

Transcript of the Press Availability
US Trade Representative Robert B. Zoellick
At Jollie Golf Conference Center, Sharm El Sheik
June 22, 2003

Ambassador Zoellick: The United States is approaching the Doha development agenda with the perspective that this is a once-in-a-generation opportunity. Therefore, it is vital to retain a strong level of ambition in terms of opening markets because we are committed to having a strong multilateral system. So, from the start the US position was to point out the possibilities of trade expansion, with bold proposals, particularly in the areas of agriculture and goods. And indeed, we felt a responsibility to move first, to show what might be accomplished. But we're also trying to send a clear message, which is that we would take cuts in sensitive categories if others did too. Because agriculture, goods and services are what will drive trade and growth and development.

Now, before the Paris OECD meeting in late April, I had couple of special meetings with Commissioner Lamy, to try to shape some options for the goods negotiations. And there was an informal group of Ministers that met at the time of that Paris meeting that helped shape the Geneva draft modalities. At that time the US also suggested that we try to focus on 6 limited categories of issues, and those are the 6 issues we are discussing here now.

Now were do we stand on this? It was clear from the time that we spent on it and from the nature of the discussion that agriculture will be the key to these negotiations. Everyone is waiting for CAP reform, and then there will be a short time to see how the Commission will translate that into the three pillars of market access, export subsidies and domestic support. As I think all of you know, the US has proposed the elimination of export subsidies, significant cuts in domestic subsidies and significant increase in market access. Now some European members states ask, "will the US cut?" and this seems to be a big topic of debate in Europe. Well, we have a bold offer on the table and if you want to test us, try us. Accept it.

On goods, I think there is a general agreement coming out of this meeting to proceed along the lines that Chairman Girard has set forth in his draft proposal... that's a formula cut accompanied with sectorals. The US has been pressing for increased ambition and as you know we favor total elimination of tariffs in the goods areas.

On services, we discussed the importance of this for the international economy and the need for developed and developing economies to work together to improve and increase the number of offers.

On special and differential treatment and implementation, the Chair of the General Council, Carlos Perez de Castillo, reported on the progress in developing a package of items for agreement.

On the Singapore issues, I did not participate directly, but my sense of the session was that there are disparate views and that it is unlikely to move forward unless agriculture

and goods move. On the TRIPS and medicine issue, I reported on my discussions as recently as last week with pharmaceutical companies from all over the world - the United States, Europe, elsewhere - to try to facilitate a solution. My sense is that the companies would like to try to resolve this issue before Cancun. I think they've narrowed the differences and concerns they now have and I think it's been a constructive effort. They're really focused now on the risk of commercial export of drugs that could be compulsory licensed from a limited number of countries and the question of diversion of drugs to other markets. So it's a reasonable concern for abuse, and I mentioned to my colleagues that I thought that as the companies presented some of their ideas to the Chairman of the TRIPS Council and others, that I hope people would seriously consider their concerns and see how we can best address them. In the meantime, while this - what I hope is a useful dialogue continues - we have a moratorium on WTO cases, which means that, in fact, no poor country can't get the drugs that it needs, and so the question is really at this point less access to medicines and more one of building trust. Which is what I've been trying to facilitate. And from our part, I think it enhances our position that in addition to discussing compulsory licensing, the President just signed some legislation which would spend \$15 billion dollars on addressing the problem directly. So I'll be happy to take your questions.

Question from Washington Trade Daily: Ambassador Zoellick, first and foremost on TRIPS and public health, has the US now formally given the kind of objections it raised on December 20, namely, that it no longer thinks that the scope of diseases is a barrier to reaching a multilateral agreement, and also the Dec 16 text contains strong safeguard mechanisms as well as elements to ensure that the patent provisions are not abused. Would you accept that? Second, would the US support investment in Singapore issues? You said you have not spoken in the meeting. What exactly is the US position on trade and investment?

Ambassador Zoellick: I think you had three questions in there. On the issue of TRIPS and medicine, what I've been trying to do, and I spend a lot of hours on this, is trying to talk with both countries that are concerned and companies that are concerned to try to see if they could narrow their differences. And as I said at this point - but the companies need to be able to speak for themselves - I find that their focus is less on the Doha definition and more on the question of the possibilities for commercial exports and the anti-diversion issues. And I think that's an important step. And as I said and as they've emphasized, this is not an issue for Africa. They're comfortable with Africa getting compulsory licenses and frankly getting whatever they need. It's really a question of some larger developing countries that Paragraph 6, at least on its face, was not designed for. Paragraph 6 was designed for countries that couldn't produce in their own country and therefore had to get production from another country. And so the question is, are there some very large countries that have large pharmaceutical production that you wouldn't think would need to do this. And so, how do we make sure that we manage the potential for abuse from that, and I think that the companies are making constructive suggestions on that. And I'm trying to nurse along that process, with the December 16th text and with other ideas that people are proposing, and I think at this point it's important

the companies have a chance to express their ideas and see the best way to try to resolve it.

Now, on your question on the Singapore issues, the United States has been very supportive of the notion of trade facilitation and transparency in government procurement. We've raised some questions on the investment and competition issues. We mainly want to be sure that the investment issues don't become anti-investment codes, but we've said that we have a good faith willingness to work with all parties to try and see if we can bridge the gaps. Frankly, there are a number of other countries that have some significant problems, and so for those that have the problems and those that are demandeurs, and we're neither, we're trying to do as we did before, which is to see if we can try and facilitate some coming together. I don't think that coming together is going to happen unless we move on agriculture and goods. And my message in this meeting has basically been kind of a "Johnny Two-Note," which is that agriculture and goods are key to pulling all these other items along. We made some progress in goods. I don't think its going to continue unless agriculture gets moving forward and the solution to agriculture is in one European city or another - I have a hard time telling day by day.

Question from Egyptian Television: My question is that sharp criticism has been voiced against the Free trade Agreement with Egypt - that it does not really open profitable industries on a long term basis, nor will more people be employed.

Ambassador Zoellick: I'm afraid I don't understand the question. We don't have a Free Trade Agreement with Egypt.

Question from Egyptian Television: We are discussing a Free Trade Agreement between Egypt and the United States and you must have been aware that it has been under sharp criticism in the newspapers in Egypt.

Ambassador Zoellick: Egypt has been the one seeking the FTA. And frankly we've been trying to work with Egypt through something called the Trade and Investment Framework Agreement to try to deal with some preliminary issues and we've tried to get some USAID support to help deal with the customs system. There's been some improvement in intellectual property law changes. But my own assessment is Egypt has some work to do. We need to make sure that Egypt can follow through on its obligations. So I'm really not in a position to answer the critics, because I'm not the one pushing a FTA. They need to talk to those in Egypt who are.

I will say - maybe you mixed it up - we do have a FTA with Jordan, we're negotiating one with Morocco that we'll finish this year. I was in Bahrain right before I was here, and I hope to start one with Bahrain, but Egypt has some work to do.

Question from the FT: We've heard that, yesterday morning, that Director General Supachai expressed considerable disappointment to the Ministers about the lack of progress on agriculture and at this rate there might not be enough time to get what really had to be done, done in Cancun. Do you share his disappointment and secondly was

there anything in the course of the discussions yesterday and today that led you to think that the agricultural issue is any closer to agreement or resolution than it was before this meeting took place?

Ambassador Zoellick: First, I share a view that we haven't made enough progress on agriculture, and as I said I think agriculture is the key. I won't ascribe it to questions of political will. Each country has their own set of limitations and their own procedures. In our case as I've said, we proposed elimination of export subsidies, 90% of which as you know are from the EU. We've proposed cutting our domestic support cap from about \$19.1 billion to about 10 billion dollars if we can bring the European cap, which as you know is now - depending on exchange rates - something like \$65 billion, over three times ours, down much closer to our level, and that doesn't even include their blue box numbers. And we've suggested cuts in tariffs that would have the highest tariff in agriculture tariff be 25% and our average agriculture tariff go down from 12 to 5%. So we've proposed some very ambitious solutions. Now I know people say "well we have to be realistic on agriculture", but here's the context we have to keep in mind: agriculture was not really subject to the same disciplines that the goods area were subject to until the Uruguay Round, so agriculture is far behind, and we have to get agriculture to keep up. The approach that was done in the Uruguay Round will not be sufficient, not only for us but for Brazil, the CAIRNS group, developed and developing countries alike that are interested in agriculture. So my point is to many countries that have benefited from the goods system, whether they be Japan, Korea, EU, it's time for them to move on the agriculture topics as well. And we will not agree to something just to have a piece of paper. We need to have a substantial result in Agriculture. We've tried to show the way with our proposal.

Now the second question is, have I heard anything that would sort of give me more confidence. Look, as I've said on other occasions, I think Commissioners Fischer and Lamy have tried to come forward with constructive proposals inside the EU. As Pascal said, they're doing so because the EU itself recognizes the need to reform. They've got reasons for rural policy, environmental policy, they're going to be enlarging soon - there's a number of reasons they're going to need to change that policy. It would have the benefit of giving the Commission critical additional negotiating space which it now doesn't have. And if it doesn't have it, we're not going to succeed in Cancun. Flat. That's all it is. Now, what happens if and when the (EU) Member States agree on something? Well first off, we don't know what it is, we don't know whether they'll agree, and it then has to be translated quickly as I emphasized in the meeting, to at least give people a sense of the degree of ambition. Now Commissioner Lamy mentioned a series of topics that he thought were important to discuss. I think he mentioned some here like in the export area we have to discipline all points. As I pointed out in the meeting, we've agreed to discipline export credits in food aid. And indeed that's in the Harbinson text. You'll find that a lot of the subjects that he mentioned in our meeting are in the Harbinson text. Frankly we're ready to get down to work if Europe frees the way for us to move.

Question from Sao Paulo O Estado Newspaper: If these agriculture and any other important point fails, what is your Plan B since you have an election in your country next

year and second question President Lula met with President Bush, are environmental progress and labor progress conditions in FTAA talks?

Ambassador Zoellick: First off, at this point it's too early to entertain negative hypotheticals. I've been doing everything I can to try to make the Doha round a success. I was one of the people that helped get it launched. We've come forward with bold proposals, as I said frankly I went across the Atlantic and met with Commissioner Lamy to try and get the goods proposal forward. I'm doing everything I can to try and move the agricultural topics forward. I'm putting all my energy into this, but we're just one of 146 countries and we can't move it on our own. So we'll have to see. It's not unusual for these negotiations to have ebbs and flows, but I believe in a transparent process and I've explained the key next step and if that doesn't happen, then we're not going to be successful at Cancun.

Beyond that, obviously the US has had a trade policy where we've tried to emphasize global, regional, and a series of bilateral and small regional efforts, and those will continue to move forward. I'm not going to accept a veto on our trade policy, just because some countries can't move. Now at the same time, we're always ready to try to move ahead the WTO negotiations. We're committed to that system. It's the vital way in which we get at these agriculture subsidies that bother us, bother Brazil, bother many developing countries, so that's a key method.

On the ALCA (FTAA) in particular, I was in Bahrain or here at the time of the meeting, so I just had a little chance to get a report from Washington and I talked to Minister Amorim and others. My sense is that it was a very constructive meeting. As you know from my trip down to Brasilia, I tried to offer some ideas to move the ALCA process forward, we then had a mini-ministerial on that topic, and I found it very constructive. And so I think it's premature to talk about particular items other than to say I know that the Lula administration, as you would expect a party with a president from the PT, is strongly committed to labor rights and I know from his cabinet that it's strongly committed to good environmental policies. So I hope that in that context, we can do something that would help labor rights as well as strengthen the environment. Gee, if a conservative Republican government wants to strengthen labor rights I would think the PT could join in. [Laughter].

Question from Reuters: On the TRIPS and Health issue, have you yourself made any suggestions to pharmaceutical companies as to how their concerns could be met? What are your ideas to solve this problem? As you know the EU has proposed a special labeling system, to stop trade diversion. Do you think TRIPS is one of those issues that can be solved before Cancun or will it have to be after Cancun?

Ambassador Zoellick: First off, I'm talking with people about ideas all the time. I'm talking with the companies. I'm talking with the African countries. I'm talking with Brazil and India. So I'm trying to frankly bring parties closer together, and I think we've had some success in that. Commissioner Lamy mentioned their most recent legislation dealing with the diversion issue, that's one of the issues, and Alec Erwin the Minister

from South Africa was talking about some of the efforts that South Africa has. So I think there is a combination of ways in which some of these concerns can be addressed. Because, remember, what's underlying this is frankly not a concern about meeting the needs of poor countries to get their medicines. Everybody is really willing to do that. They [pharmaceutical companies] don't want to have loopholes that would then codify that allow others to take advantage of this and thereby do away with IPR, so that you don't develop these drugs in the future. And remember it takes a lot of money, somewhere between 500 million and a billion dollars to often develop most of these drugs these days. And so that's where the balance has to be struck, and again I think the issue is now at a point, and this is the good news, it doesn't concern the LDCs and Africa. It's really dealing with that danger about the commercial re-export and frankly, from my discussions with some of the major developing countries, they explain that's not their purpose and so I hope we should try to be able to come to terms on that.

(Asks for repeat of 2nd part) I hope so, but it's not been an easy issue. Some 22 companies, US and European, came to me through some representatives, presented me a letter, and it's their effort to try to do so before Cancun. But it's a difficult issue, and I don't want to prejudge it.

Question from Nile TV (Egyptian): What do you expect to happen on the US-Mexico dispute now that the US has begun legal action against Mexico, we know its a long and difficult process usually...

Ambassador Zoellick: You mean the 2 WTO cases? We'll win them.

Thank you.