

TRADE-2016/04/12

THE BROOKINGS INSTITUTION
FALK AUDITORIUM
A NEW TRADE AGENDA FOR THE AMERICAS

Washington, D.C.

Tuesday, April 12, 2016

PARTICIPANTS:**Introductory Remarks:**

ERNESTO TALVI
Senior Fellow and Director, Brookings Global-CERES Economic
and Social Policy in Latin America Initiative
The Brookings Institution

Moderator:

ANTONI ESTEVADEORDAL
Manager of Integration and Trade
Inter-American Development Bank

Panelists:

MIGUEL BRAUN
Secretary of Commerce
Argentina

DANIEL GODINHO
Secretary for Foreign Trade
Brazil

KENNETH HYATT
Deputy Under Secretary for International Trade
U.S. Department of Commerce

JHON FONSECA
Vice Minister of Foreign Trade
Costa Rica

MAGALI SILVA
Minister of Commerce, Foreign Trade, and Tourism
Peru

* * * * *

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190

P R O C E E D I N G S

MR. TALVI: Thank you. Thank you very much to all of you for coming to this very special event. We say it is a very special event not only because of the high level officials that we have in the panel today representing Brazil, Argentina, Peru, Costa Rica, and the U.S., all of whom I want to thank very specially for being here with us, but also because this is a joint effort between the Brookings Global-CERES Economic and Social Policy in Latin America initiative, ESPLA for short, and the Integration and Trade Sector at the Inter-American Development Bank, and another very, very special thank you to my colleague and friend, Antoni Esteveordal, of the IDB. This event really would not have been possible without him.

Not only because the topic of discussion, the future of trade integration in the Americas, but also because we will be discussing this topic at a very, very special moment, at a time when the WTO negotiations appear paralyzed, and the new mega-regional agreements, like the TPP and the TTIP are under fire.

In fact, as a recent Washington Post article correctly affirms, the trade issue has become a leading scapegoat for the lost jobs and the stagnating working class wages and bad deals has become a common premise to restore middle class prosperity. As Professor Ken Brava describes at the time of anti-trade populism.

In such an environment, here we are trying to bring new ideas to the floor that have the potential of rekindling the spirit of integration in the Americas. I am sure that our panelists will have much to say from the perspective of their own countries.

From the Brookings' perspective, our role is to promote novelty ideas and to that end, we contributed with a proposal that will be available on our Web site, and it is entitled "Towards a New Trans-American Partnership."

This partnership idea is based on two pillars. First, promoting convergence of existing free trade agreements. Eleven Latin American countries already have free trade agreements with the U.S.; seven of them have free trade agreements with Canada, and several agreements among themselves.

The first pillar is to try to harmonize the rules of origin such that goods and services will

TRADE-2016/04/12

be able to circulate freely among the countries with FTAs. The second pillar is to implement a hemispheric-wide trade facilitation agenda, such that goods and services can circulate among the countries that currently have FTAs and those that do not yet have them.

By building on existing FTAs and ongoing negotiations on trade facilitation regimes and by starting out with a modest agenda to increase trade and investment and stimulate the development of global supply chains in the region, this is in our view a pragmatic yet very powerful way of deepening integration in the Americas.

If successful, it would comprise one billion consumers and have a combined GDP of \$25 trillion, 40 percent larger than the European Union, and more than twice the size of China.

At the time when the forces of protectionism, isolationism, nationalism, identity politics, and xenophobia are gathering strength in western democracies, the Americas can become a beacon of light and send a message to the world that we are not about to give up on one of the most powerful instruments humankind has ever known to promote peace and prosperity among nations.

Thank you. (Applause)

MR. ESTEVADEORDAL: Thank you very much, Ernesto. My name is Antoni Estevadaordal. I am the manager of the Integration and Trade Sector at the Inter-American Development Bank. We are very pleased that we have been able to organize this with our friends and colleagues here at Brookings.

Just brief remarks before introducing the speakers, just following on what Ernesto has mentioned. Looking at the trade architecture that we have today in our region, it's very similar, what's happening in the region to what's happening in the rest of the world.

There are kind of four levels at which we can act in terms of rebuilding and restarting this trade agenda, from more complex issues to less complex issues. Complex from the point of view of technical issues and also the political feasibility of doing it.

First of all, there is still what we call in the paper missing links, countries in this hemisphere and also the rest of the world that don't have yet FTAs. Progress is being made. Ernesto mentioned some of them around the world.

Here in our region there are obvious cases like Brazil and Mexico or Brazil, Argentina,

TRADE-2016/04/12

and the United States, or even Peru. Our panel will talk a little bit about what efforts are being made in trying to connect countries that today do not have FTAs. As we know, this is very complicated. It's complicated technically and it's complicated politically.

The second level or fraction is what we call go beyond existing levels of goals to more deeper goals. The example of the TTP is a classical case here. The 12 countries that have negotiated a TTP, most of them had already some sort of FTAs among themselves, not all. What they typically have done is really push the frontier in terms of goals to another level. This is the second level in which countries can act in that type of trade agenda.

The third level is what Ernesto -- this is where our proposal comes -- which is to give more efficiency to the current version. You have to put more efficiency into the system. There are many ways of doing that. We just put one specific example that we think is the priority, which is this technical consort of harmonizing the rules of origin of existing FTAs and providing some accumulation to facilitate what we call today this regional value chain in the region. It requires some negotiation, but it is not a full-fledged trade negotiation.

The last step in this continuum of fractions is a trade facilitation agenda. This is complicated technically. This agenda is also being implemented in different ways throughout the region.

So, there are lots of things happening in that region, and we are proposing that the region should really reengage as a whole hemisphere starting from the most easy ways of doing it, the more politically feasible, to the most complex ones.

To do that, to have this conversation, we really have a stellar panel here with very good representation of different trade agendas in the region, and I'm going to introduce very briefly the panelists. You have their full bio's in your papers.

To my left, Daniel Godinho is the secretary of foreign trade at the Ministry for Development, Industry and Foreign Trade in Brazil. Thank you, Daniel, for being here.

Next to him is Jhon Fonseca. He is the vice minister of trade for Costa Rica. He is also the chief negotiator for his country.

Next, Miguel Braun is the secretary of commerce at the Ministry of Production for Argentina, newly appointed with a lot of work ahead, and we are very happy that you are here, Miguel.

Magali Silva is minister of trade for Peru. Thank you, Magali, for being here.

Finally but not least is Kenneth Hyatt, deputy undersecretary at the Department of Commerce. Very happy to have you also join us.

What we will do is we will let the speakers have 5 to 8 minutes of initial time to make some initial remarks from the perspective of each of their countries on how they see this trade agenda currently and also looking forward.

Daniel, you have the floor.

MR. GODINHO: Thank you very much first to have me here, for the invitation, to allow me to share our perspective on all those issues with you. As some of you might know, Brazil launched a national exports plan last year, which of course brings a lot of trade initiatives and trade actions and goals, which the most important goal is definitely to increase the Brazilian participation in global value chains.

Brazil does not believe that we can achieve these goals without having stronger and regional global chains, and this is why it is so important to us to discuss these kinds of issues here with colleagues from the region.

I agree with the assumption that we are not close to having in the near future at least a wide trade initiative in the Americas as we did in the past with FTAA, but that does not prevent us from having or pursuing very concrete, creative, and why not ambitious trade goals, trade initiatives.

We believe those initiatives will eventually help us pave the way back again to a wide trade initiative, why not again, and at a whole hemisphere trade negotiation, why not. This is what we are precisely doing at this moment. Brazil is doing its part.

Just to mention a few examples on trade negotiations. We are currently trying to build fresh, a completely new trade agenda with our Argentina colleagues. We have had so far like 20-30 meetings. We are trying hard to build a very modern trade agenda.

With Peru, we hope to finalize and conclude ambitious trade negotiations on issues such as investments, services, trade facilitation, government procurement, a subject in which Brazil does not have a single agreement, international agreement, by the way, and also the possible anticipation of some of the free trade debt we would be seeing completed only in 2019. We have one next week in Peru and

we hope to conclude the negotiation process.

With the U.S., under our bilateral commercial dialogue, we have been achieving great results in terms of market access using trade facilitation tools and standards incorporation aspects, and I would like to share some more detailed facts on that with you later, if I still have some time.

Getting back to the panel's main point, to try to find which would be those agendas to be worked by all of us together in order to have a regional trade agenda, first, on rules of origin, I think it is a great agenda. I think it is a great idea.

I would only recommend that it needs to make more time in order to have governments discuss this kind of issue. First, we need to create the problem, and the problem is not a problem. The problem is more trade agreements.

Brazil still needs to complete a trade agreement with Mexico, for instance, with Canada, with the U.S., and there are a number of other examples, and then we will be able to tackle the issue of rules of origin, which is of course very, very important. The costs associated with compliance of different rules of origin are known, and I am not going to explain it to you because you all know that.

Here, I do believe we still need more trade agreements, and this is what we are trying to do right now.

Then I get to trade facilitation. I believe this is the most important topic to be tackled on the short run by all of us together. We have to do it together. We are doing it together. We have, as I also would like to discuss a bit later, an Inter-American network for initiatives, and we are doing something bilaterally as well.

This, I believe, is the most important topic to be dealt with regionally on the short run. These would be my first few remarks, and I hope to get back to all these issues later.

MR. ESTEVADEORDAL: Excellent. Thank you very much, Daniel. Jhon?

MR. FONSECA: Thank you very much. I would like to start by thanking the Brookings Institution and the Inter-American Development Bank for this event and for the very important topic for the region.

I think to give some context, our region historically tried to open the markets and tried to increase trade basically with the main regions of the world, with North America, Europe, China, and it

TRADE-2016/04/12

makes sense. They have the population and they have huge markets, so that makes it really interesting for our region.

I think or at least I would not like to talk about historical mistakes we did as a region, but definitely that behavior brings some challenges for the near future. In our region, exporting to these countries and these regions basically in commodities, and as a region, we specialized in commodities, so right now we have the challenge of how to move from there, how to increase the added value of our exportations, and how to start becoming more competitive in other areas of the global value chain.

That is exactly the challenges we perceive, to be able to increase the linkages between the countries from Latin America. We believe there are some big challenges. One of the challenges, I think, is public policy making. As a region, usually we are not used to use the new tools we have in place to do policy making. They are in place already.

I think that's a huge challenge we have as a region, in how to meet that, how to analyze the strengths of each of the countries of the region, how to better understand how can we link our strengths as a region, and how to reduce costs for production.

In this area, I think one of the main topics definitely is trade facilitation. In Central America, we are now trying to implement a whole strategy for trade facilitation, which includes coordinated management and includes processes and best practices, and single window alternatives as a region.

I think that is exactly what we should be thinking about right now. It's possible because that's the way it is. Right now, it's cheaper to do trade with China than with some countries from Latin America, between each other. It is cheaper to export to the United States and the European Union than export in our case from Costa Rica to Guatemala, which is just a couple of thousand kilometers from our country.

What we saw in the analysis we did, it is as a country we need to increase the integration, regional integration, from Costa Rica. The gaps we find, it is basically that the cost of doing trade between the region is really high.

So, I understand the free trade agreements between the region will help, definitely, but if I must focus on one area, it will be trade facilitation. We need to make it feasible, to give financial

feasibility to the operations between the regions. For that, yes, we need the agreements, the free trade agreements or the alternatives.

The main challenge is how to reduce costs for the operations, and the other issue is how to analyze the alternatives between the region and in my perspective, that is data driven policy making from each of the countries.

In this area, I think the academic institutions and the international organizations can help a lot. How to analyze the region as a single region, as a country. How can we define which are the strengths of each country and how to mix them, and why not think about regional value chains.

We have in place already the TTP and regional alternatives. Basically, that is the analysis. Who is going to produce what and what are the different strengths and how to mix them.

In general, those are the two main areas, data driven policy making and trade facilitation. I hope that will be at least the beginning of information to the debate.

MR. ESTEVADEORDAL: Thank you very much, Jhon. Miguel, I hope you have the opportunity to talk about the new policies in Argentina.

MR. BRAUN: Thank you. I am really pleased to be here. It's fantastic. I was here in Washington six weeks ago also talking with our counterparts in the commerce department and other areas, and also with the U.S. Chamber of Commerce, and several government officials and business people from Argentina have been traveling around, and our main message is that Argentina is back.

So, my job really consists of resetting and relaunching many of the trade agreements that we have, the trade relationships that we have with different countries, and of course, working seriously on the agenda for trade facilitation, which I agree with my colleagues that is the most important thing we can do here and now, today, to improve trade.

We can really work to reduce costs for our companies, especially this will be good for our small and medium enterprises that find it many times very difficult, it will increase the size of the market for these companies, and therefore, it will make them more productive and generate more investment and more jobs.

A great majority of jobs are created in small and medium enterprises, so really pushing for trade facilitation is not only an economic priority but it is also a political priority.

So, I have to say I'm very fortunate to be the secretary of commerce of Argentina because the benchmark is very low. (Laughter)

Argentina is importing and exporting 25 percent less than four years ago. We haven't moved forward in trade agreements with many of our partners. In fact, we have moved backwards. We have been sanctioned in the WTO by the U.S., Japan, and the European Union for our import restriction practices, which were completely arbitrary and illegal, and that is where we are starting from.

We have a lot to do moving forward. In the past months, I have been here in the U.S., in Europe, in Brazil; Brazil has also been in Buenos Aires. I have been in Mexico. This week, in fact, today, part of my team is in Columbia working to expand our trade agreement with Columbia.

So, we are really following President Macri's instruction of being very proactive in sending this message that we want to reengage constructively with different countries in order to deepen our trade agreements.

I agree with that trade agreements take a long time; they take a lot of work. They have become more complex in the past couple of decades now. We don't just talk about tariffs, we talk about the other disciplines which require a lot of specialization and a lot of capacity, and many times that capacity is not present in the state, I have to say.

In Argentina over the past 10 years since we haven't been negotiating many of these agreements, we have to go out into the markets and talk to companies, talk to academics, et cetera, who are specialized in these areas in order to be able to really work seriously on these issues. That is why Daniel wants to move fast with the agreements. (Laughter) He knows I don't know anything yet. (Laughter)

I have to say we have huge work cut out for our group. We are moving very quickly. In terms of trade facilitation, we already are working with the IDB in order to create a single window in Argentina. We are behind many of our colleagues, but we want to move forward quickly, and hopefully we will be able to have part of that interoperational with other countries as well, so to leapfrog in that direction.

We are also working to simplify many of the import requirements, for instance, for capital goods and other areas. We are making it easier for carrier companies to work in Argentina, and that is

TRADE-2016/04/12

something a couple of weeks ago also together with Tony and his team we hosted a seminar in Argentina on the Inter-American -- American business dialogue. I'm learning all these new names, so this is very exciting.

In this meeting, we had a fantastic meeting of minds of government officials, private sector companies, all working towards improving trade facilitation.

Our agenda from the point of view of Argentina is to really move forward bilaterally with our main trading partners. I would say with the U.S., we have signed two agreements. One of them is a TIFA, trade and investment facilitation agreement. We have also signed a commercial dialogue with the Commerce Department.

With Japan, we are working towards signing also a commercial dialogue with METI, the Ministry of Economy, Trade and Industry. We have opened discussions with Mexico to broaden our commercial agreement. With Brazil, we have a huge agenda, and we are working very well with Daniel and his team to move forward.

In that context, I am sure we are going to be able to discuss broader trade agreements. In fact, I think it is moving forward with the European Union. This is something that Daniel announced, the good news, and we are going to be exchanging offers. Also, we hope to move forward with Pacific Alliance, that might take a bit longer, but we definitely want to work in that direction. I am traveling to Canada tomorrow to explore the possibility of having discussions.

We are very optimistic that not only on a bilateral level but also on a multilateral area, we can really get the trade negotiation agenda moving forward. Of course, the trade facilitation agenda, as I was saying, we are working on right now.

I have to say I learned a lot not only because the benchmark is low in Argentina, but because the comparison bar is very hard looking at other countries. Over the past decade, my colleagues here and my counterparts from other countries in Latin America have really moved forward at a fantastic speed.

I was remembering the famous toast that John Maynard Keynes gave to the professionals at the U.S. Treasury Department, and I think his words were "I bring to you who are the guarantors, one of civilization, but of the possibility of civilization." Really, the Treasury people were the

guarantors of the possibility of civilization. Well, the same, I believe I am really lucky to become a part of this group of fantastic people who over the past decade have set the basis for the possibility of more integrated development in our countries.

So, thank you very much, and it is an honor to be here among you. Thank you.

MR. ESTEVADEORDAL: Thank you, Miguel. Thank you very much. We will go deeper to some of the topics that you raised. Next to you, there is a person who has really been at the forefront, and I'm sure you will be able to learn a lot. Magali?

MS. SILVA: Thank you for the invitation, Tony. Thanks to the Brookings Institution. It is an honor to be here. Last time I was in the States was in Atlanta. We left at 6:00 in the morning when we closed the TTP. It was a great day for us, the 12 countries, who worked for more than five years under the leadership of Mike Foreman, and it was a great pleasure to work with them. Over those years, we learned so much.

We had times when we had lost everything, and as you said before, free trade agreements nowadays are more complicated than ever because we're not only talking about trade, about creating jobs, about generating value added in the economy, we are talking about bringing consensus about other things.

In the case of Peru, we learned to fight for our environment. We introduced IP when we first signed our FTA with the U.S. a long time ago, when in 2009 it was finally signed.

Since then, free trade agreements have been more complicated, and this TTP, I just want you to know for all of you who might not really know, the TTP is the first agreement in the world that has touched the center of the most important part of our production system.

The TTP has a special chapter that we worked on, all those 12 countries, to create this possibility for SMEs to engage in the global value chain.

As more and more agreements are looking for possibilities for them to meet each other, we are working on databases, we are working on networking of SMEs, and we are part of APEC, as you know, 12 economies of the 21 economies that belong to APEC. Peru is hosting the APEC meeting in a few weeks. We are going to have a meeting with our 12 economies just to show the progress we have been doing in engaging SMEs in looking for real opportunities for business.

I'm glad to hear, and I'd like to say welcome back, Argentina. (Laughter) I'm very happy because Argentina is an extremely important part, and we missed you, Argentina.

As you know, we were one of the ones that went there and saw what was going on in the agenda. We want to reinitiate our commercial relationships, not only commercial relationships, but also historic relationships that are of common history together.

We have, as you know, the Inca Route that united most of the countries in Latin America. With Costa Rica, we are united because of the Pacific Alliance. Out of our 42 countries that are observing, that want to be part of the Pacific Alliance, Costa Rica is in the first position to be part because it has already the status of more than observer. I can't remember the term, but more than observer.

We are working on that. Eleven countries out of those 42 observers that want to be part of the Pacific Alliance are expecting or waiting. In a couple of weeks, starting on May 1, we are going to have the official operating of the Pacific Alliance, because that means after May 1, 92 percent of the full basket, the basket that includes manufacturing, fishing products -- for example, if you are an SME that are using metal parts for parts of an engine, for example, on May 1, automatically if you were exporting to Mexico, it will cost eight percent less. It will allow them to engage in a bigger part of production, which for example, will be part of an engine, Mexico will export those cars.

This is how we are building those blocks. The last thing I wanted to mention is that in the case of Peru, while we are negotiating the FTA with the U.S., two-thirds of the country, two-thirds of the population, were saving trade. Trade has meant for Peru the reduction of poverty from more than 50 to less than 23 percent in the last 10 years.

In the case of the trade sector in my country, we follow a plan, the only strategic plan the country has followed, non-stop through three governments, that showed free trade was allowed to create more jobs and obviously to include more people. The reason that we in this government have been able to apply inclusion policies is because we have accumulated resources for us to be able to build out the infrastructure, construct, and unite the country for us to be able to continue growing.

We hope the TTP will be approved, and it will be approved by the biggest 40 percent of the country.

We have been working the whole 2015, meetings with Brazil coming to Peru, and this is

TRADE-2016/04/12

the first time Brazil would be finishing a chapter on public procurement. We are ready to be engaged with other countries who want to follow us. We are still waiting for India, we would start if we get the affirmation, the answer, to start our number 25 FTA, 17 already are in force, but with India, it would be the number 25 free trade agreement.

I would like to leave it at that. Thank you.

MR. ESTEVADEORDAL: Thank you very much, Magali. Ken, for the U.S.?

MR. HYATT: Great. Thank you again to Brookings, to the IDB. Let me echo what many have said as we have worked our way down the panel, as we think about the trade agenda more broadly and certainly with respect to the hemisphere, we are driven by a couple of principles. One, the SMEs. Take the lens of the SME and ask how can we support SMEs as they grow and thrive?

If you look at the data, at least in the United States, you look back a couple of years, I've seen data which said -- I think it was 2013 or 2014, fully two-thirds of all the net new job creation in the U.S. was generated by SMEs. There is this real focus on the SME as an engine of job creation.

Second, this sort of notion of competitiveness, and how do we think about trade policy in the context of competitiveness. That can either be take costs out of the system or the trade facilitation that we have been talking about, but competitiveness and trade and investment can also link to innovation, which is a totally different path towards competitiveness.

You know, there have been times when people have separated these. There are the trade folks and the folks who are worried about investment, and the folks who are worried about innovation. These can form a very virtuous cycle together, trade connecting companies, investment connecting companies.

We live in a world where innovation is not happening globally. I think competitiveness has both a cost aspect and it also has an innovation piece.

The third thing which we have been talking about is this question of supply chains, and also how they are shifting over time. We have lived in a world with very long global supply chains, and the events of the past number of years which have said there is risk to business in very, very long global supply chains, so there are lots of companies now who are actually asking how do we really think about consolidating our supply chain, are we willing to put the risk that exists if I'm in a global supply chain.

But nevertheless, all the conversation we have been having on the trade facilitation front goes to how do I make it easier for imports and exports to go in and out of countries. Obviously, if I can't go in or going in has high cost or is complex, then countries end up not being part of that supply chain, because the company simply says too much cost, too much complexity.

So, those are sort of what is guiding us as we talk about these, and then just briefly, sort of three areas of focus. What are we doing multilaterally, what are we doing plurilaterally, and what are doing bilaterally.

The multilateral, and no one has really, I think, talked about it, the trade facilitation agreement, but it goes to what we have been talking about, but it is a multilateral agreement, and there is a lot of focus now on let's make certain everyone who needs to approves that agreement. I think we are all sort of together and sort of pushing for that.

On the plurilateral side, the TTP, which you have talked about, and I share committed to getting it passed, and we are working hard to get it passed, and again, we really do view it as a 21st century agreement, that not only talks about tariffs, and not only talks about SMEs, but also embeds labor and environmental protections, so that we can use the trade agreement and support excellent labor and environmental practice.

There is e-commerce in it, right, which is very important. It's an important trade deal because as said, not only do we incorporate a large part of the world, but we also set the kind of trading and investment rules that we think are where we should go with them.

The final piece is the bilateral engagement. Daniel and I have been working for two years and asking and trying to answer, and I guess we will talk about it a little bit later, how do we understand what's important to Brazil, what's important to the U.S., and how do we find business solutions to business problems.

I have listened to the private sector, had the private sectors of our countries help us, and then identify very concrete things we can work on. We actually don't negotiate with each other (Laughter) he is actually very, very good at it.

It's very much a focus, and again, we are working on the trade facilitation area, in the standards area, in the investment area, in the regulatory area. We are talking about e-commerce. We

TRADE-2016/04/12

have a very robust agenda where again, what is important to the private sector, where can we make progress, and they can be small, small progress.

We are, as you said, very excited to be looking forward to having the commercial dialogue with you, Argentina, and welcome back, but let me stop there.

MR. ESTEVADEORDAL: Great. Thank you very much, Ken. Let me just start some small dialogue here before I get into the Q&A from people on the floor.

I will start maybe with Daniel and Ken, maybe to elaborate a little bit more on your last point, which is Ken and Daniel are here not only as the Secretary of Trade and Under Secretary of Commerce, but as co-chairs of this commercial dialogue that has been going on between Brazil and the United States for the last two years at least, which is sometimes not very well known, it doesn't make the headlines of the free trade agreement. It is a very intensive political and technical dialogue.

I'd like to maybe get a little bit deeper on this and share your views on how this process has proceeded, what have you learned. There are some big components there. Maybe you both could be a little bit more specific on what is there and what you are planning to achieve with respect to this commercial dialogue.

MR. GODINHO: Actually, the commercial dialogue has been there for 10 years now, and Ken and I for two years now.

It's a good example of how a pragmatic agenda and at the same time a very concrete agenda can be built. In my opinion, and that's personal, by the way, Brazil and the U.S. may have lost a lot of time discussing formats as opposed to content. It was at some point in time, either an FTA or nothing.

E-trade people, we know you can find ways to market access or whatever you feel you have to do in terms of trade using different tools with different countries. In the case of Brazil and the U.S., we have to find some specific topics which are actually bringing market access results, and this is what I'd like to share with you.

One of these topics is standards, as Ken has mentioned, population standards, regulatory coherence, convergence, and here we are negotiating neutral agreements, sectorial agreements, as to actually either have very similar regulations or to automatically allow imports and

TRADE-2016/04/12

exports without having to comply with all those very costly procedures as we all know here.

Besides that, we are trying, for instance, to get some American laboratories down to Brazil, meaning exporting U.S. services to Brazil, to have products to be exported back to the U.S., meaning exports of Brazilian goods to the U.S. It is a very pragmatic solution. We managed to have already American laboratories there, and this changes everything.

For instance, we were talking about SMEs, small business in Brazil wants to export to the U.S., the tariff is not plain there if it's an industrial product. Tariffs would go as low as one percent, two percent, three percent, but then when it comes to the costs related to the compliance of regulations, then the company just gives up immediately.

By tackling these things, we are creating market access. These are only a few examples. Let me get back to trade facilitation, which these are probably the two most important issues being dealt with under this commercial dialogue together with investments.

On trade facilitation, as Ken also already mentioned, we are working together with the private sector. It is, of course, much easier to find bottlenecks in a bilateral flow as opposed to general bottlenecks, and both our private sector, both our companies could point to a few bottlenecks we are attacking there.

One of them is related to the need of paper and paper signed in blue ink was eliminated. One can imagine the cost related to that. We were able through our bilateral commercial dialogue to again find a very complete market access solution. We are now trying to engage our different agencies in the electronic exchange of some documents relating to bilateral trade.

These are only again some examples, but the most important thing here is that one can find concrete and pragmatic agendas. This is what we have been doing there. We will have our next meeting in June, and then results on all those topics.

What we learn is by doing this and getting back to my first comment here today, if Brazil and the U.S. are doing that, we are paving the way to building blocks to a greater bilateral thing in the future, why not a FTA, but we have to get it somewhere and somehow.

By doing that, of course, we are helping the whole region in order to think again in a wide Americas initiative here.

MR. ESTEVADEORDAL: Ken, do you want to share some additional examples from the point of view of what are you getting out of this dialogue?

MR. HYATT: Yes. So, again, I guess I'd say a couple of things. One is no problem is too small to try to solve, right. So, there has been an orientation to say what are practical pragmatic solutions. That goes to everything as simple as we have created a portal, so a Brazilian company can better understand U.S. standards and regulations, and American companies can better understand Brazilian regulations and standards.

Very, very simple, but again, if I'm that company, that is something that actually might help me trade. Our National Institute of Standards and Technology, NIST, they wrote guides, very simple guides in different sectors around what you have to do to understand these standards and regulatory side.

In the standards area, we got sectors to negotiate with each other, in the ceramics sector, in the health IT sector, to reach agreement on the private sectors coming together to move forward.

We were able to get the patent organizations of both of our countries to agree to a pilot of something called the "patent prosecution highlight," which is work sharing between the two patent offices which improves the speed with which patents are approved.

Again, these are very concrete, very pragmatic, and again our agenda now is in the standards area, we are going to be sharing on e-commerce, how we are thinking about e-commerce. We have a pretty robust investment agenda to help each other invest. Brazil has helped us, as we have recruited for investment promotional events here. We have talked with APEC Brazil around sectors that Brazil has an interest in drawing investment, and that has been sort of the nature of the conversation.

The only thing I would say is that -- again, as we launch in Argentina, by broadening the topics and constantly having conversations, which are there other ideas that we have that we might do to drive investment and trade, what else might you do, and then really having an operating assumption, how do we create value, how do we get something done, that combination of a broad agenda, a pragmatic orientation.

Again, I would say, Daniel, that there have been -- we don't negotiate with each other, right. We sort of let me understand your concerns here. I would say we are creating rather than

negotiating, which has been the way through the issues, which is a very different issue than arguing with each other.

So, those would be my comments.

MS. SILVA: Tony, the example we were talking about, the single window. Thanks to IDB, we developed a single window in Peru, and we have interoperability of the Pacific Alliance. This is work, as you said, not only does it allow us to be independent from the mind or the participation of a public person, at the beginning, everyone thinks it is losing power, because the bureaucracy doesn't want to lose that.

So, by the time you end up convincing them, and in the case of Peru, we had 260 already there, meaning more than 15 different public institutions being part of this. We have elevated that to the level of the four countries, Mexico, Columbia, and Chile.

The good thing about this is the private sector, as you mentioned, is right next to us. In the Pacific Alliance, we have the business or private sector council, that is in real time following all the progress we have been making, and giving us the examples, the problems, as you said, the cases, to being solved in the next two or three months.

We have a calendar that we follow. We meet at least four times a year. We are there to consult with the private sector and the private sector is there to ask about what is going on, if you have some delays, sometimes the institutions don't react at the same speed, it continues moving and continues showing results for the private sector, for them to increase productivity.

MR. ESTEVADEORDAL: Thank you very much. I actually was about to ask you about this trade facilitation agenda that has been pushed by the Pacific Alliance beyond the traditional market access you made reference to before.

I appreciate your comment here. I will ask maybe Miguel, what is your expectation as a country that is not even an observer now but is someone who is next to the Pacific Alliance, partners, what is your expectation about the relationship of you, Argentina, with the Pacific Alliance? If you could comment, and there has been some exchange of potential ideas for dialogue, very similar, I think, to the commercial dialogue that we were discussing before between Brazil and the U.S.

How do you see this process going? What is the expectation from Argentina?

MR. BRAUN: Well, I have to say it's very positive and there is already discussions about Argentina becoming an observer in the Pacific Alliance. In fact, I think I have to send a formal note. You will be receiving that as soon as I get back, I think. (Laughter) Or maybe somebody can do it here.

We are very excited with that possibility. I have to say it would be fantastic if we could set up a dialogue in order to start talking constructively about ways to move forward, both in trade facilitation and also in trade agreements, but this is something that we have to actually get together and discuss. We are a step behind that for now.

At the same time, we have a lot of relationships bilaterally. Brazil, as well. Chile has a free trade agreement with Mercosur. I have been talking with my Chilean counterparts about deepening discussions on trade and services and improving the efficiency in our huge border, which today is scandalously inefficient, not just for trade but also for tourism. Tourists sometimes spend hours to cross between Chile and Argentina. We have to sit down and work on those specific issues which we are looking forward to today.

I would have to say I'm very optimistic looking forward about the possibility of a broad discussion between Mercosur and the Pacific Alliance, but in the meantime, I think we have a very challenging agenda and a lot of work to do bilaterally in trade facilitation.

MR. ESTEVADEORDAL: One thing that you just mentioned, Miguel, and it's a little bit off topic but not completely off topic, which is the physical connectivity. We talk a lot about the trade agreements. We talk a lot about the single window, everything that helps exporters and importers to do their daily business.

Actually, they have to physically cross the border. Still, most of trade is through our borders. I want to ask Jhon. Jhon, besides being the Vice Minister for Trade, he also chairs the Council of what is called the Borders in Costa Rica. A great job being done about real physical infrastructure.

This is a challenge also for a lot of countries in the region. You mentioned some examples. Can you describe maybe a little bit what is this agenda, how this connects with trade, kind of the classic trade agenda, and why it is so important also to focus on these physical connectivity issues?

MR. FONSECA: Well, basically in Central America, we are the small countries. In the case of Costa Rica, we are 4.5 million people, and that is the case in most of the countries in Central

America. The biggest one is 17 million people.

At the end, the presidents from the region arrived at the conclusion that to be able to do some scale economy and to be able to improve the cost of production and competitiveness of the productive sectors from Central America, we would need to work together.

So, we started to realize what were to be the biggest challenges, and basically it was the logistic costs. In Central America, that's the case. For some countries in Latin America, there are some productive sectors where 40 percent of the cost is linked to logistics. It is too much.

In OECD countries, for example, the average is eight percent. Basically, it is interesting for some productive sectors from Central America and I guess is the case for the rest of Latin America to be part of a global value chain out of the region, to be part of a regional value chain.

We started to realize the main challenges, it was part its infrastructure, actually each country has an operation with the IDB to border modernization and try to improve the infrastructure to move cargo between the region.

There is another area because that infrastructure usually is linked to 25 percent of that 40 percent I told you, so the rest is processes. That is a big challenge, not just for Central America. I think that is a big challenge for Latin America.

We are developing this software which includes immigration or the regulatory processes, single window, and Customs processes. We found about 450 processes that have value, try to harmonize that and try to see it as a region.

Actually, one of the requirements is to fulfill a value agreement and to fulfill the compatibility package of the WCO, World Customs Organization.

The other requirement is to try to understand how it is working in the Pacific Alliance, and one of the requirements is that it must be compatible. That is the way we are moving. That is the way we think we are supposed to move.

I find as a must that the region should try to analyze the processes because they are different but they are not that different. What we are doing in Central America, which is the best practice globally in those 456 processes, and try to analyze what is the gap between the best practice and what we are doing in each of the countries, so basically that is the operational plan for each country, how to

TRADE-2016/04/12

move from the situation they are in to the best practice, and that's not just the way we are moving to becoming more competitive, but that is the way to harmonize.

I think as a region, as a Latin America region, that should be one of the orientations, what is the best practice globally, for example, in Korea. I was at a different event in Chile yesterday, tried to analyze the cooperation between Korea and Latin America. For some processes, our cost is about 400 percent higher than Korea.

So, that is a way I think we are supposed to move, what is the best practice, how should we move into that situation. As a region, we start to move the different countries with a different operational plan because we are in a different situation as a country, and I have to say I am really happy to hear and have been analyzing the situation with Brazil and with Argentina.

We as a region in Central America, we have a requirement from Mercosur to start to talk about negotiation for a free trade agreement between the two regions. I have to be honest. Two years ago, it was not that interesting. (Laughter) Right now, it is a main topic. We are in the middle of an open negotiation with South Korea.

I think the situation of the region is to start to align in a context where we can start to think again in moving in the same direction as a region. I think that is fundamental, to be able to decrease cost, to become more competitive, to increase the possibilities to the linkages in the regional value chain, to give space to the SMEs.

I think right now it is the time to move from thinking to acting, and again, I think it is fundamental to move to data driven policy making, it is fundamental.

In general, I think that is a bit of what's happening in that subject.

MR. ESTEVADEORDAL: Thank you very much, Jhon. Let me just open the floor. There is still some time. I think it will be very interesting to hear the questions. As you can see, we are living in interesting times in the region. I will take like three or four questions at a time.

If you could identify yourself and identify who you are addressing the question to.

QUESTIONER: I have a question about TTP. Peru is a member, what about Brazil, Costa Rica, and Argentina, are you going to join TTP in some distant future? Thanks.

QUESTIONER: Hi. My name is Matt Shore, I'm a reporter from Inside U.S. Trade. My

TRADE-2016/04/12

question is also about the TTP, and it is to Minister Silva. You mentioned that you hoped the U.S. passes the TTP. As I'm sure you are aware, members of Congress are not happy with the outcome on the biologics sector, which was a key sensitive issue for Peru. I know that your administration is on the way out.

I was just wondering, these members of Congress have been calling for the Obama Administration, for the U.S. to get improvements on biologics. For instance, by negotiating new implementation plans or getting countries like Peru to clarify how they would implement the very ambiguous language on biologics.

Do you think that Peru would be open to doing something like that, if the alternative is not having a TTP at all, because of course, the U.S. needs to ratify the TTP. Thank you.

QUESTIONER: I have one question for Ken and Daniel. Is this commercial dialogue and this very concrete and pragmatic way of doing things a recognition of the political/economy limitations of going forward to a full-pledged FTA, or is it you think that's a better strategy than having a full-pledged framework?

The question for Daniel and Miguel, and by the way, the sense of humor is back to Argentina. (Laughter) Which is not a small thing. Beyond the fact that I know Miguel is taking advantage of his ignorance (Laughter), I just wanted to know, and this is from the perspective of the smaller countries in Mercosur, Uruguay and Paraguay, when you talk about you are having a very intense bilateral discussion and a very modern one, between Argentina and Brazil, what does it apply for Mercosur and for the smaller parties in the agreement?

MR. HYATT: I guess I would say we have separated the issue of the work we're doing and whether or not there should be an active negotiation. There is strong opinions on whether there should be an FTA or not -- negotiation between us, but what we have focused on is what can we do to make progress.

I would say that everything we are doing is laying the foundation for there to be an FTA, but our focus has been to say let us do the work we can, and at least in the time we have been there, if you watch even the ark of the relationship between Brazil and the United States, we have had interesting times in our relationship, and we could continue doing work even separate from that relationship.

So, I would say we have separated them, but we view the work we are doing as work that provides a foundation for an FTA were it eventually to be negotiated.

Daniel, I don't know if you agree with that. I hope you agree.

MR. GODINHO: I totally agree with that, we just don't discuss the issue there, it is not under our direct commercial dialogue, but I do agree that everything we do can lead to a future why not possible.

MR. ESTEVADEORDAL: Magali, do you want to comment on some of the questions?

MS. SILVA: I was listening because I know him from the past three years. You really were there at every single meeting that we had all over the world, finding out what was going on.

(Laughter) Really enthusiastic about it and trying to follow us in every corner.

Just imagine if we had been designing scenario's for what was going on, for each round of negotiations, the 12 countries, say you go with your army, your army is prepared to do the best you can for your own country, and this is where we get together, the 12 countries, finding that all of us would like to reach the best. All of us want it 100 percent, but that is not possible.

What are you talking about? Consensus, talking about being flexible, talking about understanding that we will have to come to the table and find the best we can. In Atlanta, at 5:00-6:00 in the morning, and then we all signed it, and now sometimes they have already passed the Congress.

In the case of Peru, we are in the process of submitting to the Congress, the Congress will ratify or not ratify the agreement. We hope it will be. This is the longest scenario that we have.

As I said, in the U.S., a lot of Congressmen and the population -- not everyone can agree with that, and sometimes not everyone agrees with that because they don't understand the intention of these agreements.

For the world, it would be a lost cause after having done so much to this point, losing what we have gained. I think that in the mind of politicians, in the mind of authority, there should be that this negotiation has been completed; it is an equal balance, a positive outcome that will bring and create jobs in the future.

If this is not understood, who knows what could happen.

MR. ESTEVADEORDAL: Any comments, Miguel?

MR. BRAUN: I think to answer your question, we think Mercosur has a historic window of opportunity now. I think for the first time since its inception really the four initial members are interested in actively pursuing new trade deals, and this is something that for different reasons hasn't really happened before.

The approachment between Argentina and Brazil really is an expression of this opportunity that we see for Mercosur to move towards the world, and one clear sign of that is your wise leadership in advancing the EU Mercosur agreement, your foreign trade minister was there last week, and you are having a very constructive and positive leadership role in moving that negotiation forward, which I think is really, really important.

If you ask me what the priorities are for Argentina regarding Mercosur, I would say the EU Mercosur agreement is up there together with trade facilitation within Mercosur. I think we have a lot of work to do there, and then another priority would be to find new opportunities in the global economy towards which we can work together.

I think that also answers a bit the TTP question regarding Argentina. Argentina is starting to go on the bike with little wheels and TTP is sort of like a fighter jet. (Laughter) We're interested but I think it's not on the agenda today.

MR. ESTEVADEORDAL: Daniel?

MR. GODINHO: To Miguel's points, because the questions were also addressed to me, in terms of Mercosur, of course, we have plans. We have started discussing, for instance, two very important issues, an agreement on investments and an agreement on government procurement as well. Mercosur agreements on those issues as well as many other initiatives, but just to give you some examples. Of course, we have a lot of work to be done, and within Mercosur.

Regarding TTP, you can imagine we didn't have an easy time when TTP was announced in Brazil. People were just asking us why Brazil is not part of it; we are not part of the modern trade agreements. The first answer we came across with was that it was the Trans-Pacific agreement, and we are in the Atlantic, so we couldn't. (Laughter) We would need to negotiate with geography first, but people didn't buy it. (Laughter) I don't know why.

What TTP means, seriously, TTP means that important players are moving their pieces

TRADE-2016/04/12

along the chess board, and we just need to do the same. This just points us in the right direction. We have our negotiation processes going on with the U.S., we mentioned before. We have to negotiate as many agreements as we can, and fortunately, we have a strong calendar.

MR. ESTEVADEORDAL: Jhon?

MR. FONSECA: Just to add to that from the Central American perspective, we as a region in Central America realize and we arrived at the conclusion that the TTP will definitely affect competitiveness from Central America to our main partner in trade, which is the United States. Most of the countries from Central America, about 40 percent of our trade is linked to the United States.

Basically, we have been sending some requirements to become observers. At that point, it was not the right moment, but we are still waiting. We have been talking with the U.S. Government and with other governments with the TTP to be able to be closer to that process and to analyze the possibilities to be part of it in the near future.

In the Pacific Alliance, for example, Costa Rica is there. When I talk about data driven, it is basically we are using all the models that are in place right now, and all the data we have available that we didn't a few years ago, to analyze the impact of each negotiation for the local economy in each of the Central America countries.

Basically, the rest of the countries are waiting on what will be the results. We are in the last stage, just waiting for the right moment to start negotiations. I think probably the rest of the region will move in the same direction.

So, basically, that's the issue. As a region, we understand that we need to keep moving. Otherwise, and as I said, to some people it's not that clear with those concepts. Other ones are moving, and we are staying in the same place, that means they are advancing and they are gaining competitiveness in productive sectors. We need to go ahead and try to be peer with those countries.

MR. ESTEVADEORDAL: Thank you very much. I have three more, second row here, and then over there, and this one.

QUESTIONER: Thank you for an excellent panel. I have a question for the undersecretary. Talking about accumulation of the rules of origin, which is something that may be logical for countries that are feeling certain threats from low cost labor countries that are going to TTP or other.

This has to go through Congress. What is the feasibility really of getting a bill with all the hurdles you are going to have to have this approved, for your Congress to have another bill that allows accumulating rules of origin with the other countries that are not a party to TTP? That is the first question.

The second one is WTO has barely been mentioned beyond the facilitation agreement. Is there anything going on?

QUESTIONER: Good afternoon. My name is Sam Bloomberg. I work for the Department of State and I'm currently on a detail to the World Wildlife Fund. Thank you, administrators, for being here, and undersecretary.

My question is for the members of Latin America, the Vice Minister for Costa Rica mentioned the issue of competitiveness. How do you expect your economies to transition in this period where obviously China is slowing down, so commodity exports to China are slowing down, and at the same time you are competing with countries like China, Vietnam, South Korea, how do you expect to create value chains that will be more efficient and cheaper, especially at a time of very cheap oil?

MR. ESTEVADEORDAL: Anyone else?

QUESTIONER: Hi, I am a student at George Washington University. I'm from Columbia. My question is also kind of along with that, was there a strategy to handle the negative aspects of trade? I know in Columbia, we have also seen a lot of Chinese imports, that it is better to just import than to manufacture the part or whatever the component in Columbia.

What are some strategies that your governments or maybe other governments can put in place to help those people who are going to run over by trade?

MR. HYATT: I think your instinct that it would be difficult to pass a bill on rules of origin for the entire region, your instinct is correct. Our focus is on TTP. We are very focused on a legislative agenda to get TTP through.

As you know, we are also in the negotiation with TTIP simultaneously. In terms of where our focus is, it would be TTP first, secondarily TTIP, and a broad agreement on rules of origin, I think, would be very difficult legislatively.

MR. ESTEVADEORDAL: Any comments?

MS. SILVA: The second one on WTO. As you know, we managed to have the

TRADE-2016/04/12

agreement of eliminating agricultural subsidies, right. We achieved that after three or four days of negotiation. There are proposals of many countries, one of them is Peru, is the elimination of fishing subsidies, too, because that is creating overcapacity and destroying small fishermen.

We discussed also the TTP as being a mega-regional agreement, trade agreement, and some countries originally were skeptical of this, what would be happening. The majority also agreed on that because this is actually what WTO was supposed to have done, right, to really show there is an option for us to agree on a certain amount of things, obviously, to accelerate trade.

I think the APEC meeting we are going to have in Peru in a couple of weeks, WTO is always invited, and we also will have time to talk about more specific issues.

MR. GODINHO: Let me address the two questions on competitiveness and basically helping those who lose out from trade. I think they are part of the same issue, and I think Jhon in his initial comments mentioned the close ties that we have between trade, innovation, investment, and I think that is sort of the mindset we have to bring to this, adding a political dimension and that is where the losers from trade come in.

Clearly, every time you talk about a new trade deal, there are bound to be losers. There are bound to be some company, some sector, which will feel they will lose out of the deal. You know, the U.S., I think is a clear example of that. In the past 20 years, half of the employment in your industrial sector has sort of moved elsewhere, right, and some out of the labor market, and this --

SPEAKER: It's coming back. (Laughter)

MR. GODINHO: I think it's a global phenomenon. I think the answer really is we have to be very serious, very careful about these trade negotiations. One key issue is investment, technology, education, and we really have to look for deals that foster these drivers of competitiveness. It is very hard in the global economy to be competitive if you don't have a serious quantity of capital in which technology is embedded per worker, right? There is really no way to go.

So, investment by global corporations, by companies that are involved in global value chains is a necessary condition for competitiveness. Therefore, the investment climate, a serious stable macroeconomic environment, and prerequisites for competitiveness, and at the same time, a gradualist political strategy for reform I think is also a part of that necessary environment for competitiveness.

I think a fantastic example is Australia in the 1980s. Australia in the 1980s took about 15 years to reform their economy from a closed inward looking, highly regulated economy into a globalized competitive economy, and today, it is one of the best countries in the world to live, but higher standards of living, most equality in terms of standards of living amongst its population, and they did that very gradually, very seriously, looking with their competitiveness commission at how they could transform sectors, how they could specialize.

I think really the answer is promoting investment, promoting technology and education, and at the same time, doing this in a gradual and politically sensitive fashion.

MR. ESTEVADEORDAL: Jhon?

MR. FORSECA: I think it is kind of in the same direction. It is my perception, at least, and that is the analysis we did in my country, it is added value. How can we add more value, more national value to the export sector? That is a different challenge for the different countries. The agenda is going to be different.

In our case, we don't export commodities. I know in some of the countries from the region, it is a big part of their exportations.

This brings a huge challenge as a country, and I guess it is going to be the case for the region.

There was a really interesting study from the IDB talking about challenges for the region and the effect of trade of commodities globally, including the situation of China. For example, I'm going to give you some examples.

I guess you heard about Intel moving out of Costa Rica, their manufacturing area. Well, yes, they moved their manufacturing area but they bring R&D. That is exactly what we are looking for. We are trying to move up in the global added chain to add more value. Right now, we are not manufacturing. That is really good. That is a huge challenge.

Right now we are in a situation where as a country we are not able to fulfill the demand of engineers in the country. The same happens with Boston Scientific, IBM, all the companies are starting to move from manufacturing to R&D in Costa Rica. That's great, but that means we need to transform the whole educational system. That means we have a challenge with the people who are losing jobs in the

manufacturing area, not necessarily who have the capabilities to be part of the R&D.

It's a wonderful challenge, but a big one. If as a region we want to move to the next stage in the global value chain or to increase the value added to our exportations that means the transformation will be big and not easy.

As you might know, to transform the educational system, it's not going to happen in one year, not two. It is something that definitely we need to work in. We are developing a lot of partnerships with the private sectors and cooperation between different countries.

We are happy with the results, but definitely we need to increase the effort. In my perception, that's a challenge. If we want to not be as dependent as we are from the commodity sector, that means we need to innovate, that means we need to add more value, and that means we need to transform the whole productive sector. We call it "productive systems." Again, data driven. I love data.
(Laughter)

MR. HYATT: Hadn't gotten that impression.

MR. FONSECA: So, basically, it's really interesting. We have been working with OCD. If you mix that with projective algorithms, that means you are able to likely impact each variable and to better understand what is a public policy that will bring better results for our productive sector or for a specific region in the country. We already have the data. We already have the tools.

If we are able to analyze that, and I strongly believe that we can bring the tools to the productive sectors to move to the next level, and to analyze how to include those people who are losing jobs in areas where we are not able to keep the income competitive right now, how to transform that and how to include them in the next stage.

MR. GODINHO: Two quick comments. First, on the WTO. It was, of course, a huge achievement, with the elimination of agricultural export subsidies. We do have to celebrate but we cannot forget that we still have a lot to do on agriculture. We still need to discuss domestic support and a number of other issues before, of course, Brazil is willing to support any and every single discussion, a new approach or new topic or new issue, we just don't forget the old ones. We still have a lot to do there.

In terms of competitiveness, of course, there is no silver bullet here. In the case of Brazil, we still have a lot to do in terms of domestic reforms, such as our tax system, labor, and so on. Again, I

TRADE-2016/04/12

would like to call your attention on the importance of this trade agenda on competitiveness in general.

We need to complete this trade reform and to have more trade agreements in order to push the other reforms. This is how it works. This is how many other countries in the world did it in the past and in very successful ways.

If you slowing into zero in a given number of years, you better run to solve the other problems you have, otherwise at the end of the day you have a lot of problems. This is how it works. This is how we attach this trade reform to the general competitiveness reform we have to undertake.

MR. ESTEVADEORDAL: Ken?

MR. HYATT: I was just going to add one thing, which is the conversation so far has been in the physical world. It really has not moved to the digital or virtual world. Part of what we will face as challenges is the degree to which continued technology advances, continued interconnectedness, people connected to the Internet, the digitization of manufacturing where the next generation of manufacturing is big data, big data analytics, sensors, 3D printing, right, and there are a set of e-commerce, and watching percentage of sales and percentage of exports that are going on the e-commerce side.

So, we also have to be looking beyond the borders to where is the digital world going, where is e-commerce going, where is 3D printing going, and what does that mean for competitiveness or if we don't, again, someone else will leapfrog ahead of us, and that is another conversation we need to be having, which again I think will put a new set of challenges on the trade world, because it is a whole different set of issues, right, digital issues related to trade.

I wanted to just add that as a challenge.

MR. ESTEVADEORDAL: Any last words any of you want to share before I close?

MS. SILVA: What was just said about the world of technology and how our lives have changed, right, by all of us using this thing that tortures us every single minute of the day?

The other thing is the change of the demand patterns in the world, like the global population has moved from the rural areas to cities, the organization process has grown. The role of millennials in our world, like 26 percent in the world, 36 percent in the Americas, so the millennials will be really making a big difference in the way we do policy.

That combined to the role that trade has in this changing world, it is a different world. We

TRADE-2016/04/12

will have to keep from losing track of those dramatic changes that are having what everyone calls the "fourth revolution," that will imply for us to have a different view of what we have been seeing in trade so far.

MR. ESTEVADEORDAL: Let me just close, we are right on time for closing. It has been a really, really fascinating conversation. As Ernesto mentioned at the very beginning, the time is right for this conversation, and I think this has been proven and validated by this conversation. There is a lot of common ground by traditional partners and new partners.

I think there is a vision of looking for very practical answers to the problems that we have, and I think in the context of we are very well aware of that and we haven't talked much on this, in the context of trade is low down, and this is something we are experiencing globally and in this region, to talk about very practical steps, I think, would be extremely valuable.

I would like to mention we have to do things that have been done for many, many years, like completing FTAs, we have to make sure the ones we have work better, but I think what is ahead is what you guys mentioned, the trade agenda for the 21st century is going to be very different. I think there is a lot of potential for this region.

Really, thank you very much for this very engaging dialogue, for the questions from the floor, for Ernesto and colleagues here at Brookings for this very good event and thank you very much.

Let's give a round of applause to our speakers. (Applause)

* * * * *

CERTIFICATE OF NOTARY PUBLIC

I, Carleton J. Anderson, III do hereby certify that the forgoing electronic file when originally transmitted was reduced to text at my direction; that said transcript is a true record of the proceedings therein referenced; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, furthermore, that I am neither a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

Carleton J. Anderson, III

(Signature and Seal on File)

Notary Public in and for the Commonwealth of Virginia

Commission No. 351998

Expires: November 30, 2016