

Transcript of tele-news conference with Agriculture Secretary Mike Johanns
and USTR Ambassador Susan Schwab regarding Doha Development Round talks
Potsdam, Germany
June 21, 2007

MODERATOR: Hi, everyone. This is Gretchen Hamel at USTR again. I have Ambassador Schwab and Secretary Johanns with us. Ambassador Schwab will start out by giving a few brief remarks, and then she will turn over to Secretary Johanns. We will then open it up for Q&A. Again, please keep your phones on mute, and when we open it for Q&A please state your name and organization, and we will do our best. I will turn it over to Ambassador Schwab.

AMB. SCHWAB: Gretchen, thank you very much. Thank you for joining us this afternoon. I guess it is afternoon in Washington. It's getting into evening here in Potsdam, Germany. We're here to talk about the outcome of the G4 meeting this past week. Secretary Johanns and I came to Potsdam with very high hopes and expectations for this meeting of the G4. Unfortunately in spite of some real progress, particularly at the senior official level, that we've made in the last months and weeks, and in fact the last several days including in all three agricultural pillars of the negotiation, there are still significant gaps in ambition.

And those are above all evidenced when it comes to market access. And trade deals need to generate new trade, and in this particular case the Doha Round is supposed to be generating economic growth, generating development, and helping to lift people out of poverty. The only way that will happen is if there are new trade flows.

Now as I said, we've made some progress in terms of agriculture. We're not there yet. We made some progress in terms of the domestic support. Secretary Johanns will be talking a little more about those issues. We stalled out when it came to trade and manufacturing goods, manufactured goods and trade in services.

And unless and until there is sufficient new market access in agriculture and manufacturing and services, the Doha Round will never meet its development promise.

Now, let me be clear about the following. The United States is not giving up on the Doha Round. We will continue to pursue the Doha Round, and in fact Mike Johanns and I were prepared to stay here in Germany through the duration of when these talks were scheduled. We were supposed to be here until Sunday. And we're prepared to do that. Unfortunately, some of our negotiating colleagues decided that it was time to leave.

Now the G4 may not ever be able to reach convergence, but again it doesn't mean the end of the round. In fact, we are looking into going to Geneva tomorrow to meet with other interested countries, to meet with the chairs of the Negotiating Committee and to meet with Director General Lamy of the WTO.

There are some folks who may want to portray this as a north/south breakdown, and I think nothing could be further from the truth. This is not a north/south round quite frankly. If you're serious about generating economic growth, you need to see market liberalization and disciplining of subsidies in the developed world, but you also need to see some measure of market opening in the developing world.

Now, there we're talking particularly about the advanced developing countries, certainly the least developed. They are not expected to do anything – and even the advanced developing countries are expected to do much less than the U.S. or the EU or for example Japan.

But when talks broke down, it was clear that while the U.S. and the EU were prepared to make significant concessions, significant contributions to this round, that there was a lack of flexibility, indeed a rigidity when it came to the advanced developing countries who were present.

The biggest losers if this round does not come together, and we're still intent on doing whatever it takes on the part of the United States to help it come together, but the biggest losers will be the developing countries, the least developing countries that have special packages in this round, waiting for the rest of the round to come together. And also for the dozens and dozens of developing countries who need to be able to export more, not just to developed country markets but to the fastest-growing markets in the world, of advanced developing countries such as Brazil, such as India, such as China.

I'm going to stop there and turn to Secretary Johanns.

SEC. MIKE JOHANNNS: Susan, thank you. Let me if I might just acknowledge the work that has been done by the teams that have been negotiating over the past weeks and months. A little historical context is important here. If you'll remember, last July there was a suspension of the negotiations. The WTO community, 150 countries around the world, responded very emphatically that they wanted us to go back to the negotiating table. They felt very strongly that India and Brazil and the United States and the European Union needed to work to try to resolve their differences.

A process started weeks ago, in fact now months ago, where senior officials from each country literally spent hours together, day after day, negotiating through some of the most difficult points. And I have to tell you, they were making substantial progress.

We met with them periodically. They would give us an update on their discussions. We would offer direction on given areas, and you could just see that each week items were being closed and moved forward in the negotiation process.

I would mention as recently as this morning we got a report from senior officials on the Food Aid pillar of export competition of the Food Aid piece of the export competition pillar, and they announced that they had reached agreement in that area, and we led a

round of applause for them. It was just one more sign of the great work they were doing and the progress we were making in this round.

If you look at the three pillars – domestic support – we had really zeroed in on overall numbers, and we were negotiating about what those numbers should be. We had substantial conversations and negotiations on product-specific caps. We knew that the amber box would be \$7.6 billion. We knew that the blue box would be beyond the ambition of the July framework, and it would be at 2.1 percent.

In the area of export competition, like I said in the Food Aid piece of that we were briefed this morning that we had in fact reached consensus on that part of the pillar.

We had substantial work done on market access, and I have to tell you in this area the European Union came to the table to negotiate, they showed flexibility, they really worked to try to achieve an agreement.

Now I will also emphasize, we weren't there yet. But little by little progress was being made, and it was very important progress. We had talked about substantial pieces of it and negotiated on tariff cuts and the spread between the tiers. We had negotiated on one of our toughest areas, which was sensitive products. We were literally down to a point where we were able to talk about tonnage of product that might move under TRQs. We had made some progress on special products, although I must admit that wasn't moving as quickly as some other areas. And we had had discussions and negotiations on special safeguards.

Now, after reporting all of that to you, you obviously must be wondering why is it that they're not still negotiating that all of a sudden we're reading reports that the talks here in Potsdam have collapsed? And I will just be very, very candid about it. The reason for that is, we had two countries, India and Brazil, who I don't believe really chose to negotiate. They were present in all of these sessions, but I will tell you that they picked numbers that were so out of the realm of possibility when it came to manufacturing market access, that it just literally was a situation where the United States would have had to negotiate with itself to try to find anything that might be within the realm of possibility of being acceptable to them.

They adopted that attitude from the beginning, and it cast a chill over the entire week of discussions. As the ambassador indicated, we are still committed to this. We hope that there will be an effort to move this forward. We do believe in trade, we believe in the multilateral process. We are believers in the WTO process.

But one thing is very, very clear. We won't negotiate against ourselves. We have to have a party there at the table sincerely devoted to trying to get an agreement and trying to resolve the differences. We felt the mood was good although there were still difficult issues left with the European Union. We did not find that with Brazil and India unfortunately, and so the talks have sadly and unfortunately broken down. And that's where we find ourselves today. Thank you.

MODERATORREPORTER: We will go ahead and open it up for Q&A.

REPORTER: Secretary Johanns, Jeff Nalley with the Cromwell Ag Radio Network. Wire reports suggest Brazilians wanted \$15 billion in farm support as a limit, and perhaps the U.S. was willing to go to \$17. Can you verify those numbers?

SEC. JOHANNNS: We won't verify numbers because, Jeff, it is our hope that these negotiations will continue in some form or fashion. And of course we don't want to lay out negotiating strategy that may be absolutely critical in the weeks and months ahead.

I will tell you this though. We came to Potsdam, we came here with the idea that we could negotiate and find a solution to the issues we were facing in all three pillars in agriculture. And as I detailed here, we were making progress. We were zeroing in on things, and although I will tell you very clearly we hadn't reached an agreement, we were very clearly within sight. It didn't happen. The talks, because of the rigidity of Brazil and India, broke down. But I thought we'd made more progress in the last couple of months than we'd made in the last couple of years.

REPORTER: Ambassador Schwab, this is Carter Dorrity with International Herald Tribune in the New York Times. Could you just outline for us a little bit what you would hope to accomplish by going to Geneva? It's a time-honored strategy in the WTO that you hide behind the larger players when they fail to resolve their differences. So it seems to me there's hardly a developing country anywhere in the world now that can't hide India or Brazil to avoid putting their own cards on the table. Or are you, Secretary your comments suggest betting on a dynamic in which the developing world essentially splits and puts pressure on Brazil and India?

AMB. SCHWAB: Let me begin, as one who's been involved in trade negotiations on and off for the last couple decades, I think one of the most important developments in terms of multilateral trade negotiations has been reaching the point where developing countries are represented in the room in, call it the inner circle of negotiations. I think that is a very important and very welcome development.

It also, however, places an additional burden and responsibility on those developing countries to represent not just themselves but also to represent a range of other developing countries. And that includes countries that aren't powerhouse exporters like Brazil in agriculture or India in services or China in manufactured goods. And so the question becomes, who shows up ready to negotiate?

It's one thing to wait for others to come up with the contours of an agreement and then say you like it or you don't like it. When you are in a leadership circle, you ultimately have to lead by example. And unfortunately that's not what we were seeing.

If you are – one would be hard-pressed to prove that they arrived ready to negotiate.

Negotiate is not just demanding of others. Negotiating is giving and getting. And there was giving on one side of the table and not the other, and I think that's really unfortunate.

Now in terms of the other developing countries, if you're familiar with the various affinity groups in Geneva, there's differences of opinion. The G20 for example does not have a position on NAMA, on manufactured goods, market access, and yet Brazil and India were in fact representing the position of a group called the NAMA 11, referred to as the NAMA 11, and these are developing countries, particularly advanced developing countries, that absolutely do not want – what is being asked of the developing countries including the advanced developing countries I might add, is not a great deal. It is significantly less than anything we'd expect of ourselves or other developed countries.

But going to Geneva, the fact of the matter is, there is no homogeneous developing country position, just like I might add there's no homogeneous developed country position. The key question here is, is there a market for a trade agreement that is going to generate new trade and economic development and lift people out of poverty? And if the answer to that question is yes, the only way to generate development, economic growth, is to create new trade flows. And that's by opening markets.

REPORTER: Secretary Johanns, this is Peter Shinn with the Brownfield Ag Radio Network. I was wondering if you could comment on the significance of the breakdown of these talks relative to the trade complaint that's been filed by Canada on our farm programs, and how important it is to reach a new Doha Round agreement in order to perhaps spur some reform in our Congress of our farm policies.

SEC. JOHANNNS: Peter, I would offer this. I feel very strongly that the multilateral process is the right approach for trade. We benefit from it. We sell about \$78 billion worth of our agricultural products into the international marketplace. It's very powerful. So we want to do everything we can to try to make these talks successful for that reason alone. Certainly we pay attention to WTO rules. It's something that every country in the WTO must do. We certainly do. But I think the real key here is, you look at our trade numbers and you begin to realize how important this is to U.S. agriculture.

And I'd emphasize again, I felt we were making great progress. I felt like the rug was pulled out from underneath us today. In many ways I feel like Brazil and India came in with an attitude that they would move the goal post, and it seemed like the flexibility, the desire to negotiate that was there on behalf of the United States, and we believe on behalf of the European Union, just wasn't there.

What it finally came down to is, we stretched, did everything we could to bring about an agreement, and they grabbed. And that isn't going to be the successful combination to bring this to a good result for everybody involved.

REPORTER: (unclear) Voice of America. My question is, in the last few days WTO Director Lamy was in China talking about China's role in the Doha Round. What's the

U.S.'s expectation for China, and what kind of role China should play or what kind of role China is playing in the Doha Round?

AMB. SCHWAB: I think China has a very important role to play, and China can either play a very important positive role or China can play a role that will contribute to the death of the Doha Round if China chooses to do that. China is likely to be one of the biggest beneficiaries of a successful Doha Round outcome. And yet China has been reluctant to be forward-leaning in terms of opening its market when it has such mass exports to other countries' markets.

One of the reasons quite frankly that many of the other developing countries give for not wanting to open their markets for manufactured goods is because of China's exports of manufactured goods. So China really needs to make its contribution commensurate with its capacity as export superpower.

REPORTER: Ambassador Schwab, this is Jamie from Inside U.S. Trade. The key thing that you and Secretary Johanns are repeating is the market access for the industrial goods. Is the problem that Brazil is blinking? Any increasing access for industrial goods to further reductions in U.S. overall support below \$17 billion?

AMB. SCHWAB: I think the situation is more complicated than that. You know, last year when the talks broke down last July a finger was pointed at the U.S. and the EU for having disagreements on agriculture where we felt the EU had to do more in agricultural market access, and the EU wanted the U.S. to do more on cutting our domestic support, our trade-distorting domestic support.

Where all of these are related to each other just as they're related to concessions or new market access in manufacturing, new market access in services and so on. And so it isn't as simple as one being tied to the other. But I would say this. If you come into a negotiating room with an unyielding, rigid, inflexible position on not only your own red line but on everybody else's, then almost by definition you're never going to get an agreement. So if you're not willing to show flexibility, you're not going to get an agreement.

So in this particular case, the U.S. and the EU are approaching each other. We've been working very hard as part of the G4 process with Brazil, with India, in the agricultural market access area and when it comes to domestic support. And the U.S. and the EU made a lot of progress in both of those areas. We're not done yet. No. And I wouldn't pretend otherwise. There's still gaps in ambition.

That said, to have Brazil come in and say, we need more from each of you, and we will give less, to have the goalposts move like that, to have as the Secretary said the rug pulled out from under any semblance of a real negotiation, was really troubling and really marked the end of the day.

REPORTER: A follow up to that – Chris Nelson, Nelson Report. Mike Samuels, the former ambassador to the GATT, this morning said, listening in a sense to what you’ve just said, maybe it’s time that the U.S. and the EU begin negotiating a U.S./EU free trade agreement, an FTA, to get everybody’s attention. He said FTA is about reciprocity, and the WTO used to be; it doesn’t sound like it is.

So if the U.S./EU could get going and if they could actually get an agreement, would that not get the developing countries, particularly India and Brazil, to take the Doha process more seriously?

AMB. SCHWAB: Well, let’s remember the purpose of the Doha Round. The purpose of the Doha Round is to generate economic growth and development, particularly in developing countries, and the alleviation of poverty. That has to be our principal, number one focus. How do you do that? You do that by opening markets, not just in the developed world, not just the U.S., not just the EU, but also in the fastest-growing markets in the world. And those happen to be the advanced developing countries.

And you’ll recall, if you think about Trade Promotion Authority and how Trade Promotion Authority is delegated, the circumstances under which it is delegated by the Congress to the Executive Branch, to the administration, it is with an understanding that it is used for the purpose for which it was allocated.

And we have been operating under authority and a delegation of authority where the clear objective has been to negotiate a Doha Round agreement that generates economic growth and alleviates poverty.

REPORTER: Michele Flaherty here, the BBC. With the collapse of the talks, does this then weaken the administration’s case for extending the Fast-Track Trade Promotion Authority?

AMB. SCHWAB: Actually, I would argue it would have exactly the opposite effect. We had hoped that by achieving a convergence in the near term among the G4 that that would jumpstart the Trade Promotion Authority process, the TPA process, and some members of Congress think that is in fact the best way to go. But quite honestly, by walking away from what by any measure is a bad deal, by walking away from a bad deal, we are once again able to show the Congress that we can be trusted, that the Administration/Executive Branch understands that it must deliver to the Congress the expectations that Congress had in terms of in this case alleviation of poverty, benefits for U.S. workers and ranchers, businesses, service providers; that we are in a position to deliver that and that we will walk away from a deal that does not deliver the fundamental objectives of the allocation of Trade Promotion Authority.

REPORTER: Ambassador Schwab, (unclear) at Bloomberg News. You know, they say it’s always darkest right before the dawn, but realistically is there any hope of getting a framework by the end of July and a final agreement by the end of the year given this

breakdown today?

AMB. SCHWAB: Is there any hope? Yes. Absolutely. We are absolutely determined not to give up on the Doha Round, and it may be that the G4 process is not going to get us there, and that certainly appears to be the case. But as Secretary Johanns said, next stop Geneva. We have meetings that we'll set up there where we will continue working with developed and developing countries alike, with the negotiating chairs, and we'll find another way to get this done. And yes, it can still be done this year.

SEC. JOHANNNS: This process that we have been going through in the last weeks, the senior officials working, the ministers getting together, has moved us faster and further than anything else that has been done to date in the Doha Round. I'm disappointed that the other two ministers literally walked away -- because progress was being made.

But having said that, the progress that we have made, we hope can be also helpful as we now move to a multilateral process, because much good work was done. And we don't want anybody to discount that good initiative that has occurred over the past weeks.

REPORTER: Stryder Payton, TV Tokyo. I was wondering if either of you have any plans to meet with your Japanese counterparts in the coming days while you're at Europe, and if you could speak a little about the role the Japanese have played in negotiations?

MODERATOR: I'm sorry, we can't address that call. We had the last already. Thank you all for joining us. Thank you.