigration and border policy, many aspects of the Trump policy have carried on into the Biden administration's approach.

Today, we talk about American manufacturing, putting workers and industry at the center of trade policy, and how Ambassador Lighthizer's experience negotiating deals in North America, China and Japan can shape what comes next.

Of course, a huge thanks to the Foundation for American Innovation, who's putting the work in this podcast.

Robert Lighthizer, welcome to the Realignment.

Well, thank you very much, Marsha.

It's a pleasure to be here.

Yeah, I'm glad to chat with you.

This is releasing the day of publication, so folks should definitely check this book out because you've pretty much hit every single broad theme of this show.

So we'll try to encompass it all in one conversation.

I want to start by doing something a little different than what I normally do, which is focus on a bit of good news.

We'll also allow you as an author to do a bit of a victory lap.

There's been a lot of writing in the news lately about how America is experiencing a manufacturing boom, both from a factory construction perspective and just general focus on that side of industry.

So I'd love for you to start by talking about this trend and what it means for the broad scope of your work over the past 40 years.

So first of all, as you know, you read the book.

I'm a big believer that we need a manufacturing sector that most Americans don't have a college degree.

They are in the middle class because of manufacturing or a job that is spun up from manufacturing.

So I'm a big believer in that, and I think the hardest evidence of the failed policy, which I think really began in the 90s, was the fact that we lost so many jobs and so many manufacturing jobs, and now we are beginning to see a boom as a result of a lot of different things.

A big part of it was what we did in the Trump administration.

President Trump talked about jobs, jobs, jobs, and by jobs, he generally meant manufacturing jobs. So we did a number of things to do that.

We used, in the USMCA, when we negotiated after, we put in rules of origin, which we wrote, which no one had ever even thought to do before.

We wrote specifically to drive manufacturing back to America.

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And what is the rule of origin?

Oh, so that's a good question.

So when you have a trade agreement, you have to set the rules for who qualifies.

So the notion of a trade agreement is you and I agree to something and we both rub our tariffs to zero.

Then you have to say, how should this thing be made that we're going to give zero tariffs to?

So if I'm doing it in New Mexico, I don't want you to just transship stuff from China to me, right?

I've got to say no, no, no.

So that was kind of how the notion was.

I took the notion and added a different thought.

And that was, I wanted to drive manufacturing back to America.

So we did a number of things.

We changed technically how you do the calculation and made it so it's an active calculation, not a faux calculation.

And that's a very important part of this.

We raised the regional content, so how much regional content you had to have in anything that could cross the border and have zero tariffs.

In our, I mean, the reality is it's generally across the US border into the US, right?

So then we did that and tightened that way up.

Went from 62, but was functioning about 50, up to 75% content from the region.

So we're squeezing out China, we're squeezing out other places.

And then we put in a provision, no one ever thought of it.

We said a certain percentage, particularly in automobiles and auto and trucks, which are the biggest thing crossing the border by far,

you have to have 40 or 45% of the content made in a place that has \$16 an hour labor.

Now that was essentially saying, not Mexico.

It could be Canada, but we don't have that problem.

There aren't stuff going from Mexico to Canada coming to the US.

So it was essentially using the rules of origin, this very technical thing,

in order to force companies to have more of the parts, more of the content built in America, all right?

And then the way we did it, we said certain parts have to have that content, and that would include like batteries and things like that.

So we saw the direction of the auto industry was going,

and we said, we want these big parts made in America, or they won't qualify.

And then you've seen an awful lot of what we see in this manufacturing,

Renaissance, is because of rules of origin, because of automobiles, bigger than any other single thing.

And then the other thing we did that was so significant is we put 25% tariffs on all the automobiles coming in from China.

Now, at the time I did that, there were almost none.

But we could see it coming because we've seen it happen in steel and aluminum

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and every other thing that goes down the pipe.
So we put in a 20, and this is in the 301 process, the phase one process,
we put in a 25% tariffs on Chinese nautical parts.
So now you fast forward to where we are now.
And this will only go to accelerate the US companies,
if they want to make something in China and bring it to the United States,
they've got to pay a 25% tariff.
If you look at what is happening on EVs, for example,
hundreds of thousands of them are going to Europe,
handfuls are coming to the United States.
And it's because of the single move that we made in the Trump administration.
So it's having an effect right across the border.
And then I think another thing that happened is
we put tariffs on \$370 billion worth of stuff.
That drove some manufacturing out of China, fair amount.
A smaller percentage of that went to the United States.
But all these companies that had their plans of sort of
chasing the cheapest manufacturer, the cheapest worker,
all those people had to take a pause and say,
are we going to be able to long-term make a decision that we're going to be able to do this?
Are we going to be sure that over a period of time,
I'm going to eat the benefit of this bargain if I move my manufacturing overseas?
In other words, one of the things Marshall always bothered me about,
trade negotiating, just when you think about it in a broader context,
is that what we had done, first of all, we had this crazy commitment to free trade,
which was wrong. We could talk about that. It was just a wrong concept.
But also what we did is we negotiated.
We said, now you and I are negotiating, let's have about equal cuts in tariffs.
And then that'll be a fair deal.
And of course, the first thing I said is equal cut in tariffs, I'm 57 times bigger than you.
So you ought to cut 57 times more to get access to my market.
So I kind of went through that.
And then the other thought I had was the big mistake in trade negotiating is that we're
making these negotiations, these agreements eternal. I'm giving certainty.
So basically, I'm negotiating for an equal tariff deal and then I'm throwing in certainty for nothing.
And so you see when the ITC does the analysis of what's going to happen from the negotiation,
they get it all wrong. The Chinese joining the WTO is going to have a couple of billion
dollar impact and it has a 200 billion dollar impact. Why? Because they don't realize now
you've just given away the most valuable thing you have.
And you've told the company if you move to China forever, you're going to have the benefit
of the US market. So what we did is we said, we put a sunset clause in US MCA and then we put
tariffs with China and we said, the bargain is changing. Nothing's eternal.
So what I'm curious about is, and I'm glad that you really rooted the policy mistakes in the 1990s.

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I was born in 1992. So so much of this debate, just every single exposure to public policy I've had has been premised on a lot of those mistaken ideological beliefs. I guess what I'm curious about is to what degree is America's manufacturing situation inevitable from an economic perspective

versus these very wonky, very technical details that you just got into. Because for example, if you're reading Tom Friedman in 2005, you're thinking, well, look, it's a pretty straightforward story. The United States is a rich country. There are poor countries. The US when it started out, we got manufacturing from other rich countries. And that's just the cycle. Yet you're talking about all these different policy tweaks and negotiating styles that didn't actually come about. And therefore we've seen the impact of actually inputting that into the policy process. So how should we think about the inevitability versus the we could actually turn the dial and knob as part of this debate? So that's a really, really important fundamental question. And there's so many aspects to it. In my judgment is maybe the tiniest little bit is inevitable. Maybe there was something at the end. But basically, people who say it's inevitable say the premise is we need the cheapest t-shirt. That's their premise. And therefore you can't compete. So I would have these people tell me, well, we can't compete with China in XYZ. And of course, they would always say, of course, we can compete in high tech. And then I would say, you do know that we have a massive trade deficit in high tech. We don't have any high tech surplus with them. So your whole basic premise is wrong. But I would try to tell these people, we can compete. It's just a question of price. So in my opinion, if you put a 25% tariff on a television set, and that television set, and I don't even buy the fact that the price necessarily goes up, we can talk about that. I think that's a lot of economic bulk too, although we can see that some points in mind. But even if the price went up, then what we're really saying is you as a worker, your family, your community is more important than price optimization. It's more important to have an age to be in Ohio where I come from, where high school educated people live with their families, and have children, and the children play sports, and the children either get a manufacturing job or go to college or do the best that they can do. And all of them take some personal pride, some personal pride in the fact that they're working. I always say, we want a country where parents are hopeful for their kids, but also a country where kids are proud of their parents. And when I grew up, and I should be able to, kids were proud that their dad worked at the mill, right? This was a point of pride. Yeah, my dad, whatever, is the foreman at the mill. And we've kind of lost that, right? And it's kind of a bad thing to lose.

But in any event, back to the basic manufacturing, I think that one of the great contributions that the Trump administration made, and that a lot of other people made, including you and Orrin, and people who are sort of driving this message, is how important, how what we're looking at has to be the basic thing that we want, not the kind of tangential things that an economist would tell you is important. We're just measuring the wrong thing.

I want to capture this specifically because you state this in the book, but it might be missed by folks just listening to this conversation. Your point around the inevitability question is, I was basically framing this in a purely, I was focusing on one value, which is price.

So if the question is, is the US always going to be the cheapest producer of X, Y and Z goods for all time, that's one version of the inevitability question. But there are other aspects of, let's say, national interest that we get elevated as well, too. So you're elevating industry or you're

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elevating the health of the working class, places outside of super zips or the coastal regions. What are other values that trade officials, whether they're in the Biden administration, whether they're in a future Republican administration, what are other values other than just the price, cheapness, centric one? What else do they focus on too?

So this is something that I think a lot about, obviously, national security. Let me take a step back and give you kind of a way to think about this. There are a variety of things, and I've written on this and I'm going to publish something before too long, publish something 25 years ago. I find that if you never change your mind, eventually you'll be right. So I'm writing this. So what are the other things you think about? We have a social compact in America, and we say within our own world, price optimization is nice, but it's not essential. So we will pay extra for stuff in order for workers to work in a safe environment. We'll pay extra for stuff if we think that it'll lead to a cleaner environment or prevent a dirty environment. We'll pay a little extra for stuff if we think that it means that workers have the right to organize and thus get the benefit of their food, get their piece of the action. So we think all of these, in general, a lot of others, but we think all of these things are worth a little extra money. That social compact needs to be externalized, and we haven't done that. So we let other people not do those things, come in, undercut us, cost us our jobs, cost these people in Ohio and Indiana, their job, because they're not, this is part of this inevitability thing, because they're not price competitive, and they're not price competitive in part because we are putting on them burdens, costs that we think are more important than price optimization. Can you follow what I mean? Yes. And so what's really happening, these people are breaking down our social compact, and we have this sort of notion that these workers have this notion that either they're lazy or stupid or they're, it's the union's fault, or that their management is stupid and lazy. And the reality is there's been a policy problem. We've had a policy problem in the United States, and that policy problem isn't inevitable that we lose a lot of these jobs. It's exactly what you said, Marsha. Yes, if all you care about is the minimum profit. If you don't mind the fact that it's subsidized by someone else, and that's what's putting you out of business. But that's focusing on the wrong thing. Now, to go back to your question, to me, it's pretty simple. It's national security for sure. And no one would argue that, I think. That's just like crazy. But also- Can I pause you there real quick, though? Because, and this is where, no doubt, this is the life you've loved, so you've no doubt had this frustration. I've interviewed plenty of folks across both sides of this debate. Everyone will generically say things like, yes, we all agree that national security is imperative. Yet, the CEO of Raytheon last week is saying, oh, by the way, we can't manufacture ammunition and various other aspects for our defense industrial base without relying on Chinese manufactured goods, which becomes a national security problem in that context. So I guess what I just- I'm coming to this issue as an outsider. It seems to me that there's a lot of very- It's very easy to say, yes, obviously, national security is the exemption. That doesn't seem to have operationalized itself in practice. So you could get back to the point you were making, but I just- I get frustrated by that aspect of this debate.

Well, look at that. I agree with the completely. So there's two questions. Does everyone agree that national security is more important? There probably even are some people by the way who don't even agree with that. I say everyone agrees. I think every sensible person was, but it's generally agreed. But it's a slightly different question to say whether or not we are doing it right.

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And for sure, we're not doing it right. I mean, you gave one example. Another example is like 90% of the chips in an F-35 aren't made in America. So you're not going to make an F-35. Without an F-35, we're not going to win a war with very many people, right? So- and it goes right on the line. I mean, it's the chips and the tanks. What do tanks have chips in them? And we have people worrying about now whether or not we want battery-operated tanks instead of being able to make the ones that we have right now. So I agree with you. I don't think we've done a good job on it. I think it's like everything else. Some people are better than others and there's some kind of a focus. I do think that President Trump's instincts were so thrown in that way. He kind of went in there and just said, hey, listen, I'll give you another example. On this point, I was in the Reagan administration as a deputy. And in that administration, we brought cases on steel, all right? We had a steel plan. So much import for coming in. We wanted to protect our steel. And I was in a meeting with Ronald Reagan. My boss was out of town. And so I was there sitting in the cabinet chair. This is whatever the heck it was. It was 1984, maybe. And the first thing Reagan said is, do we have enough steel to make tanks? In other words, Reagan internalized this problem that trade is national security. Now, for him, it wasn't chips because chips were a smaller part of it. But it was steel. It was exactly the way we're supposed to be thinking about this. And we're not doing a very good job. And I think some Republicans in the house and said, particularly you're trying to focus on that. And so I bought into that. But back to your point, besides national security, to me, you can add on things. But the easiest one to add on is workers' families community. That's what I say all the time, worker family community. I want that worker to be working. I want to be productive. I want him to be proud of the fact he's working. I was just reading, where was I just the other day where they quoted, they quote, it might have been Paul, or Leo the 13th. But I said, I know this is the enemy of the soul, right? And I was like, wow, that's really what you and I are talking about. I know this is the enemy of the soul. People need to work, period. And if you're idle, it's bad for you. And you need to be proud of working. So it's the worker and the effect that has on him and his or her wife or maid or however they're going to be paired up. And their kids, if they have kids, and then that unit as how it affects the community, how it makes the community strong or other families stronger, that is the focus. So what I'm saying is consumption is not that important, right, in the great scheme of things. How much those people consume is not that important to me, assuming they have the necessary stuff that they need, which of course everyone practically does in America. What's more important to me is the production that they have those jobs, that they do these things and give them that internal strength that they then goes out to their family and into their communities. That is the objective. That's the core objective. And if you're looking at a question of trade, when I was sitting there looking a very technical kind of a thing, and these things are technical, I mean, I should have brought a copy of that, you know, it's like this big, the USMCA is 3,000 pages. And it's very technical. But all these technical things add up to how does it affect that woman or man going to work or staying home, taking care of the kids. But how does it affect those people? And if it affects them positively, then it's good. If it affects them negatively, then it's not good. I mean, it's

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literally that simple. I want more jobs. I want higher wages. This notion that Americans won't do jobs. I always say at what price, right? I mean, a lot of jobs that you and I would do, we wouldn't want to do, they could probably pay us to do for enough money, right? So to me, the focus should be on obviously security. If you don't have a security, you're gone. But beyond that, in economics, it should be on what effect will this have on workers, families, and communities? Oh, I guess what I want to understand here is actually, I want to take a quick step back because the key thing, I think this is why of the Trump administration policy areas, you all qualify as one of the most successful because this was actually an area where from a broad strokes perspective, you're able to forge a new consensus that the Biden administration was able to adopt in many respects. Like there's an alternate universe where basically this entire framework has rolled back, all the tariffs go away, this is basically articulated as there was this weird period where we left behind all the goods of the post Cold War era, and we're bringing that back. That didn't happen. So what I'd like to understand, because I'm sure you know most of the folks who have now taken your positions, who are working in the categories you're working

in, why was this one of the few areas where there was just a pretty stable, and maybe it wasn't as stable as it would appear to an outside observer. But once again, how were you able to keep this consensus across administrations?

Well, I mean, at first we had the benefit of being right. That helps in a lot of ways. So the question is, why did Biden keep most of what we put in place? Is that sort of the notion?

Yeah, basically because there are plenty of, as you know now, I could bring effectively every single Trump administration official, they would say, well, we were right about X, Y, and Z. Yet it doesn't always happen that the transition happens properly. So what do you think occurred in the trade policy area? Well, I mean, I think we were successful, first of all, because there were a number of Democrats that did agree with us that are worker-friendly people. And if you go back to the core of the Democratic Party, that Democratic Party was a worker-oriented party. It's not anymore. Unfortunately, it's not. But there are still lots of Democrats who are. And so I would deal with them. There are people in every one of these states that are massively affected by what we did. And it was a positive thing for them. As some demonstration of the consensus, we got 90% of Republicans and 90% of Democrats to vote for the USMCA in both houses. And this is the NAFTA replacement. The NAFTA replacement, exactly. The USMCA agreement. The USMCA again, the agreement. I had a couple of SCORE members tell me they had never

in their lives in 30 years voted for a trade agreement, but they voted for this because it was a worker-oriented policy. Now, in truth, historically, Joe Biden has not been on our side in these issues. He's been a free trader. But in his defense, he has been a free trader because he was basically a foreign policy guy. And foreign policy people are the last ones to come to these kinds of decisions because they're thinking about everything in foreign. But what effect is going to have on our allies? And my response always was, you want our allies to be happy, have the strongest military in the world and the biggest economy, then everyone's going to want to be your friend. Because I want because that probably flew over a couple of folks' heads. So when you're talking about keeping our allies happy, you're saying that one of the trade, because you basically correct me if this is the wrong articulation, but during the Cold War, we chose certain, let's say,

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economically unoptimal trade and industrial decisions in this country because at the end of the day, that probably was beneficial for our allies in Europe and Asia across the third world. And that was seen as a valuable trade-off when it came to competing with the Soviet Union. Is that a correct way of understanding it? That's precisely right. And if you talk to somebody like Eisenhower, Truman right after the war, but certainly Eisenhower, they would say we're the richest country in the world by far. And if we give up some of our wealth to these other countries so that Europe grows and doesn't become communist, so that Japan grows and doesn't become whatever the alternative to capitalism was in their context, that that's a good bargain. And I don't argue with that. I'm not saying that was a bad bargain. What I'm saying now is we don't want to make friends by giving them our jobs and our national wealth. And my arguments are, I have several of them on this. One, I say we've got about a trillion or a trillion and a half dollar trade deficit. If we haven't bought those friends with a trillion or a trillion and a half dollars a year, then they're probably not going to be bought. The second thing I always do is go back to the 1985 Beatles song, You Can't Buy Me Love. I'm not buying them. Given these people, my grandchildren's money is going to make them love me. I'm not buying that. And if you really want to know what inspires them is the belief that we're going to win. That we're going to win economically, we America, and that we are going to win militarily. Then you find people sitting down there, the ultimate decision they're making is not, gee, if you let me sell more of my pajama bottoms, I'm going to like you instead of China. That is the nutty notion, but it's a very popular nutty notion. To me, it's no, if when it's all over, you're winning and they're losing, then I'm going to pick you as my friend. Or at least stay on your good side. I think the geopolitics stuff is fascinating. So can you talk about how we should understand the TPP, so the Trans-Pacific Partnership? Because, and I think this is one of the stronger bits of rhetoric that a free trade could bring up, they could say, look, it's crazy that the left of the Democratic Party and the right of the Republican Party turned against the TPP during the mid 2010s, because that was an opportunity for us to build a broad economic coalition against China. And it's strange that Robert Lighthizer is talking about China and competition, yet in many ways the administration is not in favor of those sort of efforts. So how should we understand the geopolitics of these decisions in a quasi-second Cold War style situation? So this is a great question, Marshall. Okay, first of all, the first issue is can you buy love? The notion, these people say we need more trade with Vietnam. What they're really saying is we need to give Vietnam more of our money and more of our jobs. That's the basic notion. They don't articulate it, but that's what they're thinking. So let's take Vietnam. It's one of the ones in play. About a third of every good and service made in Vietnam is exported to the United States, and that's not buying their love. Okay, now let's say we make it 50 percent, because they're going to like us anymore than China, where they have 180, whatever, a hundred or a mile border or a long, long border, whatever it is, and who's the big guy in their neighborhood. It doesn't matter how much wealth you give these people. So the basic notion that you can buy love is wrong in TPP. The second thing I always say is look at the 11 countries. We already have free trade agreements with six of them, so we can't get any closer to those six.

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All right, let's look at the other five. All right, you've got New Zealand, who's tiny, but it's already as close as we're going to get. I mean, they're one of the five eyes.

All right, you've got Brunei. Yeah, who cares? Right there.

No offense to Brunei, but Brunei.

Not to be perfectly fine, but they're GDVs besides the claim, right? So I'm sure they're all nice people, but it's not economically going to move anything in any way, nor is it going to affect how they play us versus China. You end up with Malaysia, Vietnam. I'm trying to think there's one more, but Japan. Of those five, 95% of the GDP is in Japan. And we in the Trump administration did a deal with Japan for that reason. It was a great deal for us. We got a lot more agricultural products, a lot more going on there, and didn't increase the trade deficit at all, and didn't really give them any substantial access. So we took care of Japan, the biggest GDP. We've got these other four that are very small, too tiny, and one of which is already our friend. And then you've got Malaysia and Vietnam. So I asked people how many of our jobs, how many working class people in Michigan should use their jobs so that you think Malaysia will like us more than they like China? It's just, it's illogical. And I dealt with Vietnam, but Malaysia also hasn't been trade surplus with us. So we're already doing everything we can for these people. The notion that if we give them more of our grandchildren's wealth, that somehow they'll like us more than China is preposterous. And then if you look at it generally, if we joined it, the agreement itself is a very poorly negotiated agreement. I'll give you an example. We talked about rules of origin, all right? Rules of origin on automobiles. A car could be made 55% in Vietnam and 45% in China and still come in and be duty free because it'd be a Vietnamese car. It could be 50-50 and it would still come in. So the rules of origin are very weak. Most of the commitments are mushy. And we're giving up a good part of our auto industry and auto parts industry,

for example, to this sort of notion that two countries, Vietnam and Malaysia will like us more than they like China. And one of them, by the way, I just throw in is a communist country to start with, right? Vietnam. So it's one of these things that people talk about at cocktail parties, but never really think about. What are we going to sell? What's the essence of it? And the essence of it is transferring American jobs and wealth basically to two countries, because you remember six of them, we already have a free trade agreement with the two countries. And in return for that, giving up a good part of US industry. I mean, if you can find someone that understands that and still wants to do it, then that person's playing a different game. They're not playing the game that you and I are playing. They're playing some other game.

Yeah, I think it's just, I guess what I'd ask you then is what, and this is a little different than trade deals, but obviously trade deals are part of this. What do you think the American economic outlook towards the developing world should be? Because once again, this is why it's important to contextualize this with Eisenhower and Truman, these unfavorable trade deals in the early Cold War period where the deal, the math and the theory is actually pretty, pretty strong. You don't want Italy, Greece, all these post war countries to be hot beds of communism, where there's economic depravity. So that makes a lot of sense. But I guess the question here is, if you have the Belt and Road Initiative, which has its own problems because of all these massive investments, how should the US think about developing countries? So I subscribe to the view that if you can do things that don't cost US jobs, that don't grant access, and there are a bunch

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of things you can do in this way, trade facilitation, trying to agree on rules for new products and the like, that's all fine. In other words, showing that we care, we're thinking about you guys. If you want to have military connections, you work your way through that, right? What makes sense, and what doesn't make sense, and where you want to have your basis. But we don't have money to buy people in the way that China thinks they're buying people in the Belt and Road Initiative. And first and foremost, I don't believe the Belt and Road Initiative is going to turn out to be a farce anyway, because they'll get some bases out of it, but the sort of crumbling soccer stadiums and Chinese alienating local populations in Africa were thinking like, I thought this was jobs for us. People treat us poorly. I mean, there's a lot of negative. I think it's going to be looked upon as like a trillion dollar fiasco at some point going down the road. I don't think they're going to end up buying those friends, right? Now, you can buy. One difference between them and us that we can never do is they can buy individuals, right? Where we're never going to be doing. We're never going to bribe people. It's just not part of who we are. They, of course, will do that as far as who they are. But I think you ought to have a military presence, to the extent you can. I think you ought to deal with them economically, to the extent you can. I think we ought to be moving towards balanced trade with everyone. Now, we ought to be going to the meetings and showing that we care, but the fundamental point that we should transfer our wealth. And remember, I told you our trade deficit, they will tell you it's 1.2 trillion dollars. I mean, it's vastly more than it was when Trump left office. Vastly more. And we're buying more love from it. And if you look at the real number is, because it's not even calculated properly, and this is something to give another broadcast, because it's important, it's probably 1.4 trillion dollars. How much more do you have to have to buy friends? How much more? What's the number? That's why you say, all right, so 1 trillion doesn't do it. Two, three, four. What's the trillion? The reality is, you just can't buy them. You want those people in that area to like you, have the best military in the bloody world in the biggest economy. That's how you do it. You don't have to bribe people to have them like it. Not peoples. Individuals may be, but not peoples. Something I'm really curious about, because you mentioned Japan a bit ago. So you were USTR under Trump, but you were deputy USTR during Reagan. So obviously, one of these conversations are about China. The conversation in the 80s were about Japan. I'd like to ask you about this period on two different levels. So take it in whichever direction you want. So level number one would be, how does the experience with economic competition of Japan influence how you think about China today? And then two, how does the fact that the Reagan administration was actually quite aggressive economically towards Japan? How should that inform how people consider the conservative movements approach towards the free market and what is legitimate and what is not legitimate? Because you do an interesting history of all those debates in the book as well too. Those are two big questions. So I could re-ask them. Let's just start with Japan in the 80s, China in the 2020s. How do you compare and contrast? So it's fascinating. You could imagine I spent a fair amount of my life thinking about that because I bought in the Reagan and then afterwards as a private lawyer, Japan on a lot of fronts. And I'll tell you an interesting story. When I was early on getting involved with China in the Trump administration, they would say to me, Ambassador Lighthizer, we are not Japan. In the

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first couple of times, casually, I would think, what exactly does that mean? What does it mean? And it kind of occurred to me that what they were really saying was, and I got some feedback, that you can't do to us what you did to Japan. We're bigger and tougher and stronger. So you're not going to win. That was kind of what they were coming from. So let's talk about Japan first. I had a Japanese minister once came into my office with his delegation as you had when I was just TR and he's going through these charts and saying, look at this. This is what China is doing there. They're doing joint ventures. They're taking technology. They're then creating a competitor. The competitor is running the US company out of business and us too. And I sat there and I said to the guy, you do know that I had charts just like that about Japan in the 1980s. That's what you were doing too. And the guy was kind of like he didn't know quite how to react to that. A lot of what China does on this sort of mercantilism is similar to what Japan and other countries, including at times, not with the technology theft and the like, but even that the United States did. But the biggest difference with Japan is they were always on our side. They wanted to get richer. They wanted their companies to be the biggest. They were great competitors. They used a lot of tactics like creating joint ventures, taking the technology, things that we would find bad. But in the final analysis, they didn't want to eat us. They needed our defense umbrella. They were on our side. If you ask me right now, what country in the world would do I most think is dependable in the competition with China, it's clear to me. It's Japan. So there was a fundamental difference, a lot of the similar ideas. And I'll tell you another thing. This is sort of an interesting point that I like to make the people from time to time. There's a sense of like the inevitability of their system. There was a sense in the 80s and 90s that Japan's, you know, the Japan method, Japan's going to grow. And if you look at where these numbers are approximate, if you sort of look at where they were, say in the early 90s, their GDP was five trillion dollars, more or less, and ours was eight, maybe, all right. And the lines were like this, right? So they were clearly going to pass this or whatever. Now, of course, they know the population, but set that aside for a second. Then you fast forward 25 years. We're at 23 and they're still at five, five and a half. So then they go like this, we go like this. So there's not an inevitability about these kinds of things. If you look at these trends, and it's a point I like to make about Japan, because it makes it so clearly, and the same thing will apply to China. The biggest difference between the two was China was, I mean, Japan was on our side. They actually wanted to get rich, wanted to take our technology, wanted to own things, but they also want to realize that they need a stability. Yeah, there are a lot of American soldiers there. They didn't want to pay for the fence and the light. So now on the Reagan question, there is this, I'll take it just to make it slightly broader, there is this quest, this sort of view of some on the right, that Ronald Reagan was a free trader. And when he left, one of the big libertarian groups said he was the most protectionist president since who? The reality was that Ronald Reagan's economic policy was much closer to what you and I think of as a sensible economic policy than is it to what a Harvard economist would profess. All right? So what did he do? He put limitations on autos coming in, and that was so important. He put limitations on steel. He put in place a semiconductor. He put in place, you know, agreement. He put in place tariff on motorcycles. He limited them in much the same way that we are limiting them, giving that context. And your point, which is so important, is that they were an ally and he did that. How much more strongly should we react to a bigger threat across the board and someone who

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is

a professed adversary of ours? When they talk in their own circles, they don't say, oh, the U.S. partnership, you know that. They talk about the kind of the end of the American hedge money. That's what they talk about. So Ronald Reagan dealing with an ally who was aggressive reacted very aggressively. That is an evidence to me of what if he were here today, he would be even stronger in terms of the kinds of things that we're talking about of our economic and trade relationship with China. I want to follow up on your anecdote about the Chinese negotiators saying that they wouldn't let what happened to Japan happen to them. What does that look like from their perspective? So what can China at least attempt to do that was nearly off the table for Japan when it comes to these issues? So what they were really saying was they were bigger and stronger and tougher. If you said kind of what changed our economic relationship with Japan, some of it was Jim Baker and the Plaza Court. They had a wildly undervalued currency that gave them a huge advantage.

They had interest rates where they would make investments and they didn't know what a hurdle rate was. You would talk to Japanese businesses and you would say, well, it's steel. Why don't we put it a continuous caster rather than do it in blocks? It's something that just hasn't come out. It was clearly the modern right thing to do. Some U.S. companies would say, well, I can't make the cost of the capital to do that. It was a concept that I understand. Why? Because they had no cost of capital. The capital, they had zero interest rates or in some cases even negative interest rates. So they did a lot of fundamental things that caught up with them. The biggest thing was the softness of their currency. Their currency is still in my judgment seriously undervalued. But I think what the Chinese were really getting at is that we're just bigger and tougher than the Japanese, that you're going after us on dumping and countervailing duty, that you're going after us on currency. That you're doing these things isn't going to succeed with us. I think that was really the message they were trying to give me. But remember, they never said we're tougher or bigger than China. What they said is, Ambassador Lighthouse, we're not China. I'm sorry, we're not Japan. We're not Japan. That's what they kept saying. It was just a funny thing for me to think now. Of course, I know you're not Japan, right? That's the most obvious thing in the world. But it was clear they were saying, we're going to prevail. You're not going to prevail like you did in that competition with Japan. So in this last section, I'd say the big question I have is let's look at the kind of where we began in the 1990s category, the worded things go wrong. Because I don't think it's easy just to say like, oh, everyone was just neoliberal, the free market's great, no one was thinking. I think that these issues are usually more complicated. There are convenient stories. We're going to do trade adjustment assistance. We're going to become a service economy. All those different things that appear trite and obvious now, I think people in good faith believe them at the time. So just talk about what went wrong during the 90s and how that should impact how we move forward. So first of all, the big three sins were NAFTA, the Europe way around, which will create the WTO, and then China, those are the things. And I do believe that there was a sense that we inevitably were winning that it had to develop in the direction of open markets and democracy. There was a distance variance. Now, I want to say that I did not share that and in writing in the New York Times.

You have the track record. If you want to search your publications, you can say this.

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On occasion, I said, hey, say it ain't so, Joe. But the reality is that there was a hubris. There was this arrogance. It goes back to the Berlin Wall. It goes back. And that's one factor. Another factor is you had a Democratic president in Clinton who liked to think big thoughts and believed all this stuff. And so he could force his party, which was not traditionally there, to go along. And then you had some Republicans who were the same, you had the same big, big, big visions who went along and cast these historically bad votes, like these three historically bad votes. So you had an odd thing going on in the politics of it. You also, I think, probably had a big business kind of crossover in a way. Globalism kind of grow and strengthen in a way that we didn't see as much of in the 80s. In the 80s, there were multinational corporations and some were good and some were bad. But it wasn't so taken for granted that you had to be these big, gigantic international corporations to succeed. Another thing that had gone on, not quite in the 90s, but a little before that I always kind of likened to this, is this is more in the 80s, but it created this problem. There was a kind of a sense of corporate guys, corporate raider types who would go and buy family companies and roll them up. All of that contributed a little bit because if you're the Lighthizer furniture company and Lighthizer in North Carolina, you have a kind of a sense about the community. You have a sense both about defending your own technology because it's your family's thing. You have a long-term view because you want your kids and grandkids to be rich and you also have a connection to your community so you're not optimizing anything. You have a benefit from all of this and I think a lot of those companies were rolled up certainly in the 70s and the 80s and we lost a lot of that connection between industry and community all across the South, all across the Midwest in a way that I think, I'm not saying this was the giant trend, but it was enough to be considered. So those are kind of the things that contributed to it, but the fundamental thing was this notion that we now saw the inevitability of capitalism and freedom and democracy all coming together. It's now clear to us that there were going to be no more bumps in the road that this is what was going to happen and that you let China in and now they're going to become Switzerland, I always say, and everyone's going to become free and democratic and it just, it was ridiculous, right? It kind of lost the notion that all of a sudden some human nature had changed and it really didn't and I wonder if those people even themselves they probably have some explanation as to why what they did wasn't so obviously wrong given a 25-year perspective, but it clearly was and all the fundamental things they did moved in exactly the same direction and the people that suffered to get back to where we started were those workers, that woman raising her kids in wherever you want to say, the woman working in the GM plant in upstate New York, right? That woman raising those kids, she suffered and it had nothing to do with her choices, right? Nothing. A big question I have is where does the next generation develop the muscle memory to do everything you just articulated? Because it seems to me, Key, your performance from the Trump administration is really rooted in your time as a deputy during the Reagan administration with the Japan issues we're talking about. You've had 30 plus years from the 90s to the 2010s where the versions of you, the young lawyers, the trade officials, et cetera, we're just not approaching these trade deals or manufacturing policy issues in the same way. Are you confident that we're going to be able to sustain what you did? Because I just really

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appreciate the active way by which you're discussing and engaging with these issues. So am I certain? No, I'm not. I'm praying that we do. I think people like you and there's a whole group of you are like evangelists spreading the word that we have a country to defend and we have to have certain policies to have that country work out that we want to do. I think you all are doing a great job. For my part, yes, I'm a unicorn. I mean, I just literally am a unicorn. It was like when President Trump picked me, he just happened to get some guy who had just been doing exactly what he wanted done for 40 years at a high level. So it was like this kind of odd circumstance. One of the things I did, my key people, the political people, the career people, like I wanted them in their fifties, forties and thirties. I wanted them so that when you're my age and you're sitting down and you're talking to the new you, you'll say, oh, here's what we thought under the Trump administration. The way I do that with the Reagan administration, I consciously said, I've got to tear this so that I have people at each time so I can believe in this philosophy. Ayo, patriotic, right? Believe in this philosophy or willing to go out there and preach it and argue for it and then be able to say what we did in the subsequent years. So I'm hoping I created some additional unicorns as we move down the pike. But really, it is for this that I wrote this book. I wanted it to be everything you need to know if you think like us, right? And that was like I said, that's what I wanted it to be. And as I say, there are a couple of things that the editor didn't want in because he thought it wouldn't be as interesting for someone who's reading a policy book. I still don't agree, but I did it. But I wanted there to be a place that you can say, okay, now we basically have what lionizer thinks is important based on the fact that it's a 40 years with two of the real big people out there. And I should say before Reagan and between Reagan and Trump, I did a lot of work with Bob Dole, who's another. I was on his staff in the late 70s and early 80s, but he's sort of for me the third pillar of kind of grounding what we need to do. What's important? Who do you want to win when you sit out on one of these things? You want it to be the worker or you want it to be the person in the 2000s offsuit, right? That's the question. So here's the final wrapping question for me then. Where do we go from here? It's easy for me to kind of just read the book jacket and say, oh, it's Hunky Dory. There's a new consensus. No one's going back to 2015 again. Where are the pressure points where folks should focus on going into the rest of this decade? So one is all going to come down to politics, right? It's going to come down to politics and it's very hard for folks as you call them to win against money. But on the other hand, on election day, it's folks and not money. So people have to get out there and vote or we're going to get bad policies. It's that simple. All the money is always going to be on the other side. But there's a series of policies that I put in there and which I work every day with various members in various pieces of them to try to have become law. And we have to do two things. One, we have to get to the balance trade. We got to put tariffs on. We got to protect our workers. And then two, we have to do a series of things. I call it strategic decoupling from China. We're never going to win this giant, all-important competition. We use the term existential threat. I use the term grave threat, lethal threat. We're not going to win that unless we begin the process of decoupling stocks, sending them close to a trillion dollars a year to build up the army.

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The Navy, technology, the jobs, all those kinds of things. Stop that. Protect our workers and get the trade deficit down to manageable levels. If you do those things, then my sense is we will succeed. And it's certainly what I'm spending my time on doing. We do have the benefit of wanting to do the right things for the right reasons. I'm not confident, but I'm hopeful that we will prevail. But it's ultimately going to get people like you. It's not going to get people like me. Right. I can just be the memory and add some force to it. But it's your generation that has to make sure this policy changes. And if you do, the future will be right for us. And I held all that right for China and these other forces.

Laying the stakes out. Well, Ambassador Robert Leihesser, thank you for joining me on The Realignment. The book is No Trade is Free, Changing Course, Taking on China and Helping America's Workers. Great. Thank you. I appreciate it being here.

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