

**Remarks of Richard T. Crowder
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As Delivered

Ambassador Crowder: Whether it's been WTO, FTAs or bilateral SPS matters or enforcement, agriculture issues have been a priority at USTR. And you can appreciate that will only accelerate in the coming weeks and months as we move on all three fronts in advancing this administration's trade agenda. Agriculture remains at the core of our trade policy, and the work in the coming months will help to shape the environment in which farm policy and farm prospects are made.

Opening markets is central to our objectives when we conduct negotiations within the WTO Doha Round and in numerous bilateral agreements that we have negotiated and are negotiating.

Equally important to this priority is the fact that US farmers and ranchers have been the most consistent and important driving force in the pursuit of free trade. The robust support from farm country has been important in determining the shape of US trade policy; and this administration will continue to stand up for the interests of farmers and ranchers in trade agreements. This mutual support is crucial to creating new opportunities for our farmers and ranchers and agriculture in total.

The importance of trade to agriculture is well known among this group. Roughly 25 percent of cash receipts that are generated each year come from exports. About one of every three acres is planted for export markets, where we sell over \$60 billion a year. The cattle industry alone saw over \$3.5 billion in exports before the BSE crises and that's something that we are working on constantly. Pork exports have more than tripled to \$2 billion over the past 10 years as we have implemented NAFTA and opened other markets. And we've witnessed similar success stories since the beginning of 1995 for poultry, which is up 65 percent, and soybeans up 46, cotton up 50 and corn up 20. And, obviously, without these sales, new export markets, US production and farm economy would be much lower.

On the other hand, if you look at our balance of trade, we also import a lot of products, particularly tropical products not grown here, wines, chocolates, cheeses and so forth, and counter-seasonal products. So it is clear, we need as agriculture here ever expanding export markets and our consumers want imports of the food that interests them.

As we look ahead, and I think is awfully important as we talk about trade, over 95 percent of the world's population lives outside the US – and for you economists in the audience – most are at income levels where food consumption is responsive to income growth. And, with this fact in mind, we're pursuing a trade policy to raise incomes of billions of people and improve our access to these markets. A recent World Bank report concluded that free trade could lift tens of millions of people out of poverty. And that means more food consumption. As incomes rise in the rest of

the world and our market further matures, trade will be ever more important for agriculture, particularly for value added products. Consumers around the globe will not only want more but they have the ability to pay for products from the US.

This means not only having to expand the market for agriculture but it also means opening new export markets for US food and agricultural products. We also need to continue to fight unjustified trade measures, particularly sanitary and phytosanitary barriers, imposed on US agricultural products. We all know, for example, that we don't move beef, we don't move pork and we don't move poultry to Europe right now, but the reason is not tariffs or lack of competitiveness, it's sanitary and phytosanitary areas. And we're working with our European colleagues to, hopefully, rid ourselves of these impediments to trade.

But first, let's spend a minute talking about the WTO because we are at a central point in talks there. I think that with its 149 members the WTO is where we should have the best opportunity for broad agricultural reform. Now we can open markets, as I talked about earlier with FTAs, but in terms of market reform, the WTO is where we ought to be talking.

The WTO sets the baseline for global rules on trade – tariffs, subsidies, sanitary and phytosanitary measures and other policies. It is also the place where these 149 members have committed to the objective of achieving a more market-oriented agricultural trading system.

And for us, it's a platform to address the big issues, and opportunities, our farmers and ranchers face in trade. These big issues are, as I see them:

- opening markets, particularly by cutting tariffs;
- expanding global demand for agricultural products;
- to eliminate export subsidies;
- to provide greater harmonization of trade-distorting domestic support spending; and finally
- assessing liability on WTO disputes.

We are at a critical time for the Doha negotiations. Preparations began in 1996, long before I ever thought I'd be here in this position talking to you, and after a false start in Seattle, were formally launched in 2001 with the objective of finishing at the end of 2004. We are now deep into 2006, and while some progress was made, including in December in Hong Kong, big questions are still unsolved. We now see the end of April – the revised deadline that was set at Hong Kong to agree to formulas to cut tariffs and trade-distorting support – it's right in front of us. Yet, we are still working to deliver the promise that we created in 2001 and that is a more market-oriented agricultural trading system. Clearly, we are concerned about the April 30 deadline – whether or not we will meet that. But that does not in any way signal a lack of commitment by the US either to an ambitious and successful Doha Round.

We have been focused on April because progress is needed soon if we are to conclude the round by the end of 2006, which is before the expiration of the President's trade promotion authority in 2007. Put succinctly, our objective is to maximize our new export opportunities by cutting tariffs and

reducing global agricultural subsidies while maintaining adequate flexibility for Congress to design a Farm Bill that addresses domestic needs.

Can we do it? Only if the political will is there and the political will has to be there globally. There was some good news out of Hong Kong. WTO Members agreed to end all forms of agricultural export subsidies by 2013, with a substantial part being realized by the end of the first half of implementation. Recall that the EU is permitted to spend over \$8 billion annually in export subsidies. They're currently spending around \$3 billion, while we spend about \$100 million.

The issue of export subsidies is particularly close to my heart because I would note that when I came to USDA in 1989 and began working on the Uruguay Round, there was not even an agreement to discipline export subsidies on agricultural products. Now we have set a date certain for their elimination – and this is our long-standing US objective to help our producers compete in export markets. And I think this demonstrates the value of the multi-lateral system. So, while more work remains, such as a commitments to eliminate the export monopoly of State Trading Enterprises and the phase-in period for export subsidy and export credit reforms, we have made important progress in one of our three pillars and have shown that WTO members can move when they choose to.

The question is, will members choose to move in the coming weeks on the other two pillars in agriculture: market access and domestic support? I hope so. I know that we have spared no efforts to make this process a success. We have made aggressive proposals that would fundamentally reshape support and protection across all WTO members. We have tirelessly pursued negotiations since Hong Kong. I just returned last week from Brazil and Geneva and at one stretch sleeping three nights in five on an airplane - and am going back to Geneva on Monday.

So, what will it take? We have offered large reductions in our trade distorting domestic support and, in turn, we are calling for the EU, Japan, and other developed countries to make substantial tariff cuts and substantial increases in tariff-rate quotas to deliver on the mandate “to substantially improve market access.” We are also looking for the major developing countries to deliver on meaningful market access improvements, even as we recognize they will be afforded more gentle treatment under WTO special and differential treatment provisions. We have put our own tariffs on the table in this process, but we've been disappointed in the response we've received so far from our trading partners.

Substantially bringing down the average 62 percent tariff currently allowed on agriculture products is a must if we are to have the political and economic basis to conclude this negotiation. We do have a framework for doing this – WTO members have agreed to cut higher tariffs more than lower tariffs, and ensure that even sensitive products will provide substantial improvements in market access. But the low level of cuts on the table now and the potential loopholes – and I digress here for a minute.

This market access pillar has more moving parts than the most complicated watch in the world. It has different levels of cuts; it has different tiers; it has sensitive products; it has special safeguard mechanisms; it has special products; it has other moving parts. And this is something that has added difficulty to the negotiating process.

Because when you look at sensitive products, special products, and special safeguard mechanisms you have to straighten all of these out by agreeing to first tariff cutting modalities and then product-specific commitments from each country.

What are others asking us to do? We've already, as I noted, made a strong offer on trade-distorting domestic support – a 60 percent cut in the amber box and a new, lower cap on the blue box. Other countries are looking for more. Specifically they are concerned about box shifting – that we will have high levels of support across amber, blue and green and continue to maintain a system that insulates American producers from market signals. So they are looking for deeper cuts and for specific commitments on how we spend money to make sure it does not distort markets, be that commodity-specific caps or further decoupling of payments. We will continue to be pushed hard on this issue. But I have consistently maintained that without something more meaningful on market access it will be difficult even to keep our current offer on the table.

And certainly we expect the European Union to deliver larger cuts than the US in this process – recall that under current WTO commitments the EU is allowed over 4 times the amount of amber box support as the US. Any result will have to substantially reduce this gap, even as it allows the EU, the US and other countries access to green box payments that will provide for decoupled income support, rural development, research, and infrastructure services.

These outcomes of a successful Doha will have positive effects on the farm income of our producers and on the policy environment. And that will mean the consequences of failure to reach an agreement is something that I think Dan Sumner will probably discuss in his remarks.

But what I'd like to do right now is to turn to bilaterals because this is an important leg of our trade policy. And the bilaterals are delivering increased market access for our exporters which is helping the farm income picture.

The potential to improve agriculture exist outside of the WTO in the form of free trade agreements. FTAs allow the United States to open markets where our exports are restricted by tariffs or other measures. They also level the playing field against other competitors who may already have concluded a trade agreement with our potential FTA partner.

Since the US is already relatively open to imports of most products, we stand to gain by reciprocity of an agreement where all tariffs are phased out. Along with providing the US a fast-track option to freer trade in some countries, the FTAs help to keep the pressure on our partners in the WTO by showing them that we are willing to deal with countries ready to fully open markets.

This option allows us to continually move ahead, opening new markets and building strategic alliances, while other less progressive countries are left behind. With fewer parties involved in these negotiations, FTAs can also allow US import sensitivities to be better addressed on a case-by-case basis.

We've enacted FTAs with 11 countries and working to commence implementation with an additional four. These 15 countries represent significant markets for US products totaling \$23.3 billion of exports in 2005.

What's more, we've concluded negotiations with Colombia, Peru, and Oman and have ongoing negotiations underway with another 11 countries, including recently launched FTAs with Korea and Malaysia, Panama, Ecuador, Thailand, and the UAE. The signing ceremony for Peru is going on as we are here together at this minute. So the president Toledo of Peru is here in town and this is happening as we speak.

We are also using the FTA negotiations to improve science-based decision-making. We are working in these negotiations to ensure SPS measures are based on science, developed in a transparent manner, and are otherwise consistent with WTO SPS obligations. Resolving SPS issues during FTA negotiations is of critical importance. Because without resolving SPS barriers, tariff reductions achieved through FTA negotiations can be meaningless.

We have just been insisting that we resolve the SPS issues before we go into any of these FTAs. For example, CAFTA-DR countries are committed to recognizing US meat inspection system as equivalent so that plant-by-plant inspections need not be made. Peru and Colombia have agreed to do the same, and we're also insisting that Panama recognize our inspection system as equivalent.

An important caveat to this approach is that the decisions need to be based on science. This is what we're asking for. Not all SPS measures are unjustified barriers: Countries, including the United States have the right – and the obligation – to have measures in place to protect human, animal, and plant health. Where we take exception is where those import restrictions are not justified and are not based on science.

So you can see, we are prepared to act boldly, provide leadership in achieving success in multilateral talks while at the same time moving energetically in looking for bilateral opportunities.

Let me make one final point about our FTAs – because there seems to be some questions about this. And that is our FTAs are to be comprehensive – that means no product exclusions.

Let me turn now to the last leg – enforcement. In either arena, multi-lateral or bi-lateral negotiation, active and effective enforcement of US rights under trade agreements is critical to enjoying the gains that were negotiated. We place a high priority on eliminating unfair and unjustified barriers to US food and agriculture exports. The US vigorously pursues its rights, including those through dispute settlement procedures, if needed, to end barriers to trade of our agriculture exports where these barriers violate the WTO or other trade agreements.

We've already succeeded in challenging a number of other countries' actions which violate our trade agreements through formal WTO dispute procedures.

Although we are prepared to use the WTO dispute procedures when there are clear violations, e.g., Turkey and Mexico rice, EU biotech, Mexico's HFCS tax, Japan apples, and Canada dairy, and so forth, we still prefer to resolve differences through less time consuming, more certain and face-saving bilateral negotiations. For example, we will continue to confront trade barriers not based on internationally accepted scientific standards. To illustrate this, five US priority agricultural exports,

beef, pork, poultry, and biotech corn and soybeans continue to face, as I noted earlier, severe constraints or are denied entry into the EU market. We will continue to raise this issue with our European counterparts.

Let me summarize, then I'll try to take some questions.

With the goal of improving the world market environment and opportunities for our farmers and ranchers, we realize we have two powerful tools at our disposal to create the opportunities, the WTO and FTAs. While both can spur economic growth and tear down barriers to trade, we recognize that the WTO process, while slower and more difficult, ultimately provides our farmers with the greatest opportunities. To ensure the enforcement of our trade agreements, we will continue to use all means necessary to fight unjustified trade measures imposed on US agricultural products.

This work is predicated on the commitment of the administration to the central importance of US farmers and ranchers, and in our judgment that American farmers and ranchers are the best in the world, and given the chance to compete in a free trade environment, he or she has the ability, resources, and ingenuity to prosper. The job we face in the next few months is not easy. As we go through the intense process immediately ahead of us, we invite your input and we invite your help in this important task.

Thank you again for including me. I look forward to your questions.

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