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UNLOCKING OPPORTUNITY THROUGH TRADE

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LIST OF PARTICIPANTS

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UNLOCKING OPPORTUNITY THROUGH TRADE

MR. CLEMONS: Hello everybody. How are you? Are we allowed to start? Do my – do our handlers allow it?

I'm Steve Clemons; I'm Washington editor-at-large at The Atlantic. We partner with Aspen in producing Aspen Ideas Festival. And I love these sessions and I particularly love the topic that we're going to get into and I'm so thrilled all of you are here. And this is despite having this giant tent, we have an intimate-enough room that we can have a quality conversation with all of you. And I see a lot of great friends here that I know who are not shy, Huda Farouki, Wolfgang Pordzik, and others that have been colleagues. We're here with Michael Froman who is the 11th United States trade representative.

How many of you remember the last trade representative we had? Anyone? So you're in the trade business, you don't have – who was the last one?

Yeah, so you're raising a point for me. So Mike Froman, you know, we used to know Carla Hills and Mickey Kantor, Charlene Barshefsky. I could go through them all because it's sort of an addiction of mine. But Mike Froman at USTR and Penny Pritzker at the Department of Commerce today, Secretary of Commerce, in my mind are the two most important economic gladiators and sort of bridge makers for the country that we have today. And we have a chance to sort of know our U.S. trade representative again. And do remember, I keep telling about the importance of celebrity if you're in a position like his.

So Mike, how do you – you know, how do you – do you feel like a – that you're helping to sort of rebuild both the relevance and the stature of the U.S. Trade Representative's office. So good to have you here.

MR. FROMAN: Well, I – it's great to see you, Steve. And I certainly don't feel like a celebrity but we have a great organization, USTR, we've got a great mission, we have a very full agenda, and I think what we're doing is very much relevant to the President's overall economic

agenda and to what's going on in the world and the changes in the global economy. So, yes, I feel like we've got – we're on a good track.

MR. CLEMONS: When you took this job and President Obama called you, and there were rumors that you weren't too excited about taking it. You had a great position in the White House, you've been chief of staff in the past in the Treasury, you worked in the private sector. What animated you to say yes, and say I'm going to take this task on?

MR. FROMAN: Well, it really is the combination of the agenda which is a very full, the most robust trade agenda we've had probably in history.

MR. CLEMONS: Why don't we walk through it? What are the –

MR. FROMAN: And we can walk through. We're negotiating right now with 11 other Asian and western hemispheric countries, the Trans-Pacific Partnership covers 40 percent of the global economy.

MR. CLEMONS: TPP.

MR. FROMAN: TPP.

MR. CLEMONS: Got to get – we got to teach the acronyms.

MR. FROMAN: – all the acronyms, we have a lot of acronyms to teach today. We're negotiating TTIP, which is the Transatlantic Trade and Investment Partnership with the European Union. We've got three negotiations going on right now in Geneva over information technology products.

MR. CLEMONS: Do they have a cool name?

MR. FROMAN: ITA, TISA, and EGA, they're about services, information technology.

MR. CLEMONS: - Pentagon.

MR. FROMAN: - and environmental goods. We've got some important changes and reforms going on of our preference programs including, AGOA, the African Growth and Opportunity Act with a very important summit of African leaders coming to Washington later this summer. So it's a very full agenda. And of course we have these bilateral dialogues with important countries like China and India, Brazil, Indonesia, South Africa, where we try and work through our trade and investment issues with them as well.

MR. CLEMONS: Let's walk through some of these. And you just mentioned China which is so important. I remember when I first got to know you when I worked in the Senate in the 1990s and I see an old colleague from the Economic Strategy Institute, you know, there was a time where China coming into the WTO, where permanent normal trade relations to basically do a China deal was controversial. But China was brought into the WTO.

And then in the last few years a lot of the firms that were involved with that, from General Electric to Boeing to just a whole variety of companies say maybe we went too fast, maybe we - that China is not moving along the track that they had expected, particularly with the way that U.S. firms are treated inside the country with some of the subsidy side. And I'd be interested to get your take on whether bringing China into the World Trade Organization was a smart thing to have done or were we too hasty, did we kind of overlook, you know, cut too many corners?

MR. FROMAN: Well, I think it was important to bring them into the world trading system in part so that we would have the tools necessary to help engage with them about participating in a rules-based system and living by a rules-based system. And that's an ongoing project that we brought WTO cases against them and when they've been found to be in violation we get them to implement changes to their system. But certainly it's an ongoing effort to make sure that they're playing - they're taking on responsibilities commensurate with the role that they're playing in the global economy and that's one of the ongoing tensions in the relationship between China and the global trade system.

MR. CLEMONS: And how do you think they're doing? You think that China is absorbing and taking seriously the rules-based system?

MR. FROMAN: No, I think there is a debate going on, as far as we can tell, in China. If you look at some of the developments over the last year under President Xi, the Third Plenum, last fall, said a number of very important things about where China wanted to head, how it wanted to reform its system, how it wanted to open its economy, engage more in consumer-led growth, engage more in services. Those are all very good signs. And if they follow through on those in a meaningful way and open up their economy, I think it would be positive for them and for their trading partners, including ourselves.

But we also see a number of negative data points in terms of how they're dealing on particular issues. So I think there is a debate going on within China, and our job is to engage with them and encourage reform and to also make clear that where they violate international rules we will hold them to account.

MR. CLEMONS: You know, President Obama, when he came in said that there is a lot of untapped potential in the United States in exporting more, in negotiating these trade deals he committed when you came into office in part of doubling down on these big trade deals, one with Europe and essentially the other in the sort of broad Asia-Pacific region with TPP.

So can you walk us through how TPP and TTIP are going? And let's start with TPP. How are the negotiating parties looking at that? And then you've got a separate set of negotiations in Congress. But let's start with the external players before we talk about our own problems.

MR. FROMAN: Sure. What is – to put it in context, as you said, you know, obviously 95 percent of the global consumers live outside the United States. U.S. is an advanced industrialized country, we're growing at 2 to 3 percent. If we want to create the kind of jobs and the number of jobs that we need to create in this country, we need to have access to foreign markets.

Our market is already relatively open. Our tariffs are low, about 1.5 percent on average. We don't use regulations as a disguised barrier to trade, but a lot of other countries do. And so what we're trying to do through these trade agreements including TPP and TTIP is low other countries' barriers so that we can export more.

We're exporting at record rates, last year \$2.3 trillion of exports, including \$148 billion of ag exports, that's the most we've ever exported in terms of agricultural products.

MR. CLEMONS: Are we – I mean, I know it's all-time records, but are we at where we should be?

MR. FROMAN: Well, we can always do more and that's exactly why we want to reduce these barriers through these trade agreements, make sure we're leveling the playing field through these trade agreements.

MR. CLEMONS: So when you're negotiating trade and they get everything because our markets are open, and theirs are not, what's our leverage?

MR. FROMAN: Well, the leverage is they want to be with us, they want to be working with us. And if you take TPP, for example, it's a key part of our rebalancing strategy towards Asia and our Asian partners very much want the U.S. to be fully engaged in that region, and they view TPP and we view TPP as a concrete manifestation of that rebalancing agenda.

So we're working with our TPP partners both to open their markets but also to set high-standard rules on everything from labor and environment to intellectual property rights. This will be the first agreement ever that creates disciplines on state-owned enterprises to make sure that when state-owned enterprises compete with our private firms they're doing so on a level playing field. This will be the first trade agreement that defines rules for the digital economy to make sure – which is such an increasingly important part of our economy, including for small- and

medium-size businesses to make sure that there is a free flow of data across borders. So you don't have to locate in a country in order to serve that market.

MR. CLEMONS: Now, is there a Chinese trade official over there that's basically waking up every morning and saying what can I do to give Mike Froman a bad day?

MR. FROMAN: Sometimes it seems that way, certainly.

MR. CLEMONS: And -

MR. FROMAN: You know, look, I think - I think the China -

MR. CLEMONS: I mean, they're out negotiating their own trade deal -

MR. FROMAN: Absolutely, absolutely.

MR. CLEMONS: And they're not part of ours and we're not part of theirs.

MR. FROMAN: That's right, that's right. And I think, you know, our vision for TPP as it - that it is an ambitious high-standard comprehensive agreement. We think this is the way to go both for this region and for the global economy, to raise standards and -

MR. CLEMONS: So how are we doing, how are you - I mean, let's just imagine this as a competition between you and the Chinese trade officials. So how are you doing vis-à-vis your competition?

MR. FROMAN: Well, it's not - we don't view it as a competition -

MR. CLEMONS: Well, I do.

MR. FROMAN: - per se. I don't view it as a competition per se. I think it's important for everybody that we have a high-standard global

trading system and that countries aspire to that level of discipline.

MR. CLEMONS: But when a Chinese trade official goes to Thailand or goes to Indonesia, what are they offering that we – I mean, well, you're talking about high-standard deals. High-standard deals also involve more costs and they involve more cost for manufacturers, producers, exporters, governments. And so it is a low road. Is there something attractive in the low road trade deal that China is offering?

MR. FROMAN: Well, I think the case that we make is that if these countries create better-labored environmental standards, create a better environment for innovation through stronger intellectual property rights, create a strong set of disciplines around the digital economy and put disciplines around their state-owned enterprises, they're going to attract investment. And I think we're already seeing that, we're already seeing companies who are saying, you know, we've been in this region for a long time, we have difficulties with our intellectual property rights being stolen, our trade secrets being stolen. You know, we want to be in an environment in which we can thrive with our local partners not one where we feel at risk. And so I think TPP is an opportunity for other countries in the region to demonstrate that they should be a good place for investment.

And we're already seeing companies, and you've seen some of the surveys, you know, 50 percent, half of American manufacturing executives say they're planning to in-source production back from China to the United States. There is another survey that says –

MR. CLEMONS: Which is a great story for jobs –

MR. FROMAN: Which is a great story. And when you take everything that's going on in this country, you know, the fact that we've got, we're a great market, we've got a strong rule of law, we have a strong entrepreneurial culture, we've got a skilled workforce. Now we have abundant sources of affordable and cleaner energy, you know, sometimes at quarter of the price of our competitors in places like Germany.

We – I get visited regularly by companies, European

companies or other companies who say with all of those advantages, when you finish these trade agreements, TPP and TTIP, the U.S. will be at the center of a free trade area covering two-thirds of the global economy. And that makes the U.S. the production platform of choice, a place where companies want to put their next factory to serve both the U.S. market but also to export all over the world. And we're at that tipping point where because of all of these good things that are happening with these trade agreements, this can be a key part of our investment strategy and a key part of our manufacturing strategy.

MR. CLEMONS: How many of you guys watch House of Cards, anybody? So Beau Willimon, the creator of House – I don't know if he is here, but he is on campus. And I just binge-watched a whole bunch of House of Cards and kind of re-watched the China sections. And in that they had the secretary of State doing – you didn't even appear, like your – the avatar for Mike Froman wasn't in the show. So I'm hoping that Beau will hear this. I mean, don't you think the U.S. trade representative office deserves its place in modern popular TV in kind of dealing with China?

MR. FROMAN: I think we're delighted to be somewhat below the radar screen –

MR. CLEMONS: You want to be below the radar.

MR. FROMAN: Yes, exactly.

MR. CLEMONS: That's even more (inaudible) but it is.

Now, let's talk about the domestic challenges you have, for a bit, on some of these trade deals in TPP. And to just be blunt, to create a bumper sticker, say where Elizabeth Warren, Senator Warren or others have been opposed. And I don't want to, you know, completely mangle their views, but there is a view in the United States that trade and doing more trade and opening trade deals is bad for the environment and bad for American workers and it has undermined the middle class. So can you give us your best case for why you don't agree with that summation?

MR. FROMAN: Well, first of all, I think the concern is that critics of trade have, many of the concerns are legitimate, and we need to take them very seriously. But I think they're also not -

MR. CLEMONS: Which ones are not legitimate?

MR. FROMAN: They're also - I think the not recognizing that we're pursuing a different kind of trade policy than has ever been pursued before. And so, you know, take TPP for example. Not only are we lowering barriers to the markets abroad to help increase made-in-America exports, but we're trying to level the playing field by raising labor and environmental standards in these countries. And so the same people who complain that we have to compete against workers who face much lower working conditions, this is exactly what we're trying to do through TPP is raise the working conditions in other countries both for their own sake, it's the right thing to do, to create markets of middle class consumers who will buy our products in the future but also to level the playing fields that our workers and our firms can compete effectively.

Our workers are the most productive in the world, we're, you know, 3 percent more productive than German workers, we're twice as productive as South Korean workers. And through these trade agreements if we can raise labor and environmental standards, it will help position us a place that can compete more effectively around the economy.

So my answer to them is, you know, sometimes they're fighting a battle that's 20 years old and not looking at what we're actually doing in this agreement. This agreement will have stronger labor provisions than ever before, stronger environmental provisions than ever before. And they will be binding and fully enforceable. And so they're very serious obligations that the other countries will take on.

MR. CLEMONS: Do you think - you know, one of the things that I've just - in March, The Atlantic organized a large economic summit and I was able to interview Richard Trumka who is the president of the AFL-CIO and I asked him about trade deals and your work. And I asked him, I said, has there been ever - ever been a trade deal that you've supported. And his answer was sort of kind of a grumbling no. And I

said, you know, what would be required to do that.

And what it brought to mind is a question of, you know, in American politics we have the drama of great debate sometimes, but you have people that have been playing in the same position for a very long time, either in the pro-trade, the anti-trade, the different side. Are we - do we need to all step back and kind of take a new look at this that some of our vested built-in behaviors need to be rethought?

MR. FROMAN: You know, I think that's right. And when I listen to some of the criticism of trade, I fear they're conflating trade agreements with globalization. Yeah, if we look back, you know, America has lost 5 - more than 5 million manufacturing jobs. Now, over the last four years we've gained 650,000 of them back. But I think one of the great reasons of people feeling unsure about the trade negotiations is the concern that they have contributed to a decline in U.S. manufacturing jobs.

Most economists agree that as between globalization and technology, technology has a much greater impact on manufacturing jobs in America than globalization. But nobody says let's get rid of computers. And in fact in conferences like this we celebrate technology right and left -

MR. CLEMONS: Right.

MR. FROMAN: - even though it's those efficiencies that are having an effect on our workforce in a very profound way.

But even just looking at the effects of globalization, globalization is a force, it's happening, we can't turn back the tides of globalization. And I fear that people conflate globalization and trade agreements. In our view trade agreements is how we deal with globalization. Now, we could either be shaped by globalization or we can shape it. And the way we shape it is through these trade agreements, by creating higher-standard rules, by leveling the playing field, by making sure that other countries abide by their obligations.

MR. CLEMONS: So what's happened? When you think

through the tectonics, the political tectonics of trade deals, of getting support in Congress, it used to be that the Republican Party was in lockstep supportive of trade deals, that they look at it as good for business, good for the country, et cetera. Democrats were – viewed on the whole but not exclusively as being those that were – said we need to upgrade our environmental concerns, upgrade our –. When you look at the Republican Party today, the Republican Party is not helping in much in terms of – we – they're not in the same place. So what is – if the vision is so compelling, and so much ground has been gained, why is the message so hard to get out there, and why is there so much fragmentation –

MR. FROMAN: I think –

MR. CLEMONS: – particularly in the GOP as well as in the Democrats?

MR. FROMAN: I have faith that when we are done with these negotiations and we'll only bring back what we deem to be a good agreement, an agreement that promotes jobs in the U.S., promotes growth in the U.S., strengthens the middle class, raises these standards around the world, moves the agenda forward. I've got confidence that when people can actually look at the results of the negotiations and when the negotiations are done that they'll see what the benefits are, and that we'll have a coalition of support forward. And our goal is for it to be a bipartisan coalition of support.

You're right that traditionally trade agreements and trade laws have been supported largely by Republicans plus a critical mass of Democrats. You know, we have to go back to FDR. FDR was really the first one – and Cordell Hull – who got the authority from Congress, sort of the precursor to trade promotion authority to go off and negotiate trade agreements. And then Kennedy took it from there and negotiated several reciprocal trade agreements.

And so you know, our goal is to build on that legacy and to have as much bipartisan support as we can. And I think if people are able to see what we're doing on labor and on environment on striking the right balance between promoting innovation and ensuring access to

medicines, what we're doing in the digital economy, I'm confident we get the support.

MR. CLEMONS: So – I see Wolfgang Pordzik here. We have lots of people watching online, so everyone who knows, Wolfgang heads DHL government affairs in Washington, D.C., a German-based company. And so I want to talk about Europe for a minute. The NSA just told me I can break a little news that you just made a wager with your European counterpart – so you can tweet this. So tell us about your wager real quick.

MR. FROMAN: Well, my European Union counterpart, the trade commissioner from the European Commission is a Belgian, Karel De Gucht. And so we've bet a case of beer on the game on –

MR. CLEMONS: And what kind of beer did you bet?

MR. FROMAN: Well, I picked a beer from the Epic brewery in Denver which I visited earlier this week. The Epic brewery is a terrific brewery, it started –

MR. CLEMONS: May we drink Epic?

MR. FROMAN: Yeah, here we go, everyone knows Epic here

–

MR. CLEMONS: This is a big story – Michael Froman went to this – to the brewery. You know, some taxpayers say what's going on but

–

MR. FROMAN: This is a – no, no, not at all –

MR. CLEMONS: So how does that fit within your job as –

MR. FROMAN: This is a great story. Look, Epic brewery started in Salt Lake City, expanded to Denver. They now export. In their first year they exported to four countries.

MR. CLEMONS: Right.

MR. FROMAN: They expect their exports to double this year and double again next year.

MR. CLEMONS: Wow.

MR. FROMAN: They're hiring more people. They're expanding their manufacturing capacity. And to me it underscores –

MR. CLEMONS: Do we have – in these trade deals do we have, like, beer to your understanding?

MR. FROMAN: Absolutely. There's a 35 percent tariff on beer in Vietnam. There's an equivalence of a 50 to a 100 percent tariff on –

MR. CLEMONS: (Inaudible) on jeopardy.

MR. FROMAN: And you know, these are the kinds of barriers that we want to break down. But to me it underscored – Epic brewery has about 120 employees. You know, there are 300,000 firms in the U.S. that export.

MR. CLEMONS: Right.

MR. FROMAN: Ninety-eight percent of them are small- and medium-sized businesses. This isn't just a story about big companies exporting. It's a story about the Epic breweries of the world. Or I went to a firm called Atlas Devices in Boston that – it was started by three guys at MIT who entered an engineering competition with some colleagues from WestPoint and developed this fantastic technology that allows rescue workers or soldiers or others to climb up and down ropes very quickly to get out of harm's way, to rescue people off of boats. Half of their sales are now international.

MR. CLEMONS: Wow.

MR. FROMAN: Right, they've only been in business, you

know, a half a dozen years. And they see more and more opportunity through exports, you know. And these are the sorts of companies that are going to benefit from these trade agreements, by having rules that help define how international trade is going to go.

MR. CLEMONS: Do you have sort of a strategic map that says, okay, we need to go help Epic brewery, we need to – or other beer makers or other device manufacturers? I mean when you set the agenda for what we want to go – negotiate in something like TTIP or TPP, is America going out just negotiating for negotiating's sake or are you looking at the U.S. economy and saying, we're not doing as well as we should be in certain areas? And what are some of those areas that you think we could be upping our game?

MR. FROMAN: Yeah, we certainly have some sectors that are – tend to have higher priority or higher potential than others. But the truth is we are now major exporters in manufacturing and services and in agriculture. And so TPP and TTIP are intended to be comprehensive agreements to cover everything and to open markets on everything both in terms of tariff barriers and non-tariff barriers.

MR. CLEMONS: So how are negotiations with Europe on TTIP going?

MR. FROMAN: You know, they're coming a lot, they're coming pretty well. We have –

MR. CLEMONS: Is that kind of, like, not so well?

MR. FROMAN: No, I think they're pretty well –

MR. CLEMONS: You know, it's – that's kind of like Mike Froman, like, you know –

MR. FROMAN: This is – you know, we have a deep and broad relationship with them.

MR. CLEMONS: Right.

MR. FROMAN: You know, we trade a trillion dollars a year back and fourth, we have a \$4 trillion investment relationship, 13 million people on both sides of the Atlantic owe their jobs to our – the Transatlantic Trade and Investment relationship. And yet there's much more that we could do. And some of it's eliminating tariffs and traditional non-tariff barriers. The biggest challenge and the biggest opportunity that we're focusing on in TTIP is whether we can take two advanced, industrialized, well-regulated economies and find ways of bridging the differences between their regulation –

MR. CLEMONS: So what are the – I mean we – maybe you would disagree with this – we sort of protect sugar, right? We protect the sugar guys, right, in the U.S. What if we gave away their protections? What would we get from the Europeans?

MR. FROMAN: Well, let me put it in a slightly broader context, if you don't mind.

(Laughter)

MR. CLEMONS: Yeah.

MR. FROMAN: We each have sensitive issues. But there's a lot that could be done within those sensitivities to reduce barriers. I mean, you know, for us agriculture as an example – you mentioned agriculture –

MR. CLEMONS: Sugar.

MR. FROMAN: Yeah, I heard that, yeah. You know, as I mentioned, our agriculture exports – going through the roof. Agricultural exports to Europe – fairly flat. And that's not just because there are exorbitant tariffs on our agricultural products, which there are, but because in our view that the – Europe uses regulations, sanitary and phytosanitary standards on food to keep out our products or they use geographic indications to keep out our products.

They don't want us to sell mozzarella cheese in Europe. They

say it could only come from Italy, for example. And so we think there are a lot of barriers there that we can help eliminate that'll be of interest to both sides. But the same could be true on manufacturing and on services.

MR. CLEMONS: Now, the other thing you've done in Colorado – I mean you've done a lot here which is terrific – citizens should be happy because you really work – you work it – you went to a center where – it's disturbing to look at when the world has become more interconnected, trade has increased – but you've been investing some time in the trade in endangered species, species near extinction. And you went to a place in Colorado; maybe you can share a little bit about this –

MR. FROMAN: Sure.

MR. CLEMONS: – and share this because I think that this is an arena that's not all – it's sort of a boutique, exotic topic. But you've really tried to mainstream a bit and kind of raise the profile of this trade in animals and whatnot that's pretty horrible.

MR. FROMAN: This is a huge issue and it's –

MR. CLEMONS: And what's the center in Colorado you visited?

MR. FROMAN: It was the National Eagle and Wildlife Product (sic) Repository. It's part of the Fish and Wildlife Service.

MR. CLEMONS: How many – I mean ,they have something like 50,000 –

MR. FROMAN: It's – they have a – it's a unbelievable, overwhelming warehouse of bones and skins and all sorts of things that have been illegally traded and intercepted at the – at our border. And it's a huge issue. President Obama launched a comprehensive wildlife trafficking strategy because it's not only an environmental issue, you know. Last year 30,000 elephants were killed in Africa, a 1,000 rhinos were killed. And those products are making their way very importantly to the Asia-Pacific region.

So it's one reason why in TPP this is a key part of our environmental strategy. It's to have countries take on obligations to try and prevent this kind of trade. But it's become a national security issue. The groups that are poaching these animals in Africa they're criminal groups, they are groups that are linked to terrorists like Al-Shabaab and Lord's Resistance Army. And they are funding themselves by poaching these animals, creating a huge environmental risk, a biodiversity risk, and then selling their products -

MR. CLEMONS: So they create off-the-books revenue streams?

MR. FROMAN: Absolutely. And so it's again one way we could use our trade relationships, in this case with our Asia-Pacific partners, where this is a destination for so many of these products, to try and get cooperation and obligations to deal with this.

MR. CLEMONS: You know, when I read about it and I read about this being a U.S.-based system, it occurred to me this - these are products coming in or leaving the United States, right?

MR. FROMAN: Yeah.

MR. CLEMONS: - or U.S.-controlled to - so you're not dealing with the entire world with what you got. So who's behind this stuff in the United States? And I mean, that's the other piece of this - what is the criminal enforcement environment for that level of market inside this country?

MR. FROMAN: Well, the strategy that the President has laid out and that Secretary Jewell of the Interior Department has laid out, part of it's increasing enforcement here, part of it is working on demand reduction, so discouraging people from buying ivory, buying illegal - illegally traded products. And part of it is international cooperation and working with our partners. We can't do this alone, you know, and a lot of the products come here, a lot of the products are ending up in Vietnam, they're ending up in China, and the Asia-Pacific is a key region for this.

And so in TPP in our environmental chapter we have focused on some of these environmental issues that are particularly prevalent in the region like wildlife trafficking, like illegal logging, and like illegal fishing. We're focusing for the first time on getting our hands around these issues.

MR. CLEMONS: So we talked Europe, we've talked Asia, you also mentioned the African Growth and Opportunity Act. Africa is often discussed, it's often – it's development, in my view, and I'm on record. And this is too often approached as a philanthropic exercise as opposed to, you know, something that looks at how do you build infrastructure, what are the business reasons, what are the economic opportunities that are serious there, and what's our role.

Because when I look at – when, you know – not to name-drop – but Bono and I had a discussion once at a dinner that we were hosting and he said China is beating us in Africa. China in investing in Africa, China is at creating the middle class in Africa 20 years from now. So I'm interested in how our work in AGOA – is that priority really sensed in Washington that it really matters? And across the business community is there a priority of trading with and investing in Africa from a business sense as opposed to a feel good sense?

MR. FROMAN: You know, I think there is increasingly interest in the private sector in Africa. You've seen tremendous growth over the last 10 years or so, and not just commodity-based growth but the emergence of new industries, the emergence of a middle class in some countries, some very good reformers across the region who are taking on the hard issues and engaging in economic reform. And so we're seeing more and more U.S. companies interested in investing and in doing business there.

And that's an important part what we're focusing on because – I agree with you completely – we've got to move from a model where it's just aid, just assistance, and there is more trade and investment. And that's what AGOA is all about as well. So we launched a review last year. We've been talking for 10 months now to our partners in Africa and the U.S. business community and civil society organizations. You know, and the one clear message we've heard from everybody is AGOA is important;

it helps give access to the U.S. market for exports from Africa.

But for Africans to really be able to take advantage of it we've got to deal with a whole range of other issues that affect their competitiveness like hard infrastructure – roads, ports, things of that sort, soft infrastructure – things across the border. You know, we have – you know, a truck will pull up to a border and they'll wait 4 days to get through customs, and then they'll wait another 4 days to get through customs on the other side of the border.

And by the time they get through customs, the agricultural products that they're carrying in the back of the truck have rotted or they become so expensive that they can't compete with products from other parts of the world. So we've got to deal with those kinds of issues, capacity-building issues, and those are the kind of questions that we're now dealing with.

MR. CLEMONS: You know, when I think about your life – you know, your wife is here, Nancy – and when I just think about you thinking about trade deals and negotiations all the time and so I hesitate to ask this but you're doing TTIP, TPP, ITA II, all the other acronyms –

MR. FROMAN: TISA –

MR. CLEMONS: TISA –

MR. FROMAN: – EGA.

MR. CLEMONS: – so what trade deal are you not doing today that you really wish you were? Like, what's not in the Mike Froman portfolio that you say aha next year I'll do this one?

MR. FROMAN: I think I've got enough for right now just to –

MR. CLEMONS: Really? You don't want to, like, put an extra

–

MR. FROMAN: When you got lot of balls in the air, we got to

land these things and ultimately get them through Congress. But I'm optimistic. And I think, as I said, at the end of the day when we're done with TPP, when we're done with TTIP, when we're done with these agreements in Geneva that cover somewhere between 70 and 90 percent of the trade in those areas, we're going to have much greater access to foreign markets.

And that's going to unlock opportunity for Americans in agricultural, in the services, in the manufacturing sector, small- and medium-sized businesses. And there's nothing that gives, I think, greater satisfaction than seeing a small firm who's hiring more people or giving way higher wages because we're able to export more and make their way into foreign markets that they weren't able to make their way into before. And that's exactly what this is all about.

MR. CLEMONS: You know, I know you're a tough guy. You're also just a very nice guy. And when you sort of look at this trade picture you present such a positive arena. But part of what the U.S. Trade Representative Office is tasked with is dealing with bad behaviors in the world.

MR. FROMAN: Sure.

MR. CLEMONS: Enforcement. I was recently in San Diego with the chairman of Qualcomm who was talking about how – you know, Qualcomm, for those of you who don't know, is essentially responsible for devising all the interconnectivity that we have between our cell phones around the world. It's probably one of the most important companies in the world in creating a global communications platform. And they're seeing in China longstanding business relationships where their technology was licensed and used where those fees are just not being paid.

And they see it as a result of trying this national strategy of things, so a kind of collusion if you will, between business and an at government direction. And when you look around the world outside the United States, one of the features of the global system is the rise of state capitalism, state champion, state directed stuff. So I'm interested in how you deal with that because that – by any measure all around the world

that's become a bigger problem, a bigger feature that this – United States hasn't gone that way.

So we're the odd duck in a world that's moving in a different direction. And how do you deal with it? What's enforcement in your world? When you're not negotiating deals how are you enforcing –

MR. FROMAN: No, no, you're absolutely right. Look, enforcement is a critical part of what we do. And I think it's part of the social compact that if we're going to open markets through these trade negotiations, we also have to be fully committed to enforcing the rights that we negotiate for. So the President created this Interagency Trade Enforcement Center. It's brand new where we pool resources from all different agencies, people who have language and country capabilities or who know particular sectors –

MR. CLEMONS: So is it like State, Commerce, USTR –

MR. FROMAN: State, Commerce, Treasury, Department of Justice, other specialized agencies – agriculture, et cetera. And we're able to put together cases that we've never been able to put together before because of the complexity of them. And we've won those cases. You know, we brought 18 cases –

MR. CLEMONS: That's how you have 18 cases that you won 6, settled 1, and have, you know, 11 pending.

MR. FROMAN: – 18 cases – 11 would be still pending –

MR. CLEMONS: How do you like that for jeopardy? Yes.

MR. FROMAN: Not bad, not bad.

MR. CLEMONS: Yeah.

MR. FROMAN: But we bring these cases, we put a lot of emphasis on them. And we're making progress, including with China, of pointing out – for example, we – when we brought a case where we

discovered – we would put together – for the picture of various regulations at the provincial level that would lead into all kinds of subsidies for exports. And we brought the case, we won the case, now we're bringing it against other areas. It helps them dismantle this kind of state capitalism that you're referring to. So I think we have to be very vigilant about state capitalism, about the rise of localization ideas.

This is the idea that countries have that in order to sell into a market you need to produce into – in that market itself. And we're having dialogue with countries like India, Brazil, Russia, others about how – what's in their best interest in the long run. Is it to build walls and stand behind those walls and build the domestic industries for the old import substitution model, or is it to be part of global supply chain that's going to be part of globally competitive placement supply chains and gain the technology through that way. And it's something that we spend a lot of our effort on.

MR. CLEMONS: So before I (inaudible) you report directly to the President. The cool thing about the U.S. Trade Representative Office is you're in the executive office of the President. You're not like a separate department and whatnot. You hang out with Barack Obama, you know him well. So how into trade is he really? Like, is he – does he wake up and say, Mike, how many billions of dollars have you nudged the needle? And if you haven't – I mean I – Clyde Prestowitz used to talk about the fact that – he said, you know, he'd want to take a piece of reducing the trade deficit.

During Clyde time it kind of ballooned out crazy. But the – are trade deficit actually declining somewhat and do you get a kickback? You know, do – you know – but more seriously, I think the interesting question I think a lot of people often have in real term is how much does your work really figure into the President's priorities and does he drill in with you on this.

MR. FROMAN: He does. I mean, like, the President is –

MR. CLEMONS: But you're not going to say he doesn't, right?

MR. FROMAN: The President is a committed internationalist. You know, he grew up, spent part of his life in Asia. I was with him on his recent trip through Asia and everywhere you go you just feel the trade elements of that region, the fact that there are so many deals being done. The countries are negotiating with each other that they're pairing off, that they're opening markets to each other. The businesses are trying to create cross-border linkages. And he gets that.

And he understands that our economic future is very much intertwined with the economic future of Asia-Pacific, of Europe, of Latin America, and therefore we need to be part of those regions. We need to engage. And so he's been a very supportive, very involved, I mean to the point when he was in Tokyo in late April, of rolling up his sleeves and talking about very specific issues of TPP with Prime Minister Abe over sushi. And so I -

MR. CLEMONS: Did they talk cars?

MR. FROMAN: They were talking, I recall, to more than cars but they talked cars the next day. And so he's very much interested in the details. He understands the global economic system. And he sees these trade agreements as being a key part of our future, and as I said, as a key part of driving investment to the U.S. and helping to create this renaissance in manufacturing -

MR. CLEMONS: So final question before I go to all of you. What do you want the Froman legacy in the U.S. the one that was at the Winder Building? What's the Froman legacy going to be at the U.S. Trade Representative Office?

MR. FROMAN: I think that the Obama legacy is going to be open markets around the world. There's no Froman legacy -

MR. CLEMONS: Well, you know, there's Carla Hills legacy, there's Nicky Canter legacy -

MR. FROMAN: - like it -

MR. CLEMONS: - when you leave - yeah.

MR. FROMAN: I hope the legacy of this administration is that we have unlocked opportunity for American farmers and ranchers and workers by opening these markets abroad, by setting high standard rules, by leveling the playing field, and by fully enforcing our trade rights. And I think we're well on our way towards doing that.

MR. CLEMONS: Thank you. Let me open up the floor to all of you. Don't be shy - questions comments, answers. Right here in the back. We have a runner here - we're going to all applaud you - what's your name?

SPEAKER: Jess (phonetic).

MR. CLEMONS: Jess?

SPEAKER: Yes.

MR. CLEMONS: Jess is a - Jess is going to make it happen.
Yes, sir.

SPEAKER: Thank you. First, this is very, very informative, but I must also say very entertaining. Thank you for that.

MR. FROMAN: Thank you.

SPEAKER: My question is about the nature of the dialogue you have in your trade discussions with trade partners but also internally in terms of factoring in corporate taxation and currency.

MR. CLEMONS: Corporate taxation and currency - currency is a big deal.

MR. FROMAN: Yeah, corporate taxation we don't really deal with in the trade context. And our Treasury colleagues of course have their own dialogues with their partners around the world on that. You know, currency has become a very salient issue. There is a lot of interest in it in

Congress and among stakeholders. And it's a challenging issue. And obviously again the Treasury Department has lead on it, but it's an issue that we do consult with, with our various stakeholders and with Congress to determine how best to deal with it.

It's an issue we take very seriously as administration from the start of the administration from the President on down in their engagement, for example, with China. We pushed China to move towards a more market-oriented exchange rate. And in June 2010 they began to let the Chinese currency appreciate again. And it's appreciated in 15, 16 percent in real terms since that period – not far enough, not fast enough. The IMF says they're modestly undervalued when they used to be significantly undervalued. But we still need to continue to push to make sure that they are not engaging in a misalignment of their currency.

MR. CLEMONS: Are you worried about competitive devaluations in the sense like, you know, Japan right now is taking a lot of steps, you know, fiscal and monetary steps to kind of prime its economy, get it going. But one of the products of that which we've decided is not currency manipulation but other people disagree is that the yen has depreciated quite a bit, which puts a lot of pressure on Korea, China, and others. And so in that do you worry about the currency devaluation war?

MR. FROMAN: You know, I think we do worry about that and it's one reason why through the G7 and the G20 our finance authorities have made clear to each other and have gotten commitments from each other not to engage in that kind of competitive devaluation.

MR. CLEMONS: Just right up in the front.

SPEAKER: Thank you. As a European it's wonderful to have Mike Froman be the U.S. trade representative. I think very few people in Washington understand Europe. I know Europe so well. And yet I wanted to ask you going back to the TTIP, there's some structural problems about finding a third way between mutual recognition and harmonization. You've spoken about smart regulation which is a topic I love. But I would like to ask you to spell it out a little bit more. Is this harmonization in implementation phases a dialogue between experts?

And the second element that perhaps you could address is we're suffering in Europe what you may term as an anti-Brussels sentiment. It'll be like here in the U.S. there's an anti-Washington sentiment. And many new political parties are now running against whatever comes from Brussels. And European politics, now that the single currency crisis is more or less over, is suffering really this political malaise. The European Parliament has veto rights, all the trade deals for the first time. France is dragging its feet. So if you take into consideration this political context, perhaps the prospects are not so, you know, wonderfully optimistic for –

MR. CLEMONS: Right. Thank you for raising that issue, particularly after the European elections and what we saw that. That couldn't have made things easier for you

MR. FROMAN: So let me take those two questions. On the regulatory side we're going at this in two different ways. One is we're looking at particular sectors where regulators are working together to determine how best to bridge the differences between their regulatory regimes without lowering the level of health, safety, and environmental protection that our regulators think is appropriate and our people have come to expect. This is not a deregulatory agenda. This is not about a race to the bottom.

You know, as the President said in Brussels, he didn't work so hard to raise environmental regulations just to give them away in a trade agreement. That is not what we're up to. This is about finding ways that regulators can work together more effectively and leverage each other's resources and activities well. But we're also looking horizontally and what kind of processes around regulation could try and avoid divergences in the future. We have a great belief in this country about transparency, participation, and accountability.

We publish what we're going to regulate, we publish the draft regulation, we invite public comment from anybody – Americans, Europeans, anybody from around the world, businesses, civil society groups, labor, individuals, academics. And then the regulators are required to take that input into consideration and to justify their regulation

based on evidence and science. And we think that that kind of approach over time can also help raise these differences –

MR. CLEMONS: Evidence and science –

MR. FROMAN: Evidence and science.

MR. CLEMONS: – remember when those prevailed.

MR. FROMAN: Yes, very important. On the politics in Europe, you know, clearly there is a movement in Europe that is concerned about what's going on there. You know, we've had trade politics in this country for more than 20 years. And I think for the first time Europe is beginning to experience trade politics. I think that's a useful debate to have.

I think it's important as it is important here that we have a very open and robust debate with the public, with stakeholders about what it is we're doing through our trade agreements, how it's going to affect them, what the tradeoffs are, why we're going about doing this, and how it relates to their economic wellbeing and to their way of life. And I think we're very much engaged in that debate here and I think our European colleagues are engaging in that debate now in Europe as well.

MR. CLEMONS: Thank you. Huda Farouki. And you've got a mic here, Huda.

MR. FAROUKI: Okay. Yeah, thank you very much for today's session. It's really most informative. Mr. Froman, I'd like to ask how do you feel about the Export-Import Bank of the United States and the support that should be forthcoming taking into consideration you had mentioned that there's an increasing number of exporters, and that's great, and progress has been made along those lines. But compared to the rest of the world we still really manufacture – we really export a very small percentage compared to other countries in terms of number of companies from the –

MR. CLEMONS: I should add to Huda's point that Kevin McCarthy, the new majority leader in the House of Representatives, has

said that he is inclined to let the authorization of the Ex-Im Bank expire.

MR. FROMAN: Exactly. And there is a battle come – looming on the horizon –

MR. CLEMONS: You – so what is Kevin McCarthy – how would you respond to Kevin McCarthy's apathy about –

MR. FROMAN: Well, look, I think it's vital that the Export-Import Bank be reauthorized. It's created 100 – I think 1.2 million jobs over the last 5 years. It's not just a bank for big companies. About 90 percent of the loans go to small- and medium-sized businesses. About 20 percent of its balance sheet goes to small- and medium-sized businesses. And we're operating in a very competitive environment out there with our trading partners having – their equivalent of Ex-Im Bank is sometimes a multiple of ours. I mean Brazil's equivalent of our Ex-Im Bank is 10 times as large. You know, China has a very active program of trade

MR. CLEMONS: Japan –

MR. FROMAN: Japan, Europe –

MR. CLEMONS: – huge.

MR. FROMAN: And so to not authorize – not to be authorized

–

MR. CLEMONS: So let me ask what does the Ex-Im Bank cost the taxpayer?

MR. FROMAN: Nothing. In fact, Ex-Im Bank returns to the taxpayer, you know, hundreds of millions of dollars each year –

MR. CLEMONS: And the view is since it's withdrawing it, that it's taking the space – and some people here may agree with this – it takes the space that the private sector should fill. What's wrong with the notion that putting the Ex-Im Bank out of business is okay because the market will stand up and take care of that financing?

MR. FROMAN: The market does provide a great deal of trade finance. But there are particular markets in which the risks associated with it need to be taken by an Ex-Im Bank or its foreign equivalents. And that's where our foreign equivalents are also playing -

MR. CLEMONS: And big part of this is Boeing, right?

MR. FROMAN: Well, that's what - you know, people talk about Boeing being part of it - and of course Boeing and its tens of thousands of suppliers, small- and medium-sized businesses that supply them that benefit from it. But as I said, 90 percent of the loans go to small- and medium-sized businesses.

MR. CLEMONS: Great. Yes, right here in the back.

SPEAKER: Hi. I had a question specifically about kind of trade agreements going forward because - I mean - correct me if I'm wrong - but I kind of get a sense that there's a bit of nationalism going on in the world. In Europe, you know, the European elections -

MR. CLEMONS: You said nationalism?

SPEAKER: Nationalism, right.

MR. CLEMONS: Yeah.

SPEAKER: So people kind of got coming inward as opposed to looking outward. So - and you know, you got - you know, the kind of unspoken tension between China and Japan. It's potentially going to blow up. There's just a lot of stuff going on in the world. So I'm interested in your thoughts on whether that nationalism that I'm sensing is real and whether you see it and interested in your thoughts. And then how does that impact trade agreement negotiations today and maybe more importantly, you know, in the future?

MR. CLEMONS: I love your question because everyone you talk to about global national security foreign policy issues just sort of keep

saying the same thing. It really seems like the world's coming apart, like, coming apart, nationalism, things going on (inaudible). Trade is really part of the glue; the tying together of communities, societies, aspirations has delivered so much.

And there seems to be this big battle between everything coming apart and your efforts and sort of the story of trade of bringing everybody together. So I love this question. How do you see it when you're out there? Do you try to ignore the national security foreign policy kind of mercantile competitive agendas or work with them?

MR. FROMAN: Look, I think - I mean that - I think first from an economic nationalism point of view, trade agreements have to work for all the countries that are part of them. It's got to be a win-win. You know, it can't be that one party wins and everybody else loses. And that's why it's - you know, that's why they take a while and why it's a complex negotiation. But we need to make sure it's a win-win situation for everybody, very much including ourselves.

We - or for 60 years the U.S. and - was one of the parties that kept its markets open - some ways in a disproportionate way in order to help support first the reconstruction of Europe and Japan and then the rise of emerging economies. And now more than ever where we face global competition, it's very important that these agreements work for us as well.

But I would say there's a strategic importance to trade and it could be looked at in a number of different ways. You know, one is the sort of basic way, which is, you know, by growing our economy, it helps strengthen our economy and that helps support a strong military presence and a strong capacity to deploy power and influence around the world.

But equally or even more importantly, through trade we're setting rules of the road, we're creating habits of cooperation, we're strengthening key partnerships, and we're promoting development. And I think in all those ways, as Steve said, trade can not only be of strategic and foreign policy importance to the United States, but also be part of the glue that keeps countries together.

You know, if we just take a look at TPP, at a time when there are tensions over maritime security or other issues between Japan and Korea or between Japan and China, between Philippines and China, now more than ever people want TPP to be one of the pieces of glue that hold the countries together and hold the U.S. in a region. And that's why it's got great strategic importance.

MR. CLEMONS: Yes, right here.

MS. FOSTER: Good morning. My name is Alejandra Foster (phonetic), and I come from El Paso, Texas, so it's on the border. And I'm very interested in hearing your thoughts about NAFTA because we kind of went all over the world, but Mexico and Canada are among our top trading partners. And you know you are talking about the glue that holds country together. They are the two neighbors.

MR. CLEMONS: Yeah, NAFTA – and can I amend your question just a little bit? So I talked about NAFTA and how you've seen it. Many of the leading CEOs like Paul Jacobs of Qualcomm and others have been saying, look, they hope a lot of American manufacturing returns and is revived in America. But they see basically Mexico as the most likely place with the skills, the investment, all the right factors of being kind of a new Korea or China-like platform that they argue would be really great for America.

So my amended question is how is NAFTA – and is NAFTA the old way to look at things? Are there – is there a new realm of opportunity with Mexico that we haven't talked much about?

MR. FROMAN: Well – and of course, Canada and Mexico are also part of TPP.

MR. CLEMONS: I see.

MR. FROMAN: And TPP is our opportunity to renegotiate elements of NAFTA and to build on it and to create a different type of trading relationship with those countries and the rest of region going forward. You know, there's a great debate over NAFTA. And NAFTA in

the United States, unlike, I think, in Mexico and Canada, has more of a negative connotation than anything else. But it's interesting.

When you take out – when you actually look at the numbers – because you mentioned the trade deficit and Clyde Prestowitz' trade deficit – that when you take out energy, because energy – the flows of energy, both supply and demand of energy have nothing to do with trade agreements, there wasn't a big tariff on them before, there wasn't much of a benefit after.

When you take out energy, the United States has a trade surplus with our NAFTA partners in manufacturing, in services, and in agriculture. You wouldn't know that from the debate over NAFTA, but we actually have a strong trading relationship with both Canada and Mexico. You know, 40 percent of what we import from Mexico is U.S. content. It starts in the U.S., it goes to Mexico, it goes into a product, and it comes back. Only 4 percent of what we import from China is U.S. content.

And so I think it is important that we build on the North American competitiveness and see North America as increasingly an integrated supply chain, an integrated production chain. We have a lot of work to do at the border in terms of facilitating infrastructure so that we have a more fluid and secure trade across the border and we have a lot of cooperation that we can do with Mexico and Canada to build on this relationship. And TPP gives us an opportunity to do that.

But just to go back, you know, when President Obama was Candidate Obama, he said it's important to renegotiate NAFTA. And what that meant was, in NAFTA labor and environment were literally sideshows.

MR. CLEMONS: Too low, yeah.

MR. FROMAN: They were side agreements not fully enforceable in the same way as the rest of the agreement. And what we're doing through TPP is exactly that. We're renegotiating NAFTA, bringing labor and environment into the core of agreement, strengthening

the obligations, and making them binding and fully enforceable. And so this is part of that promise.

MR. CLEMONS: You know, Mike, I know you've got a – Ambassador Froman, I know you have a flight to catch, but I wanted to just finish one thing. You know, if you read the President's national security strategy in his first term – and now we're waiting for the new national security strategy of the second term, they're overdue. We're waiting every day and I'm harassing the White House.

But trade and economic policy and getting the U.S. economy to help through this which dominated that national security strategy report was one of the most interesting national security strategy reports I think ever produced because it dealt so little with the broader external crises and said the way America leads in the world is by getting its economic equation right. And trade was a very big important part of it.

So are you – do your cabinet colleagues, do your pals in the Obama team treat you as sort of the under-the-radar-screen general? Do they see you part of the national security profile in the country? Do they treat you with the kind of marshal respect?

MR. FROMAN: You know, we have a great interagency team and I couldn't ask for anything more. And you know, not just the economic team, you know, Secretary Pritzker, Secretary Lew, Secretary Perez of the Labor Department, Secretary Vilsack, very active from USDA's perspective. But you know, John Kerry is out there talking about trade. You know, Chuck Hagel is writing Op Eds about the Asia rebalancing strategy and the importance of TPP.

These guys really get it. And they understand that it's – that this is a key part of maintaining the position of U.S., maintaining U.S. leadership, U.S. power and influence, and supporting our broader foreign policy and national security goals. And they've all been incredibly supportive and helpful of what we're doing.

MR. CLEMONS: You know, I'm really thinking hard right now of something to challenge Ambassador Froman on so that we can bet

over a case of Epic beer and I might win. So we'll have to work on that. But I want to thank Ambassador Michael Froman for sharing us not only the trade stuff, but the human stories behind trade. Michael, thank you so much.

MR. FROMAN: Thank you so much.

(Applause)