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These are very interesting times for trade. For decades support for what we call free trade has been eroding among the electorate. There has been a growing feeling that the system that has developed in recent years is not quite fair to American workers and manufacturing and that we need a change.

In 2016 both major political parties ran candidates who to one degree or another were trade skeptics. On the Democratic side, of course, we had Senator Sanders who campaigned hard on this issue and from that perspective. Their ultimate candidate, Secretary Clinton, did not espouse the trade views of her husband and for that matter of her boss when she was secretary of state. She professed some degree of trade skepticism.

On our side the views of President Trump are well known. While some politicians can be accused of changing to populist positions to get votes, this cannot be said of the President. If you go back 10, 20, 30 years, or even longer, you see a remarkable consistency. He has been critical of the prevailing US trade policy, of so-called free trade deals and of their effects on workers. So we will have change in trade policy.

Let's talk briefly about our philosophy. I know that many sincerely believe that the prevailing world trade policy has been great for America and that those who complain are often people who are victims of economic progress. These analysts think that the whole problem is one of getting the correct message through— really not a policy direction issue but a failure to communicate. They believe that the voters are ill-informed or in some cases, perhaps ignorant. If they only really understood, they would support these trade agreements, the WTO, and all the rest.

Most of you know that I am not in that group. I agree with the President. I believe that Americans can compete successfully with anyone in the world if the conditions are fair—not, of

course, in all sectors but in most. I believe like many of you, that removing market distortions, encouraging fair competition and letting markets determine economic outcomes leads to greater efficiency and a larger production of wealth both here and abroad.

I'm sure that most also agree that many markets are not free or fair. Governments try to determine outcomes through subsidies, closing markets, regulatory restrictions and multiple similar strategies.

The real policy difference, I submit, is not over whether we want efficient markets, but how do we get them? What is the best thing to do in the face of market distortions to arrive at free and fair competition?

I believe and I think the President believes that we must be proactive, that years of talking about these problems has not worked and that we must use all the instruments we have to make it expensive to engage in non-economic behavior and to convince our trading partners to treat our workers, farmers and ranchers fairly. We must demand reciprocity at home and in international markets. So expect change, expect new approaches, and expect action.

Second the President believes and I agree that trade deficits matter. One can argue that too much emphasis can be put on specific bilateral deficits but I think it is reasonable to ask when faced with decades of large deficits globally and with most countries of the world, whether the rules of trade are causing part of the problem.

Now I agree that tax rates, regulations and other macro-economic factors have a large part in forming these numbers -- and the President is tackling these issues -- but I submit the rules of trade also matter and they can determine outcomes.

In a simple example, how can one argue that it makes little difference when we have a 2 1/2 percent tariff on automobiles and other developed countries have a 10 percent tariff? That it is inconsequential when these same countries border adjust their taxes and we do not?

Or that it is unimportant when some countries continuously undervalue their currencies? Is it fair for us to pay higher tariffs to export the same product than they pay to sell it here?

Third, I believe that there is one challenge on the current scene that is substantially more difficult than those faced in the past. And that is China. The sheer scale of their coordinated effort to develop their economy, to subsidize, to create national champions, to force technology transfers, and to distort markets in China and throughout the world is a threat to the world trading system that is unprecedented.

Unfortunately, the World Trade Organization is not equipped to deal with this problem. The WTO and its predecessor the General Agreement on Tariffs and Trade were not designed to successfully manage mercantilism on this scale.

We must find other ways to defend our companies, workers, farmers and indeed our economic system. We must find new ways to ensure that a market based economy prevails.

Fourth, we are looking at all of our trade agreements to determine if they are working to our benefit. The basic notion in a free trade agreement is that one grants preferential treatment to a trading partner in return for an approximately equal amount of preferential treatment in their market. The object is to increase efficiency and to create wealth.

It is reasonable to ask after a period of time whether what we received and what we paid were roughly equivalent. One measure of that is change in trade deficits. Where the numbers and other factors indicate a disequilibrium one should renegotiate.

So we had an election. No one really ran on maintaining the status quo in trade. President Trump won. We have a different philosophy and there will be change.

I look forward to working with many of you in this room on these issues as things develop and to returning from time to time to talk about progress as we move forward.

I look forward to answering your questions. Thank You.