

Trade and the Economy: A Congressional Perspective

Moderator: Doug Palmer, Senior Trade Reporter, Politico

Speakers:

- The Honorable Chris Collins
U.S. House of Representatives (R-NY-27th)
- The Honorable Mike Kelly
U.S. House of Representatives (R-PA-3rd)
- The Honorable Dan Newhouse
U.S. House of Representatives (R-WA-4th)

Announcer: Ladies and gentlemen, please welcome our next panel, Trade and the Economy: A Congressional Perspective, with our moderator, Doug Palmer: senior trade reporter, Politico. He's joined by Congressman Chris Collins, and Congressman Mike Kelly.

Doug Palmer: I guess I'll sit here in the middle.

Chris Collins: You're gonna be in the middle? Or, what do you want to do?

Doug Palmer: Uh.

Chris Collins: We're always together.

Doug Palmer: Okay. Well why don't you sit side-by-side, I'll sit here, then. All right, great.

Okay. Well good afternoon, everyone. My name is Doug Palmer and I'm the senior political, or senior trade reporter, at Politico. And I'd like to thank both the congressman for agreeing to participate today and thank the EXIM Bank for inviting me back to do this again. It's really kind of one of my favorite spring traditions. I always enjoy coming to the conference and walking up to the front of the hotel and seeing the tulips out front, although today it wasn't exactly the best weather to look at them.

So, and I also enjoy the rich history associated with the hotel. Although all I really know about the hotel's history is that The Beatles once stayed here back in 1964. But for someone of my generation, that's a pretty big deal. So this morning we're privileged to have the company of two members of Congress. On the far end we have Chris Collins from upstate New York, and then to my

immediate side we have Mike Kelly from northwestern Pennsylvania. Both of them are former businessmen, so they come with that practical real-world experience.

They're actually both from the same part of the country. If I'm correct, I think both of your districts border Lake Erie. So they're practically neighbors. Representative Kelly has been in Congress slightly longer than representative Collins. He arrived in 2011, in time to vote in favor of the South Korea, Colombia, and Panama free trade agreements. He also voted for trade promotion authority in 2015, which many saw as sort of a proxy vote on the Trans-Pacific Partnership, which you may have heard about. And then representative Collins was elected in 2012, so he wasn't here in time for the votes on the FTAs, and he voted against trade promotion authority.

But both of them voted in 2015 to reauthorize the Export-Import Bank through the end of fiscal 2019, which seemed like a long time at the time but now it's only like two years away. So I guess even if President Trump manages to fill the Board of Directors, we could possibly have another fight over EXIM Bank in the near future.

And so, just before I get started, I was just going to say to the lawmakers if I ask a question that's not directed at you but you want to respond, please feel free to jump in. And generally I had three topics I wanted to cover: sort of the plight of the EXIM Bank, the upcoming NAFTA renegotiation, and US trade relations, US-China trade relations, which is somewhat topical today because President Trump is going to be hosting Chinese President Xi Jinping down in Florida.

So, representative Collins, let me start with you, please. Since I understand that you have actually been a customer of the EXIM Bank during your career as a businessman, could you talk a little bit about that, please? And explain why you think it's important for the United States to have an export credit agency, because not all Republicans believe that.

Chris Collins:

No, no, thank you. And I'll go back to 2015 when we had the big fight in the Republican conference on reauthorizing the EXIM Bank myself, and a few others did something that was unheard of. We organized with the Democrats a discharge petition to force our leadership to draw that to a vote. And when we did that, we got ... We ended up with pretty much every Democrat, but we ended up with a majority of the majority Republicans. So the support for the EXIM Bank transcends party affiliation. It's something we all agree on. And it's leveling the playing field, fair-trade, as the owner of a small manufacturing company that does significant exports and, interestingly enough, exports into China.

Our bank would not lend us money for the inventory or let us use that on our working capital line, because they just considered it too risky. So we threw the

EXIM Bank, had the back stop of that 80% guarantee to our primary lender, relative to our accessing capital for our inventory. But that inventory, you know, you can't ship product for a very small company. That was our lifeblood for our exports. So I knew it well, I knew we paid a fee for that insurance, and we all know the EXIM Bank has returned money year after year to our treasury. So I never could figure out why we were opposed to it.

Every other country has something equivalent. It's all about exports moving forward. Those are jobs in America making product being shipped overseas and I can tell you, the jump-off topic, part of our big thrust on tax reform is to become territorial and no longer tax exports. So give us the EXIM Bank, no longer tax the profits on exports. I mean we, this is a real job creator, something to get our economy growing again so, you know, that's why I'm all in.

Doug Palmer:

Okay. Cool. Well thanks. Representative Kelly, this is a bit of a softball, I guess, but we all know that the EXIM board can't fully function right now because it doesn't have a quorum. Do you think it should be a priority for President Trump to fill the board? And then, have you been in any meetings with either President Trump or Vice President Pence where you've heard them talk about the EXIM Bank and given any indication of what they might want to do?

Mike Kelly:

Yeah, I actually have, but I think for the country, it's really critical right now to have a businessman who understands global trade, who understands how you get to the close. And he's staffing himself with having like, Secretary Ross, I really like the idea of not somebody who is in the Department of Labor that then went to the Department of Education, then all of a sudden becomes the chair for the Department of Commerce, but you don't have any background other than wandering around Washington, DC running up a 20 trillion dollar debt. That's not exactly [inaudible 00:07:12] as an automobile dealer.

And so when I look at the EXIM Bank, it was hard for me and also hard for Chris to look back, especially Republicans, saying you know what, you're so wrapped around the ax with your ideology that you don't understand how things work globally. And if we can't get to that point, it's hard to get there. So when it came to the EXIM Bank, it was one of those things I looked at as, being an automobile dealer and knowing that to get it off my lot into somebody's driveway, I had to have lenders. We did a lot of bids, and you have to be bid compliant. So there's no sense in looking at this and saying, here's what we've decided.

We've decided, a group of us are so caught up in our ideology, we don't know how the world works, but we're gonna back away from that. And so from my standpoint, what would hold us back? Is it the not knowing what we don't know or is it we've gone so far down that road that we can't come back now because it looks like we've flip-flopped? In my lifetime I've changed my opinion on a lot of things. The deeper I got into information, the deeper I got into the impact on my business. I would say, you know what, I've been blind for a long time but no

longer. When we get to Congress, I think it's so critical that we have an idea of how things actually work. And if we're gonna create jobs, we better understand how we get the jobs. And that's by making things and selling them to somebody else.

And if you're not on the same page, and you don't have the same tools as somebody else has, you're out of the game. So I was all on board with it, it just made sense to me, I think it makes common sense to people who are in business. But you've got to remember you have people who have been representing a business that is 20 trillion dollars in the red. None of us would hire them, by the way, as business consultants. But they're telling us the way things are the way they shouldn't be. So we have to have EXIM Bank if we're gonna compete globally. It's just that simple. These are not hard things to understand.

Doug Palmer: Right. And you think the President understands that, or you think that-

Mike Kelly: Well because you have a guy who does know. This is a guy who's developed deals all over the world. He understands what you have to go through to get to a yes, right? And so when you look at that, I want somebody who's actually been on the field and actually been six inches away from somebody trying to take their head off. Football is that way. As opposed to somebody who sits in a private box with a nice refreshment and a bathroom right beside them and says, I wouldn't have done that. I would have thrown the ball someplace else. That's okay. But you're not on the field. You better get the people who are on the field and find out what they go through every single day to win. And if you can't do that, find people who have been on the field and put them in positions where they can actually drive policies that are good for America and create American jobs.

Doug Palmer: Okay, Mr.-

Chris Collins: Let me jump in and answer your question very directly-

Doug Palmer: Okay.

Chris Collins: Because Mike was being a little bit modest. On February 16 ... No, truly ... On February 16 in the Roosevelt Room, the President of the United States, I was directly to his left, Mike Kelly was directly to his right, the two of us tag-teamed the President. We asked him very directly about the five board seats. The President looked to his right and to his left and said, "Can you get me some names? I'm all in." There was no hesitation whatsoever. And while we are somewhat frustrated we don't have them yet, Mike and I worked together. We submitted a group of names that afternoon to the President, so ... You kind of forgot that meeting, Mike.

Mike Kelly: Well, you know what, it's not that I forgot it, but I just think we have a President who really understands business-

Chris Collins: He does.

Mike Kelly: And I don't think it's you or me, but the day we sat with him, he kind of looked at both of us and said, "Yeah." And then he looked down at the end of the table to, I believe it's his son-in-law. I said, "Hey. Let's get moving on this." And Vice President Pence was in the room.

Chris Collins: Yes, he was, yeah.

Doug Palmer: So you feel pretty optimistic that-

Mike Kelly: I do.

Doug Palmer: There's gonna be some nominations-

Mike Kelly: He gets it. We're all drinking out of a fire hydrant right now. The President doesn't even have his full cabinet in place yet. So there's things to be done but it is very high on the agenda. We know that it was very positive, no hesitation whatsoever.

Doug Palmer: Okay. But we also know that one reason that the board doesn't have a quorum is because the banking committee didn't move on President Obama's nominations.

Mike Kelly: Correct. That was a single senator. A single senator stopped it. We tried to work through that, but this goes back to these arcane rules in the United States Senate. You know, somehow they're proud of these rules, but a single senator blocked those. And then they expired on December 31. That did not serve America well and thank God he's gone.

Doug Palmer: Right.

Mike Kelly: From that position.

Doug Palmer: So you're still optimistic that if there's nominations, that the Senate will act on them this time around?

Mike Kelly: Oh there's no question, the new chairman of the banking finance group is absolutely gonna move it. We just-

Doug Palmer: Okay.

Mike Kelly: We had an ideology there's, not unlike our problem getting it reauthorized in the house, a single individual blocked it. It's not what democracy is.

Doug Palmer: Okay. Has there been any real-world impact in your guys' district? I mean, companies that haven't been able to get deals approved because of this lack of quorum?

Mike Kelly: Well sure. In my district, in western New York/Buffalo, we have a lot of subcontractors that are subcontractors to Boeing and some of the other folks, who we all know depend on EXIM financing for their customers. So there is an indirect but very direct impact, and the negative impact, so long as this EXIM Bank is not able to overwrite the loans over ten million dollars, and we talk about that all the time. We're as frustrated as many others are that we're not currently writing loans.

Chris Collins: Yeah, so whether you look at our individual districts or you look at our states as a whole, if you understand trade, and everybody in this room does, but there are people that don't understand what's going on. And when I would go back home to Butler, Pennsylvania, I would talk to people about the EXIM Bank, come out of mass on Sunday morning and walk down the steps in St. Paul and say to the people, "What do you think of the EXIM Bank?" "Oh, I bank at First Federal." And I said, "Oh." I said, "No, but you work in a company that does manufacturing. You make really small parts that go into really big finished products." And while people would tell me, these are manufacturers, "I don't use the bank, but everybody I make parts for uses the bank." GE Transportation in Erie. They sell these wonderful locomotives.

Doug Palmer: Right, okay.

Chris Collins: But when you're selling them around the world, and you don't have the availability to get them financed, then that kind of closes down the sale. And I think that's the piece that people don't understand. We have also the same thing with Mack trucks, would come out of Pennsylvania. When you don't have the ability to compete globally, you lose such a large part of the market. And the bottom line is you lose jobs. Good paying jobs, jobs that are family-sustaining, community-building, and are good for the economy. But it's that lack of knowing what you don't know and how it hurts that really bothers us. I think we work on this tirelessly to move that forward, move it forward, try to inform people. It has a dramatic effect on so many people in Pennsylvania and around our country.

Doug Palmer: Okay. Well the last ten or so minutes I'd like to switch gears and talk about NAFTA for a little bit and then try to get into China if we have time. As you know, President Trump ran kind of on a ... Proclaiming NAFTA is one of the worst trade agreements in history and promising that we would either renegotiate it or withdraw from it. Now it looks like the administration is more on the renegotiation track, so I just wondered if I'd give both of you a chance to

respond. What do you think, what is your own view of NAFTA? What do you think is good about it, what do you think is bad?

Chris Collins: Well, I mean, there was a good idea there, free trade, but when it's not fair trade then it doesn't work out so well and certainly western New York has continued to lose jobs. The good-paying manufacturing jobs and many of those jobs went to Mexico. Now, myself, I am someone who favors bilateral trade agreements. And I think the big problem is it begs the question, what do Canada and Mexico have in common? One's a first-world country, one's a third-world country. They don't speak the same language. One of them respects the environment, understands intellectual property, pays good wages, the other one the opposite of that.

So when you try to combine in NAFTA societies that have nothing in common and the issues we have with fair trade with Canada have nothing to do with our issues, including the border, with Mexico. So it's nonsensical to me just like TPP was. Every time you throw another country in, you've just muddled it up. Because we should have a bilateral agreement with Canada, we have a lot of agriculture issues with them, with ultra-filtered milk, with sugar, with soft wood, where they are retaliating against us in areas that have nothing to do with Mexico. Mexico, dirt poor wages, they pollute the environment, they don't respect their workers. It's a totally different set of circumstances. So we need to get rid of NAFTA in my opinion, have a bilateral agreement with Canada, another bilateral agreement with Mexico, and not try to confuse the issue. That's just my stance on it.

Doug Palmer: So two separate agreements, instead of one agreement.

Chris Collins: I think it would be stronger in the long run.

Doug Palmer: And there would be no more NAFTA, no more North American free trade agreement?

Chris Collins: That's what I would push for.

Doug Palmer: Okay. What about yourself?

Mike Kelly: But I think we have to recognize that, when you look at a 20-year-old trade agreement, some of the things that we agreed to in NAFTA caused people to change the way they do business. We're a global parts supply, now where are certain things so ... A policy drove people into different places, different locations, and now we're talking about taking a look at it again. I have no problem with taking a look. It's 20 years old. They've changed in our country, they've changed in Mexico, they've changed in Canada. We've got good trade partners. Great surplus with Canada, by the way. But again, why did these people go to where they go, as far as what they make? Well we force them

away, a lot of the time, with our taxes and regulations. I don't think people left America because they were unpatriotic. I just think they were looking at an obligation they have to make sure that products on the shelf are the price that every American can afford, and also has an obligation to shareholders to return on their investments.

So I would say, yeah, let's take a look at NAFTA. There's different parts of it that I would look at. I'm with Chris. It's 20 years old, it's time to take a look at it. There's very few things in our life that, 20 years ago, are the same way today as they were then. I think we take a look at it, see what's going on, look at all the conditions that we think are important, and then drive a new deal. But, my God, who wouldn't want to be a trade partner with us? Who would not want to have access to our economy? I think we have a very, very good lever there when it comes to driving something that's better for American workers.

Doug Palmer:

Right. Yeah, I mean I guess it's an open question whether it will end up being two separate agreements. But right now, the administration seems to be pushing for this idea of keeping some sort of trilateral agreement. I mean, they talk about changing the name to the North American Free and Fair Trade Agreement. So it would be NAFFTA, I guess. Instead of NAFTA. But I kind of wonder about that. I mean, since NAFTA has such a bad reputation, particularly on the Democratic side of the aisle, even if the administration completes an agreement, are they gonna be able to come up with enough Democrats to join with Republicans to get a NAFTA 2.0 agreement approved?

Chris Collins:

It comes back to fair trade and that's what's been missing. When you look at a lot of our agreements, we never dealt with currency issues. We didn't deal with intellectual property. We didn't deal with the fact that other countries make it impossible for our companies to do business in their country. They put up artificial barriers and then claim this is some kind of free trade. It's anything but. We've been on the losing end of one bad deal after another and I think our president now gets it, and I've said time and again, with 20+% of the world's economy and only 6% of the world's population, we are the engine that drives the world's economy and every other country, as Mike said, needs to do business with us. And we need to understand, we are holding the cards.

If all of a sudden China or Mexico could not sell into the United States, their economies go belly-up and you're gonna have, they're gonna have significant social unrest. So when you know they are dependent on us more so than the reverse, then that's when we should be able to negotiate some very strong US focus, make America first again, make it great and put us first in these things. But let's face it, too: we're 100 days in and we don't even have our US trade rep in place. That's how stubborn it's been in the Senate, that it's just incomprehensible that we don't even have our trade rep announced or approved through the Senate and we're 100 days in.

Doug Palmer: Right, right, and it looks like today. This finance committee was trying to have a session to vote on the nomination but I think they didn't have a quorum because of some scheduling conflicts. So now that's pushed off until late April, early May at the earliest.

Chris Collins: I just would say Trump gets it, he's going to put America first, and we hold the cards and we need to stand, really stand up to some of these countries we have significant deficits with on trade and let's turn that around. And I believe we have a president that's gonna do that.

Mike Kelly: And I would too. First of all, the jobs we're talking about aren't Democrat jobs or Republican jobs. They're American jobs. And so when you get into an idea of what it is that you're trying to do, I think the two parties stood for something at one time. And I think it's changed dramatically. If nothing, it was noticed in the last election, it would be the number of Democrats, blue-collar people. I'm an Irish Catholic. There's nobody in my family ... We go to my grandma's house and there's two pictures after mass on Sunday and we go into her dining room. One was a picture of a Lord. The other was FDR. And they constantly got them mixed up. So when I run as a Republican, half my family won't talk to me but it's okay. As long as they still buy their cars, I'm fine with that, from me.

So I guess the question becomes, though, if it's about jobs, and it is about jobs, it's about American workers, there shouldn't be any party differences. Who it is that we're trying to get back to work, whose wages are we trying to get to rise, it's not a red issue, it's not a blue issue, it's a red, white and blue issue. Chris and I hire people all the time. I've never asked anybody on their application, how do you vote? That's not my concern. My question is, how professional are you and how do you work? And I just think in America we have always had a great work ethic, we've let these people down tremendously and because of government policies that have put us in the losing position.

So I say to some of my friends on the other side, look, we're in here for the same reason. And that's to get America back to work again with better jobs, with better benefits, and a better future. That's pretty simple and that should never be party-specific.

Doug Palmer: So you think that there will be a bipartisan coalition that's willing to approve-

Chris Collins: This is an issue that we're not divided on. And we just need, the Democrats have been saying we need fair trade, and they were right that the past deals were so focused on the word free trade, they weren't fair. And I think everyone understands that now. We paid a price with a loss of a lot of the important jobs. So now is the time to negotiate that back. And I do think we'll have bipartisan support.

Mike Kelly: Well the discharge petition is a good example, as Chris was talking about earlier. That was us getting deals with them to become we. And I think that was the important part. That's who we've always been as Americans. I think the party thing is getting a little bit pushed to the side. It's become too partisan. And at the end of the day, America loses.

Doug Palmer: Okay. Well just, we're kind of running out of time, but I did want to bring up China since that's ... The presidents are meeting today. I don't know, just President Xi, President Trump getting together. What would you like the two leaders to talk about? Do you think that might make a difference back home?

Chris Collins: I think it starts with, in the case of China, a relationship. I mean when you look at how 1.2 billion people, the importance of trade with the US is, I do believe the Chinese realize that they've been on the winning side of what's been a ... We haven't had the trade agreement but at least they've created their jobs at the expense of the US workers and certainly in both Mike and my area. As we're seeing, Donald Trump is quite a gregarious, bigger than life figure and as the world leaders are meeting him, they're coming away understanding he is gonna put America first and that's what he should be doing and he will be doing and I think they will treat him with a level of respect and deference due the United States of America where they perhaps walked over us, all over us, in the past, did not take us seriously.

And so I think, as anything in life, people doing business with people, understanding, respecting each other, and putting aside campaign rhetoric. I'm very optimistic there'll be something there moving forward. It's not gonna be instantaneous but the beginning of a better, two-way relationship with China.

Doug Palmer: Just because of the force of his personality and the persona he presents, or?

Chris Collins: Absolutely.

Doug Palmer: Okay.

Chris Collins: Donald Trump fills a room. President Trump fills a room in a positive way and anyone who's ever been with him will walk away understanding that was a moment in time.

Doug Palmer: Right. But I mean during the president, during the campaign, of course, he famously talked about tariffs on China, tariffs on Mexico. Do you think that that was just campaign rhetoric and we're not gonna get around to that? Or do you think that maybe that's-

Chris Collins: Well I'm a big supporter of the border adjustment tax and in a way, that is put America first, make it in America and if you don't, there's an effective 20% tax tariff or surcharge on anything not made in the United States. And if we can go

there and lower our corporate tax from 35 to 20 simultaneously, get the economy moving in effect, I'm okay with, in effect, the 20% penalty for products not made in the US. So that's kinda sorta a tariff.

Doug Palmer: Okay. All right. Congressman Kelly-

Mike Kelly: Well, you know, we could go to tax reform and talk about that, just from being an automobile dealer, I understand how difficult it is when it comes to setting tariffs on things. And we don't have to go into that now. But we do have to go into the China-US relationship. China has become a major player. And there's no question about it. So you have the two biggest players in the world come together. There's gonna be friction. There has to be friction. There's no way there can't. The Chinese have a tremendous hurdle right now with their growing population, the ability to supply these folks with things that they need to have. So it's in their best interest to try and gobble up more of the market.

On the other hand, there's the United States who is the protector of freedom and liberty all around the world, and we have a position that we also have to protect our own assets. So I would much rather have a guy who's been a real-life, hand-to-hand combat sitting down to do a trade negotiation, than somebody who has a philosophical approach to the way the world works. I'm not so much about being a bully. You need big people on the playground. Especially if you're a little guy. You don't need a bully, but you need to have a friend who's gonna show up for you when you need them. I think the world is better served by a strong United States than they are with a strong China.

If we look what's going on in that part of the world right now, there's nothing more clear, I think, to most of us, than a strong America. An America that can not only defend itself, but defend their friends and allies, brings a lot of stability to the world. So, listen. China and we are gonna go back and forth. It's a heavyweight fight. It's just that strong. But I think, at the end, we have a guy that knows how to negotiate for us. And for as much as we like to be joined, at our hearts, it's more important to be joined by the wallet. And so geopolitical relationships are absolutely critical to keeping peace in the world. That's what we need to strive for. I think we've got the guy at the table that knows the art of the deal.

Doug Palmer: Okay. Well there's so many trade issues that we didn't even get around to, and we could probably go for another half hour. But I'd like you to please join me in thanking the congressmen for being here today. And thank you for inviting me. And I hope you enjoy the rest of the conference.

Mike Kelly: Thank you. Hey listen, have a great weekend everybody, okay? And happy Easter.