

Announcer: Ladies and gentlemen, please welcome to the stage David Rothkopf, CEO and editor of the Foreign Policy Group, and ambassador Michael Froman, United States Trade Representative.

David: Good morning everybody. It is a pleasure to be here. It is a special pleasure to be here with Michael Froman, who as the United States Trade Representative, is really doing extraordinary work. I would say that one of the great success stories of the Obama administration, particularly in the second term, has been the quality of its international economic team, led by Mike, by Fred Hochberg of Ex-Im bank and by Penny Pritzker who is an excellent commerce secretary. I say this with just a little regret, having once been in a less good commerce department. I'm not just making this up by the way. In my column today, I say those exact same words because I think what Mike has been doing is remarkable. Among the most remarkable things that Mike has done is he's just gotten off a plane from China and he's here to talk to you today.

Mike: Vietnam. [inaudible 00:01:16] Vietnam and Japan.

David: Vietnam and Japan. He's here to talk to you today about some of the most important breaking news that's currently taking place in Washington. Of course by that I mean the progress that trade promotion authority has been making through the senate and through committee yesterday. Rather than my telling you what's happening, why don't I turn to the man who's at the center of it and ask him for the status report and what things look like to you from this point onward.

Mike: Thanks David. It has been a good week for a whole series of trade related legislation, trade promotion authority chief among them, aware, both in the senate finance committee and now in the house ways and means committee late last night. It was reported out of committee both had bipartisan votes. We also saw votes supporting the renewal of AGOA, the African Growth and Opportunity Act, the renewal of GSP, the renewal of trade adjustment assistance to help workers have the skills they need to compete, and a series of enforcement and customs measures. Those bills will now go to the floor in both the House and the Senate. We hope it will go forward as quickly as possible.

David: That means?

Mike: In terms of timing? Well that's obviously a congressional prerogative. I know the leadership of both houses want to move forward quite soon on both.

David: What about the rest of the TPP process? What remains?

Mike: We are engaged in more or less, twenty-four/seven negotiations with our trading partners. Sometimes bilaterally and that's why I was in Japan and Vietnam earlier this week. We have small groups of countries getting together around various issues around the world. All twelve countries are coming together for negotiations as well as we speak. We're making very substantial progress. Closing out issues, narrowing the differences of the remaining issues, so that ultimately the hopefully hand full of remaining issues that require political guidance can be [inaudible 00:03:20] up for the ministers.

David: I proposed that. There's a story today in the Washington Post which you may or may not have seen about this menendez amendment to the TPA legislation which talked about denying fast track should the bill involve any country that's involved in human trafficking. One of the countries that's had issues in that regard is Malaysia. Obviously Malaysia's part of this process. How does that get resolved?

Mike: We're looking at the language that passed in the senate. We are working with the state department that's been in this dialogue with countries and the department of labor of course as well. Human trafficking obviously is a very serious issue. We want to make sure that through the kind of engagements we have, including through our trade dialogue, that we're able to encourage countries to take on the further actions that they need to take. This is certainly part of our approach. As the president has laid out, in our trade negotiations on things like labor and environment, are to use these negotiations both to disproportionately lower barriers to other markets so that we could increase our exports and support good well paying jobs here in the United States through increased exports. Also, use these negotiations to raise standards abroad.

This agreement, TPP will have the strongest labor and environmental standards of any agreement. They'll be fully enforceable. They'll have for the first time, disciplines around state on enterprises making sure that when they compete with our private firms they do so on a fair and commercial basis. It's being the first agreement that brings into the digital economy certain principles of trade from the real economy, including the free flow of data and information across borders, which is so important to so many issues both economic and otherwise in these countries. We're going to try and use these trade negotiations to further an agenda that reflects not only our interests, but our values.

David: President Obama, I think it was yesterday, referred to this as the most progressive trade agreement that has ever existed.

Mike: That's right.

David: I assume the elements that you're talking about are part of that. Is there broader agenda here with regard to our trade dialogue elsewhere? As in T TIP or other places? Should the world expect a change from the U. S.?

Mike: Well, yes. I think so. When the President came in to office he made clear that if we're going to do trade agreements, we've got to do trade right. That meant ensuring it was good for our workers here, good for our production here in the United States, but also very much reflecting our values. He talked about renegotiating NAFTA. That meant bringing labor and environment into the core of the agreement, making them firm obligations, and making them fully enforceable. That's what TPP does but not just with Canada and Mexico, but with forty percent of the global economy. When we're done with T TIP, with the European Union, where I'm sure we'll have strong provisions of this sort, we will have taken the global trading system, two-thirds of the global trading system, into an area where these kinds of issues like labor and the environment or disciplines on SOE's or digital economy, the free-flow of information, a free and open internet, that those now become central tenants of the global trading system. It is important it's part of that.

David: One of the things that strikes me as so remarkable about this is that a few years ago people were shoveling dirt on global trade negotiations. You were coming out of Cancun, Doha, [inaudible 00:06:49], ground to a halt. There was this sense that perhaps they'd lost steam. Here in the United States you had a kind of reversal where in the past, trade legislation has seen bipartisanship, particularly from the senator of both parties. You had a kind of joining of forces of the far left and the far right, in opposition to trade that seemed to have slowed things down dramatically. Yet, here you are. You've got TPA. You just mentioned a long list of other things. T TIP discussions are beginning in some earnest. What happened? What changed in the past couple of years?

Mike: I think there's increase recognition that we're very much part of a global economy. That has various dimensions to it. Certainly globalization affects us here in the United States. That's why it's so important that we use these agreements to raise standards around the world. We also know that if we want to get back to full employment and the kind of jobs that we want here, high paying jobs, because we know that export related jobs pay on average eighteen percent more than non export related jobs. We need to have access to these markets abroad if we're going to have the kind of growth and job creation and wage increases that we want to see in this country.

We need to have access, particularly to the fastest growing markets in the world, in Asia. The Asian markets right now have about five hundred and forty million middle class consumers. That number's expected to grow over three billion in the next fifteen years. The question is, who's products are they going to buy? We

want them to buy made in America, grown in America, manufactured products, agricultural products, services. We want to be part of that middle class consumer market. That means we can't afford to be standing on the side lines while other countries are carving out markets and setting rules of the road that are not consistent with our interests and our values. I think that recognition is increasing. As a result, people see what else is going on in the international committee, whether it's China negotiating it's own set of trade agreements or otherwise that we need to be engaged and take leadership and help define the rules of the road ourselves.

David: Let me talk about that. Clearly, in China, TPP terms is bigger economy, it's getting bigger all the time. It's a vital part of our trade future clearly. They do have a strategy. They are negotiating trade agreements. They're investing money in the infrastructure in the region bilaterally. They've just announced the Asian Infrastructure Investment Bank which we took a stance against. Many of our allies are now part of. They have a strategy for expanding the role in the region. We have TPP, which they're not part of. Clearly, I think, I don't want to put words in your mouth, but my sense of TPP is that part of the objective is to create a strong group to which China would aspire to join and thus have to raise it's standards in order to get in to the system. Beyond that, correct me if that's not the case, how do you see convergence and reconciling between China's strategy in the region and ours?

Mike: Our approach is not directed toward or against any particular country. It is directed at saying, we think the rules of the road for this region, which is vitally important, ought to be of high standards. Through TPP, we're now negotiating these high standard rules. We think that's important for the region. It's important for the U. S. It's important for supporting workers and businesses based in the U. S. which is of course, our number one goal.

At the same time, we're working very closely with China to address a whole range of issues that effect our bilateral relationship, whether it's having to do with intellectual property rights enforcement or mark and access for our manufacture and agricultural products or the bilateral investment treaty that we're negotiating which will help spur on reform in that country. It's important that we do both. The key things is we want to make sure that the trading system going forward, this very much reflects what the President has been saying, the trading system going forward is a high standard trading system. One that takes to account critical issues like labor, the environment, a free and open internet, and a level playing field between state owned enterprises and private firms.

David: I don't want to cross any red lines here, nobody's discussed this issue with me beforehand, but it seems relevant in this context. China's out there. It's active. Other countries are out there. They're active. They're trying to build trade. The

President just got back from a trip to Pakistan where they promised forty-six billion dollars in investment. They've got their checkbook out. They're doing everything in their power. Right now there's a movement among some people in congress to shut down Ex-Im bank, to take some of our tools off the table. What's your view of that and how do the countries you're dealing with overseas look at it?

Mike: It's a very good point that you make. Obviously, we think it's critical that Ex-Im be reauthorized. There's sixty countries out there that have the equivalent of export-import banks. Ours is not the largest by far. Many do a multiple of what Ex-Im does in terms of financing. Ex-Im's absolutely critical to supporting exports, supporting small businesses that are exporting, as supporting the jobs, over a million jobs that go along with those exports. To not reauthorize Ex-Im is really like unilateral dishonorment here in a very competitive environment. We think it's very important that it be reauthorized.

David: Let me switch oceans for a second. I think one of the great traditions, actually, of U. S. trade policies, such as it is for trade [inaudible 00:12:44] like me who serve fond of these things, is not just the bipartisanship, but that often a deal will begin in one administration of one party and end in another administration of another party. Both will have ended up not only working on the same goals, but sending a message to the world that it doesn't matter what the political changes in the U. S. The U. S. Has goals this was true with TPP which had origins before this administration. T TIP may take awhile. It may lead into the next administration. What's your vision for revisiting the relationship that we have economically, with the countries that are also strategically are most important political allies? How does the economic play into the strategic?

Mike: They're both very important. First and foremost, trade agreements need to be based and justified on their economic grounds. They've got to be evaluated on their capacity to support growth jobs, strengthen the middle class here in the U. S. but they also have strategic importance. TPP is a key part of our re balancing strategy towards Asia. Maybe one of the most concrete manifestations of that. You've heard secretary Carter, among others, and secretary Kerry yesterday talk about that. With regards to TTIP, what started off as initiative really designed to help spur growth, coming out of the financial crisis. The much need growth particularly in Europe through trade integration, has taken on new strategic importance with what's going on in the [inaudible 00:14:19] bureau with Russia, Ukraine.

We already have a strong economic relation with Europe. We have a strong political strategic relation with Europe. T TIP is now a very important contributor, potentially, to strengthening that trans-Atlantic relationship. I think it helps underscore the importance of getting it done and getting it done as soon as

possible. There's no reason why we can't get it done in a reasonable amount of time given that the U. S. and the EU have negotiated several FTA's with other countries. We know each other's approaches. Probably eighty percent of the issues we see things in similar ways. Now we're focusing on the twenty percent where that are the most important and the most difficult, where we need to define solutions.

David: Does that mean within this administrations tenure?

Mike: I think there's no reason it can't be done within this administration's tenure. Absolutely. We want to make sure we negotiate the best possible agreement for our mutual interests and we'll take whatever time that takes. There's no reason it can't be done in this administration.

David: One of the things that was the impediment around Doha and in fact one of the great deal breakers and problem areas in terms of global trade reform generally, has been agricultural policy. Some have seen hope in TTIP in that this is a moment where both the United States and Europe, which have strong agricultural subsidies programs and others might stop and say, for a variety of economic reasons, this is a time to begin a kind of mutual drawback not in a way that's damaging to the Ag sector but in a way that creates freer, more open markets. Is that a possibility in the context of this kind of deal?

Mike: Agricultural subsidies ultimately would have to be dealt with as a multilateral issues because you're subsidizing [inaudible 00:16:13] each other. You're subsidizing [inaudible 00:16:16] the whole global economy. What's interesting, over the last ten or fifteen years, is that U. S. subsidies, EU subsidies have actually come down. They've had their cap reform. We've had our own reform of our farm programs. The subsidies of agriculture from China and India have increased. In some cases are significantly higher than ours. If we're going to get at this issue of agricultural subsidies on the multilateral level, it's going to require not just the U. S. and the EU taking some decisions. It's going to require China and India signing on as well.

If you're a poor subsistence farmer in sub-Saharan Africa, it doesn't matter whether the subsidy came from China or the U. S. You're still being adversely affected potentially. That means that we've got to get China and India to the table as well. We can't just pick up where we left off. We've got to look afresh at what is the real situation of subsidies now? That's part of the discussion going on in Geneva, is how to update our understanding of the flows of subsidies and how it's effecting the global economy.

David: That's sort of one issue on the horizon. You mentioned data, clearly we have a situation that's emerging in the world right now where ever more of the global

economy is traveling through the info-sphere where we thought the internet was going to bring down barriers and open up markets. Which particularly in the wake of the NSA and Snowden revelations, we've had a kind of re-surge on something you might call cyber nationalism. Countries saying, we're going to control the internet within our borders. We're going to create regulations. We're going to set different kinds of privacy standards and so forth. That could have a really debilitating effect on global trade integration in 21st century terms. You mention it's involved in TPP. I'm just wondering what the broader strategy is on those issues?

Mike: It's absolutely critical to the modern economy and where it's heading. It's critical to innovation. It's critical to the integration particularly of small and medium sized businesses in the global economy. I meet with small, medium sized businesses all the time. Many of them are engaging in the economy through eCommerce. When they sell products on Ebay or on Etsy to consumers around the world, they're using computer services, telecommunication services, software services, electronic payment services, and express delivery services. Those are all services that we're trying to deal with in TPP to make sure that those markets are open, that there is a free flow of data and information across borders, and that companies don't have to move abroad in order to serve a market. They can stay in the U. S. and serve customers abroad. The same thing is true with Europe. I think, as people understand how much their companies are integrated through the flow of information and data across borders, that we'll have to deal with that in the context of T TIP recognizing very importantly and taking fully into account legitimate privacy concerns. I'm convinced that there are ways that we can reconcile both the free flow of data and information on what hand and legitimate privacy concerns on the other.

David: I'm seeing these clocks that are in front of us run down towards the last minute we've got. I think, if I may, I'd just like to return back to the fist topic on TPP because it's most imminent. Let's assume you get TPA and let's assume a deal gets wrapped up. Where do the benefits rack up first? Who is going to feel it in the U. S. Economy earliest and sort of translate these actions into something that ultimately means jobs?

Mike: The interesting this is, because this is a comprehensive agreement, it really is across the board. Whether it's in manufacturing products where our chemical exporters face a thirty-five percent tariff in some countries, our auto exporters face an eighty percent tarriff in some of these countries as well as a raft of non tariff measures which we're getting at through these negotiations, machinery up to fifty percent tariffs in some of these countries. These are countries that are buying a lot of machinery as they grow and as they're producing infrastructure, they're going to need to buy our machinery as well. We're competing, often

times, with producers from China, [inaudible 00:20:31], who face no tariffs into these markets, or much lower tariffs.

We'll be able to compete better both in relative and in absolute terms. On the agriculture side, we'll see access whether it's on beef, or pork or corn or soybeans or any number of products we export tremendous amounts of beef. We now export over one hundred and fifty billion dollars of agricultural products a year. All time high. The one thing about, as a middle class emerges in Asia, the first thing they want is more protein. They want better nutrition. They want safer food. Grown in America products face all the [inaudible 00:21:12] that they have. We expect high growth there. Then, of course, for services. The ones I just mentioned. Whether it's you know, electronic payment services or express delivery services, or architectural and engineering services, these are all services that we're liberalizing through this trade agreement and our expertise. We're a huge services exporter. We have a surplus in our exported services. We expect this to be a major area of opportunity as well. All of those support good jobs here in the U. S. Jobs that pay more on average than non export related jobs. It's a way of dealing with the wage issues and the inequality issues as well.

David: Thank you very much. I think you have all seen from this [inaudible 00:21:54] coverage of the issues that are on the horizon, why this has been a good week in U. S. Trade, why so much progress has been made and why the U. S. Trade agenda right now, is as vital, active, and likely to show real progress. It has been, at any time, since the turn of this century. Lot of that has to do with the energy of the people behind it and the person who is leading it, which is Ambassador Michael Froman. Please join me in thanking Mike for this presentation.