

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

## **Trans-Pacific Partnership: Recovery through Growth in Asia and the Next Generation of Regional Trade Agreements**

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MEREDITH BROADBENT: Good morning. Thank you. My role here – I'm Meredith Broadbent, I'm the Scholl Chair for International Business at CSIS – my role here is to get a discussion going as soon as possible on Michael Froman's presentation, and the prospects for the United States leading in the TPP negotiations.

The level of interest in representation here from embassies and international businesses reflects that our trading partners are anxious to take a measure of the bipartisan political commitment to ultimately following through on the TPP negotiations. As the United States discusses and weighs the interests of Japan, Mexico and Canada in joining TPP, I think there are many interests in governments in many regions of the world – Latin America, et cetera – that are looking to size up the United States as a potential trade agreement partner.

As in the case of past trade agreements like NAFTA, insight into the level of bipartisan political commitment is gained by assessing the transition process between the vision of an administration that launched the participation in this negotiation and then trying to understand how the next administration takes full stock of what's on the table, determines how to make the negotiations its own, and then ultimately digs in and takes the reins internationally for the United States.

To reflect on Michael Froman's speech, we've got absolutely perfect individuals to do this. To my right is Ambassador Susan Schwab, who served as U.S. trade representative and deputy USTR in the George W. Bush administration from 2005 to 2009. And she really needs no introduction to this group, of course, but she led the complicated interagency process that culminated in the decision of the United States to join TPP negotiations and to take a formative – formidable leadership role in these talks. Currently she's a strategic adviser at Mayer Brown's government and global trade practice. In addition, she's a professor at the School of Public Policy at the University of Maryland, where she had previously served as dean. She also sits on the U.S. Air Force Academy board and several others corporate boards.

To Susan's right is Matthew Goodman. He's currently senior economic adviser at the U.S. Department of State. His previous position was White House coordinator for APEC and the East Asian Summit, overseeing policy development in these forums and supporting the president in his participation in APEC and the EAS summits. Prior to that, he served as director for international economics on the U.S. national security staff responsible for the G-20, the G-20 – the G-8 and the other international economic forums.

It's interesting that both these individuals served early in their careers in Tokyo – should give them a good inside perspective on Japan's prospects for doing what it will need to do to join TPP. And as we move through our program, Ernie is going to do – my partner here, Ernie, one of our most innovative leaders here at CSIS, who leads our Southeast Asia program – will do the moderating. And we invite you to come up with some questions, and we should have a good discussion. But I think I'll let both of the speakers speak for eight to 10 minutes on their initial reaction to the Froman speech, and then we'll go into a discussion. Thanks.

SUSAN SCHWAB: Thank you. I'm going to start up here. I would have normally preferred to be at the table, except we lose a third of the room here, and suggest that perhaps after we do our intros maybe we can move this podium back and get into a real – a real discussion. I'm delighted to be here. Thank you. And delighted at the attention being played – being paid by CSIS and others to the Trans-Pacific Partnership, and would note, in starting, that when the Bush administration initially launched the TPP in 2008, there were three objectives, two of which Mike Froman commented on earlier today, and I'm going to add the third.

The first, obviously, was to prevent the United States from being locked out of a variety of Asian trade blocs that were being negotiated. The second was to lay the groundwork for, potentially, an eventual APEC-wide free trade area of the Asia-Pacific. And the third was perhaps to set precedence; to lay the groundwork for, potentially, a “WTO-Plus”, for a plurilateral, not necessarily just in the Asia-Pacific region; to expand to like-minded countries perhaps beyond the Asia-Pacific region that could take the WTO beyond where it appeared to be stuck in the Doha Round.

And I would note that APEC 2011, as Mike Froman indicated, in Honolulu really did feel good. And TPP, the TPP announcements that took place there felt good. TPP was hot. It was the nightclub that everybody wanted to be in. (Laughter.) Everyone wanted to get into TPP. Now, as the only non-Obama person speaking today – (laughter) – I feel compelled to ask some of the “morning after” questions. (Laughter.)

I would note, however, in the interest of full disclosure and continuity, that I would suspect that Mike Froman, that Matthew, and that I were all coached sometime in the last 48 hours by Barbara Weisel, by Wendy Cutler, and/or by others at USTR. Certainly, I was coached along the way and that TPP would not be where it is today and would not get to where it will go without USTR and without the very able leadership of those and others at the trade rep's office. So I would note that we've all been educated and will continue to be educated by those remarkable negotiators. So my points will be as much questions to be asked, open up for conversation after Matt, and then close with some of my own observations. So here are the issues I want to cover: one, timing; two, reality check; three, participants; four, a sequencing issue; content and then finally some implications.

Timing – do we really think this is going to happen in 2012? 2012 is, after all, an election year. If it happens in 2012, who will participate? Now, it's doable in theory. KORUS was, in fact, negotiated in 11 months. The Korea – U.S.-Korea Free Trade Agreement was in fact negotiated in less than a year. Now, it took five years to get it through, that's another story for another day. But it is theoretically doable to get it done. Who will ultimately participate? What quality will the agreement look like if it is negotiated in 2012 in an election year in the United States? We shall see.

Reality check – do we think this is going to happen? How active and how ambitious will President Obama and his team be? Will they be willing to use political capital to get this done? I would speculate – no, pull back on that. There was very limited political capital used by the president to get the three free trade agreements through the United States Congress. That is

because the private sector – U.S. private sector worked it very hard and ultimately they relied on John Boehner and the House and Senate Republicans.

For those of you – and this is very inside the Beltway, I apologize – if you looked at the votes – the Democrat count – headcount, there were approximately the same Democrats who voted “yes” on the free trade agreements in 2011 as would have voted “yes” in 2008 had they been allowed to vote. You can argue with me on that, happy to do it later. But there’s a limit to how much political capital was in fact put out.

Big question – how much political capital will the Obama administration be interested, willing, able to put into this negotiation? Thrilled to hear Mike Froman talk about consultations with the Congress, Republicans and Democrats. I think that is extremely important, particularly in advance of trade promotion authority and subsequent to trade promotion authority being part of it.

Participants – will Japan or won’t Japan be part of TPP? TPP is fundamentally important for geopolitical reasons for the United States, and fundamentally important for economic and commercial reasons for the United States. For a whole variety of reasons, I agree with everything that Mike Froman said this morning – I think. I should probably reserve some modicum – when I was looking at my BlackBerry, but – I mean, I just – I agree with what he had to say. I agree with the priority.

But if you look at the numbers, it is hard to make the economic and commercial case in the absence of larger economies being part of the equation. So is that Japan? Boy, sure hope so. But Japan has to do this because it’s in Japan’s interest, not because the United States or somebody else begs Japan to be a part of it. If not Japan, who else? Is it Indonesia? Do you have to stay in the region? What about Brazil? What about India? What about the EU? What about other like-minded countries? Could this come out of the region? What about Canada and Mexico?

Sequencing – if the deal that is negotiated in 2012 is TPP 1.0 and the deal negotiated with Japan is 1.5, at what point does TPA come into play? What is anticipated down the road for China? And this, we start moving into the content question. Don’t have to decide now whether China ever is a part of this equation, but you certainly need to be thinking about it as you negotiate content, as you negotiate the question or the process for, as Kevin Brady refers to, plug-and-play accession, and again, how you deal with SOEs – state-owned enterprises, state-supported enterprises.

President clearly suggested in Honolulu that there would be no exceptions, no exclusions. Is that the case? That has interesting implications, certainly for some white stuff like dairy, sugar and agriculture, footwear, textiles, autos, trucks; very interesting implications, content in terms of, again, going back to the balance of economies; GDP participating, U.S. trade interests, but also the 21<sup>st</sup> century concept that Mike Froman was talking about; absolutely supply chain issues, intellectual property issues, e-commerce. How much are we talking about here in terms of services trade, in terms of that which is moving through the ether rather than that which is moving on vessels?

Finally, timing. Again, I'll close with timing. Private sector? Private sector is not going to be waiting around for another five years or 10 years for this deal to get done. It's not going to wait around to decide what to produce where based on when the president of the United States or the Congress of the United States get their act together on a trade agreement, whether it is closing the trade agreement or getting it through the United States Congress. And that is something that this president and presidential aspirants and this Congress and congressional aspirants need to keep in mind. So that's my piece. I look forward to further discussion. Thank you. (Applause.)

ERNEST BOWER: Thank you, Susan.

And Matt, could you do your remarks? Then we're going to have the podium removed so we can see the whole audience. Thanks.

MATTHEW GOODMAN: Thank you, Ernie. Always good to be at CSIS. I have been in this town long enough to know that there is relatively little upside in following your boss, let alone a former Cabinet official, in a matter like this. And the only safe things to do would seem to be to agree with everything that's been said before and/or to change the subject. So let me – let me try to do both. (Laughter.)

Actually, I was actually asked to put this topic in a broader context, so it is appropriate, I think, for the conversation and for, you know, my role at the State Department. I'm not a trade negotiator, so let me put this in a broader context. Mike and Ambassador Schwab have done a good job of talking about the details of TPP and putting that in the context of our overall trade and economic strategy. Let me look at it through a different lens from our – from the perspective of our foreign policy priorities.

So TPP lies at the intersection of two of Secretary Clinton's top priorities as secretary of state: rebalancing our foreign policy toward the Asia-Pacific region and enhancing U.S. economic statecraft. In an address to the Economic Club of New York in October, she described the impetus behind both of these priorities in one – captured it in one sort of turn of phrase when she said, for the last decade our foreign policy has, by necessity, focused on the places where we face the greatest dangers. In the decade ahead, our foreign policy must focus just as intensely on the places where we have the greatest opportunities. In other words, it made sense in a post-9/11 world to focus geographically on the Middle East and Southwest Asia, and functionally on terrorism and other security challenges, whereas today there is a similarly compelling logic to shift our geographic focus eastward toward the Pacific Rim while functionally putting more emphasis on international economic issues. In both cases, this is where some of the biggest opportunities as well as challenges for our foreign policy lie.

Let me take each of these strands – Asia and economics – separately, then talk about how TPP fits into both.

First, geography. As Mike said, the Obama administration is committed to rebalancing our foreign policy energies and resources toward the Asia-Pacific – a commitment underscored by the president's extended and action-packed trip to the region in November.

In his speech to the Australian parliament on November 17<sup>th</sup>, the president summed up our commitment to the region when he said: “In the Asia-Pacific in the 21st century, the United States of America is all in.” In fact, you know, I think the summary we would give of the trip is, we’re all in. That’s the – sort of the sound bite we’d like people to take away from the trip on both sides of the Pacific. In the words of Secretary Clinton, we’re a resident power in Asia, and we’re here to stay.

So Mike provided some of the facts and figures that you’re all familiar with that underline our conviction that no region – no region of the world will do more to shape U.S. security and prosperity in the coming decades, so I won’t go through all that again. But in terms of how we’re going about this, Secretary Clinton and her article that I’m sure most of you have read in Foreign Policy Magazine last fall, entitled “America’s Pacific Century,” articulated six key lines of action.

First, strengthening our bilateral alliances; second, deepening our working relationships with emerging powers such as China, India and Indonesia; third, engaging with regional institutions such as APEC, the East Asia Summit and ASEAN; fourth, expanding trade and investment; fifth, forging a broad-based military presence; and sixth, advancing democracy and human rights.

Obviously the fourth one, the trade and investment, is the focus today. I will touch on that, and the relationship of that and the third one, which is the regional institutions, because that’s sort of what I know best. And – but all six of these points were touched on on the trip; all these buttons were pushed in one way or another, and we can talk about that afterwards if you’re interested.

So let me say a word about economic statecraft, the other priority I mentioned. The secretary gave four major speeches on this subject in 2011, most recently the Economic Club speech that I mentioned in October. And it’s been a major focus of the State Department’s first quadrennial diplomacy and development review, or QDDR, which I also have had the privilege of working on.

The secretary likes to quote Harry Truman on this subject, when she said: All our relations, foreign and economic, are indivisible. As she notes, the Truman administration marshaled U.S. economic strength to rebuild friends and even former enemies, led the charge to create a new international economic order and made the investments here at home needed to keep our economy strong. This experience inspires the secretary’s efforts today, when nations are just as focused on building and projecting economic power as military power.

Her economic statecraft initiative has two mutually reinforcing elements: first, putting diplomacy to work to strengthen our economy at home, and second, harnessing economic tools to strengthen American diplomacy. And she sent a major cable that is unclassified that – to all embassies and consulates in October, laying out the various elements of this, which included updating our foreign policy priorities to include economics every step of the way.

Here she mentioned, first and foremost, the new emphasis on the Asia-Pacific region, saying that the rules that will govern global markets in the coming decades will in many respects be written in that region. Second, playing better offense; modernizing our trade, investment, commercial diplomacy to better address barriers in market distortions and boost U.S. export growth and jobs. Third, using economic tools to solve foreign-policy challenges – for example, supporting reform, the modernization of the Middle East and North Africa – by promoting regional economic integration.

And finally, building economic capacity at the State Department, reorganizing the economic bureaus and better deploying the thousand economic officers at post. So this constitutes, as she said, a serious and sustained commitment to put economics at the center of our foreign policy agenda.

As I said, TPP – let me just – can I just get some water? Sorry, I'm still getting over a cold. That's fine. Thanks. Thanks, sorry. As I said, TPP lies at the nexus of the secretary's two priorities. It highlights and reinforces our increased engagement with the Asia-Pacific. And you know, if the test of our commitment to rebalancing is devoting resources, time and political capital to the region. TPP shows more than any other initiative that we're putting our money where our mouth is.

Meanwhile, TPP supports both sides of the economic-statecraft coin. It is a diplomatic undertaking designed to boost U.S. exports, growth and jobs by lowering barriers and removing market distortions. And it brings economic tools to bear in support of our strategic foreign policy objectives in the Asia-Pacific.

So, you know, I was on the trip with the president and, you know, if I had one or two key takeaways from that trip, it was that there's a real, palpable sense of yearning for U.S. engagement in the region on the one hand, and for our leadership in championing the rules-based system, which has been alluded to by both Mike and Ambassador Schwab. You felt it in Honolulu, including in the APEC meeting room but as, again, Ambassador Schwab referred to, especially in the – when the nine – the TPP leaders met.

The queue of countries outside the door spoke – was – you know, was, again, palpable and spoke volumes about the interest in this effort and our leadership in it. The dynamic was also present in Bali, by the way – admittedly on a different set of policy issues – when the president met with other leaders at East Asia Summit, almost all of whom talked about these issues of international rules and norms – in this case, in nonproliferation and maritime security.

Now, obviously, not everyone agrees with all the rules we propose, all the specific rules, but I was actually struck in both the preparations for and at the actual APEC and EAS events by how much agreement there is in the region about the broad thrust and even many of the details of what we're trying to accomplish.

Mike alluded to the regulatory convergence work, and that's one example in APEC where there was, I think, almost unanimous agreement that this was an important area of focus for APEC and that the kinds of principles that we were trying to instill in regulatory systems

across the region were common aspirations for all economies, and there was – there was not that much disagreement on the substance – a little bit on the timing and how to go about it, but basically great agreement.

So tapping into those sentiments – or the essence of our economic strategy in Asia is both to lower barriers and also to raise the standards of economic competition in the region, making that platform for competition more open, free, transparent and fair. That's our approach in TPP and in APEC and in other bilateral dialogues.

I think I'll probably stop there. I was going to say a little bit, and I'm happy to do that in the discussion but I know I've spoken at length – about the relationship between TPP and APEC, on the one hand, and APEC serving as a kind of incubator for a lot of the issues in TPP, and again that's been alluded to by both the previous speakers.

And also the relationship to EAS, which is slightly more controversial, and I'm happy to – I'll give you a hint of that and then talk about – you know, whether there's some kind of tension between our focus in EAS on an ASEAN-driven forum and set of initiatives, on the one hand, and TPP taking a more Pacific Rim approach, and whether there's any contradiction there, which the bottom line is: I don't think so. So, happy to talk about that more in the discussion. Thanks.

MR. BOWER: OK, thank you very much, Matt. (Applause.) We're going to – we're going to remove the podium here so we can – (audio break) – out and ask some important questions, building on Mr. Froman's remarks and work into your questions. I'm going to open it up to the audience here.

But there's some real questions about what, you know, Susan said about political capital. And I think one of the questions that we really have to face as Americans is whether, as we pivot towards Asia, as we make the – make the case that trade is important – is an important part of our recovery and economic growth, is there – are there leaders – are the politicians willing to try to take that case to Americans in a political year? Can you talk to Americans about their bread being brought to the table through trade, and their jobs being linked to trade?

We've always – it seems like there's a discussion about these issues among foreign policy and trade people, but then you get out into the country and politicians won't talk about it – they don't talk about it. And it seems to me that culturally this country – you wonder whether there's a constituency behind leadership for some of the issues that Mr. Froman talked about and both of you supported. Will America be able to follow through on these ideas? Nobody talked about Korea, which I thought was really interesting, maybe just missed that.

MS. SCHWAB: (Off mic.)

MR. BOWER: Oh, you did? OK. Thank you, Susan. (Laughter.) Sorry, I didn't hear it. But I wonder, you know, whether Korea having just – on the way to just completing its FTA with the United States, wouldn't be at the front of the line, and just had a question about that. And then, in terms of Asian economic integration, I think Susan was the one who said companies



won't wait, you know, they'll move forward. And I think that's true. Based on my experience, they have to move forward.

Economic integration in Asia is good for American companies who are invested in Asia. It's less helpful for small, medium-sized companies who don't have a presence in these markets yet. And it seems to me that China really got out of the blocks more quickly on Asian economic integration with the ASEAN Plus Three model. And now, TPP is starting to take some real lift. I think China had sort of undercut its own talking points for – with its charm offensive that started after the Asian economic crisis in the late 90's, with its actions over the last couple years and sort of asking its neighbors – asking the question: What does China want to be? What does China – where is China headed? And that seems to have opened the door for TPP.

And so – the question that I had that I'd like you guys to work into your answers if you could is, what is the linkage of TPP to the security situation in Asia? So having said that, I would like to open the floor. Same rules as before, just please identify yourself and your affiliation, and we'll start up. Let me – I think these guys didn't get enough opportunity last time. Al, you want to start?

Q: Apparently, with some Chinese instigation, if one believes the media reports, ASEAN has kind of started or at least some – some countries in ASEAN including Indonesia and the Philippines have started an examination of the comparabilities among the FTAs that it currently has on deck to – either in the interest of harmonization or as an alternative to TPP. I'd like to you know what Mr. Goodman's and other views might be.

MR. BOWER: Should we take a couple questions, and then let you answer them together? OK. We'll do that. Gentleman here in the blue.

Q: (Chuckles.) Thanks. Jamie Strawbridge from Inside U.S. Trade. I have a quick question for Mr. Goodman as well, having to do with Japan and the deliberations on Japan possibility joining the TPP talks. I guess, as an observer, I would just – I would imagine that the State Department, among all the head divisions, the U.S. might be more enthusiastic about Japan joining. Obviously, State covers economic and geopolitical, diplomatic concerns, but it seems like with Japan coming in, that would be such a huge diplomatic coup for the United States. I was hoping you could kind of enlighten us a little bit on how State is figuring into this deliberation within the Obama administration on whether to bring Japan in or not. Does the State Department have, for instance, an opinion yet on whether Japan should come in? Are you meeting with Japanese officials, weighing in interagency, that kind of stuff? Thank you.

MR. BOWER: Thanks. Ambassador Chan – (would ?) be the third question here.

Q: First of all, I'd like to thank Susan and Matt for your comments and the stimulating sort of introduction. And Mike Froman too when he came, you know, and gave the initial remarks, I think laid out in a more strategic way this whole discussion. I have a question, you know, about the game-changer or to what extent a game-changer TPP is. There is this TPP, which is a, you know, a growing grouping that others seek to enter. But we know, too, that there is talk of a Japan, Korea, and China free trade agreement. If the terms for entry for the Japanese

prove to be too tough, and if Korea is not really signaling very much that it wants to come into TPP – it really has to sort out what it needs to do in compliance for KORUS – and if China is not coming in, would that be a competing trade grouping to the TPP? And how would you balance that out? So the three northeast Asians would be in – pull off to one grouping. But of course, Singapore's always attitude is, everything can exist side by side. But that's a thought for you.

MR. BOWER: OK, let's take those three together and then we'll –

MR. GOODMAN: I'm – definitely don't want to monopolize the answers here, and very interested in what Ambassador Schwab has to say about all those questions. But taking those in order, so, you know, I mean, actually, I don't – I'm not the right person to answer whether the ASEANs are or should be looking at the compatibility of these various approaches. I mean, maybe Ambassador Chan can answer that or, you know, others who have more of a sense of what their – you know, how you make those assessments.

But I think that certainly we think that that there are a number – and it gets to the third question as well – I mean, there are a number of different approaches, a number of different paths to achieving trade liberalization and ultimately, you know, a region-wide trade agreement. We don't think that there is necessarily one perfect path. We think the TPP is the one that makes most sense in terms of advancing the kinds of issues that have been discussed by both Mike and Ambassador Schwab in advancing U.S. interests, meaning our – you know, our growth in our jobs and promoting our engagement more broadly in the region. And we think that that is an attractive model not just to us, but should be to others in the region; it – as it has demonstrated, it is.

And, you know, I think that's it's natural that people should look at, you know, these different – these different approaches, as we did, and determine that – you know, which way works for them. We hope that people will continue to express interest in TPP as a – as a path. But we think it's, you know, as Ambassador Chan said, possible for these things to coexist. And, you know, we have 175 agreements in place in the region already, and there may be room for a few more. But ultimately, I think we all want to aspire to a – you know, a long-term vision, which at least certainly everyone in APEC is aspiring to, of a – of a region-wide – a region-wide agreement.

On Japan, I mean, we're certainly – certainly we have responded positively as a government – and not just as a State Department, as a government to Japan's expression of interest in consulting about joining TPP. And we're – you know, we're doing the things necessary to respond on that. I think certainly it would be a big opportunity for both of us and for the region on a lot of levels if they were able ultimately to join and to participate. But we also think it's important for this to be done the right way and not to be done – and this is something the State Department shares with USTR and the other parts of the U.S. government – that it's very important that the – that Japan be – that Japan's possible entry into TPP be done on the – on the best possible terms for Japan, for the United States, for the rest of the members of TPP and for the broader region. And so we need to have the full extensive set of consultations that Mike described in parallel to continuing the negotiations and then determine, you know, when all these things will come together. But there's unanimity in the U.S. government about that, but certainly recognize that, you know, this is a big opportunity. Japan's an important partner of ours. It is still the third-largest economy in the world, and that matters in this – in this

particular field of play. And so we get all of that. But, you know, but it is important that we do this right and not do it, you know, just fast in order to satisfy some other need.

MR. BOWER: Ambassador Schwab?

MS. SCHWAB: Yeah, I would echo Matt's point about the commitment to quality. Any good trade agreement is going to be difficult that's worth doing well. It doesn't have to be perfect, but it better be damn good. And the interesting thing – I mean, the point about the, quote, “diplomatic coup” is, I would raise serious questions about bilateral and regional deals generating diplomatic coups.

I mean, you just sort of think about the bruised feelings associated with the recent free trade agreements. They might have been diplomatic coups when the agreements were signed; by the time the deals were submitted to the Congress and Congress passed them, I would question whether they would be considered diplomatic coups. And they haven't been implemented yet. In the case of Japan, it is only a diplomatic coup if the Japanese decide this is in Japan's interest.

Good trade agreements are hard to negotiate, and they're hard to implement, and then once they're working, they're diplomatic coups because you have economic prosperity that is delivered – (audio break) – on both sides of, or all sides of, the trade agreement. That is the diplomatic coup, because it brings countries closer together, brings people closer together, brings commercial interests closer together. And you know, workers and consumers all benefit.

And so that's your – that's your diplomatic coup. It is a long-term thing; it's not a flash in the pan. So I think that that's the basis for your – for your foreign policy – your foreign policy victory. It's not your press release at the front end or at certain milestones along the way.

It is easy to negotiate a trade agreement these days that is just market access and industry and gets rid of tariffs. It's easy to negotiate a trade agreement that leaves out agriculture. And one of the things that I think USTR ought to be looking at – and other countries ought to be looking at – is, at what point do some of the lesser-quality trade agreements stop meeting the WTO's standard of “substantially all.”

And that's something that ought to be looked at, because there are countries negotiating lesser-quality trade agreements that leave out a lot, particularly agriculture. And that's one of the questions that ought to be raised as Japan, China, India, perhaps Korea start talking to each other about the potential for an agreement.

That said, I am firmly committed, if my comments earlier didn't signal that, to – over time, all of these agreements – the value of these agreements is ultimately reverse-engineering to a more liberal, multilateral trading system through the WTO. And to the extent that these – the – you know, this plethora of bilateral and regional and plurilateral deals and sectoral deals ultimately play back into that, they're not competing with each other. They really are ultimately making it easier for countries to come together.

The question about – the question about taking existing agreements and trying to merge them into a broader agreement – in my experience – we looked at this at USTR – for example,

looking at free trade area of the – of the Americas, I think it is easier to start with a blank sheet of paper than it is to take existing bilateral agreements and trying to take rules of – just take rules of origin and rework them, and trying to merge existing bilats. But that may just be the FTAs that we negotiate. It's easier to take a blank sheet of paper and start over. But that's sort of my own – my own take on it.

MR. BOWER: OK, thank you very much. Let me look for some people over here on this side. Tom (sp)?

Q: (Off mic) – a free trade agreement fell apart, in part because of disagreements over issues like government procurement. What has changed now that makes an agreement that includes Malaysia possible? Is it just the fact that Prime Minister Najib wants better relations with the U.S.?

(Off-side conversation.)

MR. BOWER: OK, we're going to take a – several – the gentleman in the back with his hand up.

Q: Thank you. I'm Ed Barber from GoodWorks International, Andy Young's consulting firm, and I've spent the last several years working on Africa, so I wanted to broaden the discussion a bit. Mike Froman referred to the need to maybe rethink the path we're on with respect to Doha. There are several – many aspects of this TPP that could be generalized to other regions, other agreements, although there are several important ones that are unique to East Asia and the Pacific. I was wondering to what extent you or the administration might be thinking of TPP as a – as a prototype for a broader approach. Is this sort of son-of-Doha?

MR. BOWER: OK, gentleman here.

Q: Thanks. I'm Steve Hirsch. I'm a freelance journalist. Going back to inside the Beltway, I want to know if it is reasonable to suppose that an administration could push through a trade agreement like this in an election year, and whether this administration is likely to be able to push through this agreement in this election year. Thanks.

MR. BOWER: OK, let's take those three.

MS. SCHWAB: I'm not sure I can answer the Malaysia question because it was on my watch that we failed to do the bilat. Minister Refeta (ph) and I tried mightily, we came very close. I don't know what changed except that there are points – it's like any negotiation, any commercial negotiation, I suspect an arms-control negotiation – there is a point where it comes together and there are points where it just doesn't come together and you have to – you know, trade agreements are tough.

And you have to – both sides have to want it to work at the same time. And it didn't come together then and it came together now, and I think it's terrific. Doha – I think, in a way, I answered that question. When we envisioned TPP it was – one of the paths was as a WTO-plus.

To set precedence that you could ultimately migrate into the WTO to raise the bar for the global trading system, whether or not the Doha Round succeeded.

And Steve, I would say that no matter how good the team is negotiating TPP, they won't have to deal with the issue of moving this agreement through the Congress in 2012. Even if they close it, even if they had Trade Promotion Authority today, if you look at the timelines, it is – there's zero chance they would have to move it through the Congress in 2012. So they won't have to deal with that issue. The question is, can you actually close the deal in 2012?

I would say, though, in terms of – really is the small- and medium-sized companies that are most hurt by tariff barriers – by trade barriers, non-tariff barriers. The larger multinationals, they can invest behind the barriers. The SMEs, they can't. They're the ones really are – my guess is if you don't have results by 2013, and the real prospect of something enacted into law and getting implemented – a real path to implementation in 2013, private sector moves on.

MR. GOODMAN: Well, I don't have much to add to that. I think that covers most of the ground I would have covered. On Malaysia, again, I was not there at the sort of pivot – or the – in terms of the decision-making about – sorry – decision-making about the original bilateral FTA and then the decision about Malaysia's joining TPP. But I would just echo what Ambassador Schwab said, that – you know, that these things are based on a sort of a calculation of, you know, interest and willingness to address the issues at hand and, you know, obviously Malaysia reached a point at which it was – it was able to do that.

Yes, on Doha, I think, you know, Mike indicated that we are, you know, looking – think we need to look at fresh approaches. I wouldn't use, you know, any particular turn of phrase or – to describe, you know, how TPP fits into that. But I would say TPP is a, you know, a potential new approach that we are looking at and we're pursuing and that fits into that sort of broader question of what to do about multilateral trade, echoing again Mike's point that we're still committed to the objectives of the Doha development agenda. And you know, we're not focused on this being election year, we're focused on getting an agreement. And leaders have – the TPP leaders instructed negotiators to try to get an agreement within 2012, and that's what the negotiators are trying to do. Whether or not they'll succeed has yet to be determined.

MR. BOWER: OK. I open it up. Jenny (sp)?

Q: Thank you. (Name inaudible) – for Vietnamese Americans. I would like to take Ambassador Schwab's point about the "morning after," before the morning is over. So let's come back to our American workers. The whole idea that TPP is to protect our security, our trades and increase jobs. So with the TPP, when you do the negotiations, do you also put the first priority to ensure the level playing field for the American workers, including union and human rights? Thank you.

MR. BOWER: Couple more. In the back there.

Q: I'm Stephanie Lester with the Retail Industry Leaders Association. And we all talk about having a high standard TPP. You mentioned no exclusions or exceptions; Ambassador

Schwab, you mentioned the list of domestic sensitivities that we have here – sugar, dairy, apparel. I'm curious to get your take on how you see our domestic sensitivities playing out, particularly with something like apparel, where it's 70 percent of the duties that the TPP countries pay on their imports into the U.S. is on apparel.

Q: Thank you. Dan Gibbons, Georgetown University. I'd like to follow up a little bit on the moderator's question vis-à-vis the security elements of this, not necessarily the, you know, formal – but certainly, with formation of the European Union, it was a very catalytic kind of a thing, when the – World War II, drawing from World II, to bring these disparate countries together. So what I would ask you is, what is the catalytic kind of event that is going to persuade, well, not just the small countries but to all of the countries, as well as the United States Congress, that this is a – this is an – this is a kind of a thing. And I'm not really necessarily referring to world war or anything like this, but just the general kind of security that a country or various countries might experience.

MR. BOWER: OK. We'll just – if there's any more questions, we'll take them now. Gentleman here, Bernie.

Q: Bernard Gordon, University of New Hampshire. Principally to Mr. Goodman or maybe to Susan, because she dealt with this so much earlier. The 10 rounds that have been going on now have been, so far as we all understand it, I think they've been multilateral. But there's recent talk that there will be much more emphasis on the U.S. dealing bilaterally with one or more of the present participants in TPP. You know, this raises the issue, and the reason I'm raising the point is this. In connection with – (audio break) – the South China Sea issue, we have stressed that – (audio break) – bilateral basis. So my question is: If it is true, and I don't know if it is, that we are going to be moving into a bilateral mode with TPP – (audio break) –

MR. BOWER: Question here.

Q: Hi, this is – (inaudible) – Robert Sheehan (ph). This is a question for Ambassador Schwab. Ambassador, you gave a really useful foreign policy article way back last year on the Doha Round, and also – and then gave a speech, I think, at another think tank, not CSIS, on that kind of giving your advice on how to handle Doha and attempts at an early harvest and that kind of thing.

I was actually hoping you might be tempted to do something similar with TPP and Japan. I was curious actually on your views on how to handle this. It's a tricky situation. Clearly the administration, we've heard today, is opting to be quite cautious on Japan; say there are two tracks; we have to see how they end up melding together down the road; who knows at this point? But in your view, would you prioritize, at this point, closing a deal, or really trying to get Japan in since they'd prefer to join the ongoing negotiations? First question.

And secondly, how would you play that? I mean, would you say, look, you really have to give us some sort of down payment on autos, good-faith move on autos, something outside of beef, which they're already doing, before you could come in? Or do you think that's unfair, they should just come in saying they can put everything on the table, that kind of thing? Thank you.

MR. BOWER: OK, thank you for the questions. Let me ask each of our discussants to try to answer the questions that you can, and also if you wouldn't mind just making a – sort of a final summary of some of your – of your points.

MR. GOODMAN: OK. (Laughter.) All right, well, in some sort of order, I mean, I think Mike addressed the labor question. He said we're going to have – we're not going to, you know, put forward an agreement or agree to an agreement that doesn't have strong labor standards, so – and address other issues of concern. So, you know, we're going to agree to an agreement that we're comfortable with, I think is the way he put it. And that would include strong labor provisions and other issues of interest.

On exclusions, you know, I'm not going to go into that in detail, other than to say that, you know, we are seeking a comprehensive agreement. We recognize there are sensitivities in all countries, and – you know, and throughout, we're aiming for a comprehensive agreement, and that's – you know, that's the approach we're taking.

On the security – those two questions that are sort of related to security – I don't think that's the right, sort of, frame for these discussions. I mean, I think there is such a thing as economic strategy, and I think the sorts of things we've been talking about are a part of an economic strategy that will shape U.S. engagement in this important – critically important part of the world to the benefit of the United States, the region and the world.

And the specific things that we're pursuing will not only have, sort of, direct, measurable economic benefit for us, but will also have broader strategic benefit, which ultimately, you know, include broader issues, and political and other issues, but as a sort of a – an endpoint of that strategic consideration. But security considerations are not driving what we're doing here, per se, in that, sort of, traditional framework. And I'm not in the negotiations themselves, so I don't know about, you know, how we're handling multilateral (over ?) bilateral, I – but, you know, it's a multilateral negotiation, and that's the approach we're taking in TPP. Doha was addressed to Susan.

And I really, you know, don't think I need to sum up, because, you know, I laid out in my introduction the – how to look at TPP in a broader foreign policy framework. And I think that this is something that is really going to be a key – a key element of our foreign policy generally, and our foreign policy in – obviously, in the Asia-Pacific region for some time to come, not only through the negotiations but even after an agreement has been reached. And so it is something worthy of conversation here and continued discussion, and I appreciate the opportunity. Thank you.

MS. SCHWAB: I defer to Matt's response on the foreign-policy question. I would note, in a trade negotiating context, it is very common, whether you're negotiating plurilateral, regional, multilateral deals, to have variable architecture to negotiate bilateral, to negotiate plurilaterally, small groups of countries, it's just very common. It's how you – it's how you work through issues. So whether you're high foreign policy or low foreign policy, that's how it gets done.

On the question whether it's the human rights labor issues, the exclusion retail issues – and I would draw your attention – for those of you not familiar with Ed Gresser's book, I would – I would recommend you take a look at that because I think that's a very interesting commentary about sort of a third-way look at trade policy and trade politics.

I'm a very firm believer that trade agreements – that countries – the smartest countries negotiate trade agreements to self-impose economic reforms that they should be doing unilaterally, but politically they're really hard to do. And so whether that is labor reforms, whether it's safety net issues, whether it is attention to your – to your consumers, it is just something that good trade negotiators, good administrations, interagency processes need to keep in mind as they're negotiating trade agreements. And that is true of the United States, it's true of Vietnam and it should be true of Japan if Japan decides to come into this negotiation.

And, Jamie (sp), I very much – you know, flattery will get you everywhere except there's not enough time to answer your question. (Laughter.) I want to think about – I want to think about it, but it's a – it is a very good question. And I'm going to be going to Japan in the spring, I think, and I want to think about it some more because the bottom line for Japan is: This will work if this is what Japan wants to do for itself, not because the U.S. or somebody else tells Japan this is what Japan ought to do. There's some promising signs that Japan's new leadership wants to do these things for itself.

I mean, Japan's move on beef, for example, is not because the U.S. has been jumping up and down yelling and screaming, it's because Japan has figured out that this is in Japan's interest. We'll see – we'll see how it – how it plays out. I happen to think it would be in Japan's interest to do it, but they shouldn't do it because I say so.

Just a closing thought, and this is – this is what happens when Route 50 is a mess and you're driving in from Annapolis during rush hour and it takes you almost two hours. Acronym – MSRP. We've talked about autos a little bit today. Math sequencing, remember who your friends are and precedence.

Math – this region is fundamentally important to United States. Whether you look at trade data, whether you look at GDP growth, whether you look at GDP, the participants in this TPP are fundamentally important, and we'll get to sequencing – you know, I'll get to sequencing in a minute.

The content of this deal is also important, and here you get to the question of exclusions. We start taking stuff off the table, other countries will start taking stuff off the table that we care about. We need to be thinking about that.

Sequencing – sequencing and timing. Is it 2012? Is it 2013? If it drifts much beyond that, what is the implication of that? Sequencing in terms of countries – is there a TPP 1.0? Who comes in at 1.5? What's the difference between 1.0 and 1.5? Is there a 2.0? What does it look like? The living agreement – living for how long? What's the implication in terms of other countries coming in? What does that mean in terms of a Japan, for example?



Remember who your friends are. Whether it's Trade Promotion Authority or simply getting this through the Congress – and oh, by the way, if we're looking at a campaign with a president who is running against the United States Congress, note to self, check out Article I, Section 8.

This can't be done without the United States Congress. Remember who your friends are and who you need to get a trade agreement through the United States Congress. With or without TPA, who's going to be there for you to get this through – Republicans and Democrats? Which Republicans? Which Democrats?

And finally, precedence: What kind of precedence will we be setting in this agreement for the future, whether it's future bilaterals, future regional, plurilateral agreements, sectoral agreements for the WTO, for WTO-plus, for the multilateral trading system. So a lot to think about here.

And that's it. Thank you very much to CSIS for making this possible.

MR. BOWER: Thank you. Thank you. (Applause.)

I'd just like to – I'd like to thank our speakers and mention to all of you – this is, as Dr. Hamre mentioned, the launch of a series. We'll – we have six programs coming up over the next several months. We are going to be looking into the actual negotiator, so we'll have USTR and others featured. We're going to talk about the politics of trade in the United States with members from the Hill, and we're going to get into some of the linkages in terms of foreign policy and national security, which is the effort that CSIS put together.

So there's a website – a TPP initiative website within the CSIS website. We hope you'll come to that. This entire event will be on video and also transcripts and pictures of it will be there, and all of our updates will be put on that website on a daily basis.

So thank you for joining us. Thank you for the – your great remarks, Ambassador Schwab and Matt Goodman. Thank you, Meredith, for your leadership and support, and thank you all.

(END)