

NATIONAL PRESS CLUB LUNCHEON WITH  
WTO DIRECTOR-GENERAL ROBERTO AZEVÊDO

SUBJECT: IMPORTANCE OF TRADE FOR AMERICA AND THE WORLD

MODERATOR: THOMAS BURR OF THE NATIONAL PRESS CLUB

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**THOMAS BURR:** [sounds gavel] Welcome to the National Press Club. My name is Thomas Burr; I'm the Washington correspondent for the *Salt Lake Tribune* and the 109<sup>th</sup> President of the National Press Club. Our guest today is Roberto Azevêdo, the Director-General of the World Trade Organization. I would like to welcome our Public Radio and C-SPAN audiences, and I'd like to remind you that you can follow the action on Twitter using the hashtag #NPCLive. That's #NPCLive.

Before we begin, I wanted to offer the Press Club's congratulations to Colombia President Juan Manuel Santos who today was awarded the Nobel Peace Prize. President Santos was our guest at the Club three years ago, where he talked about ending the half-century civil conflict in his nation, for which he won the Nobel Prize.

Now it's time to briefly introduce our head table guests. I'd ask that each of you stand briefly as your name is announced. Please hold your applause until I have finished introducing the entire table.

From your right, Rachel Oswald, the foreign policy reporter for CQ Roll Call; Elliot Feldman, Partner at BakerHostetler Law Firm, where he is the head of the international trade practice; Jan Du Plain, Embassy Liaison for the Ronald Reagan Building and International Trade Center and President of Du Plain Global Enterprises; David Tinline, Advisor to the Director-General; Myron Belkind, former international bureau chief for the Associated Press, Adjunct Professor at George Washington University School of Media and Public Affairs, and the 107<sup>th</sup> President of the National Press Club; Tim Yeend, Chief of Staff and principal advisor to the Director-General; John Hughes, Editor for Bloomberg News First Word DC

and the 108<sup>th</sup> President of the National Press Club.

Skipping over our speaker for just a moment, Erik Meltzer, Senior News Production Specialist at the Associated Press, and the Press Club's Speakers Committee Member who arranged today's luncheon. Thank you, Erik. Keith Rockwell, spokesperson and Director of Information and External Relations Division of the World Trade Organization; Fayeq Wahedi, Director of Press and Public Affairs at the Afghan Embassy here in Washington; and Ralph E. Winnie, Jr., Director of the China Program at the Eurasia Center and Vice President of the Eurasian Business Coalition.

Thank you all. [applause]

Just last week, the World Trade Organization announced the global trade for the year would be significantly lower than predicted, cutting its forecast to 1.7%, down from 2.8% estimated last April. Typically, trade grows 1.5 times faster than the GDP. WTO Director-General Roberto Azevêdo said the slowdown should serve as a wakeup call, particularly because of the growing anti-globalization sentiment. He said, "We need to make sure that this does not translate into misguided policies that can make the situation much worse."

At the WTO public forum last week, Azevêdo made his case for the importance of global trade, but noted that the benefits don't reach as many people as they should. He said, "The proper response to that is to make international trade work better, not to tear up bilateral and multilateral trade agreements."

Both presidential candidates here in the United States have been critical of some trade deals, with Hillary Clinton saying her views have shifted on the Trans-Pacific Partnership, for instance, when the final document didn't meet her expectations. Donald Trump has gone further, saying, "These trade deals are a disaster. You know, the World Trade Organization is a disaster." Trump said that if he is elected, he will pull the United States out of the WTO.

Azevêdo will talk today about the importance of trade for America and the world.

Roberto Azevêdo became the sixth Director-General of the World Trade Organization in September 2013 for a four-year term. As an Ambassador for the Brazilian government, his first posting was to Washington in 1988. He holds a degree in electrical engineering from the University of Brasilia.

Please join me in welcoming World Trade Organization's Director-General Roberto Azevêdo to the National Press Club. [applause]

**DIRECTOR-GENERAL ROBERTO AZEVÊDO:** Ladies and gentlemen, good afternoon. I am truly delighted to be with you here today. Very happy that we started this gathering with a delicious feijoada, which is the typical Brazilian dish. So very thoughtful of you; thank you very much.

It is an honor to add my name to the impressive list of speakers who have addressed the National Press Club over the years. The list includes monarchs, presidents, prime ministers, but also campaigners, thinkers, celebrities, and radicals. And the argument I'm going to make today has been made by many presidents and prime ministers over the years, but in the current climate, it is actually beginning to seem radical.

I'm here to make the case for trade. And in doing so, I must say that I feel much better today than I did just about a year ago. Back then, it felt pretty lonely to talk about trade and the benefits of it. But now, I think the catchy and often ill-informed anti-trade arguments that we are hearing have encouraged others to speak up.

But let me say one thing up front. I also believe that trade is imperfect. Despite the obvious overall gains, it can have negative effects in some parts of the economy, and those effects can have a big impact on some people's lives.

My argument today is that we must correct those shortcomings. We must work harder to spread the benefits of trade further and wider. And we must help those who have lost out or who have become marginalized. But we would be betraying those very same people, and many, many more, if we just turned against trade and allowed the negative arguments to go unanswered.

And America will be vital here. It was American leadership that opened the global economy to trade after the Second World War as a means of building a more peaceful and prosperous world, and it is American leadership that can move us forward now. The US is, in large part, the author of the global trading system that we have today. And I believe that this should be a source of pride, because it has had a very positive impact globally.

So let's look at the case for trade. Most economists accept that trade has proved to be one of the most powerful pro-growth and anti-poverty tools in history. In recent decades, it has helped to lift one billion people out of poverty in developing countries. And this is a historic achievement. And trade has improved people's lives and livelihoods in developed countries as well. Besides, the World Bank found that income grew more than three times faster in developing countries that lowered trade barriers than for those that did not.

Here in the US, estimates show that the gains from globalization have raised real household income by up to \$10,000 annually. Trade means more choice for consumers. It means lower prices. It means the dollar in your pocket goes further. Companies that trade are more competitive. Export-led jobs pay more, between 13-18% more here in the US.

But at the same time, talking about the benefits of trade is of little comfort to someone who has lost their job here in the US, for example. So it is important also to acknowledge that trade can cause dislocation and can create uncertainties in some sectors and communities.

In addition, there is a perception that trade only serves big companies and that smaller companies, and those who can't compete, are simply left behind. While I would dispute much

of this, it is certainly the case that the benefits of trade don't reach as many people as they could, or as they should. The overall benefits of trade mean little to someone who lives in a poor country and that lacks the means to export.

So perhaps, with today's disappointing global economic performance, we should not be surprised with the rise in anti-trade sentiment in many countries. Here in the US, there has been a particularly strong reaction to initiatives like the TPP or TTIP, or to issues like the current overcapacity in the steel sector. And I think that we do have to act to respond to people's concerns, and to the very real problems that they represent. But we should not do so by attacking trade or any other mythical scapegoat.

This requires a much clearer view of the challenges before us.

Now, the charge often leveled against trade is that it sends jobs overseas, particularly in manufacturing. And as I have said, trade can cause this kind of displacement, and we need to respond to it. But the effect of that should not be overstated.

Actually, trade is a relatively minor cause of job losses. The evidence shows that over 80% – so, eight in ten – of the job losses in advanced economies are not due to trade, but to increased productivity through technology and innovation.

Output in the US manufacturing sector continues to rise to record levels. But technological advances have meant that fewer workers are needed to produce more goods. And where jobs are created, those jobs, those vacancies require a much more advanced set of labor skills.

The reality is that jobs are at risk today due to technological advances that were thought nearly impossible just a few years ago. Take trucking, for example. There are currently over 3.5 million truck drivers in the United States, and many more jobs supporting those drivers, providing coffee, food, motel rooms and so on. Now, self-driving technology is set to transform that picture dramatically. Companies are already looking to develop the self-driving trucks. When that technology does come on-stream in a few years' time, how are we going to adapt? How are we going to respond to this?

Now, you can ask the same questions about many other lines of work. Studies suggest that almost 50% – so, half the US jobs are at high risk of automation.

And this is not just a rich-country problem. An ILO study on Cambodia, Indonesia, Vietnam, the Philippines, Thailand found that 56% of jobs in those countries are at high risk of automation. And that's just on average. In some sectors, over 80% of jobs are at risk.

In Japan, there are 315 robots per 10,000 workers. In China that number is only 36, but it is rising fast. In the US, the number is 164, which is still relatively low. But it is set to go up.

This is the real economic revolution that is happening today. Many will find it unsettling. And that is completely understandable. But like trade, technological progress is indispensable for sustained growth and development. And the answer is not to reject these forces; it's quite the opposite – we must embrace these changes and learn to adapt.

The wrong diagnosis leads to the wrong medicine. And in this case, all too often it is suggested that the prescription is protectionism. And this medicine will not help the patient, it will hurt the patient. Protectionism will do nothing to address the real challenges that we face, and would cause many more problems besides.

Preventing imports would not prevent innovation. And even if it did, the net effect would be to slow economic growth even more. Jobs would be lost throughout the economy, not created. In other regions, economies that embrace innovation will prosper and dominate the production of high-end goods and services.

So let me outline just a few reasons why the protectionist approach is so flawed:

First, protectionism hits the poorest the hardest. Poorer consumers buy more imported goods. And they are more sensitive to changes in prices. A joint study by UCLA and Columbia found that people with high incomes could lose up to 28% of their purchasing power if the borders were closed to trade. Twenty-eight percent is already a lot. But the poorest consumers, they could lose up to 63% of their purchasing power.

A whole range of consumer goods are vulnerable to this effect. For example, if your smartphone was made solely in the US, for example, the price would rise. The only question is by how much. Some estimates are 10%; others 100%. So competing smartphones produced in other countries, that are produced in other countries, would dominate globally.

Second, protectionism is an ineffective and very expensive way of protecting jobs. In the latter part of the 20<sup>th</sup> century, the EU protected various industries – including steel, agriculture, textiles. And the French economist Patrick Messerlin analyzed this approach. He found that the average cost per job saved was several hundred thousand euros – per job – or about ten times the corresponding wage in each of those industries.

It was a similar story when the US applied tariffs on Chinese truck tires in 2009. Around 1200 jobs were saved, but this came at a cost of \$1.1 billion in higher prices for consumers. Now, that works out as a cost of about \$900,000 per job. The Peterson Institute estimates that these higher prices also resulted in around 2500 job losses in the tire retail sector due to the slumping sales.

Protectionism is a very blunt tool. If Country A puts tariffs on goods from Country B, the jobs don't simply reappear in Country A. They most likely wouldn't migrate to Countries C or D.

Third, protectionist solutions do not reflect the nature of the modern economy or the international nature of production. Most goods aren't made in one country. Most exports have

components which have been imported. So by restricting imports, you can restrict your ability to export as well.

Finally, of course, protectionism is a two-way street. It leads to retaliation and the domino effect. And I understand that President of the United States, Franklin Delano Roosevelt, was a good friend of the National Press Club. And when he picked up his membership here in 1933, shortly after his inauguration, retaliatory trade restrictions had just wiped out two-thirds of world trade in the space of four years.

For these reasons – and many more – protectionism is just the wrong medicine. It wouldn't address the ailment that we're trying to cure. And in the current economic context, it would be particularly damaging.

We are seeing a dramatic slowdown in trade growth. Last week, as the president mentioned just now, the WTO announced a revised trade forecast for the year. We now expect trade growth in 2016 to be just 1.7%. And this would be the lowest rate of expansion since the financial crisis. And it would mean that for the first time in 15 years, trade growth would be lower than GDP growth.

There is a range of factors behind this poor performance: Sluggish economic growth is the primary cause. Weak investment activity may also be an issue. Protectionism is actually a relatively minor factor behind the weak trade expansion figures. But it unquestionably poses the biggest downside risks.

So I think there are essentially three challenges before us: First, we need to ensure that the benefits of trade reach further and wider. In other words, we need a more inclusive trading system. Second, we need to break out of the pattern of low trade growth. And third, we need to respond to the economic transformation created by technological innovation.

We need policies which are designed to respond to these challenges. And I think there are two levels on which we can respond: First, at the level of domestic policy. And second, through systemic reforms. So let me say a word or two about each, starting with domestic policies.

So while trade has fuelled growth and development around the world, it is the task of domestic policy to ensure that countries are ready to compete and disseminate the benefits in an equitable way. And I think governments around the world are now recalibrating their approach. There is a common realization that more can be done, and that "business as usual" is not going to suffice in the years ahead.

It is clear that there is no single recipe for all countries, so let's forget the one-size-fits-all approach. Whatever the chosen recipe, we must understand that action is needed across governments. Action cannot be limited to trade ministries only.

Given that unemployment is not strictly or even mainly a trade issue, trade measures will not address this disorder. More active and cross-cutting labor market policies will be

essential. And they must touch on aspects of finance policy, education and skills, and improved adjustment support to the unemployed.

We should learn from where things have been done well. Countries such as Singapore, Denmark, South Korea, they have adopted adjustment programs with great success. We can learn from that.

The OECD average for spending on active labor market policies is 0.6% of GDP. And some countries allocate much less than this; and some, considerably more. Denmark spends 1.5% of GDP on labor market policies known as "flexicurity." This combines greater labor market flexibility with enhanced unemployment insurance. It guarantees 90% of the previous wage when an employee is laid off.

The regeneration of Pittsburgh is another good example of an active response to the challenges that we're discussing today. The city appeared to be in serious decline in the mid-1980s, with a sharp drop in steelmaking jobs. But it has recovered to become a center of innovation. City and state officials, the private sector and local universities worked together and succeeded in helping to diversify the city's economy. They put a focus on high-growth sectors like robotics, medical technology, defense, and innovations like self-driving cars. And the result has been a renaissance for the city and the creation of hundreds of thousands of jobs.

So I think that a more active and creative approach at the domestic level can deliver a great deal. And this will require political leadership and commitment. And this must be joined by leadership and commitment at the global level as well.

So let me now turn to the global, systemic response that I think we should be working to develop.

Over seven decades, the world has built up a record of momentum towards open trade, with the US as a leading advocate. But now that momentum has slowed, and it is affecting economic growth globally. We need to put renewed vigor into that effort if we are to respond to the challenges that I have outlined today. We have to act to kick-start trade growth, and ensure that the system is open and truly available for all.

Technology has already disrupted how we trade. E-commerce was worth around \$22 trillion last year. The Internet has the potential to bring millions of new entrants into the market. Many entrepreneurs in the developing world have succeeded in selling their goods and services in foreign markets. But still today, less than 50% of the world is online.

How do we respond to that connectivity challenge? How do we help small and medium enterprises to leverage technology so that this marketplace doesn't just become the preserve of the big players? How can the trading system adjust to the shift from a world of few, large, known exporters to a world in which exporters are many – they are small and they are unknown? How can we ensure that this transition works for consumers?

Furthermore, how do we ensure that trade can continue to promote growth and lift people out of poverty? Initiatives to increase trading capacity in developing and least developed countries will remain vital.

We must continue delivering new trade reforms through the WTO, which help everyone to compete and benefit. The WTO has been through a period where delivering such reforms would have seemed impossible. For years, no agreements were struck. It seemed like all the action on trade was moving elsewhere. But at the end of 2013, we started to change all that. Since then, the WTO has delivered a number of very significant deals, including, but not limited to:

The Trade Facilitation Agreement to cut trade costs and red tape, which could boost the global exports by up to \$1 trillion, per annum; the Information Technology Agreement, which eliminates tariffs on a range of new-generation IT products, trade in which is worth about \$1.3 trillion each year; and a deal to abolish export subsidies in agriculture. And these are the biggest reforms in the global trading system for 20 years, the biggest since the WTO was created. And all this has been delivered just since 2013.

We've seen a huge boost in engagement in our work as a result, including from the private sector. There is a clear sense that the WTO can do more, and a desire among members to keep delivering. As well as discussing longstanding issues, like agriculture, industrial goods, services. Members are looking at a number of other issues.

And so the discussion at the WTO is connecting with the challenges that I have put on the table here today, specifically: How to open goods and services trade to new players in developing and developed countries; how to ensure support for small and medium enterprises; and, how to harness the power of e-commerce to support inclusiveness.

We are still at the early stages of these discussions, but engagement is high and so is ambition. And whatever we do next, it will be just the first step.

And there are other encouraging signs. A number of members are working to conclude the Environmental Goods Agreement by the end of this year, where the US playing a very key leading role. This is a great initiative which highlights what trade can do for sustainability and for the environment. And in addition to that, many countries, including the US, are also interested in moving work forward in the WTO on an agreement to limit harmful subsidies that lead to overfishing.

It is worth noting that the recent run of WTO deals reflect a variety of different types of agreements. And this is new. So we're from multilateral agreements. We're doing plurilateral agreements. We have agreements like the Trade Facilitation Agreement, one, which allows a great deal of flexibility for members on how they undertake commitments, and also provides implementation support, technical assistance, where it is needed.

Now, that kind of pragmatism will help us to keep delivering negotiated results that continue to foster development, inclusiveness and growth.

So there is a lot to do. We need to be clear-eyed about the challenges in the economy and in the trading system if we are to design an appropriate response. But I think we have the tools to act.

And I think that we have one critical challenge, which is that we have to work harder to make the credible, well-informed, and balanced argument for trade. My concern is not that anti-trade arguments are being made in public. My concern is the echo that they attract from the people. That echo is loud. We cannot ignore them. We have to hear them, we have to respond to them. There is a responsibility on leaders, policymakers, academics, you the media, and international organizations to reflect on that, and to respond.

We have to work harder to ensure that the benefits of trade are more widely shared. We have to work harder to explain why it matters, and to do so in clearer terms, recognizing that there are both benefits and challenges.

We are going to be doing this more and more over the coming months. The WTO is joining forces with the IMF, the World Bank, UNCTAD, the OECD and others to produce new research to help make the case.

To paraphrase Winston Churchill's comment on democracy – and I am really paraphrasing – "Open and rules-based global trade may be the worst form of economic relations, except for all those other forms that have been tried from time to time."

So trade may not be perfect, but it is essential. It is up to all of us to make it work better. And, in this effort, I am absolutely convinced that American leadership will be more important than ever.

Thank you all. [applause]

**MR. BURR:** And the podium magically disappears. Thank you very much for being here, sir. I appreciate your speech. You actually answered a lot of the questions we're going to talk about, but I think we'll get more in depth with some of the points you made in your speech.

Given that tomorrow is four weeks away from the presidential election here in the United States, we're going to start with a few political questions. As you mentioned, the anti-trade sentiment in the United States has made international trade a significant subject of this campaign. Donald Trump appears to oppose all trade agreements. Hillary Clinton is struggling to reconcile her instincts to support free trade with the political reality. Have you thought about the potential impact on the WTO in there were to be a President Trump or a President Clinton?

**DIRECTOR-GENERAL AZEVÊDO:** In the WTO, political leadership is also very important. At the end of the day, it is an intergovernmental organization, so it's governments

that are driving the agenda in one way or another. So the engagement and the leadership of countries like the US, the US is a major player in the WTO, is fundamental.

I think that this discussion just needs to be clarified. When we talk about trade, when we talk about unemployment, it is easy to blame trade. You can see the imports, you can see the culprit very easily.

But we have to put things under perspective. Like I said in my presentation, the wrong diagnosis leads to the wrong medicine. Raising trade barriers to deal with unemployment, in advanced economies in particular, is just the wrong medicine. It's a shot in the foot. It's not going to help the problem. It is going to aggravate it. There will be more jobs lost, not saved.

**MR. BURR:** How do you get to that? As you spoke about the echo in your speech, how do you explain to the factory worker in Ohio that he didn't lose his job because of NAFTA or another trade deal? How do you explain that and how do you change this prevailing sentiment that trade is what cost them their jobs?

**DIRECTOR-GENERAL AZEVÊDO:** It's no comfort. It's no comfort for them. And that's why governments need to work to help this transition. Saving a job in a particular community may cost two or three jobs in another. And that's the net effect of protectionism. More than that, the perverse effect of protectionism is that you're taking dollars away from the poor people. The more reliant you are on your salary, on your income, and that you don't have excess capacity to spend, the more you are hit by protectionist measures. That is the dramatic side of this.

What we need to do is to ensure that that person that wants a job, be it to trade or be it to a new technology, whatever it is, that the government is going to support him to either find a new job or to help the income of his family while he is finding a job. It's easy to say "we need to retrain people." It's okay if we're talking about a 20-year-old or a 30-year-old person. If you're 50-something and you lose your job, it's a big blow. It's a big blow for you, for your family. How do you do that?

Now, as I said before, some countries have dealt with it in one way or another – Singapore, Denmark, the Netherlands, South Korea. They all went through it, and there are ways of doing that. It is much cheaper to support a job than to try to save it through protectionism.

**MR. BURR:** So you're talking about, there's a couple things that should happen. A safety net is one that countries need to have with these trade deals?

**DIRECTOR-GENERAL AZEVÊDO:** I think you absolutely have to take care of those who are hit by these phenomena. Like I said before, 3.5 million truck drivers in the United States alone are going to be hit. It's a matter of when, it's not a matter of if. It will happen. Now, what are we doing now? Because it's not just that 3.5 million truckers; it's about all the indirect services that are there in the market to support them. So you're talking

about millions of jobs. And how are you going to handle that? How are you going to absorb all that?

Now, you would say, well, those people would leave those jobs and they would find other jobs. The reality is that all of the entry level jobs, the ones that do not require high skills, they're all disappearing. It's becoming tougher to find a job if you don't have the right set of skills.

So it's not only support, it's training your people. It's training the young people for the market. Today, there's a study that shows that when you enter the university, most of the people— I did for sure, I had a job in mind, somewhat, that's what I want to do once I graduate—

**MR. BURR:** This job right here?

**DIRECTOR-GENERAL AZEVÊDO:** Definitely not this one. [laughter]  
Altogether different. In those years, you could relatively bet that the job was going to be there. Today you enter the university aiming at a position, when you finish university, that position may not even exist any longer because technology is changing things so quickly. And more than that, even if you get that position, it may be not as rewarding as you thought when you first started.

So all these shifts and changes, they're dramatic. And I think we're not thinking about this enough. That's all.

**MR. BURR:** Going back to politics for just a minute. Both US presidential major party candidates agree on one thing: opposition to the Trans-Pacific Partnership, or TPP, in its present form. What is your position on the Agreement? And do you think it will facilitate greater trade? And what are the implications if it's not ratified?

**DIRECTOR-GENERAL AZEVÊDO:** I am of a mind that trade liberalization, whenever it happens, is good news. Because it tends to be catchy; it's contagious. Trade liberalization is contagious. So is protectionism, by the way.

So I am absolutely for agreements that facilitate trade, that lower trade costs, that are more inclusive, that allow more people to participate. That's something that we should be all pushing for in the United States and everywhere else in the world.

So I definitely want these things to work. What I have to tell you is that it doesn't surprise me that all these things are there. When these negotiations started, I remember quite well that some journalists and academics and analysts said, How are you going to handle it? Now all these things are going to be solved in plurilateral agreements or regional agreements; what's the role of the WTO in there? And I said, Look, wait and see. Because anybody who thinks that a trade deal that big is going to happen like this, they haven't been doing trade long enough.

Trade is tough. It's difficult. It is very sensitive. It's politically charged. All of these things are meaningful. If they were not meaningful, you wouldn't be seeing the kind of debate and difficulties that you see now.

So it doesn't surprise me at all that these things are having a hard time to get approved.

**MR. BURR:** What happens if it's not? What happens if TPP fails?

**DIRECTOR-GENERAL AZEVÊDO:** I'm the wrong person to be asking that.

**MR. BURR:** The President hasn't been here recently.

**DIRECTOR-GENERAL AZEVÊDO:** I will be doing my best in the WTO to ensure that the reforms which are necessarily, and those agreements would eventually be contributing to those reforms, that the reforms are done in the way that we can in the WTO. My hope is that we can do a lot of that multilaterally. There are many things that have been done or have been negotiated so far in TPP or TTIP that can inspire, I think, the world and the WTO. You cannot translate things and just do a cut-and-paste – so let's cut it from these provisions from this agreement and let's transplant it, paste it into the WTO rulebooks. Doesn't work that way. But it can inspire a lot of the things that we're doing in Geneva.

**MR. BURR:** This questioner points out Donald Trump has often claimed that China – I believe he pronounces it China – has fixed exchange rates to steal US dollars, has started a virtual trade war with the United States, and has a stronger economy than the United States. Could you comment on Mr. Trump's claims?

**DIRECTOR-GENERAL AZEVÊDO:** I don't know about Mr. Trump's claims. I'm sorry about that. What I can tell you is that currency debates are extremely complex. Very rarely you can see one country trying to fix its exchange rates solely for the purpose of trade. It is usually a byproduct of macroeconomic policies and other goals and aims that lead to a number of outcomes. And sometimes one of the outcomes is, of course, greater competitiveness.

We tried to have a conversation with China– we *are* having a conversation in the WTO about exchange rate fluctuations. Members are examining that. They are discussing that. But like I said, it's an extremely complex conversation also because almost mathematically half are overvalued and half are undervalued. Right?

So it's a complex conversation. When you win today, you lose tomorrow. And you cannot take measures that work only in the short term. If you want it to really be significant, it has to be with a long-term perspective.

**MR. BURR:** You spoke about this in your address, about critics of globalization are blaming trade for the loss of their jobs. And I think your stat was eight out of ten are not because of trade. But that is the common thought, is that it's trade and not manufacturing

changes. But you're also adding in it's technology, it's manufacturing, it's cheaper labor in other countries. Can you talk to us a little more about what the actual reason is that these jobs are disappearing, like the trucking jobs you spoke of.

**DIRECTOR-GENERAL AZEVÊDO:** It's new technologies. I saw a graph yesterday that showed the jobs that were at high risk of automation; so, jobs that are likely to disappear because of automation. And they included bank tellers, accountants, God knows a whole bunch of things. I looked for journalists, by the way. It was not on the graph. So that's very suspicious. Of course, lawyers were doing great, as usual.

So jobs are going to disappear. I think one very striking example is Kodak. Kodak had 150,000 employees. They all lost their jobs. Kodak floundered. And that was due to technologies like Instagram that had 15 people working there. So it's a ratio of 10,000-to-1. And this is not an isolated case. You see that all over the economy.

I had a meeting yesterday with a number of ministers, and of course Christine was there from the IMF, and Mark Carney was there also from the FSB. And look, everybody agrees that this is a problem, especially because one obvious consequence is, what do we do with the unemployed? And one of them said, This is a fiscal problem. And yeah, yeah, absolutely it's a fiscal problem. But it's a much bigger problem if you just treat it with protectionism, because this is not the problem. This is not what is causing the unemployment. Of course, there is unemployment due to imports, but that's less than 20%. What about the other 80-something? How are you going to handle that? It's not going to disappear.

Now, it's much easier to blame trade or the imports from Country A, B, or C than to say we have a flawed system of education. We have a flawed system of Social Security. We have flawed domestic policies. It's a soul-searching that is difficult to make.

And it's not the problem in the US only. It's a global problem. Every single person that I talk to, particularly in advanced economies, they all face the same problem. It's about how to adapt.

**MR. BURR:** So can the WTO do more for supporting job training in not just the United States but other countries that are losing manufacturing jobs?

**DIRECTOR-GENERAL AZEVÊDO:** The WTO is a good forum to have these kind of conversations and discussion. But we cannot implement those policies. We cannot force countries to adopt certain policies. But we're trying to do things; for example, we are stimulating a conversation in WTO about inclusiveness. So one way of helping to diminish the problem of unemployment is supporting the small and medium enterprises. In many countries, they're responsible for the largest majority of the workforce.

In the US, it's about 60-some percent; I don't know the exact figure. In developing countries, in many of them, it's 90% of the workforce. And they can be much more productive, they can be much more efficient if they participate in the global value chains, if they can participate in global trade flows.

Now, what we know is that there's a very high percentage, I think 90-some percent of these small and medium enterprises that are connected digitally and that participate in global platforms. They export. And they don't export to one or two countries; they export to five, 10, 20 countries. Some small and medium enterprises don't even know that they export because they provide input to companies like Caterpillar, for example, that then export. They don't even know that they are part of this global value chain, but they are.

There is a number of things that we can do that will leverage the insertion of the small and medium enterprises and of the workforce into the global trade flows. You just multiply the market by several times.

**DIRECTOR-GENERAL AZEVÊDO:** Let's talk about Brexit for just a minute. What do you see as the future of the United Kingdom in international trade as the nation leaves the EU? And do you believe the pound will continue to lose value?

**MR. BURR:** Well, I don't know about the future of the pound. [laughter] If I knew these things, I will be a rich man. But let me tell you this. There is, I think, a clear perception on the part of the authorities that I talk to in the UK that the future of the UK is a future where the UK is open to the world. They want to negotiate trade deals. They want to be a free trade economy. And that's the goal. And I think that that is a healthy view anyway.

How quickly we can get there in light of the uncertainties of the renegotiations that will have to take place, I'm not sure. That is uncertain. And I have told them, and I've told everybody, and I told you now, trade negotiations are tricky.

So a lot will depend on the terms of separation between the UK and the EU. At the WTO, I myself am working really hard to make sure that the transition happens as smoothly as possible. I think the global economy is better off if you have a smooth transition rather than a turbulent one.

But that is just a first step. Then you have to talk to the other WTO members. There will probably have to be negotiations between the UK and all the other regional agreements that they belong to as part of the EU, and now they don't.

It's many things that we have in terms of question marks in the future. But I think the mentality, the frame of mind is one of liberalization, is one of insertion, free trade. And I think that's the right frame of mind to be in.

**MR. BURR:** How involved will the WTO be in providing that forum for the UK and various countries?

**DIRECTOR-GENERAL AZEVÊDO:** Well, very actively, I think. We are already in touch with both countries, both delegations, both governments. They are all exploring alternatives, possibilities of outcomes. We provide the technical support that is necessary. We explain what the alternatives are, the likely scenarios here and there.

And like I said, whatever we can do to facilitate the transition and to make it a smooth one, we will.

**MR. BURR:** Just to clarify. You say "both governments," I assume you're referring to the EU and the UK?

**DIRECTOR-GENERAL AZEVÊDO:** Yes.

**MR. BURR:** Does the WTO support including workers' rights and environmental protection provisions in all international trade agreements? If so, why or why not?

**DIRECTOR-GENERAL AZEVÊDO:** We don't have specific disciplines or provisions in the rulebook concerning labor rights or labor standards, things of the kind. It was discussed in several occasions, including when we were trying to launch the Doha round. This was a big issue for discussion. At that time, it was very polemic, very controversial. It did not enter the negotiations themselves.

But we are constantly in touch with organizations that do have a more direct role in the labor standards conversation, the ILO, and constantly in touch with the Director-General, with Guy Ryder. We work together. The economists work together, particularly trying to understand the relationship between trade and labor. We try to ensure with studies and data that trade does not lead to a race to the bottom in terms of labor standards in developing countries, for example. But we're not directly involved in that conversation.

**MR. BURR:** Switching back to China for a second. How serious do you believe China's military actions in the South China Sea are on international trade in that region?

**DIRECTOR-GENERAL AZEVÊDO:** That is a very indirect relationship between the two, trade and that. Look, I think trade in general flourishes in stable economic environments, in stable political environments. So the more predictable, the more stable the economic environment or the political environment in a region, in a country, the better it is for the economy, the better it is for the investors, the better it is for consumers. The better it is for trade in general.

So that's the most that I can say in terms of instability and its relationship with trade.

**MR. BURR:** Thank you. A question from the audience on international sanctions from Russia. Are the back-and-forth sanctions on agriculture between the EU, the US and Russia a concern to the WTO? Do you think it threatens the trade deals that are in place?

**DIRECTOR-GENERAL AZEVÊDO:** They do have conversations in the WTO about these things. It is sometimes brought to the attention of the general counsel that particular sanctions or particular measures are affecting trade, are affecting the economic stability in Country A, B, or C. We offer a forum for conversations. I myself, more than

once, personally talked to leaders of delegations from those countries to try to figure out whether we can handle this in a way that is not too attritious.

And I think in general we understand that those are issues are at a much higher political level than what we can deal with at the WTO. WTO is a multilateral organization. It deals mostly with technical issues. Of course, it's always permeated with political undercurrents. But there are certain things that we can solve. There are certain things we can help to solve. But some of those issues, they have to be dealt with directly between capitals.

**MR. BURR:** A questioner points out, the United States has filed more than a dozen complaints against China since it's ascended to the WTO in 2001. US officials recently filed a complaint with the WTO claiming China's rice, wheat and corn crops are the product of excessive government support and provide an unfair advantage to Chinese imports. Where do things stand with the United States' complaint?

**DIRECTOR-GENERAL AZEVÊDO:** Dispute settlement in the WTO is possibly one of the biggest advances for the multilateral trading system. I was a young diplomat here in Washington in the early '90s, and I remember quite well that the environment in terms of trade was extremely contentious. There were unilateral actions here and there; orange juice barriers, then rice, then meat, then soybeans. And everybody was taking unilateral actions against everybody else. It was heavily politicized and with no outcomes. It just led to a spiral of unilateral actions and retaliations from part to part.

The WTO system was designed and engineered precisely to avoid this situation. So we have a record number of disputes at this point in time. In 15 years, a little bit more than that, we had, since 1995, so 20 years, we have about 500 disputes that have been heard by the dispute settlement mechanism.

It is technical. It is impartial. It is unbiased. It is predictable to a large extent. And more than that, it is not politicized. And I think that countries should resort to that. That I see as good news, that members are trying to solve their differences, not by imposing retaliatory measures or things of the kind, but by trying to find a legal solution to that.

And it's been working quite well. More than 90% of the cases that have been brought to the WTO dispute settlement mechanism have been sorted out and have been implemented; the decisions taken by the panels in the appellate body have been implemented. Ten percent are still trying to figure out ways forward. But it's a very big success story.

**MR. BURR:** So on this specific complaint, is there any advancement? Anything changed in this complaint since it was filed?

**DIRECTOR-GENERAL AZEVÊDO:** About how the complaint is going and how it is—

**MR. BURR:** Where does it stand right now, is the question, this specific complaint.

**DIRECTOR-GENERAL AZEVÊDO:** I have no clue. And I don't want to have a clue, by the way. Whenever you have disputes in the WTO, there is one thing the Director-General does immediately, is stay away from it. This is, like I said, a highly technical process. It works well. You have the panels, you have the appellate body. They're completely independent. I don't even talk about that. If a delegation or a minister or a head of state wants to talk to me about that, there's one thing that I say: I can't talk about that.

**MR. BURR:** I'm going to have to learn from you.

**DIRECTOR-GENERAL AZEVÊDO:** I can't talk about that.

**MR. BURR:** Thank you, sir. A question from the audience: will the WTO pursue billions of dollars in penalties against Airbus for failing to correct subsidy violations?

**DIRECTOR-GENERAL AZEVÊDO:** It is part of this process. I litigated, actually, for Brazil at the time when I was a diplomat for Brazil, often. We came to situations where Brazil was authorized to impose sanctions on the other country. My experience at that point in time, and I have only firmed this opinion even more afterwards, is that retaliations don't help anybody. They are not the solution. But they're a good incentive for negotiations.

And usually what happens is that when you have those long, drawn disputes, there is so much that the dispute settlement can do, because it does not have the power to impose and enforce. It does say: You are not in compliance, therefore you have to adjust your practices or your laws, your regulations, et cetera. But it doesn't say how. So it is up to that country. And the other one will dispute that implementation is not correct. We end up with authorization for retaliation.

My experience has been that the best solution is bilateral negotiations. You sit down; instead of getting high numbers of retaliation and things like that, you sit down, around the table, and we find a solution. You negotiate. And the two sides have been found to be in violation of the WTO disciplines. So it should be possible for them to sit down and find a solution.

**MR. BURR:** We only have a few minutes left, but I wanted to ask, your native country Brazil is in the midst of a serious and continuing political crisis. Any thoughts about returning to Brazil to help resolve the crisis at all?

**DIRECTOR-GENERAL AZEVÊDO:** As a Brazilian, I follow that process very closely. I'm really hopeful that the Brazilian government and the Brazilian people will move forward, will find a way forward. They are experiencing one of the most dramatic recessions in the history of the country. I really do hope that they can find solutions and overcome these problems with a sentiment of national unity. That I think is the most important.

Looking from afar, looking from Geneva, I think what they need now is to stand up behind some key objectives, development, growth, economic growth, and be together behind it. All I can do at this point from Geneva is to really hope that this is a successful effort.

**MR. BURR:** Thank you, sir. Before I ask the final question, a quick reminder: The National Press Club is the world's leading professional organization for journalists, and we fight for a free press worldwide. For more information about the Club, please go to [www.press.org](http://www.press.org). That's *press.org*.

I'd also like to remind you about some upcoming programs. On Wednesday, Ray Mabus, the Secretary of the Navy, will address the Press Club. NBA legend Kareem Abdul-Jabbar will be here on October 17. And on October 19, Secretary of Education John B. King will speak from the Press Club podium.

Now I'd like to present our guest with the traditional National Press Club mug.  
[applause]

**DIRECTOR-GENERAL AZEVÊDO:** Oh, thank you. Thank you very much.

**MR. BURR:** Our last question is usually something a little fun. So not to get you in too much trouble here, but could you compare the quality of soccer in Geneva to soccer in Brazil? [laughter]

**DIRECTOR-GENERAL AZEVÊDO:** [laughter] I tell you what, when I got to Geneva, joining the group of people who were playing soccer, I must say it's a very challenging experience. [laughter] In different levels.

Honestly, not trying to be a politician or anything, what I find fantastic is the power of soccer to unite people. Whatever you are. You walk into the soccer pitch and people of different social strata, different origins, different countries, different languages, they just get in the pitch. They hammer it out for however many minutes they can stand up. And at the end of that, after cursing each other throughout, they're all friends and go have a beer, and everything's fine.

So I'd hope many of the things that we face today in the world could be solved with soccer.

**MR. BURR:** What a wonderful sentiment to end our program on today. Thank you, Mr. Director-General. Appreciate it.

**DIRECTOR-GENERAL AZEVÊDO:** Thank you. [applause]

END