

**Transcript of  
U.S. Trade Representative Robert B. Zoellick's Press Conference  
Roosevelt House  
New Delhi, February 16, 2004**

Zoellick: Thank you all for joining me today. The purpose of my visit here is to engage in a strategic dialogue with India about the Doha Agenda and the WTO. The context is one where I am pleased that the US economy appears to be recovering. But we believe that it is very important that we employ additional trade openings to try to broaden and deepen that recovery globally, and to link it to development. And so over the past week or so I have been traveling to a number of different countries to try to get a better sense of how others view the Doha Agenda and how to move it forward. I had a nice opportunity to have a long discussion with Minister Jaitley last night over dinner—he was kind enough to invite me to his home. And then we had another meeting with our staffs this morning and I also had a chance to meet briefly with Ambassador Mishra who, I had the opportunity to meet with on my last visit. And in addition to talking about trade I think it gave me a better set of insights about what I've seen the reports which are the very impressive growth in the Indian economy, the changes in the Indian economy and at least from my view how the Indian economy will be playing an increasingly important role in the global economy.

Now, this visit emanated from a letter that I wrote in January to all my WTO colleagues - that was trying to move the Doha process forward in the aftermath of the breakdown in Cancun. What prompted me to write that letter was my sense that in the months after Cancun a number of countries were feeling some sense of disappointment, a realization of a lost opportunity — but people were somewhat uncertain about how to get the process re-engaged. And so I thought that it was important on behalf of the United States to send a message that we did not want 2004 to be a lost year, that we thought that important progress could be made. And so I used the letter to try to give what I described as a commonsense assessment of where we stood and to give the process a push. And I was pleased that the response from the European Union and many other countries to the letter had been positive. But since the letter just reflected one country's views, I noted that I wanted to try to visit a number of countries to engage in dialogue with them.

In the past week, I've been in Japan, China. I was just in Singapore where I met with a number of countries from Southeast Asia. I was briefly in Islamabad yesterday and then today I head off to Cape Town to see Alec Erwin in South Africa and then up to Mombassa to meet a number of countries from Sub-Saharan Africa that have been organized by Minister Katuyi of Kenya. Then I will go to the headquarters of the WTO in Geneva and then briefly stop in Paris to see Commissioner Lamy of the European Union. And then, I'll be back for a few days and then I head off to Costa Rica to meet the Cairns Group, a group of agriculture exporting countries, many from Latin America. So, within the space of a little over two weeks, I'll have had a good feel of the countries' attitudes.

Along the way, I've been trying to get a sense of people's thoughts on five questions: One, are countries interested in moving the Doha Agenda forward and their assessment on how best to do so. Second, I've been asking about countries' top priorities. Third, their suggestions on what else the United States can do to move forward the process. Fourth, trying to get a sense of what other countries might do to move forward the process. And fifth, how do we make progress during the course of this year - work bilaterally, work done in Geneva, work among Ministers.

So, I was very pleased with the discussions that I had today. We have some follow-up work that we intend to do in a number of sectors. India and the United States have a number of points in common. But we also have some points of sensitivity, as is true with all countries. So, I found it to be a productive and useful, although too brief visit. So, happy to take your questions.

[silence]

I can't believe the Indian press is shy! [laughter]

Question: Ambassador Zoellick, what is the Administration's stand on outsourcing? I am from the Times of India.

Zoellick: What a surprising question. Let me give you the context of this debate, because I think it is important particularly with two important economies like India and the United States, that this issue revolves around. First, as I said, one of the things that has been striking about the progress of reforms in India is that I think it has created not only growth but an additional confidence and recognition of India's interests in the global and international trading system, and information technology and a series of service industries are definitely part of that. But, it's too bad you are not from the "Business Standard" [holds up copy of editorial from that paper], I noticed a piece in the "Business Standard" that emphasized it is important to make it two-way. And, that's what I think this is about for all our countries because trade involves change. And change can create jobs, but people also worry about its effect on jobs. And so, what the legislation that I saw got a lot of attention here, was a part of what we call an appropriations bill, a spending bill. It just runs through September and deals with two departments, the Treasury Department and the Transportation Department.

But what it reflects is an anxiety about job loss in the United States because of outsourcing. Now, there was another piece I saw by Rupa Chandra who is a Professor in Bangalore in the "Economic Times" that makes I think the very good point and many Indians may not be aware of this. When the agreements on government procurement were made in the GATT, which is the predecessor to the WTO, India, the India of that era, resisted making agreements on government procurement and indeed never joined the agreement. So the first point is, this is an example of the difficulty of a two-way street, which is that one is not really in a position to complain about a government procurement arrangement if one does not belong to the government procurement agreement. But more

broadly, what this involves is the whole question of services, telecommunications services, financial services, professional services, where again I think, and I hope this is changing, but India has been more reluctant to make those sort of commitments to openness.

Now, what that amounts to is the fact that it really brings us to the point of the visit, which is we want to keep our markets open, but to do so we need to be able to open markets abroad. We need to make, as the “Business Standard” said, make it a two-way street, and that includes services, goods and agriculture. Now, some people then say, and I saw this in some of the Indian press, “well gee, is the United States being fair and willing to open its markets?” Well, we have a USD 500 billion dollar deficit in the world, so its hard for me to understand if people say the United States market is not pretty open. And in the case of India we have about a USD 9 billion deficit.

Now, our view is that trade should be “win-win.” And it was interesting when I stopped in China on this visit, when I left the Vide Premier Wu Yee made this exact point – it’s a “win-win” venture. And that’s exactly what we are about in the Doha Agenda, is that how we can create additional jobs in India, in the United States, increase incomes, and have both grow together.

Yes, sir.

Question: Subramanyam Sharma from Bloomberg News. In terms of your meeting with Indian officials, which are the areas you see narrowing in terms of views between the US and India on the backdrop of Cancun and which are the areas which still remain the same? Has there been some sort of reconciliation on certain issues and what those issues are?

Zoellick: Well, from the start of these negotiations, the United States and India have been most interested in what trade people call “market access” – opening markets for goods, services and agriculture. We have both been more reserved about some of the newer issues, they’re called Singapore issues, that the Europeans, Japanese and Koreans wanted to add. Now, the United States has not resisted these topics because we know there is an interest in trying to bring all parties along, but one of the points that I made in my letter was that the conclusions that I’ve drawn from listening to countries around the world is that we’d probably best focus on trade facilitation alone and not the other issues. And, I don’t want to speak for the Indian Government, but as you probably know the Indian Government has been more reserved about those Singapore issues, and I think the one that it has most willingness to consider is trade facilitation. So, that’s one general point of commonality.

Second, as your questions suggested, I think this is the changing India. India is increasingly recognizing that service industries are a very important part of its economy today and tomorrow. So one of the things we talked about actually is how we could work together with other developing countries to help them recognize how a more open services market is important for development.

Third, in the goods area. There are a number of commonalities, and I think again this reflects India's increasing competitiveness, there are some sensitivities, and we talked about trying to deal with sensitivities. So I think the area that will be most challenging for us is agriculture.

Now in agriculture, there are some similarities as well. In agriculture, there are two types of subsidies. One, are called export subsidies. You actually pay people to buy the goods. The United States has very few of those. Europe has about 5 billion dollars. We would like to eliminate those and so pretty much would everyone else in the world, including India. So that's a point of commonality.

On the other types of subsidies, the subsidies that you may pay your farmers to distort production, we have been willing to cut them quite significantly, if we can get Europe to cut its domestic subsidies, Japan, and we can get more open access to other countries' markets around the world. And we'd be willing to cut our tariffs quite substantially if we could get others to. This is the most sensitive topic for India because of the large number of subsistence farmers. And so a topic that we have talked about and I have said that I understand is one that we need to work through is how can we, for example, open markets more to an increasing Indian middle class to lower the price of food. At the same time you deal sensitively with the subsistence farmers, and that's a topic that we need to work on more together, but I think that's the most sensitive one that we have.

Let me get someone in the back. I just don't want to be unfair to people.

Question: Mr. Zoellick, I am Abhijit from NDTV. I'm coming back to the question of outsourcing. You have said that trade should be a two-way street, but at a time when the US is closing its markets to service exports from India, can the US really claim the high moral ground and as India to open its markets? What's your take on that?

Zoellick: Well, I think it is somewhat unfair to say that we are closing our markets when we have a USD9 billion deficit. We sell USD4.4 billion to you, you sell USD13 billion to us, so it's....

Question: What about the legislation, Mr. Zoellick? Does it sort of scuttle WTO talks, because at a time when 2004 was touted as the year when multilateral talks would take over again, does it sort of scuttle the process?

Zoellick: I think that would be an extreme view because, keep in mind what the legislation does. The legislation is within the legal rules of the international system, as I have described. But in addition, it is a very small part of federal government procurement, and it doesn't affect the private procurement or much of the rest of federal government procurement. But the key message that one should take away from this is it reflects the sensitivity of this issue, and it reflects the fact that we have to make trade a two-way street. So, if we are going to be able to continue to have the expansion of global markets and services and agriculture and others, we have to open it for all.

Now, it is my belief, and the belief of our Administration, that trade creates jobs on both sides. And frankly, one of the things that has changed in India, in a relatively quick time, is that as India has become a stronger economy, it is now realizing its role in the international trading system. And so, I think one of the questions is how do countries see their own self-interest and the systemic interest. And, we hope to work with India to be able to make sure that the Indian services market is open, that India will give government procurement agreements, and that we can work together in goods and agriculture and others. At the same time we all have to work around sensitivities, and as I talked about, one key one here would be dealing with the subsistence farmers, we are well aware of that.

Question: I'm Sushma Ramachandran from "The Hindu." Mr. Zoellick, we were given to understand by Mr. Jaitley, in various public pronouncements he's made, that in the past you had assured him -- when the first legislation started being considered in American state governments on outsourcing -- at that time you had assured him that the Federal government disapproved of such legislation. Yet the central government, your federal system, has gone ahead with legislation to ban outsourcing. How do you reconcile the two stands?

Zoellick: Well, first off, I'd like to keep our private conversations private about what we do otherwise we wouldn't have much in the way of business conversations, we could just do it in front of the press. But I think what I said on outsourcing stands, is that it has become an important part of economics, but to be able to sustain it we are going to need to be able to have fair job creation on both sides.

Let me give you another example. The United States this year will be ending its quotas in textiles. There is a report that comes out that says two of the biggest winners in this are going to be China and India. We have lost hundreds of thousands of textile jobs. Now, we are continuing to go forward with our obligations, but you'll find many other developing countries in the region concerned about competition from India and China. So, we have to bring everybody along and create an opportunity. But if India wants to have the ability to have outsourcing and wants to have the ability to sell goods to the United States, well you can see India is also going to have to open up. And again, let's put this in a context. You know, the average bound tariff in agriculture for India -- that is the tariff that you could go up to, the current tariff is lower -- is 112 percent. That tariff is twice the level -- twice the level -- of the average in the world. It is 10 times the level of the United States. Now, your applied tariff averages maybe 38 percent. That is still three times the level of the United States. And in manufactured goods, your tariffs are quite high. Now, the good news is those tariffs have been coming low. Our average manufacturing tariff -- 3 percent. India's is -- your bound is at 34 and your applied is 20.

So, again, if you ask about messages and fairness here, we understand India is a developing country, and we understand that this is not going to change overnight, and that's why in the negotiations we have to do this in a way that, frankly, gives developing countries special and differential treatment, that allows phase-ins. But I think the larger message here is that if I have the good fortune to be with you here 10 years from now --

and you're all still in your jobs, they haven't been outsourced to another country [laughter] -- then what will happen is that India will be one of the prime beneficiaries of the international trading system. You can see, this country is vibrant, its growing, it has sensitivities you still need to deal with, but you've got talented people, you've got a very good university and technology system, the engineers -- you will be one of the major beneficiaries of what we are trying to make happen. My view is, my country will too, because I believe open markets keep prices lower and they also create productivity. But the key message is no one country can do it alone. And this is not just India, it is going to be China, its other major developing countries. And then together we need to really also watch out for some of those who are at the poorest end -- where I'm going to go next, to sub-Saharan Africa -- because many of them don't have the hope that you see here in India.

So, again, if I come back to where I started. I always have a delight visiting India because it is a vibrant place and the economic reforms that were started in '91, you can just see in every visit the effect of them, and I think it is building a confidence in India that is very appealing and I hope it will help India deal with some of these sensitive issues. But you have sensitive politics, we have sensitive politics, and so we are going to have to try and move that together. Thanks.