

**AMBASSADOR SUSAN SCHWAB**  
**United States Trade Representative**

**Press Briefing**  
**July 30, 2008**

**Ambassador Schwab:** Good morning everyone.

Obviously today I'm here talking about an outcome that is clearly not the outcome that we had hoped for for the Doha Round or the outcome that we have worked for all of these years.

The United States has endeavored and in large measure succeeded in being a leader throughout the Doha Round and its launch and helping to save it and revive it the last couple of times that it fell apart. So it is particularly distressing for us that we find ourselves without an agreement today.

Now it is worth noting, and I'm assuming others have articulated to you that we really made tremendous progress over the last week, week and a half. Tremendous progress in bringing clarity to aspects of the Doha Round package in agriculture, in manufactured goods, in services, and we really made tremendous progress. We had on the table dramatic market opening potential on the part of developed countries; some modest market opening potential on the part of the emerging markets. Obviously OTDS. Export competition, the elimination of agricultural export subsidies, duty free/quota free. Trade facilitation. Potential for eliminating barriers to trade in environmental goods and services.

So we'd like to believe that there is progress here that we can harvest, that we can build on going forward. We've probably moved the ball further forward in the last ten days than we have in the last eight years.

So the United States has been and remains committed to playing a leadership role in achieving a successful movement forward and we hope conclusion.

On Friday we really thought we had the makings of a deal. Five out of seven countries in the G7 leadership group were prepared to accept a proposal put forward by Director General Lamy that involved concessions on all sides, compromises on all sides, and political will on all sides. And five of seven of us were prepared to do that.

That was a pivotal moment, and unfortunately for a variety of reasons that you all know, we weren't able to capitalize on that.

Then ultimately the negotiations deadlocked on the scope of a so-called safeguard mechanism to remedy surges in imported agricultural products.

Now there was in the Friday compromise such provision and it would have done the trick. The provision would have addressed the legitimate concerns and needs of those worried about their subsistence farmers and livelihood of farmers in the event of surges of agricultural products. It was negotiated as part of the package and was accepted including terms that made a number of countries uncomfortable. But it was there, it was the path forward, and it would have worked. And yet there were others who demanded more. And more included a tool to close markets. It would have been a very sad commentary on a development round if the conclusion had resulted in higher barriers to trade leaving the round than those we had coming in. And quite honestly, there were some advocating that the safeguard mechanism be designed in such a way that that would have been the outcome.

So issues like the trigger, those aren't just numerical debates. Those have to do with how easy should it be for a developing country to close its market to other developing countries? How easy should it be for a developing country, a recently acceded member of the WTO to roll back, take back tariff concessions it made in its WTO accession negotiations?

So what we endeavored to do and what the United States remains committed to is a safeguard mechanism that distinguishes between the legitimate need to address exceptional situations involving sudden import surges, damaging import surges, and a mechanism that could be abused and set back the trading system for decades to come.

The irony, of course, is that all of this debate about how easy or how hard it should be to raise barriers to food imports took place in the context of a global food crisis, when the last thing we should be talking about and negotiating about or even thinking about is raising barriers to trade and food.

Yes, there were other things on the table as yet resolved. Some important things. Cotton being one. Over-fishing, subsidies to over-fishing. Environmental goods and services. Aid for trade. Some very important things that had not been resolved, but I believe the will was there to address those.

Clearly we need a path forward. I think this is a time really for reflection rather than pontificating. In the mean time the United States stands by our offers, and we put significant offers on the table. Should others be prepared to push forward and respond to those offers in meaningful ways, we're there. We've made tough choices. We'll continue to make those choices. We've shown flexibility. We'll continue to show flexibility. But at the end of the day to have a Doha Round that is truly a development round, it needs to involve market liberalization, not market closing. It needs to involve the disciplining of trade distorting subsidies. And it needs to involve an approach to global trade that will generate the kind of economic growth, development and poverty alleviation that we all committed to when we launched the Doha Round in 2001.

I'll stop there and take your questions.

**Question:** Allen Beattie from the Financial Times.

Ambassador, Peter Mandelson yesterday described the recent U.S. farm bill as one of the most reactionary farm bills in U.S. history, though he did give President Bush credit for attempting to veto it. What role do you think that particular piece of legislation, and more generally your domestic constituency, your domestic agricultural constituency, played in preventing the U.S. coming to a compromise?

**Ambassador Schwab:** Actually I think that I probably was in a much more comfortable spot this week in terms of domestic politics than perhaps Peter was given President Sarkozy's statement and so on.

I felt very comfortable coming to Geneva with the strong backing, albeit in some quarters, for some quarters, skeptical, but the strong backing of Republicans and Democrats, of farm groups, including farm groups that knew that we were going to be negotiating on their subsidies because they generally perceived this as an opportunity to generate, to create a balanced package where if you had cuts in domestic subsidies, the elimination of agricultural export subsidies, all of which were on the table and quite frankly, had been agreed on Friday night. If you could juxtapose that against enhanced global economic growth through the elimination or reduction of trade barriers in developed countries and emerging markets, that that kind of balance could contribute sufficiently to growth opportunities that we could have sold the package.

So we had farm groups with us that joined us here in Geneva. We were in touch with members of Congress. We had congressional staff who were here. We were on the phone constantly. And as I said, I did a round of meetings with the leadership, House and Senate, Ag Committees, Ways and Means, Finance, before I came. And Republicans and Democrats alike said it's worth making the effort, and that includes those who authored the farm bill, authored the farm bill that President Bush vetoed because we felt it lacked sufficient reform.

But the Doha Round was an opportunity to strike a different kind of balance. It was one of the reasons we were committed to it and one of the reasons why I felt we really did enjoy the support of even those who were most likely to be negatively impacted because they had a sense of the promise.

So not to pretend it would have been easy, but I really, I must say I was very very grateful and very comfortable with the backing that I had from our domestic constituencies coming here.

**Question:** Ambassador, could you give us a little background on why you came to the conclusion that you couldn't move any further on this issue of the SSM? Our understanding was there was a figure of 40 which the U.S. couldn't move under, and a figure of I believe 15 which India couldn't go above. Why couldn't you just cut it down the middle? What were your calculations in terms of lost market opportunities if you had done that? And also you mentioned possibly harvesting what was already on the table. How would you do that? What are your thoughts on that?

**Ambassador Schwab:** Both good questions. Let me talk a little bit about the SSM. I mentioned it earlier, and our commitment to ensuring that such a safeguard mechanism

exists for developing countries to address legitimate needs when it comes to surges that are damaging to the livelihoods of subsistence farmers.

When you think about how that issue evolves and how it's addressed, there are sort of three factors. You've got your political factors, set that side because this really wasn't a political discussion. There are policy issues and practical issues.

The policy issue, first and foremost, is under what circumstances should a country be able to go above its pre-Doha bindings. So under what circumstances should the safeguard, keep in mind, it's easy to create a safeguard mechanism and we had one that was agreed in the package where you could, a country could raise its barriers right up to its pre-Doha level at certain trigger points, and that was agreed. That was in proper Falconers text. That assumed there would be some reduction in rates and therefore countries had room to raise it back up.

The question is, or was under what circumstances do you allow countries pretty much to violate one of the basic tenets of the GATT, now the WTO, which is bindings? What do we bring to the table? What is the basis of multilateral trade agreements or bilateral trade agreements, actually multilateral trade agreements? You negotiate bindings. Bound rates so that you give something up, another country gives something up, you all agree that your tariffs won't go any higher.

So the critical policy question was, under what circumstances, if at all, should countries be able to roll back their tariffs, meaning roll up their tariffs, back to the levels that they were prior to the Uruguay Round, meaning back to 1979 levels. '79 being the end of the Tokyo Round. So under what circumstances could countries use the surge mechanism to raise their trade barriers?

So then if you agree, which we did agree that there are circumstances where that could happen, they needed to be narrowly defined so as to really address legitimate surges rather than create this huge window for countries just to visciate or renege on three decades of trade agreements including the Doha Round and the Uruguay Round.

So there was a very very difficult negotiation on that part of the Lamy package. So that number 140, meaning a 40 percent surge over a moving average, a three year moving average, was the middle point. It was the compromise point that was reached. Actually the compromise point, the United States was at a number significantly higher than that. But we were willing to accept 140 as the compromise point, as the agreed point. Recognizing the risk associated even with that number. Because if you look, for example, I'll give you a couple of examples. If you look at Chinese imports of soybeans over the last ten years, at 140 China could have used this mechanism in eight out of ten years to raise their tariffs above bound rates. In the case of poultry, China could have used the mechanism six out of nine years to raise their tariffs above WTO rates. India could have used the mechanism in three out of six years to raise palm oil tariffs. So that was what the 140 generated.

You can imagine any number below that turning into a free-for-all where developing countries were raising barriers every year.

Now those of you who have been following trade policy for a while and who understand agricultural trade, this is de facto a trigger price mechanism, or a variable levy mechanism. If you think about the textile and apparel safeguard that we finally got rid of in the last round, it was very similar to that as well so there would have been no recourse for Malaysia if India decided to raise its palm oil tariffs, citing a so-called surge. So that trigger really was a question of how easy do you make it for countries to raise their barriers above current rates?

If you think about the purpose of the Doha Round, which is to generate economic growth, and the way you generate economic growth is through new trade flows, through cutting applied rates, the fact that this negotiation turned into a debate over how high and how fast and how easy should it be to bust through Doha Round and Uruguay Round bindings? How easy should it be to raise tariffs? You can see that this issue has to do not just with policy but practical considerations of trade disruption.

But as I said, we had a mechanism that would have taken care of any legitimate need, and carried some risks, but any legitimate need to address surges injurious or hurtful to the livelihoods of subsistence farmers, and I am so very sad that there were countries that felt so strongly about making it easier to raise barriers that they were willing to give up the safeguard mechanism in its entirety because it doesn't currently exist.

Anyway, sorry, that was a long-winded answer, but you're a wonk and you write for a wonky paper and I knew you'd forgive me.

**Question:** Denebi Quik, News Agency.

Ambassador Schwab, what about the cotton issue? The African group just said that you made an offer to go into bilateral negotiations on cotton. Could you elaborate a little bit on your offer?

**Ambassador Schwab:** The C4 and my esteemed colleague Marmadu, was so patient this week as my ag team and I were tied up in negotiations in the G7.

The United States has already made some changes to our cotton program and we have instituted systems of financial support and capacity building to help West African cotton farmers enhance their productivity. I told him and remain committed to working with him and others in the C4 to continue addressing their concerns on cotton. I'll just leave it at that.

**Question:** Thank you, Sean. My name is Higuchi, GG Press.

So Ambassador, you have emphasized the U.S. commitment on the Doha Round. So my question is, will the U.S. presidential election have an influence on its commitment or not?

**Ambassador Schwab:** I think, as I answered Allen, I was very comfortable with the backing, with the support that I had coming to Geneva both from Democrats and Republicans when it came to this negotiation and the Doha Round. I think the United States has a commitment to the multilateral trading system and I don't see that changing.

I think I'll stop there. This is not a good time for me to be, this is not a good place for me to be talking about American trade politics. But in specific answer to your question, I felt comfortable coming here and clearly felt I had the support of the Democratic leadership, the Ways and Means Committee, the Senate Finance Committee, the House and Senate Agriculture Committees, Democrats and Republicans. And that was very important for me to know and enabled me to put a lot on the table.

**Question:** Ambassador, Jamil Shadish, Sao Paolo Brazil.

Yesterday Minister Amorim said he would be willing to talk again with the United States about a possible agreement between Mercosur and the U.S. but not on the terms of FTAA. Of course this decision by Mercasur doesn't speak for himself, I guess.

What is your opinion about possible rearrangement of a dialogue between the U.S. and Mercasur? Now that Brazil is a middle grounder, perhaps.

**Ambassador Schwab:** I am always available to talk to Brazil or indeed any country or group of countries that wants to talk about trade liberalization. I have the utmost respect for Minister Amorim and he was one of the individuals, and Brazil was one of the countries that really exhibited leadership this week. Brazil was one of the countries like the United States that was able to endorse and willing to endorse the Friday Lamy package even though it caused some pain and discomfort.

Having said that, I don't want to imply that somehow we are or should be abandoning the multilateral trading system and I think that's a very very important point to make.

The WTO is a viable institution. It is an important institution. If it didn't exist, we would have to invent it. And multilateral trade negotiations are viable going forward. And there are parts of the Doha Round package and parts of the Doha Round agreement that we should be able to harvest going forward.

So in answering your question, the answer is always interested in having those kinds of conversations. And a negotiation, whether you call it a free trade agreement or not, it is an agreement between consenting parties. It is an agreement not a gift that one country gives to another and no country signs up to a free trade agreement if they don't believe it is in their own national self interest, and I would expect no less of Brazil or Mercasur. But we're happy to engage in the conversation.

**Question:** Hi, Ambassador. Jamie Strawbridge.

I just wanted to go back to one of the earlier questions raised on what you would recommend going forward in terms of capturing the progress this week, and if you have any other ideas for Mr. Lamy on what should be the process going forward.

Secondly, if this SSM difference in numbers had been reached, how confident are you that we would have had a deal this week? It seems like there were still a bunch of other questions on the table. Thank you.

**Ambassador Schwab:** In answer to your second question, I don't honestly know. I mean there were a number of other issues, a number of other difficult issues on the table. But if you think about how the Doha Round has progressed, we have in essence gone from one hurdle to the next. But you have to get over certain hurdles to get to others. What was so significant and so heartening and so exciting about the Friday night package, was the single biggest hurdles that we faced, OTDS, NAMA cuts, the ag sensitivities, sensitive products, special products, they were all in there. Export competition was done. Export competition, I'm going to go back to export competition when I talk about going forward. But the way the Doha Round has worked is we've gotten stuck on certain key issues and Lamy's package on Friday night, this package that we had negotiated, which included a strong safeguard mechanism, that was the biggest hurdle we had ever gone over in the Doha Round. So unless we were able to go over that hurdle you weren't going to be able to move forward. So I don't think anyone can tell you whether the talks would have broken down after that, but the fact that we weren't able to hold together that package that was negotiated within an inch of its life, was the reason that things ultimately fell apart.

You may recall after, I don't remember what time it was, I don't remember what day it was. Other than Friday, I keep saying Friday, but I think it was actually the wee hours of Saturday morning, I commented that this was a package such that if you pulled one threat, you threatened the unraveling of the whole thing. There were other issues in that package that caused discomfort.

In any event, in terms of moving forward I'm going to be visiting with Pascal Lamy a little later on this morning. It's one of the issues I want to talk about. There are some discreet parts of the package that have been negotiated or have almost been negotiated or where there's a consensus that I think you could move them forward. Perhaps duty free/quota free, export competition, trade facilitation has been moving, environmental goods and services has its own track. Some of those pieces of it one could start moving ahead and see whether the rest can catch up, or you sit back and reflect how will the multilateral trading system operate going forward? It may be that as Pascal has said, the complexity of the cathedral that was built for the Doha Round was its own worst enemy, was its own source of demise.

So if one can perhaps step back and simplify or parse out pieces of it, what can we get done? Take a practical approach. What can we move forward?

**Question:** Ambassador Schwab, Sheila Matrani from the Economic Times.

I'm puzzled by this policy thing, the question was put that referring to roll back tariffs and the Uruguay Round, I thought the Doha Round was to take up the unfinished agenda of agriculture and start fresh again. So wouldn't you be able to legally change the parameters? And with the, well you can say the industrialized and developed countries already had its own sense of safeguard measures, own sense of the products. Would that not have been a little concession to maybe, as my colleague asked, find a midway solution between the two? Two of the set of figures.

**Ambassador Schwab:** The package that was on the table on Friday night was the compromise package, had the safeguard in it, and included the compromise, the negotiated number that six out of seven of the countries agreed to. That was the negotiated number.

The fact that one or more held out for a different number, a number that differed from the one that had been agreed by all the other parties in the room, developed and developing, was the reason this came apart. Everyone else had reached agreement.

**Question:** I want to come back to the [inaudible] issue. Just before you came here the African countries said they had been waiting for ten days and [inaudible] meeting. In the G7 meeting the U.S. was [inaudible] on several issues. Why the issue of cotton wasn't put down there?

**Ambassador Schwab:** Pascal Lamy laid out for the green room and then ultimately the G7 the specific issues that he wanted us to address to achieve the breakthrough that would then allow us to get to the remaining issues associated with modalities.

So the issues that were addressed by the G7 were the ones that Lamy laid out for us, recognizing that we knew there were other issues that would also have to be concluded, including cotton.

**Question:** Hi, I just wanted to clarify a comment you just made and then sort of, well, the comment was you said the complexity of the cathedral that was built for the Doha Round was its own worst enemy, was the source of its demise. Are you saying that the Doha Round sort of as we know it is dead? And now the best we can hope for is to try to somehow move the various pieces forward? I don't understand how that works.

Then just yesterday Amorim said at best it could take three or four years to finish this round. Mandelson said he didn't see it coming to conclusion any time in the foreseeable future. So is the situation as bleak as they describe it?

**Ambassador Schwab:** The description of the complexity as the cathedral is one that Pascal has used and I felt that it's a good image. You think about, I suspect there has never in history been a negotiation, an international negotiation as complex as this one. You think about it, 153 countries. Everyone's tariff schedule, thousands of tariff line items, domestic policies including subsidies, agriculture, manufacturing, services, you just sort of think about the scope and scale of this negotiation. It is a testament to, quite frankly it's a testament to the leadership of the key players and the leadership here at the WTO that we have taken it as far as we have.

It is not for me to say whether this is the demise or not. Rather, the question is what can we do going forward? I think that one, there are building blocks here we can use. So that's one option. You sort of take the pieces and you start moving forward with them. You ask yourself in terms of timing, does it all have to come together at the same time? That's sort of the basic premise. The basic premise of the round is, or has been, it all has to come together at exactly the same time. Why should it have to come together at exactly the same time?

So there are ways of moving pieces of it, timing, sorry, sequencing issues. Then trying to pull together some of the packages where there are acceptable internal tradeoffs.

We thought we had that, as I said, Friday night. We had a package that would have propelled this forward I think to conclusion. But you move one piece of that compromise package, you pull one thread on that compromise package, and you saw what happened. All of a sudden different countries had different issues that they brought to the table.

So the answer to your question is, we need to reflect on how we move forward, but there are ways of moving forward certainly with pieces of this. Both near term and longer term.

If we are going to say nothing is done until everything is done, then it's going to take longer. If you are going to say here are some discreet pieces where you can do internal tradeoffs and let's get those done and move those forward because they will benefit the international trading system and contribute to development, then that's a different matter. You can start moving right away.

**Voice:** We are short on time, but it wouldn't be a week without Ravi asking a question. If you can make it quick we'll get our fix of Ravi.

**Question:** Ambassador, I can't ask a simple question because I'm just coming in [inaudible] where I heard the BBC News saying that United States blocked the special safeguard mechanism. I don't know why it has said. But my question again comes back to the special safeguard mechanism.

Question foremost, we are repeatedly told that there was never ever any agreement on the Friday package. And despite that, Pascal Lamy had offered a solution to break the log jam on the special safeguard mechanism followed by intense talks in which I can't quote this EU negotiator who offered a tiered structure and which gave some room for both sides to move, and we are told by this particular, I don't want to quote, that you refused to move while the others should, including India and China, prepared to move beyond the 115, but you are refusing to get to any negotiation.

The question here is that almost 100 developing countries here feel that you owe it to developing agenda into a market access. Is that correct? I mean --

**Ambassador Schwab:** The answer is no. The answer is what you are repeating there is inaccurate, incorrect, and I suspect you know that. The fact of the matter is there was a package, you've seen what the package was. It was a compromise package. It was negotiated within an inch of its life. It had a significant safeguard within it. In addition to modest market opening on the part of the emerging markets, very significant market opening on the part of developed countries, disciplines on subsidies and so on and so forth.

So it was a package, it included the safeguard mechanism. And every country in the room except one accepted it, okay?

In terms of what happened subsequently? All of us showed flexibility except one. And one didn't show their hand. And as recently as yesterday afternoon when I went around the room and said could you still sign onto the Friday package and move ahead with that? Five out of seven, and I suspect ultimately six out of seven, would have said yes. But five out of seven said yes.

So we had our compromise package.

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