

Center for Strategic and International Studies

“The Future of Global Trade”

Armchair Conversation With:

**Ambassador Michael Froman,
United States Trade Representative**

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JOHN J. HAMRE: And I just want to say thank you. I served in government myself. I know the challenges, the demands – especially on family. You’ve been at this now for actually nine years, because you started before it started – before the administration started. I remember having conversations with you back after – I think it was, like, three days after the president was elected. So you’ve really been at this for a long time. You’ve done such a splendid job. So, on behalf of everybody here, I’d like to thank you for your wonderful service.

AMBASSADOR MICHAEL FROMAN: Well, thank you.

MR. HAMRE: And I think we should all give him a round of applause. (Applause.)

Now, you know, obviously, you’re not coming here just to collect accolades, although we’d be glad to do that all morning.

AMB. FROMAN: That would be fine.

MR. HAMRE: That would be fine? (Laughter.)

AMB. FROMAN: I’m OK with that.

MR. HAMRE: But I really do think we should explore – you know, look, you’ve been on a mighty race here these last years to try to get a very large, complicated trade agreement in place during the remaining days of an administration. So you got a day here. You got – actually, you got all next week. But why don’t you help just reflect on TPP and where are we? I mean, in one sense it was the great casualty of an election, because it was disparaged, but I’m hearing little echo suggesting there’s still maybe a possibility.

AMB. FROMAN: Well, first of all, John, thanks very much for having me. And I just want to thank CSIS, yourself, Matt Goodman, Scott Miller, the work you all have done to put information about trade out there in the public, the Trade Vistas product, among other things, has really been terrific. So thank you for all of that.

You know, I think you’re right. I think the president convened all of the TPP leaders in November after the election in Peru, on the margins of the APEC meeting. And what was interesting about that meeting, is the other countries are very much – remain very much committed to moving forward with TPP, and were having active discussions about doing it with or without the United States. Obviously, they’d like the U.S. to be part of it over time. But they’ve also invested a lot of effort themselves in TPP being a lever for domestic reform in some other countries – like Japan in agriculture, or Vietnam on a range of issues, Malaysia on a range of issues. And they want to – this platform to continue moving forward.

We’ve also seen – somebody mentioned the other day that countries are beginning to take bits and pieces of TPP and put them in other agreements. Now that it’s out there we’ve established a new standard in some of these areas – particularly some of the new areas like – and I know you’ve had some discussion this morning about state-owned enterprises, about labor and environment, about the digital economy – that those chapters are now out there to be available for use by other countries. So I actually feel quite optimistic that the work that went into TPP, one way or another – one form or another will find its way into effect.

One senator the other day mentioned that we should renegotiate NAFTA by adding labor, the environment, and the digital economy.

MR. HAMRE: (Laughs.) We got a model here.

AMB. FROMAN: Yeah. I've got a – I've got an agreement to sell them. But the fact is, those are out there. And I think that work will make its way into effect one way or another.

MR. HAMRE: Tell me, you spoke often about this as important for American economy and business, but also for America in leading a world in international norms in Asia. Would you take just a minute to reflect, what's at risk here?

AMB. FROMAN: Well, look, I think this was a key part of our engagement in the region. And our partners and allies very much want us to be – we are a Pacific power. We always have been. They've wanted us to be embedded in their lives – not to contain China, by any means, but the more China grows in its importance and dominance in the region the more they want the U.S. to be there to diversify their partnerships, to diversify their markets. And what's at stake if TPP doesn't move forward in some form or another is that not only we lose the economic benefits which are substantial to the U.S. economy, but we've shot ourselves in the foot on leadership in the region and global leadership.

Prime Minister Lee, former Prime Minister Key of New Zealand, Prime Minister Abe have all talked about how if TPP doesn't move forward it is a – it is great damage – it causes great damage to the credibility of U.S. leadership in the region. It creates a void that China is all-too willing to fill, and that even our closet military allies and partners will feel the need to line up behind them. And that – to be frank, I'm a bit perplexed, because it's hard to be tough on China – as we heard a lot about during this campaign – and withdraw from TPP at the same time. Withdrawing from TPP would be a huge gift to China in terms of damaging the U.S. role in the region. And I can't understand why any president or administration would want to hand the keys of the castle over to China to say it's better that China set the rules for this region rather than the United States. I think that would have very damaging consequences.

MR. HAMRE: One of the things I admired about your personal style and your model was that you were quite open in dealing with – across the aisle, Republicans and Democrats. I know that you're sustaining some of that narrative now. Where – what are – what are you how hearing about the possibility of, you know, picking this up at the right time? I realize nothing's going to happen right now. It's – emotions are raw, and that sort of thing.

AMB. FROMAN: You know, I spent – in the months leading up to the election, through most of 2016 – at the suggestion of the Republican leadership in the House – I went around and met individually with almost 100 House Republicans in the months leading up there. And I think the good news is, on the substance of TPP we've won. Virtually nobody questioned the value of TPP to the United States economically and strategically. They were concerned about the politics, particularly in the context of the campaign. They wondered how their leaders were going to bring it forward and when.

But there was a deep reservoir of support for TPP in Congress, should it come to a vote. And I'm convinced that had the leadership brought it up for a vote and mobilized its whip operation, we

should have generated the necessary votes to get it done. So hopefully over time, as the new administration works through trade policy and other issues that are important to Congress, there will be a way to come back to this at some point in the future and figure out how to take it forward, in one form – in one form or another.

MR. HAMRE: The president-elect often, when he would talk of this, would try to say, look, my predecessors were a bunch of dummies. I could negotiate a better treaty.

AMB. FROMAN: I heard that.

MR. HAMRE: You heard that? (Laughter.) Discounting his comment about you, what – are there areas where we could do a little bit to improve TPP so that he could take credit for a victory here?

AMB. FROMAN: Look, there is no doubt – there is no such thing as a perfect trade agreement. And I said to every stakeholder group: Nobody is going to 100 percent of what they want in 100 percent of the chapters. I mentioned that to a member of Congress once when we were talking about TPP. And he laughed at me. And he said: If we get 60 percent of what we want in a bill, that's a huge victory. Well, I think – and we look across this agreement, across the broad range of stakeholders – I think we did much better than that. And even if it's not 100 percent, it came close.

There may be ways to improve it. And the new administration will want to take a hard look at it and see what they think of it once they dig into the details. I do hope they take the time to dig into the details and learn about what's actually in it and who is actually in it, to help inform whatever policy they pursue going forward. But this was – as you know, the reason I took five years of really hard negotiation – and actually, it started near the end of the Bush administration, so by some measure it took seven years, eight years to get done.

Is because it was – it was very much a multidimensional chess game, with 11 countries – 12 other – 12 countries in total, some of whom we already had FTAs with, which meant we didn't have anything to offer them in terms of new market access but we wanted them to raise their standards anyway. So how we used the fact that it wasn't a bilateral agreement – we were, in many respects, playing with house money. We were helping countries get access to countries like Japan – they were riding on our coattails to get access to Japan as a way of encouraging them to adopt stronger labor and environmental standards, better intellectual property rights, disciplines on state-owned enterprises, digital economy rules because we didn't have anything to off them ourselves.

And so when I hear conversations about bilateral versus multilateral – there certainly is a place for bilateral agreements, but a lot of what we got out of TPP was precisely because it was a broader agreement. We were able to get to – to have countries ride on our coattails and get things that they otherwise couldn't get on their own. And there were countries – you know, like Malaysia – where the Bush administration had tried to do an FTA with Malaysia in the 2005-2006 period. It failed. And it failed in part because it was hard for Malaysia to give concessions to the United States, the – you know, the great United States coming in and demanding things of them. As part of a larger agreement, when they have fellow ASEAN members in the room and they're also getting access not just to the United States but to other countries – other big countries, Japan, Mexico, others – it changes the politics in these countries.

So it's a much more complicated negotiation than I think some have really gotten their heads around. And I hope that when the new team comes in, they dig in and really understand what's possible in terms of adding to it or changing to it, and what's actually there.

MR. HAMRE: You've had some exposure to a transition team or a landing team. Can you give us any insights into how people are thinking about it with the next administration?

AMB. FROMAN: Well, we have had a landing team at USTR. And in fact, Bob Lighthizer, who's the president's nominee for USTR, has been helping to lead that landing team, so they have been in a couple of times. We've been providing information to them to make sure this is as smooth a transition as possible. We're fully committed to making it a fully smooth transition. In terms of their policy direction, I don't have any great insights. And I think we'll just have to wait and see and give them the time and space they need to go through the policy process.

MR. HAMRE: But what do you think about these – the simplification of border fee adjustments. How – share with us your thoughts.

AMB. FROMAN: You know, there are a lot of different ideas out there about the border tax adjustment, the destination-based cash flow tax system, so it's a little unclear. And there'd be different ramifications for different ideas. You know, there certainly is an issue out there that some countries have VATs and some countries have sales taxes. And that's an issue that's been long discussed in the trading system. I think what is a challenge is if a – if it's a system that gets adopted that inherently discriminates against imports and promotes exports only, that could raise international trade implications as well as, of course, have an impact on consumers in the United States and on manufacturers and others who rely on inputs as part of their – as part of their production process.

MR. HAMRE: We import – we still import a lot of oil, you know.

AMB. FROMAN: We import a lot of oil, a lot of manufactured product that become inputs into our manufactured products that then get – that then get exported. And it's not just manufacturing. The relation between services and manufacturing is so integral now if you hurt one sector you hurt the other sector as well. So I think – I think one of the challenges for any incoming administration is, as they move from campaigning to governing, it's important to think through second- and third-order effects of policies. A lot of things feel really good on day one. And then you think about, well, what happens if other countries retaliate? What happens if other countries imitate? And, you know, some of those – some of those same policies look a little bit less good.

If you think about – we all want to drive more manufacturing to the United States. That's been a high priority of our administration. I'm sure it has of previous administrations as well. Our approach had been make the U.S. an attractive place to invest, including by having these trade agreements that make the U.S. a good place to export – a platform to export to other countries. If you start saying, in order to have access to our market you have to move your manufacturing here, that has a certain appeal. But those are also the kinds of barriers that we have been fighting against in other countries.

Imagine if China tomorrow said: Boeing, you want to sell more planes in China – that is the fastest growing market for airplanes – you've now got to move all of your production to China. We would be – we would be up in arms about that. And so I think through what happens if other countries – given the fact that 95 percent of the world's consumers, 80 percent of the world's purchasing power, the fastest-growing markets, the fastest-growing demand for a lot of our manufactured products is

outside the United States. We have to think through, again, the second- and third-order implications of this.

MR. HAMRE: TTIP kind of disappeared in public consciousness this last year. Do you have any thoughts about what might come here in the next year or so?

AMB. FROMAN: Well, I had a video conference with Cecilia Malmstrom this morning. We're still – by the way, we're running through the tape with this. This morning we announced an agreement with the EU on what's called the covered agreement – covers insurance and reinsurance issues. And we're still working through some issues with them. Yesterday we announced a major new enforcement action against China on aluminum overcapacity. And we're going to continue working till noon on the 20th.

But I think in terms of TTIP, you know, what became clear last year is that, for a whole variety of reasons, the EU wasn't prepared to reach an ambitious agreement right now. And you know, we spent a good part of the summer figuring out what a final package could look like. We started talking about it with the European Union, and it became clear they weren't ready to talk about the elimination of agricultural tariffs or the digital economy or some of the services issues.

Having said that, I think we did make a lot of progress, including on regulatory and standards issues. And we're in the process of trying to make sure we take a good snapshot of where we are in the negotiations – not just where the text is, but where the bid-ask in the negotiations were, what were possible compromises that were on the table, so that if the next administration, and when the next administration wants to pick it up, they'll be able to pick it up with momentum.

MR. HAMRE: Do you see any prospect until the Brexit gets kind of worked through on how they're going to manage, you know, the relationship between the U.K. economy and the EU economy?

AMB. FROMAN: Well, I think in terms of TTIP we probably have to wait for the French and German elections to pass before there'll be a clearer political signal about what direction the EU wants to go. And I think the EU also has to work through this issue of are trade agreements going to be approved by the European Commission Council and Parliament, or also by 38 regional parliaments? And we saw, in the context of CETA, how if every regional parliament, including, I believe, five regional parliaments in Belgium alone, can hold up a trade agreement, it's going to be very difficult to negotiate something with the EU.

I think in terms of the U.K., you know, there's a lot of interest I know – or, I've read – in the incoming administration in a bilateral agreement with the U.K. And, you know, I think when the president said they're at the back of the queue, that was just a recognition that TTIP is our priority and, as a practical matter, it's going to take time for the U.K. to sort out its relationship with the EU before you can really have a negotiation of a bilateral agreement. Right now there are a lot of ideas floating around within the U.K., let alone between the U.K. and the EU, about what their relationship is going to be.

For example, if they're going to have a customs union with the European Union, that means the EU controls their tariffs. So you can't really negotiate an FTA with a partner who doesn't have sovereignty over their tariffs. You know, will they have sovereignty over certain regulation? What part will that play in an FTA? So it's – all that is to say that of course we're going to want to have deep relations with the United Kingdom. We have a special relationship. But we have to see what their

relationship is going to be defined by with the EU before we can really have any intelligent conversations about our bilateral agreement.

MR. HAMRE: I have one last question then I'm going to turn to all of you. But let me ask: Ambassador, your trade negotiations are usually working through the things that were important 10, and 20, and 30 years ago, and are still stuck in our regulatory environment. And, you know, the world is changing. Economies are dynamic. What – and I know you're working through that now – but what do you see happening in the global economy that now we should be thinking about, looking forward here – assuming we have future rounds of thinking here?

AMB. FROMAN: Well, look, I think one of the issues that we were, I think, quite innovative around in TPP was the digital economy. And I know you heard a little bit from Victoria about this this morning. But that is – that is a new issue. It is a cutting-edge issue. And it's only going to grow in importance as data and data flows grow exponentially. You know, this isn't just an issue for internet companies or for technology companies. Every manufacturing company – and most services company – are increasingly dependent on the flows of data, and the free flow of data, across borders. And so establishing rules that allow that free flow of data is critically important, as well as the other rules around the digital economy.

You know, I think we're having an interesting conversation now at the WTO – and how that we've gotten out of kind of our Doha cul-de-sac, about what new issues might be put on the agenda. And issues like e-commerce and the digital economy are certainly among those. So I think that's going to be critically important. I think the other thing important that we need to be focused on – it's more a domestic issue than an international one – is the whole area of how to prepare the American public for a rapidly changing economy.

I think a lot of what we saw in this last election were people's quite real and legitimate economic anxieties about the rapidity of change – plus, you had wage stagnation, you had widening income inequality. And you see a lot of anger being rooted in quite fundamental economic technological developments. People talk about trade displacing jobs. And we can have that debate. And I think most economists would agree that, you know, upwards of 80 percent or even higher of any job displacement is actually due to technology not to globalization. But that – those of you who have been talking to the technology community know we're really just seeing the tip of the iceberg on that.

MR. HAMRE: Oh, yeah.

AMB. FROMAN: And when you start thinking about artificial intelligence and 3-D printing and any number of other new cutting-edge developments, how that's going to affect manufacturing and the services sector in the United States, we need to really rethink, you know, not just TAA, Trade Adjustment Assistance, but education, lifelong learning, skills building, mobility. And there are a lot of other countries – and some states within the United States – who have experimented and do this better than we do at the federal level. And we should look around – we don't have to reinvent the wheel – but we should try and understand what the best practices are around the world and figure out which ones make sense in our system. Otherwise, you know, what we see around the populist uprising against globalization will pale in comparison to what we see around the same sort of feeling when jobs are displaced by artificial intelligence and other new technological developments.

MR. HAMRE: Well, that's a theme that comes out more often in ever meeting I have now. It's amazing.

OK, colleagues, let me open up. There are going to be some questions from all of you. You know a hell of a lot more about trade than I do. So let me open it up to the floor. Back here, yeah, sir. Do we have a microphone? Right – yeah, right here. No, turn – there you go.

Q: Thank you.

MR. HAMRE: Please say who you are, tight questions. And if there are lectures, I'm going to shut you down.

Q: No lecture here.

MR. HAMRE: OK. (Laughter.)

Q: Zack Struver from Knowledge Ecology International.

My question for you, Ambassador Froman, is: Do you regret attempting to block compulsory licenses on cancer medicines in India?

AMB. FROMAN: Well, first of all, we've never tried block compulsory licenses on cancer medicines in India. There are provisions for compulsory licenses under the WTO agreement. We fully support those provisions in terms of how compulsory licenses should be used. We've restated that over and over again. We do encourage government to work with companies to figure out how best to get access to innovative medicines. And, you know, that's been our stated policy.

MR. HAMRE: OK, right back in the middle about halfway back. Yeah. Stand up and then we'll get the microphone over to you.

Q: Hi. Bob Davis of The Wall Street Journal.

I wanted to ask you about the slowdown in trade, which has picked up steam since around 2007. How significant do you think that is? How much of that is protection? And also on your comments about the sort of build in America, Trump's ideas on border tax and so on, are you concerned that that will feed into this sort of protectionist sentiment and a slowdown in trade?

AMB. FROMAN: Well, I am concerned about the slowdown in trade. As you know, trade – global trade used to grow at almost twice the rate of global economic growth. And that was helping to draw and lead to further global economic growth. That changed in recent years. I think some of it changed for reasons of changing supply chains – that China, rather than important lot of inputs, now produces those inputs themselves. And so you see some changes within the Asian supply chains. But some of it is certainly increasing protectionism of new sorts, including localization barriers and other non-tariff barriers, and so that is of concern. And if we want to see the global economy, including the U.S. economy, be on a higher trajectory of growth, certainly opening markets and getting rid of some of these barriers is going to be critical to that.

You know, we are so efficient here in the United States as a producer in agriculture and any number of other products that we need these foreign markets if we're going to have the kind of well-paying jobs maintained and created in the United States. So I think it's very important that we take action when we see protectionism, that we highlight it, that we take WTO action if necessary – as we

did just yesterday, again, against China – our 16th case against China over the course of this administration. We've brought 25 cases to the WTO it total, more than any other country. And we that we continue to hold countries' feet to the fire to get rid of these protectionist steps.

I think on your other question, look, I just raise – I raise it as a question, that if you take – if you take issues like raising tariffs on imports, you'll see countries potentially retaliate against us, if we're doing something that's clearly illegal. You'll see countries potentially imitate us. And we'll find ourselves at the other end of the stick, where our export industries and the jobs – the 11 ½ million jobs that they support are put at risk because other countries are raising their tariffs.

And then, of course, raising tariffs is a tax. You know, it's a tax on the part of our economy, part of our society who are least able to afford it. The Council of Economic Advisors put out a study yesterday looking at the regressive – the regressive nature of tariffs, and how it's the lowest quintile of income – low-income Americans who pay disproportionately the tariffs, and so you're hurting the people who you most want to help in society. And so, for all those reasons, I think we just have to think – take a step and think through all the secondary and tertiary impacts.

MR. HAMRE: Here in the second row. Why don't you stand up so that she can see you? Stand up, please.

Q: Jin Lo (sp) from Chinese embassy. Thank you, Mr. Hamre. And thank you, Mr. Froman.

First, in President-elect Donald Trump's mind the United States is a big loser of international trade. And how do you think about that? And what do you think could be –

AMB. FROMAN: How do I think about Donald Trump's mind? (Laughter.)

Q: The argument. The big loser.

AMB. FROMAN: I'm not going to touch that one with a 10-foot pole.

Q: OK. (Laughter.) And what do you think could be a reasonable explanation to the frustration and anger that the voters have right now?

And second, does Donald Trump now have strategy to persuade and urge the companies to withdraw their investment overseas and to stay and expand their factories here? And do you think that it will last long? Because that's something different from the market economy rules. And how long and how far do you think he can go?

The third: You have a very good negotiation – BIT negotiation with China. It's bilateral. It's about investment. Do you think President-elect Donald Trump could take that onto his agenda? Thank you.

AMB. FROMAN: I have to write these down. (Laughter.) Well, I know this will be surprising, but I am not a spokesman for the Trump – incoming administration. And I don't have any great insights other than what you and I read in the newspaper, so I won't try and speculate.

You know, look – I think – let me go to your first question. There is a lot of anger around the country. And I mentioned, I think it's – may well be driven more by technology than trade. I think

there is a great sense among a lot of Americans that not all countries are playing by the same set of rules, and that we're being taken advantage of. And I see it – I think you see that expressed. And, you know, look, it's a very interesting study that David Autor and his colleagues have done of looking about where Chinese imports into the United States have had the biggest impact, and where the anger and the support for President-elect Trump was. It's a very interesting study.

And, you know, David Autor is not anti-trade. I mean, he's actually a supporter of TPP. But he's pointing out the concern that if Americans are feeling like other countries – and, you know, to be frank, China is number one on the list – are not upholding their obligations, not living by the same set of rules, taking advantage of access to our markets, it makes them very angry and it has political implications. And I think that's why it's so important, and why from President Obama on down – the Strategic and Economic Dialogue, the Joint Commission on Commerce and Trade, the G-20 – all of our interaction with China and Chinese leaders has been to encourage them to take greater responsibility for the global trading system, to be a responsible participant in that system, to uphold the rules, and to make sure that there continues to be support for openness. Otherwise, I think you will see – and you are seeing – a counterreaction.

MR. HAMRE: OK. Yes, right back here in the –

Q: Thank you.

Q: Thank you. Toria, from the Heritage Foundation.

So, Ambassador Froman, the previous panel spoke at great length about the need for the business community to speak up about the potential renegotiation of NAFTA, given, obviously, their extensive interest in, you know, what happens with supply chains, especially in the auto industry. What would your thoughts be on the capacity for stakeholders, you know, like automakers to speak up in this – in this circumstance, given the current attacks on many of their business decisions here in the United States?

AMB. FROMAN: Well, look, I think the – I think we need a new model of thinking about stakeholder engagement on these issues. I think the days are gone where a few trade associations and, yes, even a few think tanks could get mobilized around a vote, put out reports, hire a few lobbyists, and get trade agreements through Congress. I think those days are gone. I think we need an all-out, long-term public engagement effort that helps people understand what's at stake, you know, how much they already rely on trade in ways that they may not even imagine – whether it's through their job and the fact that their job is dependent on exports, you know?

Or whether it's as consumers and how much of what they take for granted – the iPhone that they have, that would cost more than \$2,000 if we disrupted trade. Only wealthy people would have iPhones, you know, not the single mother who uses the iPhone to FaceTime with her kids after school, you know, during a break at work. I mean, we have to make this real to people, that there is a lot at stake, and a lot at stake for them personally. I think that's one of the lessons of the last couple years, has been that we haven't done enough of that.

I hope the business community will speak up, because they have – certainly they have an understanding of what the dynamic is, how to maintain competitiveness here globally, and what role trade plays in that. They clearly have priorities right now that are more around taxes and regulations, but I hope they will also speak up around trade. And I hope that we can engage. I mean, the kind of

education effort I have in mind – engagement effort, is much more like we did on the importance of recycling or the health effects of smoking. I mean, these are wide, broad – they’re not about particular agreements. They’re not about particular votes. They’re not tied to a particular congressional schedule. It’s letting people know really what’s at stake in their lives by withdrawing from the international economy, by losing U.S. leadership, and how it affects them in a real, day-to-day way. And I think the business community, as well as others, have big role to play in that.

MR. HAMRE: Yes, sir. Right over here. Microphone’s coming right down.

Q: Hi. Eric Kulisch, American Shipper magazine’s Adam Smith Project.

To that point, what about the whole e-commerce and digital economy? Is that a – is that a mechanism or lever that might get people to think more positively about trade people have a one-to-one direct connection with that shipment – they see it, they track it – versus, you know, the amorphous shipments that just flow into Walmart, you know, sight-unseen. Do you see that as maybe a way to drum up supporter issue in the populace in general?

AMB. FROMAN: Absolutely. I think that could be a big part of that. You know, during our work on TPP, we met with sellers on eBay and sellers on Etsy, as well as the UPSes and FedExes and DHLs of the world. And for those individual sellers – you know, take Etsy. Etsy’s, I think, 88 percent women, many working out of their homes, making something, and selling it halfway across the world. I mean, they’re small businesses in the very smallest sense of the word. And they are benefitting – when they sell that product from their home in Bethesda to a customer in Australia, you know, they’re using telecom services, software services, electronic payment services, express delivery services. We take that all for granted, that you can go online, click a button, send something halfway across the world, and it will actually get there.

But those are – those are all areas where there is risk to openness, where countries are saying, well, we want to localize electronic payments. You know, we don’t want to allow express delivery to be done by international shippers. And I think for those individuals, we need to make sure that they are articulating why, and help the market see the link between what they’re doing and the kinds of rules that we’re negotiating in TPP and in other trade agreements.

MR. HAMRE: Right down here in the front, and then I’ll come to you next, and then you get the last one. And then we’ll have to get out of here.

Q: Thank you. Robert Rogowsky, the Middlebury Institute of International Studies.

And a lot of lament has been expressed about losing American leadership, and particularly Chinese leadership taking over. Given the vast momentum of 70 years of building an international order, can you clarify a little bit of what the fear is about Chinese leadership? Is it vague – it seems a little vague to me. But could you clarify a little bit what the concerns are, and what you think it might be different – what the world might look like differently if China did take a more dramatic leadership role?

AMB. FROMAN: Well, I’d say two things about that. One is, the Chinese have – China has a regional strategy for the Asia-Pacific. Look at the Silk Road Initiative, the One Belt, One Road, RCEP, the trade agreement that they’re negotiating, 16 countries, even South China Sea is obviously part of a regional strategy. And they’re executing on that strategy. And that positions them in a very powerful

way to – in the region – to be able to call the shots. I think the U.S. isn't looking to displace China. But we think it's important that the U.S. also be engaged in the region, and that our allies and partners in the region can diversify their relationships, diversify their markets, not become overly dependent on one country, and that the interactions in the region be based on the open rules-based approach, that we've defended for 70 years, not about one country throwing its weight around.

I think you don't have to – it's not a theoretical issue. If you look at RCEP as an example, the trade agreement versus TPP, I mean, China – I don't think it's – I don't think I'm saying anything controversial to say China has a different approach to state-owned enterprises than we do, than the disciplines in TPP. China has a different approach to intellectual property rights protection, to the free flow of data, to a free and open internet, to labor and environmental protections. You know, in TPP we've got protections of the oceans and illegal logging and illegal fishing and the subsidization of overfishing, wildlife protection. We've got protection of the marine environment. You know, those are things that are in TPP that aren't in RCEP.

Labor, we have – you know, look at the labor consistency plan that Vietnam negotiated to allow independent labor unions that can organize, strike, collect their own finances, elect their own leaders, affiliate with who they want to, and that those obligations are binding and enforceable, that if they don't do those things they don't get access to our market. There's nothing like that in RCEP. So, if you care about labor, you care about environment, you care about human trafficking, you care about IPR, you care about state-owned companies competing on a fair and level playing field with private firms – all these issues, there is a choice. And I think it's very much in the interests of American workers and farmers and ranchers and businesses that the rules defining the Asia-Pacific – which in many respects will be the rules that define the global trading system – that they reflect our interest and our values.

MR. HAMRE: This lady right here in the second row. Yeah, please stand up so that she can bring the microphone to you.

Q: Chia Chang from United Daily News media from Taiwan.

So instead of China, I want to ask a question about Taiwan. I'm just wondering if you talked to Mr. Lighthizer about the U.S.-Taiwan trade relationship, since Taiwan's our ninth-largest trade partner? And if not, what are your suggestions to improve the U.S.-Taiwan trade relationship?

AMB. FROMAN: We have not discussed Taiwan specifically. Look, I think over the course of our administration, consistently with the policies that have been laid out for several decades, we've had our trade and investment agreement consultations and we've talked about resolving some of our outstanding trade issues. We still have a lot of issues with Taiwan around pork and beef and other agricultural product that we're having difficulty getting into Taiwan. And we'll certainly encourage them to continue that work, to try and eliminate those barriers and deepen our relationship consistent with the approaches that we and previous administrations have taken.

MR. HAMRE: Last question's going to be right here in the second row, so we'll bring a mic over here. Right to your left – or you right, I should say.

Q: Thank you. Carl Dahlman from The Growth Dialogue.

I wanted to follow up on a question that John asked you about looking forward. You pointed out that studies show that most of the job losses don't come from trade. In fact, trade is very beneficial, but come from the rapid technology, and that we're just at the beginning of that. So just like you said, we have to educate people about the benefits of trade. What do you think can be done to prepare citizens in general to understand the new economy we're living in, the dramatic transformation which are coming, and the role of government policy in trying to deal with that? You said there were some countries that were doing some interesting things, even some states. How can that be leveraged, because we need that? Because right now the focus is on trade, but to some extent it's misdirected. And the real issue is how do we get resilience in the economy being able to adjust?

AMB. FROMAN: Well, I think that's absolutely – I think that's absolutely right. Look, we don't – as I've often said, you don't get to vote on technology. There isn't a referendum on the next generation of software or whether robots are going to be introduced into the working place. You don't really get to vote on globalization. It's just a force. It's a product of containerization of shipping and the spread of broadband and a lot of other factors. So trade agreements become the scapegoat, frankly. They become the vessel into which people pour their real and legitimate economic anxieties. And because that's the one thing you get to vote on, it becomes the scapegoat.

I think the good news is – as the Pew Foundation and others have shown – there actually is more support out there for trade than the recent politics would suggest. The majority of Americans understand the importance of international engagement, of trade. They see it more as an opportunity than a threat. And particularly young people – the largest cohort of supporters of trade are young people who, not surprisingly, have been online since birth and have contacts all over the world. Think of themselves – they're more likely to have a passport, think they're going to travel, work or live abroad, feel plugged in internationally vis-à-vis technology. And they are – they tend to be the most pro-trade.

So that gives me optimism for the future. But we really do need, as you said, to crack this nut on not only transition assistance, but preparing people in the first place to succeed in a rapidly changing economy. The workplace is going to change in dramatic ways in the next five, 10, 20 years. And that means rethinking a lot of what we do in terms of education, apprenticeships, and vocational training and community colleges. And a lot of ideas out there. Singapore has a lot of ideas about how to train people who are in declining industries and moving them into rising industries. Korea, Scandinavia, and across the U.S. there are a number of interesting experiments. But it takes a conscious effort.

You know, people like Mark Warner – Senator Mark Warner is doing a lot of thinking about the future of work. There are others out there as well. And I think that's something we're going to need to do, regardless of trade. I think it really goes to maintaining the social compact in the United States that allows there to be coherence and stability in our politics.

MR. HAMRE: I promised the ambassador that we'd let him get out here. And we're a little – almost over the edge. But I do want to say how grateful we are. This has been a marvelous discussion. You've given us not only the insights on the philosophy that guided you, but you've also give us a nice insight into what it means to be a U.S. trade representative. You've done a splendid job, ambassador.

AMB. FROMAN: Thank you.

MR. HAMRE: Would you all please say thank you for a wonderful job? (Applause.) Really good job.

(END)