

Ambassador Susan C. Schwab, USTR
Post State of the Union Roundtable
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Ambassador Schwab: Good morning, everyone. It was an exciting evening.

I'm going to keep my remarks very short. The President said it all last night. The President was very clear in his intent and ambition when it comes to the trade agenda. We know we have a lot we need to get done in 2008. He talked about the Doha Round, and I'm happy to chat about some of the progress that we think we made last week in Europe on that, and he talked about the importance of seeing enactment into law of the three pending Free Trade Agreements. He talked about Trade Adjustment Assistance. This is his trade agenda, but it is a trade agenda that we also hope and expect will be a bipartisan trade agenda and involves a set of activities that are clearly in the interest of American workers and farmers, ranchers, manufacturers, service providers. We just need to figure out how to get it done.

So let me stop right there and go to questions.

Question: Nestor Ikeda, AP reporter for Latin America. This is in regard to those three Free Trade Agreements pending discussion in Congress. The President has said that the U.S. administration is sending the Colombia agreement first.

Ambassador Schwab: Correct.

Question: Does it mean that the President is looking to press the Congress for this discussion without even having the votes for in favor of the agreement?

Ambassador Schwab: Clearly our approach to the Colombia Trade Promotion Agreement is to work in conjunction with the congressional leadership to make sure that the Colombia FTA gets a vote. Colombia deserves a vote and deserves a vote sooner rather than later.

The issues have been laid out. It is an exceptional agreement in terms of the economic and commercial value of the agreement to the United States as well as to Colombia, and in terms of where Colombia is on addressing issues associated with violence and impunity and some very real, measurable successes that Colombia can claim in this regard.

So the answer to your question is we look forward to working with the congressional leadership, Republicans and Democrats, to make sure that there's a timely vote on the Colombia Trade Promotion Agreement, and we hope a strong bipartisan endorsement of that agreement.

Question: [Financial Review]. Australian Trade Minister Crean is here later this week, and I guess it will be your first visit with him in his capacity as Trade Minister.

Ambassador Schwab: Actually, we met in Bali on the side of the climate change.

Question: But on trade matters.

Ambassador Schwab: Yes.

Question: What do you expect from the Australians in this latest period regarding trying to push forward the Doha Round? What are real prospects for the Doha Round? I noticed the President made just a one-line reference, it seemed almost a glancing reference.

Ambassador Schwab: You've got to be kidding.

Question: I'm wondering what you expect basically from our side.

Ambassador Schwab: I've met with Minister Crean on a couple of occasions. He is a very articulate, impressive representative of Australians' interest in trade. He clearly reflects a commitment on the part of the Australian government to a successful outcome to the Doha Round, an ambitious outcome to the Doha Round. I am anticipating that he and I will continue the conversation that we started about Doha. I saw him last week in Davos and we talked about it as well.

So I think the prospects for Australia and the United States to continue working closely together to achieve a Doha Round outcome this year are pretty good. And I would note that, I don't know how long you've been following State of the Union Addresses, but --

Question: Too long. [Laughter].

Ambassador Schwab: -- the President's reference last night was very substantive and very significant and a signal, designed as a signal not just to the Congress and to the American people but also to our trading partners. So I hope they picked it up.

Question: A quick follow-on. Could you discuss a little bit more on Doha with the mini-ministerial targeted for around Easter. What do you see as the scope of the horizontal discussion? Agriculture, NAMA, services? Or do you think it should be broader?

And when the Trade Ministers inquired at Davos about the prospect for TPA, what is your answer?

Ambassador Schwab: You've asked a couple of questions. The conversations that I had last week in Europe, and you'll recall I started out visiting Brussels, then went to Geneva for a day and then concluded a couple of days at the World Economic Forum. At the World Economic Forum I think we had a dozen and a half, perhaps two dozen Trade Ministers, so it was an opportunity for a lot of bilateral discussions as well as the panels that took place. One was sort of a closed panel with some business people. Then the public panel. Then the three hour meeting over lunch that the Ministers normally do.

A lot of the conversation had to do with timetable and scope. We had lengthy conversations about the juxtaposition of scope and speed and substance, which is to say if as we all appear to agree we want a successful conclusion of the Doha Round in 2008, and if you work backwards from a document that could be initialed at the end of the year then you need six to eight months to finalize schedules. So first to develop schedule and then to negotiate differences associated with the schedules, because no one's going to, when we talk about flexibilities, there will be a negotiation as to what is or is not included or sheltered by virtue of flexibilities, whether it's in agriculture or in NAMA for developing countries. So that's the first thing.

So you work backwards, and then during that six to eight month period you also have to negotiate in all of those negotiating groups where you aren't going to have a conclusion as part of your modalities exercise.

So we had a lot of discussion over lunch about what should or should not be in the modalities conversation, meeting. There is clear consensus for agriculture and manufacturing. There's a lot of support for services, and the U.S. position is agriculture, manufacturing and services. Then there are other things that we all care about that we want to see in a final Doha Round agreement that may or may not belong in the modalities exercise. That's where the single undertaking becomes so very important. I'll give you a for example.

In the case of fishery subsidies, that's a part of the rules negotiation. It's something that the United States feels very strongly about, the elimination of these subsidies for over-fishing. A very very important environmental initiative. We cannot imagine a successful Doha Round without addressing this issue.

On the other hand, we know that if you bring it into a modalities ministerial that you're never going to get out of the modalities ministerial. Therefore the question becomes what is the minimum necessary that you need to get done in modalities, sort of the necessary but not sufficient condition to get a Doha Round. And if you're going to do your schedules, if you're going to write up

your schedules, you have to have agriculture and manufacturing and services. Everything else you should be able to close out in the following six months, but you know that if you don't close out agriculture and manufacturing and don't get the ball rolling substantively on services, because you all know services is on a different track. It's this plurilateral request offer process. Unless you are far along on that, countries can't put together their schedules and therefore you're not going to meet your end deadline.

Lamy, and you should ask your Geneva based colleagues, Pascal Lamy was quite firm that he doesn't want a Christmas tree, and therefore I think in the next couple of days he's going to be talking to the senior officials in Geneva, heads of delegation, about how to lay out the game plan, the road map.

Again, scope. What is the scope of that discussion? The scope of that discussion, the more you limit it presumably the faster you can get the job done. Scope, speed, and then substance. All of those have to be taken into account as part of the equation.

You asked a question on Trade Promotion Authority. I have made a commitment, my approach to Trade Promotion Authority in terms of conversations with ministerial colleagues hasn't changed, namely no one on the Hill is going to be willing to have a serious conversation with me about TPA unless and until we get a modalities breakthrough. At that point if we get a successful outcome on modalities the Chairman of the Finance Committee and the Chairman of the Ways and Means Committee have both indicated their willingness to work with us on Trade Promotion Authority. Therefore, as soon as we have a breakthrough, if we have a breakthrough, I would intend to go up to the Hill and actively pursue Trade Promotion Authority. Recognizing at that point any vote on Trade Promotion Authority becomes de facto a proxy for the Doha development agenda.

Question: Andre Sita from Tass. A volatile question, I apologize.

Did you meet in Davos with the Russian Finance Minister, Mr. Kudrin, as you were supposed to? Can you tell us anything about that meeting? In general, are you willing to spend any political capital this year here on graduating Russia from Jackson-Vanik, resolving other trade issues that Russia faces given that it's an election year?

Ambassador Schwab: I did have a chance to meet with Finance Minister Kudrin. I had a fairly lengthy, almost two hour meeting with him. It was a very good meeting, I thought. I thought it was a very productive meeting. It was the second time I'd had a chance to meet with him. I met with him, as you know, in the fall shortly after he was designated as the head of the basically

interagency group in Russia charged with moving ahead, accelerating Russia's progress on WTO accession.

We talked about WTO accession. We talked through some of the big outstanding issues, some of the technical issues. We talked both substance and process. And it was very clear that first of all, the scope of what needs to be done is a manageable scope, it's a finite manageable scope. Two, that the Deputy Prime Minister, because he also has that title, has a real focus on getting this done. I had a sense of momentum coming out of the meeting. And I think that Minister Kudrin also appreciates the extent to which the United States, particularly USTR but not exclusively USTR, but the United States as well as the EU have been working very hard with Russian officials to help move Russia through the steps associated with the multilateral process.

Now the pace of Russia's accession is almost entirely within Russia's hands because there are certain decisions that have to be made and legislation and regulatory changes that need to be made, just like any other country that's acceding to the WTO. But we are, have been and will continue to use both energy and capital to help Russia move ahead with its plans to come into the WTO. And when the time comes, we will go to the Congress and do what we need to do in terms of Jackson-Vanik.

But in the next couple of weeks and months, again, I think we'll have some more clarity on this. But there's progress being made.

Question: Do you see that as a possibility for this year? Jackson, asking Congress to vote to graduate Russia from Jackson-Vanik?

Ambassador Schwab: I'd say it's a possibility. It all depends on how soon Russia is able to conclude those steps necessary to get to, be prepared for WTO accession. Then you've got a timing question. The United States would not want to be in a position where Russia is a member of the WTO and we are not providing permanent normal trade relations. So that would put us in a very awkward position in terms of Russia and the WTO.

Question: But the [inaudible] end is not a factor here.

Ambassador Schwab: Pardon me?

Question: But the domestic political calendar is not a factor here, in your opinion. The elections.

Ambassador Schwab: It's a factor to the extent that one year from now somebody else is going to be sitting in this job. But in the mean time we have a very ambitious trade agenda and every intent on getting it done.

Let's differentiate pieces of the agenda. In the case of the Free Trade Agreements, those are good agreements, very good agreements. They have been concluded. And the timing on those can be more easily addressed by politicians than, for example, the Doha Round and TPA because we haven't had a breakthrough in modalities. And so that set of activities would be dictated by the breakthrough in modalities.

Similarly when we're talking about Russia's WTO accession, it would be unrealistic for us to go to the Congress today seeking MFN for the Russian Federation when Russia's not there yet in terms of the accession negotiations.

Question: I wanted to go back to Colombia. You said repeatedly that you'd like to work with the leadership on that. To what extent are those discussions already taking place? And are you still leaving open the option that if those discussions are fruitless that you would have to just bring it to a vote, force a vote?

Ambassador Schwab: As I've said, that's always an option. It's certainly not a preferred option. There's a lot going on, and there has been a lot going on in the last several months. We've had, I've lost count of the number of trips that --

Voice: Numerous trips. Over 40 Members have gone.

Ambassador Schwab: Forty Members have gone down to Colombia. We are encouraging Members of Congress -- Republicans, Democrats, individuals who are for the Colombia FTA, who are against the Colombia FTA, who are undecided -- to go to Colombia and see for themselves and pass their own judgment.

I think that's been a very healthy process because it means that Members of Congress, first of all, many of them are getting first-hand knowledge; and secondly, individuals who aren't able to go to Colombia have colleagues who have first-hand knowledge who can talk about their experiences, what they've seen, their impressions.

The Colombians in the mean time have been working to continue with the improvements that they have made on addressing violence and impunity, and there are some amazing statistics that have been generated by independent sources over the last six months on the very very dramatic accomplishments that the Uribe administration can claim in Colombia about the reduction in the level of murders and terrorist acts and kidnappings and so on. So those are going on.

There are conversations about what else the government of Colombia would plan to do, would want to do, would be willing to do to further boost the evidence.

I mean one of the things that we all need to remember is that the progress, the tremendous progress that Colombia has made on the violence and impunity front started long before any conversations about an FTA took place. I mean they have tremendous credibility, as far as I'm concerned when the Uribe administration says they're going to do X, Y and Z because they have accomplished so much totally absent the FTA, well in advance of the FTA being under consideration.

So the conversations with the Hill are going on. I'm going up and visiting with a number of Members about timing, about process. And as I said, we really want to do this. And as the President indicated, we really want to get these Free Trade Agreements moving, starting with Colombia, in conjunction with the congressional leadership.

And I should add, I don't think the congressional leadership wants to be in a position of denying Colombia a vote. Colombia deserves a vote.

Question: What are the criteria for deciding whether this ministerial or mini-ministerial will actually happen? What needs to occur before the [talks] are right for that?

Also just very quickly, how long will the United States wait or give the EU on the GM case before it takes the next step? Are we taking weeks or months?

Ambassador Schwab: In answer to your second question, it depends on how much progress we're making. Our objective, and you've heard me say this before, in any of these enforcement cases, our idea, our objective is to fix the problem. And we've got this continuum of tools that we can use ranging from meetings and job owning at one end to retaliation at the other end. We need to be prepared to use any and all tools, whichever one is most likely to fix the problem.

We have been tremendously frustrated at the lack of progress on the agricultural biotechnology issue, and it was one of the topics that I discussed when I was in Brussels last week.

As you know, we took a measured next step, two measured next steps in the last few weeks. One was extending the deadline. Then when we exhausted the next deadline, I think we put out a Federal Register notice to make it clear that we are now looking at the next set of options. The next set of options have to do with retaliation or the potential for retaliation. We hope we won't have to get there.

That's basically where we are on the biotech case. We need to see some progress, and in fact we have been disturbed by some backsliding that we've seen on the part of France, for example.

In the, you were asking about modalities and the process between now and then.

Question: When these occur.

Ambassador Schwab: At minimum, there was a lot of discussion last week among Ministers about the lack of balance in the ag and NAMA texts. Now depending on who you talk to, they're either talking about technical balance, meaning level of specificity, or they're talking about substantive balance. From the U.S. perspective, any lack of substantive balance is that there's far more ambition in disciplining agricultural subsidies than there is in market access, either in agriculture or NAMA. We see that currently as a lack of balance.

There are some other countries who believe that the NAMA text requires more than the ag text does. But what I think everyone agrees on is that there is far more precision in the NAMA text at this point than there is in the ag text. And even though the ag text, and keep in mind, I'm talking just about level of precision, not value judgments on the actual substance. I think there is a general consensus that unless and until we have an agriculture text that dramatically narrows down the range of topics to be addressed by Ministers, that it would be very hard to have a horizontal, cross-cutting, either senior officials process or Ministerial process, with any prospect of success. Therefore, we need to see an iteration of the ag text that fills in more of the blanks.

Now I should say, for those of you who have been following this, the ag text has come a long way. There's been a huge amount of progress done in agriculture, and lots and lots of gaps, the black holes that we talked about a year and a half ago when the talks broke down, a lot of progress made. But there's still by one count, I don't know, 40-plus open issues in the ag text. And if you're realistic about a ministerial level negotiation, those need to be narrowed down to enough moving parts or a finite number of moving parts where you can actually come up with tradeoffs and packages of tradeoffs. And I don't know whether that's a half a dozen or a dozen, but I can tell you it is significantly fewer than the 40-plus that are out there.

As you know, we're expecting as early as next week new texts, and in the next several days, and we certainly had this conversation in terms of the informal meetings in Davos, ministerial conversations, that we need a process that will first of all frame what will be in the modalities conversation, and then making sure that whatever those topics are, they are in fact teed

up in a way where Ministers can sit down and do the kinds of tradeoffs that would be anticipated.

So we're looking for more precision in the ag text and then go back to my first comment about the calendar, we're talking about a finite period of time within which that needs to be done.

Question: All three legs -- ag, NAMA and services have to be teed up?

Question: What would you expect --

Ambassador Schwab: In ag and NAMA, definitely; and in services, because the -- The answer is yes on services except the process is different. And the next major substantive process with any specificity in it is going to be the next exchange of offers. That exchange of offers is not likely to take place in advance of a ministerial.

But the question is when are we going to see the services text? There is a services working group. We're waiting to see the text. The U.S. and many of our trading partners feel that that needs to reflect not just sort of a standstill in terms of binding current levels of access, but there need to be new trade flows and new access, and that the level of access and services needs to be comparable to the level of access in agriculture and NAMA. Now how you engineer that, there's a lot of discussion because it's a different process. It's not a formula based process, and that's what needs to -- We need to be talking through that because I don't think --

Question: -- the overall services text but not the services commitments.

Ambassador Schwab: The services text, it really at the end of the day, you can call it a text but it is not a formula for market opening in the way that ag and NAMA is designed as a --

Question: So it's just an issue of endorsing the level of ambition there?

Question: -- Rangel last night in his response to the State of the Union said that considering the Free Trade Agreements isn't ripe because the administration hasn't sent them up for consideration. What do you make of that?

Secondly, have you heard anything from the Democratic leadership specifically in terms of what they want from Colombia in order to support it? What I've heard is you want more. Have you heard specifically what more means?

Ambassador Schwab: I'm sorry to say I did not hear or read Chairman Rangel's remarks so I can't comment on them. I'm looking forward to going up and calling on the Chairman again in the near future so I can make sure I have a sense of how he would like to see this play out. I'll be going up to visit Chairman Baucus. I'll be going up to visit Senator Grassley, Congressman McCrery, and others in leadership positions. Again, to talk about calendars, positioning, and what we can be doing to make sure that this is a bipartisan, coordinated effort rather than something that's confrontational.

In terms of the "to do" list, I think there is not enough clarity. I think there are a lot of individuals who are asking for "more" who have been reluctant or unable to define it. And one always has this issue of goal posts. And this, by the way, is true of the Doha Round, just as it's true of any other kind of negotiation. You can set goal posts that are realistic but tough. You can set goal posts that are so extreme as to make it utterly impossible to meet them. You can set goal posts and keep moving them. And all three of those approaches are tried and true in any kind of negotiation. We'll see how the conversations play out.

I think we do have a sense of things that Colombia could be doing more of. I think President Uribe has articulated some of them and Colombia, the government in Colombia has expressed their intent and desire to continue doing more because it's the right thing to do.

So our effort will be trying to bridge that gap.

Question: On the Doha Round, can you count backwards on TPA and estimate when you need to send the Colombia agreement to Congress?

Ambassador Schwab: I think we've pretty much covered that.

Thank you.

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Ambassador Schwab: Jutta asked a question about the Andean preference extension, and obviously trade adjustment assistance, Andean preferences, are all part of the mix.

Thank you.

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