

**Remarks by Ambassador Peter Allgeier
U.S. Trade Representative
to the World Trade Organization
Press Briefing on the Trade Policy Review
of the United States
Geneva, Switzerland
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Ambassador Allgeier: Thank you very much for joining us today. We simply wanted to make a few comments about the Trade Policy Review of the United States which was held on Wednesday and today.

This is the eighth Trade Policy Review of the United States. We've been reviewed more than any other country. There was very great interest in the Trade Policy Review. As you know, the process is one in which the government produces a report, the Secretary produces a report, and then members are invited to ask questions in writing. For all of the questions that are submitted two weeks prior to the review the country under review is meant to respond in writing by the time that the review begins. Frankly, this is the first time, as I understand it, that a country under review actually met that deadline by responding to the questions. We had an enormous number of questions. I think we had more than 600 questions in writing to the U.S..

I mentioned how much interest there was in this. During the first day there were interventions by I believe something like 47 members and when you realize that one of those members is really composed of 25 countries, basically half of the population of the membership spoke or was represented in speaking on our Trade Policy Review on Wednesday.

We're very pleased with the review. First of all we think that the Trade Policy Review process is a very good one for all countries. It requires us all to think carefully about our trade policies and respond to our trading partners, and it's a very important element of transparency in the WTO.

We were very appreciative of the many positive comments there were about the openness of the U.S. economy. I think that's pretty clear. We are the largest single importer in the world. We imported last year something on the order of \$2 trillion in goods, and that works out to about \$4 million every minute. Our trade weighted average of our tariff is 1.4 percent. Last year 70 percent of our imports entered our market duty-free.

There also was a lot of recognition of the role played by the U.S. economy over the past decade as the engine of the global economy in the face of slow growth in many other countries. Just to give you some order of magnitude, in the 11 years since the WTO was established our average annual growth rate was 3.3 percent.

There were many expressions of appreciation for U.S. leadership in the Doha negotiations, and obviously encouragement for us to continue to play that role.

We in turn reiterated our commitment, our strong commitment to conclude the Doha Round this year with an ambitious package, and we pledged to work with other members to do this.

Obviously there were comments on specific aspects of our trade policy and we certainly took careful note of those, responded to questions, and we'll reflect on what that means for our trade policy as we go forward and as we go further into these negotiations.

I am joined here by Dave Shark who is our DCM and has been through a number of these TPRs; and David Walters, who is our Chief Economist at USTR. He's participated in every one of the eight TPRs that we've had.

With that, I would be happy to respond to any comments or questions you have.

Question: Kuwait News Agency.

Ambassador, can you compare the U.S. to the EU and other big players, China, Japan, in terms of imports and openness?

Ambassador Allgeier: In terms of imports, we are the largest single importing country in the world. We're also, by the way, the largest host for foreign direct investment. I don't have at the tip of my tongue the exact numbers for the other countries that you mentioned in terms of their trade. But in terms of openness I think that our economy is as open or more open than any of those that you mentioned.

Question: Even if you compare yourself with the EU?

Ambassador Allgeier: Oh, yes. If you look at our tariffs, our tariffs, among the developed countries, are basically all very very low. I think that it's fair to say that our economy is at least as open as others. Look, last year we ran over an \$800 billion current account deficit. So we can't be too closed if you do that.

Obviously there are other factors. The economic growth in the U.S. is obviously an important factor in how much we import, but you put together an open economy and a fast-growing economy, that's the most powerful import engine in the world.

Question: During some of the questioning the EU and other members raised the issue of the security measures that the United States has adopted since 2001. The EU in particular said there is a need for a better balance between security questions and possible impact on trade.

What kind of reassurances were you, if at all, able to give them during the review?

Ambassador Allgeier: There were a lot of questions and comments about the security measures, the balance between having effective security and still having smooth flow of legitimate trade.

I have to say, however, I didn't hear specific problems. There was kind of an anxiety, and we pointed out that the process we went through, for example, in putting in place things like the Container Security Initiative was one where we had public comment from our foreign trading partners and took that into account.

We have said, we are open to other comments and suggestions on how we can improve on this balance.

So while there were many comments, honestly there were not specific things that were raised. We also pointed out that we provide assistance to developing countries to help them comply with these security measures.

But we're open too, if people have specific problems that they face to looking at those and seeing how we can resolve them.

Question: I've got a question for Mr. Walters. John Zaracostos for Fairchild Publications and Lloyds List.

I was wondering if you've done any number crunching, what the extra security costs mean in terms of an impediment to trade? Some have said it's an equivalent to three to four percent of a tariff hike. Have you done any number crunching yet, USTR, on this issue?

Mr. Walters: We haven't done that at USTR. That's not to say it hasn't been done somewhere in the U.S. government. USTR is a relatively small organization with a highly focused mission. It would be, I imagine, of interest within the U.S. government to know if there were, but I don't know -- Peter, I don't know if you know any place where anybody has made those calculations.

Ambassador Allgeier: No, but clearly we have as big an interest as anybody in minimizing any extra cost that would be imposed on international trade.

Question: I'm from Xin Hua New Agency of China.

Next month there will be the WTO policy review on China and I think you have already seen the Secretary's report on China. So what's your comment on that report on China?

Ambassador Allgeier: The Secretariat reports typically are very very comprehensive and thorough and so we are reviewing that very carefully. We are putting together now the questions

that we will put to China where we will be requesting responses in writing. We will submit that certainly before the deadline, so we look forward to the Chinese responses in writing at the time of the TPR itself.

Question: So what will be the major questions you will raise against China?

Ambassador Allgeier: These are not questions against anybody. These are questions about people or a country's trade policies. We certainly didn't look at these 600 questions as arrows directed at the United States.

We will ask about the whole range of policies that they took on when they acceded to the WTO. Obviously things like intellectual property will figure very prominently, but there are many other areas of our relations with China that will be important.

Question: Ambassador, can I ask a couple of questions? One or two or three?

To start with, you know 45 countries touched on almost all issues. Though everybody praised your trade policy being open and your overall measures, there has been considerable concern on issues like rules of origin, tariff peaks in some items, rising level of domestic agricultural subsidies. Given this, can you indicate that will you now press for some kind of rules of origin agreement in the non-preferential areas by the end of this Doha Agreement? And two, would you also indicate whether you support this Turkish proposal on textiles, given the kinds of concerns you have?

Ambassador Allgeier: Several things here, obviously, Ravi.

On rules of origin, obviously that's an area that we pay very close attention to. I don't think that we envision an agreement on rules of origin as part of the Doha package.

On tariff peaks, we're the ones who are pushing the Swiss Formula which is the most effective way of dealing with tariff peaks. We hope that that will be taken up by other countries who have in the past been very concerned about tariff peaks. So that's a relatively easy one to answer.

On the question of domestic agricultural subsidies, the expenditures in the last year were higher than in some previous years. I want to make it clear that our expenditures, however, were within the limits that we're allowed under the Uruguay Round which of course are lower limits than faced by Japan and the EC. And as I explained this morning, part of the reason for that increased disbursement was we had some very severe disruptions to our agriculture in the South because of the hurricanes that hit there, Katrina and Rita. And also of course much higher energy prices. Not only did it affect the crops in the South, but it certainly affected the ability, at least for a time, to move product down the Mississippi River from the Midwest. So this of course had its effect on prices. So under those circumstances it's quite natural that there would need to be additional support, but it was all within the limits that we are allowed under the Uruguay Round.

Question: Just to follow through what you said on agricultural subsidies, one of the issues where everybody commented is the lack of transparency in what you are doing. After 2001 until now there have not been any notifications and several countries have pointed out that U.S. is the champion of transparency, but when it comes to agriculture subsidies why are they hiding?

Ambassador Allgeier: We're not hiding. We understand our responsibilities and we're still working on bringing our notifications in various areas up to date. Incidentally, I believe that one of those who commented on that is about in the same position as far as notification. So there's a certain balance there I guess.

Question: Which one of those?

Ambassador Allgeier: I'm going to leave that to you to spend your afternoon trying to figure out, Ravi.

With respect to your question about the proposal that Turkey put forward yesterday. Well, they just put it forward yesterday. We obviously are still reviewing it. There was an initial, very preliminary discussion yesterday, but we obviously here and particularly in Washington have to review what's in that proposal.

Question: Ambassador, has the issue of Dubai Ports World been raised to the United States in your deliberations? And doesn't it in a way frighten the Arab side from any major deals in the future with the United States on the pretext of security?

Ambassador Allgeier: That came up more in the written questions than in oral questions, although there were some questions about the process that we conduct through this Committee on Foreign Investment, the CFIUS. A couple of comments on that.

One, I explained to people how this CFIUS review takes place. It's not an investment screening mechanism. It's only there if there is a question or a potential question, I should say, about national security and how that might affect, how an acquisition might affect our national security.

This law under which the CFIUS operates, the so-called Exxon-Florio Act, has been in effect I think for something like 18 years. During that period only once has the President, and this was in 1990, only once has the President blocked an acquisition. So this is not something that is a real impediment to investment. Quite the contrary, often cases are submitted by the U.S. company that is about to be acquired by a foreign company because it wants to be sure that the transaction isn't going to run into problems down the road.

So often companies will come to CFIUS and say will you look at this? They will look at it and say we either think we need to look at it further in an investigation or no, we don't even have to do an investigation.

In the case of the Dubai ports, CFIUS looked at that case and said we don't even need to take it to the second stage of an investigation. Now politically, in the public and in the Congress, there's a lot of anxiety about port security so it got embroiled in that.

The Administration, however, was very clear that CFIUS had looked at it and we felt comfortable that it did not pose problems to our national security.

Ultimately the company that was acquiring the U.S. operation, of the British company, decided to divest itself of its North American operations. That's a decision by the company. That was not something --

Question: So you said it was up to the congressional vote.

Ambassador Allgeier: But the congressional vote did not prohibit it. There was no law that was passed that said they couldn't do it. All right? So they were legally free to do it. Now they made a business decision about how they wanted to handle it.

But let me go one step further. That is, for us direct foreign investment is very very important to our economy. It has been a major source of improving our competitiveness. Something like 5.3 million Americans work for foreign companies that have operations in the United States, and we welcome investment from all parts of the world. Certainly the UAE is a very good partner economically, it's a very important friend, and we welcome investment from there.

I think that this should not be looked at as a commentary on any particular nationality. What it is is a reflection of a lot of anxiety in the U.S. about security. In some parts of the country, you can sort of understand in a way why in the New York area there would be particular sensitivity.

But our policy remains clearly one of open and welcoming foreign investment.

Question: Just to follow up because you didn't answer me whether --

Ambassador Allgeier: I thought I did.

Question: No, you didn't answer me whether you calmed the fears of your Arab partners during the debate on whether they can be confident that in the future they can work with the United States.

Ambassador Allgeier: I don't know whether we calmed their anxieties. You would have to ask them. Certainly we want to -- That's the message we are trying to send, that we welcome investment from that part of the world and other parts of the world.

Question: I was wondering, a follow-up to Hadai's question. A lot of negotiators were startled at the strong stance taken by the President on free trade for port services, that they're anticipating the U.S. might come forward with a proposal on maritime services. Is that pending, or is that not likely to happen?

Secondly, with reference to what you mentioned about Katrina. During Katrina, the Jones Act was waived to help ships provide supplies in the coastal areas. Is that also a precursor that an offer is coming that might liberalize port to port services in the U.S.?

Ambassador Allgeier: John, I don't know. Hurricane Katrina was the once every 100 years hurricane, isn't that right? So maybe that's the standard, I don't know.

But more seriously, certain countries have asked about maritime services. The next revised offers in services are due before the summer break. We're reviewing our offers and our requests and I don't want to pre-judge where we would come out on any particular sector.

Question: Ambassador Allgeier, I was wondering if I could just follow up on two issues that were raised.

First of all on the textiles issue there was a statement made yesterday by a group called AMTEK which I'm sure you're aware of the U.S., claiming that the U.S. gave strong support to the Turkish initiative yesterday. We don't have any record of your comments, the U.S. delegation's comments. I was wondering if you could clarify whether that statement is correct.

And on the port issue, the Chinese Ambassador also made a very strong statement saying that the U.S. moves in security recently have undermined the multilateral trading system. I was wondering if you could comment on that.

Ambassador Allgeier: Yes. First of all, on the textile issue, we have two points of reference on this. One is what the July framework of 2004 says about NAMA; and the other is the U.S. Trade Promotion Authority language on textiles and apparel which says we are mandated by the Congress to obtain comparable market access in foreign markets for U.S. textiles and apparel to what we provide in terms of access to the U.S. market for foreign textiles and apparel.

On the first point, that about the framework, the framework talks about a line by line non-linear formula and it also talks about the possibility that sectoral initiatives can also be a key element. So we will be operating within the bounds that I just mentioned, those are our points of reference.

With respect to the specific proposal and our reaction to it, as I said a few minutes ago to Ravi, we just got it last night or yesterday afternoon like everyone else. We have sent it back to Washington where it will be examined and reviewed. So we have not taken an official position on that.

Question: Just to clarify, that statement by AMTEK is not correct.

Ambassador Allgeier: I don't know what the statement was. I haven't seen the --

Question: -- strong support to the Turkish initiative.

Ambassador Allgeier: we have not taken an official position on that paper.

Your second question was about the --

Question: The port issue and the Chinese ambassador's statement.

Ambassador Allgeier: We disagree strongly and we think that the record proves that we have been extremely judicious in any use of national security and certainly are not undermining the system. Frankly, with \$1.5 trillion in foreign investment in our country and enormous flows outside the country, I think the record speaks for itself.

Question: You made an initial remark yesterday in the meeting --

Ambassador Allgeier: I didn't.

Question: No, I mean your delegate. Said it's an excellent proposal. They also mentioned about the TPA bid, that it requires comparable this thing. We are willing to consider this proposal. That's what was said in the meeting.

Ambassador Allgeier: With almost all proposals we indicate that we are prepared to review the proposal and that's where we are on any of these proposals. But there is not an official U.S. position on that proposal.

Question: Thank you.

Question: If I can have a follow up to my colleagues' questions. If you could clarify, in this same meeting the Special U.S. Textiles Negotiator said he agrees with the product coverage proposed by Turkey. That's a strong statement when he agrees with the key component of the proposal in a meeting in front of 148 countries and also present with the Deputy Assistant Secretary of Commerce responsible for textiles.

Ambassador Allgeier: I'm sorry, I was not in the meeting so I don't know whether in fact that is accurate as far as what he said. But I would just stand by --

Question: Scott spoke in the meeting.

Ambassador Allgeier: Well, I don't doubt that he spoke, but all I'm saying is I wasn't there and I don't have a record of it so I don't know whether the quote that you're giving is accurate because I doubt, John, that you were in the meeting. All I'm saying is we've received the proposal as has everybody else, we have sent it back to Washington. There is not an official U.S. position on that proposal. We have gotten no instructions from Washington on an official position on that proposal. The discussion last night was, as far as I know, the first discussion in any group about a proposal that was just presented at that time.

So we're fast, but we're not that fast in analyzing things. [Laughter].

Question: Ambassador, sorry, can I come back to the textiles again? Just to raise two issues.

Namely you said right now that you referred, line by line cut based on the Swiss Formula which is a harmonization formula. Then you also said the mandate provides for sectorals.

The Turkish proposal calls for a harmonization outside the normal formula that you agree, and then it also insists that all the competitive producers participate rather mandatorily in the sectoral agreement.

Would you encourage these two tendencies to have a harmonization outside the normal formula that you're going to have for line by line? And then also have non-mandatory kind of a thing waived off?

Ambassador Allgeier: Ravi, what I said is that we have these points of reference. We have the language, some of which you quote from the framework. We have our language from TPA. Those are the criteria that we will use as we analyze any proposal on textiles. So that's what we will do and we're in the process of doing it but we haven't come to a conclusion. I must say that I've personally just skimmed over that Turkish paper. I haven't analyzed it closely myself and certainly Washington hasn't had time to do that.

Question: On USTR Mr. Portman was quoted as saying that he's going to seek an extension of the Trade Promotional Authorities, the Fast Track Authority. It was in the press.

Ambassador Allgeier: I would have to see what the precise quote is. On the one hand, of course, the President has always said, and every President has said having Trade Promotion Authority or its predecessor is a very useful tool. And I have no doubt that under ideal circumstances we would like to have it. The question is what's the likelihood that we would have it? I think the consensus is that there is very very small likelihood that we would have an

extension. And certainly the way we're operating and our advice to our trading partners is we all should operate under the assumption that it expires on July 1, 2007. As you probably know there are steps before that that we have to abide by in order to sign anything by that time.

Question: My question was actually the fact that he indicated that he would ask for an extension. Does it mean that now you can see that WTO is going to miss the end of April deadline on full modality? And it's likely that the end of 2005-2006 --

Ambassador Allgeier: I don't think that Ambassador Portman said that.

Question: No, I'm asking you, the fact that he indicated that he wants to -- At this point, why he ask now.

Ambassador Allgeier: As I said, every President wants to have the authority to negotiate trade agreements. The one thing that Ambassador Portman has said a number of times is he's always reminded people that last time it took eight years to renew TPA and that we need to be realistic about the prospects.

That's why I said our operating premise, which is given to us by Ambassador Portman, is to assume that we will not have TPA after July 1, 2007.

Question: Let's go back to the textile thing again, though. My understanding of the Turkish proposal is that it's an attempt to limit the opening of free trade in textiles. Given the U.S. position, your stance on the trade round as a whole, isn't it rather surprising that you're even prepared to consider the proposal?

Ambassador Allgeier: We're reviewing the proposal. Number one, to understand what the proposal is. Now everybody here in the room seems to have a view on what it says and what it means. We're looking at it to review it. But that's why I said, the standards that we use in reviewing this are those of the framework and of our TPA. I would just remind people that the initial U.S. proposal on industrial tariffs was to eliminate them. That didn't garner enough support here, but we remain committed to the most ambitious possible result in NAMA.

Question: -- Ambassador Zoellick's proposal, the initial proposal?

Ambassador Allgeier: This was at the time that Ambassador Zoellick was the USTR, yes.

Question: How useful you think this Trade Policy Review mechanism is? What it has to do with others' comments and concerns expressed by members?

Ambassador Allgeier: We think that it is very very useful. It's useful from a number of standpoints. Number one, it's a great transparency exercise. When you combine the work that is done by the Secretariat, the government's report, and then the answers to all the questions, you

really get a very good picture of a country's trade policy. I have to say I learned a lot from this process. So that's number one, transparency.

Number two, it gives countries, and especially I'll say smaller countries that don't have as constant bilateral consultations and meetings with us or with others, an opportunity to have a voice and to criticize a country or to commend it and to make comments about what is important to that small country.

The third is that it does bring home to the country that is responding what its trading partners are very concerned about, and we have to take that very seriously and go back and say to ourselves, well, in light of these comments, whether it has to do with security measures or whether it has to do with addressing our current account deficit or specific issues of compliance with DSB rulings, we have to go back and take that very seriously. I think if you look over the years you'll see a progression where things have been raised in our TPRs and then we've gone back. I can't say we fix every single one within two years, but you will see a progression of responsiveness to the points that are made by our trading partners, and other countries do the same. And it gives countries an opportunity, frankly, at home, and I've seen this in some of the developing countries, to use it as leverage to make some changes that they would like to make but have had trouble making up until now.

I think we --

Question: A very quick follow upon this [inaudible] transitional review mechanism on China already. What do you expect of the first TPR of China?

Question: That's been answered.

Question: Okay.

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