

**Press Teleconference Conference Call
by Ambassador Allen F. Johnson
Chief U.S. Agriculture Negotiator
on the WTO Agricultural Negotiations in Geneva
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Ambassador Johnson: We're continuing our work here on a potentially historic agreement to the WTO on agriculture in terms of moving the process forward. From what I can tell there is a good atmosphere, people are working in a business like way in an effort to try and reach a consensus. The process, as you all may recall, was started with a letter that Ambassador Zoellick sent back in January saying to everyone that they needed to get back to work and we needed to make the most of 2004. And, then followed by his trip in February of some 32,000 miles meeting some 40 leaders from some 40 countries. Since then we have had meetings in London and Paris and several in Geneva in trying to move this process forward.

Since I think I last called you guys from over here there have been a few developments that are worth reminding people of. One is that the EU, in their letter, agreed that export subsidies would be eliminated.

This is again historic. It's been a goal from us and many others in world for decades. In addition last week we saw a proposal from the G-20 that included in it the idea of harmonizing tariffs and market access; that is bringing higher tariffs down farther and having bigger cuts, and quicker. This would be added to the commitments that we have all already talked about in substantial reductions and trade distorting domestic support.

Fortunately, all the things I have described are consistent with what the direction was that we set out in Doha in 2001. The real issue now is if we can, given the time that we have, pass through a window of opportunity that we currently have in front of us over the next two months. Or will that window be shut and not have a chance to be open again for months, if not years, from now.

The key issue is related to market access. I think if we can find an approach, a formula for an ambitious result, as I said, moving toward harmonization and market access, we have the opportunity to capture the outstanding results I mentioned in all three pillars through the end of this negotiation. For the US, again, we have always been committed to an ambitious result in all three pillars. That is where we were in Doha when we helped to lead the launch this round. That's where we were in July of 2002 when we put forward our comprehensive and ambitious proposal. That's where we were August of last year when we put forward the framework that is largely a key part of the Cancun text. And that's where we were when Ambassador Zoellick sent his letter in January and up to now.

For others, we have to remind ourselves that this is a consensus organization and that means that each member has the power. It's going to be a real test of the maturity of this organization if each of these countries also recognizes that with power comes responsibility and that we all must contribute if we are going to find success now, or for that matter ever, in achieving a successful Doha Round.

So with that I'll just shut up and answer your questions or listen to your questions and then I won't shut up when I answer your questions. We'll go from there.

Jim Burger: This is Jim Burger from Washington Trade Daily, Ambassador. Does the United States support the special products provision and also the special safeguard provisions that are contained in the G-20 and other plans?

Amb. Johnson: Well, what we have said, and this is before the G-20 paper had come out, in fact I made have even said it on these calls before, is that we recognize that there are some developing countries that have some very special needs.

Our objective is to be sensitive to the poorer countries and we recognize that special products for special safeguard mechanisms can be part of that. But again, we need to be clear that we expect substantial improvement of market access from developed countries as well as developing countries in order to create the synergies through trade that will create investment and economic growth that we are trying to seek in this round. I'll repeat what some of you heard me say last week in a speech, which is that the objective here isn't trying to come up with special and differential treatment. The objective here is to make this the Doha Development round agenda and development we believe occurs through this kind of economic growth that is created through trade. So, the short answer to your question is we recognize there is a place for special products, a special safeguard mechanism for poorer countries. We are trying to be sensitive to that while not missing what we are trying to accomplish here which is development.

Matt Kaye: Ambassador Johnson, Matt Kay, Berns Bureau. Two questions for you, one is market access still the major difficulty, the major sticking point in these negotiations? We heard that the other two pillars are coming together. Secondly, can you tell me if the Europeans are backtracking at all on their commitment to eliminate export subsidies by dates certain? We understand they are coming under some increasing internal pressure on that count.

Amb. Johnson: On the first question, I do think market access is key to this process, because as I have said to you before in a very practical way, for example, in the United States we need in order to move forward with reform in trade distorting domestic support and to open our markets. We need to know that we are addressing the trade distorting policies of other countries, be they subsidies or market access barriers.

Our hope is that, we need to meet that expectation. In addition market access, the G-20 came forward with some ideas last week that I think had some constructive ideas and there are some issues that rose concern ad that need clarification. But there is less specificity in terms of what they proposed; now we obviously have the Cancun text so the challenge is going to be that it has some specificity in it, but also raise concerns among the G-20 and others. So the questions is how do we either change the Cancun text or come up with another formula in order to come up with the level of specificity market access that makes all parties feel comfortable, that we're going to have development through trade.

On the export subsidy question, I have not heard the Europeans backtracking on it. I don't want to belittle that there are some challenges in export competition and in domestic support. And in export competition; one of the issues that they have raised deals with the issue of parallelism and what exactly that means in terms of what happens with the other export programs. That's one of the things that we will have to work through in the coming weeks. But I have not heard them backtracking on eliminating export subsidies.

Dan Goldstein: Ambassador Johnson, it's Dan Goldstein at Bloomberg. I had a question for you on US - Japanese relations. JB Penn, undersecretary of agriculture, said he expected that the Japanese would open their beef market by the end of the summer maybe as early as August as late as September. What is your estimate on that? And also you said earlier that the US might consider a WTO complaint if the Japanese don't open their markets. And finally, what would happen do you think to US markets if we found another case of mad cow have you been hearing anything from our trading partners that they might shut there markets again?

Amb. Johnson: Well, you have asked a number of questions, some of which aren't really my area. So I would go with what JB told in terms of his sense on the timing. We've obviously been talking to the Japanese from our side as well saying how important this issue is and emphasizing that our regulators needed to work together as quickly as possible to resolve these issues. And then obviously we have concerns as long as the trade isn't flowing. At least our sense is at this point, which is probably what JB told you, that the Japanese are engaging seriously in this process but we are obviously going to keep watching it.

In terms of the... what were the other two questions?

Dan Goldstein: If they don't open their trade...?

Amb. Johnson: Oh, one of those who crosses bridges when we come to them. I think our main objective is to get the market open as quickly as possible. We think we have addressed or are addressing any of Japan's concerns and we are hoping and expecting to have confidence that they'll follow a scientific basis to reopen the market which we think is justified. And then your last question?

Dan Goldstein: Just about if you have heard anything if our trading partners Canada and Mexico will keep there markets open.

Amb. Johnson: Oh, the issue has not come up with me.

Rick Cowan: Ambassador Johnson it's Rick Cowan at Reuters. Could you characterize how difficult the talks were this week on the US position on food aid and the export credit program and how much of a hang up that is going to be going forward?

Amb. Johnson: Well, I think export competition is for everyone's benefit. It basically exists of five different issues. One is export subsidies, which clearly needs to be eliminated and Europe has now agreed to do that, as I mentioned earlier that is historic. The second, another one is export credit -- we have agreed that we will eliminate the subsidy on our export credits. The way

that we have approached doing that has been through a rules-based system. In other words we all know that all of export credits are not subsidies. In the Doha mandate we say that we are going to get rid of export subsidies. So what we try to do through the discipline is define what the subsidy is and then work to eliminate that in a parallel fashion as Europe eliminates its export subsidies.

The third one deals with export state trading enterprises and our main objective in Europe is we are concerned about the monopoly control that exists. Obviously if you're moving toward a liberated trading system, government mandated monopolies aren't consistent with that. Then the fourth one deal with differential export taxes...

[telephone audio problems, break in connection, redial and reconnection]

The atmosphere is generally good I think that people recognize that we are all sincerely trying to work through these issues. But they also know that they are not easy issues they are ones that you probably wouldn't expect this far in advance of the end of July that we would have a final solution on. But I think most people are hopeful that the level of specificity is there. If there is one pillar that is specific, it is this one, which is elimination. So people should have a comfort level that we are getting to elimination; the issue is how do we get there.

Sam Gilston: Ambassador Johnson this is Sam Gilston with Washington Tariff and Trade letter. On the G-20 proposal, is the lack of specificity the main or only problem with the presentation and if there are others what are the other problems with it? And in regard to specificity, where is the specificity lacking that you want to see more details on?

Amb. Johnson: Well, you sort of start by looking back at two things. One is that the Cancun text as it relates to market access and two is the level of specificity we're talking about in the other two pillars. As I just said in export competition we're talking about elimination, so that's pretty doggone specific, so we're getting to zero. When it comes to domestic support we clearly defined what we are trying to accomplish in the boxes, amber, blue, green box in terms of how we are going to approach them.

We have brackets that need to be filled in terms of the numbers but clearly we are talking about higher subsidies and more trade distorting support being eliminated quicker. In market access, I think the G20 proposal shows that they have been working hard and I know they have been talking to not just G20 members but other people in trying to put together there ideas and I think it is a useful exercise on the way to trying to develop a specific formula. This brings me to the Cancun text, as it relates to market access. There is a very specific formula there. Some countries have some trouble with it. But all that was really required was to fill in the numbers where we need to work with the G20, with others in either adjusting the Cancun tax or approaching some approach so we can see that really after this we are down to filling in the numbers and negotiating some criteria. For example we talked about special products and special safeguard mechanism earlier but the objective here is not the game we won't expect all answers to all questions but we definitely want to sort of create the template that know where the numbers are, we have to fill in and we know what the criteria is that we have to negotiate. It's just not at that level of specificity yet.

The main point about the G20 proposal I think that is useful is that the United States has been talking about trying to move toward harmonization and market access for a long time. In fact we are the originators of that discussion and if you look at the G20 proposal it talks about lowering, taking, having larger cuts in higher tariffs. That is what we have been saying. I think that is a good sign that talks about tariff caps, talks about expanding substantial access through, if needed, through tariff rate quotas and the main issues really are ones that need to be further clarified in terms of both how you deal with sensitive products in developed and developing countries. How you deal with some of these issues as it relates to special and differential treatment because we don't want the special and differential treatment toolbox to become a way of not opening markets. The objective here is to open markets not to use the tools in combination so there isn't any market access.

Ian Swanson: Mr. Johnson this is Ian Swanson from Inside US Trade. On that subject I've heard some people suggest that the G20 paper isn't ambitious enough. Did the US make that point this week in Geneva? Are you concerned that there is too much S and D in this paper and that it won't lead to the increase in market access for the US developing country markets?

Amb. Johnson: We certainly raise a concern or at least made the observation that it is important that in order for this negotiation to succeed we are going to need to see everyone contributing to market access and meeting the Doha mandate. And the responses that we've gotten whether it is Brazil or India or others have been constructive in recognizing that. I think whether it's developed or developing countries, and I think we talked about this last time I talked to you all, you know is market access; our objective has always been trying lowering the tariffs as much as possible can and getting trade flowing that way. In other words so it is the market place working and not through quotas. But we recognize and have recognized for some time now that there is going to be some products that are very sensitive to countries whether they are developed or developing countries that they're not going to be able to sustain dropping the tariffs to the point of irrelevance and in those cases we are going to have to talk about how we get substantial improvement in market access through a combination of tariff cuts and quota increases. My general sense is from talking to people is most people accept that whether they are the G20 or Europe or others. Now the question is how do you capture that so that people have confidence. On one side if you have a sensitive product it will be taken into consideration, on the other side just because it is a sensitive product doesn't mean that we are not going to have a substantial improvement in market access consistent with Doha. That is not an easy challenge but I think my sense is that during this week is that people recognize that this is going to be a challenge that we are going to have to try to face.

Ian Swanson: Just to follow up on that, In the G20 paper it only calls for TR2 commitments from developed countries and not developing countries. Isn't that a worry in terms of getting market access as a result of the round?

Amb. Johnson: What it talked about, we did talk about this some, if you look at the paper, there is a category, there is an issue higher tariffs cut quicker, I don't have the paper in front of me, you might. Then there is the issue of sensitive products which is related to developed and developing countries that could be dealt with if you look at that could be dealt with through quota expansion or creation. And then in a separate section of the paper, it talks about expanding

existing TRQs on an MFN basis. Again our interest is in expanding market access we have raised that concern but I also think it is worth recognizing that it is mostly developed countries that do have tariff rate quotas. So we have an interest there in expanding access too just like they do because there is a number of countries, developed countries, that we want access too. But we don't look at it as exclusively a developed country exercise and I think they understood that point whether or not they agreed with it or not is what we'll have to work through in the coming weeks.

Jim Burger: This is Jim Berger again, yesterday in a teleconference Tim Grosser suggested that the least developed countries and he mentioned Bangladesh would not have to make any commitments in this agriculture round. Does the US agree on that?

Amb. Johnson: Well what we understand I guess is the best way to put it, if you look at the least developed countries, these are countries; I don't know what the threshold is but they literally they are living on a dollar a day or something like that. We understand that those countries are in a different situation than higher income developing countries as well as developed countries. So the short answer is yes we are sensitive to the least developed countries, we recognize that the requirements for them will be much reduced or minimal. But having said that we also think that for many of those least developed countries they should be taking on a reform process because it is through that reform process that we get back to the basic point of what we are talking about in development which is that by expanding trade, increasing investment, through expanding trade and that results in economic growth that we are trying to accomplish, i.e. development in the Doha Development Agenda. That we do think that we need to work with them in encouraging them in the reform process.

Jerry Hagstrom: Ambassador Johnson this is Jerry Hagstrom from Congress Daily. Mr. Grosser yesterday made exactly the same point that it may not be good for them not to do anything. But he said they won't have to, he told the delegate to the international federation of agricultural producers, her reassured her that they would not have to do anything.

Amb. Johnson: Well I think he is capturing what is a large sentiment in the room if you want to call it that in the WTO, that these least developed countries are in a separate category and that what they have to do if anything is very minimal and that will be motivated more by what is good for them, than it is by outside forces forcing them to do it. And so I think it is important for people to recognize when we are talking about least developed countries, we're not talking about Brazil here or Argentina or India or any of them. We're talking about very, very poor countries that have very significant social and economic problems that they are trying to address. We need to be sensitive to that and when you are looking at it from a US export market point of view for example, is that a country that is living on a dollar or two a day is not a country that is going to be buying a lot of product and it is in our interest for them to develop and grow because it is through that that we are going to be seeing opportunities for expanding trade. Not by trying to get them to buy it when they are already struggling on subsistence.

[unintelligible]: Ambassador Johnson, [unintelligible] at Feedstuffs, two quick questions. I understand that the EU wants an end to all government involvement in export credits in return for eliminating export subsidies that is the first question and your reaction to that. The second

question, there has been movement on export competition on market access there seems to be little movement on domestic support. You said that the US, how far you move in that area depends on what you get in market access. Is the US willing to go further now, is it willing drop the idea, the blue box idea?

Amb. Johnson: First of all on the credits question I think we talked about this a little bit earlier but again what our feeling is that we need to be focusing on eliminating a subsidy element of export credits because what the Doha mandate is pursuing is export subsidies. Just the fact that the program exists or not does not mean that there is a subsidy and so what we want to do in working with the Europeans and others is to figure out how we address that and eliminate that. And I think again that I know that Europe had that position but its not in large way we agree on what we are trying to do but we have to figure out how we are going to accomplish that. Their opinion is that they would like to get rid of all government involvement. Frankly there are a lot of things that governments are involved with in agriculture and this goes beyond credits that we would like to see reform on too but the main point is that we are trying to address the subsidy element of export credits.

On the issue of domestic support, I beg to differ with your assessment. I think there has been movement on domestic support. We have talked about the framework, if you look, there is commitment to substantial reductions and trade distorting support. That higher subsidies will become more, the brackets for what percentage of those will be, the blue box talks about a cap where it's been infinite up till now. We've talked about in our case we've even shown willingness to talk about products specific caps which is effectively dealing with products at their current subsidy levels which basically what their current applied levels are for these products. So I think that there has been movement on domestic support there is a level of specificity.

When it comes to the blue box question, keep in mind that our original proposal in July of 2002 was to eliminate the blue box, so we have not moved from that proposal and the only thing is that the Europeans feel very strongly that blue box is essential for their reform process. So the way we look at it if the blue box is going to exist then we want to use it in our reform process as well and our way of doing it is by de-linking the support that we give producers from current production so in other words it is related to current price but not current production. We think that is a very good step in the right direction because the amber box is related to current price and current production. In other words a farmer has to produce in order to get, whether the market needs it or not in order to get the payment. The blue box would be dealing from current production the events relating to current price. So a farmer doesn't have to produce if the market does not want it and therefore we are not adding to surpluses and in the green box is obviously directed at de-linking from current price and current production. So we think that if the blue box is going to exist it needs to serve a useful purpose in the reform process and that's the way that we would try to use it.

Moderator: We have time for two more questions.

Sam Gillsten: [noise on telephone, inaudible]...

Amb Johnson: There is a couple of things, one is that the process is that there will be basically an ongoing dialogue I think between the various active participants in this negotiation... [disconnected telephone line].

Reporter: hello?

Moderator: I think we just lost the Ambassador. I think he may have hung up. This happened the last time.

Reporter: Did he call back?

Moderator: Yes, he will call back.

[Crosstalk]

Reporter: Marci, it's Brenda, I really need that last one...

Moderator: What happened to him...?

Reporter: No I really think she wants what he was about to say.

Moderator: Well I'm sure he'd like to say it too.

Reporter: Admit it Marci, you cut him off just as he was about to make news.

Moderator: I did not. [laughter]

Reporter: We do not believe you Marci.

Moderator: I know you don't. I don't have that power, that's the problem.

Reporter: Did you push the camera off Colin Powell earlier? [laughter]

Moderator: I wasn't there, honest.

Amb. Johnson: Hello?

Moderator: They're accusing me of ...

Amb. Johnson: Did I lose everybody?

Moderator: They're accusing though me of cutting you off just as you were about to make news, so you need to... [laughter].

Amb. Johnson: Right, well anyway, at any rate I apologize. I'm going to have to get going here in a second anyway, but I did want to answer your question. As to the process, there will be an

ongoing dialogue between us and others in this process. We have a scheduled meeting of the agriculture negotiations on June 21st. I should say the week of June 21st there is another one scheduled for mid July and then as you pointed out there is a General Council meeting at the end of the month. In addition to that which is probably just as important, if not more important is to point out that Chairman Grosser is very involved in this process. A couple of you have mentioned him having doing a teleconference yesterday, in fact we just talked to him right before and right after that teleconference and he is convening smaller groups for discussions on the three pillars and I think obviously he is rolling his sleeves up in helping to facilitate the process in moving it forward as well. Now in terms of the probability of success I don't have any crystal ball on this other than to say I think that there is a business like attitude and people are trying whether we can get there from here or not is going to be the test. But certainly in terms of atmosphere I think there is a good atmosphere certainly better than it was last year in terms of trying to move things forward and I think that most people recognize that this is a historic opportunity we've been trying to get rid of export subsidies for decades. We've been trying to lower the issue for us of lowering higher subsidies countries with higher subsidies farther has been very important. If you talk to anyone on the hill they'll talk about that and that's what we hope to capture in the next couple of months. Then in market access the issue of lowering higher tariffs farther has also been an issue that we have been very interested in and all of those have been concepts that have not existed in previous negotiations. I think there is a real opportunity here.

Christina Bilske: Ambassador Johnson this Christina Bilske with Nikke Newspaper. I was wondering if you could tell us to what extent all these issues will get a hearing at the G8 summit.

Amb. Johnson: I'm not sure that there will be a specific discussion about these sorts of details. I'm sure that there will be a discussion about how important it is to move the Round forward in general terms. That would be my main guess.

Thanks everyone for calling in. Sorry for all the phone glitches. I'll try not to hang up on you in the future.

Moderator: Thank you.

END