



Keynote Presentation: Trade, Jobs, Competitiveness

Ambassador Ron Kirk

Former US Trade Representative and Mayor of Dallas

Senior Counsel, Gibson Dunn

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10:30am – 11:45am

Ambassador Ron Kirk opened his presentation by deeming himself one of the most conspicuous consumers of eyewear as anyone who has presented to the group. Ever since he purchased his first pair of glasses at the age of 40, he has purchased at least one pair every year. The ambassador is the only cabinet member who was trending on twitter during a state of the union address with comments such as “Who’s the old guy rocking the Harry Potter glasses?”

Trade offers the opportunity to compete for new customers. One of the challenges is that the rest of the world has embraced democracy in open markets. Global economics have been dominated by trans-Atlantic trade. The rest of the world likes that the Americans have the most disposable income, best research, etc. The US has 3 billion competitors and we’re not competing against just Europe. We’re also competing against countries like China and Brazil. We have to make sure we have thoughtful trade, keeping us at the cutting edge for consumers around the world. A large challenge the United States faces is for the most part, the overwhelming majority of Americans believe that fair trade has been the worst part of the US Economy and a huge loss for manufacturing jobs.

Trade is the best tool to create new jobs and grow our economy. Trade is the vehicle that gets us to our consumers. Think about reality – 95% of world’s consumers live somewhere besides US, although they differ in consumption ability.

When Ambassador Rob Kirk took over trade, there were three trade agreements in place that couldn’t get passed. He inherited the USTR Agency which is 60 years old. (ustr.gov – 215 employees). This organization believes that everyone thinks trade is good. They use Third Way, a politically centered group that polls the public.

Trade agreements with countries mean they have to work with you and accept trade. Trade agreements protect what you do with trade. They legally protect prevention against rip-offs. This is why we have trade agreements. Trade supports jobs in the US. The US is the most dynamic country in the world as we have more people than anyone else who are consumers. Other countries think if they sell to the US, they can improve their way of life.

During his first year in office, the Ambassador listened to people who live in manufacturing cities (Detroit, Pittsburgh). They wanted to know if the trade agreements would give the US a level playing field to make sure that Korea/Japan sells our cars too. The Ambassador sued Japan 11 times and won. The goal of trade agreements is to engage competitors early to play by the rules. When presenting trade agreements with countries like Korea and Panama, it's helpful to say that organizations like the United Auto Workers and The Vision Council are on board with backing the agreement.

One of biggest challenges is how the US has managed our relationship with China. We need that relationship. We also need them to play by the rules and open their market and stop stealing our stuff. It is not ok for congress to do nothing and pass the buck onto someone else.

Question & Answer Session

Mike Hundert and Ambassador Conversation

Q: There are lots of people in the room who are importers...as an importer, how do these free trade agreements help?

A: Most of what we import is what we need to make other stuff. Trade agreements help you bring products in cheaper. The most important in an agreement is non-discrimination. For example, Korea should treat me like a Korean, not an American. The goal is to get 97% of goods completely duty free within 10 years.

Q: The situation with eyewear manufacturing is that the cost of manufacturing in the US is prohibitive. About 90% of eyewear is produced in China. As they create middle and consumer classes, it's getting expensive to produce in China. What's next if can't bring manufacturing back to US? I've explored Bangladesh and Viet Nam to learn if the stability of government is ok. What's the criteria we should look for?

A: Depending on what you're manufacturing and the security of your product design, you should be looking for a stable government that people won't rebel against with a pool of workers. Currently, most footwear is being manufactured in Vietnam and apparel in Bangladesh. Likely the manufacturing will move to one of those countries. If it comes through the Trans-Pacific Partnership (TPP), they'll have lower terrace, a competitive advantage, and a level of security for design.

Q: What's the chance of the Trans-Atlantic Partnership?

A: It depends on us. The current news coverage is anti-trade agreement since America is just getting back on its feet. A negative to this is the ease in which it is to spread disinformation over the Internet. We need to let the Americans know it's a good thing to be part of the largest 2 trade agreements in the world. Japan and Korea want to be a part of the agreement. Congress has never failed to eventually pass a trade agreement that has been presented to them. This trade agreement has been in negotiation for 3 years. The goal is to get it passed this year. A procedural process needs to be passed in order to pass the trade agreement

Audience Question & Answer

Q: What do you think will change with the state of unemployment? Will we get down to 5/6%?

A: I hope so. I have two daughters in college. We owe it to our kids and have to grow our economy. In order to have a manufacturing advantage we have to have a young generation workforce willing to work for low wages and the US doesn't have this. We're not going to win in this world unless we produce kids with innovative skills to keep creative technological advance. We can't settle for generations of kids coming out of high school who don't have skills to go to community college. We have 400,000 manufacturing jobs unfilled now because workers don't have the skill to do them.

Q: You talk about education. We're hearing a lot more that a lot of the schools are going back to some of the trade programs. If you have someone who wants to be a mechanic, do you see the advantage for them to go into debt to become a mechanic?

A: Education changed my life in every way. The issue is that students come out of college with is they have so much debt that they can't do anything. Other countries see us as crippling our graduates with financial burden. We need to focus on bringing work back home. It's not worth to have call centers where people can't speak your language. It's well worth for that auto worker to work on a path. We need to invest in and retool our workers.

Q: What's it going to take to change the discourse in Washington today?

A: You're competitors, but also friends and come together in camaraderie. We need to get back to that. There may be 60 seats in congress up for grabs. The other seats are in solid districts and you're engrained in your beliefs that I didn't come here to negotiate. We're going to have to wake up. The shutdown sent a message. It depends on when we get angry enough and start talking about how to get things done. I'm in favor at compromise. We all give up something in the end but have a stronger senate. Talk to your kids about politics. The world wants America to lead and wants America to be on the table. Send better people to Washington, you elect them.

Q: Would you comment on what all this new found laurel will mean for our trade?

A: There is a very real possibility that we'll be in a position to be energy independent in the next 10 years and will be able to export energy. Full disclosure, I'm currently working with the nuclear energy institute. What it does to our geopolitics is profound. We wouldn't have to make so many political decisions because we need fuel from that country. Consumers are having trouble understanding why having so much gas reserve is important and why gas prices aren't dropping. Depending on how much energy is part of your manufacturing process in the US will affect you.

Q: In the eyeglass industry there's a risk. What's the role of USTR to make sure that importers coming in from outside the US are complying with US law?

A: NAFTA will be 20 years old and is hugely successful for some of the southern states. We're looking at things across borders. We're more advanced in things like the cloud that other countries who are into as advanced don't get that information can be housed outside of their country. The USTR will work with other countries.

Q: What's your opinion about people saying that we've lost leadership in Latin America?

A: I think it's an opportunity. Business tends to follow the head. One company goes to China, everyone does. The biggest trade is in Mexico and Canada for us. Much of Latin America is part of the Pacific. This transpacific agreement would strengthen that relationship with Latin America. It's easier for Americans to consider going to Latin America than Korea or China. The TPP designed to be an open architecture so that in the future as other companies become interested and mature to join, it will allow for that.

Ambassador Ron Kirk's Main Takeaways

- The concept of Trade as a driver of job creation in the US is counterintuitive to an overwhelming majority of Americans, who increasingly believe that "Free Trade" has been a losing proposition for America.
- We must embrace the reality, and opportunity, inherent in the fact that over 95 % of the world's consumers now live outside of the US
- Trade Agreements that open new markets to American exporters and that protect our core investments in technology and innovation can be a central component of the US economy, and a source for job creation here at home.
- "Made in America" is still one of the most powerful brands in the world, and the US can compete, and win, in the global marketplace if we are willing to continue to invest in education, and innovation.