

Friedman: Hello. How are you? And I would think that everyone knows that trade produces jobs. We know that 14% of all EU labor, 9% of US labor is attributable to trade, and because we are each other's largest trading partners at over a trillion dollars a year in goods and services, a pretty healthy proportion of those numbers relate specifically to this trade.

Friedman: But now we're at the dawn of what people say is the fourth industrial revolution that has breathtaking change. The pace of change and social and technology has given way and is giving way to issues of protectionism, fear, and isolationism. It's interesting the topics that we're going to talk about, the three, trade, inequality, and technology have an interesting relationship with one another. Two of them, trade and technology, many people believe contribute to inequality, and justifiably or not inequality gives rise to pessimism and protectionism.

Friedman: Worldwide the chair of the top 1% own 20% of all income and wealth. Kind of back to pre-World War I days, the Gilded Age when in places in the west vast inequity existed between income and wealth. This is not just a US issue and it's not just a UK issue. It's a European issue, and more over, it's a European issue as well in states that we don't normally associate with inequality, the egalitarian states, Sweden and Finland.

Friedman: But technology is also giving way to a change in the demand for higher educated workers. Men and women are losing their jobs because they don't have the skills necessary. The broader workforce is not keeping up with the pace of change required, and it shows in many of the unemployment statistics that we have today. There is a vast difference in unemployment between those who have college and university degrees and those who have just high school or secondary degrees, and it's more pronounced in the US than it is in Europe. For example, if you're a high school graduate only, with no college degree, you are twice as likely to be unemployed today as you would if you had a college degree.

Friedman: The displacement of workers by technology is viewed as a problem as a result of globalization, and because it's viewed as globalization there's a lack of trust in trade. Trade gets discredited. Economists would tell us however that trade produces more growth than can be created otherwise, and restraining trade, restraining trade only has the effect of lowering prices, stifling innovation, reducing growth, and probably most severely impacting those who can least afford to be impacted.

Friedman: Some of the things that have come out in the last 12 hours, and probably more importantly, what's the next trigger after that and what's the next step after that are worrisome. Protectionism may create some jobs but eliminate far more. We do need to worry though about the globalization aspect, where people who have been displaced, where who people feel like they've been left behind, where people feel like they don't have hope, and we see its manifestation whether it being Brexit perhaps contributing through the Trump

election and then the rise of extreme political parties that we see in Italy, France, Germany and other places throughout the world.

Friedman: We need to be asking what's the role of business and what's the role of policymakers in helping to shape a different outcome. If you're a 50-year-old person who loses their job because you don't have the skill set necessary, what do you do? Do you get retrained? I'll just speak for myself. I'm a little older than 50, but if I lose my job I don't know what I would do, I don't know if I have the ability to deal with some of the new economy. So what's the role of the policymakers in the ball of business relative to compensation policy, retirement policy, pension policy, medical?

Friedman: Deloitte recently did a survey of 1,600 senior executives throughout the world. About 87% of them said that through technology we will reduce inequality over the next many years. 75% said that businesses will influence the outcome far more than government. Now I don't know if I'm in the 87% camp yet, but I'm clearly in the 75% camp. I think businesses hold the key.

Friedman: Finally, innovation. We have had tremendous innovation in the last many years. How our innovation has not been matched with productivity increases? Why? Because the pace of change and technology candidly is more than we can absorb it. We can't keep pace with everything that technology does. We don't have that ability to do so. And why is productivity important? Well, economists would say productivity is important because as productivity moves, real wages move as well. In the US from 1995 to 2003 productivity increased by 3% a year. Since 2013 less than a percent a year. In Europe, it's been worse, and that low productivity increase started back in 2003. Just to compound things, real wage growth has been less than productivity. So what happens when you don't have real wage growth? You have more inequality, and it just exasperates the issues that we have.

Friedman: I come, I live in Kansas City in the US. Show of hands how many have been to Kansas City before. Wow. Kind of blew my next line. In Kansas City we still believe in the American Dream. It's still alive. We believe in hard work, getting ahead, finding a job that not only pays the bills but hopefully a career that provides meaningful work, self-respect, dignity when you enter your twilight years. We've seen some of the story before around inequality and trade and technology. We've seen how technology and societal changes have helped eliminate or reduce some of what occurred after World War I, after World War II were in part the Marshall Plan was part of the solution. I am an optimist. I do believe that we will beat this. I do believe that we will come together and figure out solutions for it, but I'm just the scene setter. So with that, I thank you very much.

Speaker 2: Ladies and gentlemen please welcome Europe editor for CNN, Miss Nina dos Santos.

Nina dos Santos: Ladies and gentlemen, this is a great honor for me to present and moderate yet another one of these panels on the issue of trade and rebuilding trust in trade here at the Brussels Forum. I've counted over the years that I have moderated five of these panels, and during this time the narrative vis-a-vis trade has changed radically. Without further ado let's just introduce a little video to frame the discussion that we're going to be having before I introduce our two esteemed guests.

Video: We have been through turbulent times before. Volatility is nothing new. We have seen economies rise and fall, new technologies emerge, and mass movements of people many times over. There is an established playbook for dealing with global challenges. Does the playbook still work? We may know the challenges we face all too well. But it's not enough to just try what's worked before. We know that copying the policies of the past will not resolve the challenges of the present. We can draw inspiration from our successes, but we need to spark fresh thinking. We need to rewrite the playbook. We need to revise, reboot, and rebuild.

Nina dos Santos: Build trust. We're now in the era of tariffs. Whereas in years gone by we've talked about trade. With the signing yesterday of significant tariffs on steel and aluminum, this is obviously a huge hot news topic, and I'm delighted to say that we have somebody who can respond first off on that, the EU's Trade Commissioner, Cecilia Malmström is with us today. We're also in the company of Bob Zoellick who as many of you here in the room know is the former president of the World Bank, former US trade negotiator, and he's currently the chairman of AllianceBernstein. To our guests, welcome. Thank you very much.

Nina dos Santos: Let's start out with the obvious big question of the day, and that's obviously addressed to you commissioner Malmström. We now have the prospect of large tariffs on steel and aluminum. The EU has an arsenal that it can rebuff these with. But how confident are you that the EU will actually be among those countries that will have those tariffs imposed? How much room is there for dialogue? And if not, how far are you prepared to go to rebuff these?

Cecilia Malmström: Well, dialogue is always the prime option of the European Union, and we are reaching out. We have been in talks with the American friends for quite some time to explain to them that whereas we share the concern of over capacity in the steel sector, this is not the right way to deal with it, and it is certainly not the right way to include Europe in that because we are friends, we are allies, we work together. We cannot possibly be a threat to national security in the US. So we are counting on being excluded. It's not crystal clear what the president said yesterday, so we will have to seek further clarity on that. Fortunately, we have scheduled since a long time actually for different reasons a meeting tomorrow with USTR Ambassador Lighthizer. Hopefully he can give us some clarity on this.

Nina dos Santos: What would be your ideal outcome from that meeting, and how far are you prepared to go if that meeting doesn't go well?

Cecilia Malmström: Well, it is a meeting tomorrow. It is not the decision of everything. Because also our friend, the Japanese Minister is there because we have this trilateral where we discuss among other things steel overcapacity. Well, we hope that we can get the confirmation that the EU is excluded from this and that we can go on to continue our dialogue on how to deal with the problem with the US and Japan and others. If not, well, we have been very clear that we think this is not in compliance with WTO, so we will go to WTO, possibly with some other friends, we will have to protect our industry with rebalancing measures, safeguards, and we are also preparing among with the Member States a list of rebalancing measures that could possibly enter into force. We hope that will not be the case of course because nobody has an interest of escalating this situation, but we, if we have to do that, that is what we will do.

Nina dos Santos: I want to come back to the WTO and sort of your other options on the table here in a second, but I want to ask you Bob Zoellick, what do you think is really going on here? Is this just about 20-odd-percent tariffs on steel, 15% tariffs on aluminum, or is it part of something bigger that won't necessarily end here?

Bob Zoellick: Well first, let me thank the commissioner. I'm sure that these are challenging days for her, and she's tried to approach all this in a very professional and sort of reasonable fashion. It's nice for her to spend some time with people here today.

Cecilia Malmström: Indeed.

Bob Zoellick: Following up on your question Nina, let me try to give you a sense. Trade wonkery loses people easily. So let me give you a little sense of what I think this has different connections and a little bit where also this might go. Number one, you see some of the economics work about what would be the effect of tariffs on the economy, and they break things for example.

Cecilia Malmström: Somebody is already angry.

Bob Zoellick: God knows what they're going to do the next time or the next [inaudible 00:13:32]. Then the second sort of round is what happens in terms of retaliation, whether rebalancing, and this is the big risk in trade areas, always the risk of escalation.

Bob Zoellick: But third what's important to note here is that the authority you use also signals something, and the US is now trying to use this national security authority, it's under our domestic law called 232. While this is part of the WTO Charter, it's rarely used because it basically it becomes the escape valve for everything. So from a US perspective, people might talk about food security and therefore block a lot of food exports. That's opening a door here that's going to be sort of very important.

Bob Zoellick: The fourth connection which you see even in the news coming out yesterday is what will this do to the ongoing NAFTA negotiations, because what the Trump administration has said is, "Well, we won't apply the to Mexico and Canada now." Then in a sense they're trying to use it as leverage in the negotiations.

Bob Zoellick: Then a fifth point, which is just over the horizon but very important for people to be aware of, is there's a so called 301 investigation of Chinese intellectual property, and they'll undoubtedly find various violations, but I think neither the Chinese, nor perhaps the administration knows exactly what they're going to do. But you can see in the press discussions that President Trump keeps coming back and saying, "I really want to go after China." Well, this will be the opportunity and we'll see what flows from that.

Bob Zoellick: But then the next connection is also that if you combine the national security with the China policy, be aware of what's going to happen in the investment area. So if I had to guess, my guess is one of the retaliatory measures would be to limit Chinese investment. And then, and if you start to use national security in this, that opens doors that you see in the European discussion with the Member States as well as with the Commission, and in the case of the US there's legislation going forward with something called CFIUS, the Commission on Foreign Investment in the United States, so this is going to bleed into sort of investment areas as well.

Bob Zoellick: Then the other point it would be how this would affect the negotiations with Korea on a free trade agreement. Then the bottom line issue on this, which is the core point to try and understand what the administration is doing, is that President Trump has long believed in Wilbur Ross and Bob Lighthizer, that bilateral trade deficits are like negative net income for a businessperson, it's losing. Now you don't find many economists that would share this view other than Peter Navarro, but it fundamentally changes how you negotiate because if you see what they're doing, and again, this helps you understand a little bit what's in the news, the President just said he wants to reduce the trade deficit with China by \$100 billion. He first said a billion. Then somebody corrected him to 100 billion.

Bob Zoellick: What the logic is is they're trying to change the outcome and adjust rules to achieve that. That's fundamentally different than the way trade negotiations have worked in the past where you try to have fair rules for competition and frankly trade balances depend on other factors, comparative advantage, savings and investment, but that's not the logic that the administration has here. The bottom line Nina is expect more, it depends somewhat on the blowback that they get, but the underlying ideology if I would suggest it, which is also tied to the president's political base, is that this is the first shot of what we're going to see is an increasing volley.

Nina dos Santos: Well, we'll come to the political base in a second and I do want to obviously ask that obvious question, which is, why is it for your blue collar worker who's

working in a steel mill, why is this kind of protectionist mechanism so bad? They will be asking themselves. What's your answer to that Bob Zoellick?

Bob Zoellick: Well first off, if you ... you're going to lose jobs from people that now will have to pay more for steel, and again, whether you all kind of call it blue collar, white collar, frankly I don't think you have to get in class distinctions, a job's a job. So if you have higher tariffs for solar panels and then people would install solar panels, lose jobs. If you basically are going to use pipe for various energy activities, they're going to lose jobs. Look, it's the nature of a localized and sometimes sort of national trade policy that various interest groups will claim that they need protection, but it's going to cost somebody else, either in terms of jobs and consumption. Some of the analysis for the Peterson Institute of International Economics for example showed that all the different trade agreements over the course of years saves the average American family using sort of three members of it about \$10,000 a year. It's a tax. If you like taxes, you like tariffs.

Nina dos Santos: This is a narrative that also carries some weight commissioner here in Europe as well. There are people who say, "Well, we should be protecting our own industries, particularly the fading ones like for instance steel and aluminum." I mean when we're talking about rebuilding trust in trade, that's a narrative that has to be tackled. You have to be able to speak directly to those people as well because they're part of your constituency.

Cecilia Malmström: Yes, and that is a fact with globalization and that is not new. The difference is that things are happening so quickly now. But jobs have always disappeared. There has been new jobs. There has been new technology. Now there are robots, artificial intelligence. But in the past there were other things. So old jobs disappear, new come, but it goes very quickly. So of course, but the answer cannot be massive state support to dying industries. We have seen that in the past. It is not the solution, or high tariffs. Protectionism is also not the solution on this.

Cecilia Malmström: What we need to do, and this is of course very difficult, you need to make sure that these people can work either in the same area but on a higher level, that they get the training, that they get skills, that the notion that you have a job and then you keep it for 65, for 5, 50 years and you get a watch, that is over. You have to be able to change much more quickly. Member states in the European Union and of course all across the world need to invest much more in those skills, training, education, making sure that people feel comfortable in moving every third or fourth year or something.

Nina dos Santos: But if they don't want to move, which is part of the problem that we're facing today-

Cecilia Malmström: Yeah, that is a problem, and then, yeah ...

Nina dos Santos: How do you tackle that? Because some people would reply to your answer and say, "Oh well, the liberal elite is lecturing us." I can tell you that time and time again I've reported on issues like Brexit and that was a subject that came up and was very hotly felt by the people of the United Kingdom for instance on the factory floor.

Cecilia Malmström: No, no, I meet these people all the time as well. But that is a fact. You cannot stop globalization. What you can do is that you can try to shape it, you can try to make sure that those who lose out are protected via social security systems and so on, but also making sure that skills, training, that they are there. Because some of these jobs will disappear. That is inevitable. But there will be new jobs. There will be jobs tomorrow that we can't even imagine today, and people need to be prepared for that.

Nina dos Santos: Bob Zellick, is true that sort of about half a billion people have seen their lives around the world improved by big free trade deals that you yourself-

Bob Zoellick: About 800 million.

Nina dos Santos: 800 million-

Bob Zoellick: A few more.

Nina dos Santos: To 500 million depending on who you talk to. But the reality, and if you talk to some people who are totally anti trade perhaps none. The reality is though is that some of these, some people have been told for a long time different, you'll need different skills, there'll be different jobs for you. Maybe you have been a steel worker yesterday, but we can retrain you and you can work in say, I don't know, another aspect of that factory. And it's true, for some of these jobs people haven't been able to make the transition. That transition just hasn't actually been there. So what is the answer here to sort of rebuild the narrative to make sure that it is there, because this, I hate to make the distinction between blue collar and white collar, but this with automation will become a white collar problem eventually as well?

Bob Zoellick: Sure. Well, as the commissioner said, you have to help people adapt to change because people will get scared. But going a little bit to your point, it depends on a societal choice, but I think you also want people to accept some responsibility. So if you don't want to move and you don't want to change and you don't want to work, well, you have to decide, do you want to support that person or do you want to try to help them make the adjustment.

Bob Zoellick: Now the government programs on this have been mixed. In the case of the United States, the United States spends about \$18 billion a year on worker adjustment. There were about 49 different programs and 9 different agencies. There's now about 40. In my sense they don't work very well. I think there's a role here for experimentation about different types of things. People have

talked about wage insurance, other sort of notions, even helping with mobility. I honestly think from my practical experience the private sector is going to have to play a key role here.

Bob Zoellick: I listen to Randall Stephenson who's the CEO of AT&T, and he, it's one of the, if not the biggest employer in the United States. What he's talked about is they are explaining to their workforce today kind of which jobs are going away, which jobs will be created, what you have to do in terms of skills for those jobs, how you get certified for that. They're working with Coursera to be able to help the certification process, and he explained they were spending about 3 cents a share in this process. I think this is going to be an area where you need sort of a combination private and public. I think the education systems are going to have to change. I think you're going to move more towards certification of skills than sort of traditional degrees. This is where some of the technology variations could help.

Bob Zoellick: But coming back to again Cecilia's point and the government policies, it would be a lot better if the types of benefits you had were linked to people as opposed to jobs. This is a problem in the United States where some of the healthcare and some of the other benefit systems aren't mobile, because you're right, you have to help people deal with the fears. On the other hand, this is where you have to decide where the people are going to assume some responsibility. My grandfather worked for Western Union. That doesn't exist anymore. My father worked for Illinois Bell Telephone. That's changed. My brother worked in the technology space. Where there's a little bit of when I listen to some of these people ...

Robert Zoellick: You know, so where there is a little bit of when I listen to some of these people act like they're supposed to be able to continue to do the job people did a hundred years ago, well look at farmers, in 1900, 40% of Americans were farming. Now it's one or two percent, but they're much more productive.

Robert Zoellick: So there's a combination here about alerting people, helping people change, but also assuming some responsibility, because protectionism won't be the answer.

Nina Dos Santos: And my father worked in the steel sector. So let's get back to steel. I do not lie.

Cecilia M: And so did my grandfather.

Nina Dos Santos: There you go.

Robert Zoellick: Yeah, and my cousin is a Navy Seal, so he went to a different field, so ...

Nina Dos Santos: So the reality is, is that we've been here before talking about steel tariffs. I remember my father talking about it over the dinner table in rather incandescent tones back in the year 2000. Let's just quickly examine the game as you were saying before commissioner. What the options on the table are, if



say for instance dialogue doesn't necessarily cut it. You've identified a number of goods that you could impose punitive measures on. You said that you do have an appetite for a fight in the WTO. How much appetite do you really have for a fight at the WTO? And if indeed you get into this long projected battle, you end up winning, does the United States become disengaged from the very system that it helped to create and what are going to be the ramifications of that?

Cecilia M: It's not that we're looking for a battle.

Nina Dos Santos: But you're prepared for one.

Cecilia M: The European Union is a peace project. We have dialogue and compromise as our god. That is the whole idea with European Union. We didn't ask for this. What we are asking is to our American friends and others, work with us. Work with us to strengthen the international organization. The global playbook as the video said here. They might need to change, yes, let's work to do that together. To shape the future globalization. We have always worked together. We should do this now as well.

Cecilia M: Now if the United States decides to do, this is deeply unfortunate, and we would do everything we can to convince that that is wrong. If it does happen, we will have to take some measures to protect our jobs and workers as well.

Nina Dos Santos: So let's go through those measures, about \$3.5 billion worth of goods that you've identified, I'm not going to get into our orange juice features, because I understand commissioner you spent the last two days talking Levi jeans

Cecilia M: [crosstalk 00:26:17] breakfast, orange juice, whisky, peanut butter, everything you have for breakfast.

Nina Dos Santos: Iconic American products and so on and so forth. How quickly could you impose retaliatory tariffs on U.S. goods? Because obviously they could do this within 15 days on steel and aluminum haul, what's your timeframe?

Cecilia M: We will need slightly longer time. Of course, we will seek to go to WHO with some other friends apparently, because we deeply think this is not justified. Then we will possibly impose some safeguards on our own aluminum and steel industry. And then these rebalancing measures. It's a list that we're working on. It's still not fixed. It's discussed with member states, but there are rules on how to do this. And we are making sure that we comply by the book with WHO rules. So the moment the event we [inaudible 00:27:09] of the American action if we are affected. We have maximum 90 days to do that. But we can. When all these 90 days are done there would consultation with the industry. There would be a process of transparency.

Nina Dos Santos: How long could that take? Because obviously the EU isn't known for acting quickly with so many countries to consider.

Cecilia M: No, we are 28 countries, so we need to internally discuss, but the WHO rule says that within 90 days it has to be in place. That doesn't mean that when the 90 days are gone that we will impose them. We can choose not to, we can wait a little bit to see how things develop. But within 90 days we have to be ready to do it.

Robert Zoellick: And can I just comment, because again just to draw for people to understand this, and I think the commission quite shrewd on. Remember I mentioned that the U.S. administration is using section 232 authority. If you listen to commissioner, she is treating it as a 201 safeguard, because under 201 safeguards, there is the ability to take some accountability and action in a short period of time.

Robert Zoellick: Under 232 or under national security, it's not really clear kind of what those are. So they're interpreting it as 201. But the reason why this is important is, if they bring an action against the national security in the WTO, here's the risk, the WTO size, well the EU or whoever brings the action is write, this isn't really national security, and things that the Trump administration has said and undermine their own case.

Robert Zoellick: But then what happens when Wilber Ross or somebody else says, "Wait a minute. Those people in Geneva can decide what is in America's national security. Should we be part of the WTO?" Or the reverse, the WTO says, "Well we let countries decide their own national security." Then you've created a very big loop hole.

Robert Zoellick: And the important other piece to connect in this, is that the way the WTO works, you have panels, and then you have a right to appeal. And there's a body of seven people that are supposed to form these three person panels. This actually started in the Obama administration but the Trump administration has continued. They blocked new people coming into that appellate body. So they're now only four as opposed to seven. And some of those terms will roll off.

Robert Zoellick: So the important part here going back a little bit to the systemic point that Cecilia mentioned is, without it being so obvious and apparent, you could be dismantling the WTO dispute resolution system.

Nina Dos Santos: Do you think that's really what's going on then? Do you think that could be the eventual outcome here, because the WTO has faced criticism for some time. So do you think that eventually [crosstalk 00:29:54]

Robert Zoellick: No, I think that's what the administration has in mind. Yes, that's what the administration has in mind, and you can see it. I mean Ambassador Lighthizer has said that he would prefer the old GATS system to the WTO. And again, I'm trying to avoid sort of tray wonkery here, but it's important people understand 'cause this is what the pathway is.

Robert Zoellick: Under the old GATS system, you can have a panel decide, but a country could block the action. Under the WTO, a country can still say, "No, we won't do it. But then the other party has a right to retaliate. Ambassador Lighthizer said he wants to go back to the GATS system. And if you kill the appellate body, I suppose that will be sort of a variation.

Robert Zoellick: So these guys are playing hardball here, and it fits into the whole notion that they don't really see the systemic aspects of this, they see it as transactional, they see it as case by case. Clearly that's how president Trump operates. And that goes to the core question of how will the international system operate if the United States is no longer playing the systemic role. And what we haven't touched on, but you may wish to, is that it's not only the bad things that happen, but it's the opportunity cost of not working, for example, with the EU on the real issues with China, which are the technology and innovation sector.

Nina Dos Santos: And indeed you're going to have the opportunity to be talking with the United States, and the Japanese trade representatives tomorrow to talk about some of these real issues, like for instance China, and so on and so forth. Is there a risk 'cause Bob Zoellick says that the United States and other countries getting distracted by 25% tariffs on things like steel, that these very blunt measures could prove to be such a distraction it could really mask other significant problems that another administration will have to deal with in three or four years time?

Cecilia M: Well, as I said, the problems on the appellate body that was just referred to, we share the concerns there, and the whole world does, actually it's a unanimous worry here against what the U.S. is doing on blocking the appointment of the arbitrators to the appellate body. So this is the crown jewel of the WTO, and it needs to function. So of course we are discussing with the whole world how to preserve this, or are there alternative measures? Or what can we do to do this. This is not an issue that will be raised tomorrow.

Cecilia M: And we have said to the U.S. together with the Japanese that we do share this worry about some of the things that is happening in China that Robert just referred to, and also the overcapacity. It's not only that, it's also, technology it's easy. Investments in cyber and some other issues. And this could be a platform to discuss Japan, EU, U.S. quite big economies. Friends and allies in many regards. That this is what we intend to create this is a try your luck. Of course now it will obviously should be dominated by issues related to steel and 232. And we hope to get more clarity tomorrow. But this is what we can offer, a dialogue on things of common concern. And I think there are better ways to handle this than to just impose global tariffs like this. Because it will severely disturb the whole global trading system.

Robert Zoellick: But so Nina, I'm going to see your idea that it's a distraction. And I'm going to raise you. So it's an unusual thing in the panel. I'm going to push the moderator to realize that it's actually more dangerous. At the same time you have the steel you have an announcement about TPP. So the 11 other countries going

[crosstalk 00:33:15]. And the point is, as the economy changes, as you were saying, you have to adapt the rules. So you have to adapt the rules for eCommerce, you have to adapt rules for data protection, privacy, a whole series of issues by the way that are going to be very contentious on the U.S.-EU side.

Robert Zoellick: And so the process is how do you make rules to adapt. So it's not just that it's a distraction, it's that the U.S. is failing to play a role to come up with rules or be part of other countries with rules for those critical sectors. So you want to talk about steel? The United States service sector is about 80% of the GDP. Shouldn't we have some rules for that? And on the technology and innovation, the core issue is, China has been extremely clear about trying to move up the value added chain, and they've identified about 10 sectors that they want to do this in. There's an excellent report from the EU chamber of commerce on China manufacturing 2025. There's some things that China could do that'd be very good, stronger intellectual rights. Some that are going to create huge clashes.

Robert Zoellick: And so I'll be interested to find out afterwards whether the commissioner and Bob Lighthizer spend much time talking about whether we're going to have a combined agenda on technology in China. So far, the U.S. administration basically says, "We don't like it, we'll use that as a justification to raise barriers as opposed to remove barriers."

Robert Zoellick: So that's what at stake here beyond the steel and what we call aluminum.

Nina Dos Santos: Yeah, and we call aluminium. Point taken. Let's start out by taking some questions from the audience. 'Cause I'm sure that people in the audience will want to start sort of engaging with our two panelists. Yes, thank you very much. Could ask you to obviously identify yourself.

Ignasi Guardans: Ignasi Guardans, director for Europe for the Trans-Atlantic business council in this context. One question for the commissioner, you have of course, according to the treaties all the power to lead these, but you need the support of member states. Do you have any concern regarding the unity of member states in everything you're preparing for the next months? How are you dealing with the consensus you need from different member states? Is there any tension, anything you can comment on that?

Cecilia M: Well obviously we do this in very closed corporation with the member states. The commission doesn't trade with anybody. We are coordinating and leading the trade policy, but on this of course we have been discussing very closely with member states on all levels and we are in constant contact. Not only on this famous list, but also on the concerns on this. So it is important. The EU is a very important trade block, of course our unity depends on how much we can agree, but on this I feel comfortable that so far it's been ... the of course always discussions, but we've had very strong support on this on all levels and we hope that we will continue to have them.

Nina Dos Santos: Commissioner Malmström, can I just add a question to ... that gentleman's questions.

Cecilia M: Ignasi.

Nina Dos Santos: Ignasi's question. The UK could be a thorn in the side though, because technically they are still a member of the European Union.

Cecilia M: Absolutely.

Nina Dos Santos: But there have been hints that potentially the UK could be exempt from these kind of steel tariffs. Have you had any resistance from the UK for instance at the moment, 'cause obviously they're in the thick of negotiating Brexit. Will they be an awkward partner?

Cecilia M: The UK, they are a member of the European Union for another year roughly. And we have of course talked to London and to the ministers there as well. There are different rumors about that could be excluded and that could be excluded. And it is not crystal clear what came from the president yesterday, and that's why we will see clarity. But our presumption is that the U.S. is a whole body and that the U.S. will respect that. Otherwise, that is questioning the whole EU as a project which is quite dramatic.

Cecilia M: And our UK friends have been crystal clear in working on European unity, so [crosstalk 00:37:12]

Nina Dos Santos: So it's there on board?

Cecilia M: Of course they are, yes.

Nina Dos Santos: For the time being.

Cecilia M: Well, yes. Unfortunately they'll be leaving us. That is sad, but that's how it is. And I think also it is in their interest that we act. If we to act together as well, because UK has an important steel industry.

Nina Dos Santos: Of course, it does, yes. And let's take another question from the audience. So we have a gentleman there.

Daniel Gros: Daniel Gros from the Center for European Policy Studies here in Brussels. So far it seems that the U.S. is the only major trading power, which tries to actively undermine the WTO system. Is there a chance that the rest of the world gets together and copies something, which we have in EU, which we call enhanced corporation so that everybody except the U.S. agrees to actually be bound by WTO rules and creates their own panel?

Cecilia M: Is that a question to me?

- Daniel Gros: I think the question for you. Whether you would [crosstalk 00:38:20] politically, and for Bob, where that would be technically possible.
- Cecilia M: Well the WTO exists, and it has 164 members, and it is true that the U.S. has some problems with it. But at the last ministerial conference in Buenos Aires just before Christmas it was not only U.S. who blocked a consensus there, I have to say, there were a handful of other countries who were not very helpful. So it's not only U.S. who is guilty in that. It is true that the WTO, even if member states are committed to defend it to the multilateral system to the appellate body and the dispute settlement mechanism, which is very important, that it has not been able to make decisions on all these issues that are important: eCommerce, SMEs, transparency, rules for different things. And there is a frustration because creating 164 unanimity is difficult, 28 is difficult enough.
- Cecilia M: So there is a sensation that maybe we should move on, coalition of the willing. They were, I think, 80 countries who signed to work on eCommerce. For instance to set up some basic global rules, and these were different countries, rich and poor east, west, north and south, including the U.S. that we could work on this in an open way so that everybody can join if they want, but on plurilateral basis and parallel to the WTO. There are other issues that are being discussed there as well. So that might be a way forward. Because even if some countries are not very cooperative in the WTO, they still want to preserve it. So creating a parallel WTO is not on the agenda.
- Robert Zoellick: So, let me take this from an entirely different side. I think actually the risk is a greater fragmentation. And the reference point that I would give you, which actually I think was even in a Wall Street Journal editorial today. When you look at some of the people go back and analyze the causes of the great depression, obviously monetary policy, but also trade policy, as you probably know. There was a very well-known economic historian, Charles Kindleberger, who talked about the role of systemic leadership.
- Robert Zoellick: And in basic point on the trade area, his argument in the 30s was, Britain had the experience but no longer the capacity to provide a systemic leadership. The U.S. had the capacity but not the experience. And so he pointed that as one of the causes.
- Robert Zoellick: I think that's one of the dangers that you're going to run into now. In that while people can criticize the role the U.S. has taken over various decades, it still had a commitment to try to drive the system forward whether with free trade agreements, WTO and others.
- Robert Zoellick: The reason I've tried to describe the elements that I have, is that you're now seeing the United States move to a transactional model actually undermining the system, and then the question is, who will step up?

Robert Zoellick: Now, I think you'll see pieces. So for example to their credit, I think Japan played a very important role in reviving the TPP. And that's not historically how Japan played trade. Japan was normally the lagger in the process. The EU is trying to go forward with some free trade agreements, I think that's a constructive step to be able to take. But the real question is, if the U.S. not only becomes sort of silent, but [inaudible 00:41:36] turned on the system, will it start to come apart? And there are certainly are other protection forces around that will add to this. So, that's the real danger you're talking about here.

Robert Zoellick: And it's significant because markets tend to look at these individual actions' peace meal. And the reason I tried to sketch out a little bit of the downward slope earlier, is so people can watch that. Because I think if you continued to have the steps come out of the administration, then the risk of systemic deterioration or deconstruction are much higher. A lot of that will depend on the congress in the United States, the business community, agriculture, others who maybe out of this experience will sort of push back.

Nina Dos Santos: Bob, just going back to that idea of this transactional sort of ethos that currently prevails in the White House. The idea, as Peter Navarro often points out, looking at trade as though it was some game. The necessity to close that trade gap. Will the type of tariffs that have been talked about overnight and signed into force, will they actually be enough to close the gap [crosstalk 00:42:40]

Robert Zoellick: Absolutely not. But let's talk [inaudible 00:42:43], that the United States trade deficit has increased over the past year, and if the United States grows because of some good tax policies or deregulatory policies faster than others, you're going to see the trade gap grow. If you pound Mexico and the Peso falls, you're going to see the trade deficit grow.

Robert Zoellick: So look, at some point as we've been discussing politics is important, but economics does have a say in this.

Nina Dos Santos: So where is the economics leading us? Cause Paul Krugman in the New York Times seems to suggest that obviously we're going to end up with a situation where we'll have imported inflation in the United States. Things will get more expensive, interest rates will have to go up. And then the Mr. Trumps bodies in the real-estate sector, it's not going to be good business either. Is that the likely economic scenario in a couple of years down the line or is it far more complex than that?

Robert Zoellick: It's far more complex than that.

Nina Dos Santos: I thought you might say that.

Robert Zoellick: The variables that you're pointing to are variables that people will watch. And so look, the odd thing about this is that in overall economic conditions around the world, things are pretty darn good. You had all 45 OECD economies growing.

About 80% of the G-20 economies were sort of growing faster than potential. Inflation was down, interest rates are down. One big issue will be the exit from extraordinary monetary policies, but the types of scenarios that you cited or Paul Krugman cited, I wouldn't yet put my bet on those, but there's the type of things people need to be watching. And if you start to get a series of retaliations, if the administration pulls out of NAFTA or the [chorus 00:44:20] agreement, if you start to the WTO or appellate system sort of unravels, then those are going to be risks that will be heightened.

Nina Dos Santos: How quickly do you think those kind of risks will start to become apparent?

Robert Zoellick: I think they've started. The only good news I can find of this is I wrote a piece in January warning everybody that got complacent last year to say, "Watch out, 2018 is going to be a bad year." Well I got that bet right.

Robert Zoellick: And my point is, not only is it steel, but like watch this 301, because having talked to the Chinese, to be honest, they weren't blocked much on this most recent action because anti-dumping and countervailing duties in the United States. There are already about 80% on Chinese steel. So they've only exported about 2% of steel to the United States.

Robert Zoellick: But they're quite worried and justifiably so that when there's a big bill of particulars in the 301 IPR as there will be, then what will be the administration's response? If I had to guess today, but it's only a guess. I don't think the administration knows. I mean look, you've had people resign over this issue. The president has adjusted a little bit over the course of the past couple of days. But, the key point I want to emphasize here is that for the president this is not only, "Gee, I like this policy over another policy." It's based on it's fundamental political base, which was people who want a wall with Mexico, people who want to stop immigration, people that want to stop trade. And he's been very shrewd in recognizing, unlike other politicians he's going to say, "I keep my promises." Okay? And he's not going to abandon those people. And that's one of the warnings that I've tried to make. And he'll cut a little bit the edges. He has the ability to redefine different issues as you're seeing, you know, we'll see with North Korea and different things.

Robert Zoellick: But on this trade area he's had this views for a long time and it's now a part of his political momentum.

Nina Dos Santos: Yeah. You've been saying that for some time in fact. Let's take one question first. The gentleman in the front row and then we'll have a question from you sir.

Christopher M: Christopher Marshall. I'm at the moment a fellow with the [foreign 00:46:29] Fountain, Washington. And I would like to invite Bob Zoellick on a sort experiment. It's a question I tried yesterday to get an answer from the administration but got no answer. If he goes this direction, retaliation, re-



retaliation I fight, and then German cars. What is an American car? What is a German car? Is that at all possible to do that? Is a BMW from Spartanburg? Non-American car is a [Ford 00:46:55] used in Canada or Mexico an American car? Just from your point of view, is it possible in the real world, which is not analog, national or foreign anymore, but it's intertwined, is that at all possible to do these kind of retaliation. Or is it not and it's therefore rather an empty threat?

Robert Zoellick: So two points on this. The thought experiment will be a real experiment with NAFTA, because you really have a North-American production market now. And parts will cross the border an estimated 13 times. With Canada, Mexico engines, others as you're probably well aware.

Robert Zoellick: So, one of the things that goes back to my point about the Trump administration wanting to have the outcome readjust the rules, is they're trying to add a rule of origin that require U.S. content. Now remember, the EU is a customs union, NAFTA is not a customs union. So it makes sense under NAFTA where you have separate barriers in the three countries that you need to have a NAFTA rule of origin.

Robert Zoellick: And I think Mexico and Canada could have a higher NAFTA rule of origin. But what the administration says, "No, we want ...

Bob Zoellick: ... higher and after rule of origin. But what the Administration says, no we want a certain percentage to be U.S. Well, that'd be equivalent to saying if we sell natural gas to Mexico, the 20% of the gas has to be Mexican. Or if we sell corn, the 20% has to be Mexican. So that will be the real live test of your issue.

Bob Zoellick: However, the second point I want to make, and this is important for European's to understand, is the way that President Trump or Wilbur Ross look at this is they say the tariff on cars is two and a half percent. The tariff on cars in Europe is 10%. The tariff on cars in China is 25%. How can that be fair?

Bob Zoellick: Now, what they don't fully account for is the way these negotiations have worked over time. The U.S. has a tariff on small trucks of 25%, we have a terrible on sugar program. So that's the way the system has moved forward, but that's a very hard thing to explain to people. And that's where fundamentally, the nature of their attack on this system ... You'll hear reciprocity much more now. And reciprocity basically means we'll have the same level as somebody else has. The danger is that the trading system then goes to the highest level of protection, where the whole notion over the past 70 years is we're trying to move to a lower level. And my caution is you're going to see this in investment, too.

Nina: I just want to come back to cars and the international supply chains, Commissioner Malmstrom, are an issue as well. I mean, companies like BMW, just to single out one particular big German automaker, make cars in the United

States. Are those kind of cars going to be subject to these tariffs if indeed we have tit-for-tat trade tariffs on all sorts of other goods and issues?

C. Malmstrom: Well, we hope certainly not, because the problem is complex. We have around two, two and a half million cars made by European companies in the U.S. They employ American people. I think almost 60% are for export, so they bring money to American economy. So it's very hard to say that these point out to these European cars because they are made very much in the U.S. by U.S. parts. I mean, in an ordinary BMW or a Volvo, there are components from, I don't know, 50, 60 countries.

Nina: When you make this point to your counterparts in the current administration, how receptive are they to that?

C. Malmstrom: We haven't been able to talk about this particular issue yet.

Nina: Presumably when you will, on Saturday, tomorrow-

C. Malmstrom: We might, yes. It will be a long day tomorrow.

Nina: ... are you expecting them to be receptive to that, or are you expecting more blunt response?

C. Malmstrom: I don't want to speculate.

Nina: Let's take another question. There was a gentleman here. Thank you.

Simon: Hi, my name's Simon Fraser. I'm a managing partner with Flint Global. I used to work with Peter Mandelson when he was the Trade Commissioner-

C. Malmstrom: Good for you.

Simon: ... and Bob was the USTR. Can I go back to the U.K. question very briefly? A question for Bob Zoellick. Imagine that this dispute had arisen two years from now, when the U.K. was out of the EU, or a bit longer, when we were no longer in a transition period, do you think, given the attitudes of the present U.S. Administration, there would have been a temptation to exempt the U.K.? The question behind that is do you think there's a risk that the U.S. will use the U.K.'s different position as a leverage point in its strategic trade relationship with the EU? And how could that possibly evolve?

Bob Zoellick: Let me start by pointing out that this goes to the old fashioned systemic interest. It's in the interest of the United States to try to have the Brexit process that people in Britain have decided on, to be the most successful as possible for Britain, Europe, and the world economy. So if I were in the U.S. government, I'd be trying to figure out based on their decisions and what happens to kind of ease that process. And this is a bigger issue as you start to get to some of the

questions about how the EU will negotiate with Britain. And in the old days, the United States would have to be careful about this, but maybe it could play some mediating role on some of these areas. That's not what's going to happen now.

Bob Zoellick: And your question's a really good one. I think the short part would be, yes, they'd be tempted because President Trump always thinks of leverage, and he's thinking if it could give him some point. But there's a countervailing point, which you've already seen, which is some in Britain have thought the United States is going to make it easy when, for example, there are various quotas of products for the European Union, and those now have to be renegotiated. And of course, Britain and Europe said let's just renegotiate them based on the proportion we import. Well, the U.S. and Australia and Canada, they said, no, that's not a fair allocation.

Bob Zoellick: So this is going to end up being a lot harder than people think in terms of reallocating some of the WTO arrangements for the EU. The Administration will feel pushed and pulled on that issue. If I were in Britain these days, I wouldn't feel too confident about the reliance on the United States as you go through what's going to be a historic change. And I'm sad to say that. And this goes back to the question that we were asked about the systemic thing. The United States should be trying to help players in this. And look, it's not just being gracious to everybody. If the system does well, the United States will do well.

Nina: But if you have to fight the United States tit-for-tat on trade, and it's the world's biggest economy, their argument might be we're the world's biggest economy, so who else can really make up a point?

Bob Zoellick: That's exactly their argument. You got it.

C. Malmstrom: But they are not the only economy. At the same time as this is happening, what is happening in the rest of the world? Yesterday, very timely, 11 countries led by Japan and others, signed the TPP. Why did they do that? Because they said we are sorry the U.S. left, but we want to go on. What are we doing in the world? We are closing trade agreements with others. Our Japanese agreement will hopefully enter into force very soon. We have closed negotiations with Singapore and Vietnam. We are about to close with Mexico and [inaudible 00:54:05], which will be huge trade agreements, especially the [inaudible 00:54:11]. We're negotiating with Indonesia. I just came back from a meeting with ASEAN trade ministers, and we reaffirmed our joint commitment because of the things that is happening in the world, that we want to work jointly for a regional trade agreement in the future. We are making the different analysis and stepping stones for that.

C. Malmstrom: Because a growing circle of friends of trade in the world is realizing that we want to trade. We want to get rid of those tariffs. They are not there. We want to set global rules. We want to increase the possibilities for us to trade, for our people to meet, to harness and shape globalization to make sure that we get proper jobs, that we get fair trade, sustainable trade, and also because of the

title of this meeting is today, how can we regain trust. All of these countries, and many others, agree that we need also to make sure that trade is sustainable. Because this is what people asked today. They want to trade, yes, but they also want it to be fair, sustainable, to live up to certain international rules on ILO conventions and sustainable development. And this is what's happening in the meantime in the rest of the world.

Bob Zoellick: Nina, can I just ... You're question, and I don't want to lose it because it's a critical question and you planted the seeds of the answer when you talked about zero sum. And so, remember the United States had a trade surplus in the Great Depression. So you want a trade surplus, great, 25% unemployment too. The point is, do you see the world economy in a zero sum, where it's bilateral trade deficits, even worse than a global-

C. Malmstrom: We don't.

Bob Zoellick: ... trade deficit or surplus? Or, do you see it that you're trying to grow something and that you benefit from that? That's the fundamental distinction. So if I were in office, I'd be focusing on employment, wages, productivity, inflation, as opposed to bilateral trade deficits. And the bilateral trade deficits, again, sometimes people have a common sense sense of saying why shouldn't these be balanced? The example I can give you is I have a bilateral trade deficit with my supermarket, but I don't go and stock shelves at night to create the offset in surplus. I try to make money somewhere else and pay for it.

Bob Zoellick: The U.S. has a surplus with Australia. Australia has a surplus with China. China has a surplus with the United States. So what have we learned? We've learned that there's something called comparative advantage. But it's not an easy concept for people to grasp, and what you can see with Trump is he's been doing this for 30 years, starting with Japan.

Nina: It's also, Bob Zoellick, I hate to say it, a concept that some people would describe as patronizing, isn't it? Is that not the issue of being able to-

Bob Zoellick: How could it be patronizing to have an economic [crosstalk 00:56:49]?

Nina: ... but it's difficult to explain that without, necessarily, your average worker believing that some of those arguments are patronizing, because their question will be how does it hit me in my pocket on a day-to-day basis.

Bob Zoellick: I don't think an answer on economics is patronizing. If your belief is that you're supposed to dumb down to talk to people, I think you're being patronizing. And so, my argument-

Nina: I'm just the journalist. I'm relaying the kind of narrative that you hear when you do go to talk to people about trade.

Bob Zoellick: ... and what I'm explaining is that the answer to the question that you asked is do you have to try to explain to people and help people with the motivation, help people adjust to change. And look, when I was trade representative, I went with one congressman to five different small establishments where the exports were a key part of their business. And by the way, imports are important too. 60% of U.S. imports are inputs into other products. So, yes, you have to explain it. And frankly, this goes back to a problem that predated Trump. And here, you could describe the responsibility to many people.

Bob Zoellick: President Obama banned the use of NAFTA because he saw it as politically bad. So guess what, if one side is the only part arguing a case, you're going to have a problem. Despite that, and this is important if you want to talk about public attitudes, the last poll that I saw showed that only 14% of the American public wanted to leave NAFTA. The polls are actually showing increased support for NAFTA. It was up to about 57%. If you look at whether the American people say that trade is good for consumers, 78%. If they say that it's good for jobs, 57%. If they say it's good for the economy, 72%.

Bob Zoellick: So the problem is the intensity of voters who feel that they're losing out. And that goes to the questions that you were asking before. How do you help people adjust to change? But it's a very critical argument, Nina, because you've seen this with a lot of politicians. The easy path is to empathize and to say, yes, we'll block stuff. And what we've tried to talk about here is I don't think that's going to lead you in a constructive direction. The real political challenge is to explain some of this and help people.

Nina: I want to take a question from the lady here who has been waiting for a question.

Speaker 3: To Bob Zoellick again. Thank you for this presentation. Could you add to your reasoning the global impact of fiscal reform? Is fiscal competition part of a strategy in global economic relations or not from the U.S. standpoint?

Bob Zoellick: I don't think it's part of a competitive strategy other than our corporate tax system was terrible, and so I think the corporate tax reform will make the United States more competitive. I don't think that's directed against others. You could argue the personal tax side of this reform has got some questions.

Bob Zoellick: The bigger problem there is that it's added to the deficit. But I don't think that's seen as competition against others. I think that's the cheap way to get the reform, and eventually somebody's going to have to pay the piper as debt gets paid. But right now, the politics in the United States are unwilling to act very much on the deficit.

Nina: Let me take a couple of questions on this side of the room. You have a question, madam. And then we'll take your question.

Anna W.: Thank you. I'm Anna Wieslander with the Atlantic Council, Stockholm office, I should add. And I have a question of systemic leadership. If this is right, that the U.S. is not so keen on leading this system anymore, who would replace them? And my mind goes to the EU as a super soft power.

C. Malmstrom: Super soft power.

Anna W.: Is the EU ready to lead a systemic, not only as you say Cecilia, being successful in making regional trade agreements, but one more level, taking global leadership on trade?

C. Malmstrom: We are certainly trying to play a role, obviously, because EU is one of the biggest economies and we have some experience in these issues. As I said, we are negotiating with lots of friends across the globe right now. We were very active in preparing and making proposals in light of the WTO meeting before Christmas. Of course, not alone, because we are still only 28, soon 27, countries. So we are reaching out. But that's why I said we are building this coalition of friends across the world who want to trade. Who doesn't agree with the notion that trade is "You lose, I win," but that you can make win-win situation. That you want to strengthen global institutions, and they want to set global rules.

C. Malmstrom: So we are certainly trying to play as strong role as we can, and we will reach out to others to do that. And to underline, not against the U.S. They are our friends. We hope that they can come back to work with us, but if the Administration, for the moment, is to a certain point logging out, if I can use that word, the world has to continue.

Bob Zoellick: Can I make one additional point on this that's really important for a European audience? And that is that the United States has a President, it doesn't have a core leader like in China. We have a Congress, we have states, we've got a private sector. And all those are going to be important elements in what comes out of this. We came in just at the edge, but in the opening you heard a little comment from Kansas City, Missouri about productivity and others, and there's going to be an additional burden on the U.S. private sector that continues-

C. Malmstrom: [crosstalk 01:02:46].

Bob Zoellick: ... not only in the politics. We haven't talked about energy markets. The energy markets have been totally transformed because of what happened in terms of U.S. innovation with [tide 01:02:58] oil and fracking. And you're going to see this in various software and other areas.

Bob Zoellick: As you think about the United States, it's important to realize, you have to work the diverse elements of this pluralistic system. I'm not trying to give the Administration an excuse on this, but I'll just point out that Canada and Mexico, for example, have figured this out. So as we're doing the negotiations, they're trying to get leverage points with the agricultural community and others.

Nina: Let's take a question here. I believe, madam, you had a question.

Gul Turan: Thank you. I'm Gul Turan from the European Movement, Turkey. I had two small questions. I was wondering how China itself would retaliate to all that is happening right now? And then, one small question on how will this have an impact on investments, and what do you expect to take place?

C. Malmstrom: I think it was to you.

Bob Zoellick: You want me to start? I've had a number of conversations with the Chinese recently. And they don't want a trade war. And they're going to be very careful. But I think they've mapped this out pretty carefully.

Bob Zoellick: When you had the original safeguards on solar and washing machines, it partly benefited Chinese investment in the solar sector in the United States, but you notice they did an investigation of sorghum. And it was kind of neat, right. They didn't start on soy beans. Most people don't even know what sorghum is. The farm community knows what it is. So they're signaling that. And you see, be given these most recent tariffs, as I mentioned, it hits them a little bit in aluminum, in steel they're already taken out of the market, so notice their response was even more moderate than that of from the European Union.

Bob Zoellick: But on the other hand, given President Xi's position, they can't be walked over. So they'll send signals back. And what they're really watching is the one that I tried to alert your audience to here, which is the 301, because they don't know the scope of that. In general, I think they'll try to moderate it, but they'll push back at appropriate points.

Bob Zoellick: On the investment, I'm glad you raised that, because, you see, what I've been trying to also suggest is that you have a combination of issues here. You're now bringing in national security in a much broader fashion. You're already seeing the [inaudible 01:05:22] process in the United States, inter-agency process run by the Treasury, edging away from national treatment policy, which is the idea that you treat other investors like you treat your own, to a reciprocity policy, which is to say you treat them like the other guy treats them. And this is part because of the difficulties people are having in China.

Bob Zoellick: Then you're going to have a whole series of issues related to the technology and the innovation. And then we're going to come back to the data privacy issue. There are a number of factors here that I personally think run the risk of making foreign investment more restrictive over time. And some of it, you could make the argument with China on investment that there needs to be greater reciprocity here. The problem is, for example, there's legislation in the United States now, Senator Cornyn's put forward, to reform [inaudible 01:06:11]. And while it starts with a good motive, which is that China's ripping off of technology or compelling it would actually create a new technology control regime, not only for investment, but for joint ventures, for licensing, a whole series of things.

Now there's pushback on this. The industry is pushing back. The House is taking a different view. But your question is a good one. And the reason I'm going into a little bit of detail here is that a lot of these decisions will be made over the next 12 or 18 months, and they matter.

Nina: Now we're just out of time, but I believe there is a question here just on the ... In the front row, can I ask you to be brief?

Speaker 4: Maybe last question just as an advice. I would like to have Bob's sense. If we want to contain this and to avoid that it leads to a total unraveling of everything that has been built, should the European response and the Japanese, for that matter, lean more towards the thoughtful measured, avoiding escalation?

C. Malmstrom: That's what we're doing. It is thoughtful and measured.

Speaker 4: Or should it also lean a bit towards the bold, aggressive tit-for-tat? Or is indeed the measured way the best way?

Bob Zoellick: Shockingly, coming to Europe, I anticipated this question. And of course it's for Europeans to decide. Because I think in financial market terms, I think of portfolio approaches. Europe has to do things that defend its own position and protects its rights. And it will decide the combination. And I think what Commissioner Malmstrom has tried to outline without endorsing one thing or another, she's trying to deal within a measured fashion.

Bob Zoellick: But think about offensives as well as defense. So that's why I also think the idea of trying to open markets elsewhere, whether with free trade agreements or trying to approach the United States about working together on some of the innovation and technology issues for China, look for areas where you can have a positive agenda, as well as what you have to do on the defensive side would be my suggestion.

C. Malmstrom: That was the right answer, actually, because that's exactly what we're doing.

Nina: This is what I wanted to know [crosstalk 01:08:24].

C. Malmstrom: Well done.

Bob Zoellick: Thank you.

Nina: At the Brussels Forum this year, we would like to try and get some commitments for action. So first to you, Trade Commissioner, what would be your commitment to action to stand up for Europe in the face of what is now blunt protectionism, as per yesterday evening? What action do you think you can commit to?



C. Malmstrom: To continue what we are doing. To continue to finalize the trade and negotiations that we have with other partners, bilaterally or regionally, because this is important. To continue to work with others to see what can be done within the WTO to strengthen it. To work with the United States to try to frame, even if it's difficult right now, on a positive agenda to respond to a possible decision against us yesterday, as well. And, as we did have so much time to talk about, to continue to work on increased inclusiveness and transparency on our trade agreements because we need to continue to build that trust among our citizens that trade is actually a very good thing for jobs investment and for people. And I commit to come back next year if you invite me.

Nina: That would be fantastic. We'll hold you to that one. EU Trade Commissioner Cecilia Malmstrom, thank you very much for joining us. Bob Zoellick, thank you as well. And to our audience, thank you. I'll be handing it back to Richard.

Speaker 5: Ladies and gentlemen, please welcome back to the stage, Mr. Richard Lui.