

**Transcript of U.S. Trade Representative Robert B. Zoellick
at Closing Press Conference
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ZOELLICK: I am pleased to join with you to discuss our efforts here in Paris to advance the Doha Agenda. I've participated in a number of meetings over the past couple of days, gave a speech yesterday that I imagine you've had a chance to see if you wish to and our meetings will continue this evening as well.

But I thought it would be useful to provide you with an update and in doing so share with you my sense of where we've been, where we are and where we need to be going. So where have we been?

After the breakdown in Cancun, countries needed some time to take a collective breath but I was pleased to see at the APEC meeting (Asia Pacific Economic Cooperation) last Fall that a number of countries – developed and developing – from around the Pacific rim started to indicate a desire to get the negotiations back on track.

So as I think all of you know, in January, I sent a letter to all my WTO colleagues putting forth some ideas on how to move Doha ahead in 2004 with the goal of trying to develop some frameworks by the summer. In February we followed up on that letter with a trip I took around 32,000 miles up and down the world to get a sense of the views of other key colleagues. People like Minister Yeo of Singapore, who unfortunately couldn't be here, Beijing, Tokyo, Pakistan, India, Minister Irwin of South Africa, Minister Kituyi of Kenya. And then, throughout the Spring, we've kept up an active dialogue some of it obviously by phone, some of it through meetings. Including a meeting that took place in London about 2 weeks ago that included Brazil, the European Union, Kenya and South Africa. Through these meetings, it was very clear to me and I think increasingly to others that especially for the developing world, that first we needed to clear the decks of the so-called Singapore issues by focusing solely on one topic – trade facilitation. And second, we needed to get progress on agriculture especially the elimination of export subsidies.

So where are we coming out of these meetings? Well, coming into this week, or these meetings at least, we've seen some important progress and growing momentum. The letter from Commissioners Lamy and Fischler, very constructive in providing positive impetus, moving towards the idea of focusing solely on trade facilitation and today's meeting, at least my sense, was our Japanese colleague also was moving in that direction so I hope that we quickly reach a consensus to focus on that topic. And equally, if not more important, the Commissioners Lamy and Fischler have now agreed to eliminate all export subsidies as part of the Doha Agenda which has been, frankly, a goal of people in the trade liberalizing community for some 20 or 30 years.

For our part, and I mentioned this in the session today that had European member states as well as the Commission, we had already stated that we would eliminate export subsidies if our colleagues did but also that we were also willing to eliminate the subsidy element of export

credits and to discipline food aid to avoid commercial displacement, while still permitting countries to meet vital humanitarian needs and then we would work on the parallelism that Commissioners Lamy and Fischler wrote about. And in turn, we would expect some of our colleagues to eliminate State Trading Enterprise monopolies and differential export taxes. So I think we are closing in on a positive package on one of the three pillars which would be a very historical reform of this very contentious area in agriculture.

Now on domestic subsidies which is the second pillar, the framework that we developed in Cancun has been, I think, generally accepted as the model to work from, it still needs some refinement but at least I am encouraged that we are moving in a direction that should enable us to achieve substantial cuts and policy reforms that will be far superior to what was achieved in this area in the Uruguay round.

Now that leaves a third pillar in agriculture - market access. Opening markets for tariff and tariff rate quotas. And there we still have to develop a framework. At various times, the United States has started out with a very ambitious goal, a formula called Swiss 25 which would drastically cut tariffs while the Cairns group and others supported that, others found it too ambitious so we've tried since then to combine ambition with flexibility, including the approach that we developed with the EU prior to the Cancun meeting. Others haven't liked this proposal and over the past day or so I think we, both the EU and the US, have communicated that we would welcome their ideas. And I am pleased that over the past day, I have had a sense, that both the G-20 and the Cairns Group countries will be looking to offer proposals before long so we can have a productive session in June when the agricultural experts meet again in Geneva.

The key point that I have been emphasizing over the course of the past couple of days is we are now getting good movement on trade facilitation, good movement on export subsidies and export competition. But we need to have a framework for agricultural market access cause all pillars will have to be developed together.

In the services area, we need to encourage more offers from countries, especially developing countries. Many people now know that a developed economy like the United States, services accounts for two-thirds. But it is less well known that in the developing economy, services account for over half of the developing world economy. It is one of the fastest growing parts.

We are willing to help try to work with countries in the services area in the developing world. And today I announced an additional grant of approximately \$1 million in trade capacity building assistance to the WTO Trust Fund. This is part of an overall amount we are now giving annually of over \$700 million a year in trade capacity building in different ways. And we find it money well spent.

For the market access framework in industrial goods, which is the third key area – agriculture, services, industrial goods - the sense I had in today's meeting was a general understanding we have identified the core elements, that we need to move forward post-July to kind of refine the framework, this includes non-linear formula for tariffs cuts, sectoral negotiations, probably based on a critical mass concept like we used in the information technology agreement. The Director General properly focused on the work that needs to be done in the non-tariff barriers and in

general maintaining the right mix as in agriculture of ambition and flexibility for where we all need to participate.

So where do we need to go? As I said in the speech I delivered yesterday, I believe this is a moment of strategic economic opportunity, the world economy is showing good signs of energy and life, and if we could use this trade negotiation effectively we can deepen that expansion, we can broaden it, make sure it supports the development agenda.

So looking ahead, shortly after this meeting, there'll be a meeting of the General Council in Geneva in May. And that will be followed by two agricultural sessions in June, the first and last week. And there was indeed I think a positive sense among the Ministers that if our expert teams need to be in Geneva even more, so be it. Because we know that's a critical area to develop.

As I stated in January, and repeated in my speech, Doha remains America's top trade priority. And our goal has been and remains to develop the frameworks in these core areas so that we can continue the next stage of the negotiations. And we are aiming to try to get those frameworks developed by the end of July. And although it's an election year, President Bush has instructed me to spare no effort to try to accomplish this end. And as I've told my colleagues, I'll continue to make every personal effort I can to go to meetings where necessary, and add to the work of our experts to nail down these frameworks.

At the same time we've been combining this multilateral effort with opening markets with bilateral arrangements. I return to the United States where next Tuesday I'm proud to sign an free trade agreement with my counterpart, Mark Vaile, of Australia. And at the end of May, shortly thereafter we'll be signing a free trade agreement with the Central American countries. So our strategy has been consistent, which is to move on multiple fronts, and that's what we're doing and I'm pleased to say we're making progress on all those fronts.

MODERATOR: Thank you. Questions? Guy?

QUESTION: Thank you, Guy de Jonquieres, Financial Times. A number of other participants at this meeting have said that one of the factors that help contribute to a sense of new progress was what the U.S. had to say on domestic agriculture subsidies. What did you have to say, that's new that they haven't heard before or was it the way you that you said it?

ZOELLICK: Well since they are the judge, I think you'd best ask them. But what I could mention Guy, is that as you know, as someone who has followed this for a long time, I've reemphasized that you know the United States' original proposal has been committed to substantial reform in all the categories of trade distorting support – “amber box,” we've wanted to eliminate the “blue box.” But if Europe is going to keep that, we'd need to restrain it in some effective way, accept cuts in de minimus as well. What you may be referring to, is that in discussions with my friends the commissioners, they emphasized to me that many of their European colleagues don't really have a good understanding of how our farm legislation process works. And I pointed out to them simply the fact that the farm bill that was passed in 2002, expires in 2006. And so if we're able to achieve the type of agreement that we're all working towards, well then obviously the Administration will need to work with Congress on the next

farm bill that incorporates those elements. For anybody who has tracked our positions, for example, if we eliminate the subsidy element of export credits, one of the things that I emphasize is we've said we'd be willing to go to reducing, what are now, sometimes 36 month credits to six months. And other factors that go to insuring that you have risk-based pricing and market-based interest rates. Well those require program changes. If we take the type of cuts that we hope to get from the European Union after CAP reform, taking the roughly \$80 billion "amber box" cap, ours is \$19 billion, and lower the European number to much closer to ours, and we lower, so that we both reduce and harmonize, that's going to require adjustments in our farm programs. Now, it's up to our Congress to determine the exact nature of those changes, but there will be limits based on these negotiations. Similarly, the [unintelligible] are designed for something called counter-cyclical payments, working on ways of assuring our colleagues about some of the base levels, on some of those elements in terms of making sure that it's a true de-linkage from production. So as some of you know this gets a little technical. But I think what you might have picked up on was that, while Commissioners Lamy and Fischler are well aware of this, sometimes the member states aren't. Unlike European legislation, which stays in place until its changed, we have a legislative process where a bill runs for a certain period of time and then needs to be reauthorized. And so, if we're successful in concluding this round before too long, well then our reauthorized farm bill will need to take account of the changes. So perhaps that's what it was.

Yes?

QUESTION: Richard Waddington, Reuters. Yesterday morning you said you saw a more than fifty-fifty chance of doing a deal in July on the frameworks. Would you rank those chances as even better now?

ZOELLICK: I'm not a market trader, I don't want to adjust the odds that quickly. Let me just leave it this way – I certainly wouldn't lower the odds from the discussions that I heard today. And again, as I've been all year, and some of you know this, I've tried to be quite transparent in identifying what I think has to get done. And the good news is, over the past week or so, it was clarified earlier this week, I think we now are clearing the decks of the Singapore Issues, and focusing solely on trade facilitation. And it was positive news that Japan seemed to be joining in on that. That's very important. For those of you that don't have a chance to talk to as many in sub-Saharan Africa, it's partly important because we have a very important group of leaders like Minister Kituyi of Kenya who are trying to work with their colleagues in sub-Saharan Africa to reassure them that they won't be overloaded in this round. And so this will be something important for them to take back. Obviously export subsidies is critical. Now we still have work on parallelism but I can see a way that we should be able to reach a conclusion. Same on domestic subsidies. But I don't mean to say there is going to be hours and hours of thrashing through words but I can see the direction.

And I see that influence roughly in services. The area where we still need to get, move further ahead in market access for agriculture. The positive sense I draw from that is coming into this meeting there were some countries that were unhappy with the blended formula that hadn't suggested alternatives. And I certainly have the sense that they are now interested in now trying to come up with some and that is what we need to do.

Yes?

QUESTION: Scott Miller from the Wall Street Journal: Could you tell us a little bit about what you might be able to do on the farm aid program? The EU sources a lot of their farm aid from poor countries near the countries that receive it. Is that something that the US could do? Or what could the US do to reduce the market distorting aspect of the farm aid?

ZOELLICK: Are we talking about food aid in general? Yeah. Well, the key principal there is not to use food aid as a device for commercial displacement and have it to be a true humanitarian aspect. Now, at times, some of the EU have said as you suggested that means you should only use cash payments. Now that is not our view and is not the view of developing countries because, frankly, sometimes in some of these countries, if you only have cash alone you won't get food where you need it to go. And as I mentioned in the meeting, the Ministerial, actually the UN information about stocks of food shows that they are quite low relative to projected humanitarian needs and there is very little cushion now for emergencies that would develop. And indeed, I have received letters from major NGO's, I think Action Aid was one of them before I left that said please be careful not to do away with food aid cause we need food aid for humanitarian purposes. So I think the challenge here and this is what I told Lamy and Fischler and others is if they eliminate export subsidies, it is certainly not appropriate to use food aid as a form of export subsidies. So, we will need to get the discipline that food aid is food aid and not being used as a back door way for export subsidies. If you look at the Cancun text, there is already a line that makes this point about saying it's not be used for commercial displacement. And in the many sessions that have taken place among the agricultural experts in Geneva, there have been other topics, other long discussions about how to include those disciplines.

Had a couple of men. Is there a woman? No? Alright, yes?

QUESTION: Brazil Daily, Sao Paolo. In your final press conference in Cancun, you did cite a strong [unintelligible] and after in an article to the Financial Times again. Did you change your view about the G-20 since your initial remarks? It seems that they are playing a constructive role in these few weeks or two months?

ZOELLICK: I'd like to believe that my articles and statements encourage them to play a constructive role which they're now playing and so I'm hopeful that they we'll now take the step that is critical for our success which is to move beyond the focus on export subsidies and domestic subsidies where it is really a question of what the US, the EU, and Canada and a few others will give up and then instead focus on what together we can do in market access. Now this will be a challenge and it will call for the highest leadership because as you know well the G-20 spans a group of countries with a diversity of interests. There's some who are members of the Cairns group at least traditionally favor opening agricultural markets not only for North-South trade but for South-South trade. There's some that have been more reluctant, but I come away from this session including with Minister Amaran and his people that I think they're committed to trying to come up with some constructive ideas on striking that balance that we're going to have to strike which is combining ambition with dealing with a limited number of sensitivities. As you know, the position of U.S. and Brazil on this will probably be pretty close, we would

favor a very ambitious proposal. We would like the steepest tariff cuts possible but we've got to bring together the Europeans, the Japanese, the Indians and others. And so, I'm eagerly awaiting their ideas and our staffs, I'm sure, will be in touch as we go along.

QUESTION: Quelles sont les perspectives...[Question unintelligible, in French]

ZOELLICK: I did call on that gentleman but we'll get back to you. But we'll take that question. (Question repeated in French). For those of you who may not have heard the question, this was a question about Russia's, the prospectus for Russia reaching its bilateral agreement with the United States for WTO accession by the end of the year...is that it? Yeah. Well, I had a good meeting with Minister Gref. I had a good meeting with Minister Gref and it followed the rather ongoing extensive discussions that my staff has had with Mr. Medvedkoff and my sense is that after the elections in Russia there's a renewed effort to try to work through some of the issues that we'll have to work through and I highlighted some of those for Minister Gref. I noted that we had initialed an agricultural understanding last autumn and were waiting to have that signed and that would be something that we would incorporate within our bilateral understanding. I noted that we're having a real problem with intellectual property rights, estimated loss at about a billion dollars a year but I'm also working on that with Minister Fursenko, the Science and Education Minister, then we talked through some of the services issues, some of the telecom issues. I understand that Russia's making some headway with the European Union and that will be good because as you know once there's a commitment made to one country they apply to all countries. So, as I told Minister Gref, there's no limitation on our part in terms of trying to get that done by the end of the year and I would be very pleased if we could, but this is really a situation where it depends on Russia's movement including on some domestic legislation through the Duma. So, I'm...I offered to Minister Gref again that if we make some progress in coming weeks that I'd be happy to try to find a place to meet him, either St. Petersburg or some another location, but we need to keep making progress.

And then that gentleman.

QUESTION: [unintelligible] from Agence France Presse: Within the negotiations in exchange of the moves you said you made on agriculture and with the European Union, what are you waiting for from the G-20 specifically on industrial goods or services...making more offers on services negotiations?

ZOELLICK: Well, again, to be relentless in keeping a focus here, there are three corridors: agriculture, goods, services. In the area of services, a number of the major developing countries have not yet come forward with initial offers and so I encouraged yesterday in the speech and other comments that they soon come forward with offers. Second, in the area of goods, the text that we developed in Cancun in which I sketched out today I think provides a general framework for moving forward in July but it will leave issues such as the precise nature of the formula to be used to cut industrial tariffs and our preference here is to be as ambitious as possible. As you may recall, the U.S. put forth a proposal that we eliminate all industrial tariffs in this round. That's not been accepted, but I think we now have the basis to take this area we've been working on for 50 years and try to drive these tariffs down much lower. With some of our G-20

colleagues, it's quite clear that mandatory zero per zero sectorals is too demanding so I suggested we try to refine the notion of a critical mass. That means, for example, if we can get maybe 90% of the production of a product then we try to go down to zero. And the non-tariff barriers are very, very important and that's a point the Director General emphasized. My sense is from the various meetings I've had is that some of the major developing countries will be more forthcoming as we move through the agricultural process and I'm hopeful that will. But the point that you and others have also asked is that we need to get this agricultural market access piece in place and just from some experience with this and you know I've had a little credibility in that I've been trying to point out these steps over the past 5 months and they slowly have fallen in place, even after we get some proposals, they're going to require work and we still only have about 10 weeks. In a way as I said to my colleagues, you know the US is in some ways like the 3 little bears here in that we proposed something that was the porridge was too hot obviously and then in terms of a very aggressive market access proposal and then several found that our blended porridge is too cold.

And so we gotta find something that tastes just right and from my experience we have a lot of cooks in this process and so we're going to have to work on the seasoning over a few weeks here.

MODERATOR: I think we have time...I think we have time for one more question....Yes

QUESTION: Since you had mentioned your signing of this bilateral trade agreement...

ZOELLICK: I think you need to introduce yourself.

MODERATOR: Could you, could you. Sir could you introduce yourself?

QUESTION: (Unintelligible) Since you mentioned last the signature of this bilateral trade agreement with Australia, you remember that after Cancun quite a few people did speculate where the American [unintelligible] believing that it is more going in the direction of bilaterals and keeping it a more and more multilateral approach. What balance are you striking at?

ZOELLICK: Well as I said then and as I said now the balance I'm now striking is full speed ahead on all fronts. And so I am absolutely delighted that since Cancun I think we've completed free trade agreements with 8 countries. I've got 6 more that are close to conclusion. We're starting with another 6 and yet obviously I've been spending a lot of time and effort moving the Doha agenda forward and that's making progress and we're also trying to... move discussions with the Free Trade area of the Americas. So, I've long made the contention that by moving on multiple fronts we can keep the pressure up and who knows I might be borne out of be right.

Thank you all.