

NATIONAL PRESS CLUB LUNCHEON WITH HEALTH AND HUMAN SERVICES SECRETARY
MICHAEL LEAVITT

SUBJECT: HIS RECENT TRIP TO CHINA AND CHINESE IMPORTS

MODERATOR: JERRY ZREMSKI, PRESIDENT, NATIONAL PRESS CLUB

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MR. ZREMSKI: Good afternoon, and welcome to the National Press
Club. My name is Jerry Zremski, and I'm the Washington bureau chief
for the Buffalo News and president of the National Press Club. I'd
like to welcome our club members and their guests who are here with us
today, as well as the audience that's watching on C-SPAN.

We're looking forward to today's speech. And afterwards, I'll
ask as many questions as time permits. Please hold your applause
during the speech so that I can ask as many questions as possible.
And let me remind our broadcast audience that if you hear applause
during the speech, it may be from the guests and members of the
general public who attend our luncheons and not necessarily from the
working press.

I'd now like to introduce our head table guests and ask them to
stand briefly when their names are called.

From your right, Jeffrey Young of The Hill newspaper; Laura
Robertson of CBN News; Joe Enoch of ConsumerAffairs.com; Larry Lipman
of Cox News and former National Press Club president; Greg Morris,
deputy chief of staff at the Department of Health and Human Services,
and a guest of the speaker; Matt Canham of the Salt Lake Tribune; Rich

McKeown, chief of staff for the Department of Health and Human Services, and a guest of the speaker.

Skipping over the podium, Melissa Charbonneau of CBN News and the vice chair of the NPC Speakers Committee; skipping over our speaker for just one moment, Robert Carden (sp), the Speakers Committee member who organized today's event; Rick Campanelli, counselor to the secretary and a guest of the secretary; Suzanne Struglinski of the Deseret Morning News; Katherine M. Skiba, author and journalist; Lisa Friedman of the Los Angeles Daily News; and Keith Hill with BNA, the vice chair of the National Press Club Board of Governors. (Applause.)

Anyone who has children or who's buying Christmas gifts probably will be very interested in what our speaker today has to say. Michael Leavitt, the secretary of the U.S. Department of Health and Human Services, joins us having just returned from China, where he met Chinese leaders to discuss measures that must be taken to ensure that imports are safe.

As we all know, a number of Chinese products and toys have been pulled off store shelves lately because of the hazards they pose. Shoppers are nervous, and importers are scrambling to repair the damage. And Secretary Leavitt is in the unique position of having discussed all this with the Chinese leadership.

Michael Leavitt has been secretary of HHS since January 2005. HHS is one of the largest civilian departments within the federal government, with more than 67,000 employees. As head of HHS, he has led efforts to enroll millions of seniors in the Medicare drug benefit, and he's overseen the medical response to Hurricane Katrina.

Prior to becoming HHS secretary, Mr. Leavitt served the Bush administration as head of the Environmental Protection Agency. And before that, he served three terms as the governor of Utah. During that time, he was chosen by his peers to head the National Governors Association, and he was also named -- and during his term as governor, Utah was named the best-managed state and the best place to locate a business.

A graduate of Southern Utah University, Secretary Leavitt was originally in the insurance business before entering the public sector. So maybe he has some thoughts on the actuarial risk of some of these products that have been pulled off the market.

In all seriousness, though, please join me in welcoming HHS Secretary Michael Leavitt back to the National Press Club. (Applause.)

SEC. LEAVITT: Good afternoon. Melissa and I have just had a delightful conversation about the Olympics and the 2002 Winter Games, of which I was part because of my role as governor.

One morning preceding the Olympics, I was on a chairlift at a Utah ski resort, and I met a man by the name of Tom Kershaw, who happens to own a great American institution, the Cheers bar in Boston. It was a happenstantial meeting but one I enjoyed. And not long ago, I was in Boston and I called my friend Tom and asked if he could have

lunch, and we sat down at the Cheers bar and the top of import safety came up.

I said, "Do you use imported products much here?" He said, "No, I don't think so." His chef happened to be in the room, and he said, "Marcus, do we use imported products here?" He said, "I don't think so."

Well, we got up and started walking around doing a little tour, and we went into his pantry and began to open up the refrigerated area, and we found cod loins from China. We found asparagus from Peru. We found lemons from Mexico and lamb ribs from Australia and tomatoes from Canada. We found pasta from Italy. We found tuna from Thailand. We found chocolate from Belgium. And I think it's probably likely that if you were to go to the pantry of most American families, you'd find a similar array of products.

Now, this dilemma that we are now facing of product safety is not unique to the United States. I had the health ministers from eight industrialized countries here, plus the representatives of the European Union. They were here to talk about a wide variety of health issues, but this issue dominated our conversation.

This is happening around the world. Why? Why? Why now? Well, I would offer that it is because something is changing. There is fundamental change. We are seeing a global economy. What's driving it?

Well, I was in a grocery store not long ago in Detroit and I met a man named Dan who ran the produce -- Dan the produce man. I said, "You've been in this business 30 years. What has been the most significant change you have seen?" He said, "It's what consumers want. They want to have fresh strawberries in February. They want to have blooming sunflowers in November. And we can now give it to them. We can give it to them because of shipping technology. We now have massive ships. We have air freight that allows literally point-to-point delivery overnight. We have standardized cargo systems that allow for it to be done efficiently."

I've also come to understand that there's another reason, and that is the connectedness of the entire global economy. Systems exist that allow a person to go into a grocery store and take whatever product they would choose. What they don't see is that once that cash register rings electronically to the distributor and then to the manufacturer, a new product is developed no matter where it is in the world. So it's likely, as you reach onto the shelf of a grocery store in the U.S., it's creating a reorder for a new fish product in Vietnam -- the connectedness of the world.

And I would also argue one other important aspect. We have seen the adoption of a market economy by much of the communist world in the last decade and a half, and it has dramatically impacted the availability and supply of goods and services across the globe.

Issues like imports and import safety tend to mature and to ripen over time. I remember while I was governor -- actually, within two weeks of having been governor, I had a meeting with some advocates for

child safety who told me our system was seriously broken and needed to be fixed. They said they were going to bring litigation to do that. I asked them for some time.

Within two weeks we were in litigation. It was a problem I had to deal with as governor over a period of time. But what I learned when I got into it was they were right. The system had not been kept up with the times. It needed to be modernized. It needed to be improved.

What issues like that one and issues like product safety have in common, that they mature and ripen, and then there are some flash-point issues, some flash-point events, and those events begin to manifest the warning signs that something underneath in the system isn't right and that it requires a policy response.

Well, that's precisely what I think we have seen in the last six or eight months of this year. We have begun to see warning signs that our system is not adequate for the future. I would like to say we have a good system of product safety, but it is not adequate for the future. And I think that's a fundamental and important lesson that I have drawn.

The president, I believe wisely, responded quickly. He appointed a working group, at the highest level of government. There are actually 12 -- 10 members of his Cabinet, plus the Consumer Product Safety Commission, and the FDA.

Now I think the group that he appointed to review this, on a top-to-bottom basis, is revealing because it reveals one of the basic and fundamental characteristics of this dilemma: HHS, who he appointed as chair, the Department of State, the Department of the Treasury, the Department of Justice, Agriculture, Commerce, Transportation, Homeland Security, Budget, Trade, Environmental Protection Agency, Consumer Product Safety Commission. Why were they there? They are all relevant to this issue. This stretches across all of government and has many, many different perspectives.

Now we divided this problem into two parts: The first part was to develop teams that went deep into the federal government, making what I believe may be the most robust inspection of our import safety system ever made. The teams asked questions -- the questions you would ask: Are our current authorities adequate? What are the authorities? What changes need to be made in order to respond to this new environment? What are the limitations? What new authorities do we need? How much resource do we need to make this work?

The second part was to fan out across the country and actually see it, and feel it, and to talk to people. Personally, I went to seaports and border crossings; I went to freight hubs; I went to distribution facilities; I went to wholesalers, retailers; I went to food and drug processors; I saw laboratories; I spent time at the FDA; I spent time with inspectors from USDA and the Customs. Before I was done, I felt like that Willy Nelson song, "I've been everywhere, man." But it was a fascinating experience to see the totality of this system.

Now the good news is that in this deep look we did inside the bureaucracy, and this widespread inspection that we began to make, that themes began to bubble-up, and they were the same themes. One

important observation is just how big this is -- how much stuff it takes to fill up the American pantry every morning, and have it empty-out that night. There are 800,000 different sources from which we import goods into this country. They come through more than 300 different ports. It amounts to nearly \$2 trillion -- just to give you some perspective. That is about twice the entire gross domestic product of Brazil. What's more, it's going to get bigger. We are seeing a rapid expansion of this. Estimates are that some -- between now and 2015, we may see -- may see, at somewhere between two or three times the imports that we're currently seeing.

So two observations from that experience: The first is, we simply cannot inspect our way to product safety. There's just too much of it, and to inspect everything would bring the global economy to a crawl, and consumers would not have their expectations met.

The second, I've already indicated, we have a good system of import safety today but it is not adequate for the future. And we have to make a fundamental change in our strategy. In the past, our strategy basically has been to stand at the border and to try to catch things that are unsafe or low quality as they come into the country. The new strategy is that we have to roll the borders back, and we have to make certain that safety is built into every product, at every step of the way.

Now let me tell you just two experiences I had out on the road, that I think poignantly make this new strategy come to life: I was standing next to an FDA inspector -- a man in a blue uniform, he said to me, "Mr. Secretary, our job is to find the needle in the haystack. But our first job -- what we have to do to accomplish that, is we've got to shrink the size of the haystack, and we do that with new technologies." And he said, "The second thing we have to do is we have to know who we can trust. We need to focus on people who break the rules; and make it easier for people who keep the rules, and people we know we can trust."

The second conversation came from a -- with a man who was managing a lettuce processing plant down in the El Paso, Texas area -- actually, I guess it was Dallas. He said to me, "Our model here is 'know your grower.'" What do you mean, "know your grower?" He said, "We not only want to know where this came from, I want to know when it was planted; I want to know the kind of nutrients that were placed on it; I want to know the quality of the water that was fed to it; I want to know when it was picked; I want to know how cold it was when it was transported; I want to know the day it got here. In other words, I want to build quality every step of the way, so that when it gets to me, I know it's quality because I know every step and how it occurred."

In November, we reported to the president this need for a new strategic direction and we made recommendations -- 50 of them, very specific recommendations in 14 different categories. Each of you will have access, I hope, today to a copy of this report. And I indicated,

I believe it's among the most complete reviews of this system ever undertaken. I won't go through all 50 today, but I would like to just highlight what I believe are the key points.

The first is the need for -- the change in strategy that I've already enumerated. But to support that, we need strong certification authorities and processes. We need the authority, in government, to require certain producers of high-risk products to have certified, to the U.S. standards, that they are meeting them. Now when I talk about certification, in some cases, that will be a government. In other cases, it will be an independent certification process.

Now we all deal with these independent certifications every day, we may not think about them: The Good Housekeeping Seal of Approval, that is a independent appraisal of the quality, and we depend on it because we trust it. Another is Underwriters Laboratory, an independent inspection of the process that gives us confidence that we can trust the producer of these goods. So having the authority to require certification.

The second would be rewarding good practices. Bottom line -- we want to make it easier for people who keep the rules, to get their goods into the United States; and we want to make it harder for those that don't. If you're prepared, on a voluntary basis, to have somebody we trust certify that you're keeping all the rules, then we'll make it easier for you to get your goods here. But if you don't, you need to understand we're going to inspect you with more rigor than those that don't. We want to reward good practices.

Third would be greater transparency. Consumers deserve to know who it is that imports unsafe products. They need to know who it is that does safe products. One thing we know for certain and that is that the global market will punish harshly and rapidly anyone who does not produce safe and high-quality products. Transparency is the key.

A fourth area would be increased presence overseas. And by that, I mean to say, employees of the United States government in different places around the world.

We need to build that into our trade agreements. We need to increase the training that we provide to other countries. And we need to have, in some cases, physical inspections in other areas. But the primary purpose of these overseas is to help others understand the message that if you're going to send goods to the United States, you need to meet our standards of quality and our standards of safety.

Another important recommendation is enhanced standards. If we're going to have a certification process, we need to have high standards and they need to be in some cases raised or in some cases set. There are areas where we don't have standards that we need them.

Fifth, I would mention -- rather, sixth, I would mention stronger penalties. There are times when the marketplace will penalize people, but government needs to have at its disposal stronger penalties. Currently for food, for example, the penalties are a maximum of \$1.4 million. We've recommended that Congress give us authority to fine

them as much as \$10 million. We also have begun to look for authorities like the capacity to raise bond requirements. And also to have asset forfeitures when it's clearly -- when things are clearly used in a way that were intended to break the law.

A seventh recommendation is interoperable systems. Now, let me illustrate this for you. I spent a lot of time at borders. I think I inspected personally everything from imported tire irons to gingerbread houses, but one thing that was uniform all across those 300 ports is that FDA people tell me: "I have to remember five passwords in order to get into the various parts of our system. And I can't get everything on one screen. And what's more, I can't get the information that the Customs people have." And I talked to the Customs people. They told me, "We've got seven passwords that I need to remember." So actually, interoperability of systems to where people can have one screen where all of the information that's necessary will dramatically shrink the haystack, if you will.

Now, I want to underscore an important point here: A lot of what I've just talked about is already happening. And our group did not invent these as ideas. We simply observed them happening and believe that they need to be incorporated at every level. The second point I would make is not only are they already happening, but we also put forward -- in addition to this -- a full plan on the domestic food production; they're so closely interrelated. I'm not going to go into detail about our domestic today, because we're talking about the supply of imported foods today.

Now, simultaneous of all of this, as was mentioned, was a discussion we began with China. How did it come about? Well, obviously in May and June and July there were a series of things that occurred: toothpaste, pet food and toys and a whole series of other things. In June we had ministers from the Chinese government here. And in the course of all that, we had a very frank conversation. In essence saying to them: We want the Chinese government to have access to our markets. We want to have access to yours, but if you're going to produce food, if you're going to produce goods and products for American consumers, they need to meet American standards of safety and quality. And you have, meaning China, a very significant stake here, because the "made in China" brand will over time be seriously undermined if we don't deal with this issue.

Later that night in private conversations, we mutually committed ourselves that over the next six months we would meet and aggressively work on solving this problem together. I asked Andy von Eschenbach, who is the head of the FDA, to assemble a technical team. The ministers and I from the Chinese government agreed that we wanted to keep this at a very senior level -- minister-to-minister -- and I assigned Rich McKeon, who is my chief of staff, to represent me and they appointed representatives. And for six months, in four different rounds of negotiations, we had what I think anyone would consider very tough but productive negotiations. And from that came two agreements. The first one is on food and drugs. The second is on drugs -- I'm sorry -- food and feed; the second was on drugs and devices.

The agreements satisfied the principle that was our underlying principle, that is goods that come to America have to meet our

standards. Now, the agreements have three basic strategies involved, all of them consistent with this master plan that we've developed. The three strategies include registration, certification and verified compliance. They are agreements that have timetables, that have specific deliverables on both parts. They are action-oriented with respect to orientation. The agreements define a set of high-risk products and require the Chinese government to have every producer, who makes those kinds of products for American consumption, register with their government. They agreed to share that information on a transparent basis with us. They also agreed that any food on that list of high-risk products would require a certification that it meets our standards.

And lastly, that they would verify by creating the kind of electronic bar-coding system that will allow us and them to track products all the way back to the source. I visited an orange juice factory that packages orange juice that you drink every day. And it became clear to me that they have the capacity, using this barcode technology, to literally transfer all the way back to the orange on the tree when it was picked, knowing their grower. That's the strategy.

The agreements also require that the Chinese government in those high-risk categories to inspect every year every producer that has registered with them, and to inform us if any of those producers fail to pass the inspection for any reason. It allows us to access their production, their producers in their country -- even on a notice or without notice basis. All of this, again, is consistent with our overall strategy of food and product safety.

I want to emphasize: This is just a beginning point. We're learning to do this better, to develop new tools for this global marketplace. We're inventing tools to solve problems that have not existed in the past in the proportions they do today.

I'd like to tell you five lessons I learned from our experience in negotiating with the Chinese on this matter. I want to tell you -- I want to talk about them as lessons, because again, this isn't a problem that's defined by the United States and China. This is about the global marketplace. This is the maturing of a global marketplace and we're inventing these tools, so these lessons are important.

The first lesson is what I've suggested: This truly is a global problem. We are seeing this occur and mature and develop. And unless we get in front of it, we'll see it expand as a problem. But there's nothing unusual about a problem maturing like this as the circumstance changes.

The second lesson is how many different perspectives there are in considering a problem. I mentioned the 12 different departments of the federal government that have a role. If you are a law enforcement person standing at the border looking for unsafe things, this looks a lot different to you than if you are a trade person trying to figure out how to engender trade between you and another country.

If you are a health person it looks different than either of those. If you're a private sector person it looks different than if

you're a public sector. So a major part of this is beginning to see all of the perspectives and find solutions that are common to those perspectives.

The third lesson is that we're dealing with different systems of government and hence different systems of regulation. Our task is not always to get those systems of government to change but to find ways of making different systems interoperable or that is to say to unite our different systems with common goals, and those goals often take the form of standards. There's a very interesting example of this. Some 20 or so years ago the cargo and shipping business began to evolve into a series of standard crate sizes -- 20 and 40 and 45 feet. And so now if you go to any port in the world you will see these same sizes being handled by an interoperable system, and it moves freight rapidly, smoothly, and efficiently because we have standards that bridge different systems.

We need to have not only standards in cargo -- we need standards in products. If a person is producing a stroller in China they need to know that they're producing it according to a standard that'll be acceptable in the European Union and in the United States. The third is the need for -- the fourth lesson I wanted to talk about is the need for transparency. Transparency -- the relationship between transparency and speed and trust are very important here. A global -- in a global market speed is life, and if you're inspecting products what you're doing is slowing those products down and you're killing competitiveness. Safety and competition or rather in a competitive -- safety and being competitive can only be achieved when you know who you can trust.

Transparency brings trust. Trust brings speed. Speed wins in the global market. The key to product safety in the future will be transparent interoperable systems where people know who produces goods that are safe and effective and who doesn't, with a government that can support that process. And lastly, I would just emphasize that this is an ongoing process. There is no one report, no one agreement that will solve this problem entirely. This is a maturing problem. It will be a maturing solution. There is a Chinese saying that a man who would move a mountain starts by moving small stones. It requires continual improvement. We are inventing tools for the 21st century. It requires change. Change in a global market -- there are three ways you can deal with it. You can fight it and fail. Two, you can accept it and survive. Or three, you can lead and prosper. This problem is one we can and will solve and it's one we must lead so that we may continue to prosper. Thank you. (Applause.)

MR. ZREMSKI: Thank you, sir, Secretary Leavitt, we've got lots of questions on this topic starting with this. Did your visit to China make you more or less confident about the safety of U.S. imports?

SEC. LEAVITT: Well, I mentioned the orange juice factory I went to. I came to realize that I'm drinking every morning orange juice that was probably packaged there or at least a good chance it was. They actually package some orange juice from Florida, interestingly enough, and from all over the world. I came away believing that the

Chinese are taking this very seriously, and I believe are making admirable and aggressive attempts at improving but they've got a ways to go. They know it. They're different in their food and feed. They've got a very sophisticated organization -- AQSIQ they refer to it as, and they also have the state food and drug administration which is not nearly as mature.

So like anybody else in the world they have areas where they can make improvement but I know they have the message. If they want access to our consumers they've got to produce according to our standards, and we want access to their markets, they want access to ours and so we've got to meet those standards. My advice is to people if they are dealing with retailers that they trust I can tell you this -- the retailers have got the message on this and they're looking very seriously at any product they put on their shelf, and they're requiring the kind of certification and inspection that I have spoken of. And so if you're shopping with retailers you trust I think you can be confident that this country continues to have a safe food supply. It isn't perfect and we'll have to make the system better in order to keep it safe. But as you can see we're aggressively seeking that.

MR. ZREMSKI: Following up on that, what should people who are buying toys for children be thinking this Christmas about all of this and how can they be sure that the toys that they're buying are safe?

SEC. LEAVITT: Let me just relate some experiences. During my walking around tour as I described earlier I went to Mattel, who has been the subject of some of this and I went to their labs and I went to their warehouses and I wanted to see how they were responding -- (inaudible) -- substantial part. They told me that this has clearly caught their attention. If -- they have no -- they have no products they tell me now that the paint -- they don't put any paint on any product that hasn't been certified by someone they trust. They check the paint after it has been received from that certified source. They check it after it's been painted onto the toy and they check it before it goes on the shelf.

Now, obviously they know that the reason that's important is because anytime they have an incident where it becomes clear they haven't done that the market punishes them rapidly. They -- the market will punish them far more quickly than any due (processed ?) government will. So I've come to understand how seriously this matter has come on to the minds of retailers. Now, I've spoken at length at the Consumer Product Safety Commission about this and essentially what they tell me and what advice I pass on to parents and grandparents like myself, first of all, shop with people you trust. Second of all, read the label and heed the label. They all have age appropriateness guidelines and so forth. And the third would be use common sense. If there are things that look bad either report it, check it out, or don't buy it. But I'm persuaded that the producers of these products have a clear incentive to make certain their products are safe.

MR. ZREMSKI: You mentioned the marketplace punishment that companies such as Mattel may face in light of what's happened. Is that marketplace punishment enough or should more be done?

SEC. LEAVITT: In some cases it isn't enough, and in some cases that's why we have government to step up and to render formal fines and sanctions against people who break the rules, and this -- the new strategy is very clear. We want higher standards. We want higher fines when people break the rules. We also want to give people incentives to keep the rules, and what do I mean by that? Again, we want to give their products priority access to our consumers and anybody that doesn't keep the rules we want to make it harder for them. So government plays a role. We, in many cases, can be a gatekeeper and we need to use it to make certain that we're giving people incentives to do the right thing.

MR. ZREMSKI: How soon will American consumers see the benefits of the work that you're describing and announcing today on Chinese products?

SEC. LEAVITT: Well, first, I think we're all seeing the benefits of it already because the world is heightened so acutely in attention to this. Now, I'll point out that, for example, with China we recently had a market action that restricted their capacity to bring certain imports of seafood into the United States. The Chinese obviously concerned about that. We said to them, "We want you to have access to our markets. We will teach you what our standards are and we will teach you how to meet our standards." And so they brought -- we said, "You pick a fish producer and have them come to the United States and we'll go over there and we'll use that as a test case."

And we have now worked through that test case and they are now expanding that knowledge so that others can do the same thing.

The consumers are already -- both in terms of our technical response, but also the heightened attention has created an awareness on all our parts. And I think it's safe to say that this problem is improving. And I don't mean to imply it's perfect and that we're not going to see additional examples where something broke down, but we're making improvement and I think many of the things we have in this, we didn't invent. We just -- we discovered things that were happening some places that need to be happening all over. And I think that's beginning to spread rapidly.

MR. ZREMSKI: Clearly, any new responsibilities assigned to HHS, USDA, et cetera will require additional financial resources. Does the Bush administration intend to ask the Congress to authorize and codify the recommendations in your report and to appropriate funding to carry them out?

SEC. LEAVITT: Very clearly in this report, we indicate that this will require additional resources. Because there were 12 department involved, in order to determine exactly how we would respond over a five (year) or seven-year period, we would have to duplicate the entire budget process of the United States government. And so we chose not to do that, but to simply make clear that it's going to require additional resources and in the context of the ongoing budgets, those additional resources will become manifest. Now obviously there'll be those who think that we do it too slowly, others will think we do it too quickly, but you will see a response in terms of additional resources not just in the '09 budget, but the '10, '11,

'12 and '13. This is a master plan that will allow us to build out on a strategy that is now consistent and can become integrated across the government and the private sector.

MR. ZREMSKI: You make recommendations for tougher quality standards on Chinese food and product imports, but what real enforcement is there to your plan? What consequences would there be for Chinese companies that fail to comply?

SEC. LEAVITT: Well, the most important sanction we can give any country is to simply deny them access to our market. And we need and have -- we have that authority and we'll use it, and we've now defined the objective. You have to meet our standards of quality -- not yours, ours. If you want access to our consumers, meet American

standards of quality, meet American standards of safety. I indicated that we also have asked Congress -- or will ask Congress -- for higher penalties. Currently on food, for example, the penalty is \$1.4 million in aggregate -- or the maximum penalty. We've asked them to raise that to 10 million (dollars). The same is happening with respect to other consumer products.

MR. ZREMSKI: You say that consumer desire and new market economies are driving the huge rise in U.S. imports. Other say that violations of trade laws as well as violations of product safety laws and regulations are a larger reason for cheap imports. Your comments on this.

SEC. LEAVITT: Well, there's obviously some mix of those. Our report did not deal with those issues directly, though they are related. Often, those that are counterfeit products are unsafe products and we see that at the borders over and over again. We have spent -- as I mentioned, there are so many different perspectives on this. If you are looking at it as a law enforcement person, you see it differently than if you're looking at it as the trade representative. If you're from the State Department, you might see it differently than the Department of Health. That's why this more collaborative look at it with a single focus is so important.

MR. ZREMSKI: Safety regulations can be an indirect protectionist technique, an alternative to explicit tariffs on imports. Is there any danger of this happening here?

SEC. LEAVITT: Well, obviously, there is a worry on the part of those who would import into this country that that's our motivation. It's not. Our purpose is to produce high-quality and safe products. Now there are those who worry -- who create products in our country for export that somehow quality will become the means by which we begin to deny one another access to markets. That's inconsistent with a global marketplace.

Ultimately, if we're -- everyone benefits from a transparent, interoperable system based on common standards where people compete on the basis of the quality and the safety of their product as opposed to some kind of artificial protection. I can tell you that our motivation is not for that, and we need to insist that as we develop trade agreements, as we develop individual health agreements and as we

interact on these issues, that needs to be maintained as the principle -- as an underlying principle of all.

MR. ZREMSKI: Is it possible that the cost of product safety inspections will override the potential benefits, thereby suppressing economic growth and costing consumers more?

SEC. LEAVITT: Well, again, I want to emphasize we cannot inspect our way to product safety. Inspection is an important part and we need to have systems that allow us to focus our limited resources on highest areas of risk. For that reason, our strategy is changing from

simply catching at the border those products that are unsafe to rolling the borders back and finding a way in which we can build product safety in. That's the reason that if we were to focus on inspection and inspect -- try to inspect everything, clearly the cost would just go through the roof and the global economy would come to a halt, and consumers would get -- would not get what they want and they would be unhappy, and we would have not succeeded. Hence, the need for a change in strategy.

I want to reemphasize -- this is a significant change in our approach and will allow us to begin developing new tools that we have not had in the past.

MR. ZREMSKI: In the last year of the Bush administration, how much clout will you have to press China to clean up its act?

SEC. LEAVITT: Well, again, I want to -- we've now defined agreements. And these are ongoing agreements, meaning we have a lot of work to do still. We have a work plan, for example, that we need to develop in the next 120 days that will begin to detail a lot of this. This is happening at a fairly rapid speed by -- in the context of how most international agreements happen. Why? Because everybody has an incentive to make this work. I'm persuaded that the Chinese have a clear understanding that they need to resolve this in a way that will allow their brand to be perceived as high-quality and to continue to be a favored place in the market.

And so we have a lot of work to do, and the agreement, I believe, gives us what we need in order to accomplish it. This task force -- I met with them this morning and again, will continue to operate. We've got an interagency approach now to being able to implement this. But more importantly than what happens in the next year, we need to make certain that it happens in the year after that and the year after that, and the year after that. This is a long-term change that we're responding to.

MR. ZREMSKI: The focus on imports in recent has been terrorism-related. Have we missed things because of that terrorism-related emphasis?

SEC. LEAVITT: That's a very good question and one that, I think, points out an underlying challenge.

Most of our activities at the border the last several years have been focused on antiterrorism activities. And yet we count on the

same systems to also catch unsafe products. And when you actually go to the border, you see that. You see every truck that comes into the country being scanned with -- for nuclear material and you see how they, at the same time, catch things that might be unsafe or counterfeit. You see FDA inspectors and USDA inspectors looking at the same lines of freight -- millions of lines a day with product after product.

We have to achieve a sameness of purpose, though our perspectives are different. We have to use the same functions to do it or we won't be successful in our -- in the -- to the degree that we are trying to catch things. And that's a very important part -- is to make certain that we have prevention with verification.

MR. ZREMSKI: How good a job has the Consumer Product Safety Commission been doing?

SEC. LEAVITT: Commissioner Nord has a very challenging job and I personally believe she does a good job managing it.

Now, with this kind of increase of activity, we're going to have to have systems that change. And I'm glad I have my job and not hers. (Laughter.)

MR. ZREMSKI: Is the safety of Chinese imported food affected more by a lack of inspection within the country or the corruption of the officers of the country?

SEC. LEAVITT: China is a very, very large country. And their form of government obviously is a strong central government, but they have provincial governments. And part of the challenge for the Chinese is to assure that the objectives they have at the central government are able to be converted into the provincial governments and that this attitude of improvement pervades all the way through.

That I would add as a reason why this idea of independent certification is so important, because whether you're the United States government or the Chinese government, you're not likely to have enough people to be able to inspect every facility on an ongoing basis.

So if I am a retailer and I want to produce good products for my consumers, then I have to come up with a way that I know that whoever is producing goods for placement on my shelf are using good manufacturing processes and that I can have confidence, because somebody I know and trust looks.

Just because the government in some country looks at something doesn't mean it's safe. In many cases, a retailer may have more confidence in someone that they send out to look than they do a government. That makes no commentary on one government or another. It's just a fact with governments.

So it's the combination of a government process for the use of enforcement and this independent certification and the force of market and the demands of consumers that ultimately produce safe products. It is the composite of those things, not the unitary existence of one.

MR. ZREMSKI: Did the two MOAs with China give the Chinese preferential treatment not afforded to other trading partners with better safety records, such as Canada?

SEC. LEAVITT: It is not designed to give any country preferential treatment. These agreements, and others that we hope to enter into, will give advantage to the producers of safe products from wherever they come. If you produce safe and high-quality products and you're willing to voluntarily have them certified by somebody we trust, we're prepared to give you preferred access on those high-risk products.

If you refuse to do that, then we want to scrutinize you with a higher degree of certainty. And it will take longer for you to get your products in, and your speed to market will be diminished, and your competitive advantage will be diminished, and hence you might want to consider adopting a voluntary certification process that will give you those advantages. This is not going to be specific to any country, but it will be specific to those who produce quality and safe goods.

MR. ZREMSKI: Since a large component of the MOA on food safety is China's commitment to certify food exports before they're entering the U.S., why does the MOA allow those food exports to enter the U.S. unaccompanied by an AQSIQ certificate?

SEC. LEAVITT: This would fall under the category of a detail that needs to be worked out in the work agreement. So I don't -- I'll remain silent on that point, except to say that adequate administrative certainty needs to be provided in the agreement. We did not attempt, in the negotiation of these agreements, to develop every piece of that detail, but we have time frames in which we're agreeing to work those details out, and we intend to work rigorously to get it done.

MR. ZREMSKI: Are you concerned about the lack of that inclusion at this point in time?

SEC. LEAVITT: I think, like everyone else, I wish we could look back and say we're where we'd like to be five years from now tomorrow. But as I suggested earlier, the Chinese saying, if you're going to move them out and you have to start with small stones, this is a very significant step forward. Yes, we have work to do. And, yes, retailers still have to be conscious of consumers, and it's not perfect, but it's a very big step. And we'll get nothing but better as time goes on.

MR. ZREMSKI: FDA food registration information is not releasable under FOIA. How can you reconcile that with your calls for disclosure from the Chinese government?

SEC. LEAVITT: Everything we have disclosed -- will be disclosing under these agreements are publicly accessible today. And we value the fact that the Chinese have now made a commitment to make their information. I'm not able to respond at a level of granularity on

whether it's FOIA-able or not, but that's the principle that we have used in the negotiation of the agreement.

MR. ZREMSKI: Okay, a couple of questions on other topics. The number of uninsured Americans has grown by the millions during the Bush administration. Why can't the government successfully address the problem of health care coverage in America?

SEC. LEAVITT: Small question. (Laughter.)

MR. ZREMSKI: You have about five minutes.

SEC. LEAVITT: May I say, too many people in the United States do not have health insurance, and we need to change that. Every American needs access to an affordable basic policy of insurance -- everyone. And I believe that Congress needs to take that up, and I think they need to do it now.

Obviously there will be a lot of discussion about it in the election; if they'd just listen to me. But I -- we can solve this problem. And I personally believe, after having spoken with many, many, many members of Congress, believe that there are, in fact, enough areas of commonality that when you get the politics aside, we can solve it.

I'll tell you, it comes down to one basic issue, and that is, do we want the role of government to be owning the system, or do we want the system of government to organize the system? That's the basic dilemma that we face. But Americans do need insurance. We need to solve that issue. And given the fact that we have less than five minutes now, I'm not going to go into a lot of detail. But I have a lot of thoughts about it, and perhaps the Press Club would like to invite me back for another discussion on this subject. (Laughter.)

MR. ZREMSKI: Please comment on the SCHIP Medicare bill passed by the Senate last night.

SEC. LEAVITT: Well, I think it was a suitable outcome. We're not done. We still need to resolve some things. But at the heart of that discussion was the question I just raised. Are we going to use the government as a tool to own the system? Do we want to take people who currently have private insurance and move them to public insurance? Do we want to take people who are making \$84,000 a year and have them cancel their private insurance and move it to a government-run insurance system?

Those were the -- we just met disagreement. And I think SCHIP is a very important part of our construct of how we provide insurance. We need to assure that anyone who is poor, that is elderly or disabled has access to insurance. The SCHIP question was, who do we consider to be in that category?

We have extended the existing program for 18 months. I feel good about the extension. I think it was a rational thing to do. And we'll have a, I think, big, robust, national discussion over the course of the next year about what the outcome should be in the long term.

MR. ZREMSKI: Comptroller General David Walker was here on Monday to discuss the budget deficit and entitlement spending. He warned of the coming crisis of Medicare, saying it needs to be reformed now. How can that be accomplished?

SEC. LEAVITT: Well, first of all, I want to be associated with the comments of Mr. Walker. He is absolutely right. I am a trustee of the Medicare Trust Fund. And whenever I go to a meeting, I am discouraged, alarmed and frightened by the potential consequence of continuing on the course we are on. It is not sustainable. It is the kind of problem, if not dealt with, that could, in fact, be a very significant drag on American prosperity.

Now, how do we solve it? Again, that's another one you'd better invite Mr. Walker and I both back for. But I will tell you that it's going to require some discipline. One minor discipline that I hope continues -- the Congress two years ago enacted a provision that says whenever it begins to take tax dollars exceeding 45 percent, the administration is bound by law to put forward a proposal on how to solve it.

We will be putting forward proposals this year, because for the first time, two years in a row, we have exceeded 45 percent of the funds that are paying for Medicare coming from tax dollars. That means that dollars are being taken from medical research. It means that dollars are being taken from highway construction. It means dollars are coming from the military. It means dollars are coming from schools.

It means dollars are coming from every other part of government that must be supported by the public sector and going into the Medicare system. It's the kind of problem that, unless dealt with, can bring our country financially to its knees. And it is -- what Mr. Walker said is right. And I wish we had more time to talk about it, but I just want to be associated with it to that extent.

MR. ZREMSKI: We're almost out of time. But before asking the last question, I've just got a couple of other important matters to take care of here.

First of all, let me remind our members of future speakers: On January 7th, Nancy Nord, acting commissioner of the U.S. Product Safety Commission; on January 10th, Margaret Spellings, the secretary of Education; and on January 14th, H.E. Matti Vanhanen, the prime minister of Finland, will be joining us.

Next, we have some traditions here at the National Press Club, including the presentation of our plaque. And I checked on the bottom to see where this is made -- I can't tell, but I can personally vouch for its safety -- (laughter) -- the National Press Club mug.

SEC. LEAVITT: I'll be running a field lead test when I get back to the office. (Laughter.)

MR. ZREMSKI: We wouldn't do that to you.

And our last question, as traditionally it is, it's very different from the nature of the rest of the questions, and it goes back to the first thing you said. You mentioned Cheers. Does that mean you want to be invited back when Ted Danson speaks to the club next year?

SEC. LEAVITT: That means I just like going to a place where everybody knows my name. (Laughter.) Thank you. (Applause.)

MR. ZREMSKI: Thank you very much, Secretary Leavitt.

I'd like to thank all of you for coming today. I'd also like to thank National Press Club staff members Melinda Cooke, Pat Nelson, Jo Anne Booz and Howard Rothman for organizing today's luncheon. Also thanks to the NPC library for its research.

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Thank you. We're adjourned. (Applause.)

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