

## **THE PROLIFERATION OF REGIONAL TRADE AGREEMENTS: (RE-)SHAPING THE TRADE LANDSCAPE WITH MULTILATERALISM ON PAUSE**

This panel was convened at 9:00 am, Saturday, April 6, by its moderator, Mark Wu of Harvard Law School, who introduced the panelists: Michael Moore, New Zealand Ambassador to the United States, former WTO Director General, and former New Zealand Prime Minister; Kenneth Smith Ramos, Head of the Trade and NAFTA Office of the Ministry of Economic of Mexico; Jeffrey Louis, Director of Economic Policy and Trade, World Bank; and Susan Schwab, Mayer Brown LLP; former U.S. Trade Representative.

### **INTRODUCTORY REMARKS BY MARK WU**

Good morning. Thank you all for coming out on an early Saturday morning to discuss a very exciting trend that has happened over the course of the last decade, but particularly exciting in light of the developments of the last year, and that is the proliferation of regional trade agreements and what this means for the multilateral system as it has stalled.

We have an expert panel here who will share their views with respect to this question. Before I introduce the panel, I want to note that each of the panelists will be speaking in a personal capacity and not on behalf of their government or their institution, and each of them will be speaking for about 10 minutes. We are going to have a roundtable discussion afterwards, and then we will open it up for questions.

Let me start by introducing Ambassador Susan Schwab. I think many of you will know that she was the former U.S. Trade Representative from 2006 to 2009. In that position she was responsible for a number of free trade agreements—Colombia, Korea, Oman, Panama, Peru—as well as for launching the Trans-Pacific Partnership. She currently serves as the Professor of Public Policy at the University of Maryland where she was the former Dean of the School of Public Policy as well as a Strategic Advisor to Mayer Brown, and she is also on the board of a number of different companies, including Caterpillar, FedEx, and Boeing.

To my left is Kenneth Smith Ramos. Ken is the head of the Trade and NAFTA Office of the Ministry of Economy for the government of Mexico. He was formerly the lead agricultural trade negotiator for Mexico in his role as the Coordinator General of the SAGARPA and then served in a number of different roles, as Director-General for the Mexican FCC, for the Ministry of Economy, and so forth.

To his left is Ambassador Michael Moore. He is the former Director-General of the World Trade Organization. He oversaw the launch of the Doha Round itself, which we will be discussing today in terms of its interactions with the regional trade agreements. He also oversaw the conclusion of 10 different accessions of members to the WTO, the most significant of which is that of the People's Republic of China. He is the former Labor Prime Minister of New Zealand, has held a number of different roles in the New Zealand government such as Finance Minister, Trade Minister, not to mention several other posts, and currently serves as the New Zealand Ambassador to the United States.

Last but not least, we have Jeffery Lewis, who is the Director of Economic Policy and Trade for the World Bank's Poverty Reduction and Economic Management, or PREM network. He spent over 20 years at the World Bank in various capacities, including serving as a Senior Advisor to the PREM Vice President, as Advisor to the Office of Chief Economist, and as a Manager for the International Finance Team in the Development Prospects Group. We had an interesting conversation about how that links all the way back to what had

happened over the course of the Asian financial crisis and so forth, and now watching a whole series of different developments occurring in the Pacific Rim and thinking about what these developments now will mean for developing countries around the world.

Before we begin, I want to acknowledge our two organizers of this panel, Daniel Behar of the Office of U.S. Trade Representative, as well as Luis Aguilar, for putting together this wonderful panel. Everything about the panel that you will see is all to their credit, and so with that, let me turn it over to Ambassador Moore.

**MICHAEL MOORE**

Speaking as a New Zealander, I would like to point out that New Zealanders are now multilateralists. In my day we went the unilateral path; that is, we opened our economy for our own good, just as much as we pretended it was for other people's good. In a way, we disarmed ourselves, but we were not mercantile. We now believe in the multilateral system.

Our economy was one of the most closed in the world in the OECD up until the 1980s. We now are among the most open after Singapore and Hong Kong. Cato puts us at the top on human freedoms. Heritage put us always in the top three or four on economic freedom. Forbes says we're the best place to do business. Transparency International always puts us up there with Finland as the least corrupt country, the most transparent country. So we get it, and we are continually surprised by how often we have to repeat the obvious about multilateralism, repeat the obvious about the virtues of globalization and economic freedom.

I think America sells itself short sometimes. If you think of the genius and generosity of the United States after the Second World War in devising a big, generous concept, like the Marshall Plan, I have to ask: What happened? I love teasing Congress, saying, "Tell me, if you are setting up the Marshall Plan again and an opinion poll went like this, 'Do you support keeping Texas with AR to pay the Germans who killed your son, or do you want a tax cut?' what would your electorate say? And on reflection, what was the right thing to do?" And the right thing to do was this huge generosity and confidence about what could happen here. It is in the American DNA. Maybe it goes back to Lincoln's second inaugural—with malice towards none but charity towards all—the confidence of dealing with the vanquished and not being too mercantile while you do it.

But we New Zealanders are true believers in the multilateral system. It is in our DNA. It's instinctive, and we didn't go towards many regional agreements. We had a bilateral agreement with Australia, but we were building. The Australians are our cousins. While China talks of two economies, one nation, we are building one economy, two nations. There's not a problem there. We've got the most open free trade agreement anywhere, except perhaps in England.

We aim at high-quality stuff, and we do this out of frustration with what's not happening in Geneva, and we're quite aggressive. We have ASEAN plus deal. We've begun negotiations with India and Russia. We are the first developed country to have a free trade agreement with China. It's very clean, and I can report that it's going well. Mind you, our product mix is a little different than some, but it is going really well, doubling in 18 months. We have done one with Hong Kong, and "Chinese Taipei," as we call it in the WTO, is very close to being ticked off.

And now there's the Trans-Pacific Partnership, or TPP, which is the biggest game in town. We are putting a lot of hope in this. Vietnam, Malaysia, Brunei, Australia, Singapore, New Zealand, Chile, Peru, Mexico, U.S., Canada, this is now our big deal. We can only repeat what our leaders have said and hold them to it as much as a small country can. So when

our leaders at APEC said that the partnership would be comprehensive and would eliminate all tariffs, there it is. At the moment, Japan is very close to joining, but as we know, the toughest negotiations are not with each other, but at home. Can you negotiate it at home and get a consensus and then move forward? That's to be seen.

We are involved in another regional negotiation that not many have heard of. This is ASIP, which is India, ASEAN, ourselves, Japan, and China. This will not go very far, very fast, and this is not anti-American any more than the TPP is anti-Chinese. But you have to understand that as New Zealanders, we see ASEAN as central to our region.

If I could give ASEAN a bit of a plug, Southeast Asia is a very complex place. The territory boundaries aren't settled on the land, let alone the water. When Malaysia was established with Indonesia, we had the Vietnam War. We've had genocide in Cambodia. Burma has a history of military bad guys. So be very patient with ASEAN and understand how complex this is. When ASEAN wants to do something like this, you will find people like me will always be extremely tolerant. I don't believe much will happen for a while, but I think it's a very good thing that officials in New Delhi and Beijing and Burma and other countries are even talking trade.

So what will happen? If we get this 21<sup>st</sup>-century deal up and by that we do get the IP stuff, we do get the database stuff up, we do understand supply chain, that everything is changing, the trade figures are wrong as we know, we do understand the needs of 90 countries to provide a platform, it's always for future expansion. But to get to the 21st century, you also have to cover some of the 20<sup>th</sup>-century things, and this is where the question is, Is America up to it? The "too hard box" has been there for good reason. It's been too hard, but if you look at our colleagues and their needs, because anybody can understand their own negotiating brief—it's understanding the other guy's brief that's important—what do they need? Catfish, one shoe factory in Maine, textiles—our Vietnamese friends need some legs showing there. What do we need back from them? We need the SOEs. We need things on government procurement. We need to know that they have the capacity to implement, and we need to help them implement, and we need to put them to this capacity-building. It should be about sequence and capacity. I am proud to report that we are putting a lot of money to assist our friends in Vietnam. We've had 50 or so people down and building, so they can't use that as a way of stalling negotiations, but also there is a real reason. America has too many lawyers; Vietnam doesn't have enough—and build up that.

Our goods sales, we have to see something move on dairy for us. Mind you, we are selling half as much dairy to America as we did a decade ago, by the way. We represent 1% of your consumption, and we are importing \$15 per head of dairy to New Zealand from America, and you are taking about a \$1.20 a head. Anyway, you're getting three times the growth out of the emerging markets that we are. Your dairy guys are going to be okay, but we need to be able to say something there, and you need to get a balance out on the new stuff I talked about earlier.

Can these regional deals converge to create the impetus to get things done in Geneva? I hope so. That is my dream. My dream—and I'm talking as Ambassador here—is that we can do this TPP thing, and people will throw their hands up and say, "Why the hell are we doing this? Let's reinvent multilateralism."

Now, Susan and I have had a little difference on the Doha Round. I feel that the Doha Round is going nowhere. I would keep the Doha badge as a brand, but we've got to get more gas in that tank, and we ought to widen it to the new issues, because economic history

has sped up. What was important 10 years ago is not important now, and negotiators are like generals who are all negotiating and mobilizing on the old issues.

Here's a figure for you: In the 1990s, 70% of the world's financial reserves were in developed countries. Now 70% of the world's reserves are in developing countries. We need to focus on our region, and here is something I probably shouldn't say. Japan, Korea, Southeast Asia, Australia, New Zealand—ten years ago, we all did more business with you. Now we are all doing business with China. We don't have a problem with China. We are loving it. We are banking it. The danger for us is being too reliant on any one market. No one in the regions I am talking about is saying "Yankee, go home." They're saying, "Yankee, where are you?"

**MARK WU**

Thank you very much, Ambassador. Now for some words from Ken Ramos.

**KENNETH SMITH RAMOS**

I will make some brief remarks, trying to put in perspective what Mexico has done in terms of taking advantage, participating in regional trade agreements, and promoting a healthy international multilateral trade environment.

To put things in perspective, international trade is at the forefront of Mexican economic policy. We have had an experience over 20 years of constant trade liberalization that goes back to the mid-1980s when we entered the GATT and then began a process of bilateral opening through free trade agreements. The largest and most important to date is NAFTA. Where most of our trade is concentrated in the NAFTA region, 80% of our trade takes place with the United States. The results are evident, and not just in the numbers of trade agreements that we have—10 FTAs with 44 countries—which have turned us into the 11th largest exporter and the 10th largest importer in the world. Our trade has grown dramatically over the years to the level of \$740 billion per year. Five hundred of those billions are with the U.S., so almost 80% of our trade takes place with the U.S.

The important figure here is that trade accounts for 70% of Mexican GDP. So you see that we are committed to the issue of international trade as an engine for economic growth. What has been emphasized throughout the years and is a priority of the current administration is working on matching this impetus for promoting free trade with a set of domestic reforms that can be the anchor to really push trade to become a part of Mexico's economic development. In other words, you have to match your activity on the international trade front with the domestic reforms that will create an environment conducive to raising the living standards of the population.

You can see how we are engaged in this process of trade liberalization and embracing the WTO and embracing Doha, so I won't go into details. That's the topic of another talk, but you could pinpoint issues on agricultural issues and non-agricultural market access or IP, or the fact that in 2008, we had such a deep world economic and financial crisis that countries started retrenching, went back on their ability, politically also to move towards more trade liberalization, et cetera, issues having to do with the structural operation of the WTO, but all those issues have led to Doha being on hold. And RTAs have emerged as an option to pursue trade liberalization.

In the case of Mexico, it is very clear for our country that we need to continue to expand activity in international trade and take advantage of existing opportunities and create new

opportunities, and, as I mentioned at the beginning, to diversify. This 80% figure hangs over our heads because we know that the pie is growing larger. We are increasing our trade vis-à-vis the rest of the world, but we need to explore and enter into new markets. We made inroads into Asia—where we hadn't in the past—through our free trade agreement that we signed with Japan in 2005, and that really gave us a glimpse as to what the future could look like, because during those negotiations, people in Mexico thought similar arguments as when we negotiated the NAFTA. It's a developed country; it's too big; we cannot compete. Then add to that the fact that Japan is very far away. So the perception initially in Mexico was, "They are going to flood us with products; we're not going to be able to enter into that market," and nothing could be further from the truth.

After the years that we've had the free trade agreement in place, we have successfully entered the Japanese market. Our exports have multiplied by four. Agriculture market access, which was unheard of for us in Japan, has grown tremendously in several categories. Of course, our free trade agreement is incomplete in the sense that we do not have full opening in the key sectors that we need to work on. So that's an ongoing process between our bilateral talks, but that was the first entry we had into Asia, and it gives us a glimpse of what the future can look like.

I won't spend too much time talking about why Mexico joined the TPP. We indeed joined late for many reasons, one of which is that, at the time, when the negotiations were kicking into high gear in the TPP, we were involved in the process of negotiating with Latin America very heavily. Also, the prospects of a potential free trade agreement with Brazil didn't pan out. So, at the time, it was very difficult to be working on several scenarios of this magnitude, but we are there, and we are there now because Mexican exports are growing at a 20% annual rate. It is an area of 660 million people and a \$21 trillion output.

I'd like to quote Ambassador Moore, who very precisely explained in the past how Asia will be the region of growth in the future. It will have over 50% of the world's middle class, and these are consumers, and these are opportunities for different regions of the world.

So the benefits for us are, of course, access to new markets, as well as ensuring that the existing FDA benefits that we have with many of the members of the TPP are maintained and improved to a certain degree. In the North American component, as to how it relates to the TPP, it is very important, because one of the big advantages, in addition to the trade numbers within the NAFTA region that we have obtained through NAFTA, is the strengthening of supply chains, the integration of the industries, and how that creates North American products that are more competitive vis-à-vis the rest of the world. The opportunity to strengthen those supply chains increases when you enter into a deal of this magnitude, along with the possibility to accumulate origin, to reduce costs, to have access to new markets, and to create, most importantly, synergies within the North American region—to analyze to what degree a TPP 21<sup>st</sup>-century agreement can actually bring up disciplines that can have, as Ambassador Moore said, an impact on Doha, but also an impact within our own region. Those are all questions that have been discussed, and they are as important as the negotiations that are going on between all 11 countries and the bilateral discussions that are taking place between the countries and the NAFTA members.

So, to wrap up, in terms of Mexico's position towards the future, I think that RTAs do not automatically signal the end of multilateralism or necessarily a shift away from Doha. We know that there is a theoretical academic debate as to the benefits of having RTAs versus favoring multilateralism, but I would say (and this is my personal opinion) that that is precisely this way—an academic and an intellectual debate—because in practice, what countries and

companies need is the ability to access markets, and the negotiations won't wait. They won't wait for you, and the opportunities will go. Somebody will fill that space if you don't fill that space as the country negotiating or as a business.

So our hope—and I believe that this can be accomplished—is that the TPP in certain disciplines can be a blueprint to mobilize forces, to try to come to the realization that from a geopolitical perspective, if you're not coming into these regional agreements, if WTO is not advancing, then you are being left out, and in a way, you're becoming isolated. And that is happening to some of the biggest economies in the world that have to be at the table. So, in a way, these RTAs, the TPP, we are looking at the prospects of a U.S.-European Union Trade Agreement. What does that mean for the NAFTA region in the future? That's very important as well.

Countries from the outside looking in have to say, "If we cannot be participating in these regional trade agreements and are being left behind, then we must change the mind frame and look for opportunities at the WTO." The comment I just made is also theoretical, because when you get to the details, there's a reason why this is not advancing in the WTO. And if we are looking at making progress on SPS, TBT, other disciplines that we are calling WTO plus within the TPP, when you take it to a context of a global magnitude as the WTO, the challenges in finding a balance are that much harder. But we believe that RTAs and the multilateral process can and should match in the future. It is really the only way to go. From our perspective in terms of the work that Mexico is doing to promote this, we will continue to negotiate regionally, as Ambassador Moore said, continuing to be promiscuous in the international arena, but also looking to strengthen the multilateral system, because we believe that this is where the long-term changes that can benefit most countries that are engaged in this process of liberalization can be found. Thank you very much.

**MARK WU**

Thank you. Jeffrey?

**JEFFREY LEWIS**

Thanks very much, Mark, and good morning, everybody. I'm pleased to see such enthusiasm on a Saturday morning. I also want to express my thanks to the organizers for including me. I feel that a little bit of a disclaimer is in order.

I feel like I have a different perspective than the other three members of my panel up here, which I think is worth outlining from the start. Ambassador Schwab, who will speak next, represents a big player in the FTA game and in the trade game, and the U.S.—as Ambassador Moore said—represents a small but committed and quite promiscuous participant in the multilateral and bilateral system, and Mexico has apparently signed on for selective promiscuity as well.

I work for a development institution where promiscuity is not something we necessarily encourage, but we do focus on development. So for me, the issues at stake here are not so much the trade issues from the perspective purely of trade negotiations or of trade outcomes, but they really are recognizing that trade has been, and we believe will continue to be, one of the most important engines and opportunities for economic development for countries that are not represented by the really big players like the U.S., the really active and committed players like New Zealand, or the very dynamic and emerging market players like Mexico, but the big group of other players in the system who have differing capabilities going forward.



I want to focus my remarks today on four different lines of discussion. I will try to be quite brief. First, just to comment on RTAs and where they are; second, to comment on what has led us to the outcome where we are; third, a bit more of a perspective on the situation we're now in; and fourth, a few comments on what this means for developing countries.

In terms of where we are today, I think the headline I want to say is RTAs are here to stay. Eight years or so ago, I contributed to a major Bank report on regionalism that was one of many reports being done around the same time on what was already perceived to be the proliferation of RTAs around the globe. We made a great deal of the increase in the numbers of RTAs. There were only around 50 reported to the WTO in 1990. This had reached nearly 300 by 2004. There was enormous discussions, and our publication had diagrams about this spaghetti bowl and overlapping agreements that it was felt would hinder progress towards multilateral liberalization, which was of particular concern, because it was coming only a year or two after the WTO had launched the Doha Development Round.

There were a lot of different opinions by observers as to how important this was, but I would say the underlying tone of the predictions and the assessments was relatively pessimistic, if not quite apocalyptic. There was some sense that regionalism and multilateralism represented very different paths, and if you went too far down one—in particular, the regionalism path—it would make it very difficult to go down to the other. How would you make ex-post all of these complicated regional agreements compatible with one another?

What's happened since then, in the 8 years since then, we know the broad outlines. The Doha negotiations have remained stalled. Ambassador Moore spoke a little bit about this. There seems to be relatively little hope that they will become unstuck in any systematic fashion anytime soon. There is a WTO Ministerial scheduled for December in Bali. The biggest hope at the moment is there might be an "early harvest deal" related to trade facilitation as a "down payment" on the development agenda. It is a little hard to take an agreement that is coming more than a decade after the launch of negotiations as an early harvest, and I think the fact that there is in fact so little ambition going into the WTO Ministerial means that we have to look at this without a great deal of enthusiasm.

So what else has happened? Well, in the meantime, another 200 RTAs by the WTO figures have been reported—or have been reported to the WTO, and dozens more are under discussion and negotiation.

What has led us here? First, the negotiations have stalled. We have just talked about this. This has led, as Ken mentioned, to some frustration over the pace and contentious nature of the negotiations, and I think has encouraged many countries and many participants to look elsewhere.

Second—and again, picking up on a point he made—I think the calculus as to what makes sense over the benefits of multilateral versus plurilateral or regional agreements has changed. A decade ago, there was a lot of discussion, as Ken has said, about the theoretical case for multilateral outcomes being preferable to regional or plurilateral outcomes, because by definition they produced broader and bigger benefits, et cetera. But I think that this view has shifted, because RTAs have become widely seen as a means to go beyond the list of items that are on the table under the Doha negotiations and instead promote agreements on topics that are not being covered under the stalled negotiations. It is rare that someone describes—and we have already seen this, this morning—negotiations about a new agreement that don't emphasize that they are going deeper or going into areas or picking up on issues

that aren't even on the table, by and large, and in many cases have been deliberately pushed off the table under Doha.

So a really important dimension of these more important RTAs, both signed and now being negotiated, is a comprehensive treatment of things like border regulatory measures, trade facilitation standards, behind-the-border regulatory issues such as competition policy, investment policy, government procurement, IP. These are all things that had been talked about at one point as being candidates under Doha and had very often had been put aside because they were too hard. Doha hasn't made any progress, and these things are coming back onto the agenda.

So we have these hundreds of new RTAs and many more under negotiation, but it isn't like they are all rushing towards the same model. There are the big players. There are the big deals that TPPs and NAFTAs have been historically, but there are also literally dozens and dozens of other agreements, often between pairs or small groups of countries that you would be astonished to find out what the case might be. Of the total RTAs that have been notified to the WTO and are in force, south-south (in other words, RTAs between countries not of the OECD or advanced economy category) represents two-thirds of the total; whereas, north-south agreements are only around one-quarter.

So I think it's important to realize that the universe of RTAs and their influence on trade and development opportunities from our perspective is much broader than simply the big players, the north-south ones that get a lot of the attention, particularly for those of us located here.

Where are we now? Others at the table are better suited to talk. There are the big deals out there, the attention grabbers, the Transatlantic Trade and Investment Partnership, which hasn't really been mentioned yet. This is EU-U.S. The aim is to eliminate tariffs, while including all aspects of trade from goods to services, non-tariff barriers, foreign direct investment, government procurement, and so forth. There is the Trans-Pacific Partnership that Ambassador Moore and Ken have already spoken of. These also, as I highlighted, are intended to go beyond goods trade narrowly and look at services, regulation, and perhaps even set minimum labor and environmental standards.

But I think it's fair to say that these will be complex. Ambassador Moore has said that sometimes the most difficult negotiations are the internal ones, the domestic ones, rather than the international ones. There are still some difficult issues there. There are pressures to exclude parts of agriculture or aircraft or various other things in some of these different negotiations. Clearly, the decision by Japan to participate or not in the TPP will depend a great deal on being able to reach some agreement on what the rules of the game will be in terms of including agriculture and so forth.

The outcomes of these issues will certainly have implications for the multilateral trading system, because to the extent that these start defining new rules of the game among important and key players in ways in which the WTO is not at all involved, it will have implications going forward. More importantly, these outcomes will influence the extent to which the big players, the ones that typically have driven the major trade negotiations in the past and been the driving forces behind the series of deals that have liberalized trade, are involved going forward. If they lose interest in the multilateral system and focus much of their attention on these plurilateral deals of various sorts, it raises the question as to who are going to be the advocates for a fairer, more comprehensive, multilateral system that is one of the main features of the WTO that has attracted so much interest by the developing countries that are very much on the outside. Again, not the Mexicos or the Brazils that have well-established



positions, but the Malis and Rwandas and the Lesothos and the Lao PDRs and so forth that have a very different approach to this.

What does this mean for developing countries? I will touch very briefly on this and then conclude. As I said, our main concern is not trade per se, but rather poverty reduction and economic development, and so our perspective on these RTAs is driven by what they can and cannot do for developing countries. I think it is fair to say that all of our developing-country clients have participated in at least one RTA at this point in time, and so they are also facing the challenge of FTA proliferation.

One of the problems with this, as Ambassador Moore hinted when he said that America has too many lawyers while Vietnam doesn't have enough, is that there are actually countries involved in these negotiations that have no trade lawyers. They have absolutely no one in a position to look at a proposal, at a bid, at a set of negotiations. If anybody wants to see how ridiculous this can be, then look at some of the negotiations that have occurred between the European Union and the context of their economic partnership agreements, when they have trotted around to countries in Africa and there have been an array of 40 or 50 officials from the EU on one side of the table, figuratively, if not literally, and some poor technical person who may not even know what's at stake on the other side of the table. So there is this imbalance, which I think is again one of the things that's lost when we move away from the multilateral WTO approach where there is some collective ability to protect the interest of developing countries that don't have much.

The second concern is one on the economic side of what we call "preference erosion." Many developing countries, particularly the least-developed countries, have preferential access to advanced country markets at present, to the extent that a bewildering and overlapping set of deals starts creating free trade areas, and then the value of those preferences is eroded. This is not necessarily a bad thing. It may be that as we move towards freer and more open and more rules-based trading environments, those preferences may need to be eroded, but the point is that in the short run, it does create dislocations. It does set these countries back from a pathway that had offered them the opportunity to really begin to move forward.

If we look at the patterns of RTAs that these developing countries are participating in, there are really two sorts, and I will just touch very briefly on them. One are kind of what we call "hub-and-spoke arrangements," in which individual or small groups of developing countries sign an agreement with a big player. The U.S. has a lot of bilateral ones. If you look at them, they tend to converge back to the U.S. The EU, as I have already mentioned, has these economic partnership ones, where it's the EU and a group of developing countries that are trying to push at least some on-the-ground cooperation among groups of developing countries. But there is a particular pattern there. Everything goes through the hub, and very little is done necessarily to link together more successfully the countries on the periphery. That was really the pattern in the late 1990s and beginning of the 2000s. More recently, I think there has been a tremendous proliferation in the number of regional trade agreements among groups of developing countries, and this has been pushed not only by the belief that there are tremendous gains in trade, but also by the recognition that these agreements can be used to push a much broader trade and development agenda than simply promoting trade flows. These agreements have been pushing things like better customs handling, coordination of regulatory structures, sanitary and phytosanitary standards, the whole set of development, promoting changes and enhancements that will allow these groups of countries to both trade better among themselves, but also to trade better with the outside world, because there are these sorts of spillovers.

I think it is fair to say that in the second category of RTAs the many developing countries are engaged in, the development impact, as opposed to purely the trade impact, is in fact potentially much bigger than had been anticipated. That leads from their vantage point to the proliferation, not so much because, “Oh, well, if the U.S. and others are going to go with the TPP, we should do the same,” but because of the recognition that, to a very large extent, there are tremendous gains to be had from addressing the constraints that prevent those trade flows from occurring.

While I disparaged it a little bit at the outset, this has led to the focus on trade facilitation as perhaps an achievable outcome at the Bali Ministerial of the WTO in December, and again, we have to be realistic about what’s being put up. The particular proposals on the table for a trade facilitation agreement are actually quite modest. We in the World Bank who work on trade facilitation issues with our client countries all the time are already doing much more than they are doing. We think that what is more important than what’s in that agreement is that there simply be an agreement—that there be some sort of momentum reestablished to the multilateral process that would do some good for these countries and signal an intent to move back onto a more multilateral-focused path. I am not saying that the RTAs will stop. My opening message was that they are here to stay. They are proliferating. There will be more. Some will be difficult; some will move more quickly; some will move more slowly. But we have to recognize that unless there is some care and attention given to it, the value and importance and role, particularly for developing countries, of a broad, widely accepted, and widely supported rules-based system anchored by the WTO in Geneva would be lost, and that would be a tremendous step backwards rather than forwards. Thank you very much.

**MARK WU**

Thank you. Finally, Ambassador Schwab.

**SUSAN SCHWAB**

Thank you. We are almost at the “everything has been said, but not everyone has said it” stage, so I am going to try to wrap up here.

Just a couple of thoughts. There are indeed 300-some regional trade agreements out there. What strikes you when you start looking at them is how dramatically different they are, particularly in terms of the quality and coverage. Some are goods only. Some are goods and services. Some are goods, services, investment. Some shouldn’t be called “trade agreements.” Some are more like press releases.

If you want to take sort of a narrow commercial perspective, because I know this is a group of lawyers and I am not a lawyer, the commercial implications of this proliferation of regional trade agreements is that if you are into the customs side of the equation, there is an incredible market out there—and I see this every day at Mayer Brown where I hang my hat—for multinationals trying to figure out how to rationalize where they are producing what and where they are shipping it to. If you think about this spaghetti bowl of tariff rates and customs practices that change every day, it is truly remarkable.

If you step back and look at the macro side of the equation, though, one could argue that these RTAs are just nibbling at the edges. By that, I mean if you look at what happened in the 1930s with the United States—the Smoot-Hawley Tariff Act and the context of the Great Depression—the U.S. Congress raised tariffs on 20,000 line items. Other countries retaliated

by raising their tariffs. Contrast that to what did not happen in 2007 and 2008, when we had a dramatic global economic decline and yet the proliferation of protectionist measures in the wake of that was quite minimal, largely because the multilateral trading system works. What is left to be done are the new things and, as Mike Moore said, the hard things. One could argue that the regional trade agreements are addressing the hard things and the new things, and that fundamentally, a lot of what needed to be done has been done. That's the nice happy face that you put on these things. And for those of us who are trade negotiators or, in my case, recovering trade negotiators, you have to look at the world as an optimist, or you'd slit your wrist.

I'd like to summarize what I believe are the key positives and negatives of the situation we find ourselves in. This would be in terms of this movement forward in bilateral and regional and plurilateral deals, as distinct from multilateral, because I think most of us believe—and I would echo what all of our speakers have said, either explicitly or implicitly in their remarks—that each of us would rather have a more vibrant multilateral trading system and a WTO where all these things were moving forward on a multilateral front.

Option A for all of us, I think, would be that we would be making progress in Geneva at the WTO on a multilateral basis, rather than needing to rely on bilateral and regional deals. I don't think I am taking too great a liberty by saying that, but one of the key positive points in favor of the use of bilateral and regional deals is, first and foremost, their movement in the direction of trade liberalization. If you believe in the bicycle theory—if the bicycle is not moving forward, then the bicycle is falling over—any movement by any country in the direction of trade liberalization is good movement. It is more open trade.

Countries that are adopting trade liberalization under these agreements in many cases are doing it because it is a politically expedient way of self-imposing domestic reforms. For those of us who are economists, we know that most of the things we are talking about here, we should be doing ourselves, and we should be doing them unilaterally. But it is really hard to do it. Do you think it's hard to do in a trade negotiation? It's impossible to do—unless you are part of a totally autocratic regime—and even autocratic regimes such as China had to join the WTO to pass a lot of these reforms. So countries join the WTO, and countries engage in a lot of these trade negotiations to self-impose reforms domestically, which they know they should be doing unilaterally, but they just can't do because it is too hard.

Whether it's a bilateral deal, a regional deal, or a multi-country deal, countries continue in this virtuous cycle of being able to continue adopting these reforms. Now, let's note the obvious, which is to the extent that these regional deals are (quoting Congressman Kevin Brady when he was talking about the TPP) “plug and play,” meaning “open for other countries to join.” I know that the TPP is supposed to be designed to do this, and the U.S.-EU high-level working group report established this as one of the objectives—meaning not a closed shop, but a deal that will become the first of a series of concentric circles that other countries, if they care to self-impose such reforms, can join if they meet the high standards of these high-standard agreements. This is not an exclusive club; other countries can join.

Another good thing is the capacity in these agreements to set precedents in these 21<sup>st</sup>-century agreements in new issues that you hope can migrate eventually to the multilateral system. This would be particularly good because the last time we had a multilateral trade agreement was 1993, and a great deal has changed in global commerce in the last 20 years. The Uruguay Round Agreement is ancient in terms of global trade and investment today. Consider as well the things that are excluded, the issues that are not addressed in goods trade, services trade, and investment by the WTO. The last major negotiation under the

auspices of the WTO, the Information Technology Agreement, was in the mid-1990s. So trade moves on.

It's worth mentioning some of the bad things, so that we remember the reason we need to keep trying to figure out how to get back to a more vibrant, forward-moving, multilateral trading system where we are negotiating new rules and new agreements. There are some issues that just can't be adequately addressed on a bilateral and regional basis. One example of this is intellectual property, which you can address in a bilateral or regional deal, but you really can't do justice to other than on a multilateral basis. Agricultural export subsidies are another example. You don't think the U.S. and the EU are going to be doing agricultural export subsidies in our transatlantic deal, do you?

Other examples include rules on anti-dumping and countervailing duty and state-owned enterprises. You can touch on it in the TPP, but China is not going to be a party to that anytime soon, and unless China is a party to that, you are not going to have a rational conversation about competitive neutrality. Another issue is competition policy. Again, some of these things you really have to do on a multilateral basis.

Countries can do bilateral and regional deals, and they can be bad deals. As I said, they can be just press releases. Governments and leaders can think they are doing trade agreements, but really they are just cop-outs. Countries that don't want to do the reforms aren't going to do the reforms. I am going to come back to that later, because that uneven quality, I think, is the most threatening thing about this proliferation of bilateral and regional deals when it comes to the future of the multilateral system.

Furthermore, bad habits get set in stone, particularly as they affect some of these new commercial transactions. Data processing has been mentioned, e-commerce, forced localization. We are starting to see the proliferation of using national security as an excuse to block trade. I think that is a very dangerous trend.

Finally, in the longer term, with regard to countries that are opting out of these regional deals or these plurilateral deals or opting just to do the shallow press release version of these deals, I worry that these countries are going to fall farther and farther behind in terms of their competitiveness. I worry particularly about some of the bigger players, particularly India, and to an extent South Africa, but India in particular, and Brazil. Countries that are opting into these deals are going to be exposing their industries to increasing levels of competitiveness, and therefore, if and when we can get to a more vibrant multilateral negotiation, they will be ready. Countries that systematically opt out are going to fall farther and farther behind in terms of their global competitive capacity and therefore will be more and more reluctant to participate in multilateral deals later. One has to wonder, for example, as we see India blocking even the very basic trade facilitation provisions that they are trying to cobble together for a mini Doha down payment in December, what their motivation is and whether this stasis is already becoming evident.

## **MARK WU**

Let me pick up on that point about closing these deals, because I think for anything to happen in a multilateral round, there are two big elephants in the room. One is the TPP. The other is the Transatlantic Trade Investment Partnership. There's a concern that the multilateral system may not get a kick in the pants until one of these deals gets done, and we all know there are really only a few windows when these deals tend to get done. One is early 2014, which I think the United States would like, but honestly, from what I hear, there is not enough urgency on the other side of the negotiating table to make that a realistic possibility.

Another window is sometime in 2015, and another is late 2017–late 2018, but we are really talking about fairly long time frames here.

So I want to ask the panel, first of all, when do you think one of these two big deals is going to get done? And how long do you think it will be before any of these major players, which are being left on the sidelines here, feels any urgency to get back to the multilateral system? Because the hypothesis is that everything outside the multilateral system is, more or less, going to be in stasis for the better part of this decade.

This is not to say there aren't bad things about that, right? You have the bicycle theory. There are countries that are going to keep moving forward and so forth, but if you look at it from a development point of view, until a multilateral system gets restarted again, there are going to be very little trade games for them. I just want to toss out, even though I am an academic, the very practical concern that this isn't going to happen until something happens, and there are a lot of major blocks to getting any of these deals done. There really are just three windows of time, and I think the first one is completely unrealistic, despite what everyone is saying publicly.

### **MICHAEL MOORE**

Jeffrey broke my heart with what he was saying. He is absolutely right. Nobody is queuing up to do a deal with Papua New Guinea. Nobody is queuing up to do a deal with some of the poorest countries on earth, and this is enormously disappointing.

In my day, we would be arguing for the poorest countries—that they needed the disciplines more than anyone else—and I think with this trade facilitation, the developmental issues alongside it are not correctly portrayed publicly. It's a bit delicate, but the anti-corruption and good governance issues of customs, evaluations of property rights, of all these things are useful in helping clean up a government, not to mention elbowing out of the way the crony capitalists, the phony capitalists, the self-serving bureaucrats and politicians on the take. Competition is an underestimated way of cleansing out governments. The point Susan made about how countries need external drivers to drive up internal reform is absolutely right.

I will make the point on the TPP. It is a fascinating mixture of countries. Vietnam, not a small place, an economy in transition. Malaysia, a major Muslim country. Brunei, I shouldn't say, but it's an emirate. Here is Australia, a resource-rich country like ourselves. Peru, Chile, Mexico, very serious countries. My dream is we can drive up some models. The models for Vietnam could become the template to go somewhere else, and because this is an expanding model, I hope that others would join, given that basis.

My fear with the TPP is a loss of momentum. Particularly because of Doha, I want to see some things get done. The danger I see to the TPP is not that we don't want the Philippines, not because we don't need Indonesia—look how important and serious Indonesia is to the region—but I fear that we will keep talking and lose our nerve and go for the lowest common denominator. So we have this tension: we want to do a good deal, but we may just settle for any deal. I can sell your house tomorrow, right? I may only get 50 grand for it, but I can promise you, I can sell your house. Any of us can do deals. The question is the quality of that deal and the returns to it and the template it sets for others.

But, Jeffrey, you are quite right. The people who need the WTO and free trade and all it brings to it and virtues and economics and governance are the poorest of us, which is shame on us.

**KENNETH SMITH RAMOS**

I think that precisely because of the experience that we've had in Doha and the impasse that we reached, I think we need to push an ambitious agenda and other RTAs to put a deadline as to when to try to close. Of course, as we are reaching a TPP right now, we are starting to see what areas will be exhausted from the point of view of the technical discussions and where the political push is going to have to come, and that is going to be very important.

We talk a lot about the Lima Round in May, but in the meantime, there is going to be a meeting and in the context of the APEC Ministerial and in Indonesia, where there are going to be meetings of the trade ministers. We are going to have to address these issues. I think that one of the key issues will be to define specifically what areas they believe will need this political push to try to get results, to have the combination of being able to close, but close with quality, have results. This is going to require a political push.

Also, I think we will have to have a discussion on what happens with Japan in the context of the TPP. We will need to begin analyzing the concept of a future expansion, so it will be possible for more and more countries to join if they have the high-level standards that have been established, if they have the level of ambition, if it's done by consensus—applying all of the rules that we have established in the TPP. But there needs to be a higher level, a 30,000-foot view, as to how do you want to take this process. There must be a balance between getting the deal done by a particular deadline and doing it at the levels of quality that Ambassador Moore and Susan have mentioned.

**MICHAEL MOORE**

The case of external deals driving up domestic reform is true of most of us. One of the reasons why we have a European Union is that the great tribes of Europe have been very dangerous for centuries. So it is a good thing there is a European Union. The generosity of the Europeans—funding Portugal and Spain into an open-trading, democratic regime, and providing capacity-building and substantial adjustments to Portugal and Ireland—has been fantastic. This is true of most of us, but it is not true of the United States. The question is, “Can the United States do some of these difficult things in the hard box?” I'm of the view, too, that the TPP very soon will have the crisis it must have. Somebody has to turn over those two hard boxes sooner or later. I'm not the negotiator; I'm not the minister; but I reckon the sooner you turn over some of these two hard boxes, the better. We can't keep avoiding them.

**SUSAN SCHWAB**

I would say this. First of all, I am not with the government; I am not privy to any of the negotiations going on; I've been out of office for more than 4 years. So I'm way out of office, and all I can offer are observations based on history.

When we envisioned the TPP—and I talked about plug-and-play and concentric circles—the idea was to negotiate the original TPP as, say, TPP 1.0 with a group of countries. Then we would have to draw a line at some point and say, “All right. We are going to negotiate 1.0 with this group of countries, and then we'll do TPP 1.5.” You have to have a mechanism for updating agreements, and when we update the agreement, we can bring in other countries. That may be the way you bring Japan in, for example, so Japan would come in at TPP 1.5, rather than 1.0, because you could be waiting a really, really, really long time before Japan



would be ready to negotiate. It seems to me that the first 11 countries should be able to close this deal within this year. Let me just start with that, which is again based on no knowledge whatsoever, other than the players and the fact that enough of the players have agreements with each other, such that you should be able to do this deal in 2013.

I'm not even going to talk about trade promotion authority. For those of you who follow this, that is an issue, and we could have an entire session on this, but we are not going to talk about that right now.

The two other observations I would like to make concern the issues that you raised earlier about U.S. market access matters, the "hard things." If you were the U.S. negotiator, the last thing you would put on the table would be the U.S. market access items. You'd be nuts if you were the U.S. negotiator to have any conversations whatsoever about your 56% forward tariff. I mean, we've got an average manufacturing products tariff of less than 4%.

But there are a couple of tariff peaks. There is one tariff that is over 50%, and there are a couple that are in the 20s and 30s in the textile and the apparel sector. But you don't have those conversations until the last minute of the last day, because that's what certain countries care about more than anything else. It's the same thing in agriculture—you don't have the conversation about sugar or dairy. There's a good reason for this. After you've had the conversation about sugar or dairy or textiles and apparel, there are certain parties at the negotiating table who will not care about anything else discussed at that table.

So these topics are the last ones you're going to discuss if you are the U.S. negotiator. You will hold out until the last minute of the last day, and you will make everybody else sit there and try, anyway, to see what they are willing to put on the table. That is my second-to-last point.

My last point is that nobody gives you their bottom line until after work hours. After work hours is after leaders have created whatever the artificial deadline is. The leaders are just going to have to say, "Folks," (meaning trade ministers and assistant USTRs and deputy assistant USTRs) "get it done. Just get it done. This is it." And I don't get the sense that that signal has gone out yet. Also, if you are the U.S. negotiator, you have a whole lot of consultations you have to have with the private sector and the Hill, which, for the current U.S. negotiators, is very hard to do because they don't have trade promotion authority.

Anyway, I am hoping that there are hallway conversations going on, but different negotiators handle it differently. Again, those are not the conversations you have until you know there is an end game, and I just don't get the sense that anyone has identified a date for an end game. Until that happens, you'd be a lunatic as a negotiator to be having those conversations. That's just my take on it.

## **JEFFREY LEWIS**

Mark, I'd like to make three quick comments on this. One comes from the point you raised that the WTO, and perhaps the multilateral system, would be moribund for a decade or so. I think there's good news and there's bad news. The good news is that there is a selection underway for a new head of the WTO. It will certainly be somebody from a developing country/emerging market, which brings the opportunity for a change in perspective. The bad news is the WTO is a bit like an ocean liner headed for the rocks at this point in time, with very little short-term maneuverability.

When I was in Geneva a couple of weeks ago and was talking to people after work, about the way they saw it, I said, "Well, won't this be good news for the Bali Ministerial to have somebody in with some renewed sense of energy six months ahead?" And they said, "Oh,

it's far too late to do anything different for the Bali Ministerial. The person will really have almost no influence.' To me, this is one of the symptoms of what's wrong.

Second, others are better equipped than I am to speak to timetables on any of these, so I won't speak to that, but I would argue that one of the worrisome developments out there, beyond simply FTAs (which are, by and large, regionally based) is the emergence of separate plurilateral discussions on topics that aren't really built around any region or even notion of it being regional. So the discussions on the investment plurilateral agreement that are ongoing outside of the auspices of the WTO as kind of the friends of the process, present, again, good and bad results. One is, as Ambassador Schwab said, the opportunity of moving forward and dealing with some of the hard issues among a smaller group, and then if it is in fact plug-and-play or open to others, it might bring things in. But the other scenario is that this can also divert momentum from a push within the multilateral system.

Finally, I'd like to address Ken's earlier statement about the Mexican approach. Please correct me if I misstate it, but what you said was that Mexico came to the TPP somewhat late, in part because you thought there were other deals that might have been higher priority, yield bigger games, be more important politically. My point is that there will always be more RTA deals out there. There's always another set of bilaterals or plurilaterals that can be pursued. With the same attention being directed to the multilateral side, it becomes a game among those able to play it. The point I made before is that there are huge numbers of countries and huge numbers of constituencies who aren't able to play that game, and a few of them might make it over the hurdle. For example, Vietnam, a decade ago, wouldn't have been able to play in that game. Now they are able, and they have a much greater capacity and so forth.

But I think we have to recognize that something in the system isn't working, and that without some attention to that and some desire to redirect, it won't magically start working.

## **SUSAN SCHWAB**

If I may, I'd like to respond to that because I have two thoughts on this. One: I give the examples of Chile and Peru. The first free trade agreement that Chile negotiated was with the U.S. It was tough for both sides. They have since gone on to negotiate 56 or 57 FTAs. They are the champs of free trade agreements. Similarly, Peru's first FTA was with us, and while we were sitting around waiting for the United States Congress to pass our bilateral, they went off and negotiated five others. By the time we got around to actually implementing ours, they had gone off and negotiated others, because it occurred to them that this wasn't such a bad thing.

I want to go back to the services agreement you referred to. I think, personally, that the best way of migrating back to a more vibrant multilateral system is in fact through the plurilaterals, and when I talk about plurilaterals, I am not talking about the regional-type agreement. I am talking about the sectoral-type agreement, like the information technology agreement and the international services agreement. For example, I was in Beijing last week, and the new Senior Vice Premier was talking about China being more engaged in governance of international organizations and several Chinese government officials talked about a multi-lateral investment agreement.

Now, I think that having those types of multi-country negotiations taking place in Geneva under the auspices of the WTO or in parallel with the WTO is the best chance we have of migrating back to a healthier WTO, with more active developing-country participation, because there they have groups and collective strengths. You can have groups of developing

countries working together, for example, on the information technology agreement, as you have even with the coalition of the interested, the willing, the friends, and services. I think that is a really positive sign, in particular for developing countries where they aren't isolated, and that could be something we could be encouraging and should be encouraging developing countries to pay more attention to and get more involved in.

**MARK WU**

I'd like to give the audience a chance to ask some questions. If you could just identify yourselves, I will take your questions together, and then then we'll give whoever wants to answer maybe a minute or two to answer.

**AUDIENCE MEMBER**

I am Meredith Lewis. I teach in New Zealand and here in the U.S., and my question goes to what Ambassador Moore referenced with respect to plurilateral agreements perhaps providing an opportunity to get back to the multilateral table. I think it puts more food on the table and provides more to negotiate over, which I think ultimately could get the round under its current name or another one restarted. My supposition is that this is probably not so good for developing countries because what was on the table pre-TPP and pre-ISA and all that wasn't acceptable to developing countries, but now I think new issues are going to come in, and that will provide more to negotiate over. I wanted to get your thoughts on that as a process issue—that if plurilaterals are what drive the multilateral, what should developing countries be doing about that? Because if they are participating with plurilaterals, they are going to lose their negotiating power with the multilateral.

**AUDIENCE MEMBER**

This one is for Ken. I am really intrigued by your reference to the Mexico-Brazil agreement that fell apart because that's really interesting. I mean, we have an upward track. Everyone talks about FTAs that come forward and come together, and there are FTAs that have to come together. Once the U.S. launched the NAFTA with Mexico, it had to finish for geopolitical reasons, but what made the Mexico-Brazil deal fall apart? Hard currency in Brazil? Economic conditions? Difference in ambition levels? Differences in views toward FTA versus sovereignty models, whatever? Why?

**MARK WU**

If I could just ask each of the panelists to take whichever of the two questions you would like to take, and then we'll conclude.

**JEFFREY LEWIS**

First, on the Doha Round, we sometimes forget that the Doha Round has another "D" in there, which was for development. The whole intention of this round was intended as a very deliberate and conscious effort to try to deliver more to the developing countries, and I think what we have seen is that that has not occurred. As we said, we're a decade-plus in, and there's relatively little to show for it.

I think my sense as to how a developing country should approach this or how the system should approach it—whether we keep the Doha brand alive, as Ambassador Moore said, or just simply move on to other things—is that it’s more important that the multilateral system stay alive than it is that the Doha Round stay alive and succeed. So in that sense, there may be some opportunities with new management coming in to perhaps reconfigure and repackage, but I think we will have to see on that.

In response to the question about how developing countries outside the system were less engaged and that the system should be approaching this, I think what we want to encourage (and I am speaking from a development perspective, from a World Bank perspective) is that we want developing countries to embrace the issues at stake, not the agreements. I think here is where we feel there has been tremendous progress over the last decade or decade and a half, where virtually the majority of developing countries now recognize that one of their avenues towards development, poverty reduction, however they want to frame it, is taking advantage of and preparing themselves better to engage in the global system. And this means addressing problems such as customs issues, border issues, sanitary issues, regulatory issues, trade promotion issues, a whole plethora of these.

Sometimes trade agreements can help, as I said, because they focus attention on some, and they break down the problem in ways that can be pushed, but in some cases, they don’t or they aren’t necessary. We are encouraged by the fact that in two-thirds of the 150-odd developing countries in which we work, the Country Assistance Strategy, which outlines how the Bank engages with these countries, explicitly identifies trade and trade-related competitiveness issues as concerns of those governments, and therefore, they are taking them forward.

So, as we say, we have billions of dollars that we’re putting towards technical assistance and lending in support of trade facilitation, whether or not they get this agreement in Bali or don’t get this agreement in Bali. From our vantage point, the train has left the station. It would be nice to get the push and the buy-in that a WTO agreement might give, but it’s not necessary for us to make progress, I think.

## **MICHAEL MOORE**

Well, here is a grubby little secret. The Uruguay Round was never finished. We just called a halt to it, and outstanding issues, such as textiles and agriculture, were put aside for further work. Ten years later, nothing much had happened. Developing countries said, “Why should we have a new round when in fact things that are precious to us have never been addressed? And you rich guys always get your new issues. We poor guys don’t get ours.” So there was a big lift to convince people at Doha that you weren’t going to get this unless it was a bigger project, and we’re almost back there again.

There are some very good things happening in places. Even 5% and 6% growth in sub-Saharan Africa—this is the fastest billion sitting out there ready to be engaged inside the system. On the disputes, the problem now is that the only leverage some developing countries have is to block everything, and it is going to take a lot of convincing and sincerity and trust to say, “Listen, if we do facilitations, this does not mean that we can forget about cotton forever. We’re not going to forget about these things forever.” It will be an act of faith to do it. It does enrage you because trade facilitation is obviously in the interest of poorer countries. I think that can be turned around a bit.

On the dispute system, this is the jewel and the crown, and it’s working. There’s never been a question of corruption or bad things and people to comply with it. Of course, in the

Doha development agenda, there is a large block on how to make the system better and have a menu of things you can do. Although it was slightly contradictory, a trade opening organization had a trade closing component when people lost cases. This is precious, and it needs to be protected.

### **KENNETH SMITH RAMOS**

Just very quickly, I will touch upon the issue in Brazil. Basically, what happened is we had a political agreement at the presidential level to begin negotiations, so talks never really broke down. Instead, they never really started. In the last administration, there was a strong impulse to strengthen our presence in Latin America. We unified our trade agreements with Central America and negotiated with Peru and expanded access with Colombia. Based on the strong relationship between Presidents Calderon and Lula, there was disagreement about the agreement to begin negotiations.

With a change of administrations, an uncertainty was created, and essentially what happened later is that we have a sectoral agreement on autos with Brazil. The minute we got surplus for the first time in this trade in autos, the new Brazilian government declared it unfair, and we had to sit down and renegotiate. We expect by 2015 to be back to what the original agreement stated, but as you can imagine, that cooled down the impetus on both sides to really engage in larger negotiation if we couldn't figure things out on the auto negotiation. That is my own personal position, not a government position.

### **SUSAN SCHWAB**

Just briefly, I think the TPP could be done in 2013. I think the U.S.-EU deal could be done in 2014. I could see the U.S.-EU deal becoming EU-North America, particularly since Canada and the EU are doing a deal. So I could see all of that. Again, the lack of fast-track authority, the administration not having asked for fast-track authority, not having fast-track authority I think is the big Achilles' heel here.

I think that for countries excluded from these deals, the best way of regaining or making sure that they maintain competitiveness, is to do it unilaterally or engage in some of these plurilaterals in Geneva.

In terms of what would allow the U.S. to move ahead in terms of the TPP, whoever the U.S. negotiator is, you have to create a political mosaic in terms of the Congress, because you need to get it through the United States Congress. That's how our system works. You need to look at how many people are going to be voting for you, how many people are going to be voting against you, and that means market access accomplishments. It means new rules that would be included in the TPP, and some of the countries that are asking for things in the way of market access in the U.S. market are also in a position to either make concessions in terms of 21<sup>st</sup>-century issues or to nudge their other trading partners involved in the negotiation to help do those things. So I think it is doable, but it's tough. If it were easy, none of us would be in this business.

### **MARK WU**

Thank you to the panelists, thank you to the organizers, and thank you to all of you.