

Ambassador Susan C. Schwab, USTR
Simon Crean, Australia Trade Minister
Photo Op
1 February 2008

Ambassador Schwab: Hello everybody. Thanks for coming out on this rainy, rainy day. You could be back in your summer, couldn't you?

Minister Crean: I'm going back.

Ambassador Schwab: We're pleased that you're here. Thank you.

I have been very pleased to be able to host Minister Crean here for the first time in his official capacity. We've had a very productive and most cordial meeting. We had a chance to chance in advance of this in Bali and in Geneva and Sydney, but this was sort of our first official bilateral. The Australia-U.S. relationship, our economic relationship is anchored by our bilateral Free Trade Agreement which I think both sides, there's a clear acknowledgement that it has brought prosperity to our nations and helped realize our shared commitment to growing and enhancing this important bilateral relationship.

We also talked over lunch as we have talked in our past encounters about the Doha Round and our mutual commitment to seeing a successful conclusion to the Doha Development Agenda. We're working very hard to see that there are new trade flows generated by a Doha Round, whether in agriculture or in manufacturing or in services. We know that will require a heavy lift on everyone's part. Whether we're talking about lowering barriers or eliminating agricultural export subsidies or imposing serious disciplines on trade distorting domestic support, we know that it is critical that we take a leadership position in the Doha Round and that we ensure that other major trading countries, whether developed or advanced developing, emerging countries, also play their role, offer their contribution commensurate with the level of development.

We know that we can't do this alone and that all countries will need to contribute, and we look forward to working with our developed country trading partners as well as Brazil, India, China, others of our trading partners that are among the fastest growing developing countries in the world.

We talked about a variety of other things. Our free trade agreement, how we can build in that regional economic architecture in the Asia Pacific region. And we expect those conversations to continue.

Let me stop there, and Minister Crean has an announcement to make as well. I will not overshadow that other than to say I'm really looking forward to hearing it. [Laughter].

Minister Crean: Amongst friends it's always good to give the announcements earlier, and then formally announce them.

Thank you, Susan, for the opportunity to meet here in Washington. We've had the opportunity to meet now on a number of occasions including in APEC before our government changed hands. It's been a pleasure to work with you. I like you very much. We seem to get on well. But importantly, we share some significantly common objectives. So the opportunity to use the strength of the bilateral relationship as embodied in the FTA, to build the momentum for a successful outcome in Doha is hugely significantly.

This visit comes at the end for me for what has been a pretty long trip away. It's taken me to India and Japan, Davos and Geneva and Brussels and here. But the fact that we're finishing here has got to do with me wanting to keep traveling west, because jet lag is handled a lot better that way. [Laughter].

I think that this visit has been enriched because of what we were able to achieve in Davos. I think there is a new momentum that's emerged from Davos. And the opportunity to secure an outcome is a real prospect this year.

It won't be achieved unless there's movement in the three sectors that Susan has referred to -- agriculture, the NAMA and the services sectors -- but both of us share ambition in all of those three sectors and that's terribly important.

It's also interesting that the state of the economy, the U.S. economy, is now front and center in terms of world focus as to what the implications are, but it's a timely reminder that over the last five years without a Doha conclusion the growth in world trade has been twice the rate of the growth of world output. So for nations that want to secure their future, clearly there's advantage and opportunity in further liberalization of trade. That's the common objective. And we both know that as important as the FTA is, the biggest benefits of the lot in terms of trade opportunities come through the openness in all of the markets. That's the challenge of Doha.

We did discuss the regional architecture, the significance of APEC in particular, but the other emerging structures. We have a common objective in seeing liberalization and the effective functioning of those regional structures. And of course we have the ongoing mechanisms for continuing to discuss the bilateral relations between our two countries.

The announcement that I have today is that we will join the U.S. and other countries, including Japan, who lobbied as strongly about this point as well in the negotiation of a new anti-counterfeiting trade agreement. We welcome the opportunity to work with the many countries involved in developing a new agreement. It's essentially an agreement that will combat counterfeiting and piracy. I know the importance of this to the U.S.. We are very happy to join with that and it makes for a happy announcement.

As for the future, I know that we're going to be spending a lot of time together either on the phone or in person. The challenge is Doha. It can be done. I think the willingness and the commitment on both sides to try and bring that home is a pretty significant outcome of today's meeting as well.

Thank you.

Ambassador Schwab: We're obviously delighted that Australia is going to be joining the active negotiations. Australia has pursued an active, high standard of protection of intellectual property and we look forward to working together with Australia as these negotiations develop.

Ditto on the Doha Round. We know we have our work cut out for us, but we clearly have a meeting of minds as to the importance of getting this done this year.

Question: Tony Walker from the Financial Review. A question for both of you.

What are reasonable expectations for a completion of the modalities phase of the Doha discussions? And when might an agreement be possible on an overall Doha agreement at the earliest? And on a scale of one to ten, what are the chances of an agreement this year?

Ambassador Schwab: You heard my President on Monday night, the President of the United States on Monday night articulating the U.S. government's commitment to doing everything that we can to achieve the successful conclusion to the Doha Round in 2008. We are on track for that if in the next several weeks and months we're able to get a breakthrough in terms of modalities.

As you know, we in our conversations about the Doha Round believe that it is necessary to have as part of the modalities breakthrough agriculture, manufacturing and services, because those are the three, quite frankly, those three fundamental pillars to the Doha Round are prerequisites for all of us putting together our schedules which we expect would take at least six months. During which time the other very important elements of the Doha Round we see being negotiated.

If you're asking me to handicap either the specific timing or the prospects for an outcome, I have been in my position long enough to know that that's not a sensible thing to do. So all I can say is we will be doing everything we can on an accelerated basis to contribute to a positive outcome in terms of modalities. We're willing to do our share. We know we can't do it by ourselves. And to have modalities concluded in time to conclude the Doha Round in 2008.

Minister Crean: I would only add that the modalities in terms of agriculture and NAMA are the important first step. They can't be done in isolation of understanding and comfort. But the other outstanding issues will have a strong directional commitment to market access, particularly when it comes to services, and a timetable to move forward.

If you work back from that, then obviously we have to get the first step, the outcome in modalities on agriculture and NAMA soon. That can't happen until the new texts are out. And they are in the hands of the chairs.

I think it's fair to say, though, that we're looking to try and get commitment on those modalities around Easter, and then move forward.

So I'm bolder on that. Not so bold in terms of the one to ten analysis. But what I can guarantee you, that in terms of effort and commitment from my part, and I'm sure I speak for Susan, --

Ambassador Schwab: Absolutely.

Minister Crean: That's 20. [Laughter].

Question: Jim Berger, Washington Trade Daily.

Do you see any anxiety among the negotiators who are sitting comfortably in Geneva right now about a world recession. Will that force some real tough decisions within the next few weeks?

Ambassador Schwab: I think whether you talk to folks in Geneva or you talk to leaders in capitals, ministers in capitals, what you find is that the current uncertainty in terms of the global economy has reinforced what was already a very powerful motivation to have a successful conclusion to the Doha Round. I mean as trade ministers I think this is something that we've been committed to all along regardless of what's going on in the world economy. But the uncertainty in the world economy certainly contributes a sense of urgency and further commitment.

Minister Crean: I don't think anyone that we were talking with, either in Davos or Geneva, so far as trade, was talking

recession. I know people at Davos were saying that that might happen, but no one that we were talking about were seeing it from that perspective. But they were seeing it from the perspective that Susan has mentioned, and that is that in this time of global uncertainty, because of what's happened here, this is a huge opportunity to build some certainty back into the system, and one way which that certainty can be given is to come through with an outcome in Doha.

Can it happen? There's no guarantee of that. But the determination to make it happen and the dynamic that that produced was pretty significant.

The other dynamic I think that was important was the impact in terms of higher food prices and the challenge that this presents to developing countries in terms of feeding their populations and in terms of the question of food security. In its own way this dynamic, too, may help in terms of the agricultural liberalization that we're looking for.

Question: A question for Minister Crean.

Can you give us an Asian regional perspective on the U.S. economic slowdown? Are you seeing orders and that kind of thing drop as the countries prepare for what could be a U.S. recession?

Minister Crean: We're not seeing that, particularly with the big market of China. Nor for that matter Japan, with their recent commitments to long term energy contracts. India, China, Japan -- they are all countries that are looking to not just, in the case of China and India the food security issue, but energy security as well. This gives Australia some important leverage in terms of its bilateral relationship, but we're trying to not just take advantage of that from the perspective of trade, but also to use it to build the security in the region. It's in our interest to do that.

So we're trying to be positive, we're keeping a watching brief on developments, but we're also mindful of the continuing very strong demand. Quite frankly, one of the issues we have to face up to at home is the capacity or the lack of it in our infrastructure, particularly on the eastern seaboard when it comes to coal, to keep up with the demand. But this was a major commitment that was made by the [Rob Laver] government in the lead after the election. The investment in the drivers of proactivity, the drivers of a competitive economy, investing in our infrastructure, investing in skills and innovation. Because really in trade terms it isn't enough to just open up the markets. You've got to have an economy that continues to push the pace of reform.

Question: You're still worried more about keeping up with demand than you are any sag in demand that might --

Minister Crean: No, I think we've got to monitor if there is any sag in demand, what are the implications of what's happening here in terms of global demand. I mean this is a huge economy. Whatever it's saying about the growth in the other economy, this is the huge economy. So the stimulus package being debated here, we're taking interest in. It was interesting to have discussions about that yesterday. Also what the fed has done in terms of the cutting of interest rates.

But quite apart from all of that, given that Australia has not attended to it in the past properly, in our view, to building the infrastructure to ensure that volumes, not just prices, that we take advantage from the resources boom, that we also address the volume side of it and that means infrastructure and skills.

The big debate back home is industrial relations, workplace relations, et cetera, and the election. That plus the environment. I've traveled a lot around the country in the last 12 months and no one has asked me about the workplace relations system as an impediment to the future. What they wanted to know was how they could get labor. Skilled labor.

Ambassador Schwab: Let me add to that. Because if you think about where does the Doha Round fit into this near term growth, longer term growth equation. It's very obvious that what we're talking about in the Doha Round by definition is sustaining and building long term growth. You're talking about economic growth and development. Not just in developing countries, but also in developed countries. But the key, whether it's the rather conservative \$142 billion estimate the World Bank's come up with, the key is longer term implications for generating growth and remediation of poverty.

But there's also a near term benefit which is as much psychological as it is commercial and economic and it has to do with a vote of confidence. Or a show of confidence in the global economy and in investing in economic growth and development going forward. So you've got both the near term and the longer term positives that would come with a successful Doha Round conclusion this year.

Question: Minister, Kim Landers from Australian Broadcasting.

If I can get you to expand on the economic situation a little bit. If there is slowing growth here in the United States, a possible recession, what opportunities and also downsides are there for Australian trade as a result of that?

Minister Crean: Let me put it this way. I think one of the ways in which we can stem the threat of the downturn here is to liberalize the trade. You've still got big strength of demand in China and India. Their consumption is no where near the strength of the consumption here. But in terms of where they need to take their economies and diversify them so that they can actually deal with the important domestic reforms of subsistence agriculture, they've got to have a diversified economy.

China has already moved heavily into manufactures. We see opportunities in services. This is why the sort of ambition in all three sectors is so important. So important for this economy even in the circumstances of whatever these threats are and uncertainties about the future. Address the uncertainty by developing certainty.

And we are in a position, it seems to me, to do that. That's the new will, renewed political will. There were doubts about it. There have been doubts about it for years, let's face it. But the fact that no one was slipping back into the excuse mode at Davos. They were understanding the importance of having to move forward. So therefore I think that is the important signal that's come out of it. What we have got to do is build on it, capitalize on it, and bring the outcome home. That certainty is terribly important to help address any threat or any possibility that might be hanging around in people's minds.

#