

**Transcript of
Ambassador Robert B. Zoellick,
U.S. Trade Representative
Press Conference
Beijing, China
February 12, 2004**

ZOELLICK: This is my second stop on a trip that I'm taking around the world to engage in a strategic dialogue with key partners on the Doha Development Agenda in the WTO. Yesterday I was in Japan, and from here I go to Singapore where I'll be meeting with a number of the ASEAN leaders.

The reason that I'm taking this trip is that we're in a context where the U.S. economy is showing some good signs of recovery, but it is our belief that to broaden and deepen that economic recovery and to make sure that it has a longer life in a global context, that it's important to try to push ahead with the Doha agenda, just as the completion of the Uruguay Round in the early 90s helped lead to a long period of growth. This is also very important because we believe the global trading system is fundamental in helping the cause of development.

I wanted to be sure to come to Beijing because, while China is a recent member of the WTO, it's already a major trading player. Its influence is felt throughout the trading system. It's one of the key areas of growth in the world today, long with the United States. So even though my Chinese counterparts are understandably fully engaged with the WTO implementation and the reform efforts related to that, I wanted to discuss with them and try to seek their help and cooperation in moving the Doha agenda forward.

As some of you may know, I wrote a letter in January to my ministerial colleagues in the WTO that was trying to encourage a reassessment of where we all stood on the Doha agenda after the breakdown in Cancun. I wrote this letter because the information that I had been gaining in the meeting that had been held in Geneva for the WTO in December suggested that people were coming to the conclusion that the breakdown in Cancun was a lost opportunity, but there was less certainty about how to reengage the process. So I wanted to emphasize in the letter that the United States did not want 2004 to be a lost year, and I set out what I believed was a common-sense assessment of how we might be able to bring 148 different parties together. But I emphasized that these were just my ideas and I wanted to try to take the trip that I'm on now to consult with people directly.

I was pleased that shortly after doing so that Commissioner Lamy of the EC made encouraging statements about the letter even though he and others have different positions on a number of these issues, and actually he took a trip at about the same to South Asia and Southeast Asia.

At this stop and at the others I've been trying to get a better sense from my counterparts about what is their interest in moving the Doha agenda ahead, and what's their assessment of how best to do so; to make sure I have a sense of their top priorities – I

have a pretty good sense of these but it's best to double-check it with people. I try to ask them what other things they believe the U.S. might do to help push the process forward, and then I ask them what they might do to push the process forward. Then I try to get a better sense of, given the WTO processes, how we might make the Doha agenda happen, what combination of activities in Geneva and capitals and bilateral meetings and others.

I had an opportunity in this brief stop to meet with Vice Premier Wu Yi, who as you know supervises this area along with others, and Executive Vice Minister Yu of MOFCOM and their teams. I came away with a sense that China has a very strong commitment to the Doha agenda. As many of you know, China was supportive of the launch of the Doha agenda in 2001, even as China was acceding to the WTO. A number of the interests of China and the United States overlap quite closely. China would like to seek an aggressive result in agriculture, as would the United States; similarly in the goods area, the manufacturing goods area. China is a developing country that has already, through its own reforms, recognized the importance of the services area, and we talked about ways that we could work together to try to expand interests in the services area with other countries in the developing world. In the area of what are the so-called "Singapore Issues," which are named after a ministerial in Singapore, we agree on trying to use a smaller list to really focus on the trade facilitation topic as opposed to the full four issues. We agreed to have a follow up dialogue on a number of these different items, and we're looking for ways to try to work together with some of the other countries that I'll be visiting as we go forward.

So I consider it to be a productive visit, and I did not get into bilateral agenda topics because Vice Premier Wu Yi and I both discussed the preparations we'll be making for something called the JCCT, which will be a meeting that the Vice Premier will chair with Secretary Evans and me in Washington in April. So our focus was on the global, WTO agenda.

QUESTION: Over the past two years that China has been a member of the WTO, there has been sporadic criticism out of Washington about whether it's fulfilling its obligations or not. I'm curious if you could assess right now, at this sort of micro-moment how you feel China is approaching its membership in the WTO. You said that it has a strong commitment to the Doha agenda, but in a broader sense, are the obligations that it assumed in 2001 being fulfilled? I'm particularly interested in intellectual property in this context.

ZOELLICK: First, just so have the context, we did not have a discussion of those items. I was here in the Autumn and had a discussion, and a number of my deputies were here, and Premier Wen Jiabao visited the United States, and Secretary Evans was here, and Secretary Snow. So we are fully engaged on those issues and we'll be discussing them in great detail in about a month or two. So that wasn't the topic on the agenda.

The position really is as I said before, which is on the one hand, China's accession has involved a huge series of changes and we recognize – in my case, since I first visited China in 1980 – what a tremendous accomplishment the reform process has already

undertaken. But we believe that there's still important work to do, and we have some concerns in areas that it's important that China not slow down on the implementation.

Intellectual property rights is clearly a very important one that we discussed at length with the Chinese on a number of occasions. There's issues about whether one is using value-added taxes, for example in the area of semiconductors, in a way that is not consistent with WTO rules. Another one is that we've been working closely with the Chinese in the agriculture import area to make sure that whatever rules for quota application and the sanitary and phytosanitary standards and biotech are being applied. I might say we worked through a number of those issues, and right now U.S. agriculture exports have been quite booming in China. It's one reason why we've got pretty healthy prices for cotton and soybeans and others. Another point that we emphasized that will be important throughout the year is that China has phase commitments including one dealing with opening up the trading rights and the distribution rights system, and that is one that is very important for businesses being able to sell directly into China. We expect that and other commitments to be met.

I'll just say that while we have our differences on these issues, that the Chinese authorities recognize the importance of coming into compliance. They obviously have a challenge sometimes with regional authorities and others around the country. So we are committed to China's full compliance, and that's a topic we'll be discussing at greater length in Washington in a month or two, but that wasn't the focus on my visit.

QUESTION: Was there any discussion on the possibility that China might loosen the band on the exchange rate?

ZOELLICK: No. But I didn't ask either.

QUESTION: The U.S. has just signed a bilateral free trade agreement with Australia and Costa Rica. This time you are advocating a multinational free trade agreement. So how do you explain the conflict between the two? Will you look for new partners to sign bilateral free trade agreements with in the future?

ZOELLICK: First off, we haven't yet signed. We completed a negotiation with Australia. You mentioned Costa Rica. Costa Rica is one of five Central American countries that we've reached an agreement with, and we have a process whereby we need to notify our Congress some 90 days before actually signing the agreements. It's part of the process before they are submitted to the Congress.

Well the consistency is, as we've said since the start of the Administration, we're trying to promote liberalization at the global level, the hemispheric level, regional and bilateral levels. We believe that they are complementary. In a number of these agreements we can advance the state-of-the-art - our bilateral agreements have very high intellectual property rights, very high transparency rights; we customize to meet special needs. So for example, Australia was one of the few developed countries that didn't belong to the Government Procurement Code in the WTO, which is a code that some countries belong

to but not others. Well we opened up the government procurement market through that process.

There are other things that you can't do in bilateral agreements. For example, in the case of reduction of our agriculture subsidies, if we reduce those in a bilateral agreement, well it wouldn't get at the European and Japanese subsidies. So major agriculture reforms need to be done in the WTO. We have emphasized our ongoing commitment to the WTO. We were, along with the Europeans, probably the principal party in moving the Doha negotiation and getting it launched. It's one of the reasons the President pressed so hard for our Trade Promotion Authority, which is the way we bring these agreements back to the Congress. We put forward some very bold proposals: eliminate all goods tariffs; very significant cuts in agricultural subsidies and tariffs. It's the point of the letter and this visit, which is that the big economic payoff is if you can get people to move globally. But if you have to get 148 countries to agree at once it's not easy, and so that's one reason that I'm engaged in these consultations and seeking the help and advice of China as well as others.

We have other negotiations moving forward. We have a free trade agreement negotiation almost completed with Morocco. We have one with the Southern African Customs Union - five countries in southern Africa that we're targeting for completion by the end of this year. We've launched one with Bahrain, which we hope would be part of a series we have in the Mideast; we have one with Jordan, one with Israel, one with Morocco and Bahrain to try to create a model effect to encourage liberalization in that region. The President has announced that we will be launching negotiations with Thailand in the second quarter, Panama, Colombia, and Peru. We finished free trade agreements with Chile and Singapore last year, and we're trying to add the Dominican Republic to the Central American agreement. So if you look at the pattern of our free trade agreements, we're trying to emphasize the possibilities in all regions of the world and in a way that is mutually supportive of the global liberalization agenda.

Now sometimes people ask about other countries for example, or with the European Union. The European Union has not wanted to do free trade agreements with other developed countries. We have: with Canada obviously and now with Australia. Frankly some of our other partners would be unwilling to open their agriculture markets. We try to do comprehensive agreements. So it's been part of a portfolio of trade liberalization, and it reflects the reality that not everything can move at the same pace. The bottom line conclusion was that we're very committed to the global negotiation, but since it requires 148 countries to agree, we didn't want to be stunted. If we're unable to get progress on that front, we'll move somewhere else.

QUESTION: Will the U.S. make any concrete concession this year on the agriculture subsidies, especially in that we know that this year is an election year?

ZOELLICK: Well we stand by the proposals that we made, and the first part is to eliminate all export subsidies. I don't mean to get too technical on you, but there are different types of subsidies. Export subsidies are ones where you actually pay people to

buy. The U.S. has very few of those types of subsidies; there's about \$5-6 billion worth in Europe. To support Europe's effort to eliminate, we agreed that we would take any of the subsidy elements out of export credits: we give loans and some people have argued that that has a subsidy element. So we would eliminate that at the same time.

One of the points in my letter and in my discussion with China and others is that it is very clear to me that that will be a critical element if we're going to get this round completed. I think some of the statements by Commissioner Lamy and Commissioner Fischer of the EU have recognized that. So what I called for in the letter was recognizing that Europe needs to have its chance, that urging to people to agree that we will eliminate export subsidies by a date certain, but not yet agreeing on the date, or how, because that would come after Europe gets a sense of the overall package.

Now the other types of subsidies that we have are domestic subsidies. We made a proposal a couple of years ago that would cut some \$100 billion out of domestic subsidies and almost cut ours in half. Again, for that, what we need to do is – Europe's subsidies are about three times higher than ours under the EU cap – so we need to get EU much closer. Japan has about \$30 billion; we're about \$19.1 billion. We need to get Japan down, but we also need to open up other countries' markets for market access.

Now, to relate this to this visit, this gives you an example of where China and the United States are very close. China agreed as part of its accession not to use export subsidies, so it has a common interest in eliminating their use elsewhere. It limited its ability to use domestic subsidies, and obviously there's a budget effect. China also has lowered a lot of its agricultural tariffs, lower than many other countries around the world. They're still higher than ours but they're lower. So it has an interest in trying to get other countries to lower agricultural tariffs. So that's an area where we're working together, and one of the points that I wanted to learn more about are some of China's agricultural export interests, so we could try to work together in terms of opening markets for our products and theirs.

Just one more point on the election point, because I obviously get that a lot. One of the reasons I wrote the letter was to make sure that everybody knew that we were committed to trying to move forward the negotiation this year, even in an election year. One of the best testimonies that I can cite is the fact that in the past five weeks I concluded an agreement with five Central American nations and Australia. Now people are going to quibble about what's in and what's out, but I assure you that each of these agreements involve making difficult political choices. So I'm there ready to conclude deals, and that's what I'm trying to get 147 other countries to work with us on, and recognizing that we don't have all the wisdom here. This is one of the reasons I'm trying to consult with others.

QUESTION: What was their reaction to your proposal. What was their reaction on what agricultural products they want to export, on the issue of the various subsidies you mentioned, and the general sense of momentum that they have?

ZOELLICK: It was generally very positive, and from the start we have tried to have consultations with China because, as I mentioned, we think there are a lot of commonalities of interest. One reason that I wanted to come in person was that I recognize that China's leadership is very absorbed with the WTO accession implementation. So I wanted to make the point in person that while I certainly appreciate that China has made very significant moves on the reform agenda and has done a lot of work on the implementation, that it's also part of the global trading system and as a player we need its engagement. I got a positive sense about that support. In answer to this question, I think on export subsidies they opened up by saying they appreciated the comments in my letter about seeking the elimination and cuts in domestic support. On the market access goods, I asked for that information for fuller consultation. So we didn't get into a product-by-product discussion.

Take the manufactured goods area as another one. If you look at China's competitive ability, we propose the elimination of all manufactured goods tariffs. That, I think, is too ambitious for many countries. But we are now together looking at a combination – meaning the countries – at an ambitious formula. I suggested some flexibility for sensitive items for some countries to bring them along; what we call sectorals, and how to make the sectorals work; and also dealing with non-tariff barriers. So we agreed to have further discussions on those items as well.

And then frankly, the last piece, services. Just to give you an example, we are working on Russia's accession to the WTO right now. The Chinese delegation in Geneva has asked to talk with us and work with us because they have interests in terms of the services market in Russia. I also said that maybe China could help us by working with other developing countries to show how services liberalization is important to your development strategy, whether it be financial services, telecommunication, express delivery, other things. I mentioned that when I return I'm going to see Jim Wolfensohn, the President of the World Bank, because I hope we can get some help from the World Bank working with some developing countries to show the benefits of services liberalization.

What I'm trying to do on this trip in general is to gauge people's interest, which so far is good. Try to get a better sense of their particular interests, try to see how we can work with them on some of these issues because you're always going to have to deal with people's sensitivities, but you want to maintain strong ambition. Then, as I go further along the trip I'll be able to share more ideas with other players. I'll see Commissioner Lamy at the end of the European part. Two days after I get back to the United States, I'll be going to Costa Rica for a meeting of the Cairns Group – all the agricultural exporting countries. So I hope that I'll be able to bring some additional information and intelligence to the task.

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