

**Opening Remarks of Ambassador Rob Portman
United States Trade Representative
As Delivered
American Business Coalition for Doha
Ronald Reagan Building and International Trade Center
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AMBASSADOR PORTMAN: I have looked through briefly all of the various releases that have been given to you all today. And I noticed that a number of them comment on, as John said, the benefits of Doha. And that is exactly what this group is about, which is communicating to the American people why the Doha Round is so important to our economy, why it's so critical to global economic growth and why it's so critical being able to lift literally hundreds of millions of poor around the world out of poverty.

This is a once in a generation opportunity. It doesn't come around often and if we were to miss this opportunity, yes, the United States would be missing out on a tremendous opportunity for our workers, for our farmers and for our service providers to further level the playing field so that American workers and farmers and service providers and firms can compete globally.

If given the opportunity to compete on a fair basis we can compete and we can win. So this coalition that has been formed today is extremely important in helping to communicate that message. I know it will be done through employees, through shareholders, through various suppliers, but it also needs to be broader than that. It needs to be broader; it needs to go to the American consumer. It needs to go to the American working people who are absolutely dependent on exports.

With regard to our farmers, one-third, one out of every three acres planted in America today is sent out of this country as an export. In my home state of Ohio that's true. We would not be able to have the agricultural economy we have in Ohio or in this country without exports. 27% of income now comes from exports.

With regard to our service providers, as you all know, we have almost a \$50 billion surplus in services. Why? Because the United States has the comparative advantage, or a competitive advantage in services. We provide some of the best services in the world. And all we're asking for is a fair shake. All we're asking for is that other countries reduce their barriers just as we've reduced our barriers in this country.

With regard to manufacturing, the United States continues to be the number one exporter of manufactured products in the world. 62% of our exports are manufactured products. Again, what we're asking for here is a reduction of tariffs around the world similar to what we have already done in this country. We're a big, open, free economy. Our average tariff in the manufactured area is about 4.5%. Whereas in the rest of the world you have far higher tariffs.

So this is why the Doha Round is so important. Whether it is with regard to our services industry, our agriculture sector, our manufacturing sector, the United States stands to benefit.

Second, as I said, it also benefits the global economy. There is nothing the economists can point to that could have such a dramatic impact on the global economy than a successful Doha Round. Nothing. Because by increasing the efficiency of the global economy, by knocking down barriers to trade, all of us benefit.

And finally as I said, the Doha offers the best hope for us to be able to deal with the difficult issue of poverty around the world; those who live on \$1, \$2 a day. And what the World Bank economists have done in analyzing this agreement is determined that 300 million people could be lifted out of poverty if the Doha round is successful. I think the International Institute of Economics here in town says it is 500 million people. These are huge numbers. This is a huge impact. This is, again, an opportunity that we cannot allow to go by. An opportunity that we must seize for the benefit of the United States, the global economy and for the world's poor.

So that is what this coalition is about. It is being sure that message is clearly communicated, being sure that that message is heard not just on Capitol Hill, which is very important, my former stomping grounds, but also around this country on main street, at the cafes, on the tractor that people understand that trade is absolutely critical to continued economic growth in this country. And the Doha round offers this opportunity that only comes around once in a decade or once in a generation. To actually provide this benefit, to be able to provide people with the ability to sell their goods, to sell their services in a way that is fair, that there is a level playing field. Where this is this opportunity for America's very efficient and productive workers and farmers and service providers to get a fair shake.

So I thank you, Tom Donohue very much for being here and John Engler is coming I understand. Cal Dooley, my former colleague, is going to speak in a moment. John, again, I that you and the BRT for what you have done. It's extremely important.

The University of Michigan has done a recent study showing that if the Doha round is successful, there could be a dramatic impact on the annual income here in the United States. They have said that if you were to eliminate trade barriers all together you would see \$7,500 per year annual income increase for a family of four. If we were to just reduce barriers by one-third, which is certainly my expectation and hope for Doha at minimum, then we would have a \$2,500 annual income gain for an American family of four. So these are the kind of very specific benefits that the Doha round promises if we can make progress.

John mentioned the fact that we had come up with a proposal recently, as some of you know, two weeks ago. Yesterday the United States made a dramatic offer on the agricultural front. This was done for the very simple reason that the United States had determined that the talks were deadlocked and that unless there was leadership and unless we offered a bold and aggressive proposal to unlock what had been really for the last not just several months, but few years, difficult times in Doha; that it was not likely that we would have a successful Hong Kong meeting or a successful conclusion of the round by the end of 2006.

So we put our best foot forward. We took a risk. We offered something dramatic. And there is a new sense of energy. I looked through some of these statements this morning I noticed a

number of you have said that the talks have been reenergized in the last couple of weeks. I believe that is true. I believe that also we have a lot of hard work ahead of us.

John, because he's a better diplomat than I am, said that there are some WTO members who are not doing their part right now. I would have been more specific about that. I will tell you that unless we see offers from other countries, particularly the EU on market access, meaning reducing tariffs; we will not be able to have a successful round. The United States has stepped forward with a very aggressive proposal to reduce our own trade distorting subsidies in agriculture. And recall agriculture is central to Doha; has been from the start.

In response to that proposal, we are still waiting for the other side of the coin; which is market access, which is a contingency in our proposal must also be opened up for our farmers and for our ranchers. And that's where we stand right now. The United States joins the world in waiting for an appropriate response on market access. And it's not about pleasing the United States, by the way. It's about meeting the requirements of Doha, which were set out firmly at the outset and were reaffirmed in July of 2004 with the framework agreement which said there would be substantial improvements in market access.

That's what Doha is all about. It's about reducing these barriers to trade so that everybody benefits. Most particularly the developing world. So we are waiting is not an offer that makes the United States happy. It is an offer that meets the requirements of Doha. We have been very specific about that. And the European Union has not been able to come forward with an offer that offers the kind of market access that is required by Doha. The G20, which is a group comprised of developing countries led by India and Brazil, has been very constructive in this.

They have applauded us for making this, again, bold proposal on our trade distorting subsidies, which is also part of Doha. But they have now said now that that pillar in agriculture has been fleshed out, it's time for the European Union to move on market access. They'd probably like us to do even more on trade distorting domestic support but they realize that our offer is a significant one, it's a real one, it's a credible one. It's one that involves some pain here, but only in exchange for, again, our farmers and ranchers having access to the world market in a way that they do not have now because of the very high barriers to trade primarily through high tariffs.

So that's where we are right now. I know that some of you follow this very closely. Probably more closely than I do day to day. And read the tea leaves and look at every nuance. I'm pretty straightforward about this stuff.

The United States wants Hong Kong to be successful. The United States wants the Doha round to come to a successful conclusion at the end of 2006. Make no mistake about it. The United States will not be backing off on having a meeting in Hong Kong. We believe it's important. We believe that it is a milestone toward a successful Doha round. It was never meant to be the completion of Doha but it is an important step in the process of a successful completion. The United States believes strongly that we must deal directly and aggressively also with reducing barriers to services, as I said earlier, and reducing barriers to manufactured products, getting industrial tariffs down.

We will be there shoulder to shoulder with the European Union on those issues. So this notion that somehow the United States is transfixed on agriculture and is not willing to move forward in these other issues is absolutely wrong. We are there. We believe strongly that we ought to be working on all these issues in tandem. We also believe that the reality of Doha is that unless we can unlock the deadlock in agriculture, it will be as a practical matter, impossible to make progress on the other issues. That's a reality that the United States cannot change and nor can the European Union.

So that's where we stand shoulder to shoulder with the people in this room who believe in trade and believe in the promise for our kids and grandkids of an even stronger economy that comes from having a reduction of barriers worldwide to our products, our services, to our workers, farmers and service providers.

I thank you all very much. I understand that I am supposed to take some questions, which I'm happy to do. I don't want to hold up Tom or Cal. Ok. Alright. I look forward to your questions in a moment.

Thanks.

Q&A

Portman: We hope so. I mean, that would be, again, the expectation not just of the United States but of the WTO members who have committed to substantial improvement to market access. It's the core of Doha. So we are very hopeful that we'll get a proposal this week that moves the ball forward and enables us to have a successful meeting in Hong Kong.

Reporter: Do you have any basis for that hope? That fact?

Portman: My basis is that the whole world agrees with us. I mean maybe I'm overstating it. Because there are a few countries outside of the EU that might, you know, may be happy to hunker down in a protectionist mode. But if you look at the statements from the developing world and the statements from those countries that are active in trade negotiations, they are all very, very positive about the U.S. contribution and about the need for us now to make progress on market access.

I refer you to statements from Pascal Lamy, who is the Director-General of the WTO, who has a lot of credibility being a former EU trade minister. Brought up to speak French and was a member of the Socialist party. So he understands probably as well as anyone else, some of what Commissioner Mandelson is up against and Commissioner Fischer-Boel. And his view is, you know, it's time for them to step forward. And this is not easy for any of us. I mean, trade is an issue that requires you to take some political risk in order to get the economic benefits we've played out here today. That's what we are asking right now. Not the United States but the global community.

Reporter: Mr. Ambassador, I'm with NHK Japanese Public Television. You mentioned the proposals from the EU and the G20 countries. I was wondering if you on purpose left out the G10 proposal from Japan and other countries because it was you're satisfied with it or you thought it was worthless to mention. [laughter] And one quick question.

Portman: That's a good leading question. [laughter]

Reporter: And one quick question on the U.S. beef issue. I understand that you received a letter from 20 senators requesting trade sanctions. On the other hand, Japan's food safety commission did lay their conclusion yesterday. And I was wondering how this will affect the sentiment on the Hill or the Bush Administration's policy. Thank you.

Portman: Let me start with beef and say that we continue to be very disappointed with the fact that Japan has not opened up its market and relied on sound science. And the announcements yesterday and the potential delay causes even greater concern. I am hopeful from what I've heard this morning that it's possible that the commission could now meet as soon as next week and that they would finally make a decision. As I read it, they have run out of process – that they have to make a decision. And the decision should be favorable for the U.S. cattlemen who have waited patiently for Japan to do the right thing.

With regard to Doha I've actually had some very constructive discussions with my Japanese counterparts and I believe that the elections were positive for Doha and WTO. I believe that the Japanese government is on a track of constructive reform and that that has the possibility of helping us to be able to come up with a good agreement. Not just in agriculture but also in other areas. Japan has taken the lead in the discussions that John Engler talked about -- so called NAMA, non-agricultural market access discussions. Particularly, has been very helpful in simulating for other countries how a so-called Swiss formula, which reduces the highest tariffs the most, could be beneficial to their economies.

And I'm very grateful to Minister Nakagawa and the leadership role he has played with regard to the non agriculture market access talks. So I see a new sense of engagement by Japan even over the last couple of months and I am encouraged by that. There is a G10 proposal out there in agriculture. The G10 countries would tend to be the most protectionist developed countries, Japan, Switzerland – and so on.

What's interesting to me is that in most respects the G10 proposal is even more ambitious than the European proposal. That, I think, says a lot about where the Europeans are right now on market access. But there are certainly things about the G10 proposal that the United States cannot accept. One is no tariff cap at all. Another is how they treat sensitive products. They have two options: one would provide for up to 10% and another up to 15% of tariff lines to be treated as sensitive. Which is a loophole in the tariff reduction formula that is unacceptable not just to us, but to, again, meeting the mandate under Doha.

So the G10 proposal, again, at least moves the Europeans a little bit more on the tariff side toward more aggressive cutting. But no, it is not a proposal that we would support.

Reporter: Keith Koffler with Congress Daily. Can you have a successful Hong Kong ministerial without a substantive European counterproposal? And when do they need to make that proposal by?

Portman: I don't know if there is any particular specific response to that question. What Pascal Lamy will tell you, who is the person who needs to put this all together at the WTO, in other words he literally needs to have text for Hong Kong, is that it needs to be done by early to mid November. That would seem to me to be important. Someone mentioned Cancun, I think Tom Donohue did. I was in Seattle. Some of you were there. We don't want to see a repeat of an unsuccessful trade meeting where we take a step backwards instead of a step forward. I think that would be detrimental to the possibility of completing this agreement at the end of 2006. As many of you know, that's very important because the United States' Trade Promotion Authority expires in mid-2007 and we would have to send the agreement to Congress in early 2007 for it to be considered under the existing Trade Promotion Authority. The President was, of course, hopeful that that would be renewed, but last time, recall that it took about nine years. So, it would make sense for the United States, but also for those interested in all the benefits of Doha to be sure that we meet the deadline and with an unsuccessful Hong Kong meeting, that would be very difficult. I'm going to say something else if I could about the US position. The President made a statement at the Gleneagles Summit, some of you followed, and then he followed it up with a speech at the United Nations in which he talked about the U.S. vision. And that vision is, again, very clear, without nuance, which is that the United States believes that world without barriers to trade, meaning tariffs and trade-distorting subsidies, would be a better world for all of us. That's the vision. And that speech the President gave at the UN really was more responsible for unlocking the thinking about Doha than the specific proposal we made two weeks and a day ago, although our proposal was implementing that vision in the context of Doha. But I think we have to acknowledge here that the United States has taken a different and a more aggressive approach on trade under this Administration and under this President's leadership, and it's been very well received because the rest of the world acknowledges the United States has already [inaudible] open and free country, relatively speaking, on trade. It's also the fastest growing of the developed economies, in part for that reason. And this is a model that the President believes in his heart is right for the rest of the world in order for them to also have this economic opportunity that we sometimes take for granted. So, that's what the vision is. That's what we're promoting. That's why a successful Hong Kong, a successful Doha is so important is that vision to be implemented requires a successful Doha round. Yes.

REPORTER: Hi. Doug Palmer with Reuters. I just wondered if you could talk about your expectations in terms of timing of the EU offer. I mean, my understanding is that this is just supposed to be a FIPS phone call on Friday. Is that when you expect to receive it or will you receive it before then? And I just wondered, assuming that the EU does come forward with an offer that you think is workable, what is the process then between that offer and Hong Kong? I mean, are there going to be more ministerial meetings? You guys getting back together in Geneva? And then, if I could just squeeze one more question in, what about Brazil and India? I mean, I know that the deadlock in agriculture needs to be broken, but don't they have to show that they're willing to provide market access in areas like, you know, manufacturing and services? Thank you.

PORTMAN: Great question. I'll just say yes, yes, yes ... [laughter] I mean, I think you've analyzed it well. I mean, the timing at the meeting last week in Geneva, there's an agreement that the European Union would provide a proposal by Thursday of this week, and then we would have a teleconference between the five countries involved in this agriculture negotiating group which includes Australia, the EU, Brazil, India, us. That teleconference and meeting will take place on Friday morning. We will be hosting it here from Washington and we are very hopeful to have in hand a European offer that we can analyze. The reason we are having the meeting Friday is that so Thursday night our officials can stay up all night and analyze it. And we'll know. The test will not be the United States saying, you know, that it meets our requirements. The test will be whether it meets the requirements of Doha; which requires, again, substantial improvement in market access not from what are called bound rates, the allowed rates in the WTO, but from applied rates, the actual rates that people apply today to our agricultural products and agricultural products from all over the world. Those need to be reduced. The European Union proposal is not about the European Union if you recall. This will be a proposal just as ours was that will apply to the whole world. So, the European Union right now is standing in the way not just of us having our legitimate access to that market, but also access to other markets around the world where our farmers and ranchers deserve access. So, this is a critical time and what will happen next if there's a successful proposal, and I hope there is, although the signs are not encouraging I will tell you but I hope there is, then we will have to at a sprinters pace run a marathon between now and the mid-December Hong Kong ministerial. We'll have a lot of work to do including on services and NAMA. Yes, many countries will have to step forward just as the United States has on agriculture with regard to having a constructive result in industrial tariffs and in market barriers to services, and that would include India and Brazil but also a number of other countries. And again, all the economic analysis is very clear. This is very much to the benefit of the developing world. Those developed countries, like the United States that are relatively open on services can certainly see the benefits of that. In the developing world, those countries that have opened up their markets to services, as an example, grow faster at a 1.5 percent per year average higher rate, which is substantial, than those countries that are providing less market openings for services. Why? Because, again, it allows those consumers to have lower priced products, better choice, more efficient economy. It also reduces the corruption in these systems. It also adds more transparency to the economies. The move toward free markets, I think, is inextricable. Its happening, and I think the Doha round is the next logical step in that.

REPORTER: Michael [inaudible] with TV Tokyo. Back to the Japanese beef problem, would you support sanctions against Japan if Japan does not reopen its market to American beef?

PORTMAN: I think it'd be much more productive if Japan opened its market to American beef. I'm not trying to avoid your question, but that clearly is more in the US interest rather than us taking actions that could be counterproductive to our own economy. One more question then we're going to break.

REPORTER: Mark Drajem from Bloomberg. It seems clear the European offer's not going to reach the level the G20 or the US offer on market access. If that happens, what happens then? Are you not going to run the marathon at the sprinter's pace? Is there some plan [inaudible] to delay the Hong Kong meeting?

PORTMAN: Well, I think we have to continue to expect that the European Union, at some point and it has to be soon in order for Hong Kong to be successful, will meet its requirement. Again, we've said very clearly that the G20 proposal would be an absolute floor that it needs to be between G20's proposal and our proposal. G20's proposal, remember, is the developing countries and our proposal in order for it to be consistent with the 2004 framework and with the mandate of Doha. Our proposal is supported by the Australians, the Canadians, New Zealand and others, so it's not a proposal that is the US's alone. The G20 proposals, as I said earlier, is supported by a number of developing countries and that is the range within which we must have a market access agreement. So, that's again, not something the United States is dictating. It's something that's required under the Doha mandate. And it's something that will enable us to achieve all of these potential benefits that we talked about today. Otherwise, we would not see the benefits out of this to our economy, to the global economy and to the developing world.

Thank you all.