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U.S. Mission to the United Nations in Geneva
9:00 a.m.

Press Conference
Opening Statement by
Ambassador Allen Johnson
USTR Chief Agricultural Negotiator

Agricultural Negotiations under The Doha Development Agenda

Ambassador Johnson: Well, first of all good morning everyone.

I'm trying to get my voice back. For those of you who've been with me before, I'm normally not this deep voiced. I'm actually a tenor and very high voiced.

But, I just thought I'd go through sort of quickly what we've been doing and what our thinking is at this point, then open it up to your questions, which are always more interesting than what I have to say in the first place anyway.

As you know, the United States has been very busy over the last several months focusing on concluding many FTA's. We've closed about 8 FTA's with about 8 countries over the last three months. But as you all know, who have been with me before, we still believe that the WTO, and particularly for US agriculture, is our top priority. That's a clear message that I've received in all my consultations with our industry as well as with our members of Congress.

And therefore, from our point of view, it was worth another push. As we moved in to the end of last year, to the beginning of this year in our discussions with Ambassador Zoellick, we felt very strongly that this year shouldn't be a wasted year in 2004. Our general assessment of Cancun was that we came close to getting meaningful framework. Therefore Ambassador Zoellick sent a letter to the 140 members of the WTO and then followed it up with about a 32,000 mile trip meeting with about forty different countries, leaders from forty different countries, in trying to move the process forward and to listen very carefully to what others had to say. He came home, and as well as I made some trips and had some meetings and phone conversations. I think we both came away with a feeling that countries were serious about trying to make this work if it's at all possible.

The reality is we have a window here that we're trying to fit in, a window that is primarily, I think, a practical matter between now and the August break. Obviously if we don't get it done then, it may be some time before we're able to get it done due to a number of changes that will be occurring in the WTO membership. The EU will be changing its commissioners; we'll have an election in the meantime; and we think it's extremely important to try to take advantage of the time we have.

Generally we think that the Cancun text is a good basis for the discussion. If we can get a framework like that, then we can use the next stage of the negotiations to fill in the

numbers and work on some of the disciplines that were still outstanding even from the Harbinson text.

By the time we leave here, we'll have met with some seventy countries. In that process I think we've gotten a good sense of people's attitudes. We've found them encouraging and generally positive about trying to see if we can get this done, even though we all recognize that there are difficult challenges. Ultimately it depends on meeting the Doha mandate and the level of ambition, which means that countries need to be thinking about not just their own ambitions that they want others to achieve, but also what ambition they're willing to put on the table in terms of their own reform, in order to get that ambition. Ultimately we're going to need to be looking at these issues through the eyes of the people across the table from us and help them in solving their political and economic challenges as well as our own.

Let me just go through quickly where we're at on the three pillars. In export competition, as Ambassador Zoellick said in his letter, our view is we're going to have to find a way of setting an end date, in setting not "the date" but that there'll be an end date for export subsidies. That obviously means Europe needs to be brought along in this process and that's extremely important. To listen to what the challenges are. When we listen to them, one of the issues that is extremely important to them is parallelism, and that means what happens with export credits, what happens with food aid, what happens with export state trading enterprises, and other policies like differential export taxes. In the case of the tools that we use, we thought it was important to step up and meet that challenge in order to provide them that opportunity to make that case back home. So in export credits we said that we'll eliminate the subsidy component of export credits at the same time as export subsidies are eliminated. And in the area of food aid, we said we're willing to talk about disciplines. We've met with some 70 countries and I think I've sensed sort of a common objective on food aid.

We all recognize that there's a food aid shortage in the world today. In other words, there's more request for food aid than there is supply. So our objective in these disciplines is not to have unintended consequences of lowering the amount of food aid available, but really just try to avoid it being used in a way that is an export subsidy.

And we have a point of departure in the Harbinson text. I think most countries recognize that really it is more of a technical exercise of trying to work through that than a large substantive difference between us in what we're trying to achieve. And that includes as well the food aid recipients. Obviously we'll also need export state trading enterprises to be reformed through this process but the key issue obviously is setting that date for elimination of export subsidies.

On domestic support, let me just start by saying there are different ways that countries dealt with their agriculture at the end of the Uruguay Round. Some countries used subsidies as a way of dealing with their agricultural sensitivities, some countries used high market access barriers to deal with their agricultural sensitivities. Obviously, for developing countries that was basically the only option they had because they didn't have

the budgetary money available to use subsidies. Some countries did both; they have high subsidies and high tariffs.

In our case, what we did was we basically have subsidies, but our market access barriers are relatively low with the exception of a few products. And so as we look forward, we have a very practical challenge in the United States that we've discussed with other countries: we're ready to move forward, even possibly going to zero someday, but we need to see other countries help us through substantial reductions in other subsidies. Our farmers don't want to be exposed to other countries subsidies once we've significantly reduced ours. And we need to see market access opportunities. We need to be able to make the case back home that we've made opportunities for our farmers - when their government support is being reduced.

I think there's generally an understanding of what we're trying to achieve, and the discussions that we have had have been quite instructive in clarifying these issues.

So in domestic support, I think, what we all agree on is that there should be a substantial reduction in the AMS, that there should be an overall cut in trade distorting domestic support. In our case, we agree that we should put a cap on the blue box. As you know our original position was, in fact our position still could be the elimination of the blue box. But if the blue box is going to exist, which I know is important for the Europeans' policies in their CAP reform, as we transition policies from more trade-distorting to less trade-distorting on the way to non-trade distorting, then we think it ought to serve a useful purpose. At least the way that we would use it is a way that would be moving it through that continuum that starts with the amber box, which is basically directly tied to current production and current price. The way we'd use the blue box would be to decouple it from current production (ut it would still be related to the current price) which is an important element, because if you don't do that, there's an encouragement for overproduction and so we're trying to de-link that and then on the way to the green box, which is not coupled to the current production or current price.

Other issues that have come up are issues related to the product cap, we've said we're willing to talk about that. A second stage of reductions has come up as a question, and our answer is, we're willing to talk about a second stage of reduction as long as we see a second stage of reduction in market openings and market access - getting back to my original point that that is one of the things that we need to be able to do to make our case back home that the overall agreement is good for U.S. agriculture.

In terms of the green box policies, we have always said that we believe they should be non-trade distorting or minimally trade distorting policies and we're always willing to review or look at the disciplines to ensure that that's what happens.

Now let me finish with market access and we'll go to your questions.

Basically, I've sensed there are two issues that countries are concerned about, particularly developing countries. One is that they want to make sure that developed countries

provide market access. We agree with that, and - getting back to my original point - one of our needs is to get market access in order to see reductions in our subsidies, so we're all for market access, both for developed and developing countries. Another is that developed countries give enough but also that developing countries are concerned that they don't get a disproportionate share of the challenge in market access.

Obviously as you fill in the numbers it is going to sort of determine how these parameters are met. But I think it's safe to say that from our point of view, if you look at the blended formula that's in the current Cancun text, it provides for meaningful market access. This comes through a Swiss formula, which from our point of view, we'd start with Swiss-25. That was in our original proposal, you might all recall as I see a lot of familiar faces that have heard me say this several times. And as you look at the other box, the upper tier -- the first tier which is the Uruguay Round approach -- we'd like to see that number as small as possible. And we'd like to see as large as possible minimum and average cuts and then obviously as part of that formula it also says that we need to get substantial improvement in market access. If it's not through tariffs, then it needs to be through tariff rate quotas, and that should provide some assurances to developing countries and other developed countries that there will be meaningful market access.

For developing countries, one of the issues is they're concerned that they'll be asked to make a larger cut in the sense of opening their markets. Our view is obviously that there are several tools within the current framework that help address their sensitivities. We don't have an interest in destabilizing farmers in these countries or their subsistence farmers being displaced, and we think this framework addresses a lot of these concerns.

First of all is the fact that for many of these countries - and I know it's not all of them - but for many of these countries, their bound rates are significantly higher than their applied rates. So there's a fair amount of water in the tariff that provides them with some cushion.

Often times we hear that there's concerns about tariff peaks where others have a tariff structure that is fairly flat. In our case, our tariff peaks are at or lower than many other tariff peak averages. Our average tariff is around 12% in the United States. The global average is about 62 percent. On some of our most sensitive products, like sugar, it works out to be about a 100 percent tariff, that's still below to what many other countries average tariff is. Another sensitive product is dairy; in dairy our peaks are around 60 percent. Citrus is another sensitive product; our peak is about 40 percent. So from my point of view, our peaks are often times below other countries average, and we want to see peaks come down, but we also want to see the averages coming down, and creating meaningful market access.

So let me just point out what we think are several tools that exist to address developing country concerns. The objective here is not to avoid market access but to manage some of the sensitivities. First of all, as I said, there's a substantial difference between the bound and the applied. Second of all, in terms of the percentage of tariff lines that are in the tier one -- in the Uruguay round approach -- we recognize it will be different for developing

countries. In addition to that there'll be a difference between what the minimum and average tariff cuts are. Within the current Cancun text there are also S.P.'s, Special Products for developing countries. How you approach the tariff rate quota expansion is something we can look at in terms of dealing with some of the developing countries' concerns. What the coefficient is for the Swiss formula we recognize may be different for developing countries, not to mention that you have longer Phasing periods. You have a cap, and now the tariff cap is applied can be different for developing countries, and frankly don't think for most developing countries that's a big problem. And then of course for the LDCs there's special treatment for them in the text.

This is important not just for us, but it's also important for developing countries. As you look overtime, the growth in South-South trade is growing about 10% a year. That's about twice what the global growth in trade is.

About 40 percent of developing countries' exports are to other developing countries, and they spend about 70 percent of their tariff expenses on tariffs that they pay to other developing countries. So this is a very important development tool opening markets -- both developed and developing country markets -- in terms of delivering on the Doha mandate of helping development.

So I'll shut up pretty much at this point and open it up to your questions, but I think I'll just finish by saying that the United States has shown our country is ready to step forward and show leadership. But we can't do this alone. It's going to take all countries contributing in order to bring this process forward. Our general sense is that there's a positive atmosphere in trying to get that done, but we still have a lot of work to do and not a long time to do it. With that we'll open it up to your questions.

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