

Brussels Forum

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The Future of Trade

Mr. Craig Kennedy: Okay, welcome back. The next session focuses on the future of trade. We're very happy to welcome back to Brussels Forum the EU commissioner for trade, the Honorable Karel De Gucht, and his American counterpart, the U.S. trade representative, Ambassador Michael Froman. We are delighted that they're able to take a short break from their talks to join us here at Brussels Forum, and we are especially delighted that Nina dos Santos from CNN is with us again to moderate this session. Nina, the floor is yours, please.

Ms. Nina dos Santos: Thank you very much. Thank you very much, Craig. Ladies and gentlemen, Ambassador Froman and also Commissioner De Gucht, thank you very much. Less than a year ago today, the European Union and the United States, as we all know in this room, embarked upon the world's largest free trade agreement, one of the most ambitious plans to try and create more wealth between their respective economies and regions, more jobs and also more investment.

We're here today to try and identify what's been achieved so far, what will be achieved in the future and, as Craig Kennedy was just saying before, we're delighted that these two gentlemen have decided to

dedicate 40 minutes of their time, and for that reason I'm going to get straight to it, and we're going to have to be brief.

I will take about 10 minutes of questions towards the end. I will obviously encourage a number of our members of the audience to keep them brief so that we can get as many points of view across.

Let me start out with you, Ambassador Froman. Obviously these trade talks are taking place at a time of fears about a new cold war. You're not just negotiating the TTIP here with Europe, you're also negotiating another free trade agreement with Pacific countries in the form of the TPP. And what's really crucial about those two agreements is that they don't include China, and they don't include Russia. Isn't that risky these days?

Amb. Michael Froman: Well, I think first of all we have to look at the underlying motivations and drivers of these trade agreements. And I think of them really in three buckets. The most important are the economic drivers. These trade agreements negotiations have to stand on their own two feet and be justified to our publics about how they create jobs, promote growth, strengthen the middle class in our respective economies.

I think the second main driver of these trade agreements are what I call geo-economics, which is

strategic, but it's strategic in an economic sense, that we want to work with like-minded parties to help set the rules of the game, raise standards, work together to ensure that the global trading system is strong, and this is the case both with our TPP partners and clearly with our European partners.

And then the third main driver is strategic, is the geopolitical. And from our perspective, TPP is a key part of our rebalancing toward Asia agenda, and TTIP is--we're already building on a very strong economic relationship, and it helps strengthen the overall transatlantic partnership that's so important across so many issues.

Ms. Nina dos Santos: But does that answer the question, though? Are we not risking alienating two of the world's superpowers at a time when we can't afford to?

Amb. Michael Froman: Well we work--I won't speak for Karel, of course, but I think we all work very closely with China, Russia, Brazil, India, Indonesia, South Africa, a number of the other countries that are major economies in the world, on our bilateral issues and on other areas of cooperation, including in the trade area. With China, for example, we have a series of bilateral dialogues that we are engaged in to address trade issues, and we're also in the midst of negotiating a bilateral investment treaty that will, we

hope, allow China to channel its commitment to reform its own economy and see how that's manifested through an investment regime.

And with Russia prior to the recent developments, we had a lot of discussion about resolving our bilateral economic issues bilaterally through dialogue but then, you know, where necessary, you know, we're prepared to take countries to the WTO, and well.

Ms. Nina dos Santos: Karel De Gucht, it does seem slightly ironic to be here talking about free trade when sanctions are on the table further towards the east. It does seem slightly ironic to be talking about free trade in one part of the world and to have sanctions imposed twice over the course of the last two weeks, doesn't it?

The Hon. Karel De Gucht: No.

Ms. Nina dos Santos: Is it not risky?

The Hon. Karel De Gucht: Because recently we are working a little bit less closely together with Russia.

Ms. Nina dos Santos: Is that not risky?

The Hon. Karel De Gucht: I don't know whether you have seen that, but--

Ms. Nina dos Santos: Is that not a risky strategy, to be embarking upon such strict trade ties with other countries?

The Hon. Karel De Gucht: The United States and ourselves have been instrumental in getting Russia into

the WTO, no? We were asked to do so, you know, by President Medvedev and the people around him. Please make sure that we come into the WTO very soon, you know. And we made a major effort, and it's on the basis of our agreement that they have become a member of the WTO. Now what I see is that since they are a member of the WTO, they do everything not to live up to the agreements that they have been signing, even independently from what has happened now recently in Ukraine, you know. I mean, they seem to don't live up to that. Look at the recycling fee at the wood TRQs. I could give you an endless row of examples.

So but we should also realize that apart from energy and a number of raw materials, Russia in itself is not a big trading partner, you know. If you take out of the Russian economy the extractive part, this is not a big economy. I mean, it's not the kind of economies that the United States or Europe are. I mean, we are about the same, we are a little bit bigger than you (inaudible), but we are. But I mean, when you compare that with Russia, that's a very big trading partner, no? So we also have a number of discussions with the Chinese bilaterally, also on the number of TDI cases recently where we have tried to find a solution.

Together we are involved in discussions with them on subsidies, what should happen in the future with respect to subsidies. We have very recently started

negotiations on an investment agreement with China. You also have negotiations on the investment agreement with China. So they are an important partner, and they are there to stay. I mean, what we are asking them, and I think we have the same demands to with China, is get more involved and take more responsibility in the world trading system because you have now become a big economy. In a number of sectors you are as mature as we are, so you should engage more.

And on the other hand to discussions, we have between United States and ourselves, I agree with what Mike has been saying on that, but if you look a little bit more in business terms what we are looking for is what you call synergies, you know. Little bit of same as we have in business when you make--be conglomerate, you say what could be the efficiency gains, you know. What can we gain by doing this?

Well, there are a lot of efficiency gains between us if we manage to have the kind of TTIP agreement that we have on our mind. But it's also very strategic why--well, the next big battle in trade is about norms, standards, regulation, disciplines. And there we should develop a common approach. And it's only by developing a common approach that we will be in a position to remain the driving force and also the leading force in international trades. That's very strategic, obviously.

Ms. Nina dos Santos: I'd like get--I'll get into the semantics of the deal that we're talking about, the TTIP, unfortunate acronym as it might be. But I still want to just hone in--

Amb. Michael Froman: I kind of like the acronym. I like the acronym.

Ms. Nina dos Santos: TTIP. Bob Zoellick says it's an unfortunate acronym, but maybe you're giving us a tip there. I want to hone in on the issue of sanctions for Russia, though, because this is a topical issue today. We've got the U.S. president, Barack Obama, arriving in town here in just a few days in Brussels.

Sanctions for Russia, is that the next so-called third stage? Could you ever (inaudible) a trade war with Russia?

The Hon. Karel De Gucht: You know, let's try to have a very clear idea on what is happening with Russia presently, no. What they are doing is, in fact, the annexation of the Crimea. That's what they are doing, you know. Now, this is something that is not normal. I mean--

Ms. Nina dos Santos: Indeed. So does it merit a trade war?

The Hon. Karel De Gucht: No, it doesn't have--no, it doesn't have its place in normal international relations. And to look at it from the north to the south they have--in Moldova they had Transnistria.

That's a black hole of smugglers, you know, among them a number of Russian Generals by the way. Then you have in Georgia--I'm saying this because I have been Chairman in Office of the OSC. I mean I know a little bit of these places.

You have in Georgia, South Ossetia and Abkhazia. South Ossetia, I mean that's a real black hole, no. Really? It's 40,000 inhabitants and they make an independent state over it. What is this? And then they are using--well, this conflict with Georgia to do the same with Abkhazia. They have also annexed. They are now doing the same in the Crimea, obviously so. And they have also forced Armenia not to have association agreement with us because--saying look, if you do that then we are not protecting you anymore with respect to (inaudible).

So they are creating kind of a line of pearls, but the pearls are, in fact, frozen conflicts at their border. What's the sense of that, you know? Do we have to swallow that? No, I think there is a price for that and I think we should be very clear, the United States and you together that they simply cannot do this, you know?

Ms. Nina dos Santos: So is that price trade?

The Hon. Karel De Gucht: Well, at present there are a number of decisions that have been taken with respect to visa bans and asset freezes, no. And look at what



the European Council has been saying, we are actively preparing economic sanctions if need be. And that's also the approach by the United States, and rightly so.

Ms. Nina dos Santos: How far would the United States' economic sanctions go?

Amb. Michael Froman: Well, I think the key thing is to focus on Russia's behavior. And it's Russia's actions that are increasingly isolated them in the international community, and they're actions that need to be answered.

And the U.S. and the EU and others are working together to ensure an effective response. And we each are approaching that and going through the analysis of it while at the same time trying to work to resolve the overall issue.

But it's important that countries come together and ensure that this kind of action is answered and that there is a considerate response.

Ms. Nina dos Santos: Now maybe overextending my brief here and asking you this, because I've recognized you're not the U.S. Energy Secretary, although I'll put this question to him as well. Trade and energy towards Europe to unhook our dependents from Russian gas, something that could end up on your desk one day?

Amb. Michael Froman: Well, in our system, the Department of Energy, issues licenses to companies who want to export. And if you're a free trade agreement

country, and that's one of the countries if they want to export, those licenses are deemed to be in the public interest. And if you're not then there's another process.

We approved a number of licenses for non-free trade agreement countries, and those licensees actually have partnerships with a number of European energy companies. So it's Total or BG or BP or others. And so by the licenses already approved there's the potential for gas to be exported to Europe, but it's very much up to the companies to decide where they're going to take the gas.

Clearly, completing TTIP and having the EU in the category of free trade agreement countries puts them in that other category of licensees.

Ms. Nina dos Santos: Has this formed part of your discussion so far?

Amb. Michael Froman: Well, it's just a fact--it's an underlying fact of our Natural Gas Act and our law. And so I think it's been--I've seen it discussed very much in the public and I think it's just yet another rationale for completing TTIP.

Ms. Nina dos Santos: Let's talk about TTIP, which is what we're also here to talk about today. What are you hoping to achieve from it? And I'm going to ask one of you at a time, and I would beg you gentlemen to be as brief and candid as possible to not say that you

agree with everything here without putting it down in writing. Mr. De Gucht?

The Hon. Karel De Gucht: Before we start the-- before we started the negotiations, we had the high-level working group and I think that last year, by the way, we discussed it here, and that's the line that we are forming. I mean this deal makes a lot of sense providing it's ambitious. I think it makes no sense when it's not ambitious, because we have already now the highway of trade between us, more than 2 billion on a daily basis.

So if we want to find these solutions that are win-win situations then we have to move into a higher gear with respect to tariffs, but also with respect to the services markets, to the public procurement markets, the investment and the regulatory, what is really the most novel part of the agreement is regulatory, but it will also be the most difficult one; because normally when you make a regulation it's because your opinion is the best one. And sometimes we will have to choose other approaches for the future, so that will be difficult.

But I have always said from the start that I think that the only way to make this deal is when there is enough political steer. This is not a deal like another one, because all what they call the low-hanging float,

I mean, is already in the basket, you know. We have that.

So you need a lot of political steer, and my approach as a politician is that if you need political steering then you should try to do it in a short as possible a period. I mean you cannot keep the momentum-political momentum for years and years and years on. So I think we should try to do it.

As Mike has once said, one tank of gas but, of course, the price of gas has gone drastically down in the United States. But that's what we should do. I mean it's about taking a number of political decisions.

Ms. Nina dos Santos: Well, speaking the political wheel to get anything through, we should also talk about the TPA in the United States. It's unlikely that that is going to get passed before midterm before Congress sets again.

When do you think it will get passed and how will that affect your timing framework; because you have committed it seems to one timeframe, but the United States never did.

Amb. Michael Froman: Well, I don't think it affects the TTIP negotiations and the timing of those negotiations at all. We're working in parallel to make progress and to push these negotiations as far and as fast as we can.

And as Karel said, it's got to be an ambitious, comprehensive high-standard agreement, including-- according to the high-level working group, the goal should be the full elimination of tariffs. We want to get rid of non-tariff barriers. We want to see if we can bridge the divergences in our regulatory systems and in our approach to standards while absolutely maintaining the level of health, safety [audio gap 10:25:15-10:25:31] approval processes.

There's now a discussion in the Congress and in the public in the United States about it. We have a new chairman of the Finance Committee who's going to take some time to work with the Democrats and Republicans on his committee, work with people in the House as well, and we're eager to work with them in parallel as we work in these negotiations.

Ms. Nina dos Santos: Is America really behind the TTIP, its people?

Amb. Michael Froman: Well, the--if you took a poll of the American people on TTIP and I've seen some [audio gap 10:26:00-10:26:17] quite a bit of support. And I imagine you'll be able to find polls out there that show that.

What's important, as Karel says, is that there be strong political impetus behind that. And when our leaders came together last year; President Obama, President Van Rompuy, President Barroso to launch TTIP

they made clear they wanted this to be that once in a generation type agreement that can really move the needle in what's already a deep and broad economic [audio gap 10:26:44-10:26:58].

Ms. Nina dos Santos: We've got pages and pages of debates about whether a (inaudible) cake is a biscuit or not and whether one country can sell tokai (phonetic) or another. It's going to be really difficult to get the minutia of this through.

The Hon. Karel De Gucht: You know, I have come over the last years to the conclusion that we have both a very difficult political system. [audio gap 10:27:22-10:27:36] That goes for the United States as well, you know.

It's, you know, we have in Europe and--we have the idea that the United States is much more integrated than we are, because you have a president and an army, you know, and we don't have that. But when you look a little bit under the surface, this is as complicated a system as we are.

For example, we have always TPA, we always have it, no? We are in--on the basis of the Treaty of Lisbon, the European Parliament can say yes or no. It's a ratification procedure. It's not a legislative procedure. In the United States you need TPA and, of course, when they give you TPA, the Congress, they will

want to know more or less what you are going to do. I mean probably. I can't imagine.

The same with the (inaudible) ministries. [audio gap 10:28:30-10:28:44]. It's not much different. It all comes down to whether or not the climate is set to make trade agreements. And if it's against state agreements then you will sense that in the member states. You will sense that in the commission. You will send that in the Congress. It's like that.

And [audio gap 10:29:06-10:29:19] where the (inaudible) member states are and you could compare it more or less with the Senate. And you need an agreement in the Europe Parliament (inaudible) procedure. And that's your congress. And it's more or less the same.

Ms. Nina dos Santos: And, of course, we've got the elections going on there as well.

The Hon. Karel De Gucht: Yeah, and I'm pretty sure that if--imagine that the deal are ready now and you have to present it to the European Parliament [audio gap 10:29:43-10:30:11] be facing excessive growth either, you know. So I know I'm--

Ms. Nina dos Santos: I can quote you on that then?

The Hon. Karel De Gucht: I'm bloody serious about it. Look at the period before 2008. We had medium-term growth of about two percent, no, in Europe, I mean. And the United States a little bit higher but partly in the U.S. and in the EU on the basis of a number of [audio

gap 10:30:41-10:31:01] back to sustained road, you know. We will have to do something that makes sense economically by having a lot of synergy between us, having new developments, having a leading role in the international scene. So that's why we need the agreement. That's not going to disappear next year or in two years or in three years, no?

Ms. Nina dos Santos: Ambassador Froman we should talk about how the stakeholders will be affected by this TTIP agreement. Notably the private sector will oversee the lobbying force in America is legendary. What has the private sector been telling you and is there a risk here because certainly in the United Kingdom where I come from there's a feeling that there's a risk that those negotiating the deal are being lobbied very hard for what industry wants.

Amb. Michael Froman: We have a wide range of stakeholders who express their views to us. Certainly there are business interests that do. But there are labor interests, there are consumer groups, environmental groups, a whole array of NGOs who are involved that we have a whole process of bringing them in and giving us advice. For example we have a committee that has all the labor union presidents. There's part of that that gives us advice. We've created a new committee on public interest groups that will include consumer groups, groups interested in



developments, help us with our trade policy towards developing countries, groups interested in public health. So we take a wide range of input and, of course, we work extremely closely--and each of our systems' a little different obviously. We work extremely closely with congress before, during and, of course, after the negotiation. So for example every proposal that we table at the negotiation we preview with our committees' jurisdiction with the relevant committees. And on TPP, which is further along than TTIP, on TPP we've had more than 1,200 briefings in congress on TPP alone. So we take--and that's an opportunity for us to get input from congress and for them to provide input that they're hearing from stakeholders too in our negotiations. We started this in TPP. We're doing it in TTIP now too. At our rounds of negotiations we organize sessions for stakeholders to come and present and we get hundreds of them who come and present their views directly to negotiators from both sides. So we think it's absolutely critically important that we get that kind of public input in to our negotiations. It makes for a better agreement.

Ms. Nina dos Santos: And, indeed, Commissioner De Gucht you've actually been on a little bit of a charm offensive in the southern states of the United States trying to speak to farmers over there haven't you? What was--what kind of concerns did they have about merging

America and Europe's agriculture businesses that the whole framework. What kind of concerns did they have about that?

The Hon. Karel De Gucht: I would not be reasoning in terms of a merger obviously speaking.

Ms. Nina dos Santos: No. The framework.

The Hon. Karel De Gucht: I don't know whether it was a charm offensive either but for me it was interesting that to know something more about it. I mean when you make a couple of speeches and you speak to the people on the ground it learns you a lot on what is in fact the policy space you have to come to an agreement. I was recently in Georgia and I was asking myself why did they jump out of the GPA and because you remember them when you had the GPA, the government procurement agreements, negotiations at the very end Georgia jumped out. What was the reason for that? And I have had some discussion there also with political figures and the business community and it learns you something; because it's important when you negotiate that they have a physical idea of what you're really talking about. Not for only about paper but what are you really talking about, what is feasible, what is not feasible. So and then between (inaudible) have time to go to some other places in the U.S. I will try to do so not in terms of, I mean it's not me that's going to convince them that they should do it differently. I

mean that's up to the United States' politicians, to Mike Froman to do so it's not Mike Froman who is going to convince the European constituencies either. But you learn something when speaking to them, yes.

Ms. Nina dos Santos: Let me start taking a few questions. Obviously, I would like to remind people who are asking questions to identify themselves but also to be brief and no statements please because we are really running against time. Take one in the second row.

Male: Thank you very much. My name is (Inaudible) Turkish Business and Industrial Association. My question is I know there are lots of tangible issues on the negotiation table, very technical issues, but in designing this vision of all the future of (inaudible) market, there was an idea, concept, in the air (inaudible) union. But what's happening with that? Substantially--is it still part of the vision?

Ms. Nina dos Santos: Ambassador Froman?

Amb. Michael Froman: Well, I think one of the main drivers of this initiative has been to help take steps that would improve the competitiveness in the innovation of both our economies and we have a lot of interaction back and forth including about how to ensure that new technologies, the digital economy, is very much part of the trading system as we move forward. So, yes, I think both of us are quite focused on building innovation societies. We both have

innovative economies and we want to make sure that that's reflected and furthered through this trade agreement.

Ms. Nina dos Santos: I'll take one question here from the gentleman in the front who I believe is also Turkish.

Male: Okay. (Inaudible) from Istanbul (Inaudible) University. Obviously the United States has (inaudible) and the European Union has some complicated relationships like a customs union with Turkey, how is this going to fit into the system you have in mind?

The Hon. Karel De Gucht: We have a customs union with Turkey for goods, no? So it's limited to goods including agricultural products with a number of reservations. So understandably the Turkish are asking us when you make that kind of agreement with the U.S. That's not only with this agreement but also with other free trade agreements and what we want our partners to do, in this case the United States, that they would have the same kind of free trade agreement with Turkey. And we also are ready to have close cooperation with Turkey on this. I was two weeks ago in Istanbul to discuss with my Turkish counterpart we also decided on a number of upgradings we could do with respect to the customs union. So this is a real problem. I'm not denying it but on the other hand even without changing the present agreements Turkey would take profit of this

TTIP agreement. They would not be paying for it, you know. That's how I think is not--is not right but we are in close cooperation with them, in collaboration with them to see how best to fit this into the TTIP agreement.

Ms. Nina dos Santos: Right. We've had two questions on Turkey. I'll take, actually, a couple of questions at once because we're running against the gun. Anton?

Mr. Anton La Guardia: Thank you. Anton La Guardia from the Economist, I'd like to know how the crisis in Ukraine is affecting the climate of the negotiations, whether it speeds them up or slows them down and secondly I'd like to know when the tank of gas runs out.

Ms. Nina dos Santos: Right. Let's take another question. That was very pertinent considering it was our original discussion. Yes, is that Liam Fox I see at the back?

Dr. Liam Fox: Liam Fox, member of Parliament in the U.K. The potential for TTIP is enormous and we all wish you well but how do you take two very different economic models and make them compatible, because the EU is a market of harmonization underpinned by the (inaudible) United States' economy is much more open, deregulated and far closer to a market of mutual recognition. As they say, a bird may love a fish, but where will they build a home together?

Ms. Nina dos Santos: Right. I'll take a brief answer. I know of course you're going to mention the U.K.

The Hon. Karel De Gucht: So I'll start with the last question, sir. The internal market in Europe is not based on harmonization. It's completely based on mutual recognition, because the internal markets is the result of a number of decisions by the European Code of Justice and the golden rule is that if something is allowed in one member stated it should be allowed in the rest of the European Union as well. So we have tried for decades to make an internal market on the basis of--[audio gap 10:40:29-10:40:53]

Ms. Nina dos Santos:--are actions national forces etc. Does that ever make you negotiating these trade agreements blink and think?

Amb. Michael Froman: I'm hopefully thinking all the time. As Karel said, we each have our complications in our systems, but I think we also each see the underlying logic of this overall initiative and it's not that we're going--we're not going to convert the EU to become the United States and the EU's not going to convert the United States to become the EU, but there are barriers that we can eliminate. There are areas where we can cooperate. There are mechanisms for ensuring that where there are divergences in how we

approach issues that we can try and bridge those divergences we're very much getting at.

Ms. Nina dos Santos: Right. Let's ask you that question about Ukraine. This goes back to what I was tackling at the beginning of our discussions. How have the situation--how have these trade sanctions, the situation in Ukraine, what's gone on in the last week, how has that influenced the talks that you've been having?

The Hon. Karel De Gucht: To my mind not at all because, I mean, why would we change our positions in negotiations because of what's happened in Ukraine and because we have the same analysis of what's happening there, no? Namely that it--[audio gap 10:42:25-10:42:38]

Ms. Nina dos Santos: Sir, (inaudible) I know, of course you're going to mention the U.K.

The Hon. Karel De Gucht: So let's start with the last question, sir. The internal market in Europe is not based on harmonization. It's completely based on mutual (inaudible) because the internal markets--

Ms. Nina dos Santos: The situation--how have these trade sanctions, the situation in Ukraine, what's gone on in the last week, how has that influenced the talks that you've been having?

The Hon. Karel De Gucht: To my mind not at all because, I mean, why would we change our positions in

negotiations because of what's happened in Ukraine and because we have the same analysis of what's happening there, no? They made that their--

Ms. Nina dos Santos: Ambassador Froman's (inaudible). The European Union has its own political forces pulling in different directions, national forces, etc. Does that ever make you negotiating these trade agreements blink and think?

The Hon. Karel De Gucht: To have free access to the minerals wherever they are leaked out of the soil, no? So we have no different approach on energy either. Of course the energy, the new discoveries are in the United States and much less here so why would this influence the whole environment? I don't believe so. It's, again, I believe a very clear token that, well friends have to work together because obviously Russia is not a friend of ours for the time being, no?

Ms. Nina dos Santos: We've got to wrap things up in a second, but I just want to ask one final question to Ambassador Froman. The TTIP, the TPP you've got [audio gap 10:44:25-10:44:40]

Amb. Michael Froman: Well I don't think they're mutually exclusive and it's a very good question you raise because we've also been working very hard in the WTO together with our European colleagues to complete the first agreement and first multilateral agreement the WTO ever completed in Bali in December on trade



facilitation. A very important agreement as well on some other issues but we also have negotiations underway at the WTO on information technology projects-products, on environmental goods and on services. And so we believe very strongly in the multilateral system and we believe that through these initiatives if we can raise the standards overall in the global trading system, if we can introduce new disciplines that more and more countries sign on to and are comfortable with it, it makes it all the easier to strengthen the multilateral system on that basis as well. And I think a lot of the work that each of us has been doing in our respective trade policies has helped give dynamism to the multilateral trading system at the same time.

Ms. Nina dos Santos: Before we go, any concerns about the fallout surrounding the NSA? It must be quite difficult negotiating a trade pact if you're contending with accusations of one party spying on another.

Amb. Michael Froman: Is that a question for me or for Karel?

Ms. Nina dos Santos: It is a question, well, it's a question you.

Amb. Michael Froman: You know, this is obviously a very serious issue, and we've got officials from both sides who are talking through those issues. And I think that they raise very, very serious concerns that are going to have to be dealt with. I think at the same

time the European leaders and the Commission as well has made clear that it wants to continue the TTIP negotiations in parallel. And we've continued to do that, even as this other dialogue is going on among the relevant officials.

Ms. Nina dos Santos: In a transparent manner. Right. The transparent TTIP. On that note, thank you very much. I'd like to thank my guests, Ambassador Mike Froman, thank you very much, he was trade representative; and Karel De Gucht who is of course the commissioner for trade for the European Union.

As we promised these two gentlemen --.

Mr. Karel De Gucht: I was asking myself, Why did they jump out --? [Audio gap 10:46:54:19 - 10:46:58:10]

Ms. Nina dos Santos: Forward to the Brussels Forum Accord, I suppose. We'd love to see you sign something with the name of Brussels Forum on it. If you could ink the paper we'd all go home and sleep a little bit easier with a lot more trade under our belt. Thank you very much, gentlemen. Thank you very much. [Audio gap 10:48:06.17 - 10:48:08.24]

The Future of Trade.

Ms. Nina dos Santos: Heads of industry set to talk about trade. And I'm sure that what the U.S. trade representative and the EU trade commissioner have said there will give you plenty of food for thought. I'll

also ask you whether you think they were candid enough. Let me introduce, from the left, our panelists today. We have Mr. Pedro de Motta de Veiga who is the director of CINDES which is a think tank in Brazil which monitors trade, overseas trade, a huge issue for Brazil. We also have on our right here Mr. Heinz Haller who is the chief commercial officer of Dow Chemical, also the president of its operations here in Europe, Middle East and Africa. Last, but not least, in the center we have Mr. Dave Ricks; he's the president of Lilly Bio-Medicines.

So there's so many different aspects of trade. I'm sure we're all disappointed we didn't get a chance to ask more questions to our guests before, because it is such a multifaceted topic. But we have representatives from various sides of industry that will be affected by the TTIP and other negotiations that are going on around the world, including the TPP.

Let me first off start out with you, Mr. Heinz Haller, Dow Chemical, a big company, but a third of your staff here in Europe, I believe. You're obviously an American company. What exactly would you like to see coming out of the TTIP, and indeed the TPP as well because that'll affect you too?

Mr. Heinz Haller: Well, if you look at these big trade agreements, they are absolutely designed to improve competitiveness of all the big industrial

outfits. They're supposed to sort of help us grow back again; and I think you mentioned that, that growth is going to be a theme and a topic. And it's going to be an efficiency gain for everybody within industry, just if you take internal sort of charges that you have because you're not a unified market, that's several tens of millions of dollars per year that you save that you can actually invest into productive type of matters. Just internal product exchange on its own is going to be a major progress and is actually going to facilitate a lot of the growth programs that we simply can't do today.

Ms. Nina dos Santos: You know, we take a look at the figures that have been bandied about for a year or so since this agreement, or at least they shook hands to say they were going to embark upon this agreement, now (inaudible) just asking you this, Heinz, 214 billion euros' worth of extra trade, 9 percent boost to the sales of chemicals manufacturers like yourselves. Do you believe any of those figures?

Mr. Heinz Haller: Well, you know, the truth comes in the future some time. But we get to start somewhere and we get to start with an objective. And I think industry's fully behind these objectives. And I think you'll see the numbers that we're projecting right now are not going to be the numbers that will really happen. But they're going to be big. And I think we

should not fall into the trap trying to predict the future in an absolute sense. I think rationale will tell you that we can do a lot of things better; we can do a lot of things a lot easier; and it's not only about financials in its own right. I think it's about employment; it is about regulation; and it's such a multifaceted type of a topic that I think we should refrain from absolute numbers.

We all know that these are the two biggest economies getting together and facilitate the trade in between and the trade with the rest of the world. And I think we should not underestimate that this big agreement, as such, for us as globally active industries is actually going to be creating a lot more than the numbers you're hearing right now--if we do it right. But it can also equally well destroy as much money if we do it wrong. And I think it's going to be - -.

Ms. Nina dos Santos: So what would be wrong in your book, though?

Mr. Heinz Haller: Well, if we tried to go and do special type of arrangements per each industrial segment, that we sort of go into every little market and basically try to regulate that too. And that's obviously a risk. And I think industries, and you were asking the question before, with the lobbying efforts that are going on, that we need to make sure that

that's not going to be the overwhelming outcome of the thing that you'd basically manage special interests.

Ms. Nina dos Santos: Dave Ricks, the pharmaceuticals industry suffers from a huge regulatory burden--probably, yes, to protect consumers--but it's not harmonized in any way, really, is it? What would you like to see coming out of these trade agreements? I'm not just talking about the T-T-I-P, or TTIP, here; I'm talking about other ones as well.

Mr. Dave Ricks: Well, we are highly regulated. I would say our industry's view is that we support the regulation we have, but there's a big efficiency opportunity between the U.S. and Europe. There is some level of harmonization, actually, but there's further we can go. In some cases, regulations are entirely redundant, such as manufacturing site inspections which just causes double the cost for manufacturers; and in some cases the policy principle's the same, but the means to get there are quite different. And this will take some more work and time, but we think it's worth it.

Overall we spend over a hundred billion dollars in R&D across the two economies in our sector; and even a five percent change in that turns out to be a pretty big number, if we can improve the efficiency. So we're excited about an ambitious agreement that would encompass this regulatory harmonization.

Ms. Nina dos Santos: Now are you excited about an agreement actually being struck? I was making a bit of a joke here with Commissioner De Gucht, saying we'd like to see the Brussels Forum Accord 'cause it'd be great if you could strike it sooner rather than later. But even just the kind of messages and dialogue that would be coming through, just even just the push to try and harmonize that regulation, would that perhaps be enough for you?

Mr. Dave Ricks: Well I think there are some quick wins, and let's acknowledge that regulation is an evolving body. So one of the things that's important about this entire relationship, beyond the pharmaceutical sector, it strikes me, is a basis to have ongoing dialogue to keep those regulations, to keep the economic interests consistent through time. I think that's a benefit to both Europe and the U.S.

Ms. Nina dos Santos: Let's come to our presenting guest, Pedro de Motta de Veiga. Brazil talks about trade all the time. In fact, you've talked about currency wars; you've talked about trade wars; you've talked about how many people like Brazil should have a seat at a table, to be quite frank. And then we've got the TTIP going on, we've got the TPP, we've got all these trade agreements; and Brazil isn't involved in a huge amount of them.

Mr. Pedro de Motta de Veiga: Brazil is not involved. Brazil is negotiating a trade agreement as a part of (inaudible), is negotiating a trade agreement with the European Union which has lasted for 10 years or more, they're at 15 years or so. Both blocs have not been able to reach an agreement and, as far as I know, the problems are still going on, and yesterday they had a meeting that was not conclusive at all.

And Brazil does not manage well, I think so, that's my opinion, does not manage well this world of preferential agreements. The preference of Brazil goes to multilateral negotiations, not only because now we have a Brazilian citizen as a General Director of WTO, but because this is a historical preference in Brazil; Brazil prefers to negotiate, has been one of the first members of the GAT. And that's the policy preference in Brazil. Brazil has a big difficulty in managing preferential agreements.

Ms. Nina dos Santos: And indeed Mr. Azevedo has actually managed to accomplish something that people feel might've been too difficult to accomplish, and that is the Bali Accords. How positive are you about that? Where do you think we go from here?

Mr. Pedro de Motta de Veiga: Yeah, I think that I would like to, the conversation is about the TTIP and the TPP and preferential agreements. I would like to stress a point importance of multilateralism. And I



will do that, not from the point of view of Brazil from a national point of view, but from a systemic point of view, from the point of view of old trade.

I think those negotiations, the preferential negotiations, on the contrary of general people considered, they will make multilateralism more important than ever. And why is it so for me? Because I think there is an (inaudible) negotiation to be made, to be sure that we have a future of peace and civility, economic and political, and this negotiation is between developing countries and the emerging countries of the large developing countries.

Ms. Nina dos Santos: Mind you, that Brazil's economy is on shaky ground these days. Is that message being heard as loudly as it once was before?

Mr. Pedro de Motta de Veiga: In Brazil you said?

Ms. Nina dos Santos: Yeah.

Mr. Pedro de Motta de Veiga: Yes, I think that's something that is well understood in Brazil.

Ms. Nina dos Santos: Outside of Brazil, excuse me. Is Brazil's message for multilateral --?

Mr. Pedro de Motta de Veiga: (Inaudible). Outside Brazil I think those preferential negotiations are gathering the attention of everybody. And I think that multilateralism is being left aside. And I think this can be a big mistake. Because we are entering a period where economic agendas and political agendas are

overlapping more and more, and so in the sake of stability, political and economic ones, I think that it's very important to preserve the multilateral as an important forum for negotiations.

Ms. Nina dos Santos: Let me come to you, Heinz Haller. So obviously you're not a trade commissioner yourself, I'm not going to ask you about the legalities of the finer points in things, but I might get close to the bone; obviously, if you're in a senior position of a huge American company here, you've got the United States negotiating agreements with one side, agreements with another side, Canada and Mexico aren't involved in some of these agreements, etc., etc. How do you plan at the helm of a company, a really big company with staff and plants everywhere, with all these different potted plants of regulations and changing jigsaw puzzles?

Mr. Heinz Haller: Well, strategically it is. And if you just look at the last few years and take the energy discussion as a basis, whereas 10 years ago the U.S. was sort of doomed to go out of basic raw materials and basic investments, and every corporation was planning on not investing into big refinery capacity, into big (inaudible), into big downstream type of units. And Europe was sort of still a lot better at that time. Within five years, that situation has changed in terms of, if you have your next dollar to invest, you're not investing that in Europe. You're investing that in

North America. And that's the type of situation, that's just the way of life we are right now. Life will never become the same again, that we have 10-year planning period, 10-year certainty. And I think it's the same with the sorts of political movements.

I think the main thing is that politics and industries are in sync of what we're trying to do. Because I think they have to be, otherwise we will not achieve our goals in terms of employment, in terms of investment, in terms of being competitive. And I think that the beauty of that big discussion is, the two biggest economies in the world get together, and they should therefore get stronger, and therefore we should actually be able to create wealth again. And that's true on an industrial level as well. We want to invest. We want to make money. We want to make returns. And these agreements, in my mind, are facilitation of better return opportunities.

Ms. Nina dos Santos: I'm slightly entertained by the fact that you're actually looking at Mr. De Gucht instead of me, when you're answering that question. Mr. De Gucht, would you like to respond to that? We could have a microphone, please. Thank you.

The Hon. Karel De Gucht: It was the exploitation of shale gases influencing the investments in the chemical industry, no? But it does not necessarily mean that there's no future for chemical industry in Europe any

more. And, again, I mean, if we make this agreement TTIP that will greatly benefit to the existing chemical industry in Europe in a way that it would create the necessary room for a number of niches to be exploited within that specific industrial sector.

I have to say that broadly, I believe that you can have two approaches on this TTIP agreement. One the one hand, there's regulatory, and that's I think very strategic. And it's essential for Europe and for the United States that we have a very serious grip on what is going to happen in that regulatory field in the decades to come--that, that's essential for our industrial survival, as clearly so.

And, on the other hand, if you look at it at the level of companies, what you see is that not only all major companies, but, in fact, also all bigger SMEs have facilities on both sides of the Atlantic, no? Now, if you can come to efficiency gains between these two economies, obviously that is going to play very much between the companies belonging to the same corporations on both sides of the Atlantic. I mean, it, for them, it would become one economic environment. And that's, I believe, at the level of the industry, the big gains are. And that will result in more jobs. It will result also, I believe, in more economic growth.

And we have to do that because it doesn't make sense to continue the way we do. When you look at the

structure of our economies--and the structure of the economies is that everybody, everybody that is operating internationally, has facilities, has investments on both sides of the Atlantic. So the logic is that you find a way that there are no walls in between, but in the end, our companies, belonging to the same kind of corporations. I mean, it's simply logical that you do this. It's the same logic that you have within a corporation, itself, you know? And now you have to play that within, let's say, the transatlantic environment. So that's what you should do.

Ms. Nina dos Santos: With a smaller board, hopefully. With fewer members on the board, hopefully. Let me come to you, Dave Ricks. Politics in America.

Mr. Dave Ricks: Very exciting.

Ms. Nina dos Santos: It's very difficult for heads of corporations, like you, to actually determine really whether this trade deal is going to get off the ground.

Mr. Dave Ricks: Well, I think we have to play an active role in supporting that and elucidating the benefits, as my colleague said, not just the economic ones, but the regulatory benefits. You know, we work in an industry that's really built--it's not on raw material costs, but on ideas. And so we have an interest in accessing those ideas wherever they are, turning them into products and selling them. So the

more common a system, particularly across large markets like the U.S. and Europe, the better our business can be. It can thrive. And we have to tell that story, because it results not just in more products and sales, but more medicines and healthier lives. So I think it's up to business to work with politicians, work with consumer groups, to tell that story.

Ms. Nina dos Santos: This is all very positive, but there must be some things that worry you.

Mr. Dave Ricks: Well, it's--right, it's a complex environment, right? And I think the U.S. political system, I haven't figured out yet. So, but we have to advocate for progress. What's our alternative?

Ms. Nina dos Santos: What would you like to see-- apart from, obviously, you know, the regulatory framework in the pharmaceuticals industry, which is, as we've established before, particularly complex-- simplified? What else would you like to see, as somebody who runs a business?

Mr. Dave Ricks: Well, I think there's two other key dimensions for us. One, is market access, to make sure that these two markets have free and open access. So when a product is available, it's available everywhere, that there's fairness and transparency in that distribution system and that we can fully access the collective two largest markets in the world.

The other piece, which will provide stability particularly in knowledge-intensive industries like ours, is an IPR Chapter or some element of intellectual property that takes the best of both worlds, because both economies have good intellectual property systems. But I think we can raise the global standard by taking the best of both and trying to incorporate those in this agreement as well.

Ms. Nina dos Santos: And IPR could really, intellectual property rights, could really be the thorn in people's sides; couldn't they? They could be really, really difficult to get through.

Mr. Dave Ricks: Well there are opponents to it. But, as I said, I think we're starting from two very positive places. What we want is a more predictable environment that we can plan into. And I think if we step back and look at Europe and the U.S., our future, our children's future are in companies that make intellectual property products. So it's in our collective interests to make progress there.

Ms. Nina dos Santos: It's in your collective interests. For those sitting on the outside, just coming back to you, Mr. Pedro da Motta Veiga, as we were saying before, Brazil's on the outside. Brazil has a huge generic pharmaceuticals industry. Wouldn't they be affected negatively by the U.S. and the European Union managing to strike this agreement?

Mr. Pedro da Motta Veiga: I don't know. I cannot answer you because I'm not--this is a very technical and specific issue on the intellectual property rights. And I would not dare making comments on how it could be affected, because Brazil has a lot of foreign investments coming European and U.S. companies, in the country. And there is a reasonable domestic legislation about that. I know that, compared to what European people and U.S. people consider to be a perfect--a good legislation, is not so much the case in Brazil. But, no, I'm not able to..

Ms. Nina dos Santos: Sure, I'm not specifically asking about the pharmaceutical sector. I suppose what I'm saying is, if you're on the outside, how does your economy rebalance if certain sectors obviously have been given an enormous boost by a free trade agreement that is the biggest one in the world is about to be signed?

Mr. Pedro da Motta Veiga: Very difficult to answer. I think that we are beginning to discuss that in Brazil. And, in general, the kind of answer people give to that is a kind of denial. People say, no, no, those negotiations will never reach a final point, so they'll not succeed, so we can be calm, we cannot disparte because nothing will happen. This is the kind of, not explicit, but implicit view we have in general in Brazil--not to tackle, not to deal with this big



problem that would be created by the establishment of this free trade agreement.

But I'm not sure. I mean, I think it's very, very difficult to establish, to evaluate how it could impact Brazil. Of course, I'm very concerned about this idea of the rules and standards being settled between--being set up between the United States and the EU. And the other countries will only have the choice to adhere to that or to stay outside that. I think this is a very--so not a good situation. And I'm talking about a systemic risk. I think that's--the larger developing countries don't like to be rule takers. If they see those agreements as essays--efforts from developed countries to sell new rules to them, ready to be bought by them, I think the effect would not be positive for the world trade.

Ms. Nina dos Santos: Now, I understand the EU Trade Commissioner also wants to make a comment on that. I will allow the microphone in your direction, if you promise to be brief, Mr. De Gucht.

The Hon. Karel De Gucht: No, I have to disagree with our Brazilian friend, because whatever we will do in this agreement will be open. It will not only be valid between the European Union and the United States. It will also be--offer possibilities for the rest of the world. And by the way, from the studies, it comes out that the additional benefit for the world at large

will be at least 100 billion euros, because also for your companies, it would mean that when you approach the European and the American market, you would only have one standard. And now you have two, which means that you have to invest in both. So I cannot see what would be the disadvantage.

But, if you'll allow me, just for one second, I would like to come back to what you said on the preference of Brazil for the multilateral system. You know, there is of course a reason that it's so difficult to come to an agreement within the WTO. And the reason is that the paradigm has changed. When we established the DVA (phonetic) more than a decade ago, the idea was asymmetry. Asymmetry in obligations between the least developed countries, the developing countries, the emerging economies and the mature economies, you know? Now what is the problem? It's a good problem, but it's nevertheless a problem, is that the emerging economies, especially China and also Brazil, have emerged, you know? So the reasoning then, with the mature economies is, Okay, but then they should take up the same responsibilities.

And that's what the real discussion is within the DVA. So it's not who is in favor or who is against a multilateral system. We are also very much in favor of a multilateral system, but one where, especially for those sectors where they have emerged, also the

emerging economies will take up the responsibilities. That's what the discussion is about. It's not either preferential agreements or multilateral system. No, it's how do you recreate the conditions to make progress at the multilateral level.

Ms. Nina dos Santos: Thank you very much. I was about to blame you otherwise for how long the TTIP was taking to negotiate. But you were kind enough to give us the microphone back. Let's open up the floor towards discussions. I'd like to start by taking a few questions. The gentleman here in the front. I'll take two or three questions. Do we have--one over here and one over there. Thanks. Starting out with you.

Mr. Neil Brown: Thank you all for being here. Neil Brown with GMF and the Lugar Center. I have a question specifically for Dow. In the United States, Dow is leading the effort to block LNG exports quite aggressively, with a very extensive lobby campaign. So I wonder if you could reflect on that position, given what we're talking about here in terms of actually increasing economic integration.

Mr. Heinz Haller: Can I just correct you? We're not trying to block anything. We're trying to use economic rationale for something that has been misrepresented around the world, and that's going back to shale gas, even though that should not be a shale-gas discussion. LNG exports from anywhere will not solve the short-term

problems, because it's not economically putting it on the same footing as North America is as a local producer. The second issue is, how do you want to reindustrialize your region? And the U.S. needs to repatriate a lot of industry. And if it's a lot easier to export ethylene in the form of a pallet than with a gas tank or so, it's not going to solve European problems. It's not going to solve problems in Asia.

However, I think the discussion needs to be much broader. The petrochemical industry is a very, very small piece of this. The energy and the fuel industry's much, much bigger. And there is nobody who is saying we should not have free trade in this, but only when it makes economic sense. So..

Ms. Nina dos Santos: Well, it makes geopolitical sense at the moment, doesn't it?

Mr. Heinz Haller: Well, if you want to--but then we've got to have a different discussion. Do I use these resources as a strategic type of ways and means, not necessarily an economic means. So I think you need to keep those two things separate.

Ms. Nina dos Santos: We'll come back to that in a minute. Let's take another question, because I'm conscious other people want to have a word. And can I ask you to be brief?

Marcus: Yeah. My name is Marcus and I wanted to find out one thing. And, based on one of the questions

that is there on the panel. Canada and Mexico are not part of the negotiations as far as I know. How did the Americans convince them not to be part of it, because we wanted to learn how to do that regarding the Argentineans. That's one of the major issues that Brazil has met with (inaudible). No, but how did you do that? That's a lesson that we wanted to learn.

Mr. Dave Ricks: I just run a drug company. I think you have to ask Mike Froman that question.

Ms. Nina dos Santos: I know. You should have said that when Mike Froman was sitting on the panel. But do you have a view on that, actually, Dave?

Mr. Dave Ricks: Not really. I think as a multinational company we don't look at these things as exclusionary, not so different from the Commissioner's statement. If we can simplify the global system so you can do business on a basis where you compete on similar standards or identical standards that's good for us, so for instance, Canada and Europe have a free trade agreement in the works. Fine. That's fine by us as long as it's driving toward the same simple, high standard that we're going for in IPR and regulation.

Ms. Nina Dos Santos: Just briefly Pedro, this issue has come back at least twice on the Twittersphere. People have been tweeting me about exactly what you're talking about, about the fact that Canada and Mexico are not involved in, obviously, these agreements. How

does that affect Brazil? Because (inaudible) do you view that favorably?

Mr. Pedro da Motta Veiga: Yes. I think that the comment made by Commissioner Gucht is important. I mean, if you simplify--if you reduce the standards from two to one it's better, but I think that's the position of being outside all this debate. The fact that we will have a new rule--maybe not one of them but a third one generated by the negotiations between the EU and the West--can create an additional and bigger problem for us. I don't know which will be this new rule, the new standards. This is a point, and I think this holds true for all those debates.

May I add something on multilateral negotiations? I agree with you. I think the big--that's what I have said. I mean the big negotiation to be made, I think, in the medium term and thinking of stability, of political and economic objectives, I think this is between emerging countries and the mature economies. I think that the idea that those economies have emerged, and they have to behave like mature economies is a deal-breaker because they do not have emerged.

I think that in the case of--I think and talk of emergence in the case of China. In the case of other countries, including Brazil among them, we had a steady improvement of the economic situation largely due to the commodity price boom, and that was it. Now we are

again facing a lot of difficulties which you know very well and have gone back to a much more protectionist policy and so on, so we are not in a situation where we can negotiate with the European Union like in developed countries. I think this is important to say also because we are still developing countries, and this is different. You have to take into account if we are to have positive outcomes in the multilateral negotiations.

Ms. Nina Dos Santos: We understand your point. In fact, that point has been made many times before here at the Brussels Forum. Many people who've been here before will know full well that point about the issue of responsibility. You're being lobbied very hard, EU Trade Commissioner Karel De Gucht. I'm going to have to send the microphone your way at some point. Let me take another question here from members of the audience. We have one at the back there behind me.

Mr. Christoph von Marschall: Christoph von Marschall from the German daily Der Tagesspiegel. One of the most divisive issues when it comes to the public debate about TTIP in Germany is at the moment the investors' protection clause, and I would be interested in the view of the managers on the podium. Do you really need an investors' protection clause for your decision to invest in Europe? When I look at the enormous sums which European companies invest in the

United States and U.S. companies invest in Europe it doesn't seem to be really a practical problem, but maybe also Commissioner De Gucht would like to comment on that.

Ms. Nina Dos Santos: I'm saving whole shopping list for him, actually. Yes, let's start out with you Heinz Haller.

Mr. Heinz Haller: Well, do we need it? We didn't have it so far, and we're in Europe since 1952. We're in the U.S. since 1894. The question is what does it bring, and I have never understood the discussion myself why we need it or why we don't need it. There is other people that have that discussion. From an industrial standpoint, I need a lot of other things rather than a clause that regulates something that I've been living with anyway so no. The answer is no.

Mr. Dave Ricks: Yes, we have a little different view, to be honest. I think we think it is necessary. I think it's interesting history because Germany actually introduced this principle into global trade agreements, and it's embedded in all the ones I'm aware of, the bilateral agreements between Europe and its partners and U.S. and its--I think, at a minimum, it builds a mechanism, a threat of having to defend one's actions in a domestic environment, that you have to contemplate the global agreement. Our company has actually been involved in a few of these, and it's an important



mechanism to build reliability into the system.

Finally, I'd say the U.S. and its judicial system works pretty well. I would argue many parts of Europe too, as well. Some parts of Europe are newer in terms of the maturity of their judicial system, and we would view that as an important element in the TTIP arrangement.

Ms. Nina Dos Santos: But there has been a lot of concern in Europe, especially in the United Kingdom where I come from, about how these settlement clauses can be inserted into trade agreements like this that very much put things in companies' favors versus the countries. Your response to that?

Mr. Dave Ricks: Could you be more specific?

Ms. Nina Dos Santos: I'm talking about, for instance, international settlement disputes--

Mr. Dave Ricks: Right.

Ms. Nina Dos Santos: --et cetera that allow company lawyers to discuss things in secret meetings--

Mr. Dave Ricks: I see.

Ms. Nina Dos Santos: --have secret tribunals, skew things in favor of industry rather in favor of [sic] countries.

Mr. Dave Ricks: Right. No, that is what the critics say, that these end up in arbitration which is outside the court system.

Ms. Nina Dos Santos: Endless arbitration.

Mr. Dave Ricks: I think there are principles we put around these in our trade agreements so that they are really a stop of last resort. I think it should be expected that companies and investors go through the domestic judicial system and only go to such a system to find relief if that's not available locally. I think there are probably ways to make it reasonably transparent as well. Our view, again, is that without this mechanism you have to rely on a state-to-state. Maybe we're biased coming from a enormous single government like the U.S., but it is very difficult to get even a whole sector issue on the U.S. government's agenda with a whole--all the countries it has to interface with. We see it as a necessary mechanism to make these trade agreements work.

Ms. Nina Dos Santos: Right. Let me read out some of the questions that are coming in from the Twittersphere here. This is probably one I'm going to direct towards you, Mr. Heinz Haller. There is much talk about the chilling effects of the NSA revelations on the TTIP prospects. Are you feeling these effects? Will it be an issue for leaders at ratification stage? How does the corporate world view all of this?

Mr. Heinz Haller: Sure, it has a chilling effect if you're sort of listened to all the time, but I think it has a totally different type of an element of discussion. How do we avoid that? I think we should not

start to mix up these sort of bigger issues that have nothing to do with industry, that have to do with personal security and stuff. That's an entirely different discussion. Obviously, it is a worry, but does anybody have a solution for it? I don't. I think it's about time that we start to address those things, but that's probably not for discussion in here.

Ms. Nina Dos Santos: Is it not for discussion in here, though? Because this goes back to the issue of due political security on energy, the issue of LNG that you were mentioning before. You said well, if there were geopolitical reasons for freeing up exports of U.S. LNG would you be in favor of it then as Dow Chemical?

Mr. Heinz Haller: Favor of what?

Ms. Nina Dos Santos: Would you be in favor of freeing it up as a market?

Mr. Heinz Haller: Like what?

Ms. Nina Dos Santos: Would you be in favor of allowing the United States to export some of its energy? The gentleman over there was just saying--

Mr. Heinz Haller: No. If you're for free trade you've got to be free trade and a free trade advocate. There is economic reasons why you might not want to do something, and if it's economically logical and economically viable and suitable then you should do it because a free trade agreement as far as I'm concerned

is a free trade agreement. It should not defeat economic logic, and if it's economic logic you've got to do it. If it doesn't work--if it doesn't sort out the problems of the other side then why do it?

Ms. Nina Dos Santos: So you, as Dow Chemical, would have no problem with that?

Mr. Heinz Haller: Well, I have no problem with a free trade agreement, but if it's a free trade agreement that is sort of a hidden subsidy somewhere then it's not logical.

Ms. Nina Dos Santos: And a subsidy always comes back in the energy sector. Let's take another question from anybody in the room. Anybody else got a question? Please.

Mr. John Giacomo Vion (phonetic): On this issue--my name is John Giacomo Vion, and I'm from Italy--on this issue and on other similar issues I think we should take into account a difference of political and institutional solidity between the United States and the European Union because the Commissioner made the quip--he likes quips--that we are bigger. If we sum the gold and silver and the bronze medals at the Olympics games we are bigger than anybody else. The trouble is that we can't do it. I think that the political framework has to be--of this whole discussion has to be strengthened by some progress in terms of political unification of Europe, or else--

Ms. Nina Dos Santos: And I'm assuming by you making that statement saying that there isn't that progress.

Mr. John Giacomo Vion: There isn't that at the moment.

Ms. Nina Dos Santos: What would make the progress (inaudible)?

Mr. John Giacomo Vion: This is a necessary condition to make all this work. The example you just made, the spying thing, you know, none of us, I think, in these rooms are virgins, so we know that these sort of things go on. The problem is the reciprocity. What about Europeans spying on the President of the United States or trading information that are relevant to commercial and economic issues?

Ms. Nina Dos Santos: How are you framing that question in the business community, for the business community sitting on the stage here?

Mr. John Giacomo Vion: Well, the business of unity-

Ms. Nina Dos Santos: What exactly does that mean?

Mr. John Giacomo Vion: --you know, understandably said well, this is politics. This is beyond you while you are making the point, I think quite correctly, that, you know, reality is reality, and by definition there are no limitations between economics, trades, and politics.

Ms. Nina Dos Santos: So if you'll kindly let me take it from there I will strike that message home. The reality is, Dave Ricks, money talks. Doesn't it? Business talks. The politicians might talk, but the money is behind them from the industry.

Mr. Dave Ricks: Well, I don't know about that. I think this process is one that includes a lot of groups. I would say on these other political issues it's hard to respond specifically to how to address those in the context of a trade negotiation. We just have to keep going back to why we're here which is we're looking for growth as the two negotiators said. We can't afford any more stimulus. Half a point of GDP growth sounds pretty good. That's what estimated. That's why we're trying to get this done. Simplify regulations, go to the highest standard, and if possible then use that as a platform vis-à-vis our other agreements to improve global trade. That's what we need to focus on. I think that we have NSA now. There'll be maybe some other political issue in a year, but if we keep focusing on that core reason to move forward I think that gives us our best shot.

Ms. Nina Dos Santos: Are you saying that the political class is looking for an excuse to not get this done? There seems to be--

Mr. Dave Ricks: I'm saying that there's--

Ms. Nina Dos Santos: --one coming up every time.

Mr. Dave Ricks: Yes. I'm speaking as a citizen now. I'm saying there's always political noise about any one thing, but let's go back to the basic and obvious premise that we have two great trading partners. If we can reduce the friction a little bit we can create enormous wealth on both sides, and that's good for both societies.

Ms. Nina Dos Santos: Now Pedro, you must be viewing this with a certain degree of schadenfreude. Right? I assume.

Mr. Pedro da Motta Veiga: Alright.

Ms. Nina Dos Santos: You must be viewing this with a certain embarrassment and interest, watching this discussion about to a certain extent how the United States and Europe sometimes don't trust each other, but yet they're about to jump into bed with each other.

Mr. Pedro da Motta Veiga: Yes. I think that's very difficult to me to intervene in this debate because we are outside, and in some sense I am also a little bit skeptical. I think during very beginning of negotiation I refer to TTIP, and I have seen (inaudible) before. For instance, the multilateral agreement on investment, negotiating the OECD in the '90s. It was a negotiation exclusively among, of course, developed countries, and the negotiations did not reach a successful end. I think that we have to wait and see. We are outside the negotiations. We have to wait and see what's going to

happen. It's very difficult to estimate. It would be a rough estimation of what can happen to Brazil in this scenario.

Ms. Nina Dos Santos: Okay. I'm going to wrap this panel up with a quick note from each of our panelists about where they think global trade is heading. It seems to be coming out of the recession now, painful as it is. Will the economic cycle really be turning on the downturn by the time we get the TTIP done? Heinz Haller first.

Mr. Heinz Haller: Well, look. It is an enormous opportunity that will not fix problems of the past. You got to have a perspective of looking forward, what can we do better? I'm absolutely positive that that will give us economic growth back, and it will not give us only economic growth, it'll give us job growth, as well.

Ms. Nina dos Santos: Dave Ricks?

Mr. Dave Ricks: Yeah, well, TTIP is in front of us now, and I think it and other bilateral arrangements are what we should act on. I think free trade has gotten us a long way across the planet, whether it be the previous WTO rounds or even the European Union itself. So I think we need more of that, and it can create growth and opportunity for companies and citizens. So it's what we have to work on, and I think we can make progress on this. We may face headwinds



from an economic perspective, but I think we're better off with more liberalized trade to face those headwinds.

Ms. Nina dos Santos: Pedro da Motta Veiga?

Mr. Pedro da Motta Veiga: Yeah, let's be a little bit more pessimistic. I think that the political environment where trade negotiations evolve are still very--is still very negative. And I think of this political moment that Commissioner Gucht has referred to, the political momentum for negotiations, I am asking myself who shares the political momentum.

I think business sectors' share is considering that, and I look at the political system in the EU and the U.S. When I look at what is happening all around the world, this overlap between political and economic issues, the populism in Europe, economic nationalism in Europe, I think to myself yeah, you know, it's still very complicated situation. I don't see the political momentum that is able to push that beyond the negotiation table and toward civil society and different stakeholders. I think this is my final note on that.

Ms. Nina dos Santos: So the political system is now out of synch with the economy, and when that starts moving again, they'll still stay out of synch.

Mr. Pedro da Motta Veiga: Yeah, that's right.

Ms. Nina dos Santos: Could I just ask for a microphone for one moment because I would like to ask the EU trade commissioner what you think you can commit to versus this TTIP. We've got the U.S. president arriving in town in just a few days. What's your message, briefly?

The Hon. Karel De Gucht: So I believe it's a great opportunity, and if you are doing politics, and you see opportunities before you, you should try to do everything possible to get there. But of course the near future will also influence that debate. I believe that although, obviously, there are a number of advantages for businesses that the only way to make this agreement is on a political basis. You need a political agreement to do it between the United States and Europe because it goes much further than a normal free trade agreement, and you also see that in the public interest.

We have been negotiating over the last years a number of agreements, and they have never really been discussed in the general public, and this one is because everybody realizes that this is something of another kind. And that's also why you need to demonstrate. I believe as politicians that you are in a position to do it and that you are actually doing it, that you are delivering on it.

Ms. Nina dos Santos: Well, we wish you luck in that endeavor. On that note, thank you very much gentlemen.

Mr. Craig Kennedy: And thank you. It was really perfect. Thank you for being here, guys, it was terrific. Now this morning we had 279 exchanges of business cards. It's up to 1,134. And the winner of our prize for the most, with 45, is Fatima Orgo (phonetic). If she's here, I've got your present. If not, we're going to head out this door, head to the lobby, and we're going to go to our dinners.