

**CENTER FOR
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**U.S. TRADE AGENDA 2011:
MOVING FORWARD?**

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MEREDITH BROADBENT: Thank you for joining us for our program here today at CSIS on the U.S. trade agenda, a look ahead for 2011. I'm not sure I've seen so many trade folks in one room since the WETA annual dinner. (Laughter.) And I'm afraid with the available refreshments it's going to be a more serious meeting, but nonetheless I hope you all see some good friends today.

On that note, I just wanted to recognize that Ambassador Warren Lavorel has passed away – many of you have heard – and we want to just recognize his public service as a deputy USTR and deputy director general at the World Trade Organization. It's a big loss for all of us.

I'm Meredith Broadbent and I direct the Scholl International Business Program here at the Center for Strategic and International Studies. Our general orientation is that we see trade agreements and the promotion of commercial relations to be beneficial in projecting the rule of law and U.S. influence around the globe.

In addition to their economic benefits, trade agreements can be a strong tool in the president's foreign policy toolkit, but only if you can get on the same page with Congress. Otherwise, I'm afraid we may be doing some damage to our position.

With the recent expiration of GSP, Andean trade preferences, and some of the benefits under Trade Adjustment Assistance, trade legislation seems to be facing a logjam in Congress. The lack of forward movement appears to be caused by a disagreement on how the president and Congress will consider three pending free trade agreements.

There is lot more on the agenda to be done. Just to name a few: resolving the NAFTA dispute with Mexico on trucking, increasing our competitiveness vis-à-vis China, and working out definitive positions for the Trans-Pacific Partnership negotiations in the sensitive areas. PNTR for Russia is an issue.

And, finally, there is a question about what to do about the Doha round. How do you solve a problem like the Doha round? That's a question I think the panelists will talk about today.

We are honored to have six former USTRs all on one continent on the same day to be with us to lay out the priorities that they see for action on the trade agenda. I should mention for the electronic audience, the United States trade representative is a Cabinet-level official with the rank of ambassador, who is directly responsible to the president and the Congress for U.S. trade policy. Represented here is a span of 30 years of U.S. trade policy.

CHARLENE BARSHEFSKY: Which is also our ages. (Laughter.)

MS. BROADBENT: They're not seated in any chronological order, I assure you.

MR. : Don't we wish. (Laughter.)

MS. BROADBENT: We're missing – the quiz question is, which one are we missing? And unfortunately it's Ambassador Kantor, which he tried everything he could to rearrange his schedule and just wasn't able to make it. So we hope to host him here again and we're going to miss his perspective but we hope we'll catch up with that.

We hope today's discussion will result in some practical suggestions on how to move the trade agenda forward. I've asked each panelist to address a few selected topics with the understanding that the trade agenda is so full that we're not going to be able to do justice to all the major issues.

I think they'll stay seated in their seats and not come to the podium so we can get through things as quickly as possible. And I'm encouraging them to comment on each other's presentations as they feel inclined to do so. And then we'll turn to the audience for questions.

Senator Portman from Ohio has agreed to join us at about 10:30, 10:40, depending on traffic, so please allow us to interrupt the program for him. And then we'll take up with the presentations where we left off.

With that, I'll briefly introduce our panel. The longer bios are available to you in the room.

Carla Hills is chairman and CEO of Hills & Company. Ambassador Hills served as U.S. trade representative from 1989 to 1993 in the administration of George H.W. Bush, and negotiated NAFTA and the Uruguay round. She currently is chair of the National Committee on U.S.-China Relations and of the Inter-American Dialogue. She is co-chair of the advisory board here at CSIS as well as one of our trustees.

Ambassador Susan Schwab is a strategic advisor with Mayor Brown, government and global trade practice, and a professor of public policy at the University of Maryland. She served at USTR from 2006 to 2009 in the George W. Bush administration, where she negotiated four FTAs and achieved congressional approval of permanent normal trade relations with Vietnam and the bipartisan so-called May 10th deal on trade, which addresses some of the sensitive issues of labor and environment. She also negotiated the U.S. bilateral WTO succession agreement with Russia.

Ambassador Charlene Barshefsky is WilmerHale's senior international partner. She served as USTR from 1997 to 2001. She was chief negotiator of China's WTO agreement as well as for global agreements in many sectors and areas, including financial services, telecommunications, high-technology products and intellectual property rights.

Ambassador Yeutter practices international trade and agricultural law at Hogan & Lovells. He served as USTR from 1985 to 1989 in the Reagan administration, where he negotiated the U.S.-Canada free trade agreement and launched the Uruguay round, which

broadened global negotiations to include services, intellectual property and agriculture for the first time. In 1989, Ambassador Yeutter was named secretary of agriculture. In that post he steered the 1990 farm bill through Congress. He's also served as president and CEO of the Chicago Mercantile Exchange.

Ambassador William – Senator William Brock is a counselor and a trustee of CSIS. He served four terms as a member of Congress from Tennessee and subsequently in the U.S. Senate. He was in USTR in the Reagan administration – he was at USTR in the Reagan administration from 1981 to 1985, and he also served as President Reagan's secretary of labor. He is chairman of the Brock Offices, a firm specializing in international trade, investment and human resources.

With that, we can go to the opening statements starting with Ambassador Hills, and we'll go down the line. And, again, thank you very much for coming.

CARLA HILLS: Well, thank you, Meredith, and thank you for gathering us all together. This is a superb reunion. You'll hear from my colleagues on the pending FTAs on China, on the Trans-Pacific Partnership, on the currency, so Meredith said, well, why don't you talk about the U.S. role in trade, both historically and as we look forward?

And, looking back, for 60 years, under both Democratic and Republican administrations, the United States has led on trade, starting with the first global trade round with the GATT in 1947 through the creation in '95 of the World Trade Organization and the launch in 2001 of the Doha round. None of that would have occurred or be successful without the United States. And the results have been spectacular for both rich and poor nations.

Most of you have heard of Dr. Gary Hufbauer's study that shows that the United States is \$1 trillion per year better off by reasoning of our opening of markets since World War II. But it is not only the rich countries that are better off but it's also the poor countries, countries like China that have lifted 400 million people out of poverty by opening their markets.

And we're talking about the need to generate growth today, and to generate growth the United States must again take the lead on trade, working with a larger group of nations than we've had to work with in the past. Two decades ago, the United States, Canada, the European Union and Japan, the so-called Quad, could meet once a year, thrash out their differences – and there were differences, serious differences, but if they could come to an agreement, then the rest of the world would normally come along, and that's changed.

There has been a shift so that we now have to work with a much larger group of nations, developing nations. Many emerging nations are growing much more rapidly than the industrialized nations and their contribution to trade growth is also exceeding that of the Western world. And growth is particularly strong in China, and you'll hear about China, but also the BRICs. Brazil is a key partner and offers us some tools to deal with the issues.

Many emerging markets see the United States' position on agriculture as a key to them, and that our position has been stubbornly an impediment to moving forward. Brazil this week

said, I'm not going to move one step further unless the United States takes a more reasonable position on its farm subsidies.

So, I ask you, as the Congress begins to focus on the farm bill of 2013, with the budget deficit for 2011 hitting 1.5 trillion – trillion – dollars, that could we possibly think of how we might table an offer that would deal with farm subsidies in a market where commodities are soaring – the prices of commodities are soaring, and the prices for those commodities that get 90 percent of our subsidies, namely corn, cotton, wheat and soya – the 90 percent they get are – I heard this morning on WTOP that the corn prices this year are up 87 percent.

Could we make an offer to reduce our subsidies, and in so doing, strengthen our fiscal circumstance, galvanize the negotiations at Doha, spur development of the poorest countries that rely disproportionately on agriculture to feed their people, and enhance our security? I think we could. And with leadership we can also take a hard look at our tariff structure.

It's tough to argue that the United States is committed to development when our tariffs are 15 to 20 percent higher – excuse me, 15 to 20 times higher on the poorest countries of the world. The three largest poor Muslim countries – Bangladesh, Indonesia and Pakistan – each with a hundred-million people living below the poverty line pay multiples in tariffs than do the richest countries of the world. An illustration is Bangladesh pays the United States \$120 million on \$3 billion of exports. France – \$120 billion (sic) more than France does on \$3 billion worth of exports, and France sells us \$37 billion in exports.

Also, we talk about the rule of law. Indeed, some say we lecture about the rule of law. But when our cotton subsidies were found to violate our WTO commitments, allowing Brazil to impose \$830 million in WTO cross-retaliation. Instead of fixing the system, we – and that system that we have in place hurts the four poorest West African countries – we agreed to pay Brazil on the side – some said it was a bribe – \$147 million a year. And just this past week we've agreed that this year we'll do it all over again.

So, with worries about food shortage, I would say leadership is not demonstrated by our 45-cent-per-gallon tax credit to U.S. producers of corn-based ethanol and levying an additional 54-cent-per-gallon tariff on Brazil's more efficient sugar-based ethanol. With leadership, I suspect there's a deal there to be made. And there's so many areas between the United States and Brazil, the largest economies in North America and South America, that we ought to reach out and see what we could put together.

Globalization has made supply chains encircle the world and the gains that come from opening markets have also been multiplied. Others see that. The WTO reports 371 regional trade agreements that have been signed. The United States has 17 and one in process, which you'll hear about today. And without taking the lead in opening markets, our producers and our workers are disadvantaged.

The report of the World Economic Forum ranks 125 nations in terms of the impediments – the trade impediments that their producers face. And just taking one, tariffs – and tariffs are not the only problem but they're a big problem still today. Chile, by comparison, comes in

number one, protected by their network of free trade agreements. The United States comes in at 114. A hundred-and-thirteen of our competitive nations face a better tariff system than we do, and I think that we see that across the board.

Colombia, for example, we were increasing our exports on agriculture to Colombia 38 percent per year for the five years leading up to 2008. Since they signed trade agreements, our exports on wheat, corn, soy and soy oil have plummeted 68 percent. So we better get off the dime if we want to double exports and create jobs for our workers, and to do that, I argue, the United States must step out, step in front and be a leader.

MS. BROADBENT: Thank you.

SUSAN SCHWAB: Thank you. I'm going to speak briefly about a different negotiation, namely the negotiation between the executive branch and the Congress over the pending free trade agreements.

The fundamental issue – because this is one fraught with irony, bad feelings and, unfortunately, increasing mistrust – the fundamental issue is how do the administration and the congressional leadership, the Republican leadership in the House, Democrats and Republicans in the Senate, do what I would argue the vast majority realize we could and should do, which is pass the free trade agreements, pending free trade agreements with Colombia, Panama and South Korea.

At the point that they were negotiated, the point they were signed, they were very, very important to the United States. They would have opened markets of \$100 million consumers to U.S. exports. They would have put U.S. exporters in a preferential position vis-à-vis our trading partners with Colombia, with Panama, with South Korea.

We've now had four years, almost five years pass. These free trade agreements are more important than ever but now just as much for defensive reasons as for offensive, affirmative reasons, which is a sad commentary.

As Carla noted, between Canada's free trade agreements and the EU's free trade agreements and other countries' free trade agreements, with these countries we now find ourselves – U.S. commercial interests; small, medium, large businesses; agriculture; services – at a competitive disadvantage or certainly a potential competitive disadvantage, and therefore time is even more – working even more against us than ever.

And one would note that if you're serious about doubling U.S. exports, there is no faster way and no more certain way – and I'm looking at my ITC friend sitting over there – based on the studies done by the International Trade Commission, we know that all three – the passage and implementation of all three free trade agreements will generate increased U.S. exports, both in absolute terms and in – you know, in gross terms and in net terms.

And from the commentaries that we have heard from the White House, I think it's fairly safe to say that they also recognize this and would like to see these free trade agreements enacted

into law. Combine that with the fact that certainly when we were in office, the votes were there, certainly for passage of the Colombia and Panama agreements.

I like to think the votes were there for passage of the South Korea agreement, but that was a little dicier, and I, you know, commend the Obama folks for doing what they have done with the South Korea agreement in a way that has generated more widespread support and, I think, clearly a consensus that if there were a vote today, it would go through.

But the votes are also there for the Colombia and Panama agreements and have been there all along, and anyone who raised questions about that as recently as yesterday, saying, oh, my, you know, we don't know about the tea partyers; which way are they going to vote? There is a marvelous letter that most of you here in this audience are aware of, signed by 67 of the freshman who've come in, favoring passage of all three free trade agreements as quickly as possible.

And so the obvious question is, what are we waiting for? In the case of the Colombia and Panama free trade agreements, both of those countries have had virtually unlimited access to the U.S. market since the early 1990s by virtue of one-way preference programs – one-way preference programs, by the way, that have been in our interest as well in terms of the war on drugs, Plan Colombia, a whole variety of reasons.

But these are countries that have said, and have put their – you know, signed on the dotted line, that they're willing to totally open their markets to U.S. exports. And so, the obvious question is, how can we move ahead as expeditiously as possible to get this done, and why are we waiting? And I would say the only real culprit, ironically, to a broad bipartisan endorsement of all three agreements is a trust deficit.

I mean, it's sort of ironic. Both ends of Pennsylvania Avenue, I would argue, want pretty much the same thing, and yet what you hear from one end of Pennsylvania Avenue is, oh, my, it's, you know, too partisan and the Republicans are trying to do this to create a wedge within the Democratic Party.

In fact, there were sufficient votes, both Republican and Democrat, in 2007, in 2008 to get these bills done, to get these agreements through. There are sufficient votes today. 2007, 2008, as most of you know, it was solely the Democratic leadership in the house refusing to act on these bills that prevented what would have arguably have been a clear bipartisan majority.

I'm not going to dwell on the May 10 accord other than to say, for those of you – maybe the two-and-a-half of you in this very, very up-to-date audience who may not be aware of the May 10, 2007 agreement, it was an effort on the part of the Bush administration, working with the speaker of the House and the chairman of the Ways and Means Committee – then Rahm Emanuel – Nancy Pelosi, Charlie Rangel, Sandy Levin and others to try to meet some of the concerns that had been articulated for many years about insufficient labor and environmental provisions within our free trade agreements.

And pursuant to our discussions with them in an effort to get all four of the pending free trade agreements done – at that point the Peru FTA was also pending – we reached an accord to include those provisions. It's a solid set of provisions. They are in all three free trade agreements. And what we learned, sadly, was that the folks who had been calling for all of these changes over the years suddenly decided they had other reasons to oppose the free trade agreements.

And so my caution to the administration is, if you are waiting for the anti-trade constituencies to change their minds on Colombia and Panama, you're going to be waiting a very long time and, I would argue, much too long for the commercial interests of the U.S. economy. And let us note most clearly that if we care about small and medium-sized companies involved in trade, they are the ones that are hurt the most when there are trade barriers, barriers at the border; when there are tariffs that don't necessarily need to be there.

Major multinationals can, if necessary, invest behind tariff walls; the small and medium-sized companies cannot, and therefore arguably the 8,000 to 9,000 small and medium-sized firms that do business or could do business in Colombia are damaged every day that those tariffs remain in place, and the Colombians have told us very clearly they would like to eliminate those tariffs.

For those who say that, well, the problem is violence in Colombia, there is a great deal of data available to show that, one, there's been incredible alleviation of violence in Colombia. In part it has been because of trade and investment, and if we really care about continuing – helping Colombia continue that trend, enacting the free trade agreement is the single-best way of doing it.

When the Washington Post travel section has a front-page section on tourism in Medellin, you have to wonder – (laughter) – why there are those who are saying there is too much violence in Colombia for us to have unfettered access to their market.

Let me close with a quick comment, then, about Russia PNTR, the other point that I was asked to raise.

November 2006 is when the bilateral – when we signed the bilateral with Russia on their accession to the World Trade Organization. I think all of us – or certainly I would say Russia belongs in the WTO when Russia is prepared to act like a WTO member. And there is evidence that Russia has come to the table increasingly in good faith on these issues.

Progress is finally being made in Geneva. There is evidence that commitments made in intellectual property, SPS issues that have been very problematic – sanitary and phytosanitary issues involving U.S. agricultural exports – that we have finally gotten some traction and it will be important that when Russia joins the WTO, that the United States is part of the process, embracing that. And, as you all know here, that will entail action on the part of Congress and it will be a heavy lift.

In closing, the irony on all of the four pieces of legislation that I've addressed: They have the potential for huge bipartisan endorsement, Republican and Democrat – executive and legislative branch at a point where there isn't a whole lot that these folks are agreeing on, but it's going to take serious reaching out and everyone taking some risks and leaning forward to get the job done. So, thank you.

MS. : Leadership.

MS. BARSHEFSKY: I apologize for my cold. (Laughter.)

Let's shift gears for a moment. I'm going to talk about China, which, in itself, on trade grounds, economic grounds, foreign policy grounds and almost every other ground you can think of. It's really the issue for the United States as we look ahead.

And what I'll do is just give you a bit of contextual background for the politics of – U.S. politics of trade, globalization and the inevitable China discussion, the effects of the forces that are shaping U.S. politics and U.S. perceptions generally, and a couple of thoughts in conclusion. So, first of all, simply contextually.

I think we're seeing the convergence, in an unfortunate way, of four broad trends which affect the politics of our relationships with China, which affect what we demand of China, and China's sometimes lackadaisical response, and which affect public perceptions.

The first broad trend is the acceleration of the pace of globalization, even with the global financial meltdown, and tighter global economic integration – 7,500 multinational corporations 35 years ago, more than 75,000 multinational corporations today. You look at the U.S. financial meltdown and what do you see in terms of global trade? A reduction in global trade very near the levels we saw during the Great Depression of the 1930s.

And there are many other factors I could point to, but the point is, with respect to this first broad trend, the global economy is larger, it's growing faster, it is more integrated economically under the pressures of technology and capital flows than ever before in any historic sense. And this itself presents fundamental challenges for all countries – for all countries – and fundamental opportunities.

Second broad trend is the reemergence of China and the integration of Asia around China as its hub. I always use the word "reemergence" with respect to China because 160 years ago the global economy was dominated by two countries, China and India, and China held over 30 percent of the world's GDP. By comparison, today we hold 18, 19 percent of the world's GDP, maybe. They were over 30 percent. So, the reemergence of China.

This has created a structural shift in the global economy. It is "the" international economic story of our lifetimes in this room. The reemergence of China stems from two broad factors. One is our own process of internal opening and reform, started by Deng Xiaoping more than 30 years ago, combined with geoeconomics – or, sorry, geopolitics, and that is the reintegration of Asia by diplomatic means initially.

So not economic – diplomatic means through the normalization of relations between China and its five wealthiest Asian neighbors, and that normalization took place between roughly 1972 when we also began to normalize relations with China, '72 being also Japan, and the mid-1990s.

And so, as you look geopolitically at China's wealthiest Asian neighbors, you see a cadence of Japan normalizing post-war and nearly post the Mao era – three years before Mao left the scene, but still – Japan normalizing. You saw Korea normalizing relations. You saw, subsequently, Taiwan. You saw Hong Kong's reversion to China, and Singapore.

These five wealthy Asian nations, given the normalization of relations to China, given China's historic role in the region, have allowed China to combine the following: money and technology from the five wealthy Asian nations, large labor reserves and low cost from a relatively far poorer China.

And it is the combination of those factors and China's own, as I said, internal reform and opening, and then capped by China's WTO accession, which radically broadened and deepened the opening of China's market as a worldwide market that have created the reemergence of China. It is the outcome that you see today.

So, what are the results of that reemergence? China's economy is larger now than Japan's and Germany's; far smaller than ours, and on a per capita GDP basis China is a poor country still, but in total size, it outpaces Japan and Germany. This is almost inconceivable when one considers the China of 15 years ago let alone the China of Deng Xiaoping.

It's had an average growth rate of 7.5 percent over the course of 30 years, a much higher growth rate now. It will come down a bit but it is extremely robust. It is also extremely economically resilient, as we saw in the global financial meltdown.

It has integrated with its Asian neighbors. Far less important than trade agreements between them is the fact that these economies have reverted to a more historic pattern in Asia, a pattern with which we're unfamiliar but a pattern with which we would have been familiar had we lived 200 years ago or a thousand years ago, 2,000, 4,000 years ago. So this is a very different era, a very different situation.

Do you want stop? I'll stop for a minute so you can introduce our –

SENATOR ROB PORTMAN (R-OH): Don't stop, Charlene. We want to hear what you have to say. (Laughter.)

MS. BARSHEFSKY: No, no, no, please.

MR. : Yeah, we want to give you the time now.

MS. BROADBENT: Can you make it up there, because there are some steps over here for you.

SEN. PORTMAN: Oh, cool.

(Cross talk.)

MS. BROADBENT: I'm going to introduce Senator Portman so he can get back to the Hill where he came from.

(Laughter, cross talk.)

(Audio break.)

SEN. PORTMAN: You turned off my microphone, Meredith. She really wants to get me back to the Hill. You turn off a senator's microphone and they leave immediately. (Laughter.)

It's interesting because they ask you to give the response to the president's address. And so I said, great, that's really terrific; I can't wait to hear what he has to say and I'll be happy to respond to it. And then they inform me, no, actually you're recording it on Wednesday and he's giving his on Saturday. (Laughter.) So, I'm not sure it was very responsive but it was, shall we say, proactive – the preemptive radio address. (Laughter.) That's a little secret. Don't tell anybody about that, okay, because no one else knows it.

Listen, I thank you all very much for having me here today. And Meredith, as you may know, had to work with me at the Ways and Means Committee, and then I hired her now in the U.S. trade rep's office. She was one of the assistant U.S. trade reps in a critical area, including industry, and it's great to see her here and great to see CSIS taking such a leadership role. I thank you for that.

I'd like to hear what all of my friends have to say to my right. They were great advisors to me when I was at USTR, and as each of them know, I relied on them and turned to them. So, to Ambassador Hills and Barshefsky and Yeutter, Brock and Schwab, I thank you for your counsel.

For Susan, I really leaned on her because she was the deputy when I was USTR, and if I ever looked good in the office, it was probably because of Susan because things like the Swiss formula – by the way, I'm Swiss-American, so that was sort of why that ended up being Swiss. (Laughter.) Don't tell the minister from Switzerland. But it's great to have Susan continue to give me counsel as these other distinguished public servants have done.

And Brock even checked out elective politics for a while, so he can tell you that – and survived to tell the story. He can tell you that those numbers in Ohio that Meredith talked about frankly were not because of my positions on trade. (Laughter.) Maybe you could say in spite of.

But, you know, the point I kept making on the campaign trail was really very simple, you know, because the reporters would often ask me about my position on trade and wasn't I going to change it, and I said, no, you know, the position I have on trade is the right position for Ohio workers and Ohio farmers and Ohio service providers. It's the wrong position politically – I understand that – and there's going to be a process here of, you know, in my case two years talking about it on the campaign trail and trying to explain the reason that trade was so important for Ohio.

But that process continues, obviously, and the people in this room who understand trade and care about it need to stay out there on point on that issue, and we have some great ambassadors here, in the purest sense of the word, who are doing it every day, and we've got to keep it up because this is so critical at a time when our country faces some very big challenges.

Those challenges, you know, on the Hill are being talked about mostly in budget terms. And, let's face it, we have a fiscal time bomb at our doorstep and that crisis is, I think, quickly going to affect our economy in negative ways if we don't take steps. But it's really a broader issue of whether the U.S. role in the world is going to continue to be preeminent, and trade can plan an incredibly important role.

So, that's one reason I'm glad that so many of my distinguished predecessors and successors agreed to come today and that we have such a great turnout here, and I hope some good coverage of this because we need to bring trade up to the forefront in terms of that economic issue.

USTR was a terrific experience, and I wish, frankly, that I had been able to stay there a little bit longer. When I took the job I was a little hesitant because, as Meredith said, I had a safe district; I was in the House leadership. Things were going pretty well, and I thought, frankly, going to USTR probably would mean that I wouldn't be back in elective politics again, but I loved being there and I loved working with the professionals there. The career people there are the best, and the best and brightest are attracted to that agency.

That continues to be true, by the way. And Ambassador Kirk and I talk fairly frequently. He is not here today, couldn't be here today, but there are probably some folks in the room from USTR, and they do, day in and day out, really important work on the enforcement side and on the trade opening side, and I am always going to look back fondly on my experience there.

As I noted, over the past couple of years I've been more on the political side, and we have visited over 80 factories in Ohio in the last 24 months, and I've had countless small business roundtables and meetings with economic development folks.

Our campaign focused on jobs in the economy, and I just can't tell you how many times I would walk into a factory, having gotten, you know, the best briefing I could and found out that trade plays an even more important role than I thought, and certainly than the public knew. Let me give you a couple of examples of that.

Just in the last several weeks I've been in Northern Ohio at a couple of plants that, you know, people would acknowledge are important Ohio employers but would not understand the importance that trade plays in having those jobs there.

One is the Whirlpool washing machine factory in Clyde, Ohio, which I'm sure you've all heard of, but it is the world's largest washing machine factory in Northern Ohio, in this rustbelt state, in this state that continually is talked about as being part of the spearhead of the industrial revolution but has been left behind. Here we are making washing machines for the world. And in fact, I learned that day that 25 percent of the washing machines that I saw being made were being exported.

I also learned, incidentally, that in the last two years it's one of the handful of companies in Ohio that's actually added workers rather than having to go through a painful layoff. And why? Because of expanded exports. Even during the recession they were able to find new markets for their product because of U.S. technology, because, frankly, of some very hard work on behalf of, in that case, the workers and management to come up with more efficiencies. And this is an untold story.

On that same trip I visited the famous Toledo Jeep factory where they make the Wrangler, and it's a really exciting place. It's a UAW plant. And upon leaving there I asked, as I always do, about the export side of things. Twenty-four percent of these Jeep Wranglers were being exported. And Fiat, which now plays a central role in Chrysler and therefore Jeep, is looking to expand even further, and I think there's a huge market in Europe with a few modifications to the product.

So this is the reality. It's what's going on. And it's not surprising, I guess, because we know the aggregate figures. In Ohio, 25 percent of factory jobs are now export jobs. Think about that. A quarter of the jobs in Ohio that are in a factory are there because there is an export. One out of every three acres planted in Ohio is now planted for export. So when you talk to farmers about their prices, they're really happy to have those markets, aren't they?

In Clayton – having been secretary of agriculture and USTR – you know, that's been consistent over the years. We have a huge competitive advantage there. We need to do even more. If you look at the data on the amount that we export as a percentage of our GDP compared to our trading partners, we're at the bottom of the heap in terms of developed countries. In fact, we're even below a lot of emerging economies in that regard. So there's much more potential and much more opportunity to create more of those jobs.

The best way to immediately grow exports, I believe, is through these trade agreements. And they can be regional, they can be bilateral, but this is the way for us to make the most progress most quickly. I'm continually hopeful about Doha. However, it's been a long time. I don't have to tell those of you who have been following it or are working on it. In the meantime, let's make progress and move ahead.

And what's so frustrating to me is that over the last several years, you know, we've been standing still while other countries have been negotiating agreements, taking market share from

us. And, again, we're not exporting enough already. We need to do more. It's critical to our economic growth. As I said at the outset, it's critical to our fiscal health for us to get the economy back on track and to really start creating more jobs and therefore a bigger tax base. And the quickest way to do it is through exports.

I think you all know these numbers already, but when you look at the countries with which we have a trade opening agreement – and this of course includes, significantly, Canada and Mexico but also Central American countries, Australia and so on, Singapore – it's only about 15 percent of global GDP, probably between 12 and 14 percent actually. So it's a relatively small part of the world, and yet we send over 40 percent of our exports to those countries.

So when people say, gee, do these agreements really work, well, yeah, they do. They give us the competitive advantage because they allow us to have a more level playing field. So, you look at the CAFTA accord. When I landed at USTR it was on the shelf waiting for me. And it wasn't in very good shape on the Hill. People told me my first day on the job that we were about 50 votes short on passing CAFTA. It was a tough slog.

In the end I think we got 15 Democrats in the House after I met with about 150 of them, so it wasn't a very good batting average, but that was necessary to get the agreement passed. And you look at what's happened. I mean, again, these trade agreements are tough to get through and the politics are not good, but the reality is that it makes a huge difference.

In 2005, when we were negotiating that agreement, we had a trade deficit with those five countries in Central America and the DR, and today we have a trade surplus. It was a \$1.2 billion deficit in 2005. It got up to a \$6 billion surplus by 2008. Now it's less than that. It's still a surplus. Because of the recession, exports are down.

But the point is, these things work. And we need to get that story out there more, by the way, and do more follow up as to what happens when we complete these agreements. They also work in other ways, as you all know, which is to open up those economies, move them toward the very market economies that we're promoting around the world, and have tremendous geopolitical advantages, which of course we're going to see if we can get the Republic of Korea and Colombia and Panamanian agreements completed.

We are losing market share every day by not moving ahead with these agreements. I'm sure you all have good examples of that. Let me give you one that I'm talking about a lot, and that's Colombia. At the end of the day, President Uribe came to Washington and negotiated directly with me, which meant he had to deal with Susan Schwab.

And we negotiated a heck of an agreement. And commercially this opens up markets that were, you know, never imagined on the ag side, on the manufacturing side, certainly for protecting intellectual property and for other – again, opening up of their market, not just to our products but to make them a more free-market country.

In 2008, the United States has a 71-percent market share in Colombia for exports of corn, wheat and soybeans. Those happened to be important products from Ohio. In 2010, we have a 27-percent market share in Colombia for those same products. Now, these are – this is the import market share for agriculture. Other countries have taken that market share. And, as you know, the Europeans are about to complete an agreement with Colombia. The Canadian agreement is about to be ratified. Those numbers will go down even further.

So we've got this very difficult political climate – I understand that – but we've also got this overriding need for us to improve our economy. This is a way to do it. And in the meantime, we're not just not making gains; we're actually losing market share and therefore losing jobs here in this country. Every day we wait, we're stuck in neutral and we're losing ground.

I did, as Meredith said, introduce legislation calling on Congress to pass these pending trade agreements and also giving the president trade promotion authority. I think it's critical that this president have the negotiating authority to be able to sit across the table and start to get back engaged in the business of creating American jobs through trade.

And as each one of these former trade representatives can tell you, it is impossible to sit down and complete an agreement without having the ability to say there will be an up or down vote in Congress on this agreement. No one is going to put their last and best offer on the table. It's just the way it works. It works in each of your businesses.

Those of you who have been in trade negotiations, you know what I'm talking about, but for those of you who have negotiated a contract or been otherwise engaged on the business side, you've got to have that ability to say, this agreement is not going to be picked apart and your best offer that you put on the table removed, exposing you as a trade negotiator without trade promotion authority. So it's critical that we give it to President Obama.

Based on what the president and his Cabinet have said recently, it sounds like we may have a basis to move forward on some of these agreements. I'm very hopeful, of course, that we can do it and do it very quickly. I've got three kids and they're all in school, and to me it's like studying for exams. Waiting to work on the agreements only makes it harder. You know, procrastinating isn't going to make it any better. So my hope is that the president is serious about moving Korea, Colombia and Panama, and moving them as quickly as possible.

By the way, Congress is ready for it. Some of you in the trade media have talked to me about, you know, whether the environment is different on the Republican side now, and specifically have said to me, gee, with all these tea party Republicans getting elected in the House and some in the Senate, you know, does this mean that Republicans have changed their views on trade? No, it doesn't, because Republicans and Democrats alike are focused on jobs today. And when you make this case for jobs – and, again, the politics can be tough, but when you make this case for jobs, it is so compelling.

Let me give you an example of that. This week there was a letter sent by House Republicans who are freshman, which would be kind of the tea party group, I suppose. Sixty-

seven of 87 House Republican freshmen signs a letter calling on President Obama to move forward on all three disagreements. That excuse is off the table. We need to move forward.

On the enforcement side, we need to be sure that we are enforcing those laws that are currently on the books. We need to be sure that international rules are being adhered to. I'm particularly concerned by China and I continue to be. I still believe China is not playing by the rules and we need to be, those of us who believe in trade, speaking up on this. We can't be shy about it.

So I think China is manipulating their currency. I think we ought to deal with that issue honestly and openly. And I know there are disagreements as to what the right tactics might be, but the fact is that we need to deal with that issue because it does affect trade. We also need to work on other issues with China, including their indigenous innovation policies, of course transshipment issues and intellectual property rights enforcement. Meredith indicated there is still some enforcement actions working through, that started when I was at USTR, on IPR.

So I believe that, you know, enforcement and trade often goes hand in hand. The day that Senator Lieberman and I introduced the legislation I talked to you about, I also signed a letter on an anti-dumping with China, and I don't think it's inconsistent at all. In fact, I think it is only logical that we ask for a level playing field in enforcement just as we're asking for one in terms of our export markets.

So, again, thank you all very much for allowing me to come today to speak a little about these issues and to be with this distinguished group. I think our economy, facing these huge challenges, needs trade. We need to use every tool available to create American jobs. And I think growing exports is in many respects the power tool in our economic toolbox.

Why? Because it could be done immediately. We will create hundreds of thousands of jobs very quickly if we simply move forward with these existing trade opening agreements, give the president the ability to negotiate new agreements and get those through the process as well. Thank you all very much. (Applause.)

MS. BROADBENT: Great. Thank you very much. Do we have a pressing question in the audience for Senator Portman?

SEN. PORTMAN: Any questions, please?

MS. BROADBENT: Ah, I've got one.

SEN. PORTMAN: Yes, sir.

Q: I'll just speak up.

SEN. PORTMAN: Yeah, all difficult questions will go to Susan, which is the way we did it. (Laughter.)

Q: All right. (Off mic) – thank you so much.

SEN. PORTMAN: Yeah.

Q: My daughter went to college at Western – (off mic).

SEN. PORTMAN: Awesome. We love it – one of the greatest colleges and universities in the country, right?

Q: Absolutely. Sorry – Chris Nelson, the Nelson Report. You honed in on something that I was planning to ask of the panel because what's so frustrating for a trade reporter, especially a Democrat – you know, numbers, trade; that's hard, you know – you get into job numbers.

Every time I've put in my report the job multipliers, I get a blast from my friend Alan Tomlinson (sp), a fellow Yankee fan, and my friends at the Economic Policy Institute, saying, Chris, you're only counting one hand. You're not counting the jobs that are lost because of Chinese unfair trade practices. You know, then they throw Fred Bergston's, you know, however many million jobs are going to be created by the currency reform numbers at me.

And I'm not saying they're right, but people like me who have to write about this stuff need to hear from you about the other side of the equation, the jobs that are being lost. What are we doing about that? So I was glad – and you're talking a lot about the jobs that we're getting but we need to hear more about what's lost because I think that goes to the heart of the political paralysis, particularly on the Democratic side. They go home and they get clobbered.

Thanks.

SEN. PORTMAN: Yeah, great question, and I'd like to hear from our panel, who have thought about this a lot also. But trade does create dislocations – no question about it – and sometimes it's an entire community; often it's a company. Net, trade adds jobs. And I can give you lots of data on it but really you just sort of think about it logically. I mean, here we are, a big, open country. We have a little protectionism here in this country, but relative to the rest of the world we're a big, open, free country, aren't we?

And other countries around the world, including developed countries – look at the European agricultural practices, for instance, in terms of their trade restrictions, certainly in the emerging markets, have relatively high barriers to trade. Some are tariff; some are non-tariff barriers.

So, by leveling that playing field and promoting an aggressive trade opening agreement, we will add jobs here because we will get more opportunities. As I said, we export less than other countries already. We need to export more relative to our GDP. And these numbers are pretty clear. Again, less than 15 percent of global GDP, represented by all these trade opening agreements that we've negotiated, and yet it's over 40 percent of our exports. So that's the obvious plus on the trade side.

I also mentioned enforcement for a reason. We need to do both. And, yes, I do believe that some of the trade practices of some of our trading partners is hurting our economy and affecting trade and therefore hurting jobs in this country, and we need to keep that pressure on but it doesn't mean that we don't move forward with the trade opening side. You need to do both.

We also need to do a better job – and I think CSIS is a good example of an entity that does this. There are other groups out there. You mentioned Fred Bergsten. Fred's been good on this. We need to get these numbers out there to be able to counter some of the misinformation that's out there that often is hurting the very workers who are being represented by some of these groups that say trade is bad.

You know, trade is not something that should be a political issue, in my view, a partisan issue. It should be one based on those numbers, and if we get those numbers out there I think we'll have much more success in moving these agreements forward.

Having said all this, by the way, if the Colombia agreement, the Panamanian agreement, the Korean agreement were on the floor of the House or Senate tomorrow, in my view they would pass. So this notion that we're not moving forward with these agreements because there's not the political will in Congress I think is just wrong.

And that's one reason I wanted to mention the GOP freshman letter. I think because of the trade advantages, the commercial advantages and because of the geopolitical advantages on all three of these agreements, I think there would be tremendous support.

WILLIAM BROCK: Rob, can I move to the larger question of not just job losses but of U.S. competitiveness? It seems to me that the larger problem is on our side of the aisle – not political aisle; as a nation – in that we don't talk enough about how do we become more competitive as a country; how do we give our industries, our services the opportunity to be competitive? Our tax policy, our regulatory policy – it seems to me that there are some opportunities here that could advance the trade agenda if we would crank those into the conversation.

SEN. PORTMAN: You're absolutely right, Bill, and that's something that we need to focus on, again, not as Republicans but as Americans because we are in this increasingly competitive global environment and we have to reform our taxes. The president has talked about it. You know, we now have the second-highest corporate tax rate among the developed world, soon to be the highest because Japan is lowering theirs.

This does drive jobs overseas as compared to being here, and of course our regulatory environment, our energy policy, our health care policy makes us less competitive. So, you're right, those are all related, and directly related to us being able to compete and take advantage of the trade policies that we implement, and including these trade opening agreements.

I'm going to run back to the Hill, where Meredith wants me. (Laughter.) It was sort of fun getting off campus today, though. You know, I was driving through town thinking, wow, look at all these big buildings. (Laughter.) I live in a basement apartment without any windows and my office is in the Dirksen basement. As a freshman you get these beautiful offices. The ceilings are about six feet tall and I'm six feet. And there are no windows, and we have 21 people in a space about as big as this table. So it's –

MS. BROADBENT: You're having fun.

SEN. PORTMAN: It's a glamorous life. Nice to see you all.

(Applause.)

(Applause.)

CHARLENE BARSHEFSKY: All right. So – (laughter).

MR. : Back to China.

MS. BARSHEFSKY: Back to China. He's terrific. So a brief reprieve. First, reprise, contextually, with respect to China, and then four broad trends push the politics, push public perception.

First broad trend: acceleration of globalization and the acceleration of global economic integration, which has happened by virtue of technology and capital flows, principally, with a lot of out – a lot of outcomes associated with those two factors, in particular technology and money. And first broad trend.

Second is the reemergence of China, the integration of Asia around China as the hub. Thirty years of integration that we've seen driven by geopolitics, actually, not by trade agreements in Asia, cemented now by trade agreements. But it's the geopolitics that really created the situation you have now among China and its wealthy Asian neighbors.

And the result for China, with the meshing of money and technology from the wealthy Asian neighbors and their integration with China's large manpower reserves and very low costs, as a poor country, has led to an extraordinary reemergence of China in the world. So economically, now larger than Japan and Germany. Japan had always been the world's number-two largest economy; China is now larger.

Robust growth rates over 30 years. Economically resilient; it is now a global driver of growth. It is – it has accomplished or solidified the process of regional integration through trade and trade agreements, although again, that integration was well present before those agreements. What's interesting about that is that China's reemergence has reduced the concentration risk that had always been faced by Asia on their undue dependence on the U.S. market as the market of last resort for exports.

So on the one hand, China's reemergence has reduced that concentration risk to the Asian nations. On the other hand, there's some who argue that China's reemergence and the way in which it has gone about its trade relations has unnecessarily increased the dependency of many of these nations on China, giving China additional economic and political heft.

Of course, as a general matter, China's political and diplomatic heft is very substantial. They are the Asian agenda-setter. This was once, unquestioningly, the role of Japan. It has accumulated \$3 trillion in foreign exchange reserves. That is one-third of the global total of exchange reserves – one-third.

This gives China extraordinary flexibility to, among other things, lead a robust going-out strategy. Chinese investment worldwide, most especially directed toward natural resource acquisition. It is a combination of extraordinary reserves as well as very high retained corporate earnings in China that has led to a dramatic increase in China's investments abroad.

And this re-emergent China has embarked on a series of domestic policy measures that, in many instances, are at odds with the West. And this is really a function of the other factors, in part, that I've talked about and China's own form of development. But in any event, what you see in Chinese policy is a desire to rebalance the levers of wealth in China, moving those levers from, in their view, a multinational corporation-dominated economy to an economy that's highly indigenized. To put it slightly differently, the view that foreigners hold too much of what is China's wealth has imbued many of these policies with significant force.

So you see high degrees of support of industrial sectors. If you look at the most current draft of the 12th five-year plan, you see a real targeting of seven core industries for the future and 4 trillion RMB allocated to them; an undervalued currency, which Senator Portman mentioned; the drive toward indigenous innovation in China, which meshes intellectual property rights and industrial policy so that market access is conditioned on the discouraging of intellectual property rights or technology; the development of local champions – improved, but still weak, IP enforcement, mandatory product standards or mandated technologies for use, which puts global technologists at a disadvantage; and many other policies.

And the outgrowth of all of this is a very disaffected business community. All the polling data shows this, both the U.S. and EU business community operating in China, highly disaffected, feel discriminated against and are concerned not so much with profitability today, but what the future bodes.

Third major trend that bears on the politics for the U.S., and that is that the increase in global integration generally. The reemergence of China comes at a time of extraordinary economic weakness in the West. This is a very volatile combination. So you have extraordinary global imbalances which we've all read about: trade imbalances, financial imbalances, trade-deficit countries versus trade-surplus countries, currency issues, competitive non-appreciation of currencies, and all the rest.

We see, at the same time, austerity measures being put in place – U.K. as one example, France, most of southern Europe; the U.S. is next on the hit list. There's no question about that.

And we see high and persistent levels of unemployment in the West. All of these factors at a time the competition globally has gotten much tougher.

And the fourth broad trend is that this competitive environment – the weakening of Western economies generally – has accelerated the disruption of settled industries. The question was asked about job loss. And if you look at U.S. manufacturing, blue-collar jobs, the process of job loss in manufacturing has been going on for over 40 years in the United States.

And Bill, you've talked a lot about this, I know. Even during the Clinton administration, the conclusion at that time by the Council of Economic Advisors was, about 80 percent of job loss in manufacturing in the U.S. is technology-related. It's what economists call the dark side of productivity increases. You just don't need as many workers to produce the same amount of output, and the result is job dislocation. This is a long-standing trend.

But there are jobs that are lost as a result of trade and other factors in that remaining 20 percent. And part of this has to do with the lowest two quintiles of the income distribution and the lowest quintiles of the income distribution – and Bill knows this better than anybody because he has worked on this for so many years – is also education-related. If you don't have the education, you stay at the bottom. These – these lowest two quintiles are very vulnerable to any form of job dislocation and to re-employment. It is very tough. And that, for anyone who's ever known anybody out of work, is a heartbreaking phenomenon. So that's point one.

Point two, on the white-collar side, which is a somewhat newer phenomenon, the far greater impacts on white-collar job loss and job dislocation has to do with the U.S. recession, and particularly business laying off in that managerial class in very, very large numbers, a process ongoing for a long time as companies have driven cost savings harder and harder.

Jobs lost from outsourcing are relatively few, but the feeling – the feeling among people who have lost their jobs and when you look at the overall unemployment rate – which, of course, is understated because of a large cache of people who just stop looking, so they're not in the statistics – this creates the feeling of extraordinary disruption and hostility. And that hostility has turned in many, many – in many, many ways.

So as we look at these four broad trends, what are their effects? The administration has been spurred to drive – begin to drive a competitiveness agenda, and this is absolutely critical. If our house isn't in order, I don't care what we do on the trade side. We are lost. We have to get our house in order. There is no excuse for us not to put into place policies which are solely in our control to do to enhance U.S. competitiveness.

If you look at what we spend on basic R&D, if you look at, in the aggregate, R&D spending, if you look at the numbers of labs, if you look at the kids we graduate in what are always called – my brother always calls the hard subjects, where he excelled, of course. Forget me. (Laughter.) But the hard subjects, right? Physics, chemistry, material science, mathematics – that's not where our kids are going in at all.

These are issues we need to address – we need to address. They are in our control, solely, and there is no excuse. And if we don't do it, it won't matter if we pass any trade agreement at this point. So point one. And the administration is now picking up this banner of competitiveness. We'll see what comes out of it.

The FTA policy – the administration clearly will move forward on Korea. I think there's no question about that. I also think there's no question that will be a broad bipartisan vote, which is a very good thing and another domestic policy and international policy priorities.

The effects, though, also of these trends have meant that the greatest amount of focus centers on China and the U.S.-China trade and economic relationship and, frankly, even beyond just trade and economics. And why is that? There's increased head-to-head competition. China has moved up the value chain and up the level of sophistication far faster than other countries or we had anticipated.

Second, you see a fracturing of the business community. The business community has always been the ballast in the U.S. for stable U.S.-China relations. That business community is disaffected, and there's a fracturing of it.

Third, there is a growing weariness on the part of the U.S. and other developing countries as China gains ground. I thought it was remarkable that Brazil joined the U.S. at the G-20 with respect to China's currency and putting pressure on China. It is amazing that actually that happened in the context of the G-20, developing country against developing country, using the leverage of the developed countries to help achieve a goal. And of course, you see intensified trade friction. I don't think that poses an existential threat to the relationship, because there's so many mechanisms designed to deal with trade.

But I'll conclude by saying the following. There is no easy answer to the question, what should the U.S. do with China? There is simply no easy answer. And there's so many factors that come into play, including a diminution in the U.S.'s own leverage for our own economic meltdown and for other reasons and our relative positioning globally, which has taken an extraordinary, extraordinary hit, including our ability of moral, economic suasion, if you will. Our system just doesn't look so hot to most of the rest of the world.

But I think for the U.S., pushing forward vigorously on the China agenda – and I think the administration is just getting its footing – just now getting its footing on a more robust, more direct China agenda – and whether it's on the government procurement agreement, whether it's on bilateral investment treaty negotiations, whether it's agreements with other Asian nations, which is good in and of itself, but also to correct some of this tilt, whether it is working with third-country governments to put pressure – but the U.S. is sometimes too timid – too timid. And having worked with China for 20 years, I just don't see the point of timidity.

On the corporate side – on the corporate side I would say this: Companies need to speak up. If there's a problem as a company or industry sector that you face, speak up about it, because it won't get better by your silence. And this is a very significant issue for most companies.

Companies also operating on the ground can help influence the Chinese regulatory process, can influence intellectual property strategies and technology policy strategies. But if you lag back, if you don't act in China the way you act in every other market in the world, which is to say, protect your interest vigorously, then you will be left behind. And I'll conclude with that.

CLAYTON YEUTTER: Okay. Well, Meredith, you've got a wonderful audience here today and I know we want to allow you all to ask some questions and we're running short on time. So I'll try to speed things up here a little bit, if I possibly can. I want to start, Meredith, by taking advantage of an opportunity to say something nice about somebody here at CSIS.

And I know Ambassador Schwab will join me in this because she and I were in Christchurch, New Zealand a week ago this time, living through an earthquake and diving under tables. And fortunately, we both came out of it alive and we're here to talk to you today.

But at the – as we were trying to get out of that country, Ernie Bower from CSIS did a beautiful piece of how that terrible tragedy drew the people of New Zealand and the U.S., at least those who were there, closer together. It was just a superb piece, and compliments and accolades to CSIS for that. Ambassador Schwab co-chaired that meeting, by the way, and did her usual outstanding job.

Second preliminary comment, on the question that we had here in the front row on job gains and losses. I think it was Tim Groser (sp), maybe, as we were chatting with him in New Zealand last week, who really summarized that beautifully by just pointing out that job gains from trade are always diffuse. Job losses from trade are always specific. And that's really the whole heart of the issue.

And then finally, I have to add a preliminary word on these existing trade agreements that have been pending for so long. I've lived in Colombia, so I have a stronger feeling for that one than toward any of them. And all I would say there is the fact that we've kept our best friend in all of Latin America twisting in the wind for four to five years is just downright shameful. We need to get that agreement done. It should have been done ages ago. It doesn't need to be done six months from now or three months from now. It needs to be done now, and now means immediately. And we need to get off our duff and treat our friends in this world the way they deserve to be treated. Now, enough of that. (Laughter, applause.) Thank you.

Finally, the – my topic for the day is the Trans-Pacific Partnership agreement, and it probably merits, you know, half of our time this morning. We haven't spent a lot of time discussing that agreement here in the U.S. It's kind of floating below the radar screen, and it needs to be elevated.

This is certainly the most active trade agreement – (chuckles) – active trade negotiation we have in the world today. And it may well represent the wave of the future. One could certainly hypothesize that plurilateral agreements might well be the wave of the future in contrast to bilateral agreements or multilateral agreements that take a decade or more to negotiate.

We at least have an opportunity in the Trans-Pacific Partnership agreement, which is really a Pacific Rim exercise to open up some excellent market opportunities for the U.S. in a part of the world where we have splendid chances to expand our exports and hopefully over time, you know, meet the objectives that have been laid out by President Obama.

This is an exercise, as most of you know, started out as four countries – not us. We didn't start it. We joined sort of in the middle. It's been expanded now to nine, with Vietnam and Malaysia being the two most recent additions. And that's a pretty manageable group of countries. It's a lot – a heck of a lot easier to negotiate with a dozen countries or so than it is with 150 in the Doha Round in the WTO. And that's one of the great advantages of this agreement.

There has – and by the way, Barbara Weisel at USTR, according to everything that I hear, has done a wonderful job of representing the U.S. in the negotiation of this agreement thus far. So accolades to her.

There have been some thoughts that we ought to try to get this done by the time of the APEC meetings coming up later this year. President Obama, of course, will host these in Hawaii. And obviously, we want those to be successful. And certainly, the president wants to put his best foot forward at the time those meetings are held.

Personally, I don't think it is all – at all realistic to expect the agreement to conclude by that time. My view is that, you know, if you really want an agreement that doesn't say much, you know, go ahead and finish it. (Laughter.) But you're going to be pretty embarrassed if you come back home and suddenly figure – people figure out that there's nothing there.

And that may be an overstatement, but the fact is, I'd rather wait a little while longer and make sure it's darn good, than to finish it when it's really, fundamentally incomplete. One reason why that's a somewhat dicey issue at the moment is that the next question, or the immediate question, is whether Japan joins. And that's under great debate in Japan itself now. Agriculture, of course, is a significant part of that debate because Japanese agriculture really does want to liberalize, as you might expect. So there's a lot of pushback.

Prime Minister Kan is taking great political risks in Japan today in surfacing that issue and battling it through. His administration may or may not survive. But certainly, we need to pat him on the back for having the political courage to take it on as he is now doing. He has said that he will make a decision on this by June.

I hope he says, yes, I'd like to join because it seems to me it's not only in Japan's best interest in terms of pulling itself out of 20 years of stagnation to join this exercise, but it's also in our interest opening up some excellent export opportunities for the U.S. in Japan, including for U.S. agriculture, a segment of our economy that's not terribly excited about the TPP negotiations at the moment because there isn't much of anything in the TPP negotiations for U.S. agriculture, as it's presently constituted.

So I'm an advocate of having Japan join in. And if we have to have a framework agreement or something to announce in November, or some kind of an interim success story at the APEC meetings, then so be it. But let's conclude a TPP that truly is a model agreement, a model plurilateral agreement for the world. And we've got an opportunity to do that because not only is this negotiation including all of the traditional elements of a trade negotiation, but there's a lot of good work being done on trade facilitation, as there has been in the Doha Round.

And there's work on some regulatory coherence, which is badly needed particularly in the sanitary, phytosanitary area, and some really good work, advanced work on intellectual property, and then more work on investment than has traditionally gone into trade agreements. So there are a lot of good things happening in the TPP negotiations. And all of us ought to begin to pay more attention to those negotiations than we have thus far.

Will other countries be added? Who knows? Probably nothing beyond Japan, although personally, I'd love to see Indonesia in. And I suspect President Obama would like to have that happen too, since he spent part of his life in Indonesia. That may or may not be feasible. And if it isn't, so be it.

But there are other countries in Asia that could be added too at some point – maybe not in this first tranche of the negotiations, or in the first agreement that is reached. But the hope is that if this agreement is done really, really well, that it will then have bolt-on possibilities as what I call “bolting on additional countries” at a later time with a relatively short negotiation being needed because of the quality of the agreement that is presented to them.

That seems to me that there is a really good chance of having that be the outcome of the Trans-Pacific Partnership negotiations. And we, as a nation, ought to provide the leadership to try to make that happen.

Thank you at this point. And Bill, wrap it up. (Laughter.)

MR. BROCK: Why not? (Laughter.) I learned a long time ago courtesy of the people that worked for me that associating with people who are smarter than you are is a good way to make some progress. (Laughter.) So I'm up here to get some advantage by being with people that I have great respect for.

There's nothing that has been said that I don't agree with. So I want to back off of some of the specifics, and try to see and think out loud with you on why this is such an intractable problem.

Charlene mentioned the pace of change. I'd like to start by saying that may be the largest single problem we've got because when things are moving so fast, whether it's in the nation or in your state or in your community or just in your business, it's hard to keep up. It creates a climate of uncertainty. And using the old political rule, if you – if you got a problem, and you want to find somebody to blame, do it – but be sure they don't live in your district. (Laughter.)

Think about that, because it's not off the track. What do we do when we have a problem with job losses? Now, we blamed Japan. I was there. And we blamed Japan in spades. And it took us quite a while to realize that maybe Japan wasn't the problem after all – they bought Rockefeller Center and found out it wasn't a very good buy. (Laughter.) So –

MR. YEUTTER: A friend of mine sold it to them. (Laughter.)

MR. BROCK: And you probably got a commission. (Laughter.) If the change – pace of change is, as been said, largely based on technology, that translated, means productivity. I don't think I've ever seen a study that doesn't show the losses, the shifting of economic forces from – productivity wasn't a factor of many-fold over any competition from overseas. So don't blame the Chinese, don't blame the French, don't blame somebody else for the fact that things are getting better in terms of our productivity. I've never heard an American say we ought to have less of that.

If that's true, and if that's putting a stress on us as a people, but we don't know how to recognize and deal with it, we'd want to be very sure that we don't find somebody else to blame that diverts us from solving the fundamental problem.

Look at how many plants have come into the United States, and ask yourself: Why? Why did Volkswagen put a plant in my hometown of Chattanooga? Why did Honda go to Ohio, to pick on Rob's state? Look around this country; you will see a stunning number of investments in the United States in manufacturing. I happen to believe manufacturing is central to our economic well-being.

If they're coming in, why? They're coming here. We're such a terrible country; why would they be coming here? Well, if you ask them the question, the first thing that most of them say, is that the area they're moving to has a skill base of workers that they can use – high-skill. Then, they talked about the – talk about the climate, the welcoming climate. Most importantly, of course, they're talking about access to the U.S. market – (phone rings) – the largest market in the world.

I'm sorry, the president is calling me here. I – (laughter).

MR. YEUTTER: You timed that just right, Bill. (Laughter.)

MR. BROCK: No, he's not in. (Laughter.) I'm sorry. The thing – the point is that we – it's very easy to blame somebody else for what's going on. It's really more important that we say, what do we need to do to make sure that we solve the fundamental problem? Well, I'd like to suggest a couple of things that we can think about.

First, in terms of international agreements, the reason for a World Trade Organization in my judgment – when we're trying to put something together that went beyond tariffs on goods, we wanted to include services, intellectual property, investments – is that a global agreement gives you political cover to do things that you might not be able to do at home that you should

do. You know you ought to do it, but if you have an agreement that says, we're all going to make some sacrifices, we're all going to do some things, it makes it a lot easier to do it at home.

I don't think you can stop at looking at the international, global thing like Doha. But to pick up on the second thing – I wouldn't argue Colombia; I don't think anybody here that disagrees with that. But I do want to agree with Clayton on TPP and the process that that represents because it could be a different way of creating coalitions.

Now when I was at UST, we created the Quad Group because we had four partners that would pretty well govern the world trade process – the Quad Group. We went and created a second group called the Rio Group in which we brought together trade and finance ministers because I said, you know, we really have a mutuality of interest. And we need the finance guys.

The only, only treasury in the – in the world that didn't participate out of those group of 17 countries was the U.S. Treasury. They didn't want to dirty their hands with the grubby little bins of trade. And somebody actually said that to me. We have got to have the financial and the trade people on the same team. Otherwise, we'll spend all of our time arguing over which has the priority, which has done the better job. That's a waste.

The last thing I want to say about international – we have forgotten some of our friends. One of the best allies we've got in the world is Japan. And we're not bringing them into the process. We very much need that voice. We haven't done near enough with some other opportunity areas like Brazil. But I really would like to leave on the table the fact that we haven't had a stronger trade ally, with the exception of agriculture, anywhere than the Japanese. And they could make an enormous contribution to this conversation.

Last – let me come back to the – to the domestic composition of a – of a support group. I've been having – I'm a nut on education reform. I've been having some meetings lately with business leaders on one side and union leaders on the other, the pitch being that it is inconceivable that we can't address the education issue in the United States unless we have both parties at the table. We spend a lot of time fighting each other. If we're going to solve some of these issues, we can't do it by beating up on the other side.

In this case – in most cases, actually in the Congress, for example, labor – well, they got a stake in this thing. Isn't there some way that we can create a different quality of conversation? For example, what is it that we can do with labor at the table that makes the United States more attractive for domestic manufacturing? What can we do to make it more attractive for inward investment?

Okay. Let's start with the fact that we're not doing half a job in education in this country that we've got to do. We're doing – not doing half the job in terms of workforce improvement, skill development that we could be doing. If we do those things, that would make us more attractive.

We've got, as Rob Portman says, the highest corporate tax rate in the world. We've lost our mind. If we want to compete, we've got to compete in every aspect of the cost of doing

business – that means our skill base, it means our tax base, it means our regulatory base. It means the whole climate around which we decide to compete.

So I'm not drawing away from the – from this specific conversation that we've had. Because they – I agree with everything that's been said. But I do want us to start thinking about how we can pose a political alliance between people who have been too often adversaries to the disadvantage of both. If we can start that kind of a conversation, I think we can make an enormous amount of progress.

Thank you very much. (Applause.)

(Off-side conversation.)

Q: Thanks very much. And thanks again to all of these folks who have come to CSIS to do this. Sherman Katz, Center for Study – Center for Study of the Presidency. An ambassador in Geneva from a major South American country said to me, you know, it doesn't appear to us that like most other important economies in the world, the United States comes with a trade scenario which incorporates thinking about U.S. comparative advantages.

And we know that we have democratic processes, we have cultural traditions that make it very difficult for USTR or anyone else in government to say, here are the industries of the future. But in part, that's what we're competing with in other countries. And I just wonder whether any of the folks in this panel have any thoughts about how we grapple with that issue.

MR. YEUTTER: I think, Sherman, I would just start that by saying that I think you've got to let the marketplace determine the industries of the future. Japan tried this in MITI – the determining what the industries of the future were – and they fell flat on their faces about 25 years ago. And now, you've got people who are arguing that, you know, energy is – energy industries, climate change-related industries are the wave of the future.

And I noticed that the European Union, who had put – which had put some money and tax benefits and so on into that area is now finding a whole slew of those entities going into bankruptcy. So it seems to me that, you know, throwing government money at a time when we've got a \$1.5 trillion deficit, that potential industries of the future that may be big losers is probably not the best use of tax funds at the moment.

MS. BARSHEFSKY: I would simply say that where the U.S. has always excelled, and it has been the root of much of our economic success, is our extraordinary capacity with respect to basic scientific research, basic research. This has always been our ace in the hole. It is why – it is what, in many ways, our university system, typically at the graduate and post-graduate, post-doc level, are aimed toward: extremely high-functioning, very creative individuals who pursue all sorts of different forms of research.

The U.S. – and I think the president has recognized this – has got to return to the era when we put a lot of U.S. dollars into basic research. It can be through the universities and others, but this is where we excel as a country and this is where we are falling down as a country.

And so rather than pick and choose industries – because, quite right, we’re all aware of Michael Porter’s fabulous work at Harvard on the meat catastrophes in Japan – rather than pick and choose, giving companies the ability to utilize basic scientific research that’s been done, which might be sector-specific or not, many universities channel these things into sectors and so on. Would be extremely – I think an extremely important contribution.

MS. BROADBENT: Thank you. Charlotte, if you could maybe get us into a Doha conversation.

Q: Thank you. Charlotte Hebebrand, International Food & Agricultural Trade Policy Council. I have one Doha question and one TPP. First of all, congratulations, fantastic panel. So good job, CSIS and Meredith.

My TPP question is this: I think Charlene Barshefsky gave a brilliant discussion of – sort of the rise of China and what all that means. Could you, Clayton Yeutter, put that into the TPP context for us? So what’s the Chinese issue in the TPP? Do we want to bring them on to this negotiation in the future? Is this the U.S. attempt to sort of try to strengthen ties with the Chinese neighbors? Explain that, maybe, if you could.

The Doha Round, it seems to me, is dead, from what you have said, unless we can pass this Portman-Lieberman bill very, very quickly. And I’ve heard several of you say that maybe plurilateral agreements are the way to go in the future. Is that true for agriculture, which I think in some issues, is really, yes, you can tackle it bilaterally and regionally, but can you really get at things like subsidies in a bilateral and plurilateral context? Thank you.

MR. YEUTTER: I suppose I should try that, because I did the TPP discussion. But on agriculture, no, that’s really a global issue. And although – you know, agriculture will clearly be dealt with in the context of the TPP and I think can be dealt with successfully there, including Japanese agriculture.

What I told the Japanese on that subject, by the way, is that although agriculture is a difficult problem in the context of TPP, it’s not an impossible problem. And I used our European Union friends as an example, where for many years they said that common agricultural policy was sacrosanct and could never be changed, and lo and behold, about 20 years ago, at the conclusion of the Uruguay Round, they began to change it. And actually, over the last 20 years, they probably have done more reforming of agriculture than we have, although they started from a lower base, if you will. So they still have a little bit further to go.

And my comment to the Japanese was, you know, take that on in the context of the TPP and do some of the reforms that you absolutely have to do in any case and get some credit for it in the negotiating environment for doing what is absolutely critical in Japan in any case.

With respect to China, I don’t see China joining the TPP negotiations. I doubt that that’s practical in the – at this stage, for a whole variety of reasons, political and economic. But if we have a really good TPP agreement involving, you know, 10, 11 or 12 countries, then I think it

becomes feasible to add China at a later time. That would require an additional negotiation, of course, because of the complexities of the Chinese economy. But it would be a whole lot easier than starting from scratch. And so I could see China coming into the picture at – in the future. And I can see the same thing happening with a number of other Asian countries.

And, gee, with the explosion of demand that's occurring in that part of the world, with maybe 400 million people being added as middle-income consumers in Japan and maybe close to that in India, the opportunities for an economic interchange within the TPP area are just enormous.

MR. BROCK: But the TPP does – what I was trying to say earlier – it would give Japan the political cover to do what Japan knows it's got to do. And that's a huge opportunity for them and for us in terms of growing this process.

MS. BARSHEFSKY: If I could make just one comment on the intersection of bilateral and plurilateral free trade agreements and Doha. Putting aside for a moment the importance of agriculture to the developing world, which is absolutely clear and huge, and the questions that will remain even if the U.S. and Japan and Europe and Korea reduce substantially – add subsidies, which, as was pointed out, are sanitary and phytosanitary measures, which are also barriers if countries can't come up to those standards – and that's a whole separate issue – putting aside agriculture, there's actually only one reason I want to see Doha conclude, and it is a defensive reason.

Most free-trade agreements in the world – most – are glorified tariff agreements. That's what they are. They don't handle services in any meaningful way. Many exclude agriculture or only partially deal with agriculture. They don't include investment. They don't include IP. They don't include any of the new areas. So if you're thinking defensively for the administration, you want Doha to conclude, because if you get global tariffs way down and if you have a robust program of zeroing out tariffs, you disarm the discriminatory effect of the hundreds and hundreds of free-trade agreements.

Now, in my view, that is no substitute for a robust trade policy and a robust policy of doing these far more expanded agreements, these model agreements like TPP. But it would certainly help to alleviate, in one fell swoop, some of the more serious examples of discrimination and market-share loss faced by U.S. companies.

MS. HILLS: Let me just add on the Doha Round – I think there's no question, but a global agreement permits nations to do, under the umbrella, including our own, things that they find politically difficult to do. And I agree with Charlene, there's a defensive aspect. But there's also a very positive aspect.

And when people say to me there's not much on the table for Doha, I really worry about it. I remember back to the Marshall Plan, where our markets were devastated and the United States reached out and helped open markets and thereby invested in the future, created markets for ourselves.

Just imagine if we were to bring in into real participation in trade the poorest nations that have huge, huge populations. It would make a difference. And because we have negotiated over the last 60 years on issues of the industrialized countries, we need to, as a global matter, begin to address the issues of those who were not at the table.

It seems strange to me that we have a 48-percent tariff on cheap tennis shoes. We don't make cheap tennis shoes. We don't save any jobs from people making cheap tennis shoes. Who do we hurt? We hurt the folks that have to buy at pennies in our own market, who don't have a job but do need shoes. And we hurt the people in Bangladesh that make those cheap tennis shoes.

Now, this makes no sense. Were we to bring Bangladesh in and address some of these issues, we would create not only markets for the future, but we would create goodwill on the political and strategic end of the realm. And I think it is just critical. Besides that, Doha is the only organization having a World Trade Organization that can resolve disputes.

And I'll just end: If we didn't have WTO, we would all be governed by the law of the jungle. And believe me, the WTO's better. (Laughter, applause.)

MS. BARSHEFSKY: Mick (ph), may I just add one thing? And it really is, I suppose, a cautionary note. And that is when you look at the mass of the developing world, you look at rates of poverty and you look at the age of – the average age of the population, what you have is a macrocosmic view of what's going on now in the Middle East among countries with a very young, very restless, disaffected population, high rates of unemployment, poverty, hunger, corrupt regimes.

And the notion that we would view, unilaterally, opening our market to assist this broad range of countries for our greater good, never mind the moral issues and all – our greater good – to ensure greater stability, to build the markets Carla's talking about, which is what we did with a devastated Europe after the war, is breathtaking to me – completely breathtaking to me.

And I daresay if the question before the Congress today were: Should there be a Marshall Plan? Number one, it would never get to the floor, and number two, it would never have passed. And that is a very sad commentary.

MR. BROCK: Or Bretton Woods.

MS. BARSHEFSKY: Or Bretton Woods or –

MR. BROCK: Or the GATT.

MS. BARSHEFSKY: Or any of the rest.

MR. BROCK: The thing is, we've lost our minds. (Laughter.) Amen, Charlene.

MS. BROADBENT: On that note – on that note – I'm getting the hook here. I want to thank – join me in thanking a terrific panel that leaves us wanting more. (Applause.) Everyone, please stay in your seats while we let these guys get off this very narrow panel and out to the elevators.

(END)