

# **Center for Strategic and International Studies (CSIS)**

## **A Conversation with Six Former USTRs - Taking Stock and Assessing Priorities for the 2012 Trade Agenda**

### **Introduction:**

**John Hamre,  
President and CEO,  
CSIS**

### **Moderator:**

**Meredith Broadbent,  
Senior Adviser and Scholl Chair in International Business,  
CSIS**

### **Speakers:**

**Susan C. Schwab,  
Mayer Brown LLP; University of Maryland**

**Charlene Barshefsky,  
Wilmer Cutler Pickering Hale and Dorr LLP**

**Michael Kantor,  
Mayer Brown LLP**

**Carla A. Hills,  
Hills and Company**

**Clayton Yeutter,  
Hogan Lovells LLP**

**William E. Brock III,  
Center for Strategic and International Studies**

**Location: Washington, D.C.**

**Date: Friday, April 6, 2012**

*Transcript by  
Federal News Service  
Washington, D.C.*

JOHN J. HAMRE: OK, folks. (Claps hands.) This is a huge crowd. It's really good. Yup, yup, yup. Wouldn't want anybody to – we don't want anybody to fall off. OK, folks. (Claps hands.)

Good morning, everybody. Welcome. We're delighted you're here. I must confess, when Meredith Broadbent said that she wanted to hold this event on a Friday before a long weekend, I thought, you're crazy. Nobody's going to show up for this thing, you know? And – but it just shows the enormous gravitational pull of the USTRs. I mean, these – this is really quite a bunch. (Laughter.)

I – my name's John Hamre; I'm the president at CSIS. I'm delighted to welcome you here. I'm currently reading a fabulous book. I never understood America till I read this book. It's a – it's a – written by a guy name McDonough (sp), and he's a – it's about the early history of America. And you get right down to it – I'm not a political scientist, and so I've – you know, my version of history is all about, you know, geopolitics. That's not America's history. America's history is about trade. (Laughter.) (Inaudible) – that – it really is. It's just amazing.

And you start opening up, the shaping of the American republic was very much driven by the way we were going to connect in this larger world, how we were going to do it. And God knows, we've been through a lot of different episodes in our history. We were as protectionist as you could get, you know, at one time in our life. At one time in our life, we passed legislation that said it was free and open territory to steal anybody else's trade secrets, and we patent them here in this country. I mean, we got a pretty rich history here of irregularity.

And so now it's about time that we be humble a little bit and think about where we're going in this world. And frankly, the world would be improved dramatically if we had a much stronger, more active trade policy, you know, in America. And so we're going to talk about that. We're going to talk about that today.

I want to say thank you to all of you for coming. You have a very important role in this, and that's to make this a lively session. I know the intellectual content of our presenters. I know that you are in for a very rich discussion. But it's going to get a heck of a lot better if you are engaged and active in this. And so I really would ask you to draw on that and to bring the best out of these remarkable individuals.

We're grateful – I'm grateful, and I know I speak for all of you – are grateful as a nation that these women and men were willing to lead in such an important way for our country. And they're still willing to be active in the policy life of America. I just had a short session upstairs, and we were chatting about some of this. And – oh, it's exciting, you know, to have people that are still just committed, you know, to making this a better and stronger country and working through the tough issues that we face. And so we're very thankful for that.

Where's Mike Moore? Where –

MR. : Right there.

MR. HAMRE: Michael –

MS. : Hey.

MR. HAMRE: – how are you? Thank you for coming, former director general of the WTO. We're going to send you back so you can take care of Russia. (Laughter.) You can do that, Michael. That's a – you're going to have your hands full, buddy. That's going to be a big one. Of course, he's here now as New Zealand's ambassador and just doing a phenomenal job. And we're delighted to have him here. (Applause.) Thank you. Welcome, Michael. Thank you.

OK. I – I'm wasting the time because I'm taking it from the experts who are here. So let me turn this over to Meredith Broadbent to get this started for real. We're going to have a series of things – by the way, David Kemp (sp) is going to be with us. When – do we know when that is?

MS. : April 26th.

MR. HAMRE: April 26th, and we'd invite you to come because he wants to deliver a major address on this point. We'd like to invite you back so you can come for that. Let me turn to Meredith, and I'm going to pull this thing out of the way so all of you down there can see.

MEREDITH BROADBENT: Thanks for coming today. This is an event that we all look forward to. I'm thinking for next year we need to order two tables, so we've got two tiers here like the match game, and somebody on the upper level and some on the – on the lower level so we're not falling off the end of the table.

This is an exceptional group of assembled talent, political leadership and negotiating experience. And they've taken their time to collectively give us their views on the priorities for the U.S. trade agenda. Although I do want to draw out their differing perspectives, my assumption going in today is that there's a huge amount of agreement among these six individuals that have served the – as United States trade representative(s) under four different presidents, going back to 1981. They are here, I believe, because they care about the role that trade plays in strengthening the global position of the United States.

I should mention to those of you that are in our electronic audience that the United States trade representative is a Cabinet-level official, at least so far, with the rank of ambassador – (laughter) – who is directly responsible to the president and Congress for trade policy. And I'd be in trouble if I didn't say, please follow this event on Twitter at [csis.org](https://twitter.com/csis) (sic; [csis\\_org](https://twitter.com/csis)), #6USTRs. The number six, comma, USTRs is our hashtag.

As the United States looks ahead this year, there is a – there's more of a blank slate on what the president construct – can construct as a new trade policy than there has been for quite some time. The decks have been cleared, thankfully, and all the pending free trade agreements are done. Negotiations on the Trans-Pacific Partnership are a work in progress, with several large trading partners and close allies seeking to join and raising geostrategic considerations in addition to the economic questions of market size and growth potential.

The fact that countries have declared the WTO Doha Round of multilateral negotiations to be at an impasse makes it certain that the comprehensive worldwide trade-liberalizing result that might have been possible is not to be in the near term. Gone, for example, is the – are the global mechanisms that were proposed, like the hugely powerful Swiss tariff-cutting formula,

which would have wiped away anachronistic tariff peaks in developing countries and advanced developing countries.

What we do have, I would argue, is more freedom – more freedom to calibrate and refine U.S. trade policy based on growth opportunities in particular regions and countries. When it comes to pursuing the job-creating benefits of trade, there are many like-minded countries in the world. And we hope to hear about some of the targets and opportunities that are out there today.

We are honored to have these six former USTRs lay out some priorities that they see for action on the trade agenda. We hope today's discussion will result in some practical suggestions on how to move the trade agenda forward. In terms of organization of the events, each panelist will give five-minute opening statements to address a few selected topics, with the understanding that the trade agenda is so full that we are not able to do justice to all the major issues.

With that – oh, excuse me – and I'm encouraging the panelists to comment on each other's presentations as they feel inclined to do so. And then we'll turn to the audience for your questions, so please keep them in mind. With that, I will briefly introduce our panel. Their longer bios are available to you on your chairs in the room.

Ambassador Mickey Kantor served as USTR and later secretary of commerce for President Clinton. Ambassador Kantor is a partner at – in Mayer Brown LLP. He serves as senior adviser to Morgan Stanley and is a member of the board of directors of CB Richard Ellis. He led the later stages of negotiations resulting in the North American Free Trade Agreement and its side agreements on labor and environment, helping to work with Congress for passage of the NAFTA implementing legislation. He served as chief negotiator to the Uruguay Round negotiation to create the world's largest, and to date the most successful, trade pact. And he supported the president in hosting three of the early successful APEC meetings with leaders of the Asia-Pacific region.

To Ambassador Kantor's right is Carla Hills, chairman and CEO of Hills and Company. Ambassador Hills was the U.S. trade representative from 1989 to 1993 in the administration of President George H.W. Bush, during the negotiation of NAFTA and the Uruguay Round. And she was responsible for the Blair House Agreement, which broke the impasse with Europe on agriculture that led to the conclusion of the Uruguay Round. She is currently chair of the National Committee on U.S.-China Relations, of the Inter-American Dialogue, and she is co-chair of the advisory board here at CSIS, as well as one of our trustees.

Ambassador Clayton Yeutter practices international trade and agriculture law at Hogan and 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. In 1989, Ambassador Kantor – excuse me, 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 Charlene Barshefsky is Wilmer Hale's senior international partner. She served as USTR from 1997 to 2001, also in the Clinton administration. She was chief negotiator of USTR's – of China's WTO agreement, as well as the global agreements in many sectors – as

well as global agreements in many sectors and areas including financial services, telecommunication and high-technology products.

Ambassador Brock is counselor and trustee here at CSIS. Senator Brock served for four terms as a member of Congress from Tennessee and subsequently in the U.S. Senate. He was USTR in the Reagan administration, 1981 to 1985, and also served as President Reagan's secretary of labor, 1985 to 1987. He is chairman of The Brock Offices, a firm specializing in international investment and human resources.

And finally, Ambassador Susan Schwab is strategic adviser in Mayer Brown's government and global trade practice, and a professor of public policy at the University of Maryland. She served as 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 May 10th, 2000 deal which addressed the sensitive issues of labor and environment. She also negotiated the U.S. bilateral WTO accession agreement with Russia – I think a lot of these ambassadors had been involved in the Russia negotiations at one time or another. In addition, Ambassador Schwab oversaw the initial U.S. government decision to join the Trans-Pacific Partnership negotiations, an initiative which has been embraced and energetically pursued by President Obama.

With that, we will go to five-minute opening statements, starting with Ambassador Kantor.

MICHAEL "MICKEY" KANTOR: Thanks very much, Meredith. I appreciate it. I don't know where the Michael came from, but we'll take it – that's the – only person to ever call me that was my mother. (Laughter.) No one else.

MS. BROADBENT: That's what it says in your paper.

MR. KANTOR: (Chuckles.) Just a couple things. First of all, I do question the sanity of every one of you being here on Good Friday – (laughter) – and Passover weekend when you could be in a beautiful day playing golf or doing something else. So I do question that.

Second, let me just say how honored I am to be with my colleagues and friends. It's really interesting – I think we all have been friends, we – colleagues; we've shared almost virtually the same – if you want to call it ideology, certainly the same support of trade with very few differences. And I'm really honored to be with all of you, so thank you very much here. It's terrific.

I'm going to be very brief. I'm going to lay out very quickly – we have 45 minutes from Ira Shapiro on Canadian softwood lumber, though, later in the program. (Laughter.)

MS. BROADBENT: He's making his question out now.

MR. KANTOR: I know you'll all want to stay here for that. (Laughter.) You'll miss lunch yet, but that's OK. Let me just lay this out very quickly. I'm going to talk about, in my view – this is my personal view – where I think a trade policy ought to go in the next administration, whatever that administration happens to be. Obviously, you have Democrats and

Republicans sitting up here, so therefore this is not about politics. I think it's about hopefully a legitimate, rational, workable trade agenda.

First let me say this trade agenda has to take advantage of what we all want, which is a rules-based trading system that relies on the rule of law, that implements disciplines on all of us – I'm not just talking about the United – all of us in terms of international trade. That's what we need; that's we've all driven towards. That's what the big and small agreements are about. We just need to do more of it, and it needs to be in a – put in some framework of trade that can work.

And it seems to me that it leads to mutual dependence on each other, it enhances globalization; it really enhances strategic and political and economic issues – certainly, economic – certainly, strategic and political. You cannot divide, these days, what you do in trade, what you – from what we do strategically and politically together. It is critical in this globalized world. So let me get to it.

First of all, I'm going to start with, enforcement is a major – has a major role to play. It enhances the credibility of our agreements. It gives confidence to trade, especially for the American people and the Congress. It's important for access to markets. It's what we did – I think what Carla started so well, and we were able to finish in the Uruguay Round in terms of the dispute settlement system. It's worked well. It's a critical component of trade. These kinds of disciplines are really important, and we need to continue them.

Second, we need the next president of the United States to advocate trade. I'm going to talk about the U.S. in this section right here very quickly. We cannot push a trade agenda unless the president of the United States – whoever the next president will be, whether it's President Obama or whoever the Republican nominee happens to be – if they don't put trade at the top of the agenda. And I can tell you it just won't work. We won't go anywhere; the Congress won't follow; the people won't follow. We won't sell trade, and it won't enhance our businesses and our jobs, our economy and frankly our safety and freedom, as well as political and strategic issues. So the president has to advocate.

Third, I would say – I'm going to say it: Doha is dead. Why don't we all just admit it to each other? (Laughter.) And why don't we start now and say, there are certain things that are critical we can get done. For instance – as Charlene can tell you, and maybe in the question and answer section – the ITA agreement which she did so well, the telecom agreement, the financial services agreement – what, 15 years old, 17 years old? Look what's happened just in information technology since then. We were in the dark ages 17 years ago. We have got to redo these agreements and make them more effective than they are. We have a great opportunity. We ought to look – financial services the same as telecom.

Second, we need to work on – deal with worker rights and the environment multilaterally. Third, we have to protect intellectual property and have effective investment protections, as well. We need an agriculture negotiation – remember the Uruguay Round; agriculture was supposed to be a separate negotiation, was supposed to be a separate agreement. We agreed to do it. We haven't done it. It's time to turn our – and I'd love to have Clayton, when you can, talk about that. Turn to that, and do something about it.

We have a chance, folks, in these areas, these sectoral areas, to make some – make some great progress if we quit spending so much time worrying about something that doesn't exist, which is the Doha Round. (Laughter.) And it will make a difference. Frankly, the information technology agreement, the telecom agreement, the financial services agreements, taken together, were as big or bigger than the Uruguay Round in terms of impact economically. And so we ought to go back to them, update them, make them more effective. It would – it would be a – make a – be a tremendous boon to trade.

The fourth area is the Trans-Pacific Partnership – not because it's called the Trans-Pacific Partnership, not because Sue Schwab did a terrific job putting that together. Started as a P4 – where is Mike Moore? Where are you? Hey, Mike. (Laughter.) Started with New Zealand and three others in the P4, right?

MICHAEL “MIKE” MOORE, NEW ZEALAND AMBASSADOR TO THE UNITED STATES: Two, Singapore. Three, (Sri Lanka ?) – (inaudible).

MR. KANTOR: (Inaudible.) Then it grew and it grew. Now it's nine countries, including the United States. It needs to be bigger. We're growing in Asia – the fastest-growing trade area in the world, fastest-growing economies in the world – we are growing a noodle bowl or bowl of noodles of trade agreements. What are we doing? We got ASEAN Plus Three. We have Korea, Japan and China trying to reach an agreement. We have the Trans-Pacific Partnership. We have bilateral agreements.

We have got to come together and begin to address the critical issues in trade which would address 55 percent of the world's trade, if you put the U.S., Canada, Mexico involved with Japan and the nine right now. And the ASEANs – by the way, we have split the ASEANs why? We have a Trans-Pacific Partnership – some ASEANs are in, Indonesia's not in, Thailand's not in, Burma's not in. We need to bring these countries in.

Now, it's not going to be easy. I understand that. Everyone up here knows how tough that is. But if we don't think big, if we don't begin to reach for large goals – and what I've said are very large goals – then we're not going to make progress. And what we're doing is allowing trade, internationally, to drift. And that's very dangerous. So what I'm suggesting today in these four areas not to allow it to drift, to really address some large issues and to try to make them happen over the next four to eight years. Thank you.

MS. BROADBENT: Ambassador Hills.

CARLA HILLS: Well, this is a real reunion – (laughter) – and we – the six of us have a terrific time when we get together, which is this morning. And we've had a lot of fun. And I agree with a lot – with a lot of what Mickey's just said; I have a few points of differences. But this morning, we'll discuss a variety of trade initiatives – some stalled, some being negotiated and some simply being dreamed about.

And it's in assessing their relative importance I always like to think about what a good trade agreement can accomplish. In my view, a great multilateral trade agreement should strive to accomplish five strategic – and I underline strategic – goals. One, to open global markets, which will generate growth for rich and poor nations alike. Two, to reduce global poverty, which furthers the United States' development goals. Dr. William Klein has done a wonderful

study, connected with the Peterson Institute for International Studies, showing that a 1-percent increase in trade by poor countries reduces poverty by 1 percent. Three, to advance our security aims. You know, impoverished nations don't govern well. They can't seal their borders. They become failed states. And they become breeding grounds for international terrorism, crime, narcotics trafficking and a lot of bad things. Four, to integrate poor countries – the Bangladeshes, the Indonesians, the Pakistans – into our trading system, and that creates future markets for our entrepreneurs, just like the Marshall Plan. So they get a dividend, but it's down the road a bit. And finally, to enhance rule of law and transparency.

Now bilateral and pluralateral agreements can accomplish some of this. But because their geographic reach is much more narrow, they can't accomplish as much. But if big enough, they can stimulate the members of the multilateral community to move forward on multilateral liberalization. We saw that with the NAFTA. The Uruguay round had collapsed in Brussels in 1991. We came home and began to negotiate the NAFTA. President George H.W. Bush signed it in December of 1992, and it was put through Congress the following year. Within four or five months, we completed the Uruguay round. People came back; they did not want to have the North American market, which was so large, not have the benefits for the global economy.

My friend to my left here thinks that Doha's dead. I agree it's on life support. But I also believe there's a way to bring it back.

MR. KANTOR: And I'm still on your left.

MS. HILLS: (Chuckles.) And he's still on my left. (Laughter.)

MR. : No change there. (Laughter.)

MS. HILLS: Yeah. No change at all there. And I believe Doha could contribute to the five strategies that I just mentioned, but I don't have time in my five minutes to go through it. But I'll tell you there's a simple package that would harvest some gains. And I would – I would move forward if I had the chance to do so.

Now Trans-Pacific Partnership is the only trade agreement that this administration is negotiating. And I think it could – could – be great. The stated goal, and I quote, is “to bring together economies from across the Pacific, developed and developing, into a single trading community to serve as a platform for broader regional integration and eventually a free trade area of the Asia-Pacific.”

Now as Mickey (ph) has mentioned, the Trans-Pacific Partnership involves nine nations. We have trade agreements with Singapore, Chile, Australia and Peru, four of the nine, and Brunei, New Zealand, Malaysia and Vietnam would be add-ons. The potential for the trade, if kept at the current size, would be quite small. The five largest Asian economies – China, Japan, Indonesia, India and South Korea – are not included. And they account for over 75 percent of the GDP of Asia and the great majority of Asian people. So were Canada, Mexico and Japan, who want to be admitted, to join, that would add a real heft.

After the – these leaders, that is the Canadian prime minister, President Obama and President Calderon, met this past weekend, Prime Minister Harper said to the press: Well, the administration is split on whether they want Canada in. And Mexico's economic minister, Ferrari, said he wants an answer by the end of the month. In my view, for the TPP to achieve the five strategic goals that I think are important, that will require the addition of additional economies.

And while I favor the concept of moving forward the TPP, I want to point that I do see four risks if we keep it small. One, it would not accomplish the administration's goal of bringing together developed and developing economies in Asia into a single trading community. Two, it would divert trade from Asia's poorest states – Cambodia, Laos, Burma – and make them worse off because of the diversion. Three, it would split the ASEAN 10, which has been so strategically important to the United States. We have established an ASEAN ambassador in Jakarta. We have supported an ASEAN secretariat. We have talked about a free trade agreement with the ASEAN 10. And to split them at this point, I think, it would be a loss. Fourth, it could – it could – induce a competing trade bloc, because China is not in.

And these concerns would be diminished if we housed the Trans-Pacific Partnership into the WTO, making it open to any member that wanted to be bound by its terms. Call it open architecture. And that's exactly what we did with the Government Procurement Agreement, which has served us well, and with the Information Technology Agreement.

Now moving from the Pacific to the Atlantic, we have a high-level working group studying the possibility of a U.S.-EU free trade agreement. And in spite of our – the two groups' financial challenges, together we command more than half the world's GDP, and hence a bilateral agreement would have real heft. Since both of our governments face tight financial circumstance, we might – might – be able to come to an agreement removing or reducing agricultural supports. And that's a question for my friend Clayton Yeutter to my right. Also we have both negotiated a very similar trade agreement with South Korea, which could be used as a starting point for the negotiations and expedite the process. A U.S.-EU accord of platinum quality could, like the NAFTA did with the Uruguay round, stimulate incentives to move forward on the multilateral front.

And finally in the Western Hemisphere, now that the U.S. has trade agreements with every single government that borders the western Pacific, except Ecuador, why not focus on Brazil? The president of Brazil will be here on Monday and will be meeting with President Obama. With commodity prices high and Brazil seeking agricultural reform, they might have grounds for a very interesting conversation. And with the private sector still leveraged hugely and our government continuing to spend more than it collects, trade is providing a much needed economic cushion.

Now whatever we do, let me just say that we have to work closely with Congress. Whether we're able just to get trade promotion authority, so-called fast track, we need to meet very regularly with Congress to explain our strategic drive, what we can accomplish. Because if we don't have an arrangement with Congress, it's very tough for our trading partners to sit down

and put their tough political issues on the table, take the heat at home and not be assured that this agreement will be voted up or down.

So if we want to double our exports by 2014, reduce global poverty, advance our development goals by deed rather than handing out cash, create future markets for our entrepreneurs, strengthen our security and enhance rule of law, we need a trade strategy and to move ahead aggressively on opening world markets. Thank you.

MR. YEUTTER: Well, I'll just say amen to all that. And it's – what a pleasure it is to see everybody here this morning and to be on the podium with our long-time friends here, all of whom think pretty much alike, as has been indicated before.

I'm going to try to cover the – mostly agriculture this morning, because obviously that's of interest to everybody. You don't put much of anything in the way of an agreement through the U.S. Congress if you don't have agricultural support. So whatever the context, that's really critical. So knowing how U.S. agriculture thinks at the moment about trade issues is pretty important.

The first thing on everybody's mind without question is TPP. I don't think agriculture has totally given up on the Doha Round, Carla. But boy, there's just a sliver of potential that remains there. But you know, multilateral market access in agriculture is pretty important. TPP is where everybody's focus is at the moment, not because there's a lot there now – as Carla indicated, there isn't for agriculture – but because of its potential. And that's – starts with Japan among the three countries that have indicated an interest in joining.

If Japan comes in, that makes everybody's eyes light up in terms of agriculture because there's a lot of protectionism in Japan that could be eliminated over time and that opens up some excellent trade opportunities. It's also important for Japan to be in because it could jumpstart that economy for the first time in 20 years.

Now what Japan needs to do to be invited is to – is another matter. We'd had a longstanding beef controversy with Japan, almost as long as the Doha Round negotiations. (Laughter.) And that needs to be fixed. Fortunately, it looks like Japan is awakened to that and may fix it soon. We hope that's the case. Another long-standing controversy is Japan post, which has implications for the U.S. insurance industry, not to agriculture. But that's one in which Japan at the moment seems to be going in the wrong direction. And that certainly could jeopardize Japan's opportunities of participating in this negotiation.

There's a little of that in – with Canada as well. The Canadians – Carla keeps saying – you know, it'd be a wonderful thing if we were invited to join this negotiation and everything is on the table, but where dairy and poultry are concerned, we – you know, we've got to kind of find a way to take care of things. That doesn't go over too big, either in the U.S. or with countries like Australia and New Zealand that have an interest, in their case in particular, in dairy, the U.S. in both dairy and poultry. So the Canadians have to be really serious if this is going to happen.

Now if you add, Carla, just those three, that becomes a very meaningful negotiation for agriculture and for everything else. I'm not sure anything else gets added in the first tranche of negotiations, but boy, do I agree with you that the real payoff for TTP – TPP comes if a number of other countries come in at a later time. And just indicating the ones where U.S. agriculture would have a tremendous interest in the second tranche would be countries like Taiwan, the Philippines, Thailand and Indonesia. And there you really have some potential growth in market access in agriculture.

Couple additional quick points on agriculture. One, Russia's entry to the WTO is mighty important. We can have more discussion about that later, but the fact is U.S. agriculture has had pretty good access in Russia from time to time through the years in beef, pork and poultry. And they'd like to do more in processed food products as well. But that's really been a roller coaster, and WTO disciplines on Russia would certainly be welcome. That's not going to happen unless we get PNTR taken care of in the U.S. Congress. That's the Jackson-Vanik amendment, as you well know. And that really has competitive aspects to it, because we know that competitors in Brazil and Argentina are going to take full advantage of Russia's accession to the WTO and we may not be there.

We can talk a little more about the farm bill later. I don't need to spend a whole lot of time on there right now, because we don't know what's going to happen in the – in the farm bill. It's up this year. It expires in September. And all – about all I would say at this point – and I can embellish on it in questions and answers – in the question and answer session, if you will, is that there is no consensus among U.S. ag organizations. Will there be a safety net, notwithstanding the fact that farm incomes are at record levels? Yes, just because farm organizations will insist on it in the volatile environment that exists in the world today. And a lot of people would share that view.

So there'll be a safety net. There will probably be several safety nets this time. I doubt it's going to be a one-size-fit-all on commodities, as it has been in the past. It's probably going to be three or four different safety nets, organized in their own respective manners. And all of that has trade implications.

Will the costs of the farm program go up or down? They'll go down in the short term. In the long term, nobody knows. I can remember the rollercoaster of the '70s and '80s, when everything was rosy in the '70s and everything collapsed in the '80s and we bankrupted thousands of U.S. farms. And we don't want to go through that again.

In addition to cost, what will be the trade implications? Will the new programs be more or less trade-distortive? I don't know. I can't tell because it's too early. There is some indication that direct payment programs are likely to be eliminated. Those are the least distortive of farm programs, not the most distortive, so in an – in an average sense the trade distortions are probably going to go up rather than down, if that occurs.

Just a word on U.S.-European Union. I have long been an advocate of our doing a free-trade agreement with the European Union and I am delighted that, finally, people are picking up on that and paying some attention to it. The first question is can agriculture be handled in that

context? And the answer is yes. And I say that notwithstanding the fact that I spent half my life criticizing the common agricultural policy in vivid terms.

The fact is, though, over the last 20 years our two agricultural policies, from a commodities standpoint, have grown closer and closer together. Agriculture is not the issue that would preclude the European – preclude the Doha Round from coming to a satisfactory conclusion. That challenge is in nonagricultural market access to a much greater degree than it is in agriculture. We could solve agriculture in the context of the Doha Round and we can solve agriculture in the context of a U.S.-European Union free-trade agreement.

Bill?

WILLIAM BROCK: OK, you're going to hear a lot of repetition in terms of attitudes up here. One – I probably should say it on behalf of most of us, they're going to take USTR out of the Cabinet over our dead bodies. (Laughter, applause.)

Second, I think we've got to keep in mind that the United States is really unique – not just a little bit, not just big, but we really are unique. We're the only country that has the capacity to truly lead in an affirmative fashion. We can only do that by example. We can't do it by force; we can't do it by pushing. We have to do it by example. We have to admit and understand and recognize that our strength is not in our military but in our economic capability. And if we use that particular strength, we can avoid a whole lot of other adverse situations.

Lastly, in the largest sense, we desperately need a trade policy. We don't have one. We need something that sets the parameters: What are the goals? What are our basic approaches? Are we focused entirely on a multilateral system that gives us rules by which we can adjudicate disputes? Or do we have something much more fundamental that we're trying to achieve?

I'm going to shift you around to the other half of the world. Meredith asked me to talk about the Middle East and North Africa. I'm not sure that I can say anything more than that the stakes in this area are incredibly high. We have problems that are just not going to go away. The Arab Spring is the phrase that is used to too often describe something that is enormously complicated and fast-changing. The question is, what do we do, how do we do it, and when do we do it?

And each of those has an effect on the others. Understanding the political situation there and here adds a whole range of additional factors you're got to play – or work with. So let me just look quickly at two different aspects of our approach. One, we have a part of the world that is terribly poor, in most cases almost totally dependent upon one exportable resource, in most cases very inadequate – or almost nonexistent in some – manufacturing sectors or service sectors.

Huge amount of bureaucratic interference, governments that is (sic) at least intrusive, if not counterproductive, bureaucracy, red tape, too much corruption – the problems are endless and (legion ?). If you look at it, though, the region does have something of an identity. And they have to be treated, at least in one fashion, in that – in that particular context. So one of the things

I would hope that we would begin to think about more directly and immediately is a regional – region-wide approach.

There are a number of ways you could do it. Back in 2003, President Bush suggested a Mideast free-trade agreement. President Obama has been very clear in establishing the urgency of economic development as a priority of U.S. policy. There is an understanding, I think, both in the Congress and in the administration, that if you begin to create a more coherent approach to give some sense of hope to the people of that region, you begin to change the political dynamic that would advance our cause and that of our allies.

There are a lot of ways to do it. We've had the example of – in Africa and in the Caribbean Basin – of preferential agreements on a multinational basis. That's one way to begin. We could expand the GPS program – GSP program – and make it more effective, more comprehensive. There are too many areas that are not covered, both nationally and in terms of product.

Those are the sorts of things that I think could begin to compose a more rational and effective regional approach, and create a sense that we do know that we have a stake in the region and that we're willing to stick our neck out – again, by example, by leading – to begin to address the political and security issues we have there, not just on the basis of political and security but on the basis of economic strength.

Let me go to the specific nations. There are a huge number of countries between Iran and Morocco. There's one that we have dealt with over the last several decades, that is and has been for several thousand years the lead, and that's Egypt. Egypt is more at risk than at any time in my lifetime. When I first took this job, I was negotiating a free-trade agreement with Israel, and I went to Egypt and offered to have a free-trade agreement with that country. They were not ready. They're not ready now.

But having said that, I don't think we can ignore the opportunity and the responsibility we have in that country. I'm not saying we've got to put all of our eggs in one basket, but we've got to put a lot of eggs in that basket. We have a really dangerous situation over there – not just because of the advent of the Muslim Brotherhood. It goes beyond that. If you look at the riots in the streets, they were not only a bunch of college kids who were unemployed, looking for freedom. Most of the people in the streets were hungry. They couldn't afford the price of bread.

And you've got a country that has relied on subsidized fuel and subsidized wheat, bread, to keep the country stable. That's an unsustainable model. They're running out of resources. They're running out of their reserves. They're going to have to devalue their currency; that's going to raise the price of all imported goods. They have to import their own fuel. We've got a very serious problem.

I would love to see us begin, publicly, to work towards a free-trade agreement. Not that it's going to solve the problem – that's a long-term solution – but I don't think it makes sense, even though we're trade people, to think in terms of trade being an answer without a whole lot of other factors.

We've got to think about how to effectively support them in terms of the quality of their government, governance. We've got to get more involved in giving assurance to U.S. investment. One percent of our worldwide investment goes into this entire region, 1 percent. I mean, that's crazy. We've got to raise the level of assurance so that American and European businesses can invest there.

So the essence of my, I guess, statement is that we have a deeply rooted, really serious, very complicated problem. It will not be solved by trade, but if you don't start by using trade as your entry vehicle – if you don't use that as the example by which we approach a whole range of other problems – you're not going to get there without facing the prospect of a very, very different Egypt and a very, very different Middle East that will be more of a hazard than a help.

And the last point I'd like to make is that we've got to raise our efforts in all of these areas and reduce our expectations. It is really important not to overpromise, either there or here. If we do that, maybe we've got a chance.

CHARLENE BARSHEFSKY: Thank you. So how many former USTRs does it take to screw in a light bulb? (Laughter.)

MR. BROCK: Six, so far.

MS. BARSHEFSKY: I was going to say none: We'll persuade you – you don't need a light bulb. (Laughter.)

MR. BROCK: Better.

MS. BARSHEFSKY: And let me say that I agree with Mickey, that without presidential leadership, there is no effective trade agenda.

Second, with Carla, on the strategic underpinnings of trade and trade agreements. The five underpinnings that she pointed out have really been the consistent rationale for trade – really, since the end of World War II, when both Roosevelt and Truman recognized that without trade, a fragile peace would never take hold, and without trade, countries would have no real commercial interest in each other's stability.

And so what Carla pointed out was, I think, extremely important, and that is to remind us of why we're all here on Good Friday – but the importance of trade. Third, I think we're probably all aligned on the big initiatives that need to be seriously considered. I'm especially sympathetic to Bill Brock's view on the Middle East, having for many, many years advocated a broad, holistic approach on the economic treatment of the larger Muslim world, which is 37 nations, many of whom are the poorest on the Earth.

I think, fourth, with respect to, particularly, sectoral agreements, which proved very effective in the '90s, Mickey is right: The global telecom and the financial services agreements need to be updated. The world has changed very much since then, even though those agreements

were pretty forward-leaning. The information technology agreement is going to be renegotiated, if you will, and extended and expanded, which is important.

But I do think on the sectoral side, there are a number of other areas that need to be considered, both in the services area as well as in what we would think of as newer areas – whether it's environmental goods and services, which would make a very nice sectoral agreement, or an agreement on fisheries, which would be another good sectoral agreement, or agreements in areas that are newer to the global economy in which there are far fewer vested interests. Biotech may be one on that.

I think it's very important, however, that amidst all this talk about the trade agenda we not lose sight of perhaps the single most important thing the United States could do, and that pertains to its own domestic policy measures. There is no reason we can't fix the problems in this country, particularly with respect to our fiscal and macro situation. And without that, many of our broader trade initiatives will fall flat. We won't have the leverage that we need and we won't have the sympathy of the public that we need in doing things kinds of agreements. So it's extremely important that the U.S. domestic policy agenda be a – be set in motion and fixed.

Looking at the external challenges that we face, there are of course many when you think about global trade. One that I want to focus on, that Meredith had asked me to focus on, really has been on the front page now for some time, and that is China and the treatment of U.S. intellectual property and technology in China. This is an absolutely pivotal issue for the United States because it speaks to the potential hollowing out of our intellectual capital, which is extremely serious.

Let me just say that – let me start at least with just two minutes on China's technology policy, because to understand where the policy comes from is to appreciate how difficult it is for the U.S. position. So China's goal is to become an innovative – an innovative economy. That's a great goal – absolutely a great goal. The problem is the implementation of that goal. And so you have a number of underlying decrees and documents that have been around for a long time.

The thing about China is if you read what they put out you actually learn quite a bit. It's, ironically, reasonably transparent. So I'll just pick two: One was their medium-term blueprint for science and technology, where China is determined to reverse the ratio of foreign technology and foreign IP from what they calculate as 60/30 to the reverse, 30 foreign, 60 indigenous in China. It laid out a series of projects. It laid out China's technical orientation. It laid out a series of mega-projects, all in the technology area laden with sophisticated intellectual property. It laid out the notion that it would become the world's largest filer of patents – it already almost is – that it would be in the top five of countries whose patents are routinely cited in major scientific publications – it is a very long way from that – and the rapid commercialization of its own labs. So it wants technology and IP ready-made for applied science, that is to say, for manipulating into commercializable products.

Second big plan is their plan to 2050. China points out in this plan that, you know, it missed the first Industrial Revolution – this great economy, a third of the world's wealth – until early in the last century, it missed entirely the Industrial Revolution and it is still catching up

ever since. And the goal of the second plan is to not miss the second industrial revolution, in which we're all in, but in fact to lead the second industrial revolution. Again, I have no quarrel at all with the aspiration here.

And a variety of industries are, again, singled out for special attention from the government, and a variety of focus on technology, intellectual property and its importance to China and its indigenization in China. And then you have the 12<sup>th</sup> five-year plan, put out last March. Seven strategic industries, almost all the same industries over all these years – really, you just have to read this stuff – and indicates the strong technology orientation of the Chinese economy.

So all of this is great. I mean, it is laudable, it's impressive and all the rest. The problem is, there's an enormous gap in China between aspiration and the ability to actually execute. There's an enormous innovation and IP gap in China. Lots of reasons for why the world's most inventive economy for 4,000 years became one of the world's least inventive economies, but such as it is, that is the case. It's still a heavy tech absorber, not a technology creator.

So who fills the gap between aspiration and current ability to execute? U.S. companies, European companies, multinational companies who are in China and who, because of a series of interventionist policies, are increasingly under pressure to transfer technology, to transfer intellectual property – I don't know of any major company who hasn't felt this pressure – and a series of policies that try and force the indigenization of technology.

Patents have to be first filed in China, or R&D facilities need to be set up in China as a condition of future market access, or special encryption algorithms or unique national standards to which companies have to conform, and to show conformance you have to expose all of your IP. There's a range of programs here that are involved. They all interlink and intermesh – some intentionally, some quite by accident – but they work synergistically in a very powerful way.

So there are lots of responses to this. There are pure commercial responses: What do you do about patent registration so and on so forth? There are China government relations responses: How do you work with the Chinese government? There's a pyramid of protection you build around your own IP if you're located in China. And there's the U.S. government. And the U.S. government has 68 ongoing dialogues with China. I would suggest we are way over dialogued – (laughter) – even though, god knows, as you can see, I like to talk.

And the U.S., of course, is using WTO and other mechanisms, and all of that is fine but it is missing a fundamental mechanism for helping to navigate this area. And that is a bilateral investment treaty with China. It started talking, there's been a very long hiatus, purely on the U.S. side for various reasons.

But using a bilateral investment treaty could allow U.S., European, other companies the protection of intellectual property they can't quite get in the WTO, because all of these measures we're talking about, all of them, diminish the value of your investment in China. They diminish the value of your joint venture, they diminish the value of your FDI. And that means it's a treaty

violation if you had such a treaty. And that means not Chinese courts, but international arbitration. It's a whole different playing field – a whole different playing field.

So I would add to the list of policy prescriptions for the next administration getting on the dime and negotiating an extremely broad, including an IP- and technology-focused, bilateral investment treaty with China.

MS. : I'd suggest bilateral investment treaties with a whole bunch of different – (inaudible) –

MS. : OK.

MS. : Yeah, that's –

MS. : No, I was making a wise-ass remark that should not be picked up by a microphone. (Laughter.)

MS. SCHWAB: OK, we're at the point where everything's been said, but not everyone has said it. I'm going to – I am delighted and honored to be here with my colleagues, the formers, and echo the point that we do need to question, all of us, for being here on this beautiful day, the thanks to CSIS for hosting this event. I think we do need to give this audience credit, and I give my colleagues credit. Part of the reason we're here is we do actually care about this stuff. We do genuinely care about these issues, and that's kind of fun. And we're kind of wonky.

I'm going to – my assignment was to cover what my colleagues hadn't covered, which is not a whole lot. And the WTO's post-Doha trade agenda, I am – I am to your right, Carla, and you're sort of sandwiched by folks who do agree that Doha is dead. And we don't need to get into that theological debate. I think we would – we would all agree that we need to get beyond Doha. And that's sort of my core premise here. And whatever we want to call it, let's just declare victory and move on. And so that's what I'm going to talk about.

The – I think the key, in terms of what's going on in Geneva today, sadly, is that – is that we have a number of, in particular, a couple of the larger emerging economies that are looking at what is or what was on the table in the Doha Round and realize that whatever the next – even though this one's not going anywhere – and believe me, it's not going anywhere – the next iteration they realize is not going to be as sweet, and that – you know, whatever the next iteration is going to be, particularly in NAMA – I mean, on industrial goods, that there will be a differentiation between developing countries and developing countries, and that the larger developing countries aren't going to be treated the same way as the smaller, poorer developing countries, and that there will be more of a continuum. And so I think they're probably kind of hanging on to what was on the table, even if it means nothing actually ultimately happens.

But it is in everyone's interest, I think, to move on, for many of the reasons that I think Carla so ably articulated. I mean, who is hurt the most by the fact that there is this proliferation of bilateral regional deals? And the answer is, the smaller players that are out there, the poorer

players that are out there. If you look at the 300 bilateral free trade agreements that are out there, they tend to be of – among the larger – the larger countries.

So you know, my focus today is going to be really on why all roads, whether we're talking about bilateral regional deals, whether we're talking about sectorals, whether we're talking about pluralaterals – and I'm going to touch on all of those – why all roads should be leading ultimately to a reinvigoration of the multilateral system, making sure that we are ultimately reinforcing the multilateral system over time, in the near term recognizing that we're kind of stalled out in Geneva, but that while we engage – while we have a proactive agenda on the bilateral front, sectoral front, pluralateral front, that those should be – that those activities should not preclude taking actions that will strengthen the WTO and the multilateral – at the multilateral system.

And I do agree that at the end of the day, the folks in Geneva really should be focused right now on moving on beyond Doha. And that should be what Pascal Lamy is focused on. That should be the number one, two, three, five and 10 things on Pascal Lamy's agenda. It should be the number one, two, three, five things on the agenda of the G-20 leadership, as far as I'm concerned. And when the G-6, 7, 8, 11, whatever configuration of WTO ambassadors get together in Geneva, that's what they ought to be talking about: How do we move on for the sake – for the health of the system? The – a number of you have heard me say before, the biggest threat to the WTO today is the Doha Round.

So while we're waiting for the next multilateral round to show up, what kind of bilateral regional agreements should we be talking about? We've talked about some of those today. We talked about the TPP. I would just stress some of the points that had been made here, and that is: How do we make sure that these can be evolving systems – call it plug-and-play, call it designed such that they can be concentric circles, that they can grow such that we can open them up for countries that are willing to take on the responsibilities, to take on the new issues that are built into them, because after all – and some of you I think were here at CSIS for the discussion that we had earlier this year on the Trans-Pacific Partnership – one of the single most significant things, I think, about the TPP negotiation is that the next gen, the next generation of trade negotiators – they are – what – regardless of what they're going to negotiate and who they're going to negotiate with, the precedents are being set in the TPP negotiations. Whether it is about state-owned enterprises and state-supported enterprises, whether it is labor and environment – these are things that ultimately are going to get reverse-integrated into the multilateral system at some stage, or will be proliferated through other bilateral, regional, sectoral deals. So you know, watch this – watch this space.

So if you can build out concentric circles, what are these precedents going to look like, and how will, for example, rules of origin be designed so these are not closed systems, so that, ultimately, you can build the concentric circles, you can reverse-integrate and these can become WTO-plus structures and ultimately WTO-supportive structures, rather than exclusionary structures that work against the multilateral system – so that these can contribute positively to the WTO system.

Second, sectoral deals. We talked about the information technology agreement. That is exhibit A – and you know, Charlene deserves a huge amount of credit, in 1996. Today – and I would – I would commend any of you who haven't read it; ITIF a couple weeks ago put out a study on the ITA – 97 percent of all trade in these products is covered.

Now, this is a – this is a – an MFN agreement that definitely needs updating. The U.S. doesn't need any authority. We have residual – U.S. government has residual authority to expand the coverage. The agreement was negotiated before GPSs were invented. There's new – there are new semiconductor technologies that could be put into this new, you know, expanding – expanded coverage.

It is the absolute perfect example where the countries that aren't signatories – Brazil, for example – have so obviously shot themselves in the foot, when you look at the data. The free rider is on the slowest car in the highway. And so that the benefits that have accrued to both the producers and the consumers have accrued not just to the producers and consumers of ICT equipment – of the producers of ICT equipment, but to the consumers – meaning the upstream consumers, the users of that equipment who make any number of other things in any number of other sectors.

And it is really a compelling example of how liberal trade – this amazing multiplier effect works. So sectoral agreements, whether it is in this sector or – we've talked about in – I know in this room, we've talked about medical equipment. Ed Gresser and others and I've talked about, you know, medical equipment. You could talk about pharmaceuticals; you can talk about a variety of goods and services, plurilaterals services being front and center.

Services is (sic) a great example where we should be doing this unilaterally. We shouldn't be waiting around for other countries to agree. But as it happens, there is a group in Geneva called the Really Good Friends of Services Liberalization. (Laughter.) There are 16 of them. I don't know what "really good friends" means – I mean, is this a group that showers together? (Laughter.) I'm not sure. But this is the Really Good Friends of Services Liberalization –

MS. BARSHEFSKY: TMI. (Chuckles.)

MS. SCHWAB: TMI? Sorry.

MR. BROCK: It is a new world, isn't it? (Laughter, scattered applause.)

MS. SCHWAB: But it's an – this is a no-brainer. I mean, whether it's – whether it is financial services, express delivery, transportation services, e-commerce – again, these are things we should be doing unilaterally. But if you can't get your own legislature, your own executive branch to do it unilaterally, then leverage somebody else's, and let's do it – you know, let's all hold hands, sing "Kumbaya" and do it together because it will make our – like the ITA, it will make our own domestic economies grow. We've talked about a variety of these kinds of – these kinds of things. But you get where I'm going with it.

Trade facilitation, customs facilitation: Again, those are like tariffs. Why let things sit at the border? Transparency – we’re all trying to get rid of corruption. What better way to do it than to build transparency, single windows at your border? APEC’s been doing this; APEC members have been doing this. We should be doing this together in Geneva. Carla mentioned open architecture. Again, great examples of that.

Let me close with just echoing one thing – Russia PNTR – Clayton mentioned Russian – Russia PNTR. I would just mention the following, because we’ve talked about leadership and priorities and a comprehensive trade policy. Russia is going to be a member of the WTO this summer – June, July – period, whether Congress moves Russia PNTR or not – I mean, whether we jettison the Jackson-Vanik provisions or not.

And therefore, it’s not about Russia joining the WTO. It’s about whether the United States is going to benefit from Russia being a member of the – being a member of the WTO. PNTR is not leverage. It’s not anybody’s leverage. So the sooner we go about doing it, the better, because it’s in our interest to do it. It has nothing to do with Russia.

So that requires leadership – the word’s come up several times at this table. It requires the administration, the White House, the Department of State – particularly the foreign policy establishment, because the debate and discussion is largely a foreign policy human rights debate and discussion – because there are, in fact, legitimate foreign policy human rights issues associated with Russia not having to do with trade, the WTO, PNTR.

But the sooner the better, that the administration step up. It’s a bipartisan issue that Congress, on a bipartisan basis, should move this. I would argue, and I have in fact argued in writing, that it is in our interest – the U.S. interest – for foreign policy reasons. It’s in Russia’s interest, foreign policy reasons, reform reasons. It is in the economic and commercial interest of both countries. And I leave it at that, and I think we’ve got plenty to talk about with this group. So thank you all for inviting us and for being here today.

MR. : Meredith. (Applause.)

MS. BROADBENT: Could I get some help up here just to move this back so we don’t unplug it? When’s he mean – good, thanks. First of all –

MR. : (Inaudible) – (laughter) – I can’t believe that.

(Laughter.)

MS. BROADBENT: Thank you. Perfect.

MS. : Oops. Uh-oh, you just knocked down the exit sign.

MS. BROADBENT: That’s it, we’re moving; so that’s OK. (Laughter.)

MS. : Earthquake, earthquake. (Laughter.)

MS. BROADBENT: All right, who wants to respond to what someone else said?

MS. : Us? (Laughter.)

MS. BROADBENT: I want you to respond to each other. No one wants to respond? There's no burning comment?

MR. : Let them talk. Let them talk.

MS. : Yeah.

MR. : (Inaudible) – to the audience.

MR. : Right.

MS. BROADBENT: All right. All right. Who do I got? Chris. And she'll come with a microphone there.

Q: Thank you. Chris Parlin, Parlin & Associates.

MS. : That mic's not on. I still can't –

Q: All of you – OK, all of you have mentioned – adverted to, at least – that the need for presidential leadership –

MS. : It's not on.

MR. : It's not on yet, Chris. Now you got it.

Q: OK.

MS. : Yes.

Q: All right. I've never been accused of not being able to be heard, so this is a first. All of you have referred to, or adverted to, the need for presidential leadership. Put yourself in a position where you are able to advise President Obama and the Republican candidate both, regardless of your political affiliations. What is the most important sound bite that you give that will be meaningful, credible to listeners of both Fox and MSNBC? (Laughter.) What needs – what needs to be said and said well?

MR. KANTOR: You want one? Well, let me just – I'll – I'm going to give you one, and everybody can – Bill, whether you – I don't know if it's a good one. Ninety-five percent of our – of the consumers of the world live outside of our borders. We're 5 percent of the world; we're now 20 percent of the world's economy. We are going to be a less percentage of the world economy over the next 10, 20 years. If we're going to grow economically, grow jobs, grow our

income, be able to finance what we want to do in this country, we're going to have to take advantage of a globalized world. And you can only do that economically through trade. And so I would – that would be, Chris, my sound bite.

MS. : (Off mic.) (Laughter.)

MR. YEUTTER: I would only add to that just the simple word “jobs.” People don't seem to realize that global trade creates jobs everywhere, for the importer, the exporter, the producer, the manufacturer, the transporter. There are millions and millions of jobs that are related to trade. And the more trade, the more jobs. And we need to get off of this thing – of this pitch that exports good, imports bad and all the jobs are with exports and there are no jobs with imports.

MS. HILLS: And if you want a bumper sticker: Trade makes U.S. prosper. And then go to the Hill and – personally – and sell that idea, call people into the White House and explain to them 5 percent of the world's population – actually, it's a little less – 20 percent of the world's output, where are we going to put it, and what the opportunities are in terms of our security, our national interest in reducing poverty. And so trade really makes the U.S. – what our national interest is all about.

MS. SCHWAB: Could – I'd like to add something too, which is if you look at polling data and you look at longitudinal data, you discover that when presidents are out there talking positively about trade – well, let's use the – when candidates are saying negative things about trade – particularly the presidential candidates – you see more negative attitudes among the population about trade. And so when presidents come out of presidential campaigns having talked down trade, having trash-talked trade – surprise, surprise – there are negative public attitudes about trade and then they have to deal with it when they become leaders of the free world. To the extent that they are saying positive things about trade, there is in fact a positive impact. They get a positive dividend in terms of public opinion. So leadership counts on the rhetorical side, particularly during campaign cycles. So that is worth noting. Candidates pay for their negative rhetoric about trade.

MS. BROADBENT: Of the presidents you all worked for, who was the best in articulating and leading – (laughter).

MS. HILLS: George H.W. Bush. (Laughter.)

MR. YEUTTER: Reagan – not even close. (Laughter.) What are you talking about?

MS. BARFENSKY: Can I – can I actually respond to that? You know, Bill Clinton was always very frustrated in the sense that he never fully felt he found his public voice on trade. He was an unbelievably phenomenal president on the trade side. I mean, what we did in eight years is really breathtaking. But he –

MS. BROADBENT: The problem is the – when you didn't get to (EPA ?). That was the challenge.

MS. BARFENSKY: No, then we did all the sectoral agreements. So it didn't hurt at all.

But here's what I would say. He – his challenge, his challenge was that the visuals on trade, the closed factory gate – moved to Mexico – one picture tells an unbelievably powerful story. The benefits of trade are much more diffuse in an economy. It's fifty more jobs here, another factory there, so on and so forth, or it's a general rise in living standards. But it's very hard to put that in as powerful a context rhetorically. And he used to talk about this quite a bit because he was a huge believer in open trade, but always found that it's very difficult to bring the issues at a public level in as powerful a manner as the one picture closed – or –

MR. KANTOR: Let me quantify that just very quickly to give you a fact. I hate to deal with a fact. And as Chris probably will remember, and I remember, in July of 1993, NAFTA was supported by 33 percent of the American public and about 50-something percent were opposed.

MS. : Yeah.

MR. KANTOR: The rest had no opinion. By the time we got to November, when NAFTA passed the Congress, over half the American public supported NAFTA and only about 30-something percent were opposed. So you can move the needle, as has been suggested.

MS. BROADBENT: (Off mic.) Right, absolutely.

MR. KANTOR: And that's not just – I hesitate to say anything because everybody thinks, oh, you're just flacking for Bill Clinton again. Well, yeah, I am. (Laughter.) But the fact is it's just an example. Other presidents have done it as well. He's not the only one. And presidents have to do it more – that was my point I tried to start with.

MS. BROADBENT: Yeah.

MR. BROCK: But somebody has to say – I just would love to hear a president or a candidate say, what are we afraid of? For gosh sakes, we're the strongest, most productive people in the history of the world. What are we afraid of? The opportunity's there. Let's go get some jobs. Give me a (presidential ?) candidate that says that and I think – I think, Susan, I think you'll see a new president. Hopefully. (Laughter.)

MS. : (Off mic.) (Laughter.)

MR. BROCK: Oh, god.

Q: Mac Destler, University of Maryland and Peterson Institute. Us so-called experts who raise questions typically ask questions we think we know the answer to. I want to ask you a question I haven't the foggiest notion of what the answer is to and see what people thought about it.

A number of people who are energy experts have recently been arguing that there is under way a fundamental revolution in terms of the U.S. position in energy markets, driven by

the low cost of natural gas, which has implications for manufacturing competitiveness as well as our trade balance.

Like a lot of things that affect trade policy, this comes not in the trade policy sphere, obviously not – especially because of anything we’ve done. But does this change or impact, in any way you can think of, what we should be doing – what our priorities should be doing in trade negotiations, assuming that at least part of this so-called good news about the relative U.S. position and advantage in energy markets becomes true?

MR. YEUTTER: Well, I’ll take a quick shot at that and others can add. I don’t claim to be an energy expert at all, Mac, but I think we’ve got to be careful about overpromising in that area. This is another area where unrealistic expectations can get us in a great deal of difficulty. I think it’s great that we’re working on all these alternative sources of energy, and of course agriculture is heavily involved in that through ethanol, and maybe the next generation beyond ethanol and so on.

But you know, the fact is we’re going to be dependent upon – heavily dependent upon fossil fuels for a long time to come. So we need to figure out a way to generate, create a production of fossil fuels from areas other than countries that don’t think – don’t like us very much.

MS. BROADBENT: Sir? There with the blue tie, in the front.

Q: Is it on? OK, thank you. My name is Matt Schule (sp). I’m from Inside U.S. Trade. I had two kind of questions that I was hoping could draw on all of your experience, you know, as negotiators, and also working with Congress.

The first question, kind of about negotiation, is about the TPP. You have these kind of two competing priorities – do we finish the TPP this year as soon as we can, with the folks we have in it, or do we bring in, you know, the new players – Japan, Mexico and Canada?

And you know, many of you seem to believe that, you know, that would – that is important, bringing those new folks in in order to broaden the economic value of the deal. But how do you, as a negotiator, deal with those two competing priorities? Do you think they should just, you know, say, hey, let’s slow down these negotiations and bring in the new, important players? Or do you try to finish it this year?

The second question is about dealing with Congress. Many of you talked – some of you talked about Russia PNTR. Do you think that that’s doable this year, in an election year? You know, you’ve all had experience working with Congress and you know how politics can come into play, especially in an election, so –

MS. BROADBENT: Got it.

Q: Thank you.

MS. BROADBENT: Thanks, Matt. First one, TPP membership of the – broadening it. And then he asked about Russia PNTR.

MS. HILLS: Let me say that if you had open architecture and had your agreement tied to the WTO the way Charlene did with the Government Procurement Agreement or the intellectual property – or the ITA agreement – then it would be an open door for all those able to meet the commitment. You don't have to slow down. You just have to keep your door open.

MR. YEUTTER: And let me just add that even if you assume the existing nine, with no additions, your question also assumed that there – one could finish it this year. That's not going to happen – (laughter) – even with the existing nine. So the issue is whether it'll slow things down inordinately by adding other countries. It's going to slow it down some. In my judgment, it's worth it.

MR. KANTOR: Absolutely. Let me just say you've got to learn to walk and chew gum at the same time. (Laughter.) And you can do that. This is not – this is not rocket science, folks. To be able to move this forward, to do what we did in the ITA – and you're right, Carla – and then at the same time bring in Japan, Canada, Mexico, and I think the rest of the ASEAN, I think that's difficult politically if we don't. I think you must have said that, Carla.

MS. HILLS: I did.

MR. KANTOR: We've got to do that. And also, we've got some countries in Asia not – who are (poor/poorer ?) and so on – this is going to hurt them. It's going to divert trade. And I think we ought to move on both at the same time. I think we can do it. I think it's something we need to do. And I think it then leads to what I think we've all referred to, a bigger agreement in the future – and I hope the near future – finally involving China.

That is a critical element, folks, and we've got to do it. And so we've got to take these stair steps toward this and this is the way to start. And we shouldn't wait. You can do this in an election year – it doesn't matter. We can do this now. Election year doesn't matter when you're doing these trade agreements, negotiating. So we ought to start now, and I hope we do.

MS. SCHWAB: I don't know whether I'm agreeing or disagreeing with my colleagues. I think you have to – negotiating a bilateral and negotiating with eight other countries is very different. And negotiating with eight versus 12 is orders of magnitude different, OK?

And when the others include Japan or Canada, with supply management in dairy, for example – just to pull a hypothetical example – (laughter) – or Japan with, as Clayton mentioned, you know, Japan Post and some sensitivities in agriculture – I agree absolutely, as I mentioned, that TPP, when we launched it and when we envisioned it originally, TPP was a path to take it from P-5, which was the P-4 plus U.S., through to FTAAP – you know, the Free Trade Area of the Asia-Pacific – or WTO-plus, meaning take it outside the region.

If the EU or Brazil or China or, anyway, anybody else – was willing to take on very, very robust, high-bar commitments, and ultimately reverse-integrate into the WTO, that was fine.

However, the first requirement is the precedent-setting, and the precedent-setting has to be the high bar. I'm not sure you can achieve that high bar if Japan is sitting there in the first negotiating exercise. And so the way – and I'm not sure – I say that as an open question.

But when we're as far along as they are – and I'm not sure how far that is because I'm not privy to the negotiations – getting done that high bar and then having the plug and play, having the opportunity for others to come in, recognizing that if you negotiate – if you think of the TPP nine as TPP 1.0, and perhaps TPP 12 as TPP 1.5, as opposed to TPP 2.0, that's probably what we're talking about here. You're going to – when you have a really big player coming in, there are some things that are going to change, perhaps fundamentally.

Your SOE, SCE (ph) provisions might change if you're talking about China coming in at some point. Maybe not. I mean, ideally, you will write SOE, SCE provisions that are the ones that you would like to see China signing up to. Am I making sense here? But I don't – negotiating TPP with the original nine, as opposed to negotiating it with the 12, is a very, very different proposition. So I'm not sure you're not adding three, five, or seven years on to the exercise that you wouldn't want to add on.

MR. BROCK: Can I –

MS. SCHWAB: Go ahead.

MR. BROCK: I'm not disagreeing with the additional complexity. But in terms of approach, we have an opportunity in Japan that doesn't come very often. You've got a government, at least a significant portion of which would like to do this.

MS. SCHWAB: I was going to say, do the Japanese want to do this?

MR. BROCK: Well, it depends on who you're talking to. (Scattered laughter.) But there are – there are a lot of people in (the ?) leadership roles that would give a lot to be able to do this. And it would help them deal with some domestic issues that; at one and the same time, they have to deal with. You may not have to bring them in. I think you have to say we want them in. I think there's a difference. I think we'd have to say – we have not said enough about how we would feel. We've been dancing on this thing.

MS. SCHWAB: Oh, I would love to have the Japanese in TPP.

MR. BROCK: But I'm not saying – that's not what I'm saying. I'm just saying that we have got to –

MS. SCHWAB: Under the right circumstances.

MR. BROCK: If we've got a tough agreement with an open architecture, picking up on Carla's point, and we say that this is it – we've got it with the nine – and we want, we welcome, we encourage –

MS. SCHWAB: Other countries.

MR. BROCK: I'd be real, real clear. I'd say Japan, because I think that country has got to – we really need that country. And we're not playing anything, any right cards at the moment. And I am discouraged about it.

MS. SCHWAB: OK.

MS. BARSHEFSKY: Well, could I – could I just say one point? So if you're going to negotiate a trade agreement with a country, you really have to understand what their intentions are or you're taking on a huge amount of work for absolutely no payback. And so I agree with Mickey that ASEAN is split the way the TPP is set up, but the fact is Indonesia has shown no particular desire to be in TPP. And on that basis I would say, then move ahead with those that will. Move ahead; don't wait.

Similarly, Japan – so I had a very interesting discussion with a number of high-level Japanese who assured me that they were very interested in TPP. And I said, well, I'm delighted. I am too. I read about it in the newspaper. What are you going to do to really show your interest? Well, we are going to reemphasize how interested we are. (Laughter.) And I said, well, no. No, no, no: What are you going to show that you would be capable of doing – of doing – by the end of the year, doing by the end of the year? Silence.

So until Japan sorts out its own internal situation – of course, we don't know if we'll have the same prime minister – then the U.S. should move forward with those who can. Having said that, there's no question this agreement needs to be bigger to be of economic consequence, and therefore of strategic consequence in Asia. And there's no question – I agree absolutely with Bill – that we have to indicate to those countries that are not part of this negotiation, number one, we want them in – but then go a step further and, number two, work with each one of them, as we're proceeding on this negotiation, to find out informally where they have heartburn and to begin thinking now how that's going to get resolved. So as Mickey says, walk, chew gum – same time, same time – and at such point as an Indonesia or a Japan can actually make the leap, they're ready to make it and you're ready to agree that it's a significant leap.

MS. SCHWAB: And I suspect that Barbara Weisel and Wendy Cutler have thought through a few of these issues already.

MS. BROADBENT: Yeah, all right. I'm going to –

MS. SCHWAB: Can we move on?

MS. BROADBENT: Yeah. (Laughter.) We'll get to back to Russia PNTR. I think that Greg Slater –

MR. : (Off mic.)

MS. BROADBENT: No. No – sorry, I just – Greg Slater was going –

Q: Thank you. I want to go back to Ambassador Barshefsky's comments on China. And it certainly takes the prize for indigenous innovation policies. But India has done a lot in the last year in the same space, and Brazil's starting to do the same thing, to compete with China. My question is what is the solution for these increasingly complex localization requirements? Some of them are traditional, local-content measures; some of them are more complex. The TPP has a few provisions that are helpful in e-commerce and encryption. But by the time it's negotiated, it will be out-of-date, even though USTR is trying to make it a living agreement.

What is the – what are some other ideas in this space? Because we are one of the industries that is targeted as a strategic sector for import substitution. And I don't think this trend is going to go away anytime soon. Thank you.

MS. BARSHEFSKY: I think this is a \$64,000 question. And by that, I mean, I don't have any particular simple answer, and there is no silver bullet. India, Brazil, Korea – Korea – China, a number of other countries are following this example of indigenous innovation, of localization, of forced local content – of focusing on the one element they don't have enough of, and that is intellectual property. And so this is an extremely serious problem.

The U.S. could suggest to those countries where this is a problem that we had better sit down and come to some understanding on the rules of the road here beyond the WTO, or it will affect affirmatively the investment environment in those countries as well as the investment environment here for their investment. The difficulty here, frankly, are the very companies that complain. So if you're China, and you received \$70 billion of inward investment last year, what would you change? Nothing. And that's one of the difficulties. These countries have to feel the sting of investment flowing elsewhere. And in that regard, I've often thought that ASEAN is missing a very big bet here. And that is, were ASEAN to declare itself an IP-protected zone, I think you would see an extraordinary amount of investment go into ASEAN instead of into other countries.

So bottom line is, I think the U.S., as a policy matter – and I would this high on the agenda – is going to have to think through some form of agreement or understanding among the other major players in this space. But this issue is only going to get worse – only going to get worse.

MS. HILLS: I agree with what Charlene has said. But let me remind us that we have been contemplating the new bilateral investment treaty for two-and-a-half years. China has asked repeatedly to join with us in a bilateral investment treaty. Such a treaty would go a long way to prevent discrimination against inward investment and how the domestics are treated. We need one yesterday. And we still have not decided, as a policy matter what our bilateral investment treaty is going to cover.

Secondly, it is true; China has \$70 billion worth of investment. But it also has the largest number of new patent holders. The best way to get a country to move forward on intellectual property is when the pressure comes home. And we're already beginning to see that. At the last meeting of the – of the JCCT, there was a commitment by China that there would be an audit,

central, provincial and local, of intellectual property protection. And since that time, Wang Shi Chuan has been made the Standing Committee's direct person to get complaints to. This isn't a perfect answer, but at least China is putting it on the agenda. So bilateral investment treaty, pressure from home and continuing talking about this is what we need to do.

MS. BROADBENT: Jennifer.

Q: Thank you. Jennifer Hillman from the German Marshall Fund. I had a question – a couple of you commented on the importance of a rules-based system, and Mickey, specifically, on the issue of enforcement – and the importance of enforcement. I wondered if you could comment on the – on sort of what I see as a trend, where you now have a significant number of regional and bilateral agreements, 400, some of which – all of which have their own dispute settlement mechanism. And yet, when you look in practice, what has happened is very few of the dispute settlement mechanisms within each regional trade agreements have been very well-utilized or proven to be very effective.

In other words, even many disputes between the United States and Mexico, United States and Canada, which could very easily have gone to a NAFTA panel, have instead gone to the WTO. Many of the disputes within the Mercosur, instead of going to Mercosur tribunals have gone to the WTO. What happens though when we now have a TPP agreement or others where there is not WTO law on that issue? So, in theory, the dispute cannot really go to the WTO, it has to go within these regional trade agreement dispute settlement mechanisms. How do you see a – this tension getting resolved with – with the – if you will, trade enforcement being viewed as strong at the WTO and, I would argue, weak among the regional trade agreements?

MS. SCHWAB: I would – I would say that having negotiated the last four FTAs and gone through the Canadian lumber deal and so on, it is one of the frustrations with the bilateral regional deals. It's one of the things that makes me optimistic that ultimately we're going to cycle back to the multilateral system, because there is no comparison. What is done is you're starting to write into bilateral deals' arbitration panels – I mean, arbitration. But that is a very blunt instrument.

And for those of us in the trade policy arena, the WTO process where you have sort of the panel of peers and you've got the opportunity to try to work out something that makes sense – because, as you know, the day you – the day you win the case or the day you retaliate, you've really lost. It's a much better process. And it's a much better outcome. And you can really – and – it is a much better means of enforcement. So I hope, at the end of the day, this is the reason we'll cycle back to a multiple framework. But for now, the bilateral approach is much less enforceable, or it's a much less satisfactory enforcement outcome or mechanism.

MS. BARSHEFSKY: The other element here, though, is there are 400 agreements and so on. Most are glorified tariff agreements. Very few deal with agriculture; very few deal with services. The rules are quite loose. They're often discretionary, in any event. And in my own view of – because the U.S. is very behind in this race – the single most important sectoral agreement would be zeroing out tariffs. You would completely disarm almost all of the 400 plurilateral and FTAs as a discriminatory mechanism, because they're glorified tariff

agreements. If you take away tariffs globally, what's the point of the agreement? You're back to the WTO on dispute settlement.

And as economic studies, math – you know this, right, the lower your tariffs, the greater the growth. Because tariffs taxes are taxes – that's all it is – on your own inputs, which is ironic. And so the U.S. ought to be looking for as many zero-tariff options as it can possibly find on a broad sectoral basis.

MS. HILLS: I would agree with that statement, because we really have Smoot-Hawley tariffs on some of the poorest countries in the world. Bangladesh, for example, pays 16 percent tax on a very small quantity of exports it makes to the United States. Great Britain – less than 1 percent. And I can go through all the poor countries that are large Muslim countries. Indonesia pays six times more. Pakistan – we're trying to make friends there – pays 10 times more. This makes no sense at all.

But in answer to your specific question, under the WTO rules, under Article 24, if you have substantially all trade being covered, you can put the agreement in the WTO. Services agreement, similarly; Article 4. And if you have the agreement within article – within the WTO, then you have a dispute settlement mechanism that everyone understands and doesn't have this complexity of rules.

MS. BROADBENT: Jeff.

Q: Jeff Schott with the Peterson Institute. Let me go back a little further than your time in office to the Tokyo Round. And in the Tokyo Round, one of the things that the United States wanted the most to get out of that agreement was a change in U.S. countervail and antidumping law – countervail law, add an injury test to our own law so that it would be more efficient and benefit the U.S. economy.

Up until the last few minutes, there hasn't been a whole lot said about what the U.S. should want to change out of U.S. practices in any of these trade initiatives to strengthen our own economy – though, as has been said, increasing imports is an important reason why we participate in these – in these agreements. So what are a few of the highlights that you would recommend that'd be at a top of the priority list that we should seek to change in a – in an agreement where we get adequate compensation from our trading partners?

MR. YEUTTER: (Laughter.) That's a really good question, as a matter of fact. And since I'm the only one here I think who was alive at the Tokyo Round, maybe I can – (laughter) – I can start off, because I can remember those very discussions that you're talking about. And we added an injury provision to our law at that time, as you recall, at the great insistence of the European economic community, as it was called then. And we got essentially zero in return. So it was probably the worst deal that was made in the entire Tokyo Round.

But specifically, sir, in response to your question, it seems to me that antidumping laws would be a great place to start if we were going to make changes in our own system. We have set, in my view, a terrible example for the rest of the world in the way we run antidumping. The

rest of the world is now copying us, so we're getting it – getting a kick in the rear for what we've been doing to the rest of the world for a good many years.

The fact is, antidumping laws in – basically everywhere now are rigged in such a way as that one can find antidumping in 90-plus percent of the cases. And that's not the way they should function. What we ought to do is shape up antidumping laws everywhere. And as Bill Brock was saying earlier, the U.S. needs to set an example in some of these areas and exercise some leadership. And there is – the – that's one example where we've fallen down.

MS. BROADBENT: Jim Berger, right there.

Q: Hi, thank you. Jim Berger from Washington Trade Daily. I just want to thank everyone here for their great presentations. Makes me feel 10 years younger, actually. (Laughter.) But one thing that wasn't addressed – and there's a lot of momentum here about trade going right down the line, actually right through the decades – (chuckles) – if I might say – but it seems to have dropped off at Ambassador Schwab's end. What happened the day you left office, and why did it happen?

AUDIENCE MEMBERS: (Chorus of ohhs.)

Q: No, I mean after you left office. (Laughter.) But why do we have this policy now in this administration of – essentially no trade policy, which I think you – all of you have implied? Someone once told me, who is a neighbor on K Street here that's been around, that the president just doesn't get it.

(Off-side conversations, laughter.)

MS. BARSHEFSKY: Well, all right, I'll take a shot. I think for most presidents – and Mickey, you may have a different view of this – for most presidents, the first couple of years of the first term are typically spent on domestic policy. For Bill Clinton it was a little bit different, because sitting there was the NAFTA. Sitting there was the end of the Uruguay Round negotiations. And so there was a kind of momentum and an imperative to make administration decisions: Do we go forward with the NAFTA and the labor environment side – (inaudible)? Do we go forward with the Uruguay Round?

But that's atypical. And so I think for this administration, with the president coming into the situation he did – which is to say, massive deficits, so on and so forth, and then of course the war, et cetera – I think that – wars – I think that his attention was probably occupied elsewhere, frankly – and one could argue appropriately so. It seems to me, under those circumstances, it would have been wise for the administration to better empower its Cabinet, which I think was something of a surprise to many of us who watched.

But I do think now – with this embrace of TPP especially, and with the passage of the Korea FTA in particular – I think the administration is beginning to see that actually this can be an area of important advance for the president, especially in light of his export goal of doubling exports in five years. So my hope would be – if it's President Obama in the next four years or a

new president, my hope would be that the momentum that just is – has begun now just very recently – and with the continuation of TPP, that a little more momentum is now put behind these efforts. But I do think you're right to say that – I think all of us agree in one form or another that there's – that there has been a bit of a slowness off the block in terms of trade.

MR. : (Inaudible.)

MR. KANTOR: I didn't imply anything. (Laughter.)

MS. : You said it outright.

MR. BROCK: Are you running for something? (Laughter.)

MR. KANTOR: (Inaudible) – imply. (Laughter.) The – you know, you can understand the first year or two because you've come out of a campaign; you've made commitments to your constituencies, in the – in the present case to labor more precisely. And you do have other priorities you got to deal with. But at some point you do have to make a decision about what your policy is. We have yet to see that decision. It's not TPP; we don't have a trade policy, period.

And either the president or his opponent has to say, you know, we have an economic problem in this country. It's not just the fiscal deficit. We've got a trade problem. The opportunity is out there for us to grab. We're not seizing it because we're not taking the initiative. And we're the only people who can. Other countries not going to take it for us. We're the only people who can.

And somehow this country has got to start talking about trade as an issue of political consequence. We don't do that; we treat it as a – as a – as an issue for the textile industry or the ethanol industry – you know, that kind of thing. And it does bother me that we seem to sort of sit back and let the negatives take control of the debate. And that I think is really dangerous for all of us.

MR. YEUTTER: And you know, one other element here is that, you know, too many people, including people often at the highest levels of government and often in both administration – either administration, really don't see trade as a big deal. They see domestic policy as a big, big deal, and they kind of ignore trade as being not very important in the United States. The fact is it's incredibly important, and it's way more important than it was 20 or 30 or 40 years ago. And somehow, you know, people have to get that through their thick noggins.

MS. HILLS: Jim, that's why you should continue writing. And you should make it very clear the strategic issues are not only on the economic bilateral benefit of a trade transaction, but also how it affects foreign policy, development policy, security policy and our economic growth and prosperity.

MS. BROADBENT: Good. OK, we've got time for one more question. (Inaudible) – there you go.

Q: John Mullen. In that regard –

MR. : Microphone –

(Off-side conversation.)

Q: In that regard, toward the end of a career at USAID, I worked for Secretary Eagleburger for a year to study the future of the foreign aid program. It quickly developed into a study of all U.S. programs for the developing world; I think I counted up 26 at the time. Among the conclusions were that trade was infinitely more important to the reduction of poverty than bilateral – (official ?) development assistance.

But another point was that the U.S. program is not very well-coordinated with one another. There are all kinds of fiefdoms around this town. There's an element of trade in USTR, the GSP in the developing world. There's aid – (inaudible) – agriculture and so on. My question is how do we get trade to have a bigger voice in the broader counsels (ph) of government, because it does affect global poverty and security and everything else? And is there a way that we can better coordinate without having to just reorganize the government? Thanks.

MS. BARSHEFSKY: Mickey, did you – I was going to say that I think it was very well-coordinated in the Clinton administration, which is why he created a National Economic Council, which was why there was complete coordination on the economic side as well as on the security and diplomatic side, through the NEC and the NSC and the joint meetings that were held all the time – all the time.

MR. KANTOR: Yeah, let me say – let me follow up. Charlene's absolutely – I was going to say that. She obviously can – says it a lot better than I can. The NEC under Bob Rubin and President Clinton – when we sat at the table it wasn't your deputy, it wasn't – no, it had to be – President Clinton insisted that there – Bob Rubin was there not – but not only Bob Rubin was there. Lloyd Bentsen was there; Bob Reich (sp) was there; Warren Christopher was there; I was there. The – it was forced – it forced the discussion about issues, and decisions were made in a way that was coordinated.

Now you're right about it needs to be done better. There's no doubt about that. We tend to think of these things and – as we all talk about the silos – that we have our own problems and our own agendas and our own priorities, and we don't often enough share them and share across the government. It ought to be done better. But just moving the boxes isn't going to make it go better, frankly.

MR. : But we –

MR. KANTOR: And I – that's the only comment I'll make on that. The fact is that we have an imperative now – as Bill Brock just said, we have an opportunity to take advantage of a world that's changing, and changing for the better – not for the worse, for the better. And we need to provide leadership, and trade is a critical – not just an element, a critical element of this.

MR. BROCK: But we do know how to do this. Mickey, Charlene both said it. I'll tell you from my experiences, we had a very tightly controlled process. Clayton experienced the same thing.

MR. : Absolutely.

MS. : Yeah. Yeah.

MR. : Absolutely.

MR. BROCK: We had every Cabinet person involved from State to Treasury, Commerce, USTR – in my case we chaired it. I think you (still do ?).

MR. : Yes, absolutely.

MS. : Absolutely.

MR. BROCK: But we know how to it.

MS. : And we've done it.

MR. BROCK: We just – we have done it. We've proven that it works. Certainly – (inaudible).

MS. HILLS: We used –

MR. BROCK: All I can say is, why not now?

MS. HILLS: Yeah. We used to have a weekly deputies meeting on the most contentious issues of trade; bring in Agriculture, Commerce, Treasury, State. And you – when you articulate the issue, the parties tend to roll toward a consensus in the middle.

MR. : Absolutely.

MS. HILLS: And it's very good to do it regularly and at the deputies level, because then you prepare your Cabinet officer for the issues and that you got to the middle. Secondly, you need a president who – as Clinton would meet with Lloyd Bentsen, George H.W. Bush regularly had lunch with Danny Rostenkowski, who chaired Ways and Means. So he knew what was on the mind. And if we gave him a note of something we wanted him to raise – that is, the president to raise – he raised it. But it was important to him; trade was important. And I think we have to elevate it because trade writ large is absolutely vital to U.S. prosperity and peace.

MS. SCHWAB: Does anyone at this table think you get – you accomplish these objectives of better coordination, higher priority for trade, by folding USTR into the Commerce Department? (Laughter.)

MS. : Ooh.

MR. : (Inaudible.)

MS. : No, we don't want that.

MR. : No.

MS. SCHWAB: Anyone at this table support it?

MS. : No.

MS. : No.

MR. : No.

MR. : Of course not.

MS. SCHWAB: Thank you. (Laughter, applause.)

MS. BROADBENT: I just wanted to conclude here. The CSIS TPP initiative will have Chairman Dave Camp April 26th to talk about the trade agenda, so we'd like you guys to put that on your schedule. Appreciate your attendance today, and have a good holiday.

(END)