

## USTR Statement re. LDC initiative and textiles

# The Office of the United States Trade Representative

**Remarks by U.S. Trade Representative Rob Portman, World Trade Ministerial, Hong Kong Convention and Exhibition Center  
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AMBASSADOR PORTMAN: Thank you for the music. Do I have to put on these glasses now? Thank you all for being here. I'm sorry that we're a moment late. We're rushing between meetings and trying to make progress wherever we can.

Just had a good meeting with the LDC group talking about some of the possible issues we could resolve this week in terms of the development package. I wanted to try to give you a brief update of what's going on from our perspective and try to, as best I can, give you a sense of where I think we might end up this week on a number of different issues.

We have been meeting regularly with our trading partners in the hopes of seeing some tangible progress this week in the overall Doha round. I'm optimistic that we have the right attitude. Some of you have been at the plenary sessions. You've heard ministers speak from every geographical area, and from every level of development, saying the same thing; which is that it's imperative that we have this round come together because it affects all of our economies. It affects the global economy. And in particular it will affect the developing world and determine whether we move forward with trade and whether we continue to knock down barriers to trade, or whether we go the other way. And that is to increase protectionism, which in our strong view will stunt economic growth, particularly in the developing world.

I've said this before but I think the Hong Kong atmosphere may be somewhat infectious. You look here to a city built on a rock, admittedly with a nice deep harbor, that has managed, over time, by embracing trade, to tangibly improve the lives of its citizens, to the point that the per capita income here is among the highest in the world.

I'm more certain than ever, after the last few days, that agriculture remains the lynchpin to a successful Doha round. You've heard this from every group representing the developing world, whether it's the G20, whether it's the Africa group, whether it is ministers individually speaking to you and speaking to me and saying, "What we see in the developing world is the need for agriculture to be at the center, because there we have a comparative advantage. We have an opportunity. We have the ability to compete, but only if the export subsidies are eliminated, only

if the domestic supports are reduced and only if the tariffs that are so high in agriculture are brought down substantially."

As you know, the studies all show the same thing, which is market access in agriculture is where most of the benefit will be found in agriculture. The World Bank number is 93% of the benefit will be found in market access. They also tell us that 63% of the benefit of the round will come from agriculture. It's not because it's the biggest part of trade, it's because it's where the biggest barriers are.

In the United States, we have a saying, why did the famous bank robber Willie Sutton rob banks. And he said, "That's because that's where the money is." That's where the money is. Why are we pushing hard for deeper cuts in tariffs and the opening up of quotas? Because that's where the economic gains are. This is why, again, I feel strongly that we need that key to unlock agriculture in order to have this round come together. Until we do that, we can't make progress, in my view, on the other issues, as much as the United States would like to make progress.

Frankly, our commercial interests are more aligned with the services sector and the NAMA sector, reduction of industrial tariffs. That's where we're going to see more gain and that's where we'll see a lot of gain also for the global economy since most of the trade is in industrial products. Since 70% of developing countries' tariffs are paid to other developing countries, by reducing barriers both in the developed and the developing world, we will see gains overall that will result in this economic growth and the lifting of people out of poverty that is so central to the Doha round's mandate. I hope this week we can make some progress on those core issues. I hope we can, in a parallel fashion, see market access proposals in agriculture come forward that meet the Doha requirement of substantial improvement in market access. I hope then, on a parallel basis, we can see members take a commitment on services to reduce barriers, make a commitment on non-agricultural market access, industrial tariffs, to, at a minimum, to establish a formula to reduce highest tariffs the most and begin the process of truly reducing barriers and therefore achieving these economic gains we talked about.

Short of that, I hope we make progress on a development package. This will be a development package primarily for LDCs, but not exclusively. As an example, yesterday I was able to announce that the United States was willing to double its trade capacity support over the next five years. This is aid for trade. It does not just go to LDCs. It goes to the developing world, focused on the poorest of the poor but also many developing countries that are not LDCs would get that benefit. The same is true with the European Union's proposal and Japan's proposal. So these are broader development initiatives.

With regard to LDCs in particular, I am very hopeful we can come together with a package that provides duty free, quota free, access for the products of least developed countries. I am proud of our record in that regard.

Some of you have heard me talk about this already, but it bears repeating. The United States is already a very open market. I woke up this morning to one of our newspapers -- I probably shouldn't say the name but I will anyway -- The Herald Tribune. I guess that's good because it says I am reading it. But two front page stories: One was, "The United States has the biggest deficit in history," just reported and therefore the United States will be less able to promote market opening in the Doha round. Yes, we have a trade deficit. Yes, it is a political issue as well as a substantive issue back home. This does not mean that United States is going to back off of our strong promotion of market access, across the board.

The second story I saw was about the duty-free, quota-free issue and it stated as fact that the United States does not accept textiles duty-free and is not willing to accept textiles, indicating we don't accept textiles from least developed countries. That came as a great surprise to many of our LDC partners who are here, who send a lot of textiles and apparels to the United States.

So just to be clear, we are very open in the United States with textiles, specifically. Last year the United States imported 4.8 billion dollars worth of textiles from least developed countries. That's more than half of the world-wide exports of least developed countries in textiles and apparel. Approximately 22% of those imports came to the United States duty-free. We are prepared to make additional commitments in that regard this week.

But this notion that somehow the United States is not open -- I won't just to point you to our trade deficit, I'll point you to the IMF World Bank study that is done every year, The Global Monitoring Report, which says how open are you to least developed countries? How open are you to developing countries? And the higher the number you have, the worse the scorer is. It's the opposite as it was back when we were all in school. The United States with regard to least developed countries got a 5, Canada got a 6, the EU received 13, Japan 21, reflecting the openness of the U.S. economy to imports from least developed countries.

This is not just tariffs, it is also SPS, which is sanitary and phyto-sanitary treatment for agricultural products. It's also country of origin rules, which are extremely important, as you know, to least developed countries. And one of the things we're trying to do this week is to encourage loosening up of those rules. The United States already has rules in place that do provide substantial access as these reports indicate the least developed countries.

So, the U.S. has a proud record, and we will continue to expand our imports from least developed countries. Over the last ten years, we have moved from taking 20.5% of LDC exports to 22.7%. The European Union, with its program Everything But Arms, which I commend, has gone from taking 39.6% of LDC exports to 29.6%. These are World Bank figures.

So, I just want to put it in some perspective. Our economy is very open and will continue to be open, and we are willing to make further commitments here this week to provide even more access for least developed countries.

We are trying to flesh out the details on that even today, and I hope we can come up with a consensus among the members in order to move forward with something that is meaningful for the least developed countries, providing them with even more access to the U.S. market and other markets in the developed world, but also among developing countries who have expressed their willingness to open their markets a little more to the products of least developed countries.

So, for the next couple of days, we'll continue to push hard for a broader market access in agriculture -- we believe that is the key to unlocking the round -- for new opportunities for least developed countries and duty-free, quota-free, and of course for market access improvement in manufacturing and services as well.

If we cannot make all the progress we had hoped for here in Hong Kong -- and I'm afraid that we won't -- I feel strongly we should set a date before we leave here and put a work plan in place to be sure that we don't take the pressure off after Hong Kong. It would be a great temptation for us to breathe a sigh of relief and say we've made it through Hong Kong, now we can relax. Just the opposite is true. We'll need to roll up our sleeves and redouble our efforts to make the tough decisions to come together with a Doha Development Agenda package that is worth of the name.

Thank you all. I appreciate any questions you would have.

QUESTION: Ambassador Portman, I represent Washington Trade Daily. First and foremost you have been completely silent on one of the key issues that was discussed all through the night in agriculture, namely export competition. Your counterpart from the European Union again made substantial charges on this, that there is lack of movement on parallelism. Would you throw some light on this? And would you also reflect on what the Zambian minister is saying on the developmental issues, because he has -- I've read that statement, he has apparently read it out in the Green Room. Would you have some comments to make on that? Thank you.

AMBASSADOR PORTMAN: First of all, recall there are three pillars on agriculture: export competition, domestic support, and market access. With regard to export competition, we agreed back in July of 2004 in the framework agreement for total elimination of export subsidies. We should set a date. We should set it here in Hong Kong. It's been over a year since we decided that these subsidies are going to be eliminated, and all we need is the date.

Tony Blair, Prime Minister Blair, has said 2010. We like that. We think 2010 is a good date. Last night in the Green Room, one of my colleagues said the Africa Group has chosen that date. I don't know if that's something that's put out officially, but 2010 is their date. The G20 countries have a date: 2010.

So as I've said repeatedly this week, I think it's important we resolve these issues that are easy to resolve, where we've already made the decision to eliminate a whole area of subsidization, which is export subsidies, and go ahead and set a date.

I didn't hear Commissioner Mandelson's comments, but if he's talking about parallelism, he's probably talking about state-trading enterprises, export credits, and food aid. And I agree with him. I think we should deal with all of them. And I said that -- I guess I'm allowed to say what I said in the so-called Green Room? I said that in the Green Room. I agree with that. But that shouldn't keep us from setting a date.

With regard to those other issues, the United States has to pull our own weight. Export credits is something we use, and it's going to be a concession we'll have to make. We're ready to make it -- and consistent with the framework, by the way. There's a 180-day period established in the framework. We're willing to live with that.

Food aid. What the framework agreement said was that commercial displacement in food aid needed to be dealt with, not that food aid needed to be eliminated. That was never agreed to, nor would it ever have been agreed to by this body, because the vast majority of members in this body believe strongly in food aid. And the European Union proposal has been, "No food. Cash only."

Recall, looking back since July 2004 until now, that's been the negotiation -- cash only. Again, that's not a position that the membership supports. Certainly the United States doesn't support it. About 58% of our food aid goes for emergencies -- food to the poorest of the poor, the hungriest people in the world who need it. In fact, there's not enough food to go around. Why would we want to take food out of the system?

I just raised this with the LDC group. One of the representatives spoke up in support of food aid. Because they need food aid, and they want more of it, not less of it. And as the EU has gone to cash only, what has happened? They provide less food aid.

I would point you to the Darfur region today. I would challenge you to look at who is providing food in the Darfur region. It is the United States. There's no cash-only going there. They need food.

So are we willing to deal with the commercial displacement issue? Absolutely. We have a specific proposal on that. We think it's an important issue to deal with. We don't think there should be commercial displacement in food aid. But again, Ravi, this shouldn't keep us from establishing a deadline, a time, an end date for export subsidies. We should move ahead and we can do that this week if we have the political will.

What was the other question you asked? About Dipak.

Dipak Patel and I spoke last night, and we spoke again today. We're meeting again today. We're working very closely with his ambient trade minister who's also head of the LDC group, and we have a good, constructive dialogue going, and I feel very positive about it at this point. We'll see what happens.

QUESTION: Alan Buchnea, TVB: You said it's imperative for this round to come together. And Pascal Lamy has also said that if this round doesn't come together, there is not going to be enough time to have a comprehensive agreement by the end of next year. Were that to happen, does the Hong Kong round signal the beginning of the end of the WTO as an effective trade organization?

AMBASSADOR PORTMAN: I think it does call into question, not just the purpose of the WTO, but really the post-World War II consensus we've had for liberalization, which has benefited the world tremendously. We have managed to pull about half the people out of poverty who were in poverty after World War II through liberalization, meaning more open markets, more free markets. It works. It works here in Hong Kong as I said; it works globally.

Maybe I'm being too pessimistic, but what I said earlier is, if we don't make progress, I think we go back. I think there is really not an alternative, given the way our global economy currently works, the speed with which changes occur, for us to assume we can just maintain the status quo.

I think we need to keep moving on all these areas; that includes subsidies, but significantly it must include reductions of tariffs, reductions of non-tariff barriers. We've got to keep moving forward. We've got to keep finding the momentum. My concern is that if the Doha round does not come together, that we will retrench.

We have time to pull it together, because we have another year. Some say we have more time than that. My concern with that is first, we've been at this four years. I know we were at it even longer in the Uruguay round, but four years is a long time to wait, for the benefits that we all know are sorely needed in the global economy. So, I would hope four years would be enough.

Second, we have trade promotion authority in the United States, which enables us to take our trade legislation to the Congress for an up or down vote, as opposed to being amended. That's very important, in my view, to get trade legislation passed. There's a risk that if we don't have the proposal to Congress by 2007, that that could expire and not be renewed. Last time it took us nine years to renew trade promotion authority. It was a tough vote.

QUESTION: Neil Gough from the South China Morning Post: To your prediction the other day, I would just like to confirm that it has proven entirely correct. We have not run out of ink. We just heard from Ms. Fischer-Boel at the EC about an hour ago, who said that the U.S. was quote "holding hostage cotton negotiations" or the issue of cotton. Both sides, the U.S. and the EU, appear to be referring back to the July

2004 framework, and there's an issue over whether or not cotton should be part of agriculture. I have the text of the framework here. It says, "As both sides have repeatedly quoted that cotton should be handled ambitiously, quickly and specifically within the agriculture negotiations..."

AMBASSASOR PORTMAN: Well said!

QUESTION (Neal Gough) It's not my words, sir. I'm wondering if we're not engaged in some sort of semantic debate here that's delaying any progress on the issue?

AMBASSASOR PORTMAN: It's not a semantic debate. There's no debate about it. I refer you to Director-General Lamy or any other minister who was present during the discussions in 2004. There was a big negotiation over this, a big debate. And we decided to keep cotton within the overall agriculture negotiations. And that's what you just read.

I don't think this is a matter of semantics. I think it's a matter of some members of the WTO now wanting to go back on that commitment. The WTO has the ability to do that. As a group, we could decide to change what we decided on in 2004. But you cannot make the argument that we made a decision to move cotton outside of agriculture. We had a big negotiation over it. We made the decision. It's within the overall context of agriculture. And by the way, if you speak with the C4 countries, I don't think you'll find any disagreement on that.

So I don't know what the issue is. I didn't hear her comments, so I won't comment on them further.

QUESTION: Hello, I'm from Ukraine. At the beginning of this conference, you made a statement that Ukraine and Russia need to enter the WTO together. Can you clarify your position on this question? And another question: Some countries who are trying to access the WTO find themselves hostage of this conflict inside the WTO, and now they think, "Oh, better we wait until you decide on this and better not to enter the WTO before you decide all questions or problems inside." What is your message to these countries or the worries of these countries?

AMBASSASOR PORTMAN: Two messages. One, to repeat what I said earlier, I hope that Ukraine and Russia will both be in the WTO soon, and I hope they come in together. I don't know what will happen because there are bilateral agreements they have to reach with every WTO member. And then there is the multilateral agreement.

With regard to our progress, we feel as though we are in good shape to complete the negotiations with Russia and Ukraine soon. We're not quite there yet, but we continue to talk. I think I'm meeting with Minister Gref, if he's available, tomorrow. I know we are in touch with the Ukrainian Minister, and I think in fact have had some discussions this week.

So we think it's a good idea to have these two major economies be part of the WTO. Bringing them into the rules-based system makes sense, for them, but also for the global economy.

Your question about whether they're being held hostage, or whether what we're doing here is distracting from that, I don't think so. I think the truth may be that their entrance to the WTO may help us. Maybe we need some fresh blood, fresh thinking, to try to break some of these deadlocks. But no, there is an accession process that goes on separate from the negotiations on the core issues we've talked about, and that proceeds regardless of what happens here in Hong Kong.

QUESTION: Ambassador, it seems that the distinction between developing countries and least developing countries is unraveling here in Hong Kong. It is disappearing more and more. It seems that India, Brazil and the Chinese are in favor of that, and it seems, too, that this kind of message is cutting through. Is that a good or bad thing? First question. Second one, one is looking at the architecture of the European Union's Hong Kong strategy and that, happening, it looks more and more like a Titanic. Question, how are you managing under these circumstances?

AMBASSADOR PORTMAN: I was hoping you were going to tell me what the EU strategy was in Hong Kong, I can't figure it out so I ...

QUESTION: ...Well, they are banking very much on their aid-LDC package ....

AMBASSADOR PORTMAN: I applaud them on their aid for trade package. It's not quite as good as ours, not as much money, but it's a significant improvement, and I think that's great.

To your point about the developing countries and LDCs, you are suggesting there's a rift between developing countries and least developed countries. Was that your question?

QUESTION: My question was that it seems that the distinction which has been made between developing and least developing countries, that distinction is challenged more and more by major powers like India, Brazil and China and this kind of message is, as it seems, cutting through. So it might be that, could be one of the more significant political outcomes of Hong Kong.

AMBASSADOR PORTMAN: I'm still not sure that I know precisely which issues you're referring to. Preference erosion has been something that's been talked about a lot here, which relates to LDCs and preference programs. There are differences, as I said earlier, between what development packages are being -- or parts of the package -- which are being focused on LDCs as compared to the overall developing country package. Example: Our aid for trade package would be for developing, the duty-free quota-free would be focused on least-developed countries.

I actually am encouraged by -- I shouldn't be speaking for either of these groups -- but I'm encouraged by what I see as a coming together. Let me give you an example. In the discussions we're having right now on duty-free/quota-free, some of these emerging developing country commitments from some of the large developing countries -- that are emerging markets and that are emerging economies -- are very interesting. They're willing to say, "We'd like to help the LDCs more by providing more duty free access." They aren't willing to make the duty-free/quota-free commitment, understandably, but they are saying they'd like to open up more. As you know, some of these countries -- you mentioned Brazil and India -- have offered to do more in terms of technical assistance.

So I actually see some more responsibility, I guess, being taken that perhaps was previously shouldered more just by the developed countries. So I don't see a divide or necessarily a new dynamic there, except that I do think that some of these economies that are growing and prospering are taking on some more responsibility, which is good.

QUESTION: Does the U.S. enjoy support from other countries, developed or developing, for blocking duty-free quota-free market access of textiles from Bangladesh? I'm considering that Bangladesh is an LDC and textiles constitute about 75% of our exports.

AMBASSADOR PORTMAN: I just met with the Trade Minister from Bangladesh and he said he was concerned that we were talking about, as he said, touching the textiles

or hurting the textiles coming from Bangladesh, and I assured him that's not the case.

Last year Bangladesh imports to the United States were \$2.5 billion, textiles and apparel. That's a 20% increase last year, and I told him that nothing we're talking about would diminish that. The question is whether each one of those lines would receive now duty free treatment, which they do not receive now. Now it's all subject to tariff, not quotas but subject to tariffs. I told him in some of those cases it's going to be very very difficult for me to make the argument when obviously Bangladesh is incredibly competitive. They're doing very well in our market, and I applaud them for that. We joked about the fact that five years from now we hope that we're not in that same room together because Bangladesh will no longer be an LDC. We want to help make that happen but as a practical matter, some of those tariff lines -- it may be tough to describe why they should receive duty free treatment when they are so competitive.

It doesn't mean that Bangladesh is not an LDC. It doesn't mean that for all their products, Bangladesh would receive duty free treatment under whatever we agree to this week. It doesn't mean that all those tariff lines would necessarily be subject to any exception, but it does mean we need to look at that issue.

I've mentioned this before, and I hesitate to, but we also are hearing from some of our other preference partners, AGOA countries in particular, who have seen their textile imports go down a little bit as Bangladesh imports have gone up. There's some concern there, but it's really more of a domestic concern, frankly, as well as a concern for some of our AGOA partners.

So we just need to work through that. If we can come together with a package this week, the U.S. will make new and substantial new commitments to offering duty free access to our market. Even over and above what we already offer, which I said earlier I believe is very generous.

QUESTION: I wanted to ask a two-fold question. It appears from what we hear from Commissioner Mandelson that the European Union says, "This is our game plan. This is what we're going to do." How do you move forward from there with them saying during a negotiation that negotiations, for his part, are over? The second part of my question would be, if that does remain the European Union's stance, is it going to become important for the United States to team up with those G20 countries in order to make some progress here in this Doha round?

AMBASSADOR PORTMAN: Good question. We already work very closely with the G20 countries, as well as a much larger group of developing countries even outside of G20 who are focused on agriculture and particularly focused on market access because that's where they see their opportunity. We'll continue to do that.

I'm a little more encouraged than you are. Maybe I'm not hearing the same press conferences. Maybe I should come to their press conferences so I know what they're saying. I'm a little more encouraged because what I also hear is that they could see some movement if there was progress in these other areas, particularly industrial tariffs being reduced in some of these emerging markets we talked about, some of the emerging markets around the world; and reduction of barriers to services industry in Europe, which is extremely competitive.

I'm hopeful that at the end of the day, that's a bargain that can be struck, and it's agreement that would be beneficial to the developing world as well as the global economy because you would have a reduction of barriers and tariffs and be able to come together with an agriculture approach that truly provides new market access.

That's the hope, and we're not there yet, but I just can't imagine that we would let this opportunity slip.

QUESTION: Gregg Hitt with the Wall Street Journal: Beyond Bangladesh on the duty-free issue, duty-free/quota-free issue. Are you seeking line-by-line limits on textiles from other LDCs? If so, why? Is it because of the tough politics at home that you face on the textile issue?

AMBASSADOR PORTMAN: Good question. We haven't made that decision yet. There might be one country, in addition to Bangladesh, where we would look at that, and the threshold would be global competitiveness. And yes, it's because of my concern that United States should not make pledges we can't keep.

I know sometimes in these trade meetings, countries make great promises and pledges and then five or ten years from now, when they are supposed to come due, there is no accountability and nobody follows it. But we won't do that. You know we are going to be frank about it, and it is our assessment that some of these specific lines from specific countries where there is an absolute global competitiveness, it would be very difficult for us to justify that to the domestic constituency, including the United States Congress. So we will be as generous as we possibly can. We will push the process back home as far as we can, but we want to be careful not to make commitments that we cannot keep.

QUESTION: And on that issue of making commitments you cannot keep, do you feel you can keep the commitment to raise the spending on trade promotion programs for developing countries, the doubling of the funding -- you think you can get that through Congress?

AMBASSADOR PORTMAN: I think so. And I say that for two reasons. One, we spent a good deal of time on this over the last month or so to get to this point, including a lot of consultation mostly within the Administration and looking at budgets and look at where money can be provided for trade-capacity building.

But, second is, I do think there is an understanding within the Administration and within Congress of the importance of opening markets and the importance of trade. And with that comes the responsibility, I believe -- and I believe this is understood -- to provide these countries here represented, least-developed countries, the tools to be able to take advantage of those market openings.

We think it is a good investment. I think there is a consensus back home it's a good investment. That is why we have increased trade-capacity building 46% this year. And so what we have been able to do is to look year-by-year at what we think, as you say, is doable, practical, and then come up with -- over five years -- a doubling of our trade-capacity building.

It is a significant commitment. Budgets are tight back home. We will need to do everything we can to continue to communicate clearly why this is so important. But I do feel comfortable making that commitment, otherwise I wouldn't have made it.

QUESTION: Doug Palmer with Reuters. You talked about that the U.S. interests lie more in areas like services and NAMA, ultimately, than agriculture. But it just seems like services -- time is running short to complete a negotiation there. And I just wondered, if you have any -- do you think it is possible that, in the end, this could just be a round where NAMA, manufactured goods and agriculture goods are dealt with, and services is put off to the next set of negotiations.

And then, excuse me if I could just ask a different question on cotton. Back in Washington on Friday, you made some remarks about having stuff to say this week about market access on cotton. You sort of left the impression that you had some

sort of initiative on market access. I am not exactly sure what sort, but could you elaborate on what you meant by those comments and what you think would be a fair solution on the cotton issue?

AMBASSADOR PORTMAN: First on services. I am more hopeful than you are, and I base that in part on the fact that, talking to my colleagues, I think there is an understanding that there are tremendous benefits to be gained, particularly in the developing world, by increased efficiencies that are going to come with things like express delivery and financial services so that citizens of those countries can save and invest. Some of the infrastructure improvements that can come from investments, like telecommunications.

So I think services is actually an area where there is hope to achieve something significant through the Doha process. It will probably have to be done, Doug, more on a bilateral and, to use one of my favorite WTO words, plural-lateral basis. And that means like-minded countries coming together making commitments to each other on services. This has happened before. We have had great success in information technology, telecommunications, chemicals in the Uruguay round. So that idea of having countries come together that actually have a shared interest in this and making commitments to each other, I think it's a potential way forward, where we can see some progress.

And it could make a big difference in terms of the overall economic impact of the rounds. Some of you have seen these studies but services, as you know, is a growing part of the economy of so many developing countries and in many cases there are efficiencies that can be gained there that are very significant.

Second question was on duty-free/quota-free in cotton, it sounds like? I guess the way I am posing my question to you, I am indicating to you what I was talking about last week and what we hoped to talk about this week. You know, I am hopeful that we can see some ambitious, expeditious, and specific treatment of cotton in terms of market access.

One thing that I talked about last night, when we addressed cotton at the plenary session, was the need for all countries, not just the United States, to provide better access for the cotton from West Africa and raise the point that when you look at the subsidy issue, you look at the productivity issues, the amount of tariffs is a significant part of the answer to this problem. India and China are the two biggest purchasers of cotton in the world, as you know. The United States is a purchaser of cotton, but frankly some of the larger purchasers of cotton have relatively high tariffs in place. Some tariffs, not in those two countries, but some tariffs have bound rates are as high as 100%. Effective rates are lower, but there is an opportunity here to reduce these barriers in the United States and elsewhere to provide some of the answer to the dilemma that the West African cotton growers face, in addition to subsidies and in addition to higher productivity.

QUESTION (follow on): So the U.S. is willing to provide duty-free/quota-free access for cotton if other countries provide that? Is that what you are saying?

AMBASSADOR PORTMAN: Am I allowed to make news here, Christin? I will just say that the U.S. is willing under the duty-free/quota-free commitments we will make to provide duty-free access for cotton from these West African countries. You heard it first here, Doug.

That's the commitment that we are willing to make, and we are working with our partners in the C4, not just on that, but a whole range of issues to address their concerns. And we are hopeful to have some kind of resolution this week. If not, we will continue to work with them. We'll work with them closely.

QUESTION: Inside U.S. Trade: Back to the Bangladesh issue, is it possible to deal with Bangladesh and textiles and apparel in the context of the LDC initiative with the use of a safeguard. And then, in addition, from your comments today, it sounds like the US could agree to provide duty-free access to some tariff lines of Bangladesh textiles and apparels. Would that require action by Congress and do you think it would be politically possible for you to do that before Congress sees the entire Doha agreement. Would it be possible to do it as some sort of unilateral commitment?

AMBASSADOR PORTMAN: Good questions. First of all, on duty-free/quota-free just to be clear the United States would include all LDCs, so it would be all countries because there are some press, again, I saw this morning about what our position was, was not accurate.

Second, with regard to the idea of safeguards, it has been raised, as you know, the European Union has a safeguard in place for their everything-but-arms approach, and some have suggested that a safeguard would make sense for the United States to put in place with a new commitment on duty-free/quota-free. I'm not sure that makes sense, because it doesn't allow the exporters to have the predictability that they need that the market is going to be there.

Again, as I said earlier, the United States is very proud of our record, not just on tariffs, but with regard to these other regular tariff matters that keep LDC imports out. And that's why we have this very open system in the United States, as judged by the World Bank and the IMF, and why we have seen an increase in the percentage of LDC products to our country, as compared to other economies, including the EC.

I'm not sure a safeguard makes sense. It is something we're looking at, but I think that's a kind of issue, Ian, that I hope that people are looking at. In addition to tariffs, if you really want to provide access to least-developed countries, you've got to deal with these other issues -- country of origin issues, sanitary and phyto-sanitary issues, safeguards and so on.

And I'd rather see us make up a broader commitment than to have one with safeguards at this point, although this is still a matter of negotiation so I may have spoken too soon.

QUESTION: The other part of the question was about whether you thought that this LDC initiative, whether it could be agreed to be implemented before the Doha round.

AMBASSADOR PORTMAN: I don't know. I think, again, it kind of goes back to the whole theory of the round here. We're all looking to complete the round by the end of next year, and all of this moves together with the round. In the development package for LDCs, whatever we can agree to; in terms of cotton, whatever we can agree to; in terms of services of NAMA or ag, it all comes together at the end. And I know that's what the July framework provides for, and I know that's the way in which we are currently operating. It would all be part of a final agreement, to answer your question, that I would take to the U.S. Congress. So it is not something you would do separately but would be part of the overall Doha result.

QUESTION: At the beginning of this conference, you said that it would be like a necessary shot in the arm the idea of inviting -- of making a meeting of chiefs of state to help negotiators break the deadlocks in this conference. Do you still disagree with the idea of inviting the bosses to help negotiators do the hard work you say you have to do after leaving Hong Kong?

AMBASSADOR PORTMAN: I would hope that the trade ministers can do the hard work, do the heavy lifting.

But as I said, I think at our first opportunity to meet, I think President Lula's call for heads of state involvement is a constructive idea. I think it could be helpful, and I suggest that we wait until after Hong Kong to see how much progress we made. And I still feel that way.

Let's see what we do in the next few days. Let's see what the issues are. Let's see what kind of flexibility there might be. And then I think we should keep that as an option that could provide, I think that's what I said before, could provide an important impetus to the resolution of the issues in getting us to the end of the round. Thank you.

QUESTION: National Journal's Congress Daily: Two questions. In your presentation, you suggested that if not enough progress is made here, another date should be set, I guess, for another meeting. Do you anticipate that that would be a meeting of all trade ministers, like this one? What evidence do you have that in a few months the dynamics would be any different than this? Has there been any change in dynamics from this meeting?

And secondly, under the duty-free/quota-free plan that you have, are you going to allow unlimited amounts of sugar into the United States under this plan? And what impact would that have on the U.S. sugar program and U.S. commitments to other countries that we already have on sugar?

AMBASSADOR PORTMAN: Two good questions. It's a very fair question to ask. Why have another meeting if we're deadlocked? I guess my answer to that is twofold. One, because some of my colleagues have said they might need more time. And, you know, I understand that. Sometimes if there is going to be a change in position, you need time to work it through your system. So, if there are some indications at this meeting that there might be some flexibility on the kind of agreement I talked about earlier, where you might have some movement on services and movement on NAMA, then I think we should provide that time, but we can't provide too much time and expect to finish the work at the end of 2006. So that's why I suggested March 31st might be a good date.

In terms of what we do, where we go, whether it is ministerial, I'm not big on ministerials, with all due respect. Hong Kong has done a great job, and I'm happy to be here, but this is a lot of work and effort and focus that isn't necessarily as productive as meeting in Geneva, I think. So, that's my own view. I probably shouldn't express it here, but I think it could be a meeting that does not have to be a major logistical meeting at another site. It could be something we do at the WTO headquarters in Geneva.

With regard to sugar, obviously this is a very sensitive issue for us in terms of our current sugar program, and we would need to take that into consideration. You're absolutely right with regard to duty-free/quota-free. We do, as you know, bring in a good deal of sugar already, both through the WTO allocations and other CAFTA and other programs, including some sugar from developing countries. But I do think that one of the concerns that the United States is going to have, at the end of day, is how to be sure that that program can continue to operate. Good question.

QUESTION. Pacifica Radio in the U.S. My question is about the increase for aid in trade. As you say, back home the budget is tight. How secure, then, is this funding? And if does not get through Congress, where will the funding be coming from?

AMBASSADOR PORTMAN: Well, it's a good question. Earlier, I think, Greg Hitt asked the same question, and my response would be, we have taken our time. We have consulted with people who are very careful about telling us what kind of commitments we should be making or not making, including our Office of

Management and Budget. We believe we can make good on this commitment, otherwise we wouldn't be making it.

By the way, this is real money. This is grants. Loans can be important, too, for development. But increasingly, countries in the developing world, particularly LDCs, are saying, "We don't want to take on more debt." So the U.S. proposal is that this be grants, that this be funds that are provided directly to countries where they would have a significant role to play in determining how the money is spent in order for them to be able to more productively engage in the world trading system and take advantage of the market openings that will come from a successful Doha round. That's our goal, and that's why we've made this commitment to double the aid.

QUESTION (follow on): Is it possible that it does not come through?

AMBASSADOR PORTMAN: Anything's possible. It's possible we could do better. It's possible we could have significantly more, depending on what kind of case we can make. But I believe that this is carefully thought out and a credible proposal by the United States. Otherwise we wouldn't have made it. I do believe, again, that it's a significant new commitment that will really help with regard to allowing LDCs to feel that they are receiving through this Hong Kong meeting some additional reasons to be supportive of the final resolution of the Doha issues and the coming together of the round.

QUESTION: AP. You mentioned the trade deficit. How would your proposal impact the rising U.S. trade deficit? And also, from your morning meetings, did you see any signs that the dynamic of the talks are changing for the better?

AMBASSADOR PORTMAN: We had a good meeting this morning. I thought it was actually a more constructive meeting than the one at three o'clock this morning, when we were all so tired we couldn't focus. So I thought that it was a good meeting this morning. We're going back again, as you know, this afternoon and this evening.

I firmly believe that if the Doha round comes together, it will be good for the U.S. economy, and it will be particularly good for our exports. And I say that for the simple reason that the U.S. economy is extremely open to trade right now. Our tariffs in the area of agriculture are on average 12%. The global average is 62%. Our tariffs in the area of non-agricultural, industrial tariffs, is 3% on average. The global average is about 30% on average.

So by leveling the playing field and reducing the barriers to trade, we will see an expansion of U.S. exports. That will be beneficial to our current balance of trade and will reduce the deficit. I believe that. I also believe it will result in higher economic growth in the United States and around the world, including economies of our major trading partners, including a lot of developing countries who currently do not have the per capita income and the disposable income to be able to be in major markets - for other developing countries or for our products, our services.

I see the Doha round as having great potential for the U.S. economy and having a positive impact on the deficit, but it has to come together. This will involve some difficult choices.

Just to go back to where we started, and then I'll leave you all in peace: Unless we can see market access in agriculture, the key to unlocking the agriculture issue, I don't think we'll make progress in the other areas. That's my sense of where we are, and that's why it's so important that all parties come forward with a commitment to meet not the U.S. demands, but the Doha requirement, which is that we provide substantial improvement in market access, that we provide for an elimination of export subsidies, that we provide for a significant reduction in trade-distorting

support, and that we provide for lower tariffs in industrial products and reduction of barriers and services.

If we can do all those things, we will have achieved something great for the U.S. economy, but more importantly for the global economy and particularly for the developing world.

Thank you all.