

**Remarks of Ambassador Peter F. Allgeier  
to the  
United States Asia Pacific Council  
November 10, 2004  
Washington, D.C.**

I am very pleased to meet with the US Asia Pacific Council today, to discuss trade policy and our trade negotiating agenda as we move forward in the second Bush Administration. And particularly, my part of the program is to talk about the global trade liberalization efforts. Fred will talk about the regional, but I think you'll see that there's quite a bit of connection between the two.

Before, I do that I do want to put in a plug for something that is essential for us to move forward both with our global trade liberalization schedule and with our regional and bilateral efforts. And that of course is the extension of Trade Promotion Authority. That will come up very early in the new year and it's very important that groups such as this, that have such an important stake in on-going trade liberalization and expansion make clear the importance of the extension of Trade Promotion Authority. And I'm confident that certainly you will do that.

Of course, Asia is a region that knows very well that its future is tied closely with trade liberalization even though trade liberalization often is very difficult politically. The region's growth is largely the result of a commitment by many of the regional governments to economic reform and liberalization. And that commitment by the region to liberalization in Asia Pacific, of course, has been very helpful to promote liberalization on the global level in the WTO.

Now, from the case of the United States, of course, we will continue to exercise leadership within the region in APEC, with the Enterprise for ASEAN Initiative, in our ongoing bilateral free trade negotiations. Of course, you know we have two agreements already with Singapore and Australia. We are encouraged by the negotiations with Thailand. And we engage with the other countries of the region using other trade policy instruments. We have trade and investment framework agreements with several of the countries in ASEAN. We have, I should mention, started up again our policy of negotiating bilateral investment treaties. We just completed one with Uruguay and I think that the certainly the Asia Pacific area would have some countries that would make sense to look at possible bilateral investment treaties.

And of course our work with China. On the bilateral issues and implementation of China's WTO ascension obligations. But let me focus on the global. And in addition to these regional and bilateral liberalization efforts, of course, we're pursuing trade liberalization in the WTO in the Doha Development Agenda.

To this end, Ambassador Zoellick and the United States has led the drive to get the Doha negotiations back on track and we think we did that successfully last July in Geneva when the General Council agreed on a framework for the next stage of the negotiation which will take us to the next WTO Ministerial in Hong Kong at the end of the year. And I want to assure you that the leadership that the United States has shown first in launching the Doha Round in 2001, and

then as I just mentioned, in getting it back on track in July, that that leadership will continue very strongly in the coming year.

We think that the atmosphere in the WTO is significantly better than it was a year ago. The cooperation and good-will constructive work by developing and developed countries in July in Geneva is certainly a welcome antidote to the rather divisive, unproductive rhetoric that we witnessed in Cancun. Now there's an awful lot of work that remains to be done. Very hard negotiating and political decision-making, and certainly we look to the Asia Pacific area and the countries within this region to play a key role in moving the negotiations forward.

Particularly in the key areas of market access. That is to say in agriculture, in non-agricultural market access, in services and trade facilitation. And in the few minutes that I have left, I'd like to touch on each of those areas and describe how we see a desirable outcome in those areas, and where we are right now.

First of all is agriculture. The framework that was agreed upon in Geneva set the course for movement on agriculture in the three so called pillars, which is to say elimination of export subsidies. And that is an area in which there is a lot of agreement among the countries of Asia Pacific. If you go back and look at APEC statements over the years, APEC has been very strongly supportive of eliminating agricultural export subsidies.

The second pillar is market access in agriculture. Again, many of the countries, not all, in this region have been strong advocates for reducing tariffs and other barriers to market access in agriculture.

The third pillar is admittedly a very controversial one within this region. And that is the significant reduction of domestic support. It's controversial in the United States, and we know it is very controversial in a number of countries within the Asia Pacific region. But, if we are going to have a full package of liberalization, including liberalization in manufactured goods and services, we are going to have to have a very robust program in agriculture, including significant reductions in domestic support. So that means, of course, that countries, particularly like Japan and Korea and Taiwan, are going to be expected to make substantial reductions in various trade distorting measures that currently are in place.

The other thing I should say about agriculture is that the approach both on tariffs and on domestic support, that is to say subsidies, is one of harmonization. And by that we mean that those countries which have the higher tariffs and the higher levels of subsidy are going to have to make the deeper cuts. So that is a principle, and obviously the United States is going to have to adhere to that as we move forward in our agricultural negotiations.

The second key area is non-agricultural market access, basically manufactured goods and consumer goods. In here, there is framework that involves four elements.

First is a formula for tariff cuts. So that everybody would take a formula and apply it to our tariff schedules and that would indicate the degree of reduction that we would undertake. One of the very important elements that was agreed upon in Geneva in July is that this formula would be

what is called a non-linear formula. Which means, again, those with the higher tariffs have to cut more deeply. It's not just an across-the-board X% for everybody. So that would be the first element within non-agricultural market access: a non-linear formula. And there are many variations of non-linear formulas. There's not just one version of that, and so a lot of what we'll be doing in the coming months is to work out what sort of a non-linear formula there should be.

We, the United States, and many countries in the Asia Pacific area believe that a formula should be complemented by a sectoral initiative that would be basically tariff elimination in key sectors. And we want to work with the countries of Asia Pacific on that. Among the sectors that there's been interest in this region are chemicals, gems and jewelry, capital goods and, of course, information technology goods, but there will be others as well. And we have been very clear that we see an important dimension of the sectoral initiatives, being sectors that are of interest to developing countries, and then said that we strongly support a sectoral initiative in textiles and apparel.

In addition to the formula and the sectoral initiatives, there are non-tariff barriers. Obviously you can eliminate tariffs and still find that you can't get into a market because of non-tariff barriers. Again, this is an area where there is a lot of opportunity for cooperation and work together with Asia and Pacific. If you think about areas, again, such as chemical harmonization which we have done in the past, we've done it in construction equipment and of course to a certain degree, large degree, in information technology.

And in these sectors we're not insisting that every one of the 148 countries of the WTO participate in each and every sector, so one of the things we will have to work on is: what is a critical mass of participants? Clearly those countries that are benefiting from trade liberalization in a sector need to be contributing in the form of eliminating their tariffs. And this is something that would be very controversial and difficult especially with the advanced developing countries. But the advanced developing countries need to be in the sectorals for them to work.

I mentioned non-tariff barriers. The fourth element is flexibility for developing countries. We recognize the enormous diversity of countries within the WTO and the poorest countries cannot make the same contribution as the more advanced countries. So we are going to have to find ways to have the poor countries be part of the system, we don't want to have a two-tiered system or three-tiered system, but obviously the demands that would be placed on them would not be as great in this area of non-ag market access as on the more advanced countries. That is to say the developed and the more advanced developing countries.

Companion piece, let me just say here is an extremely important role for the private sector. We had certainly been consulting throughout the Doha negotiations with the private sector about the priorities. But now that we have more of a framework, it's important that both the private sector and the governments refine our priorities so we are very clear on what our objectives are, what our interests are in negotiating the non-agricultural market access.

Trade facilitation is a companion piece to non-agricultural market access liberalization. Trade facilitation in the WTO lexicon means customs procedures and putting in place transparent, predictable, open, fair customs procedures. The General Counsel of the WTO in Geneva agreed

that trade facilitation would become part of the negotiations. A negotiation group is being established under the chairmanship of the Malaysian Ambassador to the WTO, Ambassador Noor. And so those negotiations will proceed simultaneously with the other ones that I mentioned.

I think that anybody who conducts international business knows very well that customs procedures can frustrate market access just as easily as other non-tariff barriers. In fact, I think it is the World Bank that has, or there's certainly a number of studies that have suggested that problems with customs procedures can be the equivalent of an extra 5 to 15 percent of a tariff.

So we will proceed with those negotiations, and again there are important roles for the private sector. Number one is to provide us with specific information about the kinds of customs procedures we need to deal with in these negotiations. And number two is to build coalitions across private sectors internationally to support the trade facilitation negotiations. There already something called the Trade Facilitation Alliance, and I think that a number of the countries in Asia Pacific region are part of that. It's that kind of alliance that will be very important to support ambitious results in trade facilitation.

There's a lot of trepidation among developing countries about trade facilitation and whether they can afford to do it, whether they have the resources to do it, whether they want to take on real obligations, so it will be important to work with the developing countries on trade facilitation. If they want to be plugged into the global sourcing network that is occurring today in international trade, they have got to pay attention to their customs procedures.

And then the final area, the fourth area of market access that we are stressing within our global negotiating agenda is services. Extremely important, it's a major part, in fact the majority of most economies these days, certainly the more advanced economies, and the agreement in Geneva is that services will be negotiated on a par with the other market access areas that I mentioned.

Here also it's an area extremely to developing countries. Here, the World Bank has done quite a bit of research and it's looked at what's called the force multiplier effect to services. It's not just the benefits to say financial services or telecom services as an industry, but these are services are the infrastructure of competitiveness of any economy, developed or developing.

And just to illustrate that, in the World Bank study, they said that those developing countries that have opened their financial services market and their telecom market have grown at an average annual rate of 1.5 percentage points greater than those developing countries that kept those two sectors closed.

The schedule in Geneva is that by May of the coming year, all countries are to put forward their revised services offers. Now there are a number of countries in the Asia Pacific area that have not even put in initial offers. And so we hope that these countries, Philippines, Malaysia, Indonesia for example, by the end of this year will put forward their initial services offers. On the part of the United States, we are reviewing our offers and our requests and we will be

surprise, surprise, making additional requests. But, we will also be looking at our own offer and the requests of others to see how we can make improvements there.

APEC of course, has been very active in the past in promoting services negotiations and we look forward to that kind of support as we go forward.

So, in conclusion, we will continue to look at this region and the countries in this region for strong support and cooperation in the WTO negotiations in Geneva. After all, the APEC economies account for nearly half of world trade, so we have a huge shared interest in bringing the Doha Development Agenda to a successful conclusion. Chile has been a terrific chair of APEC during the past year in regard to support for the multilateral negotiations and we certainly look to Korea as the up-coming chairman of APEC to continue that; both to come up with practical solutions to the various problems and obstacles in expanding trade and specifically to help sustain political support, strong political support for the Doha Agenda.

We are looking forward to a strong statement next week by the APEC leaders in support of the Doha Agenda, and then it will be even more critical for all of us within APEC to turn that rhetoric into action as we negotiate over the coming months in Geneva.

So, thank you very much for including me in the program and I look forward to discussing these issues in the question and answer period.

Thank you.