

Brussels Forum

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Meeting Topic: A Conversation: Michael Froman and Cecilia Malmström

Announcer: Ladies and gentlemen, please welcome Mr. David Ignatius of the Washington Post.

Mr. David Ignatius: Thank you very much. It's my pleasure to introduce this conversation on trade with the European Commissioner on Trade, Cecilia Malmström. And US Trade Representative Mike Froman.

When I got started as a journalist, trade was about the dullerest subject there was. My late beloved boss, Ben Bradley, when we would pitch stories as editors to Ben, if something was really boring, Ben would mutter, "gat." Which older members of the audience remember was the general agreement on tariffs and trade. And that was Ben's way of saying, "that's really boring."

In fact, the story that we ran when Ben retired as editor, which we kept secret from him, there was a slug on our dummy front page through that day, and the slug was, "GAT." It was our way of sticking it to Ben.

Trade as we see has gone from one of those important worthy not-so-exciting issues to the most explosive issue of the US Presidential campaign. And I would say a pretty explosive issue in Europe. I wrote in a column this morning that as anti-trade positions have now swept all of the Republican candidates, and pretty much the Democratic field, trade has become a wrecking ball issue in this campaign.

So, I want to be clear. I've written for many years about my own views. I don't want to pretend that I don't have any. We have an unusual opportunity tonight to have really the two leading negotiators doing trade issues talk with us. We're going to leave time for your questions, so, please be thinking of them.

I want to start with Ambassador Froman. And I'm going to use first names here because trade's just that kind of issue.

The Hon. Cecilia Malmström: We don't want to be boring, eh?

Amb. Michael Froman: You're among trade friends.

Mr. David Ignatius: The GAT days are over.

The Hon. Cecilia Malmström: Oh, there are many more acronyms that I can bore you with.

Mr. David Ignatius: Well, I wanted to say create is a four-letter word now. But it used to be a four-letter word. So, Mike, I'm thinking about one of those Republican debates of which we've had, what, you know, 50?

Amb. Michael Froman: So it seems.

Mr. David Ignatius: And I'm hearing the voice of the leading Republican candidate, Donald Trump, talking about bad negotiators, and bad trade deals. You've seen those debates, haven't you? You've--

Amb. Michael Froman: I've heard about them, yes.

Mr. David Ignatius: So, I want to ask you if we could magically put you on that stage as Donald Trump is going on about bad deals, and bad negotiations, what would you say if somebody sort of said, "Ambassador Froman, would you like to respond?"

Amb. Michael Froman: Well, I don't have a license to practice presidential politics, so I'm not going to directly answer the question about Mr. Trump. But I will say the following.

We have a long history of trade agreements. And I think we have learned over the years what's worked and what could be improved. And as the -- as President Obama set out, it's important not to do trade for trade's own sake, but to do trade right. And that means making sure that it works for everybody. That it works for workers in the United States, for example. And that's our priority.

And that means, for example, as we have done in TPP and we're now working on TTIP, making sure that we're addressing issues like labor environmental standards, so that we're raising standards in other countries, in other markets that may have lower standards, and creating a more level playing field for our workers.

There are opening markets that may be disproportionately closed to our own markets, and that we make sure that we've got all the enforcement tools available so that it's not just negotiating an agreement, but making sure that we're defending and enforcing all of our trade rights.

You know, when John Kerry refers to TPP, he says, "this isn't your grandfather's trade agreement." And I think that's an indication that we have tried to break new ground to make sure we are doing trade right, trade that works for everybody, and we're very much hard at work at TTIP to do the same thing here, as I know the EU is in its trade negotiations around the world. So that we're raising standards all over the world, and making sure that it works for all of our people.

Mr. David Ignatius: But you know, that is a restrained, intellectually serious response, but I'm asking, really, this has now become an angry debate in which people are shouting about how angry they are. And I want you, if you can, put the presidential politics aside, I understand you can't comment on presidential candidates. But when somebody angrily says to you, let's say it's a factory worker in Pittsburgh, or Lackawanna, what's the Mike Froman answer to that?

Amb. Michael Froman: Well, look. I think the reality is that technology and globalization have had a major impact on the US and on other economies. On the nature of production, the nature of jobs, on wages. And those concerns that people have are legitimate. And we need to recognize them as legitimate. Now, economists will debate how much of that is due to technology versus globalization. Most think that it's mostly due to technology, but globalization has certainly played a role.

I think it's a mistake, though, to conflate globalization and trade agreements. Globalization is a force. It's the product of the containerization of shipping, the spread of broadband, the integration of economies that used to be closed in eastern Europe or in China that are now open. Trade agreements is how we shape globalization, how we make sure that globalization evolves in a way that's consistent with our interests and with our values.

And we can -- workers, I think, are rightfully concerned about, in the United States, that we've had wage stagnation for so many years. We've only seen wages tick up a bit last year. It's too little and not fast enough. But trade agreements is part of the answer. And that's our ability to open markets, for example, through TPP that are disproportionately closed, so that we can produce more in the US and sell to other countries. We don't have to relocate our production to those countries in order to serve those markets.

And then raise standards in those countries. Labor, environmental, intellectual property rights standards, disciplines on the state of enterprises, to make sure that we have a level playing field for our workers in the United States to be able to compete.

Mr. David Ignatius: We'll come back in a minute to ways in which those unhappy workers' concerns can be addressed. But Cecilia, I want to ask you a version of the same question.

The Hon. Cecilia Malmström: I'm not running for the US President, unfortunately.

Mr. David Ignatius: Well, I want to just express personal regret that that's true.

The Hon. Cecilia Malmström: Yeah, but you know. That's how it is.

Mr. David Ignatius: So, you -- let's imagine that you're with your fellow European Commissioners. And I think it's fair to say, looking at the recent news, your colleagues are overwhelmed with difficult issues. You have a Europe that is under a kind of a stress that since the creation of the EU, I can't really remember a sustained period of stress like this. So I'm wondering how you try to make space in that group of your fellow commissioners, and by extension, in the European debate, for this trade agenda. How do you tell people with everything we're worried about, this still matters?

The Hon. Cecilia Malmström: Well, that's actually not very difficult in the group of Commissioners, because you're absolutely right. We are facing enormous challenges, migration, we are just out -- not out

of the economic crisis yet, we still have a huge unemployment, we have countries who might want to leave us. I mean, there are lots of challenges. Nobody's denying this. And we're working jointly in the college on all this.

But it's actually not difficult to persuade my fellow commissioners that trade plays a very important part in that. It's not a solution, of course, but it can contribute. Because we are finding ways to get out of the economic crisis. There are lots to do that, but trade is a way.

90% of all global growth in the future will come from outside the European Union. We need to be there to connect to that growth with the US, but also with many other of our partners. We also know that trade is a formidable source of fighting poverty if it's done right. So, we also engage with countries in Asia, in Africa, in order to see how we can in an asymmetrical way, engage with them to help them build up a trade capacity so that they can compete and that they can raise their standards, they can diversify their economies as well.

So it helps in the migration issue to a certain extent as well. So trade is actually tooled to do this as well. And they are -- it's a joint project for the European Union. We know that we are stronger if we are 28 negotiating with the US than if -- and yet we're one negotiating on behalf of 28 then if Ambassador Froman has to talk to 28 trade ministers. And so it's a joint project, as well.

So this is the case we try to make. And also, I fully agree, trade is not for the sake of it, but, you know, well-done, well-organized, it is actually something that is to the benefit of our people and our economies.

Mr. David Ignatius: So, you know, that pro-growth even anti-poverty argument for trade that Cecilia just made, I think has intellectual merit. But what we're seeing is that it doesn't break through the anxiety that workers are feeling.

So, Mike, I want to ask you to come back to those anxious workers and say a little bit about what the agenda should be for taking care of them better in this transition. What an agenda for trade protection assistance would be, what an agenda for training and education would be. Walk us through those supplements to the purely trade side.

Amb. Michael Froman: Well, first of on, on the purely trade side, I think it's important, and I imagine the statistics are true in the EU as well, that expanding exports help support more jobs. And those jobs in the US, export-related jobs, pay up to 18% more on average than non-export-related jobs.

So this is a way of dealing with the wage stagnation, dealing with the income inequality issues that we've been wrestling with in the United States. We think that by opening markets and increasing exports, we're actually helping workers increase their wages and, you know, a recent Peterson Institute report about TPP

actually concluded that a majority of the benefits go to workers, skilled and unskilled, rather than capital, because it will lead to increased wages in their jobs.

But having said that, you know, you put your finger on something very important, which is the importance of having trade adjustment assistance, for example, and other mechanisms to deal with transitions. Last year, when we went to Congress to get the approval of trade promotion authority, we also got the authority of a six-year program of trade adjustment assistance. And it a broad program. It includes services, it includes not just people who are maybe displaced by a trade agreement, but by anybody who's displaced by globalization, by any sort of trade impact, whether it comes from India or China or elsewhere.

And that's really just the start, and that helps workers get retraining. But as you've suggested in your question, it needs to be part of a broader strategy, which may include increasing minimum wage, investing in education, doing lifelong learning, figuring out how best to target training programs for the kinds of needs our economy has. And, you know, Vice President Biden has spent a major effort looking at our community college system, how that might be used to help support vocational training and those who are in need of making a transition.

So it needs -- trade can only be one piece of this. We think it is one piece, but it does need to be part of a broader agenda.

Mr. David Ignatius: Cecilia, I'd like to ask you to turn now to the trade negotiation that's going on between the two of you now, and that's the TTIP negotiation.

The Hon. Cecilia Malmström: That's awfully boring, actually.

Mr. David Ignatius: Well, I'm going to force you to get to the secret crazy side of TTIP. But tell us where things ascend in the negotiation, where you've made progress, where you're still hung up and maybe you could address the question that Mike just talked about. How can this trade agreement be made to sound like something that's good for workers in Europe so the anxious European workers facing pressure from migrants, pressure from the leftovers of the debt crisis, feel that this is good for their jobs, not bad?

The Hon. Cecilia Malmström: Well, this is exactly what we're aiming at. We actually spend the whole day together and we met in Washington last week, as well. So we had very intense talks, both between Mike and myself and our teams meet all the time and are in contact in order to speed up. We've come a long way in the negotiations. We've been talking, these last weeks, about everything from services to environmental cooperation, the regulatory cooperation standards [inaudible].

Mr. David Ignatius: Have you got anything pinned down that you could tell this audience, "Yeah, we basically got this one"?

The Hon. Cecilia Malmström: Not really yet. We're working at it. So we made a lot--we've made a lot of progress. But of course, it's not -- everything is linked, so you can't just say, "Okay. This chapter is done." And then you're done with that. Because it's in there. We have a come a long way in the regulatory cooperation, we're looking at different sectors, which is new with TTIP because it's, of course, getting rid of costs and tariffs and increasing market access, which will lead to more jobs and growth, which will be good for our people and our workers. But it's also about see how we can get rid of a lot of red tape between us. Because we trade. We've been trading for hundreds of years with each other. But in the regulatory, where there are duplication of systems, how we test some of the safety arrangements, you know, when it comes to the car sector in medical devices or pharmaceutical, without lowering any standards. But saying that, "You test and I test basically the same way. Maybe one test would be enough and then we can save millions to inspect the factories in countries where it really matters." And then use that money to invest, to employ new people, maybe to do more research in the pharma or medical device sector or in the textile or what have you. And these are the things we--we're almost there but it's a technical, very complicated exercise to get it right. And this will, of course, also bring down the costs and will have direct effect on the people who are working in these branches.

Mr. David Ignatius: Like, all of the particular technical regulatory issues aside, when this negotiation began, I think it was widely felt that it was starting in a climate because of the Snowden revelations of European skepticism about American power. I still encounter residues of that post-Snowden anger, even when I raise the question of TTIP.

So I'm wondering, do you still think that's a factor? Is it diminishing, as you travel around Europe and talk about the deal?

Amb. Michael Froman: Well, like, we have -- we start from the premise we have a very deep and broad and long-standing trade and investment relationship. And that we have a lot of shared and common values. And we have our differences at times and you're right, that that certainly had an impact over the last few years, but I think in terms of TTIP, we've been able to keep the negotiations going in part because we see it as an important element of a growth strategy for both of us, that we see it's a way of enhancing our collective competitiveness in an increasingly competitive world by taking out the kinds of unnecessary costs at Cecilia mentioned and refocusing our regulatory and standards efforts.

And we see it as a way that the U.S. and the EU can actually work together around the world to promote our shared values, to raise standards in other countries, to address issues together. And very importantly,

given some of the developments on the margins of Europe, to reinforce the strategic partnership between the U.S. and Europe. At a time when there's a lot of uncertainty in the world that the U.S. and Europe stand together and are deepening -- taking steps to further deepen their relationship.

And I think those dynamics, those imperatives, have allowed these negotiations to continue, notwithstanding other developments.

Mr. David Ignatius: Cecilia, I need to just ask you briefly if you share Mike's view that that somewhat anti-American feeling that was -- that underlie the negotiations in the beginning is less of a factor now?

The Hon. Cecilia Malmström: Well, it has played in. Of course it does, and in some segments, it's stronger. But I think we are working to overcome it and yes, we do have differences, but we also have so much in common. And in this world where the values that we share not only in making good trade agreements but also in defending social rights, environmental rights, human rights, the rule of law, this is contested in many parts of the world today. So if we can stand together and showing that we promote, not only between ourselves but also in the rest of the world, that is strengthening the transatlantic partnership. And we are, you know, old and good friends and that is a very solid relationship.

Mr. David Ignatius: Said something before we came out here that I'll just repeat because it really stayed with me, that trade agreements, though we don't think about them this way, are part of our shared values. They are part of what the transatlantic relationship is about.

I want to turn to Asia because, Mike, you've spent much of the last few years negotiating the transpacific partnership. It's a big -- this was a big achievement. You managed to get it done. But I need to ask you, is there any chance of getting it passed this year, first, and second, what are you hearing from your Asian partners with whom you negotiated, as they watch our political debate? When they hear the sort of glamorous anti-trade comments from the candidates, what do they think?

Amb. Michael Froman: Well, I think they follow our politics exceedingly closely and are very much attuned to what's going on. And we are very open about where we are in the process and what the challenges are and where we see the opportunities.

But I'm comforted by the fact that I've spent a lot of time up in Congress when I'm not abroad meeting with members of the Congress and senators about TPP and the rest of our trade agenda. And with regard to TPP, answering our questions, addressing our concerns, making sure that they understand what's at stake for their constituents and for stakeholders who they care a lot about. And I've been comforted by the general support that we've been getting there. Having just completed TPA last year, I think we have a good sense of where congressional feeling is on these issues.

And most of the members of Congress who I've spoken to have said they're going to make a judgment about TPP based on what it means for their constituents, the benefits of the agreement for their constituents and for the stakeholders they care about.

Mr. David Ignatius: I should just ask you the question that candidates in both parties have raised, which is, you know, "This agreement isn't as good as it should be and if I'm elected president, I'm going to go back and renegotiate a better agreement." Is that nonsense?

Amb. Michael Froman: I'm going to give an indirect answer to that question. But this is a very complex agreement, involving 12 countries, developed and developing, taking on a lot of new issues. And it's an agreement where every country on the table is not only looking at the balance that it struck on its own offensive and defensive interests, but also how the balance it struck compares to the balances that every other member of the negotiation struck.

So we have made it clear that we do not believe this is able to be renegotiated, which doesn't mean that we can't address outstanding issues through a number of mechanisms that we have. And we're working with stakeholders, whether it's in the pharmaceutical and biotechnology area or in some of the agricultural areas or financial services where issues have come up to see what we can do to address their concerns.

Mr. David Ignatius: Cecelia, I want to ask you a question that's implicit in the political debate in the U.S., which is what happens if TPP fails? And specifically, what would that mean for Europe? Would the Europeans seek to find some alternative, either bilateral or EU-wide way of negotiating with Asian trading partners? And I have to also ask, what would that mean for the ability of the United States going forward to lead a global trading system if it couldn't get this agreement through?

The Hon. Cecilia Malmström: Well, let's hope that it does because we really do hope that it will get through because opening new markets, sort of forcing countries to apply certain rules and opening their markets and pushing them in the direction that some of these countries might need to push when it comes also to labor standards, and the sustainable development environment and how markets are managed. That is a good thing for the whole world, so we really hope that this will come through.

We are not just looking at this. I mean, we have very ambitious trade agenda in the U.S. and in Asia. I just came back from a Asian meeting and we are exploring possibilities to launch EU Asian negotiations.

We're not really there yet, but in the meantime, we are building blocks. With that, we have an agreement with Singapore we have just launched with the Philippines, we have one with Vietnam that is now under translation process and legal scrubbing, as we call it. We are looking at possibly launching with Indonesia. We are doing the preparations to launch with Australia and New Zealand, so we have a lot ongoing, as well.



Mr. David Ignatius: And, Mike, last question for you. If the TPP, as we've been discussing, should fail, do you think the Chinese would seek, as they did with the Asian Infrastructure Investment Bank, to take advantage, in a sense, of the vacuum that that would leave? And what would be the consequences of that?

Amb. Michael Froman: Well, look, I do. And I think, more generally, and just to build on Cecelia's last point, the rest of the world is not standing still. The EU is very active negotiating agreements, Australia is very active, that China is, I believe, negotiating currently with 32 countries. Some in ARSEP and some in other agreements. The rest of the world is moving ahead. And what that means for us is first, will we be locked out of markets that are important to us? The Asia-Pacific, as an example, have more than 3 billion middle-class consumers by 2030. We want to be able to serve that market with made in America, grown in America products.

And if everybody else, if the EU is able to get in there with its pork from Denmark, our--

The Hon. Cecilia Malmström: Delicious.

Amb. Michael Froman: --pork producers will be at a disadvantage. Right now, Australia is implementing an FTA with Japan. Australia produces beef, we produce beef. Australia has a lower tariff in to Japan than we do, and our market share in Japan is going down. It's gone down by five points because Australia has a competitive advantage.

So from a pure market access point of view, us failing to move ahead with TPP and us being on the sidelines while the rest of the world moves ahead is very deleterious to our economy. But beyond that, I think, to go to your question directly, I think the question is, who is at the table writing the rules of the road for the global trade system? And there's no mutual exclusivity between what China's doing in the region, what we're doing in the region, but we think it's important that we actually be in the region helping to set initial property rights standards, labor and environmental standards, putting disciplines on state-owned enterprises for the first time. That's what TPP does. Making sure that the internet remains open and free, that there's a free-flow of data across borders and there's a pushback against localization requirements. That's what TPP does. And in the absence of TPP, I think we'll see agreements in the region that, first of all, carve up these markets at our expense and don't raise labor and environmental standards, don't preserve the internet, don't put disciplines on SOEs, don't raise intellectual property rights standards. And that cannot be more in the interest of American workers and American businesses than us being at the table and getting TPP done.

Mr. David Ignatius: I'm going to turn to the audience now. You have made such strong arguments in favor of trade agreements, so I'm thinking that we should've invited Bernie Sanders or Donald Trump, but we didn't.

But I see hands in the audience, so let me start with Steve and then we'll go around. Please identify yourselves, keep your questions short. If you can ask up to one, one of our panelists do but go ahead.

Mr. Steve Clemmons: Thank you. Steve Clemmons with The Atlantic in Washington D.C. Madam Commissioner, I understand that there are about 159 areas of exclusion or exception that you've come to the table with in TTIP, and the United States has brought four exceptions. And so as an outsider to this process I just ask, would you take--if you were an outsider like me, would you take Europe's position in these many numerous exceptions you went to a free trade deal seriously?

Hon. Cecilia Malmström: Absolutely. If you look at the content of them you will see that we can have an exercise about how you group them. We have a long list of exceptions, yes, because we are 28 countries, and all 28 countries have given to the commission some sensitive areas. But we are also very specific. The U.S. have fewer exceptions but they are wider. Some social exceptions where we have 19 lines. There's a maritime, we have 23 lines. I mean, you can group them differently. You--we still have more, but the difference is not as big as it can seem if you just hear the numbers.

Mr. David Ignatius: Uh, yes.

Mr. Alfredo Valladao: Yes, I am Alfredo Valladao,

Professor Valladao in Paris and from Brazil. I'd like to make three comments. The first is that trading goods in the last two years has been growing less than GDP, and many analysts are saying that this is a structural phenomenon. The second thing I want to say that WTO and OECD have made three years ago a big research on value added trade statistics where they found out that services respond more to less than 50 percent of the value of goods. And the last thing is (inaudible) and TTIP are--is more less about trade and more about regulations, standards, investment, and more important, to find a way to have an institutional framework in order to regulate new innovation, for new goods and service. So my question is, don't we have a problem of how to measure and then how to interpret politically and to negotiate the new global non-goods or hybrid good services exchanges, and these exchanges are the big ones that will define who gets the biggest share of the global value added?

Mr. David Ignatius: Mike?

Amb. Michael Froman: Let me try and answer that in a couple of pieces. First, I think your first point is a very important one, which is for decades global trade -- the growth and global trade exceeded global economic growth, and in fact helped lead global economic growth. And for the last year or so it's been at or below the levels of growth of the economy. And I think that's a worrisome sign. And that's -- in our view, puts a premium on making sure we're doing everything we can to tear down unnecessary barriers whether it's tariffs or non-tariff barriers to make sure that we can continue to expand our exports and

expand the growth that comes with that. you know, I think this -- your other points really point to the fact of how important services are overall, and how their importance is increasing both in their own right and increasingly as a portion of manufacturing. The services are a key part of manufacturing. I think that's one reason why the services pieces of these agreements are so important and why TSA and the U.S. and EU are working very well together in the TSA negotiations with other countries to expand and liberalize services precisely because so much of our respective economies is dependent on services. The U.S. -- I think its four out of five Americans are employed by services, and we see this as a -- being a very big trade surplus, actually, in services. We see this as an important area of growth.

Mr. David Ignatius: So I want to collect several questions because we have a lot of hands up. The gentleman here in the second row, and then Charles after you, and then the gentleman with his hand up.

Amb. Michael Froman: Is he Senator--

Mr. David Ignatius: Yes. That's Senator Sessions. I didn't see Senator Sessions.

Unidentified Male: Thank you very much. Our moderator started out with the GAT. As a successor framework of GAT, the WTO was brought into existence. We have talked about TTIP. We have talked about TPP, and nobody has mentioned the WTO, the traditional engine and motor for global trade agreements. Are we saying that the WTO has run out of intellectual steam, run out of political will? The future will bring regional trade agreements. I would like both panelists to respond. The future of the WTO.

Mr. David Ignatius: So the future of the WTO. Charles Grant.

Mr. Charles Grant: (Inaudible). My question is for Mike Froman. In the British Referendum Campaign which is currently going on, Euro skeptics say that if Britain is outside the EU, the U.S. will rush to negotiate a bilateral trade agreement with it because Britain has such a large, important wonderful economy that you'll be desperate to do deals with us, and that the deal you'll do will be probably even better than what the Cecilia is trying to negotiate on the behalf of the EU as a whole.

Hon. Cecilia Malmström: You don't have to answer this. So no.

Mr. Charles Grant: My question is, how quickly do you think you could do a deal with the British and would the content be different if it was just written on its own or Britain represented by the EU as a whole.

Mr. David Ignatius: Great. Devilish question. Hand the microphone over to the gentleman.

Unidentified Male: A question for -- my name is (inaudible), a question for Commission Malmström about TTIP. I might mention that you're advancing (inaudible) also on energy. Energy is a very important

sector. I would like to know a little bit more about advancements of negotiation on energy if it is possible. Thank you so much.

Mr. David Ignatius: And so we have, has the WTO run out of steam in this discussion of TTIP and TPP? Is Europe going to get a better deal, and what specifically is it? And, finally, the question of energy for Commissioner Malmström. Go ahead, Cecilia.

Hon. Cecilia Malmström: My turn? Okay. On WTO, no, we have not forgotten about it at all. And Mike and I had the enormous pleasure of spending almost a week in the (inaudible) center just before Christmas. I think we were locked in that room, was it 28 hours?

Amb. Michael Froman: It was--it was--

Hon. Cecilia Malmström: Yeah. With no food and no coffee. Can you imagine? But we had a great time. But actually WTO is a fantastic invention. I profoundly, you know, wanted to defend the WTO, and I think it has not fully played the role it could have played. It's been stuck for a long time with (inaudible) negotiations, and that has hindered progress in many other areas, but we did agree a couple of years ago on the trade facilitation agreement, which is very good.

We did agree, actually, in Nairobi on several important issues of--in the agriculture sector which nobody agreed, and we made the agreement on ETA, which also ETA II, actually, which was very important. And I think this has, sort of, created a momentum. There are some issues left in the (inaudible) which somehow needs to be solved, but there is also a growing feeling that there are new issues that we need to try to address as well that need to be looked at at the global level. And we in the EU are right now very much engaging trying to define what could these items be.

It could be maybe digital or e-commerce. Or they could be (inaudible). They could be VESPA. They could be lots of different things that need to be addressed globally where we could find a growing crowd who want to talk about this. And I think there are different exercises going on all over the world. We talked about it in (inaudible) together. And on--

Mr. David Ignatius: What about energy?

Hon. Cecilia Malmström: --together. And on--

Mr. David Ignatius: What about energy?

Hon. Cecilia Malmström: Yes. On energy, this is an important chapter as well. We are from the European Union seeking to get access to maybe -- to import from the U.S., but we are also seeking to see how we can incorporate energy related issues on -- when it comes to, you know, it could be renewable and other

issues as well. So this is an important chapter for many of our member states. We have not, obviously, not finished that chapter either, but we are advancing.

Mr. David Ignatius: Mike, the question from Charles is -- was mischievous, but it's really -- I hope that you'll try to speak to it because this is an essential part of the debate in Britain as it heads towards the Brexits Referendum. It is important to get your response to what's asserted by proponents of departure.

Amb. Michael Froman: Well, first, let me say on the WTO I completely agree with Cecilia. And I think, in fact, these regional agreements and these plurilateral agreements that we've been able to pursue have re-energized the WTO both in looking at new ways of dealing with existing issues, outstanding issues, and as Cecilia noted, potentially new issues for the WTO to take on, and we're seeing a level of energy now, in Geneva that I think has been aided by the fact that these regional and plurilateral agreements have been pursued. Ultimately, of course, multilateralism is the highest and best form of trade globalization, and that's what we all seek to strengthen, but I think these are the building blocks that can ultimately help contribute to that as well. I think in terms of the U.K. question, first, to state the obvious, you know, the question is really up to the British people to decide what they want to do, and it's for them to weight these costs and benefits. I would say from a trade perspective, from a U.S. perspective, we've made clear that our focus at the moment is on these platform agreements like TPP and TTIP that we have not be in the market for FTA's with individual countries. And I do believe that the U.K. has a stronger voice when it is part of a larger entity like the EU as Cecilia said earlier.

Mr. David Ignatius: So I want to turn to Senator Sessions. We are lucky to have him here as a guest. Senator, I saw your hand up and I hoped you'd be willing to say things. If people in the audience don't know, Senator Sessions has been one of the prominent people who has spoken up in support of Donald Trump. And so here is your chance to get your sense of what he's saying about trade, why he's saying it, and what specifically he would want to ask, you'd want to ask to our two trade negotiators.

Sen. Jeff Sessions: well, I think Donald Trump just believes we haven't been effective in negotiating. And I do believe that we have tremendous leverage. We have the greatest market in the world, Asian allies, good friends politically and strategically, but they are very mercantilist. They seek advantage and they want access to our market. And as Romney said eight year ago, if you stand up to China--if you don't stand up to China they'll run over you. If you stand up to them they say it will cause a trade war, but we are in a trade war. We're just not fighting.

And then he said a key thing. He said that in any way they have a lot more to lose than we do. So we have--we've got the market that our allies want access to. I supported all trade agreements, but long before I've supported Mr. Trump, I've questioned this one. I supported the Korean trade agreement. President

Obama signed it. Republicans I guess negotiated most of it. And then he advocated and passed it in 2010, 2011. He said he would increase exports to South Korea by \$10 billion a year. Well, we've had virtually no increase in exports to South Korea, but their imports to the United States increased \$12 billion a year, increasing the already large deficit by 260 percent.

In the fourth quarter of this year our GDP, small though it is, growth was reduced by a quarter of a percent as a result of our trade deficit. So people are wondering -- they're not happy about this. It's not just Bernie Sanders and Donald Trump. Hillary Clinton opposes a treaty. So does Ted Cruz, the second candidate in the Republican primary. I don't think it will get through in a lame duck. Ambassador Froman, you've done a good job. Without your hard work I'm not sure they would--you wouldn't have gotten 60 votes to move this bill forward to fast track this bill. You did a good job. But I wrote the administration. I asked a question. I said, tell the American people, will it increase American jobs? Will it increase American wages? And what will it do to the trade deficit?

I've gotten no answer after maybe nine months or six months from that question. You said, publically, and you said again now, it would increase wages in the export industries. Well, that's just a small part. What will happen to the increased imports that come through other industries that may have factories closed, and I think that's what's worrying American people and why it -- I think it will be at this point it will difficult to get this specific agreement passed. And one more think. I really don't think we should create a trade agreement where Brunei or Vietnam gets the same one vote as the United States.

Mr. David Ignatius: So let me ask the two trade negotiators to respond to Senator Sessions' comments starting with you, Mike. The number of interesting points, in particular the argument about the South Korea trade deal is an interesting one. And the point, yeah. Okay. Export industries may benefit, but what about other industries?

Amb. Michael Froman: Well, first of all, thank you, Senator, for being here and for our ongoing engagement on trade. The Peterson Institute which is independent and has done an assessment of TPP based on the final agreement has concluded that it will add \$131 billion a year to U.S. GDP. That it will increase exports by over \$350 billion a year. And that wages will go up for skilled and unskilled workers, across the economy, not just exports. In fact, in a full employment economy, which the U.S. at 4.9 percent is considered close to full employment, economists will tell you the trade doesn't add or subtract jobs, but workers move towards more productive and higher paying jobs, and the Peterson Institute has indicated that 800,000 more workers will be working at higher paying export related jobs.

So -- and that's with all of the imports and exports taken into account. One thing we did in TPP is we work very hard to be sensitive to our import sensitive industries and take their views into account. So this

is the first trade agreement, I believe in history, of the textile industry, the U.S. domestic textile manufacturing industry supports, as well as the apparel importers. It's the first trade agreement that our footwear producers in the U.S. support as well as our footwear importers. That our dairy industry supports, and they have both export and import interests. They have export interests and import sensitivities. We try to strike a balance that they would be comfortable with as well. So we try to take that into account both the imports and the exports, but on net, I think the clear conclusion by independent analysis is that it's good for the U.S. economy, it adds to GDP, about a half percent of GDP, and that it increases exports and the high paying export related jobs.

Sen. Jeff Sessions: Well, I would just say (inaudible) that by 2025, I believe, it would reduce manufacturing jobs 400 and something thousand, and I believe even the Peterson pro-trade group that it is found manufacturing jobs would be reduced over this period of time.

Amb. Michael Froman: I'm afraid that's not the case. The (inaudible) model has been debunked by all of the economists. All they say that model was not intended overtime measure trade, and so I think that, you know, we can say a lot of analysis of that. And on the Peterson report, what they said is that we'll go from, I believe, 12.2 to 12.4 million workers in this area, in manufacturing. So manufacturing jobs will increase.

Mr. David Ignatius: Cecilia, let me ask you, Senator Sessions is expressing something that many, many members of Congress and also--I have to say, almost every candidate, as he says. It's not just a Bernie Sanders. It's Hillary Clinton. It's the other Republicans. Would say -- and so I'd be interested in your responses on European pro-free trade? As you hear arguments like this coming from the states, how do you want to answer them?

Hon. Cecilia Malmström: Well, we have those arguments in Europe as well. And Senator, with all respect, Europe is the biggest market in the world. But that said--

Sen. Jeff Sessions: (Inaudible)--

Hon. Cecilia Malmström: But of course we hear those concerns in Europe as well. I mean, there is -- in this globalization there is this fear that there will be jobs lost. We also have a lot of very solid evidence that the trade agreements do create growth and jobs and empirical evidence of that. We are also very careful to do impact assessments before we start to negotiate to try to identify what are the strong winning parts and their weaknesses. Of course, we have 28 countries. So that differs very much. We do that with-- we do it with other countries as well in order to try to prepare during the negotiations for these vulnerable sectors so that member countries can go in to try to reinforce, to try to train, to try to make sure to do, you know, mitigating measures when it's possible. We have a -- like you have an adjustment fund, we have a

globalization fund. We are just looking at how we can use that in a better way for those who actually do lose out either for trade deals or others. We are seeing how we can better use our joint European funds on regional and structural funds, of course, to help people to move from sectors that are difficult in competition to others. Training, education and so on. Of course we have different social models in the different countries as well. So what we need to do is to try to show the good benefits of trade agreements. We have good experience, but we need to also become much better in really engaging with workers, entrepreneurs, consumers to show the benefits because we have also shown that they don't, enough, take benefit of the possibilities of opening up the markets, especially small and medium sized enterprises. So we are really engaged and now trying to work with these in order to make sure that they know what they can do in order to take benefit to bring more jobs and more growth.

Mr. David Ignatius: So this is the rare trade discussion that actually could go on all night, but we're going to have to call a close because it's dinner time. But I want to -- this has been, I think, a frank and really quite interesting and direct debate. I'm especially glad that Senator Sessions was here so we could have a little bit of debate, and thank our panelists very much.

Amb. Michael Froman: I think Ben Bradley would have liked it.

Dr. Karen Donfried: And I just want to echo David's thanks. It's wonderful to feel the heat and energy in the room. Thank you so much for such an exciting day one in this fabulous colorful room. It's not over. As David said, you have all earned dinner. And so I invite you to join us at the gala dinner that will be at the BOZAR that you heard of earlier. And I'm just going to ask you all to move to the front of the hotel where transportation is waiting. And as you all know, after dinner there are Night Owls which are truly desert, your intellectual desert. So there is still a lot to come, and see you all at the BOZAR.