

On The Record Media Conference Call
by Ambassador Allen F. Johnson
on WTO Agricultural Negotiations in Geneva
Thursday, April 22, 2004

Marci Hilt, Moderator: Go ahead Ambassador Johnson.

Amb. Johnson: Hello everyone. First of all, thanks for calling in. I appreciate you taking the time. I thought I'd give you a quick update on where we see things and then go to your questions.

First of all, what we're generally finding is a positive atmosphere. We're meeting with a lot of people. The last time we were here a couple of weeks ago, we counted up that we'd met with some 70 countries and I think this time we're at least matching that. Generally speaking, I think people are trying to problem-solve in finding ways of moving this process forward and what I try to do every once in awhile is remind myself as to where we were three short months ago.

If you'd looked at the calendar for this coming year on January tenth before Ambassador Zoellick sent his letter, you certainly would not have guessed that we would be trying as hard as we are to make this a productive year in moving the WTO process forward. In addition, Ambassador Zoellick sending his letter – and as you all know he took a trip of some 32,000 miles, meeting with some 40 countries – and since then, both he and I and others have been reaching out to other countries trying to move the process forward.

I think it's safe to say that the last meeting that we had, we saw that there was a consensus building, which again, if you'd looked just a few weeks before that you wouldn't have thought was possible. And that consensus what that we're trying to achieve a framework, that the framework would not have numbers in it, that we would try to achieve the ambition that was outlined in the Doha Development Agenda for substantial reform in agriculture, but that at the same time the real filling in the numbers and the determining of the disciplines was going to be the next stage after the framework was finished sometime in the next couple months, we hope. We also were able to identify, at that time, sort of the list of the outstanding issues.

At this meeting, I think it's safe to say that we're narrowing that list. Of course, from the US point of view, we're going to be asked to do reform in all three of the pillars – export competition, domestic support, market access. It's important to us from a US agricultural point of view that we see others having substantial reform in those same three areas and creating opportunities for US agriculture.

I think currently you can see making good progress in particularly two of the three pillars. On domestic support, I think the framework that we have is a good starting point from Cancun. There's still some questions about how we deal with the overall cut in trade-distorting domestic support; how we deal with the 'blue box' policies – which we can talk about more if you have questions – how we make sure that the 'green box' is policies that are minimally or non-trade-distorting policies. And then in export competition, I think it's generally understood that if we

can't set an end date for export subsidies that this process is not going to be able to be successful. And part of that is that parallelism that occurs between eliminating export subsidies and, as we've put on the table, the subsidy component of export credits having (inaudible) as it relates to food aid and reforming export state trading enterprises, as well as disciplines on differential export taxes.

On market access, basically the trick is trying to get the ambition that we agreed to in Doha – substantial improvement in market access for both developed and developing countries – through some combination of reducing tariffs and expanding tariff rate quotas. The current formula on the table, or the current framework that's on the table – there's some concerns about how that can achieve those results and we're working with others trying to strengthen it. And, similarly, when it comes to developing countries, helping people to understand that there's a tool box of tools that developing countries can use to manage this reform process so that their societies aren't destabilized and we're not hurting subsistence-type farmers.

So, just in closing, I think it's safe to say that in the last three months we've made some significant progress, considering that at that point – the beginning of January – everyone thought that this was a lost year and that the WTO basically was stalled for quite some time. We've made some good progress, we've got another three months until the summer break in Geneva, and we want to take this opportunity to work as hard as we can to finish this process for a framework, while maintaining the ambition of the Doha Development Agenda we all agreed to in Doha.

And, again, from our point of view, it's essential that there's reform in all three pillars. No one ever said this was going to be easy. For those of you who cover agriculture, you know that the words 'agriculture,' 'negotiation,' and 'easy' or 'simple' are never in the same sentence. And certainly, this isn't going to be any different. Whether or not we can accomplish it, we'll just have to see, but I do sense that there's a sincere effort on the part of everyone to see if we can move this process forward and take advantage of the time we have.

So, with that, I'll shut up and listen to your questions.

Moderator: I'd like to make sure you identify yourself and your affiliation.

Mike McGinnis: Yes, Mike McGinnis with DTN and thanks again for letting us take time with you, Ambassador Johnson. My question is, you mentioned just a moment ago that we'll have to see if we can accomplish this. Can you be more specific on what this means?

Amb. Johnson: Well, again what we're trying to do is to get a framework and what a framework really means is, up to now and last time – you may or may have been on the call a few weeks ago when I did one these from Geneva ...

Mike McGinnis: No, no.

Amb. Johnson: But, just to quickly review – you know prior to Ambassador Zoellick's letter

and prior to Doha or prior to Cancun – really we found a lot of countries talking past each other, a lot of rhetoric. And what we're finding now is that, first of all, countries are focused and some of that focus I think is due to the fact that even though it wasn't agreed to there was a frame work on the table at Cancun. So, instead of people talking off their own proposals, either explicitly or implicitly, they have in the back of their mind the same frame work. So, we're not, you know, talking past each other.

Secondly, the fact that Cancun failed, I think, has people focused on we want to try to make this succeed and we saw what happens if we don't. And thirdly, the simple fact that Ambassador Zoellick took the initiative in encouraging people to come back and that we've been reaching out to other countries around the world in trying to bring this process forward, I think has given some momentum to the process.

(Inaudible) ... just to describe quickly what the frame work is. What the frame work basically does, is it says, (noise on line) this is the way we're going to approach domestic support, this is the way we're going to approach export competition, this is the way we're going to approach market access. Now that sounds simple enough, but the reality is, is that almost as many countries as there are in the room, there's different approaches to each one of these three pillars.

If we can all agree on the approach that we're going to take, then really the next stage in the process is just debating how do we fill in those numbers. Do we fill in, you know, is it a high number, for, in the example of a market access? The current formula deals what's called a blended formula. So, the blended formula has some products that are in the Uruguay Round approach, which is sort of a straight minimal cut – from our point of view – sort of approach and the rest are in a Swiss formula. The Swiss formula being the higher your tariff the faster and farther they come down. So, the debate will be what percentage of tariff lines end up in one of those categories and what is the cutting formula? What are the numbers in the formula to see how ambitious it is?

That's significant progress and something we couldn't quite accomplish in Cancun and we're trying to make another run at it here in the next few months.

Ian Swanson: Ambassador Johnson, this is Ian Swanson from Inside US Trade. Just a couple questions for you. Can you tell us if you've heard anything new in the small group meetings the US has been involved in, with India, Brazil, the EU and Australia? And then secondly, from your comments it doesn't sound like there's been a break through this week. What do you think is necessary to reach the break through that would allow you to reach the goal of frame works by the end of July? Does there need to be a, are people waiting for a political signal, any ministerial or something of that nature?

Amb. Johnson: No, in fact, I wouldn't agree with your assessment.

I think what we're seeing is – which is not insignificant – what we're seeing is, first of all an attitude – a positive attitude of people trying to work through issues, not talking past each other. That has resulted in us agreeing that what we're trying to accomplish is a frame work.

If you recall just a few short weeks ago, some people we're saying, no, we should go all the way to modalities. We've agreed that there shouldn't be numbers in it. Just a few short weeks ago there were countries insisting that there be a frame work with numbers. We've agreed that we're not going to try to lock in the level of ambition, but at the same time not preclude ambition, because we're consistent with the Doha development agenda, there's supposed to be an ambitious round.

So that's not insignificant – the fact that we've gotten that kind of focus and that's what we're trying to accomplish.

Secondly, as we work through sort of the list of issues, what we're finding is an evolution – sort of the long laundry list sort of issues – to what are some very critical issues, that we know we need to achieve in order to get done with this. So, for example, in export competition, we know that we've narrowed the focus so that we know that sort of the critical path here is that we have to establish that there'll be an end date for export subsidies.

We've established that there has to be parallelism for these commodities – that's not insignificant, that there's buy-in at that approach. And so, you know, now the issue is just how do we capture it, but at least we're all in agreement as to what we're trying to capture.

In the area of domestic support, I think it's clear that the (inaudible) is a good basis for working from. Again, a few short weeks ago, that wasn't generally accepted. Now there's some tweaks, some questions people have regarding the overall cut in the 'blue box' and making sure that the 'green box' stays to minimally or non- trade distorting policies.

So that's significant that we're focusing on those issues – and then, even in market access, which is the most difficult of them, I think there's general acceptance – I know there's general acceptance – as you talked to people, they recognize there has to be substantial improvement in market access, that we're going to have to get that through some combination of tariff cuts and TRQ expansions. In that, at the same time, we're not trying to hurt subsistence farmers around the world, we're trying to move the process forward.

So, I actually think that all of those are very substantive and substantial and in a few short weeks we've made some significant progress. Now, of course it is, as always in any negotiation, the more difficult issues are the ones you keep working on. And, we're committed to do that, and from what I can tell the others around the table are too.

And, just like we've made progress in the last three months, I hope we make similar progress in the next three months, because I think that gives us an opportunity to get this thing done. In terms of a political message, I think there, the messages are being heard that people are trying here and I think Ambassador Zoellick, myself, others are regularly meeting with a lot of countries and talking to a lot of countries, in trying to work through these individual issues in a problem solving fashion.

Rick Cowan: Ambassador Johnson, it's Rick Cowan, at Reuters. So, how were things left? Is

there something that will happen in May or that has to happen in May for things to be achieved within the next three months?

Amb. Johnson: Well, the next scheduled meeting of the agricultural negotiations is the beginning of June. I think there's two scheduled for June and one in July and then, of course, there's the general council meeting at the end of July. But, we aren't, and haven't, limited ourselves as Ambassador Zoellick's trips and my trips have shown. We haven't limited ourselves to dialogue only during those meetings. So, we'll be looking at having meetings with different countries around the world. The OECD meeting will be here just in a couple weeks. After that there'll be an APEC meeting just a couple weeks after that – that presents an opportunity at the ministerial level for there to be some dialogue. And then at my level, we'll continue to be reaching out to countries and trying to talk through these issues.

But, again, the important thing is, I think, we're identifying the issues. And so, no one's more than a phone call away in terms of testing ideas or probing what the issue is or what the problem is or trying to get a couple of people into a dialogue. So, the way I look at it at this point is it's sort of an on-going process. Even if you're not all sitting in the same room, you're still trying to move the process forward.

Sam Gilston: Ambassador Johnson this is Sam Gilston with Washington Tariff and Trade Letter. Excuse me for being a little skeptical, but having listened to this because, this frame work issue has been on the table for a year and a half, two years now and you know admittedly there's more progress since Cancun in the last three months, but you know this is a snails' pace progress it seems, stuff that people have know about and talked about for two years. Could you just give us a better sense of what the push back is? For instance, on the date certain to end export subsidies, that's a critical issue, has the European Union agreed that that's a critical issue and they're going to abide by that on market access, you know is the US really agreeing to open up the sensitive markets, you know, in domestic support are the Europeans willing to put caps on their various boxes that they have on their cap.

Amb. Johnson: Well, first of all, let me just sort of correct the record here. The idea of a frame work has not been on the table for a year and a half, two years, it's only been since August.

Sam Gilston: Wasn't that, I'm sorry, wasn't the question that they were supposed to have the frame work for Cancun after they we're talking about May ...

Amb. Johnson: Right, but Cancun was six months ago, or what ever it was it, it was in September. It wasn't a year and a half ago, it was, sometimes it seems a long time to me too, but ...

Sam Gilston: I thought out of Doha, that was the instructions out of the Doha Ministerial was to ...

Amb. Johnson: No ...

Sam Gilston: ... present a frame work that had to go forward?

Amb. Johnson: No, no it wasn't, just to clarify. What basically, what the Doha Development Agenda mandate says is just, it calls for substantial improve in market access, substantial reductions in trade distorting domestic support, and reductions with a view toward phasing out export subsidies.

What we worked on between Doha and Cancun is basically trying to, first of all, countries getting all their proposals on the table, which is this issue I just mentioned to you – it takes a lot of work to put proposals on the table.

You know agriculture's not an easy subject, remember that agriculture wasn't even included in the global negotiations until the Uruguay Round. And so it took awhile to get peoples' proposals on the table. We had the first one, and the most ambitious one, and the most comprehensive one in July of 2002. And then about a year later, we were asked after the Montreal Mini Ministerial, we and the EU were asked to put a frame work together, which we did in August of 2003, which is the document that sort of was the focus of discussion then and then lead into Cancun to what is now the Cancun frame work.

Now what happened after Cancun, which is not usual, is that, you know, it wasn't a successful meeting in many ways, so people sort of went into – what's the word I'm looking for – there was a lull afterwards and, frankly, right up until Ambassador Zoellick sent his letter in January, the assumption really was that 2004 was going to be a lost year, because of our elections, because the EU was changing commissioners. So, there really hadn't been much between Cancun in September and January this year.

Now in the last three months, and even in August and September there was a lot of talking past each other, even though there was a frame work on the table. You had, you know, there's the G-20, or Japan or Europe or the United States, where's there's a lot of talking past each other. It's really only been in the last month, I'd say month and a half, since Ambassador Zoellick took this trip and sent this letter that we really have had people focused and I think, for considering the short period of time, we're working on it, we've actually made some progress.

Now to answer your other questions. I think the EU understands that this is a critical issue, that if there isn't an end date for export subsidies, that this process is going to stall. I sense that they're trying to see what they can do to address this issue. I'm not going to speak for them in terms of what they're going to do or capable of doing. But at least I sense that there's a sincere effort trying to move this frame work forward and they recognize that this is going to have to be part of it.

On the issue of opening markets to sensitive commodities, we've always been open to doing that, or including cutting domestic support as well. Our only position has been in a very common sense sort of way, is that the only way I can sell reforming our domestic support and reforming opening our markets is if we're seeing others reforming their domestic support and that includes Europe, which they understand and they've committed to make some reductions, not as much as

we want yet, but they're making progress. And it's the other countries opening their markets, so when we tell our farmers that we're reforming our domestic supports they can see that there's new opportunities in exports.

So, again, I don't blame you for being skeptical because it's easy to do in this business, but, when I need a little shot in the arm, I just think of where we were a couple short months ago, and I realized that no one would have guessed that we would be, you know, now on our second meetings ...

[phone disconnect]

Moderator: Sounds like we've lost him. Hopefully, he'll call back in. Hello ...

[Amb. Johnson reconnects]

Amb. Johnson: Hello ...

Sam Gilston: We thought we'd scared you away.

[laughter]

Amb. Johnson: No, I just assumed you all cut me off. You'd heard enough.

[laughter]

Amb. Johnson: But at any rate, I think that the second half of your question is that, going back to our July 2002 proposal, we've been willing to make those cuts as long as we're seeing opportunities in return from others in reforming their own policies, and again I think that there's been some sense of understanding that, that's what needs to be done if we're going to be able to move this process forward.

I don't know how many people we lost after losing me in terms of people hanging up. But, any other questions?

Ian Elliott: Yep, I'm still here Ambassador Johnson. Ian Elliott, Feedstuffs. What's your understanding of when you'll start seeing language, when you'll start seeing drafting take place? And second, can you, in more detail, describe any progress made this week on market access, that, according to what I understand, remains the most difficult issue.

Amb. Johnson: Both of those are very good questions. Language – I'm not really sure, you know, we haven't really determined what the language process (inaudible) to some extent there is language in the sense that we have the Cancun text, so the issue really is what adjustments would be made to that, some peoples' adjustments are quite significant; others, you know, it's just a word here or there.

We've been talking, obviously, to other countries but also talking to the chairman of the agriculture negotiations, Chairman [Tim] Groser, who, obviously, it's important that this process be not just reaching out to individual countries, but also more broadly in his duties as chairman in terms of reaching out to – there's 148 members here, and even though we may meet with 70 of them there's still a number of them that you just can get to in a week. So, we're working with him in terms of trying to figure out the best way of moving the process forward and specific language.

But it's safe to say that when people are identifying their issues – and this where I'm saying that the Cancun text has been useful – the idea of the frame work has been useful because it's focused the discussion so some one says, 'you know, there's this sentence here' and 'I don't like these two words.' So, you're starting to get a sense of what the problem is and what the possible solutions might be.

On the issue of market access, as a good example of that, and market access really regarding the Cancun text from what we heard there was two basic issues raised. One was on the offensive side a number of countries are concerned about making sure that we don't get into a situation where, because something is put in the what the so called tier-one, which is the Uruguay Round approach, that there really isn't any market openings. So, there's interest in strengthening the language there that says that there will be substantial improvement in market access even for those products, if not through tariff reductions through TRQ expansion or creation.

The other area of concern, and we think that, that's the way to approach that. The other issue that was raised last time we were here, was from developing countries and that they were concerned that the way the tariff cutting formula occurred, it didn't destabilize their agriculture community. Keeping in mind that some of these countries have literally hundreds of millions of people in their rural areas. Or you know 60 - 70 percent of their people in the rural areas, and it's not just an issue of economics, it's also an issue of political and social stability.

So, one of the things we did when we came back last time is – again if you're assuming that you're not, not trying to nail everything down it's a frame work – is to making sure that there are purgatives, there are policy objectives are not precluded from the formula. In other words when we fight it out in the next stage there are opportunities to address their concerns still exist. And we think through the combination of understanding, of the recognition of the fact that there's going to be, you know, less ambitious numbers for developing countries, particularly least developed countries, that there's going to be some safe guard mechanisms for some products. There'll be a longer phasing period. We think that those issue help address those concerns as well. So, I think in general, you know, we're seeing some recognition of those issues, but as you said some of the challenges is going to be, how do you capture that at least a step in the right direction.

Moderator: I think we have time for two more questions. I'm assuming your flights are going to be on schedule.

Rick Cowan: Ambassador Johnson, it's Rick Cowan again from Reuters. I was hoping I could

ask you ...

Peter Shinn: It's Peter Shinn of NAFB. I was wondering if I could ask a question first before he asks a followup? What I'm wondering – and it's a simple two part question, Ambassador. And the first one is what's the actual time line now – do you have that established in terms of completing the Doha Round? Has that changed at all? And second part, this is a simple question, but is this round still of significant importance to US agriculture?

Amb. Johnson: OK, on the first question, what the time line is for this framework, is based on what most people recognize that if we don't get this done by the August break, it's probably not going to get done this year. Because we have our elections, the European Commission will be changing their commissioners in October and there's just, you know, there's more than the traffic (inaudible) in terms of trying to get it done yet this year. So, that's the time line for the frame work.

In terms of the significance to US agriculture, as I think I've said to this group before, it's very significant because the WTO again is the only place in the world where we have a negotiation that has all our trading partners at the table at one time; all those potential customers; and all the trade-distorting practices at the table at one time. We can't capture those same things through an FTA or through a regional agreement. Even though an FTA or a regional agreement creates significant market access opportunities, for the most part, we're not negotiating with countries that have subsidies. For example, Europe has subsidies – depending on how you count it, somewhere between three and five times ours – they have export subsidies that are somewhere between 75 and 100 times ours. And the average tariff in the world is about five times ours, with some countries having ten or eleven times ours. So, for US agriculture, trying to address those distortions is extremely important and we're convinced that if given a more level playing field that US agriculture can compete and even will see opportunities to billions of people around the world that we can help improve their livelihood through our food that we're exporting to them.

Moderator: One more question. And then, Ambassador Johnson, if you have a closing statement.

Rick Cowan: Ambassador Johnson, Rick Cowan from Reuters again. If I could ask about a more narrow trade issue, and that is US-Japan beef trade. About a month ago you said that you'd look at whatever options you have at the appropriate time, when asked about a possible trade complaint. If you don't make any progress this weekend in talks in Tokyo, would that be an appropriate time to consider a compliant complaint?

Amb. Johnson: Well, I think the main point that I was making then and I'm making now is that we need to see progress in terms of seeing that market open for US agriculture for cattlemen. We're hopeful that we're going to see some progress. Obviously, the meetings this weekend are going to be an important part of that. You know, I don't get in the habit of discussing legal strategies or time tables in public, but I think it's generally true that the Administration – across the board, you know whether it's USTR or USDA or the White House or State Department or the Commerce Department – have made it clear to the Japanese that we see this as an extremely

important issue and we think that we've taken the steps necessary to address their concerns and therefore we look forward to getting a process in place for opening that market to our beef guys.

Moderator: Ambassador Johnson, do you have a closing statement?

Amb. Johnson: No. Not really. Just thanks a lot guys, particularly for your patience after I hung up on you.

Reporter: Is there any way I could ask just one more question on WTO market access?

Moderator: Do you have time, Ambassador Johnson?

Amb. Johnson: What time do you have?

Moderator: I have about five minutes after the hour.

Amb. Johnson: It's going to be really quick.

Reporter: OK. I just heard that some countries have floated the idea of moving back to the Harbinson formula on market access. Have you heard any of that this week and what's the US position on that?

Amb. Johnson: Generally, again, the concerns that I just listed are the ones that we've heard. And what I would describe it as being is that there's a discussion as to how to address some of those concerns. The answers I just gave you a minute ago in terms of whether you're on the offensive side or the defensive side is, we think that the frame work from Doha, or from Cancun actually, allows us to address those concerns. Others may have other ideas and we're never opposed to listening to people's ideas. But, we also don't want to change just for change sake. We think that there's an opportunity here to focus on a frame work, get it done in the next few months and then go from there in terms of trying to meet the ambition that we all agreed to in Doha.

To answer your question more specifically, I haven't seen any specific proposals. I hear different ideas floated around. That's one of them that's been floated around. But certainly, I haven't seen anything on paper or otherwise.

Moderator: Thank you all very much.

Amb. Johnson: Thanks a lot guys.