

**Remarks by United States Trade Representative Rob Portman
And Malaysian Minister for Trade Rafidah Aziz
At the Launch of U.S. – Malaysia Free Trade Negotiations
Rayburn House Office Building
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Ambassador Portman: I want to thank everyone for being here for this launch of the Free Trade Agreement talks with Malaysia, a country that has been in the forefront of the economic dynamism of a transformed Asia in recent years.

I'm delighted to welcome my friend and colleague Minister Rafidah Aziz. She flew in last night from Kuala Lumpur to be here for today's announcement. I've had the pleasure of working very closely with her over the past ten months in this job. She has been a determined leader and an eloquent spokesperson for trade globally. She is a leader in the WTO talks. In my view she will be absolutely essential to our success here with this Free Trade Agreement both in the negotiation and in bringing it through the Congressional process. So thank you for being here, Rafidah, and I look forward to working with you even more closely now on a bilateral basis.

I want to thank my former colleagues for being here. Again, it's a great turnout. I'm not going to list them now, I'm going to ask them to say something in a moment, but their attendance here I think is a tribute to the strong relationship we have with Malaysia and what I think will be a very successful Free Trade Agreement and then the political process for bringing this to fruition.

This is a great agreement for us. There are a lot of reasons that this is compelling. One, Malaysia, of course is a large and growing economy. Their economic growth has been consistently at five percent, a little over five percent per year. We already have very robust trade ties with Malaysia, \$44 billion in two-way trade in 2005, making it our tenth largest trading partner. These numbers are impressive, but frankly, they can be much higher and that's what the Free Trade Agreement is all about. It's about lowering tariffs and removing a number of non-tariff barriers. It will mean new opportunities for American workers, American farmers, and service providers here at home.

Manufacturing is an example. The National Association of Manufacturers now estimates the FTA could more than double our two-way trade by 2010, just four years from now.

In agriculture, expanded opportunities for US wheat, soybeans, fruit growers; new opportunities for rice, poultry, other food products.

Perhaps the greatest benefit for both sides will be achieved in the area of services and investment. As I talk to service providers in the US and ask them what are their top prospects, what are the markets they care most about? Malaysia is always on the list, often number one.

In sectors such as telecommunications, financial services, energy distribution, health care, audiovisual, professional and sector services, the FTA will provide areas in which US companies who are global competitors will have an opportunity.

The FTA will also help strengthen our relationship in the area of intellectual property rights. It's very important for the Members who are here and a vital component of our knowledge-based economy and the knowledge-based economy that Malaysia is developing.

The agreement also strengthens ties with Malaysia and others in the region. As you know, Malaysia's been an extremely important partner of the United States and an ally in promoting peace and stability in the region. They are a large Muslim country and a leader giving voice to the vision of tolerance and multi-culturalism that is true to the spirit of Islam.

By securing our economic partnership, the Free Trade Agreement will deepen and strengthen our ties in so many other respects in terms of our already good relationship with Malaysia. And as Asian nations are trading more than ever with each other, this agreement will help the United States and US companies stay viable and continue to grow through trade in the dynamic Asian region.

With that I'd like to introduce Minister Rafidah and then again look forward to hearing from the Members of Congress who are present.

Minister Rafidah?

Minister Aziz: Thank you. [Applause].

Thank you, Rob, Chairman Thomas, Congressman Sessions, Congressman Meeks, Members of the Malaysian Caucus, other Members of Congress, Ambassador Ghazzali from Malaysia, ladies and gentlemen, thank you very much for coming to this very important event that we're having here on the Hill, and having the great pleasure to meet here in Washington. And thank you to Rob for having me here.

Certainly the launching of our FTA negotiations reflects the desire of both our countries to bring our communications to a higher level. As we know, we signed the U.S. - Malaysia Trade and Investment Framework Agreement, TIFA, in May here on the Hill, in 2004. It paved the way for the starting of negotiations for the Free Trade Agreement.

As Bob has mentioned, referring to Bob Zoellick of course, I'm sorry Rob. [Laughter]. Trade and investment relations between the U.S. and Malaysia continue to be very strong, particularly in the area of trade. Let me put some of the figures to what Rob has mentioned.

For example last year the US continued to be Malaysia's largest trading partner with over \$44 billion in total trade, and we just agreed we can more than double that total trade in four years. And last year our trade together comes up to 16.60 percent of Malaysia's global trade.

The figures I'm going to mention now will probably be interesting. US exports to Malaysia last year totaled 10.4 billion US dollars and this is higher than US exports to India, just only \$8 billion. Higher than US exports to Thailand, \$7.2 billion; to Russia, \$3.93; and to Indonesia, \$3 billion. In other words, we do rank quite highly in terms of absorbing your exports, although we are a small country, only 27 million people.

Last year the US accounted for 17.8 percent of our total imports of electrical machinery products; 15.5 percent of our [inaudible] imports; 23 percent of optical scientific equipment imports; and 9.7 percent of chemical [inaudible] imports; and 9 percent of our total [inaudible] imports.

For Malaysia, our exports to the US represented 19.7 percent of our total exports which last year was \$27.7 billion and they constitute mainly manufactured products. For us, the US is a very important market. You account for 31 percent of our electrical machinery exports last year. 25 percent of Malaysian wood products exports. 28.5 percent of exports of textiles and clothing. And 31 percent of our rubber product exports. These show that we have a very strong base to further enhance that two-way flow of trade.

In terms of investments, you remain as Malaysia's largest source of foreign direct investment last year. We see approvals into the manufacturing sector was \$1.4 billion. It was 39 percent of total FDI that we approved for manufacturing. These are both new projects as well as existing operations in Malaysia.

So it is interesting that the American Chamber of Commerce in Malaysia – the U.S. companies that are investing in Malaysia – tell us they are optimistic about doing business and maintaining profitability in Malaysia. So that's another barometer for us, to see that measure, U.S. companies that are very happy operating in Malaysia.

We have this FTA. It can provide more benefits for our business community, particularly as Rob has mentioned, through enhanced market access in goods, removal of technical barriers to trade, and of course the development of mutual recognition agreements, or MRAs, which will facilitate standards of market acceptance.

Certainly in the area of investment we can encourage partnerships in terms of the alliances between our entrepreneurs and your companies bilaterally. This is something that we should look forward to.

So we hope that, or I hope that certainly, \ the ensuing negotiation for the FTA will be conducted in the most pragmatic and positive way, building upon existing complementarities and strengths and the benefits which can accrue to our business communities. This is to me an FTA that should be market driven almost in its entirety.

As members of the WTO I'm sure Rob would agree with me, the US and Malaysia will continue to be proactive in moving forward to multilateral trade negotiations and the Doha Round. However, having a bilateral FTA between United States and Malaysia indeed has its own sets of advantages.

I'd like to take the opportunity to thank officials on both sides for what I would call breaking ground for moving forward on these negotiations, and I hope that we get all the support of our Members of Congress on this because you know that our private sectors are really looking forward to this becoming a reality.

Thank you very much.

[Applause].

Ambassador Portman: You see why I say how critical Minister Rafidah will be to the success of this effort, just as she has been such an able advocate for her country in the WTO and the global trading system. I know she will be a valuable asset as we move forward.

I'm going to introduce Members as I saw them come in, starting with two Members who were here when I got here, which are the co-chairs of the Malaysia Caucus in the House. Pete Sessions is the co-chair who has come up to me many many times and asked me to be sure that we move Malaysia as quickly as possible. And Greg Meeks is the other one who has been persistent. So Pete, if you would start, and then Greg, we'd love to hear from you.

Congressman Sessions: Ambassador, thank you, and Minister, welcome to Washington, DC. The Minister advised me that last night she ate some Texas beef upon arriving in the United States. Ambassador, thank you for making sure it's the very best that we had. [Laughter].

Today is a wonderful opportunity for us not only to speak about the future of the Free Trade Agreement between Malaysia and the United States, but it's really an opportunity for us to give thanks to a wonderful trading partner that the United States will have.

Our relationship with Malaysia is one we have sought, and we will be getting a very strong partner. Not only a partner in the region, but a partner in the world. A stable government, people who view the United States favorably, but more importantly a budding relationship that will get even better.

It is true as co-chairman of the Malaysian Caucus, Rob, we have sought this agreement. We believe that this agreement comes as a result of the relationships between so many American and Malaysian companies who have established ties, where they have not only been able to do business with each other, but they've been able to benefit both countries from that relationship. It is one that is on equal and fair footing. It is one where the companies, Malaysia and the United States have seen where there has been a lack of conflict, and mutual consideration of both of the countries and our business interests.

I look forward to this. This is going to be a very good thing and Chairman Meeks and I look forward to coming back to Malaysia, being a part of the success between these two wonderful countries. At this time I would like to welcome the co-chairman of the Malaysian Caucus from New York, Greg Meeks.

[Applause].

Congressman Meeks: I want to thank my co-chair because indeed, as Mr. Portman has indicated, this is a dream come true and a day we've been long waiting for.

It's great to see the Minister here. She's been working very hard because when you look at this trade agreement, we're talking about an agreement with friends – not new friends, old friends. And friends who have really stood up for the United States of America. Who's cooperated with us in our time of need. Who sympathized with us when we needed that. So to now strengthen our ties, to become more interdependent upon one another is a very very good thing.

So it will be good for the businesses of both countries. But to me, more important, it's going to be good for the people of both countries.

When we had the opportunity to visit Malaysia I was amazed at its diversity. How talented was its society. It said to me that they are a fitting partner in a region of the world where the United States needs to make sure we have friends. So when we look at what's happening here with Malaysia, we're furthering that friendship, and what I think of, in a very selfish way, what it means to the constituents of New York. Financial services in the service industries working closer together. It makes a difference. I have found that the best relationships that one can develop is when we have these trade relationships because it gets two nations and its people closer together, working together, and thereby being more understanding and tolerant of one another.

So for me, this is a great opportunity, and as I look at the Members that are here, diversity from both sides of the aisle, it gives me the strong impression, Mr. Portman, that we're going to pass this agreement from the House of Representatives in the Congress, and we're going to make sure – Some people, I was talking to the Ambassador, we were talking about this was a dream. Well, this is our first step in turning this dream into reality.

Thank you very much.

[Applause].

Ambassador Portman: Thanks to the leadership in the House I think we'll be able to do that.

Chairman Bill Thomas is here. As some of you know, Bill Thomas was an advocate for trade long before he was Chair of the Ways and Means Committee, and as Chairman he has taken the leadership role. I rely on him for advice and counsel, which he is never shy about giving me. [Laughter]. During his tenure as Chairman I hope he will be able to bring this agreement before the committee, and if so, with his assistance I believe we will be able to achieve this dream that Greg Meeks just talked about.

Chairman Bill Thomas.

Congressman Thomas: As you can tell, we're well into the process of everything having been said, but not everyone saying it.

If you listened to the Ambassador's opening remarks he said pragmatic, market based. People say why a Free Trade Agreement with Malaysia? I firmly believe in the market plan of the

Formula One Grand Prix Circuit – they are in Malaysia, they know the market – 25 million people, \$50 billion in mutual trade, \$10,000 disposable income per person. When you take a look at it and put a pragmatic and market base around it, it's not why do we want a Free Trade Agreement with Malaysia, it's why haven't we had it sooner?

I look forward to moving very quickly to a world class agreement and at a time when we're looking for areas in which we can come together in a bipartisan way, this is one that we should not miss prior to the ending of this session of Congress, and I know the clock that ticks won't allow that, but we will do everything we can to make sure that the relationships between our two countries are cemented in an economic way so that we can continue to meet more closely together in political and cultural ways. Thank you very much.

[Applause].

Ambassador Portman: Dr. Jim McDermott is here, a Member of the Trade Subcommittee, the Ways and Means Committee, has been a leader on AGOA and other trade issues. Jim?

Congressman McDermott: Following Bill Thomas is always a problem because he says everything that has already been said, or pointed out it had already been said. [Laughter].

I can't add anything new except to say this. I would agree with him and emphasize one point. The development of an international trade scheme was done back in the '40s because we believed that if we were trading with people we wouldn't be fighting with them. That was a fundamental concept of the Bretton-Woods agreements that put this whole business in motion many years ago. The United States is desperately in need, in my view, of relationships with Muslim countries where they have progressive or they have at least moderate governments that are doing things that we think ultimately will make a better world for all of us, a more peaceful world for all of us. For that reason I think if that were the only reason we had it, it would be worth having a good relationship with Malaysia.

I went out to Malaysia in 1991 and I've been there several times since, and it's been very interesting to watch the progress of that country over the course of the years that I've been in Congress. And as Bill said, why has it taken us all this time to get it done? We will get it done. Thank you.

[Applause].

Ambassador Portman: All the way from the United States Senate, Jim DeMint is here and I appreciate you coming over to the Rayburn Building this morning. It's unusual, given his schedule, but he feels very strongly about this Free Trade Agreement. He's been a leader on trade, I worked closely with him in the House and of course in his role in the Senate, Senator Jim DeMint.

[Applause].

Senator DeMint: They give me a hard time about slumming every time I come over here. [Laughter]. But I did want to add my congratulations to the Minister and to Ambassador Portman for another great agreement.

Rob Portman has added a new level of I think credibility and confidence to our whole trade initiative as a nation. I think more of us feel increasingly comfortable that when the agreements are developed now that it will be a win/win for the nations that we're trading with and I look forward to helping to lead the effort on the Senate side to make sure that we're expanding economic relationships and friendships with Malaysia.

Thank you so much.

[Applause].

Ambassador Portman: We've got a group of Members here, I'm going to try to do it on the basis of arrival times here. I hope I'm correct. It's a very delicate matter. [Laughter].

I see the Chairman of the Trade Subcommittee is here too. Clay Shaw. Thank you, Clay for coming. We'd love to hear your comments on Malaysia. Again, Clay is one of the people we work with very closely at USTR. He gives me a lot of counsel, and one who's been saying let's focus more on Asia. That's exactly what we're doing.

Clay?

[Applause].

Congressman Shaw: This is indeed an exciting time I think in the history of trade in this country. I think you can see the bipartisan support. I can say thank God you're not an exporter of sugar. [Laughter].

I think this will move very very quickly, and I certainly look forward to chairing a great subcommittee and trying to work this through.

Malaysia is the tenth largest trading partner of the United States despite it's halfway around the world. It's geographical location is also very important to us because in that part of the world we certainly are trying to reach out to friends and it's very appropriate that among the top on the list is Malaysia. Thank you.

[Applause].

Ambassador Portman: No one has focused more on trade than Jim Kolbe in his time in the House. Jim, I appreciate your help on the Appropriations Committee with encouraging us to have an adequate budget on trade to be able to complete some of these agreements. Thank you for your support here today.

[Applause].

Congressman Kolbe: Ambassador Portman, Minister, Ambassador it's a pleasure to be with all of you here today. Some of you know that I have been a strong proponent of trade agreements for a long time with a lot of different countries and Malaysia is certainly no different in that regard.

I just returned this last weekend from Mexico where I chaired the US-Mexico InterParliamentary Agreement. You say what does that have to do with this? Well it was a good moment to take stock ten years after of the US - North American Free Trade Agreement, the NAFTA agreement.

We know that NAFTA has created thousands of jobs and made it possible for a lot of people in both of our countries to have an economic future that they didn't have before. But it also illustrates that trade agreements are really more than just economic agreements. They're really about political cooperation and cultural cooperation. Political changes that have taken place in Mexico in the last decade have been very dramatic and I think they are very much related to the NAFTA agreement.

Certainly with Malaysia I think we can see similar kinds of changes. Perhaps in a different kind of way, but Malaysia has been a key partner for the United States in many areas, in its efforts against the war on counter-terrorism, in promoting regional defense in that region.

For me in Arizona, for my state, it's also extraordinarily important. Although Arizona is a relatively small manufacturing state, we are the fourth largest exporter to Malaysia, and for my state, after the NAFTA partners of Mexico and Canada, Malaysia is our largest market. The largest market in the world. So it's obviously very important with \$750 million of exports last year.

So we look forward to this agreement as something that will very definitely economically benefit the people not only of Malaysia and all over the United States, but very specifically in my state of Arizona.

Trade is not always an easy thing to sell in Congress, but I think this one is going to be, I hope, relatively easy and I hope to build the basis on which we can have further agreements. So I salute the Ambassador and the Minister for starting this process here today and launching this and I look forward to being able to cast a vote on this in the near future. Thank you.

[Applause].

Ambassador Portman: Thank you for being here. We've got one more House Member while you collect your thoughts since you had to rush over here.

Eni Faleomagaega, thank you for being here Congressman. We'd love to hear your views, and again, thanks for the support of us moving in the Asian region on these Free Trade Agreements.

Congressman Faleomavaega: I am an American and very proud to be an American whose roots are probably, the only Member of the International Relations Committee whose roots are from the Asia Pacific region.

I say this, Madame Minister and Ambassadors, I was very happy that the President could not have selected a more able leader to be our U.S. Trade Representative to all the nations in the world.

I remember 18 years ago when I first became a member of the International Relations Committee, nobody wanted to be on the Asia Pacific Subcommittee. [Laughter]. The whole mentality in Washington was the Middle East and Europe. Despite the fact that two-thirds of the world's population is in the Asia Pacific region. Despite the fact that six of the ten largest armies in the world are in the Asia Pacific region, despite the fact that I think our trade relationship in the region is four times greater than just about any region in the world. So Madame Minister, our good Ambassador, let's move it. Let's get this thing going.

[Applause].

Ambassador Portman: Senator Kit Bond has taken a leadership role in the United States Senate on Malaysia and has spoken out on the need for us to improve our ties in a variety of areas including counterterrorism, but significantly with regard to trade. So Kit, thanks for coming over.

[Applause].

Senator Bond: Thank you so much, Rob, for the opportunity to be here. All I have to say would be amen to the comments I've heard from my House colleagues today.

I've had the pleasure of visiting Malaysia many times. A decade ago the Asia Pacific Dialogue Conference was held in Kuala Lumpur and I visited there frequently with my colleagues Bill Cohen and Sam Nunn. Since the dialogue ended I've had the opportunity again to visit Malaysia a number of times, trying to sell more F and A-18s, which obviously was one of my key interests because of the great trading partnership that we have with Malaysia. But I've had the opportunity to get to know Prime Minister Fatmir Mohammed and Prime Minister Abdullah Badawi and I have been tremendously impressed by the great progress that Malaysia is making in economic affairs. They are a very important partner in political and strategic affairs. As has already been said, Malaysia is our tenth largest trading partner and the largest US export market among the ASEAN countries.

This trade agreement which proposes the elimination of tariff and non-tariff barriers could significantly increase US exports on a wide range of industrial and agricultural goods and services and ensure that US products remain competitive.

An FTA with Malaysia would support US strategic interests as well. Let's be honest. We have strategic interests that go beyond the economic and cultural interest, the friendship ties that we have.

China is enhancing its influence in the area in a very aggressive way and this is an economic competition. We cannot afford to be left out because sure, we like to see good competition in

international trade, but we want to be part of it. We don't want to be handicapped. We want to be able to sell goods to our friends in Malaysia and import their goods.

Also this part of the world is extremely important in another area. If we look at it, we see that Southeast Asia is the second front of the war on terror. The governments have popularly elected, democratic governments of Southeast Asia are on the front lines of holding the line against the kind of terrorist activities, the Jamal Islamiyah and others are conducting throughout the region. They need our support. Strong economic ties, cultural ties, educational duties are important to show that there is a better way.

Prime Minister Abdullah Badawi has talked about Islamadari which is a tremendously important leadership role he is playing in reaching out to his brethren and sisters in the world of Islam to say this is what our religion teaches. And strengthening governments that are founded on the principles of freedom, human rights, democracy and free trade, free markets. It's absolutely essential for the future security of the ASEAN region and thus for the entire region. As good Pacific neighbors, I think eliminating tariff and non-tariff barriers and strengthening our economic and social ties, while enhancing our cooperation in the war on terror.

I was very pleased to learn recently about the reopening of the Malaysian market for US beef and beef products. As co-chairman of the Senate Beef Caucus I say eat more beef. [Laughter]. We've got good beef to supply to you. And this announcement is another aid in our efforts to resume normal US beef trade around the world.

We appreciate the great friendship, Madame Minister, Mr. Ambassador, that you have shown us. It is always a pleasure for me to visit your lovely country. I look forward to doing so again and I hope by that time our Ambassador will be able to get this Free Trade Agreement completed and we can celebrate that.

Thank you all very much for what you do.

[Applause].

Ambassador Portman: Kit, thank you for coming over. Very well said.

Wally Herger, distinguished member of the Ways and Means Committee, a friend of mine who constantly reminds me of the need for us to increase our agricultural income based on exports. He understands the importance of it here in this district and his committee assignment, and he understands that as we can go to Malaysia [inaudible].

[Applause].

Congressman Herger: Mr. Ambassador, Rob Portman, thank you very much. Madame Minister. Ambassador. I'm approximately the 14th, 15th Member of Congress to speak. About eight speakers ago the Chairman of Ways and Means Bill Thomas said about everything that could have been said has been said. But the fact that we are here as Members of Congress, Members of the Senate and House indicate how incredibly important this is to us and how

important it is to both of our countries. This is a win/win for the citizens of Malaysia and the citizens of the United States. For every reason. Economic reasons.

As Ambassador Portman mentioned, I represent one of the richest agricultural districts in the nation, in the world. The Northern Sacramento Valley in California. We cannot eat all the dried plums that we grow. We grow over half of them that are growing in the world. Walnuts, almonds, and we need markets. Markets that would like to purchase good quality products.

So again, this is a win/win. We thank you so much. And not only does it help us economically, but perhaps more importantly it helps us as friends and helps us as friends in the world and the world is a challenging world. So again, I thank each of you. It's my great pleasure to be able to work with you on part of it. Thank you.

[Applause].

Ambassador Portman: An important member of the new Democratic group, Rick Larsen, is a leader in agriculture, on the Agriculture Committee, and also on high tech exports. Rick, thank you for being here.

[Applause].

Congressman Larsen: Thank you, Ambassador. Minister, thank you so much for [inaudible]. Not everything that needs to be said has been said. [Laughter]. No one has mentioned Washington State specifically. [Laughter]. I will tell you that the people in Washington State, we see the United States as a Pacific nation. Our back yard is Asia and we are Asia's back yard. You always want to know what's going on in your neighbor's back yard. This launch of this agreement is an important part to the continuing relationship not only between the United States and an important partner in Asia, but also Washington State's export community which includes obviously airplanes, it includes agriculture, it includes technology.

We are a Pacific nation and that's one reason why we need to pursue this agreement.

A second reason as we're going to find out tomorrow, I'm also on the Armed Services Committee, a member there, and the Pacific Commander is going to be in testifying tomorrow about our important strategic interest in the Pacific region which includes our continuing partnership with Malaysia which is in a very strategic position in the world.

Third of course, for Washington State alone, Washington State exported \$560 million of goods in 2004 and we continue to look forward to continued exports from Washington. Again, not just in airplanes, but a thriving agricultural community and a leading technology community as well. So we look forward to having an agreement of mutual interest and mutual benefit with our partners in Malaysia. Thank you.

[Applause].

Ambassador Portman: We have a member of the Republican leadership here with us, a new Member, Adam Putnam from Florida, who is a farmer himself, understands the importance of ag exports, but also understands the broader importance of trading relationships. Chairman of the Policy Committee, Adam Putnam.

[Applause].

Congressman Putnam: I appreciate it.

Congratulations Madame Minister, Mr. Ambassador. Mr. Ambassador, the Policy Committee's role is to look over the horizon. So often in our business we get stuck in the weeds dealing with the issues of the day. Clearly on a variety of levels this represents a tremendous opportunity for our nation. This is an important region of the world, expanding economic opportunity and economic security. It's good for stability, it's good for peace, it's good for prosperity. It's good for our nation and obviously it's good for the region as a whole.

If there's a strategic relationship here, the support is clearly bipartisan. Let's vote. Everything else has been said. [Laughter].

[Applause].

Ambassador Portman: I wish it were that easy. [Laughter].

We will have an important and very intense negotiation but we will end up with an agreement. I strongly believe that. We'll do so with some help from Members of Congress including Joe Crowley who has been a leader on trade ever since he got to Congress, has taken some great stands. Joe, I appreciate your being here today and your leadership of the Democrats on trade.

Congressman Crowley: Thank you, Ambassador.

[Applause].

Thank you, Rob. It really is a thank you Ambassador. Remember the title is very important, but it speaks volumes to Ambassador Portman's ability to reach beyond and to welcome Democrats to this process as well. Minister Aziz, thank you very much.

Thank you for inviting me to be here today with this bipartisan grouping of [inaudible] both houses. I think it bears to be noted, and I have to ask, did Greg Meeks mention New York?

Ambassador Portman: Barely. [Laughter].

Congressman Crowley: Okay. So I don't have to talk about New York any more than we've talked about it already. [Laughter].

I just want to stress as we move forward in the negotiations, and I understand this has a ways to go yet, that the issues of the environment and labor are important to Democrats and moving these

FTAs forward, and that it be reflected in all sections of the FTA, that they're treated in the same fairness and the same accountability in all sections of the agreement.

I look forward to working with Ambassador Portman and my colleagues again on both sides, to make this agreement a reality. There's a lot of work to be done in between, and we anxiously await the moment that it arrives on the Floor.

Ambassador Portman: Thanks, Joe.

[Applause].

Ambassador Portman: Another colleague of mine from the Ways and Means Committee, Bill Jefferson, who has consistently been out there talking about the importance of trade to his longshoremen back home in New Orleans, but also to our nation. Bill, thanks for being here.

[Applause].

Congressman Jefferson: Thank you, Mr. Ambassador and Minister and all the distinguished Members that are here today and friends of the Ambassador of Trade. It's an honor for me to have a chance to be associated with Rob Portman and the important work he's doing for our country.

Trade continues to be a large part of our economy and a large part of the world's economy, a growing part of our economy. It's important for our nation's prosperity, it's important for the prosperity of the world. It's important for our friendship and understanding, and it's important for our consumers as well to have choices amongst products and services.

I'm from New Orleans, the New Orleans region, and we have a major port facility there that exports from the heart of our country throughout the entire world. So it's natural that for us trade comes equipped with a large amount of discussion about the growth of our economy and such. The sustaining of it. And after our storm back home, the resuscitation of it, bringing it back on-line.

So this is very very important to all of us to build back our future and to reach out to the rest of the world.

I think that none of these agreements are easy to hear on the [inaudible] our country. You always have a lot of intrigue and interest and sometimes controversy over these matters, but at the end of the day I think most folks in this country support what we have been on the edge of trying to do. That is to bring out the importance of our partnership with the rest of the world in the important area of trade.

So I thank you, Mr. Ambassador, and I thank all of you for giving us the chance to work again on these important subjects, particularly [inaudible].

[Applause].

Ambassador Portman: One of the chairs of Ways and Means Health Subcommittee and a very dear friend of mine and a consistent supporter of smart engagement with the rest of the world including trade is here, Nancy Johnson. Nancy, thank you for being here. I know how busy you are. I appreciate your support.

[Applause].

Congressman Johnson: Thank you for arranging this, Rob, and my greetings to the Ambassador and to all of those from Malaysia who are here. I wish you God speed in your negotiations.

I really want to say just one thing because a lot has been said. First of all, to make it clear to you that there is a lot of support in the Congress for Free Trade Agreements, in spite of the debates we hear going on about Dubai which in some parts it's very [inaudible].

The other thing I want to mention is that recently an article in our papers went through economic growth rates and unemployment rates and packaging, and the information about a sub-Sahara Africa was simply startling. Economic growth, terribly high unemployment and terrible poverty. And the article was making the comment that none of the money which represented economic growth which was all coming from oil in these instances, was getting to the people.

Now you in your part of the world you have some very enlightened policies about spreading the benefit of natural resources amongst the whole population, but I urge you in this negotiation, when I look at the average amount of tariffs, that you take seriously the issue of how do you get the benefits of free trade down to the ordinary people so you build a middle class, because peace is really based on the plenty being shared by the majority.

So there will be dislocation. I come from an area of America that has totally changed. My home town has totally changed because of foreign competition for bearings and machine tools. It was tough. But we are cutting edge on new manufacturers, very sophisticated this's and that's. But we were very much helped by our transition programs, our trade adjustment assistance programs. The setting aside of money to help people train for or to learn other businesses. So transitions matter a lot. We'll never get to the modern era either as individual countries or as a world trading system if we aren't smart about the transitions that open markets require and how we make sure that in the end everyone participates and wins.

If this agreement can demonstrate that, then it's a chance for us in Congress to help our colleagues see that through negotiations, experiences across the world in transitions can be shared. We can all move forward in a way that is far sounder from the point of view of the growth of the well being of the human community.

So this is an important agreement. You're important friends. You're important strategic allies. And you've been an important trading partner. But this is an opportunity and it's one we can't

miss because it will speak to all the ASEAN nations and it will speak to us and we'll learn new things through this dialogue that we haven't thought of before.

So I think it's terribly important to confront in a sense harshly the negative problems because if we don't get better at dealing with them and finding ways around them we won't be able to succeed ultimately. The vision of the world trading community that brings prosperity to all and has a consequence, brings peace. So thank you for your willingness to do this.

I'm really proud to have my friend Rob Portman as the Ambassador. He's done a wonderful job and if you ever have a chance to do this, we have a chance with Ambassador Portman.

[Applause].

Ambassador Portman: These two women could work this out. [Laughter]. Thanks, Nancy. I don't miss many things about the politics of the Hill. The one thing I do miss a lot is some of my good friends and a lot of them are here today. One is Kevin Brady.

Kevin took the lead on the CAFTA Accords. He was the one who was persistent over a year and a half to bring them to a vote, and it was absolutely critical to its passage which has given us, frankly, the ability to move forward on these other important Free Trade Agreements. Kevin.

[Applause].

Congressman Brady: Thank you for having me here. I too am in support of this Free Trade Agreement.

In the world we live in today no country, including the United States, can stand alone. We have to look for partners around the world, ones where we can build not just [inaudible] bridges which will be clear in this Free Trade Agreement, but bridges that raise the standard of living of families in both partners in this agreement, one that helps encourage the types, as mentioned, for the strategic relationships that make us both stronger. This trade agreement fits that bill.

One thing I think we tend to continue as House Members to brag on our former colleague Rob Portman, because he so clearly understands the need to not only find new customers for American producers, but also find a way to create Free Trade Agreements that actually strengthen both parties throughout the globe. That is key to find those win/win relationships. This is another one of those. I'm proud to support it and look forward to good strong growth. Thank you.

[Applause].

Ambassador Portman: I now have the opportunity with Minister Rafidah to take some questions from those who have come, and again, I want to thank the incredible turnout of Members. This is unprecedented. We've never had a launch on the Hill, I don't believe, until the Korea launch a couple of months ago, and of course we've never had a turnout of members like this before. So I think it's a great sign of the support that the agreement has, and I think it's

for two reasons. One is the longstanding, as you heard today, strong relationship between our two countries and the appreciation frankly that America feels for Malaysia. Second is I think we have done the right thing leading up to this agreement in the sense that we are now prepared, we believe, to successfully conclude by laying the groundwork.

Beef was mentioned. It certainly helps. It was not a pre-condition to the agreement but it certainly helps Malaysia move forward on opening up to boneless beef in the United States which is the vast majority of our beef exports, 30 months or even younger. It certainly helps being able to work through some other issues, perhaps I'm anticipating some questions here, but the financial services area. Frankly, we've taken our time. We have had extensive meetings at the senior officials level, Minister Rafidah and I have met even before we launched these talks and I think that's given Members of Congress some confidence that we can see the light at the end of the tunnel. We can see a way to bring this to fruition in a way that benefits Malaysia and benefits the United States. As Mr. Brady said, it can and should be a win/win proposition in trade. One of the wonderful things about it.

With that I'll open it up to your questions for Minister Rafidah or for me.

Media: A question for the Minister. The US negotiations with Thailand have drawn some opposition in Thailand, a lot of it because of US insistence on strict patent rules, the issue of access to medicines, can you comment on that issue and also how receptive are the citizens of Malaysia to the idea of a Free Trade Agreement? What's the level of political support in Malaysia for this?

Minister Aziz: On that end I'm not in a position to answer you because there are probably reasons why that didn't go through. Maybe Rob is able to answer that question. As far as relations are concerned, there is absolutely no opposition to this FTA. In fact when I got the Cabinet endorsement to go through with the negotiations and I told Rob that initially we just talked about it amongst ourselves and the cabinet. It is clear that we in Malaysia and we represent people at large, really believe that this is a very strategic Free Trade Agreement that we should sign. So there is no opposition because we will be very pragmatic about it. I mentioned to Ambassador Portman, we will be pragmatic about it. As long as we're pragmatic, there will be no opposition. People who want to, of course, will then be made to realize oh, it's not that bad after all.

Media: On the issue of patents and access to medicine, do you expect Malaysia will --

Minister Aziz: We don't have such problems. Our patents, our laws, are all in place. They're as good as any law [inaudible] in the world. So we [inaudible] intellectual property rights laws, [inaudible] anyway. [inaudible] Europe and Japan. It's not a problem at all.

Media: I have two questions, I guess. I was wondering if Ambassador Portman could comment on timing and it sounds like you're aiming to get this done by the end of the year, and whether or not you think you can do that and Thailand particularly, and Doha. Then if Minister Rafidah could talk a little more about what Malaysia is looking for out of this agreement. What are some of your priorities?

Ambassador Portman: Timing. I made the comment that as Chairman Thomas said we plan to bring this agreement to the Hill so that he can get it through the process. He didn't object, did he? [Laughter].

I think given the fact that we have laid the groundwork carefully, given the fact as Minister Rafidah has said, she's gone through a process already on her side in talking about some of the issues that we'll be discussing, and she has a sense of confidence on her side. I think we can complete this within a year. I think it's necessary for two reasons. One clearly is because of TPA. Our trade promotion authority expires as you know in July of 2007 meaning we do need to have an agreement to the Hill by this time next year and that involves coming together with an agreement by the end of the calendar year and then having some time to finalize the agreement [inaudible] to the Hill. So I think we're under some constraints there.

Second, frankly, we have a busy agenda as does Malaysia. During my tenure I've tried to promote working on agreements where we really see a good prospect of coming to a conclusion and moving through it. I don't think it makes sense to have an agreement sit out there for several years so I think it's the right thing to do. To move quickly, and I think we can in this case. USTR has adequate resources to do that. We have a great team. Barbara Weisel, Karan Bhatia who is the Deputy US Trade Representative is intimately involved in this issue. We've got a great team. Karan will be in Malaysia next week, having initial meetings. We have already, as I've said, had very intense discussions at the senior official level so we feel good about it.

Thailand. My understanding is the Thais have an election on April 2nd and they have made a decision in their caretaker status to withdraw from all the trade discussions including with Japan with whom we understand they're closer to having a trade agreement. At least that's our sense. So it's not just the United States, it's their international negotiations generally. We clearly respect that decision. We will work closely with them after the election to continue our discussions. We've made progress over the last couple of months with regard to the Thai agreement. We still have some outstanding issues we're working on, but we're going to await the results of the election.

WTO, I'm not sure what your question was there.

Media: On Thailand, is it possible that if that agreement doesn't move forward this would replace essentially Japan?

Ambassador Portman: It doesn't replace it, and the fact that we have launched this agreement really is independent of what happens in Thailand. If Thailand had concluded successfully a few months ago we'd still be where we are today with Malaysia.

Frankly, it's very important that we strengthen our economic ties with Malaysia. I thought Chairman Thomas put it well when he said it's surprising we haven't already initiated free trade discussions with Malaysia given our strong partnership across the board, not just on economic matters although there with regard to trade and investment we have a special story to tell. So it's not related to Thailand one way or the other.

Minister Aziz: You asked me about what we are looking for in the FTA. Basically it will be market access in the areas of interest of Malaysia and its people. Secondly, try to get more investment both ways. We want to see more cross-border investment. And market access, having goods or services, there are other areas that would perhaps be included, like technical collaboration. We're talking about capacity building, sharing of things that are valuable to the business community. So these are all things that make up the comprehensive FTA as we see it.

We are not going to make demands upfront, that's not the way FTAs should be dealt with. We are fully aware that in any FTA there will be cost and benefit. Cost would mean that market access means less revenue from import duties and so on, and competition, will be a cost to local, domestic people. But look at the cost and benefit. We have done our arithmetic and it's very clear the benefits far outweigh the costs that Malaysia and the U.S. will have to face. That's very crucial. That's why we're here today, hoping to get this started and completed quickly.

Media: Do either of you expect textiles to be a big issue in these talks? We know Malaysia is a major exporter of textiles. And the US is very sensitive on textiles. So do you expect that to be an issue? Also, what do you expect to be the main issues? I know you mentioned financial services. What are the outstanding issues around financial services?

Ambassador Portman: I think I'm wearing a shirt made in Malaysia today. [Laughter].

You're right. Malaysia is a major trading partner with the United States really across the board if you look at it, in manufacturing, agriculture services, but also textiles in the manufacturing sector. It will be one of the topics we will discuss. Again, Malaysia already has access. I think you've been quite successful in certain sectors including some very high grade textiles and apparel. So that would be one of the issues we discuss as topics of the Free Trade Agreement.

In terms of financial services, I raised that earlier because there was a concern among some that the financial services sector in Malaysia needed to be part of our discussion and there was some concern that perhaps there was hesitancy on behalf of the Malaysian government to enter into that discussion. I've not found that to be true, in fact, just the opposite. My sense is let the Ministers speak for themselves, independent of this Free Trade Agreement, and any discussion with the United States. Malaysia is moving ahead with the reform plan that includes liberalization of some sectors including financial services. And we've had the opportunity to have good discussions on that which gives us the confidence to know that this is a topic that is not off the table. In fact it's very much on the table, free trade discussions. So that's why I mentioned that. There was some concern raised about that by our private sector and we've addressed that issue in a way that we think will lead to a successful result.

What's a successful result? Reducing barriers. Having the opportunity through a free trade discussion to have negotiations on this topic we would not otherwise have. That's generally true with regard to every one of the topics that was mentioned here by Members of Congress. The Free Trade Agreement gives us the opportunity to have that discussion.

Minister Aziz: You talked about issues. I told the members of my negotiating team that we shouldn't start a negotiation based on issues. Issues have a negative connotation because that is something we squabble about. What we want to see is what are the areas that we can very quickly open up to each other? And should there be areas, for example, the financial sector, people always quote that, that we may not accede to.

In WTO we have committed ourselves to progressive liberalization. The reason being that for Malaysia, a very small country, we have very high presence of foreign banks and foreign insurance companies. Some of the biggest banks in Malaysia are American banks. We have CitiBank. It has been there for a long time. Bank of America. We have Bank of Tokyo, Mitsubishi, Chartered Bank, Hong Kong-Shanghai Bank. They were there long before we even had our own national banks, local banks. And the market intervention is indeed very high with insurance and of course in banking high relative to other countries where the actual foreign content is very, very low.

So based on that our commitment is progressive liberalization and this is a commitment that we'll stick to and we have our own financial services master plan with the schedules of opening up. We have a capital markets master plan. Again, the schedules for opening up. I've told this to Ambassador Rob Portman.

So in other words it's not difficulty that we want to focus on here, it is how do we then open up on a bilateral basis. So this has to be thought of very seriously and promptly. And so other areas like textiles, garments, and so on. We realize we have so many competitors, but we're not asking anything special from America. But if you can get better market access, why not? But even now without any special treatment we are already making some headway. We have to be very competitive. So it's about being practical.

Some of the things that we feel, technical barriers to trade, if it happens in Malaysia and it happens in America, let's abolish that. So that's what I mean by market driven and pragmatic.

Media: Just to follow up really quick. Are you saying that on financial services you won't do any more than you've already committed to in WTO?

Minister Aziz: No. Don't put words in my mouth.

Media: I'm just trying to --

Minister Aziz: I just said that that in the WTO, that was our commitment. When you talk about bilateral, that's where the point of discussion will start.

Media: I'd like to have both your thoughts on how you see the negotiation progressing in the automobile sector given Malaysia's sensitivities about opening that up. Whether Ambassador Portman you think you can get a better deal than Japan got with its recently concluded talks with Malaysia.

Ambassador Portman: First, it's been an issue that we have discussed already. Second, we have very little trade in automobiles. I think there was one Malaysian car that came to the United States last year. And two US cars went to Malaysia, right? [Laughter].

Minister Aziz: Left hand drive. [Laughter].

Ambassador Portman: We had twice the number of exports to Malaysia as they had to the United States. [Laughter]. So there's virtually no trade now. What the FTA enables us to do is at least have a discussion about that.

As I said earlier, you don't resolve every issue in an FTA to the satisfaction of those countries if you start off with the highest expectations, but you do have a forum and you therefore have the opportunity to make progress. So I just wanted to make that clear, because some Members have said to me already on our side here in Congress, they're concerned maybe about the automobile sector because they have a sense that Malaysia is sending us automobiles. There was one. [Laughter].

Minister Aziz: In terms of automobiles, let's not just think about America selling cars to Malaysia. We must remember, we are an ASEAN free trade area already in place. What we should be talking about, American automotive presence in Malaysia to cater for the region. Assembling there, manufacturing there, and together free market access to the rest of ASEAN [inaudible] 30 million plus people. That's the way it should be, not just looking at Malaysia. We're a tiny country vis-à-vis the US.

I would like to summarize how I would see the FTA negotiations. I would say let there not be a prenup which is so unreasonable that the wedding doesn't take place. [Laughter]. So let there not be a prenup arrangement that is so ridiculous that the wedding is off from the beginning. I don't think this is going to be, Rob, because we have such good relationships between our two countries, we are the same level of thinking. We know very well what's good for both of us.

So much has been said by your Senators and your Congressmen, and I appreciate that very much. They are aware of why this should actually go on. So I don't think we should start on the wrong footing by saying ah, whatever issues...

Media: It's been mentioned today that TPA expires in the middle of next year and how as a practical matter we need to finish this negotiation by the end of this year so it can be considered by Congress in time.

I just wondered, are we getting to the point where it becomes impractical to launch additional FTAs? Do you have any other FTAs up your sleeves? Or do you think this is the last one that you'll launch under existing TPA authority? [Laughter].

Ambassador Portman: It's a good question and it's one that frankly I've been thinking about myself. We struggle a little given the timing.

Our approach, given the leadership of President Bush on trade and his strong advocacy of America taking a leadership role on the multilateral front but also on the bilateral front, is we have to move forward. And therefore if a trade partner like Malaysia approaches us with an interest in deepening our ties I think we need to be receptive to that. Yet as you say, we know as a practical matter it may be tough if the agreements aren't concluded by the end of this calendar year, certainly by this time next year, to move through under this existing TPA. So as you saw with Colombia and Peru and Oman, we are moving as quickly as we can with agreements. We're also working on an agreement with Panama, as you know, and we hope to be able to have some good news on those fronts.

With regard to Korea, Adam Smith and others have taken a leadership role. We have the opportunity to move forward a little more quickly than Malaysia because we started a little more quickly. So we do have a rather full plate and we are trying to achieve all we can in the existing TPA window. But it doesn't mean to me, or certainly to the President, that we should slow down. We need to continue to reach out to countries as they are willing – understanding that the TPA is a practical issue that we'll have to deal with.

So we want to do as much as we can under the current window, but I don't think that will preclude us from moving forward where it's appropriate with other countries.

If I could take a moment here and allow another one of my former colleagues to say a word, and thank you for coming. I appreciate the fact that you have taken a leadership role not just with regard to Malaysia but also with regard to our work in the Asian Pacific area generally. You understand the importance of it for your district. And your leadership in Congress is appreciated. Would you like to say a couple of words?

Congressman Adam Smith: Thank you. I don't want to take too much time, but I just wanted to come over and express my support for Ambassador Portman's efforts on this and [inaudible] Malaysia enter the negotiating process for a formal FTA with Malaysia. I think it has the potential to be a very positive development, certainly for the United States and for Malaysia which is a friend of the State of Washington. The State of Washington does a large amount of trade with Malaysia. I believe they're the fifth largest trading partner in the United States. I know Congressman McDermott was here earlier to speak on behalf of that, so we see a lot of positive relationships, a lot of issues that can move forward for both Malaysia and the United States and the State of Washington, and move forward on a positive trade agreement. Certainly we want to find ways to work with the rest of the world. There is no end of controversies in terms of conflicts between different countries.

I think it's really important that as often as we can we emphasize how connected we are throughout the world. We are not going to be able to live in a world where we can arbitrarily say we don't want to work with that country or that country and somehow want to keep everything to ourselves. It doesn't work that way. I think overall that's a positive, but positive or not it is the absolute reality. So finding ways to reach out to the rest of the world, to work with them in a cooperative way for economic growth and greater prosperity for all is incredibly positive. And we view Malaysia as a great opportunity for us to do that, and I look forward to this process.

Again, I want to thank Ambassador Portman for his outstanding leadership. We just needed to get a former Member of Congress in there to get the USTR moving. [Laughter]. Just kidding. I really do like working with Rob on [inaudible] and look forward to working with you as well. Thank you very much for your time.

[Applause].

Ambassador Portman: Thank you all very much. We do have another opportunity to speak to the press if you have additional questions today at lunch. Again, I thank you all for coming. It's a very positive launch that I know will be very successful [inaudible].

Minister Aziz: Thank you very much.

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