

**Robert B. Zoellick,
U.S. Trade Representative
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USTR ZOELLICK: Well thank you for joining us today. I know it's a holiday. The primary purpose of this visit was to engage in a strategic dialogue on the Doha Round in the WTO. This is the first stop I'm making on a trip that will take me next to China, then Southeast Asia, then South Asia, then a couple of stops in Africa, then back to Europe, then I go to the United States, and after two days, go back down to Costa Rica to meet with the Cairns Group. So within about two weeks or less I'll have a chance to meet ministers from many of the countries around the globe to talk about the Doha agenda. The context that we see is one where the United States economy is recovering, but to broaden that recovery and to have a more balanced recovery around the globe, we believe it's very important to make progress and to be able to complete the Doha development agenda. This is also fundamental to our common goals in helping the developing world share in broader prosperity, and in the case of Japan also being a major trading power, we believe we have a shared set of interests and responsibilities.

As I think many of you know, in the aftermath of the Cancun meeting, in the months that followed some countries were reassessing their position, and frankly having a sense of disappointment about the lost opportunity in Cancun. But it was my sense that they were also unsure about how to reengage. So I wrote a letter in early January to all my ministerial colleagues in the WTO to try to push the process forward, to emphasize that we did not want 2004 to be a lost year for the Doha agenda. People are well aware that the United States is facing elections in 2004. There'll be a new European Commission later in the year. But I wanted to emphasize that, speaking for our country, my country, that we want to try to make 2004 a year of progress. And to you give even more concrete evidence, in the past two months we just closed free trade agreements with five Central American countries, and I just closed one with Australia on the way here. Those had to deal with some very sensitive issues on both sides, so we're at the table ready to go. The purpose of the letter was also to try to share with my ministerial colleagues what I describe as a common-sense assessment of where we stood and where the agenda is, and I was pleased that Commissioner Lamy of the EU responded positively. He was going on a trip to a number of countries about the same time, and we've been in touch since then. So the purpose of this visit is to go to a number of other capitals and cities to try to get other people's ideas about the possibility of moving this forward.

In doing so, I shared with my Japanese colleagues a number of questions that I was hoping they could give me a better sense of, including their interest in moving the Doha agenda forward, and there was a strong interest here; assessment of how best to do so; what are the priorities, in this case of Japan; what else can the United States do to help, and what can Japan do to help the process move forward; and then how do we make the

Doha agenda happen, not only in Geneva but in capitals and in small groups and elsewhere.

I also talked briefly about the beef and BSE issue, and we both stressed that the U.S. beef exports to Japan are important both to the United States and Japan. We've seen what's happened here in terms of increased prices for beef and less supply. We agreed to continue to work together toward an early resumption in this trade. We just had an international review that we are assessing to determine what possible additional steps to take, and we said with our Japanese colleagues that we will continue our discussions on the technical issues on a step-by-step basis. I also had a brief word about the poultry ban that Japan has put in place, and we are expecting some additional information on that, I think on February 12th. So most of the meeting, by far, was on the Doha agenda. I thought it was a good productive exchange, and I hope that we have some follow up. I mentioned to some of the ministers that it might be useful to have a follow-up phone call after I finish visiting to the other locations so we can compare notes. So, happy to take your questions.

QUESTION: Satoru Suzuki with TV Asahi. Let me ask you about how you see the possibility of resuming our import of American beef in connection with the BSE case. Today is a special day for Japan. Today is a sad day for tens of millions of Japanese beef lovers, because all across Japan almost a thousand restaurants stopped serving their most popular dish, beef bowl, called gyudon in Japan, as they run out of stocks of American beef. Now as you know, Japan has its own established system to test all slaughtered cattle, foreign or domestic, to ensure their safety. The system is strongly supported by a number of Japanese consumer groups and others, but has been strongly resisted by the U.S. Government. Mr. Ambassador, how willing is the U.S. Government to try hard to reach a compromise with Japan so that our beef lovers can enjoy gyudon again in the near future? Or are you still asking for a special, exceptional treatment for only American beef?

ZOELLICK: Well we discussed the beef bowl problem in one meeting, and sadly it came rather late in the day, and I am getting extremely hungry every time this topic comes up. We agreed that when I next return I'd like to be able to come to the beef bowl and be able to try what sounds like a very tasty product. That depends on Japan reopening its market, which depends on us working together to do so. As you know, the U.S. Department of Agriculture already took a number of steps, and in dealing with this problem what the international community has learned is there are questions related to dealing with what are called SRMs, Specified Risk Materials, and how those are handled. There's questions dealing with feed; there's other questions dealing with testing; and as the OIE, which is the international body that looks at this, and this most international review that we've had taking place - which had I think a Canadian, a Swiss, someone from Britain, someone from the United States, there was another person from another country - looked at those issues in combination to deal with prevention as well as detection. So we know that it's very important that all countries be able to assure that they have safe food supplies, in the United States as well as in Japan and other countries. Obviously Americans are just as sensitive about this, and we're pleased that with the steps

we've taken that the American public seems to be consuming beef, as is the case in Canada. So at this point, what I asked of our Japanese colleagues is that when we finish the examination of this review, we would like to come back to Japan and talk about possible steps to reopen the market on a scientific basis. And that's the key aspect, because ultimately, as you emphasize, it's a question of consumer choice, and so we want consumers to be able to have that choice of a quality product.

QUESTION: Anthony Rowley, Singapore Business Times. How strong do you think, really, the incentive is to conclude the Doha Round? I mean, there are more than 180 regional and bilateral free trade agreements, for instance with the WTO. Many more are being negotiated almost every week, some of these involving the United States. Many of the countries involved find these advantageous because they allow exclusions of sensitive areas. So in this situation, as I say, how great an incentive is there to conclude the Doha Round, do you think, now?

ZOELLICK: Well, let me speak first for my country. My country obviously has a number of FTAs. I completed another one just two days ago. But we're strongly committed to the global round. The biggest economic benefit is to be had in terms of a global round, and while people can deal with sensitivities in some of the free trade agreements, in other ways we're all better off if everyone liberalizes. For example, we had some sensitive products dealing with Australia, but part of our sensitivity is the fact that Europe still has some big subsidies in these areas. So if we can deal with those European subsidies, it helps us move forward in some of our sensitive areas. There's no doubt that the economic benefit is greatest if you can try to achieve this globally. It's clearly very important for development, because a lot of the developing countries, frankly, if you look at the data after the Uruguay Round, their exports increased very significantly. If a lot of them, if you look at this round as being something that will set in place a trading system for ten-fifteen years, and imagine the changes taking place in the developing world, there can be some real built-in benefits.

For example, the United States proposed eliminating all tariffs on manufactured goods. Now most other countries aren't that aggressive, but that creates some very important opportunities if you think of the developing world over five-ten-fifteen years in terms of global sourcing operations and reducing the cost. So some countries that are actually cautious now might find themselves in a very advantageous position ten or fifteen years from now, if you look at the transformation. The services area, where we need more people coming forward, this is an area where it represents about two-thirds of the U.S. economy but over half the developing world's economy, and many countries that are trying to develop the infrastructure of development - energy, transportation, ports, the services agenda, telecommunications - is critical for their overall development. Agriculture, which is obviously one of the topics discussed here, we think that the United States is committed to eliminating export subsidies, drastic cuts in our other subsidies. Frankly, we'd rather have programs run that way, but we'd be better . . . we can't do it unless we get Japan and Europe and some of the other big subsidizers to cut, and to open markets.

So from our perspective we are very committed, as the fact that I'm spending two weeks talking to people demonstrates. Now as for other countries, I think that other countries see the economic benefit, but there's no doubt that it's a challenge to bring 148 economies to a consensus. It was my reading of the months after Doha that some of the countries that may have been sort of reveling in the breakdown, when they reflect on it realize it didn't leave them as a winner. In that sense the free trade agreements provide another role, which is it demonstrates, at least in the case of the United States, that we're going to move ahead towards open markets and free trade one way or the other, and so some countries might find themselves left out. It creates an incentive to move forward. The two can be supportive of what we call a competition in liberalization. But this is the key point – that's only true if the big players in the system remain committed to the global round. That's definitely the case for the United States, and I think, while I have differences with the European Union, I think Lamy and Fischler are trying to move forward, and one of the points of my stop today is Japan has an interest in this as well.

So we have to demonstrate some leadership and responsibility, but we can't do it by ourselves. We need some of the other big level and mid level players. I'm going on to China. China benefits enormously from the international trading system. Right now it's been focusing on the implementation of its accession to the WTO. That's good, but frankly China has a stake in making sure the international trading system is healthy. That's one of the points that I'll be talking about with Vice Premier Wu Yi, for example. We all have a stake in the international economy to make it work. But ultimately, I guess, I conclude by saying the answer to your question has to be determined by various governments, and what I'm trying to do is give them every chance to, with the leverage of the United States, to move the process forward.

QUESTION: Hi, I am Yoshino Matsui from Kyodo News, a Japanese wire service. Can I quickly reconfirm what you have just said about coming back to Japan on reopening beef market here? Did you say that you come back here after you finish your WTO tour? So I guess you might be able to come back in early March?

ZOELLICK: No, I am afraid I was making a joke, which was that when I come back, I'd like to try this product, and it was an implicit joke of, boy, if the beef comes in, then I can come back sooner and try the great product.

QUESTION: But there is nothing . . .

ZOELLICK: What I might have confused you about was that I said that . . . I mentioned, for example, to Minister Nakagawa, that it'd probably be useful for us to talk by phone after I finish these various meetings so as to compare notes, since I wanted to make Japan my first stop to hear how an important trading country like Japan is looking at the Doha negotiations. Then I will be able to share the impressions I've gotten from many stops. But that we will do by the phone.

QUESTION: I see. Thank you very much.

QUESTION: Thank you, Ambassador. I am Koichi Yamamoto, Asahi Shimbun newspaper. I was wondering about the possibility to have some negotiations just before the presidential election in the States. I was asking you partly because thinking of the FTA between the States and Australia. I understand that you exclude sugar, thinking of the demand of the domestic supporters or makers. How do you think about the possibility to have negotiations in this situation? Thank you.

ZOELLICK: Well, what I would look at from both our recent negotiations with Central America and Australia is the fact that we're willing to engage in tough negotiations and close deals. In Central America we included sugar. So within the same months we're taking on that sensitive topic. With Australia, the nature of the economies are that they include many, many more issues. It's not the first time. For example in our Canada agreement, which we did in 1988, we didn't include dairy. The Australian agreement includes dairy. In our NAFTA agreement, there were provisions for sugar, but frankly, as it went through the Congress, there was a side agreement that undermined those provisions, and sugar hasn't flown in that agreement. But still the agreements are very useful.

So in the case of the Australia agreement, we have the best result we've ever had in terms of promptly eliminating tariffs on manufactured goods, covered about 99.5 per cent on day one. That's about 96 per cent of our exports. Then if you add on to it the services, the intellectual property, the government procurement - Australia is not a member of the WTO government procurement code - there are a whole series of areas where both countries get a big advance.

So the way that I view this is that we don't want, as this question from Singapore Financial Times suggested, is that we don't want the bilaterals to take the place of the WTO. But the real message is, after spending two tough weeks with Mark Vaile, we're willing to close deals. We're willing to do the same in terms of moving the Doha agenda forward, but we can't do it by our own. We got to get others to move ahead. In general, the US position, if you take our positions that we've had all through the Doha agenda, is one of trying to support broad based liberalization if we can get others to - willing to eliminate goods tariffs, and agriculture willing to make very significant cuts in tariffs. But I've got to bring others along. So that's the real challenge in the process.

MODERATOR: We got time for just one more question. Jim Brooke, New York Times.

QUESTION: Jim Brooke of the New York Times. Two quick questions. After Australia, who'll be next for the U.S., and as you know, the Democratic candidates, well, now just about one Democratic candidate, are talking a lot about the U.S. trade deficit with China, which is massive. That's where you're headed next. What are your thoughts about reducing that deficit?

ZOELLICK: OK. Well on your first one, we're near the conclusion of an agreement, a free trade agreement, with Morocco that also has some sensitive agriculture issues on their side. We've just begun one with Bahrain, which is part of our effort, again, to show

throughout the Middle East, whether in Morocco, Jordan, Israel, the Gulf, about the possibilities for high quality trade agreements. We're scheduled in the second quarter to begin negotiations with Columbia, Peru, Panama, Thailand, and we're looking at the possibilities of where Ecuador and Bolivia fit into those. We're keeping the momentum going on this. Even though one of your other reporters keeps forgetting, we also in 2003 managed to pass Chile and Singapore, which (inaudible) We're also trying to, over the next couple of months, bring the Dominican Republic into the CAFTA. So that's another important (inaudible). In the case of China, hen Premier Wen Jiabao visited the United States at the end of last year, President Bush and my cabinet colleagues and I made clear that we believe it's in our interest to keep open the U.S. market. There are many consumers that benefit from this enormously. But on the other hand, the only way we can do so is if China also plays by the rules in opening its market.

Now, China had a huge task to undertake with the WTO accession. As various reports from my office and others have shown, they undertook a large number of steps in terms of reducing tariffs and other things that were quite important. But because of the fact that we're running a deficit of about 125 billion dollars, it's even more important for them to make sure that they follow through on things like intellectual property rights protection, or not devising tax policies in a way that support industrial policy. For example, we've been having a dispute about the use of their value-added tax related to semiconductors. We've had problems on agricultural topics that it looks like we've worked heavily through. One of my answers to the critics would be, if you want to look at the high value of farm prices for soybeans and cotton in particular, but other products, a lot of it can be traced to the China market. So if you want to draw it in political terms, there's a lot of states that produce a lot of ag products that have higher prices now because of that.

But we also have to make a fair shake in terms of some of the manufacturing side. The Chinese, as you may have seen, sent buying missions, and we appreciate the billions of dollars of products, manufactured products, Boeing, GE and others. But one of our points of emphasis is it's not enough to have to have buying missions. We need to have a fair and open system. One item in particular that we have concentrated on is that by the end of 2004, China has an obligation, not just for the United States but for all countries, dealing with the rules that allow people, that's called tradin and distribution rights - the ability to sell directly into the market, be able to put goods on store shelves as opposed to going through intermediaries. It's very important that China follow through on those issues.

So we believe that China's WTO accession has been part of a larger process of transforming China's economy, and it also will have effects in terms of the rule of law. That's important for the long run. We want to support that. It clearly also has region-wide effects, because some of the trade you see that comes to the United States from China in a sense starts from Southeast Asia. So you have to look at the evolving trade flow. Then, frankly, one of the other issues that we'll have to deal with over time is the currency, because you've seen them build larger and larger surpluses. This has created their own problem in terms of having, as they liquidate those surpluses, frankly they have to increase the money supply to do so, to buy the dollars, and that can lead to

overheating. At the time of Premier Wen Jiabao's visit, they emphasized that they want to get to the same place that we want to get, and it's a question of their plan to do so. That is something that we can work with them with, because obviously there are other factors, like how you deal with the banking system, in between.

Pulling back from this, China is a force in the global economy. It can lower prices. It can create efficiencies for many people. But it has to give a fair shake for others, including U.S. producers. It's not our purpose to close off markets. It's our purpose to try to make sure their markets are open to our goods and our products.

MODERATOR: Thank you very much.

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