

A New Transatlantic Trade Deal: Good for America?

Ambassador Kurt Volker: Thank you very much for coming this evening. My name is Kurt Volker. I'm the Executive Director of the McCain Institute.

Some time ago, a little over two years ago now, we started our series of debates on various foreign policy and national security issues that challenge both the United States and are important globally. The McCain Institute was set up to strengthen commitment to character-driven leadership and to really flushing out, through honest, open debate, some of the hard issues we have to tackle. One of the principal issues in the news the last several weeks has been decision making about trade.

Should there be a new fast track authority for the president to negotiate trade agreements and then have it fast-tracked through parliamentary process in the Congress and Senate, and what would be the impact of that on the Transpacific Partnership as well as the Transatlantic Trade and Investment Partnership? That's what we're here to debate this evening.

Is a new transatlantic trade deal in US interests? To debate that question, we have a very distinguished set of debaters, extraordinarily knowledgeable on the subject, and to introduce our debaters, a returning moderator for us, someone who has done debates here both attending and then moderating some of the ones before. He is the White House correspondent for Fox News Radio, and without any further ado, let me turn it over to him, Jon Decker, who will moderate this evening's debate. Thank you.

[applause]

Jon Decker: Thank you, Ambassador Volker, for asking me to moderate tonight's debate, and thank you to all of you who are here tonight in the audience. We hope that tonight's debate informs you as our panelists discuss free trade agreements generally, and specifically TTIP, the Transatlantic Trade and Investment Partnership.

The topic of tonight's debate is particularly timely, as Ambassador Volker said. For me, it's also personal. I covered the debate over fast track trade promotion authority, and covered the intense debate over the North American Free Trade Agreement more than 20 years ago when I was based in Miami for NBC television and radio.

NAFTA, though, of course is small potatoes compared to the goals of TTIP, the proposed free trade agreement between the European Union and the United States. The EU and the US together represent 60 percent of global GDP, 33 percent of world trading goods, 42 percent of world trade and services.

TTIP, which the Obama Administration considers a companion agreement to the Transpacific Partnership Trade Agreement, aims to increase overall trade between the respective blocs by as much as 50 percent.

A free trade area between the US and the EU would represent potentially the largest

regional free trade agreement in history. As Joe Biden would say, this is a big deal.

[laughter]

Jon: Proponents...I did leave out a word.

Proponents, as you will hear, argue that TTIP will create millions of new paid jobs, improve intellectual property protections, and eliminate the regulatory barriers that exist between the US and the EU. But opponents of TTIP say this proposed trade deal would lead to lower standards of consumer and environmental protection and safety at work. They also question whether a TTIP would really stimulate more investment given the tariffs imposed by the US and the EU are already relatively low.

We have an impressive panel of experts assembled tonight to discuss these issues, and let me introduce them.

Our first team, which will argue that TTIP is a good deal for the United States, consists of former Arizona congressman Jim Kolbe, who is now a senior transatlantic fellow at the German Marshall Fund, and Shaun Donnelly, a career diplomat who now serves as vice president of investment and financial services at the United States Council for International Business, which is a pro-trade group representing America's top global companies.

Arguing that TTIP is a bad deal for the United States will be the team of Thea Lee and Ted Bromund. Thea Lee is a Deputy Chief of Staff in the president's office at the AFL-CIO. She has researched the impact of numerous trade agreements, and joining Thea is Ted Bromund, a senior research fellow at the Heritage Foundation right here in Washington, DC.

Let me tell you the format for those of you who have not been here at these debates before. The format is pretty straightforward. Each team will open with their argument, four minutes a side. Following that, each team then gets two minutes to respond to the others' opening argument.

I will then move things along a little further with a few questions in which the teams will get two minutes to respond, and after that, that's when you in the audience get a chance to ask your questions. Again, each side has up to two minutes to reply.

Finally, at the end of the debate, I will go to each team of our panelists, ask them in one minute to sum up what he or she believes the US should do right now as a matter of US trade policy with Europe.

Jim Kolbe and Shaun Donnelly, why don't you start us off and get things started?

Jim Kolbe: Thank you very much, and I'm going to lead off for us. Thanks, Jon, and thanks to the McCain Institute for sponsoring this debate and the other public policy debates that they've had. You've all got your popcorn and your drink, but if you came to see "Jurassic World," it's not going to be quite as thrilling as that, but we'll try to make it

as good as possible.

We have limited time so I'll get right into the topic. I know we're talking tonight about TTIP, the Transatlantic Agreement, but make no mistake about it. It's linked to the debate that's been going on in Congress and in Washington these last several weeks -- the TPA, the Trade Promotion Authority for the president and the Transpacific Partnership.

You cannot do a TTIP. You can't do a TPP if you don't have the Trade Promotion Authority. While you'll hear from some of the opponents that they really might not be all that opposed to TTIP, they have been opposed to TPA, which, in a sense, says they're really opposed to any kind of trade agreements whatsoever.

I think it's a straw man to simply say you're really for this agreement but you're opposed to the president's authority to negotiate the agreement.

Let me get into what are, quickly, the advantages of TTIP. Already Europe is our largest trading partner. Half of the global economic output of the world is in Europe and the United States. It's \$6.5 trillion a year of trade that goes back and forth between the United States and Europe in goods and services every year.

Secondly it would eliminate barriers that could bring some huge benefits to us. Among those is the idea that it would boost US exports by about \$300 billion annually, add at least \$125 billion to the GDP -- this is from the European Public Policy Center -- and increase the purchasing power for American families by lowering prices by about \$900 a year.

I think one of the greatest things about it is it would provide for regulatory cooperation, cutting the costs and making it more competitive for the United States and Europe. We would be the ones in the driver's seat in terms of making the rules about how we're going to compete and the rules and the standards. There's more that I could say, but I'm going to turn it over to my partner here at this point.

Shaun Donnelly: Great. Thanks, Jim, Jon, and the McCain Institute. Thank you very much for inviting us here. I just want to make three points. First, I think the fundamental reason that a TTIP agreement, a good TTIP agreement, is in the US national interest is jobs and growth. That was the approach that the US and EU took as they took about a year and a half to study the idea of doing a TTIP very carefully, the two governments. They came to the conclusion that, yes, this was going to be good for jobs and growth between the US and the EU.

As Jim says, it's very much going to reduce barriers. It's not going to eliminate them, but it's going to reduce a lot of barriers, tariffs, but more importantly in the regulatory areas, try to find ways where we can reduce those inefficiencies and costs that are imposed on business and workers.

Equally important, this is the opportunity for the two big industrial democracies in the world who share so many values -- including private property, intellectual property, workers' rights, protecting the environment but also democracy, free speech, and rule of law -- to try and come up with a template for a high standard trade agreement that we can

each use then as we do agreements with others. Maybe some features can be taken into the WTO.

This is an opportunity to write the kind of global trade agreement that we want to see. Frankly, if the US and Europe can't find a way to agree on that, we're going to see other countries that have different values trying to write rules, and some of those are going to be at the disadvantage of US and American companies.

So, it's good for us in the short run. It's good for us as we look to the future and trying to write the template for what we want to see as a global trading regime.

Jon: Thea and Ted, you have four minutes, your opening statement please.

Ted Bromund: Thanks very much. I'd like to join my fellow debaters in thanking Ambassador Volker, the McCain Center, our moderator, for convening this important discussion this evening.

Let me just start off by saying that already the moderator and my fellow debaters have made the argument that TTIP is going to generate enormous economic benefits. We're all quoting from the same study here. They prefer to quote gross numbers. I'll give it to you in percentage terms. If you right now make \$50,000 a year, TTIP is the equivalent of me offering you a raise to \$50,125 in 15 years' time provided that you do everything I tell you to do in the interim.

It's 125 bucks over \$50,000. Bear that in mind when our opponents talk about the enormous geopolitical, economic, geostrategic effects of TTIP. This is simply not that big a deal.

Secondly, this is not your grandfather's free trade agreement. In the past, free trade agreements were about tariffs and quotas. Now, as our opponents have already argued, they're fundamentally about rules. Our opponents argue, and everyone to an extent concedes this, that there are inefficiencies in rule making on both sides of the Atlantic. What our opponents don't recognize is that a process of negotiating, converging rules on both sides of the Atlantic is inevitably going to raise the costs of those rules, not lower them, because the standards, the level of rulemaking will tend to rise over time.

Finally, to my mind, most damagingly, rules are made through a process of negotiation that includes input by industry. Rules are going to reflect the demands of today's industry, not tomorrow's rising industry. My greatest fear about TTIP is it will be an agent for promoting static rulemaking that will benefit companies today and not new and rising firms tomorrow. In my mind, corporatism is not free trade.

Thea Lee: Thank you, Ted. Good evening. Thanks to the McCain Institute, my fellow debaters, and to all of you for coming out tonight. Ted and I are on the same side of this issue, but we don't have exactly the same view on it, as you might imagine, from the Heritage Foundation and the AFL-CIO. But I do agree with some of Ted's basic points, which is that this is not your grandfather's free trade agreement, that the benefits have been oversold, and that the key issue for us is going to be what the impact of regulation.

But, on that area, I might come at it from a different side.

I want to make clear that neither I nor the AFL-CIO are opposed to TTIP today. That makes sense, because TTIP does not exist today. TTIP is a gleam in the negotiator's eyes. We're following the negotiations closely. We've been consulting with our European counterparts.

But, in fact, it's interesting that the former AFL-CIO president, Lane Kirkland, may have been one of the first people to suggest a trade agreement between the European Union and the United States in a 1993 "Washington Post" op-ed. His concept was the opposite of Ted's. It was upward harmonization of social standards. He looked at European Union as a high wage, high standard, good labor rights place, a country that we would like, or a partner that we would like to get closer to, if we could harmonize our standards upwards.

But what would be the impact of TTIP as it's currently conceived by the participating governments, on workers, on wages, on jobs, on environmental protections, on consumer safety, on both sides of the Atlantic? I think it's clear that TTIP does bring a very different set of issues than some of the other trade agreements the United States has negotiated, a wealthy, high standard partner.

But there is a lot of reason for concern. That has to do with the direction of the negotiations of what we know so far. The main movement has been discussed with a fast track debate. The TPP debate has some deep and fundamental disagreements with our own government about what a good trade agreement looks like and what it would take to create good jobs in the United States through a free trade agreement.

You could ask the question, "Why do we even need a trade agreement with the European Union?" I think this actually goes to Ted's original point, which is that we have low tariffs, relatively speaking, on both sides right now, and the investment flows pretty freely. So, what do we gain from a free trade agreement? Or, is this one of those areas where we have an answer in search of a question?

There are trouble spots in regulatory differences, agriculture in the EU, tariff peaks in both countries. There's actually a map of why this is a difficult agreement to negotiate, and it should be difficult, because these are not easy questions. This is an area where I agree with Ted that, when you talk about regulatory harmonization, this is not something that is easily resolved by a bunch of trade negotiators sitting in a room.

That there should be, Ted talked about industry, there should be consumer, environmental, and labor representatives also part of that discussion. We have two very strong willed democracies that go through a process to figure out how to set regulations. We don't always agree with each other. The differences are real.

A couple of other issues quickly. The Industrial State Dispute Settlement, which has been so controversial in the context of TPP. In the European Union, this is actually a really important issue. Are we going to give corporations the right to sue governments over regulations that cost them profit? When you talk about adding the European Union to this, adding this provision in a deal with the European Union, that adds actually thousands of companies that now would have the right and the ability to sue the US

government over regulations.

This is concerning both here in the United States, and we know it's also concerning for the European Union.

Another issue is financial regulation, the Dodd-Frank Bill, which sets higher standards for financial transparency and some other issues in the United States and in the European Union. The European Union doesn't like it. There is a concern that TTIP would undermine that.

There are some real concerns. The specifics that get negotiated with this agreement will have a huge impact on working people on both sides of the Atlantic, and we're keeping a close eye on it. Thank you. I look forward to the rest of the debate.

Jon: Thank you, Thea. Let me give our first question to our pro-TTIP team of Jim and Shaun. We're talking about the TTIP trade agreement. Of course, none of us have actually seen what's in the TTIP trade agreement. Does this trouble you as much as it troubles many opponents of TTIP?

Jim: Go ahead.

Shaun: Well, I mean, obviously, I haven't seen it. I'm not a clear negotiator. Thea may be, but, look, it's a negotiation. I'd like to know exactly what's in there. I go to the briefings that USTR gives. I read what's put up on the website. I have dialogue with people that are involved on both sides, but it's a negotiation.

If I go to work for you at Fox Radio, we're going to negotiate my salary. I'm not going to do that at FedEx Field with all the offers and backgrounds up on the scoreboard or something. Fundamentally, if we're going to have a chance of succeeding, you have to run it as a negotiation. I was a negotiator at USTR for a while. You have to be able to say, "I might be able to do this, if you did that. That's not going to take place."

I think some of the critiques, I'm not saying we have a problem with the way the negotiation is being run. The real agenda is being able to get access to the documents so that they can fan opposition to them.

Both sides have worked hard to give more transparency. This is the most transparent negotiation I think anybody's done anywhere.

But to have a chance of succeeding, it does have to remain in negotiation. People both at the expert level and, ultimately, at the ministerial level are going to have to be able to negotiate.

Jon: Jim, anything you want to add?

Jim: Yeah, I'll add very quickly to this. I think this secrecy argument is really pretty much a bogus argument, a bogus issue. I mean, when was the last time a management union contract got negotiated out on the sidewalk with everybody watching? Of course not, it's done behind closed doors, and then it's revealed. Then you can work, the

management, stock holders, all the union members get a chance to decide and to vote on it.

You can't do a negotiation in front of the entire world. You have to be able to have the give and take. But, in the end, of course, the agreement has to come out in the open and it has to be thoroughly debated and thoroughly vetted. There is another reason, of course, we haven't seen a lot of TTIP events. It's not that far along.

Unlike TPP, the Transpacific one, there aren't as many of the details. We don't know as much as how far they got along. But even with TPP, they haven't reached agreement on the final key issues. Until you do that, nobody wants to put their cards on the table until they know they're going to have a deal. They shake hands around the table, then they go out, and they announce it. You get to take it to Congress and have a vote on it.

Jon: Ted and Thea, you have some time to respond to that.

Thea: I think that's totally wrong. I disagree with both of you, Shaun and Jim. I think that the secrecy has been dysfunctional for the US government. It's backfired, because it is causing a lot of uncertainty.

Nobody is talking about putting C-SPAN in the room with the negotiators. What we're talking about when we say transparency is that the governments would make their initial negotiating position public.

Now, there's not a lot that's secret. What the US does is they put on the table the language from the last three trade agreements. Ninety-five percent of what's on the table is something people have seen before. There's no secrecy there.

We're not asking the negotiators to reveal their bottom line. That's the part that is difficult and is sensitive. Whether on the rule of origin you're going to go to 50 percent or 55 percent or 62.5 percent, only the negotiators know in their head where they're going to go. That would be dysfunctional if you made them reveal their bottom line.

But making them put their initial negotiating position on the table is simply good governance. The European Union has actually taken a step in that direction, so if one of our trading partners can put their initial negotiating position on the table, there's no reason why the United States can't as well.

Jon: Ted, do you want to add to that?

Ted: I would just say that my skepticism about TTIP doesn't fundamentally revolve around process issues, as important as they are, like the status of TPA or the question of secrecy. My concerns about TTIP revolve fundamentally around issues of principle and what I view as the advancement of genuine economic freedom.

I personally think that diplomacy in the United States, as the federalist papers make clear, is frequently to be conducted with secrecy and dispatch. No one can accuse the trade negotiations as being conducted with dispatch, but I'm not sure that a modest element of

secrecy is all that damaging.

Jon: Let me stick with Ted and Thea for this next question. It would seem to make sense that if the European Medicines Agency, the EMA, just inspected a pharmaceutical manufacturer in Berlin, for instance, for compliance with good manufacturing practices, that the US FDA could rely on the findings of the European inspector instead of duplicating the effort by conducting its own inspection. But that's not the case.

Why don't you support the idea of eliminating this regulatory burden of duplication?

Thea: You want to start with that?

Ted: Sure. There are areas, such as medicines and cars, these are the two most commonly brought up, where there is very substantial regulatory duplication where both countries have high standards for automotive safety, for the approval of medicines, where there are, undeniably, cost induced by regulatory duplication.

But we should be careful when we discuss the specific advantages of reducing regulatory burdens in these general areas. You go on and, therefore, say we should have a process for transnational rule harmonization across the entire economy of the United States and the European Union.

It's one thing, I think, to go carefully, sector by sector, and a look at a few outstanding examples where there really is burdensome duplication. It's another thing to set up a process. Remember, regulation is a process. What we establish with TTIP will govern all the rules we make in all areas of the economy going forward permanently.

That is a much bigger principle and we should be careful not to concede the larger principle for the sake of these small, advantageous benefits to be derived in a few specific areas, such as pharmaceuticals or cars.

Jon: Thea.

Thea: I agree that each of these issues needs to be looked at on a sector by sector basis and agency by agency basis. I don't have a blanket opinion on this one way or the other. But I do think it's important that, with respect to regulation and safety and so on, there is a comfort level for consumers on both sides of the Atlantic. It doesn't necessarily mean you need to do it differently.

The other point, though, is that you don't actually need a free trade agreement to make some common sense changes and harmonizations in the regulatory framework. That can be done outside of a trade agreement, there's no need to do it. To Ted's point, that that might leave you the flexibility to change it if it's not working out a few years down the road.

Jon: Jim and Shaun, what about that point, that you don't need a trade agreement to avoid this problem of regulatory duplication?

Jim: Jon, I think you posed the question correctly in the first place. I think it is

important, I think it is one of the most important parts about the TTIP agreement. I think it goes to the fact that the benefits are much greater than what Ted was saying as a result of that. Because the benefits to the consumers on both sides of the Atlantic in terms of lower prices, that they will be charged for different goods and services, is important.

Thea is right, you can do it outside of trade agreements, but we generally don't do it. You need that kind of forcing hand of a trade agreement in order to make this happen. But when you look at it, it really makes sense when you're talking about TTIP. Maybe other agreements, TPP, maybe other countries that we're talking about, not so much, because the difference is so great.

But not the case with Europe where you have standards that are very high and equally as high as the United States. Why, for example, use what we've already talked about, do you have to have crash standards -- there's an automobile that gets crash standards and tested in Europe have to come over to the United States and go through the exact same kinds of tests here, which adds several hundred dollars to the cost of the car for each consumer.

Why can't we just say, "Yeah, your process is just as good as ours and we will accept that?" I think this is one of the areas where you can have tremendous benefits on both sides of the Atlantic.

Shaun: Just to take your point, Jon, we've been trying, between the US and EU, to make progress in this in the absence of a trade agreement. I don't think the results are too overwhelming. We still have all the problems that have been cited. I think the trade agreement can be a focal point to drive some of this progress.

We've talked about automobiles. We've talked about pharmaceuticals. There are five or six other sectors that are being focused on this negotiation. It's also important in this regulatory discussion that they talk about the structural areas, the cost benefit analysis, notice, and comment period, more transparency. There are a lot of problems American companies have with the way the Europeans regulate. It's not a very open process and certainly not as much as the US has had.

I think this area, nobody should think any of these areas are easy, whether we're talking about pharmaceuticals or automobiles or something like that.

But we haven't made a lot of progress on regulatory harmonization, coherence, whatever you choose to call it, in the absence of a trade agreement. I think this is the best opportunity we're going to have.

Jon: Let me stick with the pro-TTIP team for our next question. We hear trade agreement after trade agreement from proponents of trade agreements that they'll bring more jobs to the US, better jobs to the US, higher paying jobs to the US. What do you say to opponents who are concerned about the loss of US jobs associated with the TTIP agreement?

Jim: I'll start here. There are loss of jobs, there's no question about it. There's a loss of jobs that come about, but not so much as the result of a trade agreement. It comes about

as a result of the whole process of globalization and changes in the world economy.

We can sit back, put our head in the sand, deny having ever having an agreement with any country on any level of trade, and you're still going to have the changes that are taking place in the world today.

This is more of a process of globalization and it's dramatic and, in many cases, it's very heartbreaking, because it does mean changes in people's lives. It means whole industries are being wiped out. Just think of what's happening as the result of 3D printing today. The manufacturing world is going to be completely different a decade from now than it is today as the result of that.

Globalization is changing these things. The trade agreements are, I agree, often way behind and by the time they're done they're pretty much out of date. But they're better than not having any kind of an agreement.

Shaun: As Jim says, we live in a very dynamic economy where jobs are created and jobs disappear every day. We may not like that, but that's the reality. Trade agreements are a relatively small part of that overall phenomenon. But the best thing that we can do is position ourselves, the US, where we can compete for those foreign markets, many of which are relatively closed to us.

When 95 percent of the consumers in the world live outside of the US, when 80 percent of the purchasing power of the world is outside of the US, to be able to create good jobs and keep good jobs here, we're going to be a lot better if we can get in there and get those barrier away, including in Europe, so we can get in there and let our companies and our workers have a chance to compete for those markets.

There are a lot of horror stories you'll hear from people talking about NAFTA cost, I don't know, make up a number, a million job, whatever it is, and a lot of that, I think, is more coincidence than causality in terms of why jobs disappear. A lot more jobs, unfortunately, disappear due to advances in productivity, in efficiency, and so on like that.

That's the challenge for us. A trade can be part of solving that equation and giving us more opportunities to deal with the challenges that are going to be there with or without trade.

Jon: Thea and Ted, do you buy into that argument that it's not trade agreements that lead to the loss of jobs in the US, but rather globalization?

Thea: Trade agreements aren't the only factor that leads to loss of jobs, but they certainly are an exacerbating factor. I think it's one thing for Shaun to say this is a coincidence, not causality. But the truth is, and this is certainly true for my members, the 12.5 million working men and women who belong to the AFL-CIO, that they have had a lot of experience year after year, decade after decade, with trade agreements. They've almost all been bad.

The point is this that, of course, we understand, we live in a global economy. We need to be part of a global economy. We need rules that are going to be good for working people

and not just good for multinational corporations. But the truth is that our negotiators have not figured out how to negotiate a trade agreement that produces good jobs to the United States and that helps workers at the lower end of the income spectrum.

You all have seen the figures on economic inequality. This country is at a very scary point in terms of the growth of inequality that all the gains of economic growth for the last two decades, pretty much, has gone to the top 10 percent of Americans. That's left 90 percent of people working harder for less.

Trade and globalization, and I would throw it in, but the point is that the rules of trade agreements and the rules that we've negotiated, that our government's negotiated the World Trade Organization, have not got the balance right. So they've been partly about multinational corporations being protected when they move jobs offshore. That's what the investment chapter, the electoral property rights chapter, the financial services chapter are about. Less about what Ted talked about, just reducing tariffs. That's a very small part of these trade agreements.

If we haven't gotten the balance right, everybody agrees, even free trade economists will tell you that trade agreements produce some economic gains. Ted told you those gains, even by the pro FTA studies, are very small, almost less than the statistical discrepancy.

Yet, they have a distributional impact which is that they redistribute income from working people to the people at the very top of the income chain, that swamps the small economy gains. That's been our experience over the last couple of decades. We haven't seen anything in the current negotiations with TTIP or TPP that leads us to believe that these trade agreements are going to have different outcomes.

Ted: I would just add to that that I'm a convinced supporter of the benefits of free trade and economic freedom. I'm also convinced that there is nothing that we currently import from China or any other country that we cannot make in the United States. We would, thereby, be vastly poor if we made everything in the United States and we would have, perhaps, more jobs, but we would certainly have a great many lower paying jobs as well.

I would point out, however, that just because I'm a supporter of economic freedom and free trade does not mean that I think that giving large companies, and large unions for that matter, a voice in transatlantic rule harmonization means that this is a good thing for economic growth, economic freedom, or free trade.

Jon: Let me stick with this same team for our next question. While traditional trade barriers between the US and the EU are already low, with average tariffs under three percent, they are still significant, particularly to small and medium sized enterprises that want to become exporters. Are you against eliminating these tariffs?

Thea: Ted, do you want to start?

Ted: I'm absolutely not against eliminating these tariffs. If TTIP were limited simply, and I'll say more about this later in the debate, if TTIP were limited largely to a zero tariffs, zero quota agreement, I would probably be sitting on the other side of the aisle right now.

I make no defense whatsoever of tariffs or quotas.

Unfortunately, that is not the TTIP we are discussing. That's a pleasant idea. I support it 100 percent. But that's simply not what's under discussion right now.

Jon: Thea.

Thea: I think reducing tariffs, as Ted says, is the least controversial part of a trade agreement and they're the least consequential in terms of the impact on jobs. It really is the balance. One of the things, you see the projections about how many millions of jobs are going to be created by each trade agreement.

Just remember back, wind back 20 years to the NAFTA debate, how many jobs were going to be created because we were going to export more stuff to Mexico. Because Mexico's tariffs were higher than US tariffs and people used to use the phrase it was a no-brainer. Obviously, if you take down Mexico's, on average, 10 percent tariff and the US's 2.5 percent tariff, obviously the United States was going to win.

That really wasn't how it turned out, we ended up with a lot of US companies moving jobs to Mexico and the trade surplus with Mexico that the US had prior to NAFTA turned very rapidly into a large trade deficit.

So, you have to look at both sides of it and I think it's too simplistic, even economists don't really understand. If you just take the tariffs to zero, where are the winners and the losers going to be? It's hard to judge that.

Jim: Well, we're in agreement on one thing apparently up there and that is the idea that reducing the tariffs to zero would be a good thing and that might benefit everybody. But I just cannot resist responding to Thea's comments about the NAFTA agreement and Mexico here.

I happen to live on the border with Mexico and I happen to see these trains going up and down every day. About five trains a day going across the border, down to Hermosillo where there's a huge auto plant.

Mexico, I think I'm correct, is now the fourth largest producer of automobiles in the world. How do you think that happened? Why did that happen? Because we shift all the jobs down there? Because they're close to the US markets and so they can assemble them there, but they get their parts...Not getting their parts, now, from China or from Korea or Japan or other places, but getting them from the United States.

Those trains go down, filled with parts, transmissions, tires, airbag systems, electronic systems, whatever it might be, and come back as assembled automobiles. So there is a huge benefit and yes, our trade with Mexico has increased by 400 percent. Yeah, that's a deficit now, but we've increased 400 percent since we signed NAFTA, the amount of goods that we sell to Mexico. So it's an argument that just doesn't wash, in my opinion.

Shaun: No, I certainly would agree with that. I don't know if Thea would have a problem if we could go rewind history and eliminate NAFTA, you'd rather be importing

all those goods from China or Japan or somewhere else. As Jim says, Mexico is integrated in the US global supply chain...

[crosstalk]

Shaun: Yeah, well, but I think your analysis of Mexico has more to do with Ross Perot's sucking sound than with what the economics of today's global economy really tell us.

Thea: That's silly.

Shaun: Well...

Thea: No, but the other argument that was made for NAFTA was that this was going to help us compete with Asia and Europe and it didn't really work out that way. We run a half a trillion dollar trade deficit now, with the world, and a big chunk of that is with Mexico. It's not like this helped us compete better with China, because it didn't.

Shaun: It would be better off without NAFTA, you're thinking?

Thea: Probably, yeah. Oh yeah.

Shaun: That's interesting.

Jon: Let me stick with the pro-TTIP team. We can return to this conversation as well. TTIP primarily concerns rewriting the rules of the road. What location do you prefer, or would you prefer, IP to reside? In the United States? In Europe? Or in third countries?

Jim: For IP? For intellectual property?

Jon: That's right.

Jim: You want to take on that one?

Shaun: Well, I'm not sure I understand.

[crosstalk]

Shaun: I'm not sure I quite understand the way the question is phrased.

[crosstalk]

Shaun: But clearly, intellectual property has got to be a core element of a strong trade agreement. The reality is that neither the US nor Europe are going to succeed competing to produce low cost, basic commodities.

Our comparative advantage, and also Europe's, are based on high quality, branded products and services that have intellectual component. So, that network of patents and copyrights and trademarks and trade secret legislation is absolutely critical. So I think it has to reside in the US, in Europe.

This is the kind of area where I think if the US and Europe can come together in a TTIP

negotiation and come up with really high standard, cutting edge IP protections that benefit companies and workers in Europe and the United States. This is the kind of thing that we should be doing.

Because if the US and Europe continue to have differing IP regimes, it just creates an opportunity for countries who are not interested in protecting intellectual property to continue to steal our intellectual property.

I'm not sure I understand the question of where it should reside. It should reside very high on the agenda and be effectively enforced, both in Europe and the US.

Jim: Intellectual property protection is really important, it's essential. If you want to have innovation, if you want to have creativity, if you want to have new advances, you've got to be able to protect those who are doing the investment of time, capital, human thinking, brain power. You've got to be able to protect that. So it's absolutely essential.

The argument, I think, on TTIP is a less critical one than it is with other countries. Europe has pretty good intellectual property protections. We do have some differences, there's no question about that. But it's not the same as we have the problems with China and with other countries like that. Frankly, with the WTO, we haven't been very successful in getting countries like China to protect intellectual property.

It's important, there's no question about it, it's important, but I think it's one of the things that probably is further down the totem pole in terms of the areas where there might be a difference between the United States and Europe.

Jon: Do you see it the same way? Is it further down on the totem pole?

Ted: I certainly agree that protection of intellectual property is an important, perhaps not the most important, but an important feature of an agreement with Europe. I think where my differences with my fellow debaters would arise is the question of China. I'm very unclear how the argument works that because we have one standard for IP and the Europeans have a roughly similar, but a little bit different [indecipherable 0:39:21] for IP, that, therefore, if we had the same standard somehow the Chinese would stop stealing our stuff.

That, to me, is a fantastic argument. WTO has not worked to stop Chinese thievery. The reason why China steals is because it is profitable to do so and harmonized intellectual property standards in the US and Europe will not stop the Chinese from continuing to steal our stuff.

The argument about China is brought up again and again in TTIP debates and I've yet to hear a coherent explanation of how if the World Trade Organization has failed we can create what would, in effect, be a new WTO for IP between the US and Europe and somehow magically this is going to produce results when the WTO which contains essentially everyone in the world has failed.

Thea: I might surprise people by telling you that, in fact, the AFL-CIO does support strong intellectual property rights provisions in trade agreements. We represent a lot of

people who make a living from their intellectual property, actors and writers and musicians and so on. So, that's an important piece for us.

But I think how it's done is also important and I think there are still some areas that are going to be problematic with respect to the European Union. One of those areas is pharmaceutical products and the speed with which generic products get to market.

Now, generic products, price equals marginal cost. When goods can be made available cheaper, more quickly, particularly life-saving drugs -- this is, I think, more important, much more of a big issue with respect to the TPP -- then that's something that we need to figure out how we can balance the costs of healthcare which are rising very rapidly, largely because of medical devices and pharmaceutical products that are very high priced in the United States compared to other places.

How that can be balanced and how the healthcare systems, competing healthcare systems that do negotiate better with pharmaceutical providers than the US government does, how that's going to work. I think those are some real issues.

The other issue that I think will be a trouble spot is culture. It's not just a question of making money and allowing products into your market, but certainly in a lot of the European countries there is a real desire to protect European culture or filmmakers or others. That might come into conflict with the negotiator's agenda and TTIP.

Jon: Shaun, did you want to...?

[crosstalk]

Shaun: I just wanted to try to answer one of Ted's points. If you go into the WIPO, the World Intellectual Property Organization, the dominant issue over the last two or three months has been the US and Europe fighting about geographical indications and can Europeans twist the rules around and keep the US from getting...

My point is simply that when we end up fighting about IP, we're less able to work together on a common interest, because there hasn't been a lot of progress in the WIPO about enforcing things with China. When all we're doing is sort of throwing things at each other over this particular issue about geographical indications.

I do think if we could work together and set a high standard, there can be some better...It's not simplistic, but I do think there's an argument there.

Jon: Let me come back to the team of Ted and Thea, if I could, with a question that picks up on a point that you were mentioning a little bit earlier, Ted. There are many who say that we should be able to find a certain level of uniformity, or at least mutual recognition of the US and European auto safety regulations.

Over the past 15 years, only 7 out of the hundreds of safety regulations have been harmonized between the US and the EU. My question to your team is, "Are you satisfied with the status quo?"

Ted: No, I'm not satisfied with the status quo. I've already indicated a couple of areas where I would like to see a change and I'll indicate a few more as the discussion continues.

But let me sort of reverse the question a little bit. I agree that progress towards harmonization has been slow in the current framework and there are several frameworks that have been tried. But reverse the question, TTIP is an all-singing, all-dancing, 24-hour a day bar service kind of trade agreement. It's going to cover everything.

Why are we trying to do everything in the context of TTIP when we've barely been able to do one thing, that is, automotive safety standards, outside the context of TTIP. I really wonder that for the sake of some benefits to be derived from TTIP, people are willing to make the argument that it needs to do everything, needs to cover all areas.

Why don't we settle for something that can be negotiated now that would secure some genuine benefits, not very large, but some, without trying to negotiate an agreement that covers absolutely everything when we've been able to negotiate frankly much of anything.

Jon: Thea?

Thea: Well, I'm no expert on auto safety, but I did sit through a really interesting and a very detailed and technical discussion with some auto industry experts and consumer safety experts. They actually convinced me that it isn't quite as simple as just saying, "Hey, you have your crash standards and they must be pretty good. We have our crash standards and we think they're probably also pretty good. Let's just accept each other's."

I think these are issues. There are reasons, maybe some of them are irrational, but I think some of them may be rational for some of the differences in choices that have been made on the two sides of the Atlantic. I'm not willing to put this process in the hands of trade negotiators who also are not experts in auto safety.

Jon: Jim, yeah.

Jim: Well, I would just say, simply in response to what Ted was saying, that you start off with a broad and a bold agenda. You go as far as you can when you start off. It's not going to end up with getting everything.

No trade agreement we've ever done, whether it's been through the WTO or it's a bilateral, regional one, has ever ended up with all the things that we started out talking about. So, some things fall off the table and a lot of things will fall off the table with TTIP.

But there's no reason for two world giant economies that are more integrated than any other two that are negotiating a trade agreement in the world not to start with a broad agreement and try to get as far as we possibly can.

Jon: Shaun, do you want to weigh in on that auto safety question?

Shaun: Well no, just to answer your original question, no. I certainly am not satisfied with the status quo. I don't think American business is satisfied with the status quo. It isn't just about automobiles. Automobiles is, in many ways, a proxy for a broader discussion and we see this in many kinds of sectors.

Yes, this is really, really hard, but each time we set up conflicting or parallel tests, and so on, the crash dummies, the seatbelts, we're just adding cost, which makes it harder for us to compete with Japanese or others in something like this. I think the point here has got to be can we, wherever it's possible and it's not going to be possible at every sector or every product, but where we can identify overlaps or inefficiencies and we can reduce them, maybe not eliminate them, but where we can reduce them and make American and European competitors more competitive, not just in our own markets, but in the global markets, that's to our advantage, our company's, our worker's, our citizen's, our tax revenues, and so on. We ought to be pushing very hard to do it.

Jim is right, we're not going to make it in every sector, but that's why we do both the sectors. Those are being done as part of this regulatory discussion. But also in the other parallel structural discussion about how you regulate, how do you assess cost benefit, how do you get input into this thing.

Because we need to get regulatory processes that also work better so that we have fewer of these problems going forward as new products emerge.

Jon: Let me stick with the pro-TTIP team for the next question. Members, I'm listening to you of both teams. You both seem to agree that actual unnecessary trade barriers should be addressed. What in your view, what in your team's view, qualifies as unnecessary? Fuel economy standards? What about standards that keep the toys our children and grandchildren play with and the food we eat safe? What, in your view, qualifies as unnecessary?

Jim: I would just say I don't think we're talking about eliminating these standards, we're talking about harmonizing them. Whether you're talking children's toys, for example. Why can't we have a common standard as to what makes it safe, what's small enough, large enough not to swallow, what's not going to be poisonous, so forth, what's not going to have sharp edges on it and so forth. Why can't we harmonize those? We're not necessarily talking about eliminating those standards. I'm sure there are some. I'll come up with some, I'm sure, that we probably could eliminate, but that's not what I think the real issue is here.

Shaun: No, this is not about deregulation or lowering standards at all. This is about trying to see where we can align them, reduce inefficiencies, eliminate discriminations, and so on like that.

These regulations, by the way, ought to be including in the agricultural area, they ought to be science based not political based -- just to make the point about GMOs or other kinds of things that are frankly going to be among the tougher issues there.

But clearly, we need regulation, we need toy safety regulations, we need pharmaceuticals and foods. This is not an anti-regulation and deregulation, lowering regulation kind of

agenda. This is about let's do it smarter, let's do it better, let's do it in a more harmonized, more efficient kind of way. Ted and Thea?

Ted: Anyone here in the audience willing to go out and march in the streets for a call for doing regulation a little bit better? Got everyone's blood pumping here?

For some reason this doesn't really move me. I suspect this is where my debating partner and I will part company in a really drastic sort of way. But let me try to put it on a plane that at least some people will agree with. Rules are costs. That doesn't mean that we should have no rules whatsoever.

But rules are like tariffs and like quotas in the extent that they impose costs on manufacturers and ultimately, therefore, on consumers. Now, we could have a good discussion about where we think rules are unnecessary and burdensome and I suspect I would be in favor of a much wider measure of deregulation than anyone up here in front of you today.

But, our opponents have conceded that this is not a deregulatory or lowering regulations agenda. It is about a very technical approach, at best, to reducing duplicative rules between the US and the European Union. That's TTIP. That's the whole deal.

When someone says to you that this is going to result in substantial reduction of the cost burden of regulation overall in the US or European economy, there's simply no basis for that claim, because the rules are still going to be there. They may be harmonized, but they're still going to exist.

Thea: Well, I think this is such an interesting area, because Ted and I do have, in some ways, the opposite view. That, for me, if there's going to be regulatory harmonization in TTIP, it must be harmonization upward and not downward.

But I've been on panels with other business representatives and they've talked about the kinds of European Union regulations on chemical waste, on the environment, on consumer safety, that they find annoying and burdensome and expensive.

The dynamic, what I am concerned about is I've been assured, a million times, by our negotiators, it's all going to be harmonization upwards and that's why Ted is so upset. But I don't believe them, so maybe Ted will be happy and I'll be unhappy at the end of the day.

It depends on what the role of incorporations have in this trade agreement, on both sides of the Atlantic, in Europe and in the United States. For example, Europe has different standards and higher standards on some things like bovine growth hormone and genetically modified organisms.

I can assure you that none of the business people on the US side of the Atlantic think that the end of TTIP is going to be that we're going to agree to impose those higher standards. Now, Shaun had said, "Of course, it has to be science based." That all sounds good, I'm all for science. I'm a science believer myself, not a great scientist.

But in practice, what has science based meant in terms of trade negotiations? What it has meant is that one country has a standard that they think is protecting them against some kind of risk, that their consumers or their scientists have felt is a risk, or have determined is a risk.

One example for example is the precautionary principle with respect to cancer, possible carcinogenic additives to food or others things. Now, you might just say just be very careful, why would you want to sell products that might be carcinogens? So you should have a precautionary principle if there's even a chance there might be a cancer-causing agent, then you should regulate against that.

But that could be expensive, as Ted might say. Other countries might say, "Oh, you're just being a nervous Nelly. There's a small chance that it might cause cancer, but who the heck cares?" Now, are we willing to let a trade agreement adjudicate this very difficult question for us? No, I submit that that's the reason we have democratically elected governments and not trade negotiators.

Jim: If I could just quickly...

Jon: Absolutely.

Jim: ...quickly respond. To what Ted said, and by the way I don't know, I might give you a run for money on the deregulation, there, but I certainly would like to see deregulation. I was making the point simply that what is the reality. I don't think the TTIP is about deregulation, it's about harmonization. The point I wanted to make was is you said correctly rules are costs. Different rules are going to be more costly. So, the extent that you can harmonize, and no I don't expect everybody here to go marching in the street right afterward for harmonization of rules. But to the extent that we do harmonize some of those rules, we do reduce the costs, and it does benefit consumers, and workers.

Jon: Let me come back to Ted and Thea, because we're talking about TTIP but I also want to get your view about what you think should be the model for trade agreements. Has there been any trade agreement the US has signed and implemented that in your view has worked and benefited US businesses, and American workers.

Thea: Do you want to start?

Ted: Sure. I suspect this is another area where my debating partner and I may come to some disagreement. I'm the convinced supporter of US trade diplomacy since 1945, which I think has been an unparalleled display of wisdom, economic progress, and grand strategic logic.

I think that one of the best single things the United States did in the aftermath of World War II was to push for the creation of GATT which lasted for approximately 50 years, which resulted in the dramatic lowering of tariffs and quotas, first between the US and Europe and then largely around the world. I think this was an enormous contributor to prosperity and peace. I think it was a vital part of American Cold War strategy, and American economic strategy.

However, I don't think that TTIP is a continuation of that tradition. I think it moves us away, naturally, in the consideration of tariffs and quotas into the area as we all agree of harmonized rulemaking. I don't think, therefore, it's a contribution to economic freedom, to free trade.

I'd also add that GATT was distinguished because it had a geopolitical vision behind it, a vision which in the case of TTIP is at best extremely weak, and in my view, absent all together.

Jon: Thea?

Thea: Well, actually, one thing I agree with Ted on is that, in principle, in an ideal world, I think multilateral trade rules make more sense than a bunch of dopey, overlapping, regional, and bilateral agreements. I think that's a messy spaghetti bowl as some economists have said. But I'm not crazy about the WTO or the GATT in terms of the actual outcomes.

But the one issue where we haven't talked about tonight is labor and environmental standards. This is something that AFL-CIO and a lot of our allies have been pressing for since NAFTA progressively to incorporate stronger, binding, more enforceable labor and environmental standards. With respect to labor, we've looked at the International Labor Organization, which is unique in the international world, because it is a tripartite body that has representation, not just for governments, but from business and from labor from 170 different countries.

The standards, the core labor rights that the ILO have identified, the five core labor rights, they have been incorporated. This is what we've been fighting for for many years into US trade agreements since NAFTA was progressively up and down stronger protections.

The Jordan Agreement was the first agreement that the AFL-CIO supported, because it did have, for the first time, enforceable labor and environmental standards. We also were supportive of the May 10th Deal that would strengthen labor and environmental standards. But the truth is we've been disappointed in the implementation of all these agreements. That, in fact, government after government has let us down, because we've seen very lack luster, I would say mediocre, enforcement of labor provisions and trade agreements across both Democratic and Republican administrations.

We're looking to really strengthen and build on that foundation so we can get it right. We haven't gotten it right, yet.

Jon: Jim and Shaun.

Jim: Go ahead.

Shaun: No, you go ahead.

Jim: It's funny to listen to some of this, because I think there are large areas here where we might agree. I certainly think that the post-World War II trade arrangements have been very, very successful in GATT. Leading into the WTO has been very successful. But the

world of trade has changed dramatically.

It was about tariffs back then. That was really what it was essentially the real issue. We had very huge tariffs, high tariffs everywhere around the world. It was reducing those was the most important thing. Today, in the world that we live in, trade is not so much about tariffs. It's about other things. It's about other barriers.

Tariffs were the barriers then. We still have barriers, but there are other barriers. The GMOs are a good example of that, when Europe imposes GMO standards that exclude our products, our agriculture products, damage our agriculture industry. We can get into an argument about why they do this and whether it's valid or not. I don't think it is.

I think, as Shaun has said earlier, it's got to be based on scientific evidence. I do think that this agreement can be very important in terms of reducing some of those other barriers. They don't have to be tariff barriers. They can be other barriers.

Shaun: We don't necessarily get to pick the barriers. We did tariffs, and certainly between the US and Europe most of them are gone. There are a few left in very sensitive sectors, principally in agriculture, and we ought to be trying to go after them. I think there was a consensus here that we ought to eliminate all of those. We'd all four like to see that happen.

But I think we have to deal with the barriers we confront. If you look at the US and Europe, the barriers that are out there, you can decide, "Well, these aren't the good old tariff barriers we like. We should stop."

I think this is what, certainly, my companies are saying. These are the things that are affecting our ability to do more business, to sell more goods and services into the European market. I think we have to deal with the agenda that we confront. If you look at the TPP, the transpacific negotiation, much heavier tariff there because of the partners we're negotiating with. We ought to be pushing to get all those tariffs eliminated and do, in my opinion, the regulatory issues as well.

When you look between the US and Europe, what I'm hearing is, "Clean up the tariffs, but, God, the real problems we're facing are on the regulatory side."

Thea may like the precautionary principle. I like the idea of precaution, but our European friends have totally abused this idea in areas where they don't have science and they just say, "We don't know. There might be a problem, so, therefore, we're going to ban it."

It happens to always be in sectors where they're not competitive and we are. It's a little bit questionable how much of a principle that is and how much that's precautionary politics.

[laughter]

Jon: Our audience is not just here to watch tonight's debate. They're also here to participate in tonight's debate. Now is an opportunity for you to ask some questions of the people up here on our panel.

I think that we have people on each side of this auditorium with microphones. If you have some questions, if you have a question, please raise your hand and they'll come to you.

A couple on that side.

[pause]

Male Audience Member: Thank you. My question was for Mr. Bromund. I have two. First, you said that after World War II, it was good, with the GATT, to lower tariffs and to eradicate quotas but nowadays with the TTIP eliminating non-tariff barriers is not important or doesn't make any sense or something. I didn't understand why it was good to eliminate quotas and tariffs but not to eliminate non-tariff barriers.

My second question was regarding your first remarks. You said that TTIP was not a good deal because it was setting rules for industries that we see today every day but TTIP is not setting rules for industries of the future. I was wondering how you would want the negotiators to set rules for the industries of the future since, of course, we don't know they will look like. Thank you.

Ted: I feel reluctant to hog the panel's response to this, but as the questions were asked of me, I'll try to answer them.

The difficulty with eliminating non-tariff barriers is that the way that they will be eliminated in practice is that the US and the European Union will agree on a set of rules, the same rules for particular sectors, and a process for designing rules in the future. So, you will have a convergence of rules.

The rules are still there. All you've done is, in certain sectors, you've made it a little easier for companies to comply with them, but the overall economic burden of the rules remains almost entirely untouched. That's with the best case.

The second part of the answer really relates to your second question. I don't know what the market is going to produce in the future. That's why it's called the free market. That's why I like it, because everyone out there is smarter than anyone out there. What I don't want is to give large companies and, for that matter, large labor unions the ability to write rules now that are going inevitably to hamper the emergence of the smart ideas and the big companies in the future.

Because unions and companies today, and there's nothing wrong with them advocating their points of view, they will inevitably try to have rules written today that benefit them. That's perfectly fair, and perfectly reasonable for them to try to do that.

But, because we don't know what the market is going to produce going forward, those rules are going to govern what the market will produce in the future and it will reduce the opportunities for growth, for employment and for new ideas going forward.

So, I don't like these rulemaking processes precisely because I believe in the free market, and I don't want to give rule makers the ability to cramp it when we don't know and

cannot know what it's going to produce.

Jon: Jim and Shaun, you have two minutes if you'd like to take a crack at responding to that question.

Shaun: Well, I'll just make one point and leave most of the time for Jim. I think these are fundamentally negotiations between governments, and ultimately the governments had listen to business, large and small, listen to labor and other people.

But it's ultimately the job of government to be able to look ahead and see what might be over the horizon, and write in agreement that isn't just protecting the existing companies or the existing interest groups and so on. I think we've seen, whether it's Apple and Microsoft emerging in the IT sector, which didn't exist when GATT or many of our FTAs are being negotiated. Or, UPS and FedEx in the delivery services area.

I think you do. It is a responsibility of government as they look at these, to see how can you leave space for what might be coming. Maybe they have some inkling, maybe they don't know, but I think it's a fair point to make sure that you don't just write it to protect the existing interest.

It's a national interest to create opportunities, and there ought to be space in there. I think generally, the fact we've seen in the IT industry, we've seen many parts of the service industries that didn't exist have shown that trade agreements don't seem to be an impediment to new sectors, new companies, new ways of merging and prospering.

Jim: Yeah, that's because we've never had a trade agreement like TTIP that focuses on transnational rule harmonization before.

Thea: Actually, we've made mistakes. Our trade negotiators have made mistakes in this area where, for example, in services, the question is whether you have an exception for the industries, the sectors that you don't want to be covered by the commitments, or whether you name the ones that should be in.

If you name the ones that should be in, you're more protected. But some things like electronic commerce, and how that's taxed, or how tariffs go, or any things like even with respect to gambling, whether that's covered by our WTO obligations and services.

We don't abide by WTO rules with respect to gambling. We have monopolies for Indian tribes, and for states, and we use lotteries to raise money for state education funds. We don't allow foreign investors to come in and be part of that market, and yet our negotiators made a mistake in writing that list of what should be part of other recreational services, thinking the gambling was not included, when in fact we lost in a WTO dispute settlement panel.

Jon: Let's get another question from our audience. This gentleman right here?

Female Audience Member: Excuse me, sir, can you take this?

Yon: Hi, my name is Yon Seaten, and I'm a visiting fellow from Center for Transatlantic

Relations, and I'm also from Finland. My question regards welfare states and TTIP. Is it possible in the future to have a state like Finland or other Scandinavian states where you have services funded by governments, or how is TTIP going to affect these services? Thank you.

Jon: Why don't you start us off with that answer, Shaun?

Shaun: Well, certainly, my take is absolutely. This TTIP is not about homogenizing Europe and the United States in the way we organize our societies, the way we tax and support things. There's a lot of fear mongering out there, that somehow the TTIP is the dreaded investor state dispute settlement that Thea likes to worry about.

That somehow, this is going to allow American companies to come in and try to privatize European universities, or healthcare systems or something like that. This is not what this is about, public services or anything like that.

So, I certainly don't anticipate that TTIP would cause the US to reorganize how it decides to organize its fundamental structure of its economy, and I don't think it would be about in terms of Europe, how Finland wants to do it, or France, or anything else. How you do it within the European Union, that's an issue we'll stay out of.

Jim: Let me just add, and then turn it over to other parts of our team, the other team here. Ted and I might agree at this point that we might like to see some elements of that welfare state dismantled, but I don't think that's what TTIP is about, and I don't think it's going to do that, eliminate or force countries in Europe or in the United States to change part of their social system, welfare system, their pension system, Social Security system, whatever it might be.

I don't think it really is about that, even if we might sometimes want that to happen.

Ted: Yeah, I don't share these concerns. We can obviously have a discussion about the desirability of very high levels of welfare spending, but that's entirely separate from the question of what TTIP will do. I agree with my fellow debaters that whether one likes the system or not, this is not what TTIP is about.

I would just add one more slightly provocative thought. The biggest single threat to the future of European and American welfare systems is the unaffordability of benefits we promised in the future, and relatively low levels of economic growth.

To the extent that TTIP increases regulatory burdens, though they would be harmonized, but to the extent that TTIP encourages higher levels of harmonized regulation overall, it will marginally reduce future growth and make future welfare commitments somewhat more unaffordable. But that's not an effect of TTIP as a regulatory agreement, that's an effect of perhaps lower economic growth going forward.

Jon: We have one more minute left for this answer.

Thea: OK. I think it's not reasonable to be concerned about what the impact of TTIP might be, because I think one of the things is, the line between public and private

services in a trade agreement is a little bit hard to judge.

There's language that says that a service is operating competition with the private sector, what is eligible for competition in the service sector, what are we opening, and what are we not opening. As I said, governments take exceptions. They say, "OK, the post service is protected," and this and that. But healthcare and education are two areas where there's a lot of competition between the public sector and the private sector, and it's not out of the question that some of this language might be used to undermine, or to attack, or to challenge the public provision of services in the future.

So, I think that is something to be concerned about in addition to the problem of the investor state dispute settlement and how corporations challenge governments over protecting markets from them. They don't want to be shut out of those markets.

Jon: Other questions? This woman right here in the jacket.

Annathea Cook: Hello, my name is Annathea Cook. I'm from the Middlebury Institute of International Studies at California. I'd like to thank you guys for hosting this event so we can attend for free, many of us being grad students.

My question was about TTIP and how it makes us more or less competitive in the international global market. There's a certain amount of argument on this issue that it can raise us and make us more competitive when we have regulation that's cohesive.

It means that the rest of the world will have to raise their standards in order to access these huge markets. It raises the standard, and it makes us leaders in international trade. The other argument is that the rest of the world is going to move on without us and that regional agreements shall just ignore these higher standards and they will continue to make high profit.

I wanted to hear more about how this trade agreement is going to make us more or less competitive in the international world and what you think the repercussions would be around the world.

Jon: Jim, why don't you start us off with that?

Jim: I'm just leading right into your question there. I think it does just exactly what you said. I think it has to do with the fact that the harmonization of standards do make it more competitive. You've taken two of the largest economies in the world, and if you're setting some of the standards for different things, the rest of the world is going to have to follow suit.

If we don't do it, if we're not able to do it, the day is coming somewhere, not in the far distant future, that China will be the world's largest economy. They're going to start setting some of these rules, and they're not going to be rules that we're going to like particularly. I think that it's to our advantage to take the two largest economies in the world and start to set some of these rules now.

Shaun: The fundamental purpose of TTIP is about making European and American

companies more competitive, more efficient, finding those inefficiencies, those barriers, those rules that raise cost without another positive benefit or something, and going after it.

When you have the US and Europe together representing about 40 percent of global GDP, companies out there in India and China and Brazil that want to sell into our markets, they're going to have to focus on those kinds of standards.

Then we can, over time and through agreements but also just de facto business practices, we have a greater chance of setting those kinds of standards in business. It's not going to work in every sector. It's not going to be perfect.

If the choice is to kind of stay with the status quo of the US and Europe having differing regimes or try to harmonize and make supply chains across the Atlantic easier and more efficient, I certainly think that's the way to go.

Jon: Theo and Ted?

Ted: Let me just offer a couple of quick thoughts on that. First, as I said in my very opening remarks, the impact of TTIP is going to be, at best, a very marginal positive. Every serious study of this, mostly done by people who are supportive of TTIP, finds that the total gain for the United States and for the European Union is around about a quarter of one percent, maybe a little more, maybe up to a third, of GDP after 15 years.

That gives you an enormous figure, but at the end of the day, it's less than one half of one percent of GDP. This is not going to transform the US' or the European Union's GDP, its international competitiveness, or anything like that. At best it's a marginal positive.

Then there's the China argument. One reason I find TTIP somewhat unattractive is this argument that we need to set standards now before the Chinese come along and get so big that they set all the standards. I see a number of difficulties with that, but let me just pose one question.

If China is going to rise to this level of eminence, are they going to keep on accepting our standards after they're so big, omnipotent, and all-powerful? You don't just set standards and then after some other power rises, they're going to magically keep those standards.

Once you start conceding that argument, you've conceded that China is going to set the future of standards regardless of TTIP or not because it's the dominant player that ultimately sets the standards. I think our better bet is to go for better growth which, to my mind, does not mean high continued levels of domestic regulation.

Jon: Thea, do you want to get in on that?

Thea: No, that's OK.

[laughter]

Jon: Can we take another question? This gentleman right in the back.

[pause]

Damian Levie: Damian Levie, I work for the European Union Delegation on Trade. Thea, if regulators were to discuss convergence and not trade negotiators, would you agree with regulators in many areas trying to reduce existing differences? That's what happens.

It's not trade negotiators doing that. It's regulators. I've been sitting in each round in these sessions, and when you have cars, you have NITSA people here and then you have their counterparts in Europe. Trade negotiators are sitting next to them and taking notes, but they don't run the show.

It's the regulators. EPA does the same thing. FDA does the same thing with pharmaceuticals, pesticides. Look at the nine sectors where we are working. Regulators are always running the show.

Thea: I think the regulators need to make sure they're going back to the consumers, the environmental, the labor, and the industry groups as well. That's where the secrecy becomes a problem again. I think if you're going to have that process where you're going to make decisions, permanent decisions with respect to future regulation, then it can't be done in a closed room.

It needs to be done with the light of day because those are decisions that normally are subject to recall where you can elect a different government that's gone in the wrong direction.

I take your point, Damian, that the regulators have been part of this process. Then I also think that you need to make sure that you have some sunshine in there to make sure that you're really accountable to civil society.

Jon: Shaun Donnelly?

Shaun: I just want to pick up on Damian's point. I think the fact is we've been trying -- regulator to regulator for the past 30 years -- to make progress in this area, and I don't think we have a lot to show for it.

I think this effort that we have now with the regulators but also with the, call it what you will, the pressure of the trade negotiation, can give us the best chance to make practical progress in this area. If we give up on TTIP and just count on the regulators to do it, they're going to fall back into their old traditional ways of doing it, and we're going to have missed an opportunity.

Jon: Do either of you want to...

Ted: No, it's all right.

Jon: OK, let's going to somebody else out in the audience with a question. This gentleman right here in the center in the brown jacket.

[pause]

Jon: I think a microphone is coming your way. Right behind you sir, right behind you.

Raj: I'm Raj Boya a DC resident. Maybe it's a two-part question. You are experts. I'm not sure whether folks working in rural parts of this country can understand the complexity and the breadth of the issues that you're talking about.

Looking back historically speaking, not doing the unintended consequences at that time but now probably you know, how do you think it is going to impact the workers in this country? As you know, inequality has been increasing. Rich are getting richer. Poor are not getting richer.

How would this impact those folks? People working at Wal-Mart, for example, they may be able to buy items at Wal-Mart, but some of them are actually on food stamps. I'm curious to know your thoughts on that.

My second question is when you talk about European Union, there are so many countries. Germany versus Greece, there is a huge difference. Could you please take an example and explain to me, a lay man, in terms of how it would work when there is some kind of trade between, let's say, United States and Germany versus US and Greece? Thank you.

Thea: Thank you very much for the question, Raj. How will TTIP impact workers? That, I think, is really where it depends on what comes out of the negotiations. That's why we've been following them so closely and going back and forth.

One issue really is the labor chapter. What kind of labor chapter will the United States and the European Union conclude? I think neither country has put any language on the table yet. I think in this area, it's one where there is a potential.

We certainly look at the European Union. We see that they have, in general, higher labor standards and better labor laws than the United States does. It's not too hard to do that. We want to make sure that we are really building on the strengths of the European Union and bringing us up.

The other point that you make, which is the diversity within the European Union, I think is also important. I think people have sort of a quick, shallow image of the European Union as being France or Germany, but you have a lot of smaller, poorer countries as well. That's important to keep in mind in terms of the labor chapter and what the impact is on jobs.

I think the point that you make about workers at Wal-Mart that getting access to lower prices doesn't help you if you don't have a good job. That's why we really want to make sure that our government, the US government, can focus in on what does it mean to keep good jobs in the United States, how do we invest in the infrastructure and the skills that we need that our government hasn't been very interested in doing in conjunction with the trade agreements that are being negotiated? Also, what does it mean in terms of the government procurement chapter? How much access to foreign governments do we give to procurement? Do we use procurement dollars, tax dollars, to create good jobs for

American workers? How do we protect labor standards and really maybe take the labor commitments to a new level? That's something we really haven't been able to do before to really protect workers' rights.

Jon: Jim and Shaun, would you like to respond to that question?

Jim: Other than note that I don't necessarily share Thea's assessment on who has better labor laws or something. I think on your second question about the diversity within the European Union -- Greece and Germany, just to pick two that I think you mentioned -- the reality is that while it may impact each of those markets like the difference between Wyoming and New York City in the US side is certainly significant, the EU 28 member states have, in the trade area, ceded, in effect, their sovereignty to the European Commission.

In terms of trade rules that are negotiated, what the European Commission negotiates applies equally in each country. The government of Greece or Germany doesn't anymore have the legal authority to go out and negotiate or set their own tariffs or anything like that.

Because they're different economies like you could find in different parts of the US, the impact might be different and so on like that, but I think the legal, the trade implications is going to be the same among each of the 28 member states of the EU.

Jon: Ted, I'm not going to be able to get to you. Sorry. Our Q&A portion of the debate is now concluded. I now want to go to what we talked about at the very beginning. I want to go to each of our panelists and ask them in one minute to sum up what he or she believes the US should do right now as a matter of US trade policy with Europe. The pro-TTIP team went first in the beginning part of the debate, and now our anti-TTIP team will go first in the concluding part of the debate. Thea?

Thea: Thank you very much, Jon, and thanks to all of you. It's been an interesting and lively discussion.

So, what should the US do in terms of these negotiations? Well, one easy thing I would put on the table is to drop the investor state dispute settlement. This is something which is unnecessary in the US European context.

The European Union has a legal system that is perfectly protective of corporations. There're a lot of US corporations that go back and forth, and European corporations that come to the United States. Neither of them is disadvantaged today. We don't need to open up the system. That would take out an enormous source of controversy and disagreement within the negotiations.

The other thing I would like to see is to really open up the negotiations to much more transparency. I think it will benefit the negotiators on both sides of the Atlantic. Because we're dealing with difficult regulatory subjects, that the only way to ensure this is going in the right direction is to make sure that labor, and environment, and consumer and industry groups are part of the discussion in an open way, from the very beginning.

Then, put a lot of emphasis on the labor and environment chapters. I think that's where there's a real potential to negotiate something that was truly innovative, and could help workers on both sides.

Ted: Thanks. I would like to thank the McCain center, and the moderator, and my fellow debaters for an excellent evening.

Let me just put it to you simply. The war for free trade in the North Atlantic area is essentially over, and the free traders have won, and that's a good thing. There are a few things that we could do in the context of TTIP that would be of marginally additional benefit. Eliminate any remaining tariffs, eliminate any remaining borders, and then we could look at a few sectors, relatively high value, cars and drugs have been mentioned here. Instead of trying to cover everything in an enormous TTIP agreement, focus on a very few areas that promise high gains, and with all due respect, my fellow panelists, simply agree to mutually recognize each other's standards and move on.

It's a short, easy to negotiate trade agreement that generates a lot of the gains, for a lot less of the fuss. Then, in the future, we look at other areas. We might look at agreeing to accept each other's standards.

We met the enemy of free trade and economic freedom in the North Atlantic, and that enemy is us. Our regulatory burden, every year in the United States is \$3 trillion at a minimum. Compared to the gains to be derived you are from an ambitious TTIP, that is absolutely nothing compared to overall regulatory costs, which will not be touched by TTIP.

You want to fight for economic freedom and free trade in the United States? Look at the burdens we impose on ourselves, not at the burdens the Europeans impose on us, or vice versa.

Jon: Jim?

Jim: Well, I'll also thank the McCain Institute, and Jon, our moderator, as in a great job here, and my fellow panelists. This has been, I think, an interesting and enlightening evening if I can take this you second to say that, because my answer can be given in much less than one minute.

What can the United States do now for TTIP, or for trade? We can get the congress to approve trade promotion authority so that the President can proceed with getting the negotiation going forward. Without that, we will never have a TTIP. So Congress, get on the stick and pass the TPA so that we can keep moving forward.

Jon: Shaun?

Shaun: Thanks, and I also want to thank the McCain Institute, and you, Jon, and my colleagues here. It's been an interesting evening.

My answer is very similar to Jim. Get trade promotion authority, and then go out and negotiate a good, strong, ambitious, gold standard TTIP agreement with our European

friends.

We need to have a strong investment chapter, including arbitration procedures or investor state dispute settlement. Investment is at the core of the US-European economic relationship. We're each trying to negotiate investment agreements with China, and if we give up on an investment agreement between the two of us, we're never going to get it with China. We've got to get that done.

We face a fundamental choice. Everybody does, but let's talk from the US side. You can either recognize that globalization is here and try to deal with it, and manage it, and a strong TTIP can be part of it, or we can try to deny it, and turn back the clock, and live in the good old days when it was a lot simpler, when you could make everything in America and you didn't have to worry about supply chains.

We've got to accept reality. Nostalgia is not a strategy for competitiveness and jobs in the 21st century. TTIP is a strategy for doing that, and that's what we ought to do.

Jon: I want to thank our great panelists tonight. Shaun Donnelly, Jim Kolbe, Ted Bromund and Thea Lee, you did a great job tonight.

Thank you to our audience, as well. Great questions, and thank you to the McCain Institute. Let me turn elect turn over to Ambassador Volker, and thanks a lot.

[applause]

Ambassador Volker: Thank you all very much, and let's get some applause for Jon Decker, please.

[applause]

Ambassador Volker: Really, this is an esoteric issue, a hard one to pull, and I think he did a great job of pulling out the issues that people need to consider. I don't know about you, but I certainly feel that this is one of the best discussions about what's going on in trade and TTIP that I've heard, cutting through all of the headlines, and all of the rhetoric to really understand what it's all about.

Thank you all, again, to our debaters, and thank all of you for coming, and we'll see you again in the fall, at our next McCain Institute debate. Thank you.

[applause]