

**Opening Remarks of Ambassador Rob Portman
United States Trade Representative
As Delivered
November 3, 2005
Washington, DC**

AMBASSADOR PORTMAN: Thank you all for being here. Tim, why don't you and Paula come on up. Stand behind me here. Don't show that off yet though, it will distract the media. Show and tell is coming and will be much more interesting than what I have to say, so hang in there. Thank you. First of all I appreciate your being here. This is an exciting opportunity for us to announce an agreement to eliminate tariffs on a very important high-tech product to the United States. Entirely consistent with what we're trying to do in Doha and I think it actually will help us in terms of the non-agricultural market access discussions, the so-called NAMA discussions in the Doha round.

This is the announcement of our multi-chip integrated circuit or MCP agreement. Again, this is a great agreement for our high-tech industry providing duty-free treatment to over \$1 billion in U.S. high-tech exports. You will hear more about the importance of MCPs to our economy and how they work from these two industry leaders who are behind me. Paula Collins is here from Texas Instruments and Jim Jarrett is here from Intel. Again, they will have some show and tell for you and for those of you who like me who still have trouble programming your DVD player, or maybe even your VCR [laughter], as is the case with me.

Let me explain a little what MCPs are. They are an evolutionary new high-technology semiconductor which wraps memory and non-memory chips into a single package. Again, you'll see a demonstration of that in a moment. The applications for the MCP is extremely important for our economy. Right now they're used primarily in smaller applications like cell phones, PDAs, digital cameras. They make possible and practical those devices that we now take for granted and use every day.

We need our trade policies to keep up with the speed of technological development, and this is a great example of that. That's why the United States has negotiated this agreement with the European Union, Japan, Korea, and Taiwan to cut tariffs to zero on MCPs. The countries I just



USTR Portman displays a multi-chip wafer as Texas Instruments Vice President of Government Affairs Paula Collins explains the function and capabilities of MCPs to the audience.

named constitute 100 percent of MCP fabrication and about 70 percent of the assembly and other production. The hard work of our negotiators in completing this agreement demonstrates the commitment of the United States to continue to move the high-tech agenda forward. And again, to be sure that our trade laws work with the new high-technology exports that will be so important to our future economic growth.

I want to thank Meredith Broadbent of our staff in particular who has been focused on this for some time and has brought this to my attention numerous times to be sure we move this process forward. Meredith used to work in the Ways and Means Committee, some of you know her. But she and our team have done a terrific job working with our trading partners on this.

The fast growth of MCPs has been driven by the ever-increasing demand for these high-functioning, low-energy, ultra-miniature electronic gadgets. Global trade in MCPs, as an example, has grown from zero in 1999 when they were introduced to \$4.2 billion last year in 2004 and it's expected to double again by 2008. Five of the top 12 MCP manufacturers are U.S. companies and American firms account for over 50 percent of global revenue in MCPs, with U.S. exports, again, of these MCPs being over \$1 billion a year.

We needed this agreement because the 1996 agreement called the Information Technology Agreement, or ITA, did not apply to MCPs. For the obvious reason that MCPs were not around at the time. And so this is in a sense updating the ITA agreement. Today there are 66 members in the ITA; it covers 95 percent of global trade in information technology products. ITA reflects the increasingly global supply chain that has emerged in this sector and has sparked tremendous growth in both U.S. and global exports of these products. The global growth in exports covered by ITA, for example, grew from 102 percent from '94 to 2003, and U.S. exports grew 22.6 percent. So there is significant growth here globally and in particular with the United States having more of these knowledge-based exports, this is an important agreement for us. MCPs unfortunately were not included, again, in that 1996 agreement and we'll learn more about what this device is and how it's an evolution from the technology that existed before that period.

The MCP agreement, again, I think also provides us momentum for Doha. It's a great example of how we can on a sectoral basis looking at a product across different countries come up with major advances in tariff reduction. The U.S. and our MCP agreement partners will work to expand the benefits of the MCP agreement to other WTO members through a two-step process. The first step is partner countries who are participating in this agreement have committed to cooperate in the WTO to obtain additional commitments to cut duties on MCPs to zero. Second, once the parties agree that a sufficient amount of world trade is covered, for example 90 percent of the trade, then these MCP tariffs will be bound under the WTO. This two-step process provides real and tangible momentum to make progress to open trade further on this, but also all manufactured goods through the Doha Development Agenda negotiations.

On Sunday, as some of you know, I am leaving for a 10 day trip around the globe to advocate free and fair trade and to promote an ambitious and comprehensive reform agenda for the Doha round. We are going to be working on advancing the Doha negotiations through ministerial meetings in London and Geneva, in Africa- Burkina Faso, Africa, in India, that will be in New Delhi as part of the new U.S.-India trade dialogue, in Beijing, and in Busan, Korea at the APEC meeting. I will also be continuing our important work on bilateral issues with some of these countries as well as some of our regional trade issues, particularly with APEC countries.

We have 40 days now before the Hong Kong ministerial and I intend to do everything that we can as USTR and as the United States to maximize the possibility of having a successful Hong Kong meeting by using this time in a concentrated way, in a focused way over the next few weeks to maximize the opportunity for a strong result in Hong Kong.

For our business community friends here today I will make a point I make constantly. When I'm meeting with our business community we can only reach these goals in Hong Kong and the Doha round if we are indeed to be partners in this, we need the help from our business community as demonstrated by this MCP agreement. Opening markets can stimulate economic growth and increase innovation in the high-tech industry. We need to be sure that American business understands this potential, that the workers that work for these countries understand it and that we have therefore the support in Congress and elsewhere to make these market-opening initiatives and be able to move our economy forward.

Today's announcement on MCPs, again, does provide momentum for the NAMA negotiations, and I intend to capitalize on that momentum during our trip, talk about this agreement as an example and use it as a way to get additional sectoral reductions in tariffs through the NAMA negotiations.

Again, I want to thank Jim and Paula for being here. I look forward to your questions after they give us a further presentation of the importance of this agreement to the U.S. economy.