

THE FIRST 50  
DAYS: TRUMP  
AND GLOBAL  
TRADE

Bloomberg Breakaway  
Roundtable

March 9, 2017  
Summary by Christopher Long

Bloomberg

## BLOOMBERG BREAKAWAY ROUNDTABLE: MARCH 2017

What do business leaders think of President Trump's trade policies at the 50-day mark into his administration?

Bloomberg hosted a roundtable in New York City with business leaders and CEOs from a diverse array of industries involved in global trade, moderated by Bloomberg Washington Bureau Chief Wes Kosova.

**Here's what they had to say.**

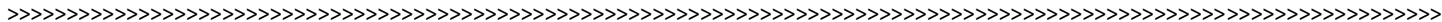


### **PARTICIPANTS**

- Benjamin Cohen**, CEO, T-REX Group
- Michael Keoni DeFranco**, Founder and CEO, Lua Technologies
- Claudio Del Vecchio**, Chairman and CEO, Brooks Brothers Group
- Robert D'Loren**, CEO, XCEL Brands
- Victoria Espinel**, President and CEO, BSA | The Software Alliance
- Brett Goldberg**, Co-CEO and Co-Founder, TickPick
- Walter Johnsen**, Chairman and CEO, Acme United Corporation
- Mark Kuhr**, Co-Founder and CTO, Synack
- Frank Longobardi**, CEO, CohnReznick
- Joshua Meltzer**, Senior Fellow, Global Economy and Development, Brookings Institution
- Mitchell Modell**, CEO, Modell's Sporting Goods
- Mitch Rudin**, CEO, Mack-Cali Realty
- Caitlin Webber**, Analyst, Bloomberg Intelligence

### **MODERATED BY**

**Wes Kosova**, Washington Bureau Chief, Bloomberg



## Trade under Trump: Much still unknown

Trade experts **Victoria Espinel** and **Joshua Meltzer** started the discussion by noting that, so far, many details of the Trump administration's trade policies are still unknown. "A lot of the President's trade policies have yet to be defined," said Victoria Espinel, President and CEO of BSA | The Software Alliance, who served as the nation's first Assistant United States Trade Representative for Intellectual Property and Innovation.

"There's a view that Trump made campaign promises that he needs to follow through on, and I do think we'll see a follow through," said Joshua Meltzer, Senior Fellow for Global Economy and Development at the Brookings Institution. "What we don't know is what it would mean in a basic sense. Take NAFTA as a starting point, would a new deal lead to more trade integration, or would it be a walk-back?"



*"Uncertainty creates pause. But overall, I am optimistic. The U.S. is a great place to do business."*

- Frank Longobardi, CEO, CohnReznick



[Bloomberg QuickTake | Free Trade and Its Foes: Winners and Losers](#)

## Taxes and Tariffs

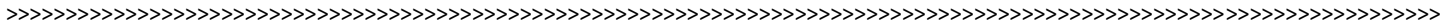
President Trump's support for a border adjustment tax was a major focus of the conversation. "There's a widespread view that corporate tax reform is needed, but whether or not a border adjustment tax is the way to get there is very much up in the air. But, beyond deficit budgeting, there aren't that many other options on the table," Espinel said.

CEOs disagreed on how severe its impact would be. "We would have no problem absorbing a 3 to 5 percent border adjustment tax given our company's focus on inexpensive products," said **Walter Johnsen**, CEO of Acme United Corporation, one of the world's leading manufacturers of scissors and cutlery. "We can pass that through in part; we can become more efficient. It would generate—on a broad base—a lot of cash to be deployed in health-care reform, or infrastructure or deficit reduction, so I don't think it's crazy. However, it would be devastating on higher-ticket items, and I can't believe that would actually occur," Johnsen said.

"This tax is likely to become law," said **Robert D'Loren**, CEO of XCEL Brands, whose brands include Isaac Mizrahi, Halston and C Wonder. "It needs time to be transitioned, because if it is 20%, that cannot be passed along to the consumer. It's a very difficult thing to swallow all at once. Our industry is in an unprecedented cycle of change, but if the change is transitioned over a period of five years, we are a resilient bunch of entrepreneurs, and we will figure this out," D'Loren said.

**Mitchell Modell**, CEO of Modell's Sporting Goods, had this take: "At a tax of 15%, it's been estimated it would cost consumers an additional \$1,700 dollars a year," Modell warned, citing a National Retail Federation estimate "It would be crippling to the blue-collar worker, who is the basis of the economy. More than seven million retail jobs are affected by trade. This tax would be catastrophic if it's done suddenly. And I'm being told the tax is not going to pass," Modell said.

"We also need to think about how the rest of the world responds to an import tax. If you are a U.S. company that exports, then you have to bet on retaliation," said Meltzer.



**Does the Trans-Pacific Partnership have a future?**

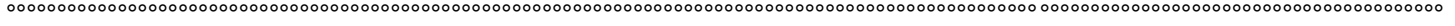
“There's a push to keep the deal alive in some shape or form, but it's going to be very hard in the absence of the United States,” said Meltzer. “While manufacturing is important, we also had rules in the TPP on data flows and making sure the internet remains free and accessible and other issues important to tech companies who want to sell their services globally. The U.S. really pushed on these issues. The TPP was a platform for the U.S. to launch a new era in terms of rulemaking in the Asia-Pacific region, but it was also seen as something that would become globalized.”

**Mark Kuhr**, Co-Founder and CTO of data security firm Synack and a former NSA analyst, added, “As we become more technology driven, we become more reliant on systems being secure.” He noted the challenges of operating in a global context without global rules for how data are handled.

Espinel concurred that TPP was important as it set precedents on data rules as part of trade agreements. “If you look at other agreements like NAFTA or the WTO agreements, they don't address digital issues, because there was no viable commercial internet at that time,” said Espinel.

Participants also debated the merits of multilateral agreements. While the consistent set of rules they create was highlighted as a big advantage, exceptions were noted for major trading partners like China.

“If you have a different set of rules with 100 different countries, it makes things difficult,” said **Frank Longobardi**, CEO of accounting, tax and advisory firm CohnReznick.



**“If China teams up with Russia, you’ve got one heck of a power pack.”**

- **Walter Johnsen**, CEO, Acme United Corporation



“I would argue that if you look at some big trading partners like China, a bilateral agreement makes them accountable, and you can truly do things, as opposed to a committee where you've got a big partnership,” countered Johnsen. “That's an example where a bilateral deal would make a lot of sense to me.”

The world’s second-biggest economy has strengthened its foothold in Africa, said Johnsen. “China is going to places where I can’t operate: Nigeria, Angola, South Africa. They're into North Korea. They are thriving, and they're playing by different rules when it comes to the environment, human rights, and intellectual property. We’re the world leader today, and we have the world currency, but these things can change. If China teams up with Russia, you’ve got one heck of a power pack,” Johnsen warned.



[Bloomberg QuickTake | Investing in Africa: China Plays U.S. in a Great Power Game](#)

"On intellectual property, they just take it," said Kuhr, "If you look at the stealth fighters the Chinese just launched, they are just like an F-35, and it's not a coincidence."

“It feels like 2000 redux in a sense,” Meltzer added. “We've done bilateral trade agreements throughout the Bush administration in parallel with the multilateral process. There have been studies that show businesses ignore these bilateral agreements because the cost of navigating them outweighs the small tariff gain at the end of the day.”

**U.S. leadership in the world**

Participants discussed how the United States can maintain its standing as a global leader in trade as President Trump invokes a more isolationist tone.

Espinel noted that modernizing the trade agenda with a focus on data would be very helpful to U.S. leadership, both in terms of the economy and our status as a global leader. “Going back to data policy and e-commerce, that's an area where there just aren't any international agreements. It's just a gap in the trading system. If the United States

## BLOOMBERG BREAKAWAY ROUNDTABLE: MARCH 2017

stepped forward there, it would be very helpful for the economy but also for signaling that the U.S. is not only a global player, but the player that's looking toward the future. I remain optimistic that it's something the U.S. will take up.”

“I'm afraid that if we go back to being an isolationist country, we could lose our identity as a world leader,” warned Longobardi. “I'm really concerned about retaliation, and our clients doing business overseas suddenly being stifled. Then you have so many sourcing issues, with companies building in the U.S. but sourcing many parts from overseas, and how does that change prices? I do think prices will go up.”

Participants also discussed the importance of the World Trade Organization and the role of the United States, noting surprise at some of the current administration's positions on the WTO.

Meltzer argued that the World Trade Organization is in many respects a creation of the United States. “You don't want to underestimate the importance of the WTO in, over time, normalizing amongst governments across the world things that really help the U.S., things like rule of law—settling disputes in court—trade liberalization. Intellectual property is a great example. It's a multilateral body and it is going to move slowly as a result. But if you didn't have it we would be sitting here worse off,” Meltzer said.

Espinell remarked that the WTO can identify areas of general consensus and try to move those forward. “I think it is difficult for the WTO to move forward on things that are very controversial, just because of the number of interests that are at stake. But there are areas of the trading system where there could be global consensus, and I think having the WTO work on those could be really helpful. It's sort of fascinating to hear the United States talk about loss of sovereignty at the WTO since that has been a concern that so many other, much smaller, nations have had about the WTO, because the United States was so dominant. It feels very odd to have the United States raising those concerns,” Espinell said.

Meltzer emphasized, “I just want to reinforce the point the U.S. is not a victim of globalization. The U.S. is the master of globalization, bar none. The U.S. has created it, runs it, sustains it, and directs it. The narrative that the U.S. is suddenly exposed to it and is victimized by it is just absolutely getting everything back to front.”

### Uncertain, but optimistic

While recognizing challenges ahead, CEOs said they are optimistic about the future and the ability of the U.S. to innovate.

“There's so much uncertainty around certain things, whether it's trade agreements, tax law changes, health care,” said Longobardi. “Uncertainty creates pause. The markets have embraced his message, but that will only last so long. But overall, I am optimistic. The U.S. is a great place to do business. We have a lot of ingenuity. We're seeing this technology wave that is so impactful. I do believe, though, it's going to continue to displace workers, so that's something we have to watch, because we have to retrain our people in other ways.”

“One thing I would like to see from some of this isolationist rhetoric is investment in the youth to become entrepreneurs,” said **Michael Keoni DeFranco**, founder and CEO of Lua, a secure messaging company. “If you're going to focus on the U.S., you should be promoting more youth to start more companies and training them, teaching them, bringing them into the education system.”

“We're an entrepreneurially spirited country,” said **Benjamin Cohen**, CEO of fintech company T-REX Group. “It's a mindset; it's ingrained very early on. So yes, there can be headwinds, but I think we'll figure it out.”

### About Bloomberg Breakaway

Bloomberg Breakaway is a membership of CEOs and CFOs who lead sizable businesses with an appetite for growth. Members receive exclusive benefits from Bloomberg including data and intelligence and receive invitations throughout the year to our invitation-only summits and seasonal roundtable discussions. The next Bloomberg Breakaway Annual Summit will take place May 2-3, 2017, in New York City. For more information about Bloomberg Breakaway, visit our website at [bloomberglive.com/breakaway](http://bloomberglive.com/breakaway) or contact us at [blive@bloomberg.net](mailto:blive@bloomberg.net).