

Background Conference with U.S. Trade Officials
On the conclusion of free trade negotiations between the United States and Costa Rica
Sunday, January 25, 2004

U.S. Trade Official: Thank you very much for joining us on relatively short notice. We are very pleased that this afternoon we have concluded our free trade area negotiations with Costa Rica and achieved the conclusion of the CAFTA for the five Central American countries. The integration of this region has been an important objective for all of the countries, and it's one of the objectives in the Caribbean Basin Trade Partnership Act, and we're very happy that we have realized that partnership this afternoon.

We look forward to working with Congress to implement this agreement, and of course Congress has been involved at all stages as we have consulted with them along the way. This is a very important additional step in the President's agenda for free trade throughout the hemisphere. Like our other free trade agreements the CAFTA is a comprehensive agreement, it is a gold-plated, very high ambition, modern-oriented agreement. The Costa Ricans of course will be adhering to the full set of rules and disciplines that we negotiated with the four CAFTA countries in December. Over the last week and actually the last few weeks we have worked with the Costa Ricans to complete their market access commitments and our market access commitments to them.

In addition, for Costa Rica, this agreement includes some very important reform measures, especially in the areas of telecommunications and insurance where they currently have monopolies, they will, as part of this agreement, be fully opening their insurance market over time. And they will be liberalizing their telecommunications market in a number of key areas. This obviously is important for us, the commercial benefits that it offers, but it's also going to help Costa Rica continue to diversify its economy and increase its competitiveness in the global economy.

As pleased as we are with completing this negotiation, our work with CAFTA is not complete. As you know, we are negotiating with the Dominican Republic. Those negotiations were launched by Ambassador Zoellick when he visited the Dominican Republic when he visited on January 12, and our intention is to integrate the Dominican Republic into the CAFTA. We will be putting out the text of the CAFTA shortly, we hope to do that by the end of this month. And I think that is all that I would say at this point. I'll be happy to answer your questions or to have either [second U.S. trade official] or [third U.S. trade official] answer your questions.

Question: This is Sam Gilston [Washington Tariff and Trade]. Can you expand a little bit on what you mean by opening up the insurance market and the liberalization of the telecom areas?

U.S. Trade Official: Yes Sam, I'd be glad to. In both of these areas, basically what's happening there will be a combination of opening up the market to commercial opportunities and putting in place a

regulatory framework. Obviously you have to have a regulatory framework both for telecom and for insurance. And the way this will work is as follows. In telecom they will have until the beginning of 2006 to put the regulatory framework into place. At that point they will be opening the market for two important services, private network services and Internet service. And then a year later they will open up to mobile wireless, another important service.

In the case of insurance, there also, they will be putting in place a regulatory regime. But they will be opening up some lines of insurance immediately upon entry into force of the agreement. And then there will be a staged opening, gradually going through cross-border services and then establishment, by 2008, for almost all lines of insurance. And then the remaining lines shortly thereafter. So in insurance, ultimately it will be a total opening of their market to competition.

Question: This is Marty Crutsinger with the Associated Press. Could you tell us the timing now, will you wait until the Dominican Republic is added before you send this agreement to Congress? And how long do you expect that to take?

U.S. Trade Official: Well, you've got to take this one thing at a step - one step at a time. We have just finished, two hours ago, this negotiation with Costa Rica. So obviously, we will have to take stock of that, in consultation with Congress. We'll review with them, of course, the whole dimension of the Dominican Republic. So it's premature to speculate on that sort of timing question.

Question: It sounds like we're talking about months, in terms of negotiating with the Dominican Republic, is that right?

U.S. Trade Official: We are hoping to have a relatively quick negotiation with the Dominican Republic because again, the framework of rules is there in the CAFTA itself, and it's the market access dimension that we would be, or are negotiating with the Dominican Republic.

Question: This is Corey Henry, I'm wondering if you or perhaps one of your colleagues can elaborate on how you resolved the difficulties over textiles, specifically the TPL requests from Costa Rica; as well as agriculture, with respect to Costa Rica's demands on rice potatoes and onions.

U.S. Trade Official: Well I will leave the agricultural part of that question to [second U.S. trade official].

On textiles, obviously, Costa Rica has to fit within that overall textile framework that we negotiated in December with the four Cafta countries, and we are not giving, there are no TPLs for Costa Rica.

[microphone interference]

That was not [second U.S. trade official]'s response.

[laughter]

Reporter: That was Howard Dean's response.

[laughter]

US Trade Official: We're going to Costa Rica! We're going to the Dominican Republic...!

[laughter]

U.S. Trade Official: That was Rich Mills' line, I'm sorry. We've got all the copyright coverage here we need.

Second U.S. Trade Official: And this now [second U.S. trade official] Not nearly as humorous as the rest of the guys on the phone obviously.

I think the question was, how did we deal with the sensitivities related to agriculture in general, and specifically potatoes, onions, and rice.

Obviously, like the other Central American countries, Costa Rica had some very sensitive products. Agriculture in general is sensitive issue. So what we tried to do was work through an agreement that was meaningful for U.S. agriculture. While at the same time, manage the transition in a way that was sensitive to their needs.

As it relates to those specific products, basically what we did on onions and potatoes is something similar to what we did on white corn with the other countries, which is, we established, for the fresh product, we established a TRQ that has a growth rate. On the processed products, there are different staging. And the main point from our point of view, particularly for potatoes was that we got equal treatment, or equity treatment with Canada's provisions were and I think our industry will be comfortable with that.

On rice, that's obviously something that's very important to us, very sensitive to them. So we worked out a transition process that insured that they had time to adjust while we had some meaningful opportunities both for rough and milled rice. And that over the time, the tariff was eliminated - over a 20 year time the tariff was eliminated.

Question: Did the agreement on rice, did that include a gradual increase in a TRQ matched by the corresponding reduction in the over-quota tariff?

Second U.S. Trade Official: No, it's just a constant growth. For the milled, it's about a 5 percent growth rate and for the rough it's a 2 percent growth rate. And then actually, the tariff staging is not a linear staging, it is a formula that we've used to try to deal with country sensitivities.

Question: This is Ted Alden from the Financial Times. Along the same lines, can you explain how Costa Rica's going to fit into the sugar arrangement that was negotiated with the other four?

Second U.S. Trade Official: Well basically, Costa Rica is, the numbers we were talking about for Costa Rica is right around one tenth of 1 percent of U.S. consumption. So, there's sort of two categories for Costa Rica unlike the others. They were interested in organic a sugar which obviously is a niche market in the United States. Doesn't directly compete in the raw, refined area like the other sugar quota does. So what we did, we offered them 11 thousand as it related to the raw, refined and two thousand as it related to organic.

So basically, after this agreement, before this agreement the total TRQ increase we are talking about for the Central American four was just under 1 percent. After the agreement it's just over 1 percent. So we're still right around 1 percent of U.S. consumption included in the CAFTA.

Moderator: If we have any journalists on the line from Costa Rica or other parts of Latin America, I'd like to give them a chance to ask a question.

Question: This is Hagel Feizenblatt for the newspaper *La Nacion* in Costa Rica. I wanted to know if after the negotiations with Costa Rica were concluded, would you say there is a real difference between what was negotiated with the country, in contrast with what was negotiated with the other Central American countries?

US Trade Official: Well, going back to what the framework is here. Remember there is a common framework of rules of the text of the the agreement, the Cafta agreement, which was negotiated in December, and of course Costa Rica was there for almost all of that. They would be taking on those obligations.

And then for each of the countries we have somewhat individualized market-access schedules both in goods and commitments on services, and in government procurement. And so it's this latter part that we negotiated with Costa Rica these last few weeks. And it is specific to Costa Rica but it certainly is comparable within the bounds, within the general parameters that we negotiated with the other countries. I would leave it to Costa Rica to define what they feel are their principal benefits from this.

Question: [unintelligible] decided to wait a few weeks for the agreement, because they thought they would get a bit more than what the other countries got, in different aspects. So was the U.S. more flexible than it was in December?

U.S. Trade Official: I don't know how to define degrees of flexibility. Basically we worked with each of the five countries to deal with their particular sensitivities, to deal with our particular priorities vis a vis those countries. And we basically tried to treat people more or less equally but sensitive to their unique situations, and I think that's the most important thing, to work with countries on their unique situations.

Question: This is Corey Henry again with Inside U.S. Trade. I'm just curious if at some point Minister Trejos and Ambassador Zoellick had a chance to meet today or did they meet yesterday? I'm just curious as to how significant their level of involvement was in the last few hours of the talks.

U.S. Trade Official: Well they are meeting today, they will be meeting shortly to have a kind of conclusion ceremony. And let me say that both Ministers have been deeply involved in the CAFTA throughout the negotiations and have continued to have been up until the end.

Question: This is Elizabeth Becker with the New York Times. How did you resolve the question over developing tourism, particularly the beach area and their green tourism concerns?

U.S. Trade Official: I don't think that those were part of the negotiations.

Question: There were no negotiations on opening up the beaches or anything else on tourism?

U.S. Trade Official: Well, I don't know if there were commitments on tourism. We certainly weren't talking about the beach today, I'll tell you that.

Question: Ok.

U.S. Trade Official: That's not part of the trade agreement.

Question: Can you tell us, this is Corey Henry again with Inside U.S. Trade, are there any non-conforming measures that still need to be hashed out between the U.S. and Costa Rica?

Third U.S. Trade Official: With all of the Central Americans, not just Costa Rica, on our non-priority sectors, we have given them, I believe until the end of March, a kind of a **list or lose** exercise for market access commitments. Which are basically quantitative, non-discriminatory, quantitative restrictions. So there is a little piece of work to be done. We have often in trade agreements used a kind of a **list or lose** approach at the end on things that don't matter as much to us, and we did in this case too.

Question: This is giving up something you have and they want, that they didn't get to before, or...?

Third U.S. Trade Official: No, Sam, it's just a matter of, we did it in the NAFTA, I think we gave a year back then because we hadn't addressed this area ever before. We, in the agreement, if you have

non-discriminatory, quantitative restrictions, like an economic needs test, you need to explicitly list it. On priority sectors for us, we negotiated those exceptions that they had. On sectors that are non-priorities to us, we set up a scheduling provision so that they can, they need to schedule them by a certain time.

Question: Can you send...

Third U.S. Trade Official: And this is a pretty trivial point.

[Crosstalk]

U.S. Trade Official: Pardon me?

Question: Can you send the implementing legislation to Congress before those non-conforming measures are worked out or listed?

Third U.S. Trade Official: Well they're due to be listed by the end of March and the first step under TPA is a 90 day notice to the Congress, so they'll be done well before then.

Question: Can I ask on telecom, you talk about the opening in three key areas...

U.S. Trade Official: Can you speak up it's hard to hear you.

Question: Yes, on telecom you talk about opening in three key areas in the news release, on [unintelligible] network services, Internet and wireless. Is that comparable to what was achieved with other countries? In other words, I'm reading this as all of telecom is not opened up, but I assume the other countries are not opening up all of telecom with respect to their agreements either.

U.S. Trade Official: No, the other countries are opening up their telecom sectors. Of course they did not have this decades old monopoly situation that Costa Rica has, so that's the approach we took with Costa Rica. It's somewhat different, it focuses on what the priority interests are for our industry, and we thought it was most important to get that part of the telecom monopoly opened up. We're confident that as becomes evident the benefits of competition in telecom that Costa Rica will go ahead with further reform, but that's not part of the agreement.

Question: Can you put a percentage number on how much of the telecom market these three sectors will actually represent when they're fully opened up.

U.S. Trade Official: I don't...

Third U.S. Trade Official: Sam, I'm not sure that that's a meaningful question...

Question: I'm sorry [laughter]

U.S. Trade Official: That's [third U.S. Trade Official] by the way that's dismissing you Sam!

[laughter]

Third U.S. Trade Official: The reason I say that is, you know, we have an opening in the wireless area which is of the most interest to our companies. With the changes that are going on in telecommunications over time, there really isn't a U.S. investor that wants to go in and compete with [unintelligible] on fixed lines. So we have a limited opening in the wireless area that's of interest to us, and over time, you know with the technology changes and the Costa Ricans adopt reforms...

U.S. Trade Official: Yes, but these were the areas that our companies said they want to participate in the future.

Moderator: If there are any journalists on the line that haven't had a chance to ask a question, I'd like to give them a chance to ask a question, I'd like to give them a chance. And I'd like to remind everyone that this call has been on background as U.S. Trade Officials. If not, we have time for one or two more questions.

Question: It's Elizabeth again. On the textile and apparel agreement. Are you now satisfied with the inclusion of Costa Rica you have created that region that you had talked about at the very beginning of this process whereby you have now an integrated region with the United States that will help when the textile quotas are lifted in 2005?

U.S. Trade Official: Yes, a very important orientation that we took into these negotiations and that we believe we have achieved within the negotiations is to strengthen the partnership between American companies, textile manufacturers and apparel makers in Central America, and we believe that, also taking the benefit of the NAFTA to integrate that further. And so we believe that the cumulation feature in the textiles chapter here does do that, or at least puts us on the road to that. And we think that will be extremely helpful to all of the participants as the competition in this area heats up with the removal of quotas globally next year.

Moderator: We'll take one last question here. And I just found out that we may have a problem with our email here, so if everyone will just be patient, if you haven't received it, check on the website about five minutes after the phone call is over, we'll definitely have it posted then.

Question: This is [unintelligible] from Costa Rica again. Can you go over how it is going to be the schedule of Congress, again, when will this be going to Congress and how will that work?

U.S. Trade Official: No, I said we haven't decided that. We've just finished the negotiation today. We'll have to sit down with Congress and consult with them about it. And so for us the next step is to get the text together, to get that public, so that everybody can see it and people can, and move forward from there.

Question: You said by the end of the month, that means by the end of this week.

U.S. Trade Official: That's the way we calculate it. Yes, that's what we're aiming, and again Sam, remember we're working with that text from CAFTA and so it's a question of integrating the market access commitments of Costa Rica. So we think we can do it by that time.

Question: But when you talk about 90 days of time, can you, 90 to...?

U.S. Trade Officials: One of the TPA requirements is that we have to give Congress 90 days notice of intention to sign the agreement. In other words, we couldn't sign an agreement any faster than that. It doesn't mean we have to sign it on the 90th day. But this is part of the procedures for Congress to have sufficient time to reflect on what we've done.

Moderator: Thank you for joining us this afternoon. Again this call was on background as U.S. trade officials, or I should say senior U.S. trade officials.

#