

Media Conference Call
Ambassador Allen F. Johnson from Geneva
On the Record
March 25, 2004

Ambassador Johnson: Well first of all thanks to everyone for calling in. I hope you're all having a good afternoon. It's almost, it's about 10 o'clock here.

Let me just give you a little update on both what our thinking is and where we're at on some of the various issues. Just by way of background, as you all know, we've been busy doing FTAs over the last three months. We've closed eight of them and, I should say, with eight different countries. But ultimately, obviously for US agriculture, the WTO is still our top priority. We thought it was worth another push this year, because in our view this shouldn't be a wasted year.

Our view was that in Cancun, there was a possibility of getting an agreement. So, Ambassador Zoellick sent this letter at the beginning of the year. He then went on a trip to all the members of the WTO, and then he went on a trip to meet about 40 of them in various places, visiting, or spending about 32,000 miles on a plane.

We think there's a real window of opportunity here to possibly get a framework type of agreement by this summer. But from our view, we don't want to let this opportunity to pass this by. If we do, it maybe awhile before we get another chance at it. And with some adjustments in the Cancun text, which is sort of the point of departure, the framework that was tailored Cancun; we think we could prepare by getting a frame work for the next stage of filling in numbers and dealing with various outstanding issues.

Since I've been here we've met with about 70 countries in various forums.. And we sense that there's a common objective of trying to get this done. We generally have been encouraged by the positive signs, but again that doesn't mean that there's not difficult challenges in front of us. The biggest challenge of course is that everyone has to learn to look at ambition is defined, not just as what you're willing to ask for from others, but also what you're willing to offer in your own reforms to get others to move forward. In just taking sort of a view from the person across the table from you, in order to find a common ground.

As we look through the three pillars, which I'll just cover real quickly; export competition is the first pillar. The critical issue is that we need to see that there will be a date for the elimination of export subsidies, or a commitment that there'll be a date for the elimination of export subsidies. Europe had indicated that this is obviously very tough for them, so we're trying to bring them along. It's important to them that we have parallelism, and parallelism is defined as: export credits, food aid, export state treaty enterprises, as well as differential export taxes moving forward, along the same sort of a schedule. In our case, the two things that we use – export credits and food aid – we've stepped up to the plate and said that we'll eliminate the export subsidy component of export credits along the same time-line as the elimination of export

subsidies as well as develop disciplines to food aid.

Let me just spend a second on food aid. It's very important that food aid is managed in a way, it's, yes we don't want it to be like an export subsidy, but we also, in a world where we have a food aid deficit, we don't want that to exacerbate the problem by making things any worse. So at any rate, I think there's a general consensus in the room on wanting to do something along those lines, and we'll do some work trying to make that happen.

So, the big key issue in export competition is being willing to set an end date for export subsidies. In domestic support, basically for the US point of view, we've been very clear. That is a practical matter, in order for us to achieve our objectives, in substantial reductions in trade-distorting domestic support. I need to be able to go home and tell our farmers, and Members of Congress, and our agriculture community, that we have created market access for them in other countries – developed and developing countries – and that we've brought other countries' subsidies, particularly Europe's subsidies down substantially, so that our farmers are facing a world that has a more level playing field.

As you all know, Europe's subsidies are about three to five times ours. Their domestic support subsidies, their export subsidies are about 100 times ours, and our farmers are better off if we can get that done. And again, to get things moving, we've put forward several ideas, in willingness and flexibility, in order to achieve substantial reductions in trade distorting domestic support. I think generally, people are recognizing that we're very serious for accomplishing that, if we can accomplish the other two things that I just mentioned.

In market access, I think there's two basic concerns that I hear from developing countries at least.

One is that developed countries, particularly Europe, open their markets to everyone; and two, that developing countries' special concerns are taken into consideration, in order to deal with their subsistence farmers so they aren't destabilized.

So we've looked at this and looked at the blended formula that's being offered. We think it can accomplish both of those objectives. We obviously, as I said earlier, are very interested in getting market access to developed country markets, as well as developing country markets, even though we're going to be sensitive to some of the developing countries concerns. And again, we think that can be accomplished through a combination of tariff cuts and tariff-free quota expansion. In the developing country side, we've shown a willingness to look at various special and differential treatment issues. But not as a means to avoid substantial improvements in market access for our farmers.

So, in general let me just close by saying, I think the bottom line is that, we're ready to show leadership, we've already done that. We're encouraged by what's happened so far this week. And the question is going to be, are all countries ready to show leadership and get this negotiation moving forward? We can't do it by ourselves, and we're looking forward to working with others to try to accomplish that. I'll leave it at that, I know that you all probably some specific questions related to some of the meetings but I'd rather focus on your questions than on my statement any longer.

Marci Hilt: Please identify yourself when you are asking your questions.

Sam Gilston: Ambassador Johnson this is Sam Gilston with Washington Tariff and Trade Letter. Can you be a little specific on what you actually expect that will come out at the end of this week, when everybody sits down at the final plenary? Is it going to be an agreement, or is it just every body is going to say we're encouraged and we were happy we talked or just...?

Ambassador Johnson: Well I think, let me just describe, maybe the objectives in general, for the week. I think the objectives in general for the week were to sort of come to an understanding, as to what we're trying to end with over the summer. You all remember in Cancun, there wasn't a common view of that. I think we're gelling around a common view now. I think there's an acceptance that there should be a framework, that it wouldn't include numbers, that some of the debate on how you're going to achieve the levels of ambition is for the next step when you fill in the numbers.

The main purpose of the frame work is to give us a common playing field that we're all playing on and a common game that we're all playing. Instead of what we've had up to now, which is countries basically on completely different focuses, and therefore it was difficult to have a logical argument about what we should be trying to achieve, in-terms of whether it's market access, or it's export subsidies, or domestic support. So, I think the framework that we helped develop last summer and that ultimately evolved into the Cancun framework has served a very useful purpose, in that when you sit down with countries now, you don't get a lot of the rhetoric, you get people specifically focusing on issues that are important to them – trying to understand the issues that important to you. And, that sort of focus I don't think would have existed without the draft that we had in Cancun. Now, yeah, obviously people have things they want to change and we have things we want to change in it. But at least its given us a focus that we haven't had in the past. And secondly I think we'll probably establish that there should be another meeting fairly soon where countries can continue to work with each other and trying to develop this framework more throughly.

Peter Shinn: Ambassador, this is Peter Shinn with the National Association of Farm Broadcasters. You mentioned another meeting perhaps fairly soon. What is the agenda for a next ministerial; I heard there was planning to be one in Hong Kong?

Ambassador Johnson: Well that's different, that wouldn't be the next meeting. The meeting that I'm at right now is the Special Session of the Agriculture Negotiations. So, the ministerial like the one we had in Cancun is something that usually happens about once every year and a half or so. That hasn't been scheduled yet. But in terms in the next meeting I was talking about, would be, again, we haven't had one of these agriculture sessions since last August. So now we would have another one. It's been about seven or eight months, pre-Cancun. So now I think we're looking at maybe having another one of these session in a month, which just shows you that the tempo is picking up. The objective of that negotiating session will obviously be to flush out more thoroughly what's in the frame work, how we can achieve the objectives I just mentioned, and again trying to work through, to a more level of detail what some of the issues

might be and how we might resolve them. With the objective of by mid-summer hopefully getting through some process, maybe through the General Counsel meeting in July, getting some process for us to come to a framework agreement.

Lori Struve: Mr. Ambassador, Lori Struve at the Brownfield Network. What impact, are you seeing any impact from the things that have happened since the last meeting? I'm thinking of the BSE situation, the bird flu situation, and also the bi-lateral trade agreement that have come into play since then. Are those being brought up?

Ambassador Johnson: Well, in terms of the SPS issues, these negotiations are about the WTO. So it's trying to get an agreement on market access, domestic support, and export competition, or particularly export subsidies. It's not about these SPS issues – the sanitary, phytosanitary issues, like BSE or avian influenza – or anything like that. So those discussions tend to be just hallway discussions. We do in our bi-laterals bring up these issues, like when I meet with Japan, I brought up how important it is that we open that market for our poultry and beef producers. But the main reason all these countries come to Geneva is to negotiate the WTO.

I think the FTAs are important, in the fact that they show the United States is serious about our trade agenda. We're serious about opening markets and expanding opportunities. And frankly, it's in other countries interests – that aren't part of FTAs – that we move the WTO forward, because that's the, in some cases, that's the environment where they have the opportunity to negotiate with our country, which is the largest economy in the world. I think the FTAs serve a useful purpose, indirectly, in terms that they send a message that we're going to move forward if the WTO stalls, we'll move somewhere else. But our preference clearly is to try to get this WTO moving. That's why Ambassador Zoellick sent his letter in January to the 148 members, and he traveled 32,000 miles to visit all these countries to try to listen to what they had to say and encourage everyone to get back to work and move the WTO forward.

Ian Swanson: Mr. Johnson, it's Ian Swanson with Inside US Trade. You said at the beginning that you were encouraged by what's happened this week. Can I ask what specifically has encouraged you, have you heard anything differently from any of the trading partner. And secondly could you comment on Franz Fischler's comments at the beginning of the week on export subsidies? Do you see any new signals from the EU based on those comments?

Ambassador Johnson: Well, I think the main thing that I've seen that's different than what we've seen over the last couple of years – is simply that countries, when you sit down and talk, they're much, it's very business like. You're talking about specific issues, there's not a lot of rhetoric, there's not a lot of, you know, boasting about what you're problem is, or what (inaudible). It's more a very sort of detailed effort of trying to say well here's what my concerns are, what are your concerns? Then start discussing those in a very business-like way.

I credit that, frankly, with the fact that, we had the framework coming out of Cancun that people have as a reference point which didn't exist prior to our efforts last summer; to the fact that, frankly, Cancun wasn't successful, it shows people that we do have to get serious or things can fall apart. And, thirdly, frankly, Ambassador Zoellick has, I think, created new momentum in the

negotiations through his letter and through his personal commitment in these travels that shows people that we're serious.

So the main thing I see is tonal, but I also think it's starting to show itself in some substance, I won't go into details on that, but I think that countries are seriously trying to accomplish what I said and recognizing that, you know, we have a few months' window here. And we should try our best to take advantage of it.

Now on your second question, I'm not sure, what exactly Franz Fischler's comments that you're mentioning were, but in general on export subsidies I think the Europeans are obviously the ones we have to bring along in terms of agreeing that there'll be an end date to export subsidies. And part of what we're trying to do and tried to last summer is send a message that we're willing to step up to the plate. You know, frankly, we don't see export credits as being the same thing as export subsidies. We clearly don't see food aid either as being the same thing as export subsidies. But we do recognize that we're asking the Europeans to eliminate their export subsidies. And that's a priority to us and in order to do that, we have to be willing to put something of our own on the table. And so we've said, well, the subsidy element of export credits, even though we think it's different, we're willing to put that on the table and eliminate that along the same lines as the export subsidies. So, that's one of the things that they've emphasized is those so-called parallelism that these other export competition policies move along the same time line.

We're obviously saying that export state trading enterprises have to do the same thing, they have to be reformed along the same time line. So, as you look at that, I think we're trying to help create an environment that allows Europe to move to the direct that ultimately is required through this negotiation to succeed, which is to set to agree that there'll be an end date for the elimination of export subsidies.

Ian Elliott: Ambassador Johnson, Ian Elliott, Feedstuffs. Two part question: As the EU, and in coming back to the question just asked, has the EU given any indication, this week or prior to this, is it willing to agree a date certain to end export [inaudible]. Second part, in market access, have you told countries that the US is only willing to except 3 percent of tariff lines under the Uruguay round formula, inside the blended approach.

Ambassador Johnson: Well this is what we've said, which is we've said in terms of the first question, I mean you'd have to ask the Europeans. But my general impression is that Commissioner Fischler, Commissioner Lemy are trying to be constructive. You know we wouldn't expect them on the first day back in the agriculture negotiations, after seven months, to show up and concede a very important difficult point for them immediately. But I think part of our responsibility is to try to understand what environment they need in order to do that. But, make it very clear to them that is what is going to have be done, if this round is going to succeed. And so that combination, we hope, brings them to the point that they can actually say that. And, in terms of encouraging signs I think the fact that they're emphasizing things like parallelism, they're emphasizing that they want to do this to help developing countries, that those sorts of things were clearly eliminating export subsidies is an important thing for developing countries, that that's a positive sign. What was your second question? I'm sorry.

Ian Elliott: On market access, have you told ...

Ambassador Johnson: On what we've said on market access, what get often asked is, we have this blended formula, which I'm not sure how familiar everyone on the phone is with it. But basically the blended formula, the jist of it is, it has two parts to it. The first part is so-called Swiss, or Uruguay Round formula, which is where you have a minium cut that you have to make and an average cut you have to make, so in other words it's, more useful for sensitive commodities, import sensitive commodities.

The second part is the Swiss formula and the Swiss formula basically takes tariffs down quickly. The higher the tariff the faster it comes down. The United States approach has always been the Swiss formula is the way to go, the faster the farther we can reduce tariffs the better. The first part which is his question, is what is the size of the, you know, assuming it roughly adds up to 100 percent, or between the various options that it adds up to 100 percent, what percent are you looking at that would be subject to the more tolerant formula, the Uruguay round formula?

People have asked us to give sort of an indicative idea of what are thinking is. And we've said well, you know, the less the better, because we were in favor of a Swiss 25, which means no tariff would be above 25 percent in the world. We were in favor of the Swiss 25 for 100 percent of tariff lines, but we know that people have sensitivities, but we'd hope that it would be around 2 or 3 percent of those tariff line would be subject to a Uruguay round formula. But even there, they'd be required to take these minium and average cuts and they would be required to expand the market substantially to improve the market access, through either tariff cuts of tariff rate quota increases. So that number you just mentioned, is more of one just to give people an indication of where we think should be a reasonable approach and that means that 97, 98 percent of the tariff lines in that scenario would be subject to a Swiss formula, which again our position has always been it should be a Swiss 25.

Ian Elliott: Sure thanks.

Rosella Bruvetty: Ambassador, this is Rosella Bruvetty with BNA. Could you give us any details about your meeting today with the head of EU agricultural directors?

Ambassador Johnson: Well, I won't go into more details, other than saying that we talked about all the issues that I just mentioned. In addition to that we talked about various other issues like wine, bilateral issue I should say, like wine, like beef, you know, their enlargement. Things like that, often times these meetings are useful for no other reason than to understand what the status is on these different issues. Rice is another one we talked about. What the status is in the EU process, and for us to express our concerns during the process. It's always good to meet with important trading partner, you know, on a fairly regular basis, so that you're in real time in addressing issues and policies as they're developed and not just when they become problems. And also when they become problems, those sorts of meetings give you an opportunity to start moving things down the road to solutions.

Sam Gilston: This is Sam Gilston, again. Can I just follow up quickly on the discussion you had with the EU on enlargement. Was there any discussion of need for compensation to the US for any of the new members that are coming into the EU, particularly in the agriculture issue area.

Ambassador Johnson: Yes, we've been talking to them about that actually for a while, and there's several aspects to that that's important. We're sort of still in the analytical stage, which is determining what markets we may be losing. There's also an analytical stage in what markets you're gaining, because in some cases, actually the EU tariffs, the seating members' tariffs are higher than what the EU tariffs are, and obviously they have to come down to the EU level. So what you do, is you do an analysis to determine what you're winning and what you're losing and try to figure out what the net is. And, obviously, and if we end up not gaining then we're owed compensation. In addition to that, there's issues related to other policies, not tariff policies, but other policies, whether it's beef or biotech or wine or other issues, that the EU policies are more restrictive in general, than these other countries might be and, in those cases, we're obviously looking for how to address those issues as well.

Kristy Ellis: Ambassador this is Kristy Ellis with Fairchild Publications. And I wondered, did you address the issue of cotton subsidies with the African nations, and if so, did you make any progress?

Ambassador Johnson: Well first let me give you, you probably don't know this, but this same week, just by coincidence, there was a conference on cotton in Africa. So, some of the Africans that would normally be here were there. Our Ambassador Linnet Deily, our Ambassador from Geneva Linnet Deily, was down there for that meeting. So they can probably give you more thorough read out. But let me just generally say, that with the Africans that were here, including others, other people that weren't Africans but are interested in the subject, we were asked about it and basically, the way I look at it, there sort of two issues here, generally.

One is the development issue, which is what are the infrastructure challenges, what are the capacity building needs, what are the technical assistance, what are these other things that can be used to help address some of their problems and their ability to market their product, which really isn't a trade negotiating issue. And that's what they discussed in Benin this week.

The second area, obviously, is the trade negotiation side. And frankly we have a lot of commonality with the Africans and we both want to see export subsidies eliminated, and as I said, we were going to eliminate export credits, the subsidy element of export credits along the same lines as when we eliminate export subsidies, so that problem will be taken care of. The proposal that we put forward in domestic support, which significantly reduced our trade distorting domestic support to the point that it would be much less of a distortion of the market place. And then that only leaves you the issue of market access, and we're just as aggressive as the Africans are, in fact we have a lot in common with the Africans in trying to open markets around the world, particularly if the textile agreements are fully implemented. There's going to be a lot of textile makers around the world that both us and the Africans would like to get into those markets and supply them their cotton. And so, there's actually a number areas where we

and the Africans can find common cause. And that's part of what we're obviously trying to identify both here and what we're working on with them in Benin.

Marci Hilt: I think we have time for maybe two more questions and then if Ambassador Johnson has a closing statement he can make that.

Ian Swanson: This is Ian Swanson again, just a follow up question to the earlier market access question. The 2 or 3 percent figure you referred to, is the US position that both developed and developing countries should agree to only have to 2 or 3 percent of their tariff line subject to the Uruguay Round approach? And if that's the case, is it realistic to think that India is going to agree to that?

Ambassador Johnson: No, we understand that there'll be special and differential treatment on the percent of tariff lines that are in each category. So, I think that answers your question, but I'll just elaborate a little bit.

I think the important thing here is getting back to the practical point that I made earlier. The important thing here is that in order for us to achieve the results that we want, which is substantial improvement, or substantial reduction in trade-distorting domestic support, we need to see market access opportunities. We're looking to work with both developed and developing countries in order to achieve that, as well as work with everyone in order to bring down the trade distorting subsidies of Europe. In this case, so we can tell our farmers that we've gotten them a lot closer to us, instead of 3 or 4 times, or basically they're right now – we're at \$19 billion, they have about \$70 billion in 'amber and about another 20 or so billion the spend in 'blues' – so our subsidy levels, available subsidies is only a fourth to a fifth of what they could spend or are spending.

So, in general I think, we can work with countries to achieve those two practical common sense needs that we have, and frankly at the same time we'll be achieving what they want in many cases. As you all probably know south-south trade has been growing in about 10 percent a year. That's twice as fast as what the general trade growth has been. These developing countries spend about 70 percent of their tariff expense to other developing countries. And currently about 40 percent of developing country trade is with other developing countries, which is a growing number. So we have a lot of common cause with a lot of developing countries in trying to expand markets, but we also know you have to do it in a sensitive way, because we don't have an interest in destabilizing economies or countries, that isn't good in general, and it's not good for trade. So working with countries like India, as best we can to address their concerns while still opening markets is the challenge we have in front of us in the coming months.

Sam Gilston: Mr. Ambassador, this is Sam Gilston again, you mentioned 'blue' box subsidies. Was there discussion this week and what's the goal here as far as, I guess this is non-distorting subsidies, is there a cap, a goal for a cap or a reduction, or where are we going?

Ambassador Johnson: These boxes are very complicated, so let me just explain it quickly for everyone on the phone. The current structure is, is that the 'amber' box is policies that are

related to both current price and current production. So in other words, a farmer has to produce in order to receive the payment. And the payment is based on the current price.

Currently, 'blue' box – the only difference between the 'blue' box and the 'amber' box, is that for the 'blue' box, you may have to do some acreage-reduction program, so in other words in our old days we use to do set asides, so you could set aside any amount really and qualify to spend an unlimited amount in 'blue' box policies.

And then the third box is the 'green' box, which is policies not related to either price or production, current price or current production. So in other words, it is all based on history.

What the discussion has been around on the 'blue' box, is really two things, well three things I should say: Our position in our July 2002 proposal is we should eliminate the 'blue' box and just have two boxes – one that's trade distorting and one that's not. For Europe, that's not consistent with their CAP reform, they really don't think they can do that.

So our position has been well, if we're going to have the 'blue' box, then we should try to use it constructively. One is, we should put a cap on it so it's not unlimited – you have a limited amount that you can spend. And two, at least as far as the United States is concerned, we should try to use this box for de-coupling from production. So another words, it'd be a natural progression from most trade distorting to less trade distorting, to non-trade distorting. So the 'amber' box would be tied to current production and current price. For us, the 'blue' box would be tied mainly to current price but not to current production. So the farmer doesn't have to produce to get the payment. And then that moves, on the way to moving toward the 'green' box, which decouples from both current price and current production. So that it's a natural incentive for us to move to less trade distorting policies on the way to non-trade distorting policies. And that's where the discussion has largely been this week. It is just talking about how these work anywhere from our original proposal to eliminating it, to how if it's going to continue, the 'blue' box is going to continue, how it would be used.

Reporter: That puts Europe in a bind though doesn't it, with their new CAP reform? Their de-coupling?

Ambassador Johnson: Yes. That's one of the reasons they can't eliminate the 'blue' box in their opinion, and therefore our position has always been that when it comes to subsidies, we need to see Europe come down to our level. In other words we need to working toward harmonization, so if they have access to the 'blue' box, we're going to have to have access to the 'blue' box.

But there's a difference in the way that we approach it. The way that we will approach it will be one that moves policies to less trade distorting policies in the sense of trying to decouple it from current production, the policies that are in that box. There are some changes that we're proposing along with Europe in description of the 'blue' box that would allow us to do that. Europe, I think, would argue that their policies in the 'blue' box are less trade distorting, because they'll have an acreage-reduction program with those policies. Obviously, since our objective is not to relate at all, the support to current production, you can't have an acreage-reduction

program, a production-reduction program, on something that's not based on production in the first place. So, we actually think it would be an improvement in the 'blue' box if it's going to remain – our preference was to get rid of it – but if it's going to remain, that it be used in a constructive way.

Marci Hilt: We'll take one more question.

Lori Struve: Mr. Ambassador, Lori Struve, Brownfield Network again. I had a technical glitch.. If you could share again. You are optimistic that things will be accomplished this week and at the next meeting?

Ambassador Johnson: Well, what I said was that we have, I think seen in generally a positive attitude that encourages me this week. We've seen countries engage in serious discussions about the issues, we don't see a lot of rhetoric. People are looking at the Cancun framework as a point of departure and sort of referencing – at least in the back of their mind always what changes we'd need there. These are things that again we didn't have prior to Cancun. The discussions tended to be very rectorial, the discussions, were not necessarily focused because people were working off different approaches – completely different approaches – and I think in that sense I'm encouraged, but I don't want to underestimate the difficulties we have in front of us, because there's really still some very challenging issues as to how to deal with peoples' sensitivities, while maintaining the objectives of the Doha mandate of ambition in agriculture.

Marci Hilt: Ambassador Johnson did you have any final thing you wanted to say?

Ambassador Johnson: Nothing in particular. I just appreciate everyone calling in. I hope that you'll follow this in the coming months, because I think this is an important issue again for US agriculture. Our priority has always been to try to move the WTO forward and it's for one simple reason: That's the only place that we can negotiate where we have all the potential customers at the table at one time and all the trade distorting practices at the table at one time. It's still important to say that our FTA agenda has been extremely important in creating markets for US agriculture. I noticed today that there was a letter from some 39 agricultural groups supporting the Central American Free Trade Agreement for example, because of the opportunities it provides. Both of those tracks – in terms of opening markets and addressing distortions for US agriculture – are important.

Marci Hilt: Thank you all very much. This has been an on the record briefing.

Ambassador Johnson: Thanks a lot guys.

Reporters: Thank you.