

Remarks at the Atlantic Council's Conference on Trade and National Security: Renewing U.S. Leadership Through Economic Strength

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General Jones, thank you very much for a very, very generous introduction. More importantly, thank you for your absolutely extraordinary years of service to our country. You've held so many important positions and working your way up from a young lieutenant in Vietnam all the way to the National Security Advisor and many, many places in between. We admire – I admire and I think the world appreciates the extraordinary contribution to our country's security, and I mean it. Thank you very, very much. (Applause.)

The only thing I worry about is this notion of a terrible toll on my health. I feel great, folks. (Laughter.) I haven't noticed it. (Laughter.) I thought you were going to say a terrible toll on my family and their life, but – (laughter.)

Messrs, ambassadors, madam, thank you so much for being here today. It is an important statement about the importance of this topic that so many ambassadors are here reflecting their interests in this issue of trade.

And I'm really delighted to be here with all of you fellow Atlanticists. It's good to be here. I'm going to surprise you a little bit because I'm going to talk both about the Atlantic and the Pacific today. I'm going to talk about security and trade, which is a very timely topic and almost a guaranteed way to get into a pretty good argument within or without – outside the Beltway.

But that's exactly why we're here. The Atlantic Council has certainly never shied away from controversy. And for more than half a century, this product, the council of the greatest generation, has been an extraordinarily important bulwark of support for NATO, for close economic ties between the United States, Canada, and Europe. And in that time, the council has had a lot of superb leaders, beginning with Christian Herter, coincidentally a former U.S. secretary of state from Massachusetts. Fred Kempe also belongs to that good tradition of visionaries and internationalists, and I appreciate his invitation to be here. But I also appreciate his leadership, and I think all of you do too, what he's doing with the Atlantic Council.

The introduction of the Bipartisan Congressional Trade Priorities and Accountability Act is, in fact, very good news. Why? Because it reflects exactly what our nation needs – a bridge over three divides: the Executive and Legislative; between the Senate and the House; and between the two major political parties. So I want to commend the Senate Finance Chair Orrin Hatch, the panel's Ranking Member Ron Wyden, and House Ways and Means Committee Chair Paul Ryan.

I commend them for providing a framework for moving forward on a pair of the most significant trade negotiations in our history – the Trans-Pacific and the Transatlantic Trade and Investment Partnerships. Those of you fond of acronyms, TPP and TTIP.

Now, if enacted, the new bipartisan bill will fully respect and preserve the rights of Congress. But it will also give the President of the United States the flexibility that he has to have to negotiate credibly and effectively on our nation's behalf. And make no mistake: The question of whether a President should have Trade Promotion Authority in the end really does come down to whether the United States should even pursue significant free trade agreements. That's what's at stake.

During my 28-plus years of service in the United States Senate, I had a lot of conversations on this subject with factory workers, union representatives, businesspeople, and other professionals. And often, these discussions were heated, emotional, challenging, because men and women are understandably upset if they see a company close down, jobs lost, and they deem the causation to be directly responsible for a particular trade undertaking. It's only natural that people are going to look around, and in their distress they're going to find someone or something to be able to blame. And it's sometimes easy.

As a Democrat, as somebody who won the nomination of my party for the presidency, I understand those tensions as well as anybody. But I voted for the trade agreements, including NAFTA, when they came to the United States Senate.

I had a lot of other conversations, too, on the other side of that coin, with entrepreneurs and innovators – people who were eager to take advantage of new opportunities and whose ingenuity helped to create jobs, move our country forward, change our economy, open up new opportunities, reinvent the mix of our economic base in cities like Boston, Philadelphia, Chicago, Los Angeles, New York, elsewhere.

And whether we like it or not, my friends, what is new, particularly in business – not in everything, but particularly in business – ultimately catches up with and ultimately overtakes the old practice. That's the reality. You can trace that from the beginning of the Industrial Revolution. It's what we've always called progress. And yes, with unevenness sometimes in the social fabric, it has more generally than not brought you that progress. But the resulting gains, it is fair to say, don't come often without some element of loss at some point. And that's why we've put in place trade adjustment assistance; that's why we've done a lot of other things in order to respond. It's always created somewhat of a dilemma for policymakers. But should we try to stop change, as inevitable as it is? Is that even realistic? Should we fight as hard as we can to maximize the benefits and minimize the dislocation that sometimes accompanies that change?

My own convictions are twofold. First, in the modern world, we simply cannot expect our economies to grow and generate new jobs if all we do is buy and sell to ourselves – ain't gonna work. Trade is a job creator, period. And the record of the past five years, the past 20 years, the past 100 years or more bears that out. As I speak, exports support about 11.7 million American jobs – exports. And that number is only going to go up. Why? It's pretty simple math: 95 percent of the world's consumers live beyond our borders. If for some reason we decide not to do

business with them, our economy absolutely will gradually wither and shrink, and we will see boarded-up windows and “going out of business” signs from one side of America to another. Embracing globalization is not easy. I understand that. In fact, it can be hard. But trying to pretend that it doesn’t exist would be catastrophic.

My second conviction is that we – and by that I mean the United States – should be deeply engaged in helping to write the rules for trade. Once again, common sense. Why would you sit on a sideline and let other people do that? You think they’re going to go for our high standard automatically? You can measure what happens to companies all across the world in the application of the Foreign Corrupt Practices Act. How many countries try to ask their companies to operate by that standard? Failure to do this would be a felony against the future of our own economy. We have to be engaged, because if we don’t protect our interests, no one else is going to, and because we’ve learned from past experience to insist on tightly written and enforceable standards on the issues that we care about the most. That is why it is so important that these lessons are the very center of the bipartisan bill that is now being considered by the Congress and of the high-standard trade negotiations that are currently underway.

Let me look at that for a minute. The proposal now on Capitol Hill goes well beyond any previous measure of its type. Rather than settling for the status quo, it is designed to raise the bar on issue after issue. It says to our trading partners that if they want to take part in this global market then it’s important for them to comply with the core international labor and environmental standards. They have to fight trade-related bribery and corruption; they have to color within the lines on intellectual property rights; they have to enable legitimate digital trade; and they have to accept effective dispute settlement mechanisms in order to ensure that promises made are promises kept.

Now all of this, all of those things I just listed that have to happen that are in the context of this agreement, they are the direct product of the lessons that we have learned and of the listening that we have been doing over the course of these last years. It adds up to a policy that pursues trade not just for the sake of trade, but to ensure that our workers and our businesses are, in fact, going to be guaranteed that they have a fair chance to compete.

Now remember when President Obama took office, we were in a recession. In fact, we were facing the greatest financial crisis of this country since the Great Depression. And we were looking at the prospect of even entering a great depression. The entire financial structure of the country was on the brink and ready to collapse. And I’m not saying that. That’s what a Republican secretary of the treasury said to me and to my colleagues in the United States Senate on an afternoon when he came up to literally implore us to engage in a bailout of that system. Unemployment was approaching 10 percent. The housing market was in shambles. Today nobody’s claiming victory, but since 2010, U.S. businesses have added over 12 million new jobs. We’ve put more people back to work than all the other advanced economies combined. And the single biggest cause of this success is that our exports have reached a record level. And that’s more than a statistic, folks; that’s a policy. Because when we increase the sale of U.S. goods and services, our payrolls get bigger and American paychecks get fatter. On the average, export-supported jobs pay significantly more than other jobs. And all of this matters enormously

because, as President Obama has often observed, America's capacity to lead globally begins with our economic vitality here at home.

Now if we're all satisfied with our progress, perhaps we could sit back, forget about trade agreements and about the chance to further pry open international markets, where 19 out of 20 of the world's consumers live. But we're not satisfied, nor should we be. Because we know that if we attempt to stand still, we're going to get blown away economically. We've got to keep generating new jobs. And we've got to ensure that American workers, farmers, ranchers, and businesses receive equitable treatment. You can't do that by sitting on the side of the road, folks, while other countries write the rules of the road for world trade, which is where the future is going to be defined.

Most Americans understand that. A recent Gallup poll shows that almost 60 percent of our citizens view foreign trade as an opportunity, not a threat. And here's the reason: The U.S. market is one of the most open markets in the world, and our environmental and labor standards are among the highest in the world. That's why we actually have so much to gain and nothing to lose by reaching deals that lower barriers and raise the norms of business behavior so that our businesses can actually wind up selling more in other places.

Now consider that small and medium-sized businesses – which are the backbone of the American economy, by the way – they face a unique set of challenges when they're trying to increase exports. For example, Health Enterprises in North Attleboro, Massachusetts ships consumer health care items to more than 60 countries but is hurt by bureaucratic issues such as costly re-registration process in the EU. The Seattle-based Cascade Designs Company exports outdoor equipment – recreation equipment – but it faces high tariffs in TPP countries. An agreement would change that, enabling both exports and payrolls to grow. Concord Supply in San Antonio, Texas is a seller of industrial materials and it depends on patent enforcement in order to keep its innovative products from being ripped off. More generally, the United States is the world leader in many service industries, and therefore stands to gain significantly from greater openness in that sector.

The list goes on – long list. Our companies need agreements that will reduce both tariff and non-tariff barriers to trade, thereby enabling them to participate more fully in the new global supply chains that are creating unprecedented opportunities to establish winning connections around the world. In fact, the economic case for TPP and TTIP is actually overwhelming, and I've argued a lot of cases over the course of my public career.

However, as Secretary of State, I'd like to offer just a little bit of additional food for thought here – wearing the Secretary of State hat, not the business or trade hat. It is no secret that we have reached a very fluid stage in global affairs where people are wondering all around the world, frankly, how the world will look a couple of decades from now. This turbulence that we are witnessing comes from a combination of factors, but it comes significantly from technology, changing economic and political relationships. It comes from the fact that even as the world grows closer, there are powerful forces driving us apart. These include terrorism, but also

extreme nationalism, conflicts over resources, the imbalance between the number of people coming of age in many regions, and a dangerous shortfall in economic and social opportunity.

We also know that everybody in the world is in touch with everybody in the world all the time every day. And believe me, that changes aspirations and it changes politics. It changes possibilities. It makes it harder to build consensus, harder to govern.

And when we add all of this up, we are confronted by a couple of very basic questions: Are we going to look backward and decide that the best way to prepare for the future is to try and recapture the past? Are we going to fear change and give up even attempting to negotiate a trade agreement that will spur sustained growth and address precisely the labor and environmental concerns about which critics have previously complained?

I sure hope not.

Because the fact is that we could try to build a wall around our economy as big as Fenway Park's Green Monster, maybe bigger; it would be a lot more harmful than it would be helpful, my friends. Instead of walls, what we ought to be building are alliances and partnerships and understanding and rules of the road by which we can all act with certainty, rather than hunkering down and just thinking somehow the storm's going to pass over you and you're going to be okay. We should be and we are – believe me – using all the diplomatic tools at our disposal to generate shared prosperity, so that we and our partners can move forward together. And we need to make certain that everybody up and down that food chain – the economic food chain – shares in the benefits of this much more effectively than have at some times in the past.

Now the good news is that our engagement has been welcomed across every ocean not because we always agree with all of our friends on every part of this or all of the impacts, but because we know that our markets and indeed our very futures – all of us – are linked. And that when the chips are really down our partners will be able to count on us, and just as we know, in fact, that we can count on them. That's what will give the world greater strength and, frankly, greater stability in this extraordinary moment of challenge on a global basis. The right kind of trade agreements are actually critical because they create habits of cooperation that help us not only economically but in everything else that we are not only determined to do but that we need to do in order to reduce the instability and address the challenges of the future.

The United States and Europe are bound together – as Shakespeare put it “by hoops of iron.” TTIP will enable us to take further advantage of our combined economic muscle. A few years ago when it was first talked about, I remember in the middle of the economic crisis, people said wow, this is going to be able to really help us get out of this crisis, lift up, create the jobs we need. That hasn't changed, that need. There's still crisis in a number of countries in Europe. And as we look at Greece struggling with the Euro and other challenges, TTIP has the opportunity to be able to provide the economic kick that people need and want, and thereby serve as a strategic pillar of the transatlantic community; it will underscore the democratic solidarity that has defined us and united us since the Berlin Wall was pulled down by the indomitable courage of people on both sides of that barrier. And looking ahead, TTIP will reinforce our common effort to counter violent extremism, support the sovereignty of Ukraine, build energy security and independence

for many nations in Europe that currently have to rely on one source – Russia, and also it will help us address such global problems, such as nuclear proliferation and climate change. That's what comes out of this kind of cooperative effort and the growth that it will spur.

Of course, the Asia Pacific is also a major focus of our international economic policy and our diplomacy. The markets there are huge and they are growing very rapidly. And expanding right along with them is the range of American economic, political, and security interests. Seven Asian countries are among our negotiating partners on the TPP. These include Japan, whose prime minister will be in Washington next week for a state dinner and to address a joint session of Congress. The transformation of the United States and Japan from enemies to allies over the past seven decades is truly one of the most magnificent achievements of all history for both countries – an example of a remarkable turnaround of reconciliation and of possibilities. The TPP is one way to guarantee that our bilateral ties already strong grow even stronger, while serving to reassure all of our allies that America's commitment to the region is both deeply rooted and long-term.

And because the Asia Pacific matters so much, President Obama announced early in his presidency a plan for a rebalance in our foreign policy. But that rebalance is grounded as well in the need for regional partners to perceive a level playing field within Asia so that the geopolitical clout is not overly concentrated in any one country, including us. We're not seeking that. We want to see it spread and shared and understood and engaged in by all countries rather than a great game, as we have known it in too many places through all of the last few centuries. That equilibrium is crucial because the economic models and trade standards that hold sway in the Asia Pacific will have a decisive impact on the norms elsewhere. It's in America's interests, in our allies' interests, that these standards be as high as we can make them, because when the competition is fair those countries that practice by those standards are the most productive in the world, and I'm glad to say the United States is among them.

The bottom line is this: 2015 is simply not the time for us to decide that trade negotiations are too hard, or to somehow vacate the field and let 70 years of lessons from the Great Depression and World War II get tossed aside. It's not the time for us to sit back and allow the principles of free and open trade to be supplanted by the barren twins of protectionism and mercantilism. Why on Earth would we ever think that to do so would be in America's best interests or the interests of the world? But that's what's being offered by others, opponents. Why would you even consider that?

If there is any message being sent by – to governments by the young people in the world today – which really was at the heart of the Arab Spring; at the heart of the revolution that was attempted in Syria; at the heart of Tahrir Square; at the heart of that terrible incident of one person, a fruit vendor, burning himself to death in Tunisia, igniting the rest of the aspirations of people to overflow in those squares and hope for jobs and opportunity and education and a future – if we don't meet the needs of those young people today in their demand for openness and freedom, the desire to give nature and the environment the same protections that we pursue for commercial contracts and property, these young people insist that we live by the rule of law so that the

corrupt are held accountable, and it's possible to achieve prosperity without being either a giant corporation or born rich.

As Americans, these aren't the kind of demands that should worry us. These aren't aspirations we should be scared of. We should welcome them, because we've encouraged them all over the world for decades. They are, on the contrary, the hopes and expectations that the United States should embrace. They reflect principles that can help us modernize and strengthen our partnerships across both oceans. They can elevate the way the whole world does business. And the road to their realization begins with the approval of trade promotion authority for the President, followed by the completion of these two agreements, each of which represents an agreement with 40 percent individually of the GDP of the world.

Ultimately, my friends, trade issues cannot be separated from larger questions about America's global leadership or about the choices yet to be made by our generation. If we retreat on trade, our influence on the global economy will diminish. And if our economic stature is in doubt, our ability to deliver on defense and political challenges will be increasingly questioned. In our era, the economic and security realms are absolutely integrated; we simply can't pull back from one without diminishing our role on the other. We have to be fully engaged in each.

More than 50 years ago, when Christian Herter led this council, American exports were worth only about one-twentieth of their value today. In the decades since, our commercial relationships have been utterly transformed, our leading manufacturers have changed, our trade in services has exploded, and technology has made what was once barely imaginable now the new normal. We are living in a wholly different world, except for one thing: the need for American leadership. Like the greatest generation, we face the tests that we cannot allow partisanship or any other source of internal division to prevent us from meeting. We have an opportunity before us to shape and to elevate the global rules of trade for decades to come. On these rules will be written the economic history of this century.

In Congress, prominent leaders from both parties are poised to open that door. It is absolutely vital, my friends at the Atlantic Council, that you and we all together do everything possible to make sure we walk through that door together, and that we get this job done. Thank you very much.