

**Transcript of Conference Call with
U.S. Trade Representative, Ambassador Rob Portman
And Agriculture Secretary Mike Johanns
Regarding Current Trade Negotiations
November 9, 2005**

OPERATOR: Welcome, and thank you for standing by. All participants will be on listen only until the question answer session of the call. I will now like to turn the conference over to Ms. Teuber. Ma'am, you may begin.

MS. TEUBER: Good morning, everyone. This is Terri Teuber, director of Communications at the U.S. Department of Agriculture. Joining us on the line are U.S. Agriculture Secretary Mike Johanns and U.S. Trade Representative Rob Portman. They have just recently departed Geneva, and they are currently in an airplane flying over Algeria.

With that, Representative Portman, would you like to begin?

AMB. ROB PORTMAN: Thank you, Terri. And thank you all for being on the call. Secretary Johanns and I have just left Geneva a couple hours ago. We're now on our way to a meeting with the countries in Africa that are most interested in cotton issues which have become, as you know, an important issue in the Doha Round. This meeting will take place in Burkina Faso in West Africa. I will then be going on to New Delhi, India, to have a trade policy forum meeting and to continue to talk with the Indians about the Doha Round and progress there.

And then to Beijing, where again, I will have the opportunity to speak with our partners in China about the Doha Round. And then finally going to the ApeC Summit in Korea. There's a meeting of trade ministers prior to the President's arrival. This is the 21 countries from the very dynamic Pacific area including the United States and a number of Asian and South American countries.

And again the focus of our discussions at the APEC meeting will be on the Doha Round, so this trip, starting with a meeting in London and Geneva and going through Africa, India and Asia, is really focused on moving ahead these Doha Round discussions.

The last few days have been helpful. We've had constructive conversations about the various elements of the WTO-Doha Round. But I am sorry to report that we've not made the progress that we had hoped to make in order to put together a program for the Hong Kong meeting that would enable us to set forth a framework or as the WTO language would be "modalities" in order for us to complete the negotiation more rapidly.

So we've made some progress. We have been able to bridge some differences and at least narrow the discussion, but we have not been able to come up with the formulas or modalities to be able to negotiate into 2006.

I'm hopeful that within the next few weeks we can still make the kind of progress that we'd hope to make by now in order for the Hong Kong meeting to be even more productive. But the Hong Kong meeting is still very much on. The United States is pushing hard for a successful meeting, and again over the next few weeks we're going to be pushing for even more of a consensus in order for us to have a more successful meeting-- and then if we're successful, negotiation throughout 2006.

I will remind those listening that the Hong Kong meeting was never meant to be the end of this process. It was always meant to be a milestone along the way, but an important one. It's a meeting of all the ministers. It's an opportunity to take stock of where we are, but also again we'd hoped it would have been an opportunity to make some tough decisions on at least the framework for discussion going forward. Again I'm not sure we're going to be able to meet those framework aspirations but I do believe it's important to push hard to try to make that happen. In any case, I believe the Hong Kong meeting is extremely important and it ought to be kept on the Doha schedule.

With that, I'd like to turn it over to my colleague Secretary Johanns. One of the discussions we've had over the last three days of course has been on the agricultural trade talks, and Secretary Johanns and the USDA have been very helpful in that regard. And perhaps we can take your questions on any topics you may have regarding the Doha Round.

Mr. Secretary.

SEC. MIKE JOHANNNS: Thank you, Mr. Ambassador. I'll offer a few thoughts here, and then we would be happy to take your questions. In terms of the agriculture piece of the Doha negotiations, my analysis is much the same as it has been in the past couple of weeks. There are three pillars, as you all know -- domestic support, export competition, and market access.

On two of the pillars, two out of three, we really are in very good shape-- domestic support and export competition. In fact it is interesting to note that after we made our proposal some weeks ago first it was met with universal approval around the world, but secondly it was viewed as a proposal that restarted the talks relative to agriculture.

One of the points that I made during the meetings over the last couple of days, and we've made over and over again, both the Ambassador and me, though is that our proposal is really part of an overall package. There has to be a balanced package. We have to make substantial progress in all areas -- domestic support, export competition, and market access.

When the discussion turned to agriculture over the last couple of days, the discussion really turned to the market access pillar. At this point in time, many countries have now had an opportunity to analyze the European Union proposal, so when it comes

to market access they've done analysis, and really without exception they point out that there are so many opportunities here for maneuverability in the proposal that really they're not, these countries feel they're not being granted very much market access, if any.

So they share our analysis of the market access proposal by the EU.

I would also point out and we cite this on numerous occasions that the World Bank has pointed out that the real gains in the Doha Development Round will occur in the market access area. They make the case very, very strongly that opening up world markets is the key to improving the world economy. And that would be not only for developed countries but developing and the least developed countries.

In reference to the Hong Kong meeting, of course that meeting is still on. We believe there can continue to be an ambitious agenda for Hong Kong. Sometimes you have to size up expectations, and I think we have done that. I'll be very candid. It does appear to me that we will not make as much progress in Hong Kong as we had hoped for. But having said that, this round does extend through 2006. It would be a grave mistake to declare this round at an end at the Hong Kong meeting. There is still an entire year ahead of us when we can work aggressively to have a successful Doha Round. And we are committed to doing that.

With that, I will conclude my comments and open it up to questions.

OPERATOR: Would you like to go into questions?

AMB. PORTMAN: We're ready for questions.

OPERATOR: Thank you. At this time we are ready for the question and answer session. If you would like to ask a question, please press *1. You will be required to record your first and last name and affiliation. If you'd like to withdraw your question, please press *2. One moment, please.

Our first question comes from Jackie Fatka from Farm Futures Magazine. Ma'am, your line is open.

REPORTER: Thank you for taking my question today. You both have expressed that the Hong Kong meetings will probably be less successful than once they anticipated. What does this mean for the writing of future farm policy in the United States as it relates to Trade Promotion Authority?

SEC. JOHANNIS: I could offer a couple comments on that. Then I'll invite the ambassador to address that.

TPA, Trade Promotion Authority, as you know extends into July of '07 I believe, if my memory serves me correctly. And so there is still plenty of time to get a very ambitious, successful round following the Hong Kong meeting and still be within that

timeframe. That won't be a difficulty.

As you know, we've been doing the Farm Bill Forums across the country, and there'd be a couple of thoughts I'd offer on future farm policy. No one is going to claim that we are going to sit down and write a farm bill in Hong Kong. That was not the case. We are certainly mindful, as Senators and House members were during the last Farm Bill, that a substantial portion of our income relative to agriculture, 27 percent as a matter of fact, does come from trade. And so certainly we pay attention to that, just like they did when they wrote the last Farm Bill.

The other thing that I would point out, and this is based upon 22 Farm Bill listening sessions in 22 states and the USDA has done those in many other states, two-thirds of American farmers are not subsidized. They are not part of the Farm Bill. We've heard from many people across the United States who feel very, very strongly that the Farm Bill isn't working for them. Now we heard in other parts of the country that they feel equally as strongly that the Farm Bill is working for them.

But I think we have a lot of work to do on the Farm Bill just in terms of assembling what people have been telling us, trying to put that into good farm policy for the United States.

And so our goal is to continue our effort in that regard, and we're of course very mindful of the need to improve markets and recognize that 27 percent does come from the export markets. But ultimately our goal is to get good farm policy for the U.S.

OPERATOR: Our next question, Doug Palmer from Reuters. Sir, your line is open.

REPORTER: Well, sort of the theme you hear out of Europe these days is that the U.S. needs to be much more realistic about what can be accomplished out of these talks, that the sort of market access that the U.S. is asking for in its proposal is simply beyond what Europe can do. And although I guess you haven't really been specific about developing countries, the implication is that really developing countries don't want the sort of market access that you've proposed.

So I guess what my question is, one, are you really, do you think it's realistic to expect that the EU can go further on market access than it already has? And secondly, if that's not a realistic option, do you have to start looking at the other pillars and saying well, you know, we've offered to do this on domestic subsidies; we're not going to get as much market access as we thought, and so we're going to be scaling back a bit?

AMB. PORTMAN: This is Rob Portman. That's a good question, and I'm glad you asked it, Doug, because it's central to the debate right now. I disagree that the U.S. is asking for too much in terms of market access. In fact market access, as you know, is at the core of the Doha Round, and I would use as a reference a couple of different things. One is, the actual language in the Doha text, which is the July 2004 framework we're

working from. It calls for a substantial improvement in market access. This is language that was thought over, carefully thought out, and very clearly without substantial improvement in market access we have not met the promise of Doha.

And the second point relates to that promise. The World Bank has done a study, which has been talked about, showing that the benefits will come primarily from market access in terms of economic development and in terms of the developing world in particular. In fact, they've said in agriculture 93 percent of the benefits will come from market access.

Without having substantial improvement in market access, it not only will not meet the Doha requirement but we will not be able to meet the Doha promise which is that we will indeed improve the global economy and provide special incentives for growth in the developing world.

So market access is absolutely crucial. Now the question is, what is substantial improvement? Well, again I would refer you to some of the benchmarks out there. The Uruguay Round as you know was considered to be relatively weak in agriculture which is one reason in this round agriculture was made the central focus.

The United States as you know also believes strongly we should move ahead in reducing industrial tariffs under the so-called NAMA discussions and that we should move ahead with reducing barriers to services trade. In fact, we believe those are more important to our economic and commercial interests.

However, regardless of what the U.S. or the EU may think, agriculture was put front and center in the Doha Round because of the fact that in the Uruguay Round and for that matter previous trade talks agriculture had not been addressed adequately and agriculture is where most of the trade distortion is -- the highest tariffs are in agricultural products.

So what did the Uruguay Round do that was not considered satisfactory? It had an average reduction of 36 percent in agriculture and a 20 percent reduction in AMS, which would be the most trade-distorting subsidy. The EU proposal that we've talked about is for a 39 percent average tariff cut, but they have 8 percent of tariff lines in what's called the flexibilities, meaning that they would be treated as sensitive products, not subject to the tariff reductions but instead subject to a tariff rate quota, a TRQ. And their proposal on the TRQ is for very small TRQs based on current trade, not based on consumption, which is what most of the rest of us think would be fair.

So it's hard to argue that a proposal from the EU, that I think it's fair to say is not as ambitious in terms of market access than the Uruguay Round, would be something that would be acceptable in this round. Second, is in the Uruguay Round again we had a 20 percent cut in AMS. And in this round it was determined that the reduction in domestic support ought to also be substantial. In fact, the thinking was it should be at least 50 percent cut in AMS. The EU asked us to come up with more on domestic support

reductions in order to provide more market access. The number they had out there prior to our proposal was, it should be at least a 55 percent reduction in AMS.

The United States, as you know, has come forward with a 60 percent reduction, which is a very credible proposal. With that 60 percent reduction if you relayed it back to the Uruguay Round being three times what the Uruguay Round reduction was in domestic support, one would think the tariff reductions would need to be also substantially higher. Three times higher would be 108 percent average cut. We're not asking for that.

In fact, the United States has been very clear that although we believe our proposal on market access and in tariff reduction is the right way to go -- and by the way we're supported by several other countries in that including Cairns Group countries, including Australia, Canada, New Zealand and others -- but the United States position is that the market access proposal does not have to meet our high standards. It can meet a standard between the U.S. proposal and a proposal that was put forward by the developing countries, the so-called G20 countries, on market access.

Unfortunately the EU proposal doesn't even come up to that level. So I don't know. This notion that the U.S. needs to be more realistic, what that's really saying is that we need to lower the ambition for this round. We need to lower what our expectations are in terms of the economic impact of this round. It means not only agriculture but in these other areas we need to have much lower expectations.

That will not meet the promise of Doha. It will not result in the kind of economic development we all hoped for. Again, the World Bank has another study out showing that without a 75 percent reduction -- remember the EU average is 39 percent -- without a 75 percent reduction in the highest tariffs there can be no real new market access.

Now the U.S. proposal meets that standard. The EU proposal does not. So as you hear from other countries that they are not willing to engage in the industrial tariff or the services area because they have not seen the progress in agriculture that they had been promised, that indicates that if we do not do more in agriculture and specifically in market access we will not see the kinds of results in these other areas that will lead to a good result in the Doha Round that will really meet the promise of strengthening and increasing global economic growth and providing a special focus, special growth opportunities for the developing world.

REPORTER: Are you expecting the EU to come forward with any new suggestions in terms of agricultural market access? Or are we now in a dynamic where there has to be trading between the services and manufacturing to get the sort of concessions needed from the EU in agriculture?

AMB. PORTMAN: I'd like Secretary Johanns to respond to that. But let me just start by saying that one thing I thought was positive about the discussions we've had over the past three days starting in London and then moving to Geneva was that the

negotiations broadened from an almost singular focus on agriculture to a discussion that included industrial goods, services, and development.

I guess it was very constructive because we agreed that we're not done in agriculture yet, that there needs to be more done in terms of market access. But we also agreed that it's time to move on and talk about some of these other areas because the European Union, I think rightfully so, has said it will be difficult for them to provide more market access in agriculture unless they know there will be progress in these other areas.

I would argue that the best way to get progress in the other areas is to complete the agriculture negotiations. But I think it's also another way to go about it is to broaden the discussion now to come up with some commitments on the part of all of us, including the developing countries, to make serious changes in tariff structure for nonagricultural products-- again primarily industrial goods -- and to make some serious commitments with regard to knocking down the barriers to trade and services.

So that's what we've done the last few days primarily. We've talked about those issues. We also talked about development and having a separate development package prepared for the Doha Round. So I guess my answer to your question would be, it makes it more difficult to see the kinds of reductions we'd hoped for across the board. But in response to the EU concern and the EU request, we are beginning discussions in these other areas. And countries have been speaking up and saying, well if there would be more progress in market access, then we could see being more flexible in these other areas-- again providing lower tariffs industrial goods or lower barriers in terms of services.

So that's one good thing about the last few days is that we've begun that discussion. That gives me hope that it's possible over the next few weeks with a singular focus on Hong Kong-- in other words, trying to get us to these modalities or frameworks for Hong Kong that we have an opportunity here to move this round forward by making progress on services which then can perhaps take us back to being more successful in terms of the agriculture discussions.

Secretary Johanns?

SEC. JOHANNNS: The thought I would offer here is this. We are looking for a balanced package really across all trading areas. Of course I work the agriculture area, so that's the area I'm going to pay attention to, and this is not about trading agriculture off for something. That is absolutely not the case. But we are looking for a very progressive package in agriculture, and it is interesting to me or for me to observe the dynamic here. The dynamic is that we're not debating domestic support anymore, not debating anything really except market access. And country after country is speaking up. They've done their analysis. They're offering the opinion that based upon the separate analysis that they've done in their country they're not getting market access here to speak of.

And so we are not alone in saying we need greater ambition in the market access pillar to match our ambition in the domestic support pillar.

And as I said, we aren't spending time now on the domestic support side of this. Our proposal has really moved the round forward in that regard.

With that I think we have time for one more question, and so we'll take one more.

OPERATOR: Our next question, Sophie Walker from Reuters. Ma'am, your line is open.

REPORTER: Hi. It's Sophie Walker here from Reuters. Thanks for taking this question. I wanted to ask if you could tell us a bit more about what you will be talking to the West Africans about in terms of helping them with their cotton production. There is talk here that there's going to be announcements of amounts of money and aid. So if you could talk a little bit about that, that would be very grateful. And also how straightforward it's going to be to talk to them about helping them given that you're coming away from talks which have pretty much agreed there's not going to be a lot of movement on cutting agriculture subsidies for a little while.

AMB. PORTMAN: Sophie, your question -- I heard most of it but not all of it. I apologize. I think you were asking about our trip to Burkina Faso and what our focus will be and what we are planning to discuss.

REPORTER: Yes.

AMB. PORTMAN: The trip is something that we have initiated in response to concerns that have been raised by the so-called C4 countries. And that includes Mali, Chad, Burkina Faso, and Benin, and then Senegal is also going to be at the meeting, so it's C4 plus Senegal.

This relates in part to the Doha Round in the sense that the cotton issue has been as you know a major issue since the Cancun meeting. Following the Cancun meeting the U.S. meeting engaged very directly in addressing the concerns. I would say that of the top issues we will discuss at this meeting will be commitment the United States has already made with regard to specific technical advice and other ways to assist the cotton-producing countries, and Sec. Johanns has really taken the lead on that.

Second would be with regard to their concern about export subsidies. Again our proposal would eliminate export subsidies altogether by the year 2010. We've also advocated as you know for an end to the specific cotton export subsidy program called Step II, which has gone through part of the Congressional process. The Senate has already responded and included this in reconciliation, although it's not through the process yet.

And third would be domestic support. There again the United States has made a

very bold proposal on domestic support which of course would include those very programs like the marketing loan program that the cotton producing countries are so concerned about.

Fourth I think would be market access, our concern about the fact that they do not have access to developed and some developing country markets they would like. Again our U.S. proposal which reduces tariffs by 55 percent to 90 percent -- the proposal I talked about earlier -- would provide substantial improvements to market access for these African farmers.

And so we do actually have a lot of very specific responses that we'll be talking to them about. We're also going to talk about trade capacity building generally related to cotton but also other issues. As you know under the MCC program, the Millennium Challenge Corporation, we provided aid to some of these countries. I'm sorry -- MCC has not provided aid yet, but we have made three of four of the countries eligible for that aid. And as you may know one of those countries is very close to receiving a compact, meaning actual aid money. Others have received funding to be able to put together proposals for the MCC. And then we have other trade capacity-building funds that have been already expended and there may be some more in the future. So we'll talk about that as well.

So it should be a very constructive meeting. Secretary Johanns and I met with a group in Geneva, which included two trade ministers from these countries about two weeks ago and had a very constructive meeting. We thought it would be appropriate to follow on with another meeting in Africa.

Secretary Johanns?

SEC. JOHANNNS: You know, I can sum it up best by remembering a comment that was made to me when I attended the AGOA Forum in July in Africa when one of the African ministers said to me, "Mr. Secretary, we appreciate all you've done in terms of aid. But what I really need to talk to you about is not more aid, but more trade."

We believe that our working relationship with the African countries has been very positive, and it has. We work together on a regular basis. We also feel very, very strongly that the best approach is a comprehensive approach. And that includes the millennium challenge opportunities. It does include the Doha Round. It includes the proposal we have made on our domestic supports. It includes capacity building. And it includes working with these countries on a regular basis and assisting them in preparing them to trade in the international community.

So we want to continue to further that, to continue to build our relationships, hear their concerns, and continue to work with them as we build their capacity to do trade on a worldwide basis.

But again the key issue here is it needs to be comprehensive, and we believe very

strongly we've got a very comprehensive approach in terms of our working relationship.

I'll wrap up there and offer the ambassador -- I think we're done. I think we're ready to --

AMB. PORTMAN: So if you'd let me just mention quickly that we will also be discussing Doha with these countries as we get the opportunity. Are you there, Sophie?

REPORTER: Yes, I'm here.

AMB. PORTMAN: We will also have the opportunity to talk about the Doha Round with these countries. We have had the opportunity to meet with the trade minister from Chad, who was actually at our discussions in Geneva the last couple of days. And she, along with Secretary Johanns and myself, will be giving these other trade ministers a report on the progress of Doha. We will also be talking to them about their concerns and their issues.

As you know, market access as I said earlier is important to them. So is reduction in trade-distorting domestic supports. And we have found as we have explained what's going on in Doha and explained the U.S. position that we've gotten a very good response, not just from West African countries but also from developing countries around the world.

And so part of this trip is to talk about our agenda, talk about how we make progress in Hong Kong and beyond, and frankly to work as partners toward a mutual goal we all have which is to reduce barriers to trade to improve the lives of all our citizens.

REPORTER: Thank you.

AMB. PORTMAN: Thank you everybody.