

**Remarks by
U.S. Trade Representative Rob Portman
and EU Trade Commissioner Peter Mandelson
Joint Media Availability
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Ambassador Portman: Thank you all for being here. We have a standing room only crowd today. It must be due to Peter Mandelson's presence. Welcome Commissioner.

Commissioner Mandelson: It's nice to be here.

Ambassador Portman: Yesterday and today we had very productive discussions with our trading partners from the European Commission. Our conversation focused on ways we can work together with other trading partners and between ourselves to overcome the remaining challenges in the multilateral WTO-Doha discussions. The United States and the European Union do share many of the same objectives in the Doha Round and I believe our common goals and cooperation is essential to the successful conclusion of the negotiations.

The US and the EU are committed to progress because there's so much at stake here. It really is a once in a generation opportunity to give the global economy a shot in the arm and to assist in development in unprecedented ways. All countries lose if there's a failed Doha Round.

To move Doha to a successful and ambitious conclusion we must all make contributions and that includes services, manufacturing, agriculture and the other areas of the Round. We need contributions from the developed countries like the United States, but also from developing countries. We need those contributions to happen, every country must do its part.

The United States has been a leader in pushing for an ambitious result. We have shown that ambition across all three of the major negotiating areas. We have made significant contributions in manufacturing and services, areas that are absolutely central to the US economy and to the advancement of developing countries.

In manufacturing the United States has proposed a tariff-cutting formula that would result in new trade opportunities for all countries by reducing highest tariffs the most, and we believe strongly that this is a proposal that must get appropriate attention between now and April 30th when full modalities are meant to come together.

Similarly in services the United States has consistently advocated the biggest possible package of service openings including in such key areas as financial services, telecommunications, computer related services, and express delivery. Liberalization of this services sector has injected greater competitiveness into developing countries that have opened their services markets and it has produced needed improvements in these countries in terms of their infrastructure and modernizing their economies. So it's not just something that's important to the United States and the EU, but it's also critical to the development objectives of the Round.

In the United States incidentally in services we had a \$56 billion surplus in 2005, clearly an area of critical importance to the US economy.

We've also offered a bold proposal on agriculture, the most progressive one on the table. After meeting with four congressional committees in the past two weeks, I can tell you Congress is keenly aware that our agriculture proposal has real consequences and that it would entail real reform of world trade in agriculture. But we won't be able to leave our proposal that's on the table now intact if others don't make comparable offers to open their markets and reduce their subsidies and other trade distorting practices.

One of the positive developments from our meeting in Davos last month over in Switzerland I believe is that we as Ministers decided that to get the Doha Round to come together we needed to move in concert. We needed to move together so that all the pieces of the puzzle would come together. We know it has to be done to meet the promise of Doha. We know what pieces have to come together. Now we need to undertake the political will in each of our countries to get that done.

On a variety of issues outside of Doha we have common and ongoing interests and the potential for collaboration with the European Union. Examples include protection of intellectual property, regulatory cooperation, and other bilateral issues.

On the bilateral front we had constructive talks on a host of those issues including agriculture trade, FSC-ETI, Airbus-Boeing, the recent biotech case in the WTO and many other issues. While the United States and the European Union will disagree at times, we have a healthy transatlantic trading relationship of almost \$500 billion a year, investments of over a trillion dollars and a strong bond and a common history. We've got a lot of work to do and we need to do it together to build on our lasting alliance and our economic partnership, to recommit ourselves as we have done yesterday and today to resolve tough issues for the benefit of our citizens and for the global economy.

Commissioner Mandelson?

Commissioner Mandelson: Rob, thank you very much, indeed. Needless to say I heartily endorse everything, almost everything that you've said.

In addition to our bilateral trade and investment relationship which is the biggest, the healthiest, and the most trouble-free in the world, we also have a shared responsibility to give leadership to the global economy and to the international trading system. So it's been important to meet with Rob and our teams to work through the DDA agenda two months after Hong Kong and a little more than two months before we reach our next milestone at the end of April.

Our aim has been to do a comprehensive stock-take, to compare notes, and to identify the priorities that we need to tackle in the Round together and with others in the coming weeks. We'll be having a number of meetings. I met with India, with Kamal Nath of India in London the other week. I travel this coming month to Latin America and to Brazil. So there is a

continuous moving geometry and a great need to maintain momentum in these vital multilateral talks.

There's no time to stand still. On the contrary, we have to up the tempo. We need to maintain pressure if we're to meet the deadlines agreed in Hong Kong and by the US trade calendar.

The next deadline, as I say, is for agreements on modalities in agriculture and in industrial tariffs by April the 30th. But these issues cannot be viewed in isolation. Agriculture, industrial tariffs are vital but we must remember that this Round is a single undertaking. Other issues like services and strengthening the WTO rule book need to catch up.

The WTO has a very diverse membership. Certain countries have a crucial interest in services and rules.

Today we agreed that progress has to be made on all fronts, in parallel. We need to move in concert, as Rob says. While agriculture is important for the United States and for others, it is not the single issue in this Round.

We also agreed today that what is needed now is more serious offers from WTO members on industrial goods and services that will offer our companies the prospect of real and new market access, particularly in the big emerging economies. We also reached agreement on what other people's offers need to include to provide these opportunities and we will work to secure this.

If we can achieve this then perhaps both the EU and the US will be in a position to look again at their offers in agriculture in the context of a final deal, but we are not there yet. There is a way to go before that question becomes a live one.

I am pleased, though, that everyone now seems to agree that the way forward does not lie in trading blows over agriculture but in ensuring trade grows in all sectors of the economy. We need all the key WTO members to engage positively in these areas, notably industrial tariffs and services which are crucial if Doha is to boost the world economy and to bring about the development that we want to see in the world. Failing this (inaudible), the Round will not succeed and we will all need to reflect on whether it is worth fighting on only to emerge bearing the scars of defeat, waving the bloody shirts of a failed negotiation.

So Europe and the United States can and will offer leadership, but this must be part of a collective leadership and that's why we value our cooperation with the G20, the G90, the G10 and other colleagues.

Thank you very much.

Media: Can you clarify, you were saying you were willing to make a new agriculture offer if the other industrial need, the other countries also make new offers in non-agriculture industrial products and services. Would that offer be coming at this March 10th meeting or are you waiting for the end of the Round in December or next April? When would that offer come if you had --

Commissioner Mandelson: What I said precisely is that if these other things happen, if we have serious offers in industrial tariffs, in services, if we really see a commitment by others including the emerging economies in this Round, and we have to see more evidence of that than we've seen to date, in those circumstances and only if, then both of us in my opinion, the European Union and the United States, will be in a position to look again at our offers in agriculture. But we have therefore a way to go before we see what others are prepared to put on the table that will offer the necessary incentive that we're looking for in order to look again at our offers in agriculture.

Media: Would that be in the March meeting or at the end of the Round?

Commissioner Mandelson: I wouldn't look to any meeting in March in particular for what I have described as a process, not an event.

Media: Ambassador Portman, this is concerning the port security story. Specifically, some have criticized the firestorm of this opposition of the transition from the British company to the UAE-owned company as bordering on bigotry. What are your thoughts on that, sir?

Ambassador Portman: First of all this is not a trade issue with the EU, so I apologize to my colleague, but it is an important issue that the President addressed yesterday.

I wouldn't characterize the response one way or another. What I would say is that the United Arab Emirates has been a solid partner in the war on terror. Dubai, as you may know, was the first Middle Eastern entity to join the Container Security Initiative which was very important to us from a security point of view. As a result we've worked closely with them to screen containers destined for the United States, even in the United Arab Emirates, so that's an indication of the kind of cooperation that we've had.

Port security also I want to say is not handled by operators, it's handled by the Department of Homeland Security and by Customs and the Coast Guard and other government officials as appropriate. So that will continue at all US ports. I think that's a point that has sometimes been lost in this debate. That will remain intact regardless of who the port operator is. The company will not handle port security, nor should any company do that. The Department of Homeland Security secures the physical structure of the ports through the Coast Guard and we secure the movement and processing of all cargo, in fact before it even reaches the United States, through the Customs border protection.

So I think the President said it well yesterday when he said if there is any chance this transaction would jeopardize the security of the United States it would not go forward. That's what the CFIUS process was about.

By the way, there was an assurance letter given by DP World to the Department of Homeland Security in which they committed to enforcing the current security standards that preceded them, maintaining the current US personnel who are there, cooperating in the disclosure of documents, procedures, security measures, employee backgrounds and so on.

So I think this is an issue that deserves some more facts. The facts are that this was considered from all points of view including from USTR's point of view, more of a trade perspective as a member of the CFIUS Board but also most importantly from a security point of view.

I want to mention one other thing. As you recall there was a report issued after the horrific attacks of 9/11 and in the September 11th report it focused on the Middle East and the need for us to encourage economic development in the Middle East. This is one reason that the President has been promoting the Middle Eastern Free Trade Area or MEFTA. It's one reason we have been aggressive in reaching out to countries in the Middle East for free trade agreements including most recently Bahrain. Oman is currently on the Hill under consideration. We recently implemented an agreement with Morocco as of January 1st, and we will continue to reach out. We believe that a comprehensive US strategy to counter-terrorism should include economic policies that encourage development, open societies, and opportunities for people to improve their lives and the lives of their families. I think that canceling this ports deal would be contrary to what that 9/11 report recommended and what we are undertaking as a government.

Media: Ambassador Portman, just on the UAE deal, I just wondered really quickly if you were proceeding with, if you have any plan to interrupt the UAE/FTA negotiations, but on the subject of your meeting, I wondered if you made any progress on the issue of sensitive products, either agreement on the number, coming to some agreement on the number of tariff lines to be covered or how sensitive products should be treated in order to give the assurance that there still would be substantial market openings under sensitive products.

Ambassador Portman: The answer to the first question is no. The answer to the second question is that we did have a healthy discussion of sensitive products in the context of agriculture. We talked about all the issues you're mentioning including number of products and their treatment. It is an ongoing discussion we have been having with the European Union. We are not in agreement yet as to what the agriculture final proposal ought to look like but we are I think beginning to close some of the gaps both in our understanding of each other's position and even in the substance of our positions.

Media: Ambassador Portman, do you agree with Mr. Mandelson that Brazil and India and other emerging developing countries need to make offers on services and industrial market access first before there is more movement on agriculture?

Ambassador Portman: I agree with him that the pieces need to come together. As I said, I thought one of the advantages of us meeting in Switzerland wasn't so much the substantive progress we made, which was not great, but the fact that we agreed to a new approach. This was among the key members of the WTO who have been pulled together by the Director General to make some of these tough decisions. Twenty or 25 countries I think were present. What we agreed is that we would move in concert. To me that's the only logical way for us to bring this entire negotiation together. Each country has to know what the tradeoffs are and that requires emerging developing countries where they have had concerns about NAMA or services to be able to communicate what they are willing and able to do.

As you know, these are markets where there is increasing not just economic growth but consumption, and where many of the US exporters see great opportunities. So I think it's important that they come together, NAMA, services and agriculture and other aspects of the WTO.

April 30th is an opportunity for us to bring together the non-agricultural market access, so called industrial tariffs and the agriculture formula, but even prior to that, in early March as Commissioner Mandelson said, we'll have an opportunity to have these discussions.

Media: Sir, a question on Russia. Russia and WTO [inaudible]. Minister Gref said that he doesn't understand why American vendors seem to be happy with their commercial presence in Russia and the American government seems to be pushing for more. He doesn't understand why the US is pushing on products that it doesn't even export to Russia such as some fermented milk products. Those are his questions. If you could respond to them I would appreciate it.

My question is, as far as your office is concerned, will your President be traveling to St. Petersburg this coming Sunday empty handed?

Ambassador Portman: First, I appreciate your translating German's questions. You can tell him when you talk to him --

Media: I don't. I talk to you. [Laughter].

Ambassador Portman: -- that I personally am committed to Russia's accession to the WTO. I think it's a good thing for Russia, I think it's a good thing for the global trading system. I think it's a good thing for the United States to bring Russia in to the rules based system. We will continue to do everything we can to close the gaps in order to sign off on the bilateral agreement, but then also to work with the European Union and others on the multilateral agreement and work through the US Congress. You recall this is subject to Jackson/Vanek, meaning there has to be a permanent normal trade relation vote in the US Congress.

With regard to the individual issues, I've had many discussions with Minister Gref. I'm sure we'll have some more. There are still several outstanding issues. They do relate very directly to US commercial interests including the issues of agriculture that you raise and financial services.

But I also see a willingness on the part of the Russian officials including Minister Gref but also a number of other ministries that he deals with and on our part to come together and to come together soon. So I hope we'll be able to have some good news that the President can take with him to the G8 meeting.

Media: On agricultural subsidies since that's one of the --

Commissioner Mandelson: This is for Rob.

Media: If the US is willing to cut, what would Ambassador Portman need to see you do, and vice versa, same question. If the EU is willing to cut, what would you need to see --

Commissioner Mandelson: He doesn't need to look into a crystal ball. We're doing it already. We've started doing it. We've agreed to do it. The changes in the Common Agricultural Policy, the reduction of our subsidies, the stripping out of the trade distorting elements of our subsidies has started, it's ongoing, it's cumulative, it's not going to stop, and when these current reforms are completed, no doubt they will be succeeded by more in due course after discussion by the member states.

We in the mean time are waiting patiently but looking forward, expectantly to the agreement by Congress of a new Farm Bill that will see the first cents, dimes and dollars being reduced from American farm expenditure. That's very important. It's very important not just for all the obvious budgetary reasons, but because we both accept that the money we spend, the practices we engage in our agriculture in the US and in Europe should not have a negative impact on others' farming. It should not distort their trade, it should not depress their prices or undermine their markets. We have a sense of responsibility to others, other farm producers in other parts of the world, notably in the developing countries.

That's what we're doing, that's why we're embarked on the course we have, and why it's so important for us to bring these WTO talks to an ambitious conclusion.

Media: Ambassador, can you respond to that, and also since Commissioner Mandelson mentioned the Farm Bill, will you tell us what you think the implications of the bill will be on --

Ambassador Portman: We'll see. We don't know yet. What the United States has asked for, as you know we've been very clear about this, is balance in terms of agriculture. Yes, we are willing and we have through our proposal done so, to put on the table substantial reductions in out trade distorting domestic support. We think that is part of the requirement of the Doha Round which was decided back in 2004. But it was also decided at that time that there would be an elimination of so-called export subsidies and we made great progress on that in Hong Kong, incidentally. Second, there would be a substantial improvement in market access, meaning reductions of tariffs. That's where we see the major gap right now. We see the major gap being that the US proposal, while it is still on the table, is difficult to sustain until we can demonstrate to our farmers and our ranchers that they will have fairness in terms of access to other markets. Not just the European Union, by the way, but global markets.

So it's reducing tariffs. That has to be part of the formula at the end of the day in a way that provides substantial improvements in market access. That's the Doha mandate and that's required for the US to be able to make good on our proposal, but also to achieve the development goals in the Doha Round since most of the development benefits will come in the area of agriculture.

Media: So they're not in the Farm Bill until the Doha Round is completed? How realistic is it -

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Ambassador Portman: That's up to the US Congress. We had good discussions on that, as you may know, over the last couple of weeks in committee hearings and so on, and we'll see how it comes together.

My hope of course is that by the end of this year we will have a final agreement, we can send it to Congress prior to the Farm Bill expiring, and it will help to inform Members' decisions. As Commissioner Mandelson has rightly said, the Farm Bill coming up in 2007 will be an opportunity for us to look at reform.

Media: I have a question for Mr Mandelson. Did you talk about China with Mr Portman? Will EU take any action with the United States against China on China issues such as IPR and auto parts?

Commissioner Mandelson: We did touch on China. Partly because we have some shared concerns about some market access issues in China and WTO compliance issues which affect both our business communities and so we discussed those. We also touched on the wider issue of IPR enforcement. Not just in relation to China but as a wider issue which is a very great concern to us indeed. I would put it amongst the top two or three priorities in our work together. We discussed it last year at the US-EU Summit where President Bush put it very firmly in the center of our radar screen and we've continued work on that. We've had a number of follow-up meetings. We are collaborating and we will strengthen and intensify our cooperation on these issues.

We also remain pretty committed to the integration of China in the world's trading system. We welcome China and embrace China as part of the world trading system. But as part of that system China has responsibilities of its own to discharge. It can contribute to that process of integration into the global economy better than anyone. We are prepared to assist with that but we must do so in a way that respects WTO rules and international law, and certainly respects other people's property, intellectual property rights.

Ambassador Portman: Let me just say I want to wholeheartedly agree with what Commissioner Mandelson just said. Also to say that many of you heard me talk about China a lot last week so I won't go on further on that.

One more question.

Media: Ambassador, I have a question for you and for the Commissioner. Why is so hard to get free trade deal in Colombia? Did you expect to close talks this week?

And a question for the Commissioner, a time ago the EU was talking with the Mercosur group on a free trade agreement but the talks are [inaudible] at this time. What is the EU policy on free trade, especially with the Western Hemisphere group or region?

Ambassador Portman: I was curious to hear his views on Colombia.

First of all we have over the last year had very positive negotiations with Colombia. I believe we are very close to finalizing an agreement. There are a few outstanding issues. President Uribe was here last week as you may know. We had an excellent meeting with him. He also met with the President. We believe that it would be in the interest of the United States to expand our current agreement with Peru, which is currently on Capitol Hill for consultation, by the way, to include the other Andean countries including Colombia. And we are hopeful that we can finalize the agreement and then move Peru and Colombia and Ecuador even together. So that's our hope.

In terms of specific issues, I think we've come a long way, but we continue to have some market access issues, some what are called SPS phytosanitary issues in the area of agriculture. But I believe we will be able to close the gap and come together with an agreement soon.

President Uribe by the way, was a superb negotiator for his interests and his country last week. He's very influential here in Washington. He has a lot of friends. He's a very persuasive negotiator, so it went very well.

Commissioner Mandelson: Just on EU -Mercusor, I was disappointed that we were unable to reach a conclusion in our negotiations for a free trade agreement in 2004. Since then we've had a number of ministerial contacts, and it's true that the negotiations aren't at a boiling temperature but they're still warm and I'm confident, perhaps when we've successfully put the multilateral trade talks behind us as I predict that we will be able to do, we'll be able to turn the heat up underneath the EU-Mercusor talks.

Ambassador Portman: Thank you all very much.

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