

# CONVERSATIONS

WITH BILL KRISTOL

## Conversations with Bill Kristol

**Guest:** Scott Lincicome, International Trade Attorney  
Senior Visiting Lecturer, Duke University; Adjunct Scholar, Cato Institute

*Taped October 11, 2018*

### Table of Contents

- I: Is Free Trade Good for America? 0:15 – 28:18**
- II: Trade in North America and Asia 28:18 – 38:30**
- III: China, Trade, and Geopolitics 38:30 – 55:48**
- IV: Trade and Our Parties 55:48 – 1:11:44**

### **I: Is Free Trade Good for America? (0:15 – 28:18)**

KRISTOL: Hi, I'm Bill Kristol. Welcome to CONVERSATIONS. I'm joined today by Scott Lincicome, international trade attorney, adjunct scholar at the Cato Institute. You teach a course at Duke Law School. You do a few other things in your spare time, write a lot of articles on free trade. And I think it's fair to say you're a defender of free trade and the international – more or less – free trade order, which is under some assault these days.

LINCICOME: Unfortunately.

KRISTOL: So why does it matter? Isn't it just academics and sort of lawyers like you have an interest in it? And academics or purists? And they get nervous if someone has a tariff somewhere, but why should we all be concerned about this?

LINCICOME: I think that we, especially living in 2018, take for granted the miracle of the global trading system starting with the GATT in 1947, which kind of created the –

KRISTOL: GATT stands for?

LINCICOME: General Agreement on Tariffs and Trade, which really was the start of what is now the World Trade Organization. And so, the idea of the GATT was after two World Wars that were caused in part by this regionalism, and this discriminatory trade treatment, tariff wars and so forth, Cordell Hull, Secretary of State at the time, and the British and a few others got together and they said, "Look, we really need to create this system of non-discriminatory trade." Not necessarily purely free trade, but just the idea that if you have a tariff on one country, you have to have the same tariff on everybody. Or that you can't treat foreign imports differently than you treat your domestic manufacturers when it comes to regulations and all that.

So they created this GATT and that really set the stage, in part, for our global trade era that's been going on ever since.

Now you combine that with rapid changes in technology, the ability to ship products in real time, containerized shipping, information technology, all that good stuff. And you see that the benefits that we derive economically, in terms of foreign policy and national security, are immense. Somebody put a number on it once that the average American family saves \$8,000 a year in terms of their standard of living because of trade and globalization. Now, not all of that is because of the GATT, but the GATT started this process and now we have the World Trade Organization.

And the WTO today is where members get together, all the countries, over 160 of them get together and they hash out disputes whether it be about tariffs or other discriminatory trade barriers without starting trade wars. And the WTO has actually been very successful in that regard. So that members voluntarily comply with that system and that's actually a big part of it: that they see a benefit in it, that they want to comply. And so if you win a dispute, it takes a few years because lawyers like to talk.

KRISTOL: Billable hours –

LINCICOME: Right. When you win, typically, the United States complies, China complies, Japan, EU, the rest.

KRISTOL: Your point would be that this international trade order is an important part of our prosperity. It's not trivial, it's not like a sidebar.

LINCICOME: Not at all. I think it's a pillar of global prosperity and security. And that pillar is right now showing some cracks. And that's where I think why people should care.

KRISTOL: Okay. What are the cracks I guess? What worries you the most?

LINCICOME: What worries me the most is the United States' and other countries' blatant disregard for the rules that we've had in place starting with the GATT. Going back to what I was saying earlier about how the WTO only can exist, its force is not—there's no WTO police force, guys in little blue military helmets. The only way that these agreements are enforced is by members agreeing to comply with the rules.

And in this way there is no, contrary to some beliefs, sovereignty concerns. The fact is the United States complies with the WTO decision, whether it be on shrimp turtle devices or these types of kind of esoteric things. The United States does that because it sees value in the system.

And members typically don't flaunt their commitments at the WTO. Instead, they claim to always be in compliance and so forth. That is starting to unravel and you're starting to see members really for the first time that I can recall just blatantly disregard the rules that have been placed at least in the WTO era since the mid-'90s.

KRISTOL: So the disregard would be us just saying, "We don't like a current trade balance with a certain country, and we're going to put on tariffs."

LINCICOME: Right.

KRISTOL: There's always been a little bit of that, right? I mean, America does allow certain things.

LINCICOME: Right, but they're always done within the rules. So we have these very complex systems of anti-dumping, and counter billing duties and trade remedies we call them. Again, billable hours there. Those are actually allowed by WTO rules. And, contrary to some of the political commentary out there, the United States is a frequent user of what we call these "unfair trade duties". There's over 400 of these special duties in place right now.

KRISTOL: But they're justified within an overall system.

LINCICOME: Within the global trading framework. All of a sudden –

KRISTOL: So that framework is not so much—I think this is interesting: perfectly free trade. For you, the key is it tends in a direction of lower tariffs and negotiations to get rid of barriers. But it's really the nondiscriminatory part of it that's crucial.

LINCICOME: And the rules-based system.

KRISTOL: And the rules-based part.

LINCICOME: And there's not just a diplomatic or even geopolitical element. I mean, of course that's important, but there's also an economic component to that. If you're an investor and you want to spend millions or billions of dollars investing in a factory in a certain place: in the United States, for example, you would like the security and predictability of knowing that that country is bound by these general rules on discrimination, on investment, on trade, and goods, and services and so forth.

KRISTOL: And that other countries are bound.

LINCICOME: Exactly. So if you have an export –

KRISTOL: So you could count on an export market.

LINCICOME: Exactly. And so it's important in this kind of broad sense. But now all of a sudden we're not operating within that framework. Instead, you see tariffs coming for national security reasons. Now the WTO has a national security exception, but members have tried to stay away from it because it is very broad, discretionary open-ended. And, of course, they don't want each other to start implementing protectionism under the guise of national security.

We see that with steel and aluminum tariffs. We see an investigation on automobiles. The idea that a Ford Fiesta can somehow be a national security threat is beyond me. You see this exploiting the system. And then, of course, there's China, and you have tariffs on Chinese imports now, about \$250 billion, almost half of all Chinese imports into the United States without even a mention of WTO rules. It's just simply that's what we're doing and we're going to do it.

And the Chinese, unfortunately, have responded and they retaliated against American exports in about \$110 billion amount. Again, the WTO is just not mentioned. Looking big picture, you see countries beginning to disregard norms of trading that have been around for 70, 80 years.

KRISTOL: And the big picture is this international system which favors freer trade, lowering of barriers, non-discrimination, rules-based settlements. And then within it, a few countries are free, I guess, to negotiate free trade agreements either bilaterally or multilaterally, NAFTA being a famous one.

LINCICOME: Like you said, the WTO is much more about non-discrimination than it is about free trade. They basically say, "Look, if you're going to have a technical regulation, for example, you need to do, to have the same technical regulation for all products from all –"

KRISTOL: So if you have a safety regulation on whatever –

LINCICOME: Right. And there are huge exceptions for health, and safety and the environment. And again, the only rule is you can't discriminate in your application of those rules. Now, of course, tariff negotiations are part of the WTO. Tariffs have declined dramatically globally since the 1940s. The United States –

KRISTOL: What kind of scale?

LINCICOME: Oh gosh. You're looking at a drop from an average tariff rate in the, I want to say in the 20s, down to about five, four or five percent.

KRISTOL: So it's a big, big, big –

LINCICOME: Huge drop.

KRISTOL: And that really is important to the system we've built up which we take for granted. Cheap imports from here and cars built with parts from different countries.

LINCICOME: Right. It's a critical part of our kind of multinational supply chain. The example everybody always gives is the iPhone. You have parts from the United States, from Japan, Taiwan, Korea, the rest, designed and engineered in Apple in Cupertino, California. Then they send everything to China, it's assembled in China with some Chinese parts as well. And then it's shipped back to the United States. All of that made possible by, of course, the technology we mentioned, but also because of the security and stability of the global trading system.

And when you start to undermine that system, you see the obvious potential problems. Now we're not there yet, but there is the potential.

And then you mentioned, when you want to really negotiate lower trade, well that's when you enter into bilateral regional trade agreements, NAFTA being an obvious example, where countries get together and say, "You know, your WTO commitments," – what we call 'Most Favored Nation' or 'MFN tariffs' and other restrictions – "are too high. And you know, we're neighbors. We'll be so close. We're going to trade a lot." What we call the 'gravity model' of trade. Neighbors like to trade a lot. "Let's negotiate lower barriers that are in everybody's interest. But, unfortunately, because of politics I can't just lower my tariffs. Maybe I'd like to, but I can't. And you have the same politics. So let's get together and let's agree to have a mutually beneficial trade agreement: that you lower your tariffs, I lower my tariffs, and I can have exporters that are all of sudden happy. Maybe I'll have some import competition that my domestic guys won't like, but I'll balance it out. You'll balance it out. We'll commit to these rules again."

This is a smaller rules-based system, but based on the similar type of framework, and we will be better off.

And the studies show that our trade agreements have produced small, but substantial improvements in welfare, and jobs, and wages and all these things. Contrary to the public perception, I think on both sides of the aisle, it's not this tremendous, enormous benefit in terms of NAFTA, and some of the smaller FTAs also, though not this tremendous loss. It's a small and significant benefit, but of course not –

KRISTOL: How is that not discriminatory if we prefer Mexico and Canada to –

LINCICOME: The WTO has rules for regional trade agreements. It basically says you can enter into regional FTAs as long as you do so in a way that is net liberalizing, that you're actually lowering barriers and importantly and particularly in the current context, you don't actually start to raise barriers against others.

So there are some questions now about whether the new NAFTA actually is net liberalizing and whether it is actually more restrictive towards WTO members, which is supposed to not be the case. So it's another area where you see again these kind of global norms being –

KRISTOL: It's a pretty ingenious system, I guess. I haven't really thought about it this way before. A global system, which also permits regional, and I guess bilateral agreements, consistent with sovereignty and all that, so you're not giving up power.

LINCICOME: Right. And it's purely voluntary. And it really is, as you said, ingenious. I think libertarians and conservatives have problems with international organizations whether it be the UN or the World Bank. The WTO is actually the one that works pretty well. Sure there are problems, there's no doubt there are problems, but the system at large has been pretty darn successful. The fact that the United States can take China, for example, to the WTO, file a dispute on rare earth exports or something like that and win, and then win again on appeal, and then have the Chinese voluntarily comply is, I hate to use the word "miracle", but it's pretty impressive. And this gets back to why some of us don't like the current unilateralist approach, in that it ignores the successes that we've had and obsesses over those little problems that are there.

KRISTOL: And I suppose just on the sort of net effects of all this, it's good for us, but very good for poorer countries. Would that be a fair statement? I mean, you wouldn't have this rate of growth in the Asian tigers, or China or India or something without a reasonably open system.

LINCICOME: Yeah. And I think that's generally fair to say, but it's undeniable that the United States has been, overall, the primary driver of these rules since the '40s, and likely the primary beneficiary.

KRISTOL: Oh, that's interesting. So we're not doing a favor to the poor people of India and China, which might be a good thing to do anyway.

LINCICOME: I think, purely in terms of, say, per capita GDP or something like that, yes, poor countries have benefitted more, and especially as a share – But of course they were dirt poor to begin with and we weren't. We started on third base. They started at home plate.

But in terms of the benefits of geopolitical stability, in terms of the ability to spread kind of American western capitalist values throughout the value, the United States has been writing the rules.

And that's another kind of frequently held myth that somehow the WTO is this international organization that – Trump likes to talk about how the judges aren't all American. The fact is that the whole system was in large part an American invention. The negotiating rounds, one of them was named after President Kennedy for heaven's sakes, the Kennedy Round. And these are really driven – the Uruguay Round, which created the World Trade Organization, was driven by the United States in very large part.

KRISTOL: And so one obvious argument you hear is, "Yes, U.S. elites have benefitted. Big-shot corporations, rich, wealthy individuals, maybe some individual consumers have benefitted. Walmart has a lot of cheap goods from China, and Thailand and Vietnam or whatever. But also there's been a real price paid, a lot of losers, hollowing out of industries, manufacturing. Talk about that a little bit.

LINCICOME: First, we have to again make very clear that the global trading system, free trade, the elimination of trade barriers is only the part of the reason why globalization happened. I can't stress enough simply the technology that has been such a huge part of it, so that aside –

KRISTOL: So automation is more powerful than –

LINCICOME: Huge. And again, information technology. You take the shipping container, which there's a great book called "The Box" that's all about the shipping container and how it revolutionized everything. For nerds like me it's an awesome read.

KRISTOL: When did this sort of come in?

LINCICOME: It was in the, I think, '50s and '60s. It changed everything because the ability to stack and have these massive container ships, nobody ever really thought of that before. And you combine that with information technology, the ability to essentially have real-time information on shipping and how you get all the products to show up at an assembly plant at the same time, all that kind of really cool stuff.

Yes, the system permits that type of behaviors, but it doesn't actually drive it. That's more driven by, again, the technology.

But that aside, the idea that the global trading system has hollowed out the middle class, at the expense of the poor and middle class, and only to the benefit of the global elite is really wrong on a lot of levels. First, the economics: I mentioned before that the average family saves eight thousands dollars or so a year. That doesn't change whether you're rich or poor. So for a poor family saving eight thousand dollars that's a much, much bigger difference than a guy like Donald Trump saving eight thousand dollars a year.

And that gets to studies that show that the overwhelming majority of consumer benefits derived from trade and globalization actually accrue to the poor and middle class. So the folks at the bottom of the ladder enjoy standard of living that was simply unimaginable 30 or 40 years ago even.

KRISTOL: And wouldn't hold if one put up barriers and couldn't import cheap parts and cheap goods.

LINCICOME: Exactly. If you can't have those supply chains. Mark Perry over at AEI has done a lot of great work tracking the average cost of tradable goods versus highly regulated services in the United States. And you see, compared to inflation, health and education go straight up. And then all of our tradable goods, our basic necessities, clothes, shoes, of course electronics, all those types of things have gone way down.

We are able to afford far more for far less. That includes even accounting for potential wage stagnation. The fact is that we work fewer hours today to enjoy and purchase basic necessities than we did 30, 40 years ago. And it's not even close. Those benefits are real and they're really important. Beyond that though, we also benefit as a country in terms of the poor and middle class, in terms of better jobs.

There is, of course, this romantic idea that for some reason working in a coal mine or a textile mill is this grand, noble endeavor. But the fact is that if you look at low-skill manufacturing, go back again 40 years or so, and you talk about – there's a lot of people who were losing fingers and dying young.

KRISTOL: I'm old enough to remember there was a whole sociology about the anomie of working in a routinized job on a factory floor eight hours a day of moving one thing into another. That's not such a wonderful thing.

LINCICOME: Exactly. No, it isn't. And we've romanticized it.

And of course the disruption is hard. And of course we've spoken about how there does appear to be a need for better adjustment policies, but that does not make a case for thwarting the disruption itself and preventing the adjustment from occurring. Keeping Americans in low-skilled, low-wage manufacturing jobs that are going to get automated out anyway, and quite frankly are not as safe, not as productive, not as high-paying.

And that gets to the other point: is that the vast majority of our loss of manufacturing jobs comes not from trade, it comes from technology and automation. They put it at somewhere between seventy-five and eighty-five percent of all manufacturing job losses in the United States over the last 30 years or so are because of automation, and so again, the idea that trade is somehow driving this inequality is just not supported by the facts.

KRISTOL: I think the fancier sort of argument against, some people might concede, “Yeah, stuff’s cheaper. It’s good for people. It’s nice to have a good TV and all this kind of thing.” But, people are producers as well as consumers and there’s a kind of loss on the kind of—we’re letting others take control of things that are very important to our country in terms of national security, or just in terms of I don’t know what, sort of prestige or what it means to be a great country. I don’t quite know.

You hear that a lot, “What about the producers?”

LINCICOME: The producers are also consumers, particularly in the global supply chain era. And that’s the thing that a lot of people, unfortunately, some in the White House, seem to ignore is that America’s largest exporting manufacturers are also our largest importing manufacturers.

KRISTOL: Yeah. That is a very important point.

LINCICOME: A company like Boeing for example.

And so, even leaving aside the direct, individual, consumer benefits, there are tremendous producer/consumer benefits as well: that companies can have more jobs. They can have better, higher paying jobs in manufacturing if they have access to the global economy, whether it be imports or export markets. The trouble is the churn of all of it that some don’t like.

And, of course, look, nobody’s going to deny that there are some folks that end up worse off. And I think that there’s pretty universal agreement that there can be policies to help those individuals, but it’s a tiny share compared to the net benefits, and not just benefits in terms of consumer benefits, not just export markets and getting cheap, imported steel or whatever. It’s benefits we don’t see, the importance of competition in the economy creating a dynamic economy that pushes our companies, our workers to innovate.

And there’s a lot of research on how exposure to even things like Chinese imports, the devil out there right now, actually encourage companies to innovate and get leaner and meaner. You don’t even need to use China as an example.

Just I grew up in the ’80s. American cars in the ’80s stunk, man. The price of a K-car, a Ford Pinto, you name it. Why did these companies get better? They, in large part, got better because they were forced to through foreign competition. And those types of things that you can’t quantify really, but we see and we recognize. And they’re critically important.

KRISTOL: I suppose, just on the production side, to finish up on that, one way of thinking about it is: If you think part of what “makes America great again” –to use a phrase or clause, whatever it is, sentence – is making great airplanes, making great cars, making things that are not just services. But those depend on a lot, right? We couldn’t make as good cars as we do—I’m asking this, not saying it—or as good airplanes as we do, if we didn’t have a lot of import or parts into those –

LINCICOME: Right. It’d be much more difficult, if not impossible.

KRISTOL: And harder to sell them abroad because they’d be more expensive.

LINCICOME: And, again, you’re not just creating worse products, but you’re just slowing down that beneficial dynamism, that innovation, and you end up worse off. The question comes in: do you want to save that one job at the expense of *all* of these other things? To me, it’s such an obvious no-brainer answer that of course in this day and age it’s quite difficult to turn on the TV sometimes. But we just need to re-make those arguments.

I think one thing you mentioned though that's worth stopping and discussing is the national security element. Even radical free traders like Milton Freedman or me acknowledge that there is a legitimate national security argument for discreet protections. The problem is that it deserves the exact same level of scrutiny that any other type of protectionism or any other type of intervention in the economy deserves.

And this is what's odd to me, you see people who are otherwise straight ticket Republican or conservative folks who are ultimately skeptical of President Obama's intervention in green energy or the clean power plan, these types of interventionist activities, extremely skeptical. And yet, when it comes to an argument as to whether car imports are a national security threat, just shrug your shoulders and accept whatever's out there.

And steel being a fantastic example, we now have national security tariffs on steel imports. The United States, before these tariffs, about 70% of everything we consumed in terms of steel, give or take, was domestic. So our domestic producers had between seventy and seventy-five percent market share. The imports were steady, production was steady. Not only that, the biggest foreign suppliers were our closest allies: Canada, Europe, Korea.

When you apply a really modest level of skepticism to the national security argument, it falls apart. And that's why even Secretary Mattis himself wrote a letter opposing this type of global tariff –

KRISTOL: Yeah, if you're a national security hawk, it actually is worse, almost. The misuse of the exception sort of calls it into question. It makes it look like it's just a politically expedient way to do whatever you want to do for other reasons, which is pretty clear in the case of the Trump administration, since the president's own rhetoric justifying some of these tariffs has nothing to do with national security.

LINCICOME: Right. Negotiating leverage against our allies.

KRISTOL: Right. Though they're actually, if I'm not mistaken, they're arguably legal because they're done under the national security exemption that Congress created.

LINCICOME: There's a law that Congress passed in the 1960s that's very open-ended that allows for national security protectionism. The president is operating under that law, which was very rarely used, and like you said, is by most accounts exploiting it.

KRISTOL: I would want there to be some areas where we would say, "Look, in a pinch we need to be able to do the following in a situation where there's a war breaking out and we can't depend on imports coming across thousands of miles of ocean and so forth." But that's a real national security exception.

LINCICOME: And unmentioned during all these investigations, and these tariff discussions and by the president is we actually have a national security apparatus in place – I think it was done under the Patriot Act – that allows for DOD, Department of Defense, to secure the stability of the defense industrial base, to directly subsidize producers if they need a critical component or a critical part. So the idea that there was this just-exposed, industry tremendous national security threat, again, is belied by the facts.

## **II: Trade in North America and Asia (28:18 – 38:30)**

KRISTOL: Yeah, that's interesting. Let's just talk a couple of particular –

Mexico's been so much, NAFTA mostly, Mexico and Canada I guess have been in the news. What do you make of the attack on it? It was supported by both parties when it was passed, a little more Republicans than Democrats, but to be fair, a Democratic administration under Clinton—well, originally negotiated by Bush and passed Congress under Clinton, supported by obviously Bush and Obama. Maybe there was some case for renegotiating parts of it after 25 years. I don't know that one would have predicted it would become such a whipping boy on the campaign trail.



LINCICOME: Yeah, and it really became a political prop more than a reality. President Obama himself deserves a little bit of criticism here because he did in 2008 campaign on renegotiating NAFTA. And politicians on both sides of the aisle, particularly Democrats have trashed NAFTA in the past, blaming it for all of the world's ills, the hollowing out of the rust belt, all that kind of stuff.

If you look at the actual academic analysis of NAFTA, however, you see a couple certainties. One certainty is that it definitely increased trade among the three parties. Success. That's what a trade agreement's supposed to do. Two, it definitely led to the creation of a North American supply chain, particularly in autos, but in a lot of products where you had each country specializing in different things, goods crossing borders tons of times, really kind of a microcosm of the broader global movement.

Then you have general agreement that it produced small, but significant benefits for the U.S. economy with, just like trade does, some discreet harms, particularly in like textiles, for example.

If you were to get a bunch of academics into a room, who're trade economists and so forth, and asked them, "Was NAFTA good or bad?" And, in fact, the University of Chicago did a poll like this with a bunch of prominent economists. And you're going to get almost 100% support, somewhat support or full support for NAFTA.

The problem is that as a political tool it's very powerful. It has a name. There is, of course, it can prey on just the general public ignorance as to trade, or disinterest in trade. And that allows for an opening for a candidate, again, starting with President Obama and then blooming with President Trump to become a prop. And that's really what it was.

Now, like you said, NAFTA needed an update. We thought we had updated it in the TPP, Trans-Pacific Partnership, which included Canada and Mexico.

KRISTOL: That's one thing that people totally neglected.

LINCICOME: Right.

KRISTOL: That which Trump also hated and campaigned against, and indeed Hillary Clinton turned against in an astonishing thing.

LINCICOME: Yeah.

KRISTOL: We should get back to the politics of this, both domestic and geopolitical later because I think that's an important side of this too. We *were* updating NAFTA. People just don't understand that those two countries were part of the Asian Trade Agreements.

LINCICOME: Exactly. It was essentially incorporating the North American supply chain into a broader group of Asia-Pac, Asian-Pacific, countries. For both economic reasons, because there are totally different, very complementary labor pools and production technology, agricultural, all that kind of good stuff; but also a geopolitical element to it, right? The creation of rules, promulgation of rules in a broader group of countries that can counterbalance China in the region.

That was the idea and TPP included chapters on e-commerce and digital trade, intellectual property, labor, the environment, all these things that modern U.S. trade agreements have. And that was, like you said, it was going to be the new NAFTA was TPP.

And then, of course, the president got rid of it on day one and then had to essentially force Canada and Mexico to renegotiate NAFTA instead, which there's a bit of a mythology here that Canada and Mexico didn't want to negotiate this step. No, they had already done it! You can imagine as a politician in Canada

or Mexico, trade politics stinks. They don't want to do this stuff. You don't want to spend your time trying to explain it. It's so easy to demagogue. So they had *just* gotten through this difficult, bruising negotiation and they have to do it all over again. So of course they're going to be a bit reluctant, but the idea that they were against modernizing, bringing NAFTA up to modern standards is just nonsense.

KRISTOL: And as we talk, in October, I guess, we've just had this revised NAFTA. What's your judgment on that overall?

LINCICOME: My official jury's still out. But from what I've seen so far it seems to be a step back from TPP for sure in terms of trade liberalization, and simply in terms of scope because you have a smaller number of countries. The very modest gains made in, for example, dairy market access in Canada are just that. They're very modest. An additional 0.34% of Canadian dairy market access over what the Canadians offered in TPP. We're not talking about earth-shattering stuff.

Meanwhile, the protectionism that President Trump complained about: those high Canadian tariffs, the Canadian dairy supply management system. Those are all still in place. Meanwhile, we've negotiated more onerous rules on automotive rules of origin, essentially mandating far more domestic content, domestic being North American content in our cars. That will make cars more expensive, that will again kind of not take advantage of supply chains as much.

KRISTOL: So more managed trade?

LINCICOME: More managed trade.

KRISTOL: And you'd think conservatives and free-market types would be skeptical of government's ability to figure these things out, as you said.

LINCICOME: You would think.

KRISTOL: – interventions would be a little skeptical of the government's ability to figure out which part of what, how much, what percentage of a car, as opposed to what percentage of trucks, and what percentage of buildings need to be –

LINCICOME: I could not find a conservative who could seriously defend these rules. They are mandating wage rates. They not only mandate – so you have to pay factory workers \$16 an hour for X percentage of the car, but not just that. They break it down: you need 15 percentage points of manufacturing labor. You need 5 percentage points of intellectual I.T. labor. Is it straight out of a 5-year plan.

KRISTOL: Now would that criticism have held for the TPP as well?

LINCICOME: No. TPP did not have nearly as much. In fact, TPP –

KRISTOL: So I heard this a lot in 2015, 2016. I was a defender of TPP. I remember talking occasionally, one of a few conversations with the Obama administration that a trade rep would call up to see if *The Weekly Standard*, the magazine I edited – make sure we were still supportive. The standard complaint that you'd often get from people who don't follow this much, which I didn't either is: "This isn't free trade. Free trade is free trade. This is like a thousand pages of complicated regulations. And how are we sure it's not just a whole bunch of interest groups jimmying the system in the context of a multilateral agreement?"

LINCICOME: And there is a nugget of truth to that. Any trade agreement is by its very nature going to be political. There's going to be elements of a trade agreement that are simply interest-group pressure. The general view on TPP was that it was no different than any other trade agreement in that regard, that it

was net liberalizing. In fact, Cato did a top-to-bottom, chapter-by-chapter review. We found it to be net liberalizing and definitely worthy of support. That, yes, there's things we don't like.

KRISTOL: Unless you're going to have literal open borders for trade –

LINCICOME: Right.

KRISTOL: Unless you're going to prevent governments from subsidizing sugar or preferring their own rice farmers in Japan somewhat, which is not going to happen.

LINCICOME: Exactly. Right. If you understand that there's some political pressures that are simply insurmountable, what a trade agreement tries to do is liberalize 98-99% of trade, understanding there's one percent that is in every country going to be untouchable. And that's basically what TPP did. There are some things—you can complain about things, but generally did that.

Now you move over to the new NAFTA and it really is a hard case to say that it really is net liberalizing. And I think the biggest problem, outside of the automotive rules of origin, and outside of the fact that it enshrines these national security tariffs, it actually accepts them as a given going forward, which is a problem.

But the other problem is that it didn't touch the largest trade barriers in each country. The United State for example, we still have very onerous – you mentioned sugar, we have services restrictions, the Jones Act on shipping. We have Buy American restrictions on government procurement, you name it. And this [remains] untouched.

When you talk about, "Here's this opportunity. We're going to renegotiate this deal." And then you start looking at the text and you realize that it actually goes backward in some place and it just essentially applies the TPP chapters. You have to ask, "Well, is this really worth supporting?"

### **III: China, Trade, and Geopolitics (38:30 – 55:48)**

KRISTOL: And at some political cost. Which let's get back to international politics and domestic politics of trade, which I think is an interesting question too, and underappreciated, perhaps.

But let's talk about China for a minute, which has come up a couple of times. So I think there's a fairly sophisticated argument that there's, "Yeah. I'm with you, Scott, on all these, basically free trade, basically let's negotiate more agreements. But China was sort of *sui generis*. I mean letting a billion people fully into the world trading system, and most favored nation status in – what was that? '99, I guess, at the end of the '90s under the Clinton administration – it was just such a huge shock to the system. So much skilled, but low-paid wage labor, not skilled I guess, but competent, but low-paid coming in, really did damage to our working class. In a way that a *normal* agreement, even with Mexico, which is a poor country, but it's not China, wouldn't do."

How much truth is there in that? That we were rash in being so dogmatically liberal in the old-fashioned sense with respect to China?

LINCICOME: Well first, let's debunk the "rash idea". China's accession to the WTO took over a decade. This was not an overnight process. And in fact, even the final stages took a couple years. You had permanent and normal trade relations vote in Congress. You had kind of final terms being out there and then China's actual accession. Not only that, there were transitional mechanisms for a lot of countries, special safeguard provisions and so forth. So the idea that someone flipped a switch and next thing you know, China was WTO member is false.

But beyond that, you do have I think a legitimate argument about the China Shock, they call it, this influx of a major new competitor, a billion low-wage manufacturing workers kind of thrust onto the market. And there is *some* truth to that. Now the *actual* impact of the China Shock is up for debate.

Of course the stat that everybody hears about, the economists Autor, Dorn and Hanson came out with this China Shock literature. They said two million manufacturing jobs were lost. Others put the number much lower, but they also – I think the better criticism is that those job losses are taken in a vacuum. They ignore the impact of these new import supplies on downstream manufacturing, for example, on, again, American supply chains.

So I think that we have a legitimate point to talk about the disruption that occurred. It was disruptive, but there were also a lot of benefits for American companies, American workers and not just simply in terms of cheap stuff.

And there have been studies that have come out in the last couple years that have taken this more macro look and they've said, "You know, actually, overall you see net benefits in terms of wages." Yes, these specific communities where these economists look, those did get hit hard. And we probably should have done more as part of a broader adjustment system. But there were immense benefits for a lot of other Americans that we can't ignore.

The other fundamental flaw in the China WTO argument is it doesn't actually think about the alternative at the time. What was really the alternative? Isolating China? Leaving them out of the global trading system? What would happen in that sense? Do we really think that we would be better off in terms of security and economy if China had been totally isolated?

Do we think we really could have kept them out of the WTO? That's the other question. WTO operates on consensus, but do we really think that the United States could have been able to withstand – at that time, not today, today is different – but at time could the United States have withstood that?

KRISTOL: Or could you prevent Vietnam and other countries from having an awful lot of trade with China? You'd have a regional block against us, presumably.

LINCICOME: Exactly. And then there's the question of, let's say the United States wasn't going to stand in the way of China joining the WTO. We just weren't going to grant them permanent, normal trade relations. That was a big debate back when I was at Cato as a young research assistant. Then you have the question of: well, great, every other country in the world has access to China's market and has this trade relationship *except* the United States. So again you create that tension, and the potential loss of market.

Once I think you actually step back and you consider alternatives at the moment, it's a no-brainer.

KRISTOL: Do you think we could have been tougher over the subsequent years on intellectual property and Chinese theft and so forth.

LINCICOME: Yes.

KRISTOL: You could be pro-free trade and still be against people stealing your property, right?

LINCICOME: Right. Yes. And I think that there was a grace period given to the Chinese five or ten years of, "Okay, we're going to let you adapt." But after that grace period, I do think there was an opportunity for more aggressive – I'm a lawyer, I'm going to say this – more aggressive litigation at the World Trade Organization.

Going back to something I mentioned earlier, our track record there is quite good. And it's funny, even in the current USTR, United States Trade Representatives' reports on China, in which they talk about the failure of the global trading system, they still have an annex at the end where they talk about all their victories against China and China's compliance in those victories.

I think there's a legitimate argument that we did not do enough. I think there's a legitimate argument that we're still not doing enough. Jim Bacchus, who's at Cato and was a former Appellate Body chairman at the WTO actually has written extensively on all of these rules that the United States has actually not examined or applied to China through disputes. China's accession agreement to the WTO, which is kind of the big, giant document you have to agree to, which actually has a lot of what we call "WTO plus" rules on intellectual property and technology transfer, by the way, and other areas that we simply haven't exploited or pursued.

So there is a very legitimate argument that the status quo was wrong, but the unilateralist, tariff-first alternative, or the idea that we were just not going to let them into the WTO seems pretty wrong-headed.

KRISTOL: And on China, of course, it's a complicated story. They're a big rival of ours and a trading partner. I suppose there are other ways we could be tough on China without disrupting mutually beneficial trade.

LINCICOME: That's definitely the case. There is a right way and a wrong way to deal with China and it seems that we're for the most part going the wrong way when it comes to tariffs. So tariffs, of course, first of all hurt American consumers. They hurt American companies. The way that they've been implemented has been so erratic and quick that it's really just causing American companies to all of a sudden just simply have to pay more. You can't rejigger a global supply chain in a week.

But there is a right way. So I already mentioned one prong is a more aggressive dispute settlement at the WTO. More aggressive use of the rules that are in place, both the core rules and the WTO-plus rules that the United States and others countries negotiated when China acceded.

Beyond that though, there is an agreement out there that was created precisely for the purpose of creating an Asia-Pacific counterbalance and that's the Trans-Pacific Partnership.

KRISTOL: Let's talk about that. Was that so important? I think the geopolitical side of this. I mean people want to be tough on China, but the single toughest, I would argue, probably thing we had going against China was an agreement with many of China's neighbors that China was not part of.

LINCICOME: Right. And a tremendous sigh of relief was heard from Beijing the day that President Trump withdrew from TPP. Because it was – of course there were economic benefits, but it was intended to serve as a really important counterbalance in the region. I don't think Americans quite realize just how influential China is in that region for no other reason than proximity and population. So there are, of course, tons of Chinese tourists, and simply geography is going to cause there to be a lot of business transacted between all of these countries. You go to a place like Korea, for example, and the two languages spoken there are Korean and Chinese, not Korean and American.

KRISTOL: South Korea.

LINCICOME: South Korea. And you get a sense of just how influential China is in that region.

So the way that it was considered – and keep in mind that the very initial seeds of TPP were actually planted in the Bush administration, and then of course they blossomed under President Obama. But the big concept was we need to give all of our allies in the region another outlet, and a very close alliance, and the security and predictability of the U.S. market, so that they have alternatives to the Chinese market and to Chinese supply chains.

And then we threw it all away. So that was a major blunder, especially because one of the core concepts of TPP was to create a rules framework including disciplines on state-owned enterprises, and on intellectual property, that might either someday include China in the agreement thus forcing the Chinese to accept those disciplines, or to be multi-lateralized, to be brought, those core disciplines, into the WTO. And, again, it kind of was all thrown away.

Beyond that though there's also other very legitimate mechanisms out there, whether it be targeted sanctions against Chinese individuals or companies; whether it be investment review, we have this thing called CFIUS, Committee on Foreign Investment in the United States. So there are other mechanisms out there that are not so blunt and damaging and unnecessarily aggressive.

The tariffs not only hurt us, and our consumers and our companies, but it is such a direct smack in the face to the Chinese government that it makes actual concessions far more difficult. You read a lot about how the Chinese, their economy's not doing that great, and they would love to make a deal of some sort, but they can't. And not because President Trump refuses to deal, or at least not entirely, but also because they now are painted into such a corner that they cannot appear to lose face, to have caved to that kind of belligerence.

KRISTOL: My impression is that getting rid of the Trans-Pacific Partnership really has helped China penetrate other countries in Asia more quickly. Japan, I believe, is negotiating with the EU a version of the deal that we had, with us outside. When I was in Japan, I got this impression that it'll be easier for them to export and import from Europe than to the U.S., which is kind of ridiculous since that's kind of a close ally of ours.

LINCICOME: Exactly. And you see "the Trump effect" in terms of trade agreements all over the world. You see that countries, Canada, the EU, Japan, China as well, are moving more quickly. They now have a little extra motivation to seal these deals that heretofore had been too politically difficult, too time-consuming.

KRISTOL: Seal deals without us.

LINCICOME: Without us. Without the United States. And so you see, you mentioned Japan, EU; Canada is involved in several. But the other big regional agreement is this RCEP, Regional Comprehensive Economic Partnership that is China, India, Japan, the ASEAN nations. It's not as liberalizing. There are still some roadblocks, but it has gotten a jolt of energy. Three years ago RCEP was kind of a joke. Nobody thought it was ever going to be finished. And now you see it becoming much more likely that within the next maybe year, or eighteen months, you could have an RCEP agreement in place.

KRISTOL: Which China is at the center of.

LINCICOME: China is at the center of it. China *and* India. And Japan. We're talking about major U.S. allies in the region that we want to be a counterweight of sorts pairing off for economic and their own geopolitical reasons. That's bad news.

KRISTOL: And how about a Trump effect in terms of geopolitics in terms of leadership in other countries?

LINCICOME: You are especially are seeing that at the WTO. One of the reasons the multi-lateral trading system has been successful is through U.S. leadership, where, yes, the United States has its skeletons, whether it be ag subsidies or other things. But for the most part, the United States was a driver of the process, of the integration. Without that, there's a vacuum. And there's really no perfect replacement or even good replacement.

Some have said maybe Japan will step in, and Japan has stepped in somewhat. Maybe it will be the Europeans. They have their own issues. So who is going to be the new United States? And without that anchor, do we just kind of float off in our separate ways?

KRISTOL: Don't Trumpy populists get strengthened by Trump? That's Mexico. You're running risks here where other countries start electing their version of "American First", "Mexico First" or something and nationalism. We're a big country so we can be stronger than they are, presumably, and beat them in some showdown if you want to think about it that way, but it's not in our interests to have a Mexico that's populist, and demagogic and anti-American.

LINCICOME: Right. And that's another thing that never made sense to me in the current moment: is why browbeat your allies? Why create such hostility? Canada is such a fantastic example. The United States in general, and Trump in particular, are overwhelmingly unpopular in Canada. And that makes it more difficult for Trudeau who is already going to have political and ideological differences, makes it even harder for him to agree to join security efforts or trade arrangements, whatever it is. And they're, arguably, our closest ally.

And you go to a place like Mexico or Europe, and you can see how sure, things are hanging together right now, but the question is how long can they can hang together? And then what is left post Trump?

KRISTOL: Yeah. I guess you just don't know how much things are fraying or the system's being strained.

LINCICOME: I think the general view is that there's a tremendous amount of strain. It's holding together right now and will be able to do so until 2021. The big question mark is what happens by 2025. What's left at that point? Because you really are seeing a concerted effort by the Trump administration to poke at every pressure point in the system, and without a clear exit strategy as to where we're going to emerge on the other side, with what exactly.

And there's no chance you're going to have a new WTO. The president doesn't really like regional trade agreements. It seems that he wants to pair off onto these bilateral deals that he can kind of sketch together around China to isolate China. It seems like it's a very incoherent approach, and, of course, there's only a few years or more to do it.

Once all those wounds are fresh, what's left? And I don't think anybody knows the answer.

#### **IV: Trade and Our Parties (55:48 – 1:11:44)**

KRISTOL: What about politics today? How worried are you that you have a Democratic party that has always been, recent couple of decades I guess, more susceptible to critics of free trade? The president couldn't get majority votes for NAFTA. President Obama didn't have much support in the Senate. I think there was a vote on the fast track, it used to be called in my day – whatever it is, the ability to quickly ratify with an up-or-down vote the Trans-Pacific Agreement, and that was passed with mostly Republican votes.

So you have a Democratic party that because of some, presumably their own group's, suspicious of this; the Republican party that used to be a pretty staunch backer of it, but isn't. How much does that continue? How much does reality intrude? And people say, "Come on. We're in this global economy. We'll benefit from it. There's a heck of a lot of producers who need aluminum to make something else." And they call their congressmen just like the people who are allegedly hurt by imports call their congressmen.

LINCICOME: There's some good news and bad news there. I'll start with the bad news. The bad news is that at the political leadership level, we really do appear to be going through a protectionist moment, whether it's Trump being the head of the Republican party, or Chuck Schumer and Nancy Pelosi on the

Democratic side. These are folks that support protectionist policies, generally. And I don't think there's going to be much chance of changing that.

Now, Republican leadership? They tend to say they support free trade, but let's face it, at least for right now they are on the Trump train. And so, for the immediate future, in terms of political leadership, bad news. I don't think we're going to see a lot of great trade policy coming out of either party.

There is some good news. The first amount of good news is that I mentioned the polls before, but people are generally far more open to trade and globalization and supportive of trade and globalization than they were 10, 15 years ago. Part of that has to do with the state of the economy. But part of it I think is that we're just growing must more accustomed to living in this globalized world. We like our iPhones. We understand how great these benefits are.

KRISTOL: I do think that younger people almost can't imagine a world in which you can't of course buy imported this and imported that, pretty much on the same basis one buys locally grown this, or locally produced that.

LINCICOME: Exactly.

KRISTOL: If it every really happened that suddenly all kinds of things couldn't come in or got more expensive, it would presumably be a bit of a shock.

LINCICOME: And so I think that you combine the general polling and views with the actual costs of protectionism. There does appear to be a bottom-up check on how much damage our politicians can do.

And you actually are seeing that. President Trump in March defended his steel and aluminum tariffs on purely protectionist grounds. It was all about revitalizing the industrial-base. Tariffs are good, tariffs are great. The rhetoric has shifted significantly. Now, his tariffs are defended much more on the basis of opening up new markets and freer trade. You hear his own spokespeople saying, "This is not about protectionism. This is about free trade."

Now, whether they believe that doesn't matter, but you can see that they feel the political winds, too, at least kind of from the bottom up.

KRISTOL: That's a good point. And Trump himself, with this new NAFTA deal, the claim at least is this is going to be better trade, and more of it even, I suppose. And somehow all that trade-balance stuff. What ever happened to that? There seems to be a little less about that?

LINCICOME: Yeah, because the trade deficit's up this year.

KRISTOL: Trump seems not to be making as much of a deal of a fact that we have a deficit with this country or that, apart from China.

LINCICOME: And then you look at the China tariffs themselves. They have really tried to avoid putting tariffs on your most mainstream consumer products. Not just iPhones and that kind of stuff, but also things like baby high chairs, and toys at Christmas. And those types of things. You can see that they are a bit afraid of a consumer backlash, especially before the midterms.

So given that, and then given the corporate side, the business groups are so integrated globally that for them to lose that type of integration would be like having surgery without anesthesia.

KRISTOL: But they've been sort of lame in standing up to Trump.

LINCICOME: You're right. It is lame. Because how do you balance pressuring without being a target?



But there has been some success in keeping the ship afloat. And it really, again I think it goes back to where we are in 2020 in terms of: is it going to get worse politically?

Because I think given how disinterested and how malleable people's opinions are on trade, there's an opportunity for better trade policy, better support. Politicians aren't going to take a major hit at the ballot box for example. Finding that politician to do that, that's pretty tough.

KRISTOL: I suppose that's one point that helps, which you could just explain briefly. Trump really does talk about tariffs as if it's this great weapon we're employing against other countries whether it's China, or Canada or something. But literally tariffs are deployed against us, not against them. Isn't that right?

LINCICOME: Yeah. It's the old Blazing Saddles routine of negotiating with your gun pointed to your own head, right?

KRISTOL: If you propose a tariff on imported chocolate, we pay more for chocolate. The Canadians don't pay more for chocolate.

LINCICOME: Right. Now, economists will raise an ink-soaked finger and claim that that is not exactly correct. And there is in certain products, under certain conditions, foreign exporters will pay part of the tariff in the fact they'll lower their prices in order to stay competitive.

But when you have a global tariff, like our steel and aluminum tariffs, on a commodity product where there is just insufficient domestic capacity, you're going to end up paying more. That's it. Either you're going to pay tariffs, or you're going to pay higher prices. That's it.

And then in terms of China you have products that the vast majority of the product are made in China. So you can't avoid, again, either paying the tariff on the consumer side, or paying a higher price. You can say, generally, yeah, that tariffs are punishing Americans for the alleged sins of foreigners.

KRISTOL: And presumably that puts some political limit on the ability to just –

LINCICOME: And that goes back to the Walmart effect. How much can you really do in terms of implementing 25% tariffs on *everything* from China, before you really start to see a significant, either individual pushback, or a macroeconomic pushback.

KRISTOL: I suppose, and tell me if this is the right way of characterizing maybe what you're suggesting is that: maybe big trade wars are not so likely given how globalized thing really are. And therefore there's just real constraints on – maybe not, so I want you to talk about that too.

But even if we don't have big trade wars, I think the more subtle point you're making is: the strain on the system, the degree of tit-for-tat retaliation, the loss of confidence in their being able to invest, the geopolitical effects of people going into groups. Not that if we look up five years from now and suddenly nothing is made abroad, and we can't get coffee from wherever you want it – Colombia, and you can't get shirts made in Vietnam and China, and you can't get building materials here – There's a real erosion of the whole system, which at some point –

LINCICOME: Falls apart. That is the question. We just don't know at what point that happens. And we don't know what would replace it.

The way that I like to describe it is you're going to be just a little bit less wealthy, a little bit less secure, things are going to be a little more unstable, until they're much more unstable.

KRISTOL: Why does it have to get to the much more? I guess because at some point you get a sort of spinning snowball and that's where China says, "Look, we're going to have our own trading group here. Forget about the U.S. We're a bigger market now. They're not reliable."

LINCICOME: So far the damage is significant, but contained. The question always with trade is escalation and this snowball effect. I think that the most level-headed trade wonks, free-traders like myself will say, "Look we're not in economic Armageddon here." It's hard to argue that with all the growth and everything that's going on. But, you see the cracks appearing and you know from history how all of a sudden things tend to spiral. And will this be contained? And if it isn't contained, then what comes next? And those are the types of uncertainty. Why do it?

KRISTOL: And I guess politically you have a reaction. We see it in other countries already, in Mexico, for example. But even that reaction at this point is somewhat constrained. They've got a big business community, and they've got a lot of interests and have a good relationship with us, and Canada and so forth.

But one can imagine chipping away, chipping away at a more radical version of – Lopez Obrador or whatever becomes president of Mexico – or a more radical version, someone in some Asian country, or India or someplace decides, "What are we even messing around with the U.S. for?"

That's hard to do because we're so big, I guess, and strong. But as you say China is almost as strong as we are, so the economy –

LINCICOME: It becomes a question of trading at arms' length. I don't think that you would ever argue that there would be no trade among these – but very limited. And with all the problems that come with it.

KRISTOL: And what you're saying is that even those incremental ten, twenty percent drop in trade, can have a pretty big effect, bigger effects than – So one final point, I guess. Some economist, I don't know the numbers, but 12% of our GDP is trade, something like that. Is that right?

LINCICOME: A little more these days.

KRISTOL: 14? 15?

LINCICOME: Yeah, it's in the teens.

KRISTOL: But in the teens. So it drops 10% that's a percent and a half, so it's not ultimately—but that's not quite the right way to think about it. It sort of misses the dynamic effects I guess. The marginal effects.

LINCICOME: First you start with the marginal, you start with the fact that you're not just hitting that trade. There are going to be knock-on effects through the supply chain: that manufacturer, the town surrounding that manufacturer, all that type –

It's funny, in a way it's all of the problems that the anti-trade or trade skeptics point out with communities, then just happen again in reverse. There's all of that.

KRISTOL: Places that are dependent on –

LINCICOME: Trade now become –

KRISTOL: Do less well so the local services get hurt even though they're not trading much.

LINCICOME: It's one of those things that even though it's just a percentage point here and a percentage point there, you're going to have potentially significant knock-on effects. And so I think that that's your first issue.

The second though is the broader dynamism issue. Will we be as dynamic, and innovative and prosperous in a managed trade, less trade regime? And I don't think there's much argument there for that.

KRISTOL: That's a good point. We take for granted Silicon Valley. And the automobile, most made here now are pretty impressive, and they'll be self-driving ones soon and all this. Some of the pressure is put on by competition. If we limit the competition to internal competition, it sort of like saying, Harvard saying, "We're only competing with American universities which are good. But we're not also competing with the best scientific work and the best historical research being done at Oxford or –"

LINCICOME: And the access to that knowledge and to those productive capacities. All of that stuff, when you just contract, it's inevitable. It's not that we're all going to be driving Model Ts again, but we're just not going to be as wealthy, prosperous, happy, whatever, innovative as we could have been.

And when you know the economics, when you know the history, there's not a good case for taking the lower growth, less stable path.

KRISTOL: But I guess it is the problem that if you're missing on innovations, if you're behind someone else, no one quite sees that cost.

LINCICOME: Exactly. And that's exactly it.

KRISTOL: The international pressure forced us to do a huge number of things better and to be first has kept up the pressure in terms of –

LINCICOME: Exactly. And no politician can campaign on unseen costs. That's why politicians are horrible mercantilists when they're on the campaign trail. When they are pro-trade, they're almost always pro-exports. That's it. Because that's a tangible thing you can see, there's an export attached to a job. Who's going to be like, 'I support free trade because of the dynamic effects on the economy'? It's a much harder argument. It just doesn't happen much.

KRISTOL: But it's probably true.

LINCICOME: Oh, yeah. Very true.

KRISTOL: If Japan hadn't seemed very threatening – it was threatening in terms of all kinds of high-tech stuff – in the '80s and '90s, would we have had then the incentive and the ability to –?

LINCICOME: The iPhone again remains an amazing example because people talk about how Steve Jobs really was only able to commercialize that tech, and thus give us all our amazing or problematic smartphones, because he had access to a global labor pool, and the global productive capacity, and the supply chains and the intelligence and innovation. He was able to take the best of everybody and put it into a little box that you and I could afford.

And affordability is the key part because yeah, you could probably, even back in the day, have made an iPhone using only stuff in the U.S. with a few exceptions for rare earth minerals, but you could. But it was going to cost so much that you were never going to be able to commercialize it, and so you'd have this neat –

KRISTOL: Smaller market to sell it to.

LINCICOME: Right, and then so maybe the product never gets funded, never gets off the ground, and we're still dealing with flip phones.

KRISTOL: That's a horrifying thought.

LINCICOME: Heaven forbid.

KRISTOL: On that thought, we should end this very interesting conversation, which I hope policy makers watch, and I'm sure some will. And because they're the politicians, they can think a little bit about how to present this to the public.

But I'd say talking to you cheers me up because you presented it very well. I actually think this is intelligible to a lot of people, that the risks of moving away from this kind of rules-based, nondiscriminatory, tending-toward-free-trade order that we've enjoyed an awful lot of benefits from for the last seventy years.

Scott Lincicome, thank you for joining me today.

LINCICOME: Thanks for having me.

KRISTOL: And thank you for joining us on CONVERSATIONS.

[END]