

**Transcript of Question and Answer Session by Ambassador Karan Bhatia
Deputy United States Trade Representative
before the American Chamber of Commerce
Taipei, Taiwan
Friday, May 26, 2006**

QUESTION: (Richard Vuylsteke, AmCham) The TIFA talks -- a lot of people in this room don't really know the mechanism, who's involved and so forth, and what it really means for a workable framework for economic discussions. Could you tell us just a little more about the details of that?

DUSTR BHATIA: Yes, Richard, I'll do so. It occurred to me, as I was looking, I think I omitted -- in addition to thanking the American Chamber of Commerce -- to thank the ECCT, which I believe is a joint sponsor of today's luncheon. I appreciate their co-sponsorship.

The TIFA talks -- and again, TIFAs are an institution that we have employed with a number of our very valuable trading partners -- are -- it's a multi-agency group that is involved from the United States side, and from the Taiwan side as well. Which is frankly valuable, because the issues that come up, and I'll talk a little bit about those issues, frequently don't fall into the purview of just one agency. So we have present here this week with us people from the Department of Agriculture to deal with agricultural issues.... By the way, I should point out that these issues float both ways. There are issues that Taiwan raises with us about access to our agricultural markets, and there are issues that we raise with Taiwan about access to theirs. There are representatives of the Patent and Trademark Office, to deal with IPR issues. There are representatives of the Department of Commerce that deal with a variety of tariff and other issues. And of course I should mention that there's strong representation from AIT, which has a good deal of expertise in a wide variety of economic issues here. In addition to this, I should mention that we have involved participation in this round by the Departments of State and Treasury, in particular, in dealing with issues of investment and taxes, which are two of the areas of discussion.

The substance of the discussions -- it's an agenda which is broken down into different areas, and we started our discussion yesterday with a focus on Doha and where we believe that process lies and what we can do to strengthen our cooperation as we -- both Taiwan and the U.S. -- seek an ambitious Doha outcome. We continued on to discussions of East Asian regional architecture. Then over the course of the last two days -- and a lot of this, I'll confess, has been done by my very skilled team while I've been doing a number of bilaterals -- has involved discussions in areas including intellectual property rights, pharmaceuticals, agriculture, investment, taxation, and a variety of issues where, frankly, what we're trying to do is to address the business issues, the day-to-day business issues that you, your companies and your clients frequently face. Our belief being that by addressing those problem issues we can strengthen bilateral ties. Then also, frankly, look beyond just the routine, the one-off issue to see if there are institutions that can be

developed that will create a basis, going forward, that won't depend upon once-a-year TIFA talks to resolve problems, but there will be standing institutions to help accomplish that. We want the media to show up at our press conference, Steve, after the TIFA's done, so I won't announce any particular accomplishments here. But I think you're going to see a few accomplishments coming out of this that do precisely what I've described.

QUESTION (Richard Blaine, Canadian Trade Rep): Thank you, Ambassador Bhatia. You mentioned that Taiwan is the U.S.A.'s eighth largest trading partner, at 57 billion dollars of bilateral trade. Given that the world moves on, what is Taiwan, Inc., and Taiwan's government going to have to do to maintain that position?

DUSTR BHATIA: It's obviously a focus for both us and certainly for the Taiwan authorities. It's a topic that has come up in most of my bilateral meetings this week. I think it comes down to a lot of the things that I've talked about in the speech.

First of all, it's critically important that the appropriate set of economic conditions exists. That runs the full gamut of everything from sound macroeconomic policies; transparency; particularly as Taiwan looks to move up the value chain in production, strong intellectual property rights -- and I commend Taiwan for important progress that they've made there in the last several years. So I think there needs to be continued progress in all of those areas. The cross-Strait relationship, I believe, is a critically important one, and I've elaborated on that. Continued focus on how the global economy is changing and recognizing, as new trading partners get brought into the multilateral trading system, become more fully integrated, not just because of changes in the legal institutions, but frankly because of changes in technology and transportation and all these other things, that Taiwan has got to be nimble with its economy. I don't think I'm prescribing anything different from what you would hear with respect the many of the other economies in the region, or indeed, the United States. It's critically important to invest in your people, critically important to open the economy, to allow for forces of change as your ever-rapidly-moving businesses look for the next opportunity. So that's pretty much it.

QUESTION (Richard Vuylsteke): I wonder if I could add one addendum to the question? You mentioned services briefly, and we know that services is now a big part of the economy here. But you look at the services agreements back and forth between Taiwan and the United States -- do you see areas for real growth in this area?

DUSTR BHATIA: Services, it is interesting. I'll be honest with you, before preparing to come to Taiwan, I had not appreciated the strength of the Taiwan services sector -- to be honest with you, I was looking at our trade numbers, and in fact, Taiwan has a trade surplus in the services area with the U.S., admittedly a small one, but it is a rare trade partner with which the U.S. does not have a surplus. We have an overall trade deficit of 700 plus billion dollars, and in almost every case we have a substantial trade deficit in goods; and we certainly have a trade deficit in goods with Taiwan, to the tune of roughly 12 billion dollars, but in the services area, with most trading partners we actually have a surplus in this area, but in Taiwan's case we have a deficit. That doesn't bother me. I

think that's great. I think the services economy is the fast-growing sector of the global economy. It's certainly high value-added; jobs in the services sector tend to be more remunerative. So I do think that continued growth in the Taiwan services sector is a good thing. In terms of bilateral relations, this is an area, to be honest with you, the U.S. services economy is very widely open. There are things that really should occur here and we're pursuing some of these frankly in Doha Round in a multilateral setting and Taiwan has participated in those discussions. Bilaterally, I think we remain open to thoughts and ideas of things that could be done to strengthen and deepen that relationship. But I think that we have a good, strong services relationship, and I look forward to things to come.

QUESTION (James Li, Representative of Phillips in Taiwan): Ambassador, in your statement earlier, you mentioned that intellectual property protection is the key to Taiwan competitiveness. Are you aware that the intellectual property office in Taiwan granted a compulsory license for local manufacture of CDR technology and can you give us a comment on the scope of compulsory license in your view. Thank you.

DUSTR BHATIA: I'll be honest with you, the issue of the specific compulsory license that you just mentioned is one that I just heard about, frankly, for the first time here today. It is something that I will look into. Compulsory licensing is generally a subject of concern for us. Really, the issue runs across the gamut. We frequently encounter this issue in the pharmaceuticals area, but it's an issue, frankly, that spreads through all patents. It is a source of concern because...our patent holders, the world's patent holders, depend upon knowing there are rigorous protections, legal protections for their patents, and that are not easily overridden. So I can't comment on the specifics of the case that you have noted, other than to note other that as a general matter that compulsory licensing is a matter worth looking into and is a source of concern to us.

QUESTION: You made a number of references to the need or the desire for greater agriculture market access, and of course the context of that is agriculture is probably one of Taiwan's least competitive sectors here, which has been in closer competition following accession to the WTO. I'm curious to know how well you think Taiwan is doing in shifting resources out of agriculture, or moving up the value chain in agriculture, and what kind of advice you give to economies like Taiwan in this situation?

DUSTR BHATIA: First of all, wanted to say, I really enjoyed that boneless beef we had earlier. (Laughter) It was extraordinarily tasty, and I think that might have been from Texas. (Laughter) Your question is a good one, about the challenges that are faced by Taiwan, but indeed by many of our other trading partners as they adjust to a more competitive global environment. The reality is, that even in a multi-lateral setting, agricultural issues are probably the principle obstacle right now -- enhanced market access in agriculture is the principle obstacle to a successful completion of the Doha Round. That is partly because it is the area that is most left undone by the Uruguay Round. And partly because there are strong agriculture concerns that reside, not just in Taiwan, I should point out, but in other areas around the world, including all the other major trading partners in Asia. I guess what I can say is, agriculture, we don't believe, is different from other areas of the global economy. Which product you trade, you sell,

you have make tough political choices. And we've done that in many areas. I'm not claiming the United States is perfect, but the reality is that we used to have hundreds of thousands, millions of workers employed in sectors that have been transitioned out of those sectors and into other sectors where the United States is competitive. It's painful, it's tough, there are things that can be done to help make sure those transitions occur effectively. But for trade to secure its promise not only for the benefit to the global trading partners who are very competitive in the agricultural area, but also for the consumers here in Taiwan, for example, I think policy makers do have come to terms with the transition out. And to Taiwan's credit, the signal I am getting is that they recognize that need and are prepared to make those adjustments. But I think the most critical area right now for all parties (unclear - off mike) in the Doha Round to focus on regarding agriculture negotiations there...and the need for strong contributions from many of our trading partners with respect to the ag negotiations in searching for an ambitious outcome.

QUESTION (Lee An-ja, local lawyer): Ambassador Bhatia, welcome to Taiwan. According to the newspaper, you are the highest-ranking official ever coming from DC to Taiwan within six years. I am a Taiwanese-American working locally here, and welcome you very much and hope in the future that DC will send more higher-ranking officials to Taiwan like Dr. Steven Young and Dr. Keegan, who is leaving us in June. So I originally have a question but I'm a little bit confused now because someone reminded twice that I promise to address my question to you. Being a believer in the First Amendment of the United States, I believe in the freedom of speech and the legal background that you have I guess you will ensure that. So I just want to say that we welcome this opportunity and that I cherish this opportunity to speak out and I hope this is not the last time I have the opportunity to speak out in English.

DUSTR BHATIA: Thank you very much. It has been a great pleasure to come here and I appreciate it.

QUESTION (Paul Cassingham, AmCham Board Member): Ambassador, could you say a little bit about the range of countries that the U.S. is negotiating FTAs with or is signing agreements with. Describe a little bit more of the process that the U.S. government goes through in selecting which partners to negotiate FTAs with. Sort of how high is the bar and what do other countries have to do in order to make that list?

DUSTR BHATIA: I think that's a fair question. It's not like there's a matrix or a template of that interagency process within the USG where different agencies.... USTR chairs what's called a Trade Policy Review Group, TPRG. It consists of ultimately the cabinet-level officials, but generally is chaired at my level, with participation by relevant USG agencies including State, Treasury, Commerce and also non-economic entities: the Department of Homeland Security, Labor and Transportation can participate. So there is interagency consideration -- that is the first factor in the process. Secondly, there is a strong process of consultation with Capitol Hill. Remember, our trade negotiating authority is given to us by Congress. It's constitutionally reserved to the Legislature, but we are given it subject to the mandate of the TPA, which I mentioned is about to expire.

Then there are also strong inputs from the business community. Before we launched our Korea negotiations, we heard, and I'm not overestimating this, from hundreds of individual companies that came to us, and basically said "You must do this. It is critically important to our economic future." Not the trade associations, I would note, but individual companies, CEOs, and so forth doing that. So I think those are all relevant background factors. Then within the analysis, if you look at things ranging from the importance of the economic markets, the importance of where regionally it is, the strategy with respect to the region.... Other considerations, including, frankly, political relevance, and I'm thinking in particular of the FTAs that we've done with Israel or Jordan or other countries in the Middle East where there's sometimes a political relevance to an FTA there. So all of those are considerations that bear on the decision-making and the interagency process is ultimately how it is resolved with respect to the Administration's perspective.

QUESTION (Richard Vuylsteke): We at the American Chamber take our time very seriously and certainly yours, Mr. Ambassador. Would you please join me in thanking our guest speaker for today.

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