

**Zoellick Q&A Following Speech to World Economic Forum
Dead Sea, Jordan
June 23, 2003
11:15-12:45**

First Question: One of the questions that the President addressed in a number of sessions is the Doha Round and its prospects. Would you comment very briefly on how you see it at this point two months from Cancun and where you see the future?

Zoellick: Well, we have my friend and colleague Commissioner Lamy here as well. And we just finished a meeting in Sharm El Sheikh in Egypt of about 30 trade ministries from around the world. And I think the good news is that we have ministerial attention focused on a core set of issues, in fact, Commissioner Lamy and I have met a couple of times in Europe to try to determine an agenda of about six topics. I made the point that the key in my view is movement on the agriculture and goods area which drives much of trade. Agriculture and goods and services are what make up with the so-called market access agenda. And we have some work to do on agriculture. The commission, both Commissioner Fischler and Commissioner Lamy have tried to put forward an agricultural proposal in the European Union that's designed for internal reform purposes to deal with environment, rural, and enlargement issues. And it clearly has a side benefit. It would allow the European Commission much more flexibility in dealing at least with the subsidies issue. My own view is that sometimes I'm in this position, sometimes others in this position, absent that, we're stuck. If CAP reform happens, it then has to be translated into the negotiating process, realizing our goals to eliminate export subsidies, deep cuts in domestic production supports, but also open markets. I think some of the other items are moving in place. Any time you have 146 countries or economies it's not going to be an easy task. But I also made the point with my colleagues that time is running short. So if we're going to get this done, we're going to have to try assemble these pieces and move them forward. The last point I'll make and I think, and we rode here with our good friend and colleague George Yeo, the Minister of Trade from Singapore, who's punched way above his weight. Singapore is a great free trading country. And I think as he noted, Commissioner Lamy and I are both committed to this task. We were committed to launching Doha. We may or may not be successful in it, but I know the two of us will give it all we can.

Second Question: Thank you for this invaluable speech. My question is, the rate of interest in the world is in the best level. The Middle East is receiving only .09 percent of the foreign investment. Middle East is at the point now a good base of kinds of opportunities for investment because we need development in all aspects. What is your best advice for the capital owners to turn and look into the Middle East as a haven for their investments?

Zoellick: His Majesty King Abdullah had a breakfast this morning with Secretary Powell and I and had an opportunity to talk about our initiative with some of the foreign and economic and trade ministers across the region, and one point that was emphasized is exactly your point. This isn't just about trade, it's got to be trade and investment driving it together. And indeed just 20 minutes ago I just came from a new investor of about \$175 million that Albemarle Corporation is making here in Jordan as part of a joint venture, again being driven by the reports. But I also said some-thing else to my colleagues from the region. Capital is a coward.

I wish it weren't so, but it is. It doesn't go where it's afraid. And frankly, investors have opportunities all over the world. What does that mean? It means that people in this region have to make it a hospitable environment, they have to show people that they can get good returns on the investment. Is this possible? You bet. I just came from Bahrain – Minister Saif is here, the finance minister – he told me of a debt offering that Bahrain had that had about a 70 basis point spread versus the US treasuries. That's a pretty good spread. But, what it's really going to drive as much as government financing is private capital. Now, that's where our issue comes in. How do you improve your environment for private capital? For one, we can do it by opening our markets so that people have the opportunity to sell their goods to the United States, Europe, or other areas of the world. But, the people in this region have to make the right climate in terms of property rights, laws, judicial systems. They have to learn the risk premium. So you're correct that interest rates are low, but what drives an investor is also a calculation of return in trying to figure out risk premium. In some ways – I used to be in financial markets, that's actually how I made my living – I look at this as always how can you drive down the risk premium? How

can you lower the risk and how can we increase the potential return? What we're offering is a possibility, and that countries in the region are now starting to offer is models of success. And that's frankly why I have a sense of optimism. I dealt with this region some ten years ago when I was in the State Department and frankly, I dealt with economic as well as other topics. My colleagues on the foreign policy side would always urge me to come here and do this, that, and the other thing. Frankly, I didn't see much happening. I now see things happening. And, as I said in my remarks, I'm not trying to be a Pollyana here and say this is going to happen overnight in every country. It won't. There will be successes. There will be failures. But we now start to see successes on the government side and the private business side.

We have to create the opportunities to build on those, and I hope others in the region will learn from that success, and that is what will draw capital. The one last point on this is that when we actually look at investment numbers, foreign investment is important, but private savings frankly drive most countries' investment. So what's happened with a lot of the private savings in this region? People have voted by spending their capital somewhere else. So if you create the right environment here for business and opportunity, you're going to drive internal capital, you're going to drive external capital, and you're going to create jobs. And the reason why this is particularly important now – this is a point I always try to stress, whichever region I go to – I spend probably more time traveling than any other person in the President's cabinet, so I've had a direct comparative experience. In the past month I've been to Thailand, I've been to Brazil, I've been to the Middle Eastern countries. And, it's competitive out there. And, China drew about \$52 billion in foreign direct investment. And the reaction that I got when I was in Thailand, is they see it, they know it, and they're going to move ahead. So the question is really not what favor people can do, but what favor people can do for themselves by creating the environment and what we're here to do is to help (inaudible).

Moderator: I have some good news and some bad news. The good news is there are a lot of hands and a lot of questions. The bad news is we have time for one more. So I'm going to go right here in the second row, and then we'll wrap up.

Question: My name is Hamza, from Egypt. (inaudible) about separation of Egypt. And about the situation of Egypt. Don't you see really any glimpse of light or certain strategy which could improve matters?

Zoellick:

I do see glimmers of light. We've worked under this trade and investment framework agreement, our European partners have a different type of agreement with Egypt already. And I've seen over the past couple of years, as I mentioned, movement on intellectual property rights. Movement on coming into the basic telecommunications code under the WTO.

But here's where sometimes trade ministers are a little bit different than foreign ministers. I'm not going to sugar-coat it for people. Egypt has some work to do. Egypt has a customs system where frankly it doesn't matter what the tariff is, because people at the border set the price. That won't work in the modern economy. Now, we're not just complaining about it, the State Department and AID have tried to put a lot of money in to help reform the Egyptian custom system.

So, what this in my mind offers, is if the business community in Egypt, the political community want to seize this opportunity, it is there to be had. We know that Egypt is the traditional heart of the Arab world. We know the population. We know the opportunity. But what's important for Egyptians to recognize is that this is not just going to be handed to them on a plate by foreign ministers because Egypt is a big and important country. It's going to require some work. And it's going to require those in the private sector to get the government to make the reforms to corral the private investment opportunities. I have a long list of stories from US businesses that basically are saying they're going to pull out of Egypt because of how they're treated. So I would like to do more with Egypt. Egypt needs some follow-through. It's made some good progress, we want to encourage it, but this has got to come from Egyptians. And the key lesson here is if you look at any part of the world that makes it economically, it's got to have ownership at home. And so, the hope that I give you is that you're asking a question, we're going to work with you, get the government to work with us.

Moderator:

Ambassador Zoellick, thank you. Great answers, great discussion.