

**TRANSCRIPT OF USTR PORTMAN'S REMARKS
BEFORE COALITION OF SERVICE INDUSTRIES**

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Thank you all very much. I did not deserve that standing ovation because I am not even getting an award here tonight. [Laughter]. But I do want to briefly thank, not just Norman for all of his leadership with this organization. We have had some good conversations tonight about how that leadership is going to be challenged over the next year with Doha in front of us. I also want to thank Bob Vastine and his staff for all of the hard work they do with carrying the torch on services and the good work they do with USTR.

But I want to talk for a second if I could about Greg and Pedro. [Laughter]. These two guys are not just good recipients, I can't think of two better recipients, and I want to thank you all for supporting them and supporting what they do. Pete, or Pedro as I affectionately call him doesn't have to do this, he is not even on the Ways and Means Committee, and yet he stands up for trade all the time. He did so with Singapore and is doing it again with Malaysia and he puts a lot of time and effort into it. He is persistent, he sees me in the hall instead of talking about CAFTA he says, you know, let's look across to the next issue, let's look over the horizon and let's talk about how we can make more progress on Doha or Malaysia or some other major issue. So we owe him for his focus and his intensity. And as my former colleagues know, there is nobody more intense. I told him tonight, you know, I hope things are going okay for him, I know they are going okay back home, because if you can give a speech like that tonight as to the importance of trade to the working person and the jobs in his district, he'll be just fine. [Applause].

Honestly, that is one of our issues, and not many members of Congress can give this speech. And yet it is true, and it does affect the lives of the people we represent. Now me at a national basis, but before when I was in the second district of Ohio. And yet not many members maybe have the data that we talked about earlier tonight, maybe have the interest or ability to translate that into people's everyday lives. And that's what is necessary during what is a tough political climate on trade. So, I thank you for holding Greg up as an example and I thank him for truly his profound courage that he demonstrates every day in the House of Representatives. I will tell you as one of the CAFTA 15, and I love them all [laughter], he is not getting accolades in certain quarters, so you need to be sure and counter that as you have tonight.

I also want to mention the fact that Joe Crowley and I have worked a lot on trade together. In fact, when Joe and I were both looking at a trade agreement about a year ago, long before I thought I would ever consider this job, much less be considered for it, Bob Zoellick came up and had lunch with us and I got to learn a little more about Joe Crowley's passion for this business. And he has taken the lead on Bahrain. Mr. Ambassador. [Applause]. He will continue to be a big supporter for us on trade issues where he sees it in the interests of the people he represents. And that is very important to us given his leadership role on the other side of the aisle. So, thank you my friends and it's great to be here with you. I really feel like I am back in Congress. [Laughter]. This is great. Same thing with my friends. [Inaudible comment, more laughter].

I want to mention just for a second, some other people who are here, the ambassadors, I appreciate your being here and the Capitol Hill staff who are here. There are senior staff here from the Ways and Means Committee, Finance Committee, and Judiciary Committee, I see. Ag Committee I don't see, but I'm sure they are here, from every committee on Capitol Hill that's interested. I thank you for your hard work.

I also want to particularly acknowledge a good friend of mine who is here from the White House, the President's principal international economic advisor is here, and Faryar Shirzad, as you know, [applause] has plenty of places to be tonight, and chooses to be here with us talking about services. He is a great help to me on a personal level, but also in terms of USTR and our interaction with the White House and with the other agencies. He is essentially the traffic cop, so he works between Commerce, USTR, the State Department, the Treasury Department, Labor, Ag and so on, and ensures that the President, frankly, gets the best advice possible on trade. So I appreciate your friendship, Faryar, all the work you have put into this. I told him as recently as today that he has got a lot of other issues on his plate, but we love the fact that he is so committed to USTR and he has a great background to do this.

I also want to mention that there are some USTR folks here in addition to myself, and they are the people who actually do the work. And it's an incredible team. I spoke to the Ways and Means Committee today and told them that I was so proud to stand shoulder to shoulder with the professionals at USTR. It's a terrific group of people, and many of you have worked with them closely, in the services area with Christine Bliss, who is here tonight [applause], our assistant USTR. But I also see four or five other Assistant U.S. Trade Representatives who are here. I see our General Counsel here, I see our Legislative Director here. We have got, again, an amazing team. I am very comfortable going into battle with USTR because it is such a strong team. I am not going to recognize all of them, as I start doing that we will be here until midnight. But you just know that your tax dollars are well spent at USTR [applause].

There is so much that I want to talk about tonight, and I will try not to go too long. But I do want to talk a little bit about services and Doha. And if members of Congress feel the need to go work on a constituent problem, I will totally understand. [Laughter]. I want to start by saying we have had a pretty good run at it these last four months. I mean, the CAFTA vote was tough, and it was a come from behind victory, and we could not have done it without the people in this room. I will just tell you that, flat out. Not only did we need the votes of the members of Congress that we talked about, but also the services industry helped with a lot of other members. When you only win by two votes, meaning one of them could have gone the other way, and we would have lost, everybody is responsible for the victory. So take credit yourselves, and thank you for what you did.

It was tough because of the politics, not because of the substance, but it was very important to have that victory. More so than maybe you know, because it really gave me a little wind at my back, and at USTR's back as we went into the international negotiations on Doha, and as we talked about the next bilateral or regional trade agreement. I went to Paris the day of the vote, actually. The vote was at three in the morning or something, and I was on a flight to Paris that day to work out a really knotty agriculture issue which had held up progress in Doha, really for

three or four months. And we were able to resolve that over the next few days, and I can't tell you how many trade ministers from around the globe came up to me and said, you know, "nice work on CAFTA, and you know, basically now maybe we can work with you." If it had gone down, I can tell you, it would not have been a gateway to further successes, it would have been a real detriment to my ability to bargain on our behalf. In fact people would have said, "gee, I'm not sure I can work with this guy, because I'm not sure he can deliver." So I see a lot of staffers here from other offices, House and Senate side, and I just want to tell you that this was as important as we thought it was, and it is proven that in my conversations and my work around the world since that time.

We have also extended the Trade Promotion Authority in the last few months, not bad, until July 2007. Wish we could do it until the end of the Administration, at least, but that is where we are. We had overwhelming support for U.S. membership in the WTO, which is not always an easy vote; that occurred a couple of months ago also. Recently we finished an accession agreement with Saudi Arabia, something we worked on for nine years. A major accession, and will help on services. I don't know if many of you have looked at that agreement, but it has some great things on services. Give me a clap Laura, [applause]. Thank you.

As recently as a few days ago, some of our colleagues in the Senate bravely stood up with us on both sides of the aisle to beat back a very popular amendment which would have tied my hands on Doha, offered by Mr. Dorgan. I want to thank Senator Baucus and Senator Grassley, in particular, who won that vote with a 69-30 vote, if I recall. 29-70, 29-69? [inaudible] So, for government work [laughter]. The point is this is the same amendment that passed overwhelmingly a couple of years ago with TPA. Same amendment, and this time, frankly, the members of Senate at the urging of the President and at the urging of some of his advisors, namely his U.S. Trade Representative, trusted us, and said "we will give you a little slack here and work with you, so we can indeed engage in a discussion about the rules issue in Doha." Frankly, I didn't think we could win it. But we did because we were able to persuade them that they could work with us across this. So I hope this is a harbinger of things to come. I think it is.

I want to build on that partnership now for Doha. The President has been talking about this a lot. I don't know if you heard his U.N. speech, but he talked about Doha. And he pledged that the United States is ready to eliminate all tariffs, subsidies and all other barriers, that's services, to the free flow of goods and services, as other nations do the same. That is a quote. Faryar knows that quote well. He worked on it for three weeks. [Laughter]. Seriously, we have a President committed to this stuff; he really believes it in his heart, that this is the best thing for America. He believes in the efficiencies of trade, he believes in comparative advantage, he believes in the fact that if you have more trade, you are going to have less conflict as Greg Meeks said. And he is going to continue to push me, and us, hard. He also made the point that increased trade is critical to overcoming poverty in the world.

And you all know the World Bank study showing that we could draw 300 million people out of poverty. A recent study by the National Economics Institute -- 500 million people could be lifted out of poverty if we could have a Doha round which eliminated all barriers to trade. That is amazing when you think about that; the capacity of trade to do more than aid could ever do, to be able to truly give people those opportunities that we so take for granted in this country. So

we've got an Administration committed to this, and we have had some good progress to date, we have a lot of work to do though. The CAFTA vote was not close because this is easy politically.

We are also working, as you know, to get Russia, the Ukraine and Vietnam into the WTO. We have had some good leads on that these past couple of weeks, and I think Congress is interested being sure that we make progress, particularly on the Ukraine, coming up soon. We are pressing it with free trade agreements all over the globe. We actually have eight in the works right now; we're looking at another four. And some folks say, "Gee, do we have the resources to do it?" I say, of course we do, we have to have the resources to do it, we have to figure this out. And is it inconsistent with the Doha round? Not at all. It compliments the Doha round. As we have free trade partners lined up and working with them, those are the people I can rely on most to get a good Doha round agreement.

There is also something to this in terms of our free trade agreements, if we have free trade partners bargaining, their lot seems relatively easy. Because our free trade agreements are tough, we demand a lot in terms of services, but also other market access issues, so I think this makes sense. I also think that when a country comes to us and says they want to do a free trade agreement with us, I think we have to think long and hard about turning them away, if they are willing to go through the process with us and they understand the kind of incredible market access that we require. So, I going to be am pretty aggressive on that front, and I know there is some concern in the trade community that we might spread ourselves too thin. We'll see. We have a strong team. And we can chew gum, we can walk, we can even run at the same time. I am going to continue to push our team to do it because it is the right thing to do.

All of us in this room know that services liberalization is critical to our economy. We have heard tonight that about 8 out of 10 U.S. jobs being in services. We didn't hear yet tonight about the fact that it's a \$48 billion trade surplus in services in 2004. That number in 2005 should be significant as well. My point is very simple, we have a competitive and comparative advantage in services, and it is also good for others. There have been some recent studies showing that if we can indeed spread services around the developing world, we will see great gains in their development.

Unfortunately, outside this room, we've got our job to do, don't we? We have not been able to communicate this message as we should at home and abroad and this is partly what I look to you to do. There are some rear guard actions out there. There is an anti-trade group out there right now talking about how state regulators, and legislators and attorneys general should, you know, turn away from these agreements because service agreements undermine state sovereignty. This is not correct. You need to get that word out there, not just here in Washington, but around to our states. The fact is that the U.S. is offering nothing in these negotiations which would require the states to make any change in their laws or regulations that they have not already adopted or agreed to adopt. This is very significant. I heard this a lot during the CAFTA debate. We were able to turn around particularly some Republicans who were very concerned about this issue.

We need to do a better job of communicating to national and local legislators the importance of the services sector in our everyday lives, and that these international rules offer a lot more benefits than they do risks. I talked about this some in Ohio, let me give you an Ohio example.

Express delivery and logistics companies in Ohio employ 29,000 people alone. And as this expands globally, what does this mean? It means more jobs in Ohio. We have done some analysis on this. One company estimates that the addition of just 40 additional international packages justifies one more job in Ohio; one more job in the United States. So, these are the kinds of messages we have to get out there.

Recently I was down in New Orleans, last Friday, looking at the trade issues, particularly the ports. And I noticed as you must notice, the impact of our services trade on everyday lives, you know, as people try to reconnect with their families and loved ones, what do they do? They pick up a cell phone. You know, we have the ability because of our services with the trucks and the trains that actually can deliver food with our networks, with the vital hub of hemispheric trade that we have, we can provide these services to folks who are most in need. And this is something, again, that we take for granted, but it is something that the rest of the world also should have the opportunity to take advantage of.

So while we need to do a lot more outreach to members of Congress, governors, state legislators, and so on, I think this is a time when because of the Doha round coming, we will have an opportunity to bring it to a more specific point where we can actually say, this is the benefit we can see from trade. And it is your job to do that, you've got to help us do that, you've got to get that word out, you've got to be our ambassadors.

On the trade education front, I want to commend Congressmen Jim Kolbe and Ben Cardin and CSI and its members for working to get 56 members of Congress to tell me that we ought to urge more focus on the services sector. You're educating at least 56 of those members of Congress well. We do need to get, frankly, more members of Congress focused on Doha, which I am trying to do. I am speaking with three different committees this week and continuing week after next with some more briefings. But again, getting members of Congress on those letters is great, getting them focused on the importance of it is important.

It should no longer be a matter of debate just how important lowering trade barriers to services is. University of Michigan researchers have recently estimated that eliminating services barriers would yield a \$1.4 trillion income gain for the world. I don't know if our Brookings friends agree with that, but that sounds pretty good. I hate to use the University of Michigan during football season, since I am from Ohio [laughter], but they have done some great work.

The World Bank, as I said earlier, has done some work here, the services sector, of course, accounts for the largest and fastest growing share of GDP in the low and middle income economies. Over half of the total employment in Latin America, the Caribbean and East Asia is now in the services sector. You mentioned India at 52%. And we now know that developing countries that liberalize their services industries grow far faster than those who choose to keep barriers in place. We have the data, we can show these countries that.

Talked about India earlier, we also need to focus not just on India, but other emerging developing countries and explain to them the importance of services to raise the standard of living in their own countries but also because they now have authentic interest in this. They can provide services, and do. So, again, I appreciate your work in this regard.

One of the issues that I talked to Norman about earlier is the fact that you have associations with foreign governments in many different respects. One is you have businesses there, and some of the companies represented in this room are huge businesses that have the ability to talk to those countries that are members of the WTO that may not be as focused on services, please use that. Please be sure that your company representatives are talking and letting folks know the importance of services to you from their country's perspective. But second is your associations. There is an association similar to CSI for the European Union, for instance, that I know you work closely with. But there are also other trade associations around the world and each of these particularly emerging and developing countries. You need to work with them and be sure that they too are on board and pushing Doha and pushing us to get a better deal in Hong Kong as we get started into the 2006 more specific focus on services.

Domestic and this global outreach on services is important because I think it is key to building support for Doha. Without it I worry that it could fall behind. I know some of you are concerned, as I heard from Norman a minute ago, that the negotiations have not received enough attention and have produced very little in the way of results yet, especially in market access. As you know, I do talk about services a lot, I believe it is one of the three critical pieces of Doha, along with NAMA, Non-Agricultural Manufacturing products, market access, but also agriculture.

And, so I share your concern, I think we have made some progress. I noticed that some WTO officials this week were talking more about services, so you need to keep doing what you are doing to raise this ability. I have made it clear that we cannot accept a final package in the Round that does not have a meaningful services element. It needs to have meaningful results also in agriculture and in NAMA, but services has to be part of that. From a U.S. perspective, services is an equal priority and again, we are going to strive for a stronger result in this area as we get into the other two areas of market access. [Applause].

In support of that goal, we are pursuing an ambitious Work Plan for Services covering market access, domestic regulations, rules, and development. By Hong Kong we hope to have fleshed out the details. I have talked to Norman and Bob about that a little tonight, but we hope to have fleshed out the details as much as possible. That will be able to give us a strong roadmap for completing the negotiations by the end of 2006. Again, I don't want to keep you all here all night, but let me briefly talk about some of these major areas.

First, market access, we are looking for an overall multilateral target that will help pull the negotiations forward to achieve a higher level of liberalization across the globe. We've also got to ensure these new market access commitments are of high quality, and that we secure those commitments in those countries that matter to us the most. We have identified a group of countries that we think matter most to us now, and also have the potential over the next decade to be important markets for us in terms of service. I want to prioritize and focus, and so that is our effort at USTR.

We have also identified key sectors, such as financial services, telecom, computer-related services, express delivery, distribution, and energy services, for which we are going to secure a

critical mass of high quality commitments from key developing countries. So, that is our focus: focusing on the countries that matter the most, focusing on those service sectors where we can see the most potential for gain.

We do think that we have a good idea of which countries would constitute a critical mass – and that is namely the larger developing countries, as well as, of course, those traditional markets for our services. And we know pretty much what we're looking for in terms of quality – commitments that provide for the unrestricted direct investment and unlimited supply of cross-border services.

Developing countries must recognize that commitments in each of these key sectors are not just isolated demands to increase U.S. services exports and investment. Instead, they are means to promote their economic growth by encouraging investment in sectors that permit their full participation in a “networked” trading system. Again, going to the point that this is not just about the United States and the comparative advantage that we may have, but about their own economic development. Again, I hope you will continue to spread this message to help us to be able to achieve these results in Doha that are good for America, but also good for our commitment to a rules-based system of services.

There are a lot of other issues that are probably on your minds in terms of the services area. I am aware, of course, of the issue of temporary entry and Mode 4 and how we might deal with that. I am, of course, very mindful of the sensitivity on these issues in Congress as well, as are Joe and Greg and Peter. So this is one we are going to have to work through carefully. I am aware of the [inaudible] proposals of CSI and others in the business community have begun to put forward. As I told your leadership tonight, I am very pleased that you are making some progress in putting together some interesting proposals that approach this from some new angles, I think that is important. Clearly your views are going to be important as we begin to develop our policy in this area.

I also want to thank you for what you are doing in other areas, not just on the WTO front, but on our accessions. I mentioned Russia, Vietnam and Ukraine. I am very happy to tell you with regard to Ukraine, we continue to make good progress on services and I believe we have a chance of reaching a bilateral agreement fairly soon. We've also got other countries, some 30 countries seeking to join the WTO, and each one of them has to have a good, strong services schedule in order for us to be supportive. While we work on the multilateral front, of course, we've also got plenty to do in terms of our FTAs. I talked about that earlier. We will continue to focus on services in all these prospective FTAs and the ones that are in the works.

And, in addition to the work on FTAs, and our accessions, and the Doha, we are going to continue to work very closely with members of Congress, consulting with them to the point that they may get tired of seeing me and my colleagues up on the Hill. I just ran into one of our great staffers here tonight who said, “It's good to see you again today.” [laughter] They may wish they never said they weren't consulted enough by the time we finish consulting, because that is a commitment that I've made and our team has made; that we will do our very best to ensure that we are getting the input from members of Congress so they feel like they are part of this team.

As I said today at the Ways and Means Committee, in my view trade should be a nonpartisan issue, not a bipartisan issue. It is one of those issues where our disagreements really should end at the water's edge. And we should relate to the rest of the world as Americans, not as Democrats or Republicans, or even as members of Congress in some cases, or members of the business community. Because we often share common ground in terms of what we are trying to achieve for our workers, for our farmers, for our service providers. And indeed I would say in the case of Doha for the global economy.

So again, I want to thank you for your hard work on trade issues generally, specifically on CAFTA and all these other initiatives we talked about, including our work in Doha and the FTAs. I look forward to continuing our work together, raising the awareness of the importance of services, here at home and around the globe. Bless you for what you do, thank you for listening. Good night. [Applause].