

Transcript of Agriculture Secretary Mike Johanns and USTR Ambassador Susan Schwab  
With press on scene  
Potsdam, Germany  
June 21, 2007

Good afternoon, ladies and gentlemen. Dr. Schwab and Sec. Johanns will make some comments. State your questions, and we'll go from there. So without further ado, Dr. Schwab.

AMB. SUSAN SCHWAB: Thank you. Thank you very much. Thank you for being here. I think the bottom line is that trade agreements should generate new trade and lift people out of poverty. That's certainly true of the Doha Round, and unfortunately what we have here today was not going to generate new trade. We regret the outcome of this week's talks. We had high hopes for Potsdam and the ability of the G4 to reach convergence. Sec. Johanns and I came with a full mandate to deal, and in spite of real progress, particularly progress made by the senior officials in the last many months, including I might add progress on all three agriculture pillars – in spite of that progress, there were more barriers put up to dialogue than the talks could sustain.

Now the United States is not giving up on the Doha Round, and we continue to be supportive not just of the Doha Round but obviously of the World Trade Organization. We would have been willing to stay here longer and negotiate. At some point, though, when you realize that not everyone in the room has the same intention, and you have to give up.

The G4 may not ever be able to reach closure, but that certainly does not mean the end of the round. And in fact, I look forward to going to Geneva at some point to engage with the negotiating chairs with Pascal Lamy with likeminded countries, developed and developing countries that want to see a successful, ambitious end to this round.

Some may want to portray this as a north/south breakdown. But resorting to that kind of rhetoric masks the lack of new trade flows that would be generated by what is currently on the table, and this is particularly true in the manufacturing side.

The United States has been looking for an ambitious and balanced outcome, whether in agriculture, whether in manufacturing, whether in services. And this is particularly important for developing countries. We are prepared to do our share of the heavy lifting, whether with regard to disciplines on subsidies or with regard to market access. But the United States can't negotiate with itself.

But this is not a north/south breakdown. Unfortunately, the biggest losers from the current status of the negotiations will be the dozens and dozens of developing countries who need to be exporting not just to the mature markets of the developed world, but also to the markets of the advanced developing countries – and that includes countries like Brazil, like India, like China, among the fastest-growing countries in the world.

The United States has shown and will continue to show our willingness to be constructive, a constructive negotiating partner to anyone who wants to negotiate in good faith. But we cannot negotiate with ourselves or with those who draw such red lines as to make it impossible to proceed.

Again, we certainly have not given up on the process, but this is not a happy outcome.

SEC. MIKE JOHANNIS: Over the last couple of years, how many stories have been written that basically said that the key to the round was agriculture, and if we could somehow unlock the challenges that we faced in agriculture then the round would open up and we would have a pathway to conclusion.

Many stories have been written along those lines, many stories have been written about the need for flexibility by the European Union, flexibility by the United States. Well, many, many weeks ago we started working with our colleagues from Brazil, from India, from the European Union in what was described as a “senior officials’ process,” and these very capable, talented senior officials worked together in the same room week after week, hour after hour, trying to literally slug their way through these very, very difficult and these very intricate details relative to the three pillars in agriculture—market access, domestic support and export credits.

Now, ministers have been meeting as you know over the last weeks and actually months and for that matter years, but especially in the last months this process I believe was showing very positive signs, very hopeful signs. I do want to stress something here. I’m not claiming that we had convergence on all agricultural issues; we did not. We did not with the European Union, we did not with Brazil, we did not with India.

But having said that, on each pillar there was not only hopeful signs but great progress made. We made substantial progress relative to the tariff cuts. We made substantial progress relative to the tiers and the distance between tiers. I felt we were narrowing in on that. I felt we were seeing a real positive contribution to that effort.

We made substantial progress on definition of sensitive products, which as you know a year or so ago was such a key issue. It’s one of the things we emphasized a year ago July. We had excellent discussions on TRQs and how they would fit into the overall picture literally to the point where we were talking about specific products and market access for those products.

Special products, they if you press me with questions, I must admit I’d be still a little hard-pressed to define what special products was about. But having said that, I felt there was discussion that was starting to generate a methodology, a framework to resolve special products.

In the domestic support area, when you put together all the contributions that have been made over the last couple of years, we were seeing a very, very specific framework for

domestic support. We were able to tell you with absolute precision what the amber box was going to look like, what the value of the amber box was going to be. We were able to tell you with absolute precision what the blue box was going to look like. We were able to tell you that we exceeded the ambition of the July framework by going beyond that. We worked in “what if” kind of possibilities: What if we did this, what could you do?

The senior officials worked from that standpoint. Again, in this area we were seeing very, very specific discussions about specific boxes and the implications, the overall trade-distorting support, the value of the blue box. It was excellent work by the senior officials, which really laid an excellent platform for our discussions.

When it came to export credits, even this morning in a presentation that was made by the European Union we closed our work on Food Aid. Food Aid is one of the most contentious, most difficult issues under this pillar, a very sensitive issue because so many people around the world depend upon Food Aid, depend upon the United States Food Aid. We were miles apart. We were not even on the same continent with the European Union when we started this process, and yet through work and effort by senior officials and direction given by the ministers, literally we did a round of applause for the senior officials because we had closed that part of the pillar.

But subsidies, again there, there was excellent work. In each one of these pillars I think we were down to a point where we could identify an area where there needed to be additional work, offer good guidance to the senior officials. We were making great progress.

So you of course are sitting there saying, Well, Secretary, if the progress was so outstanding why aren't you still working? And we asked ourselves that same question. We asked ourselves that same question: Why is it in all of these areas we saw movement by the European Union and flexibility, why is it we saw movement by the United States and flexibility? And yet we had two ministers who literally hadn't moved an iota from a point that started nearly two years ago, showed no sign of flexibility, and in the end we were literally faced with a situation where they basically said, “You keep putting out proposals, we'll keep reacting to it, we don't know if this is going to work.” And that literally was what we are faced with.

We stretched, and it just seemed to me that they grabbed. In area after area I saw flexibility on behalf of the European Union, I saw flexibility on behalf of the United States, and I saw they were unbending. This is a negotiation. This is a situation where you take these very, very difficult issues and try to see if you can work toward convergence.

I just want to wrap up my comments today by saying this. I am equally as disappointed. This process was working. This process was moving us faster and further than probably anything we have done. And I think it's terribly unfortunate that we throw up our hands at this point on the G4 process. I want to reiterate what Susan said from my standpoint as

Agriculture Secretary. We're obviously committed to multilateral trade, we're obviously big supporters of the WTO process; that's not going to change any. We are going to continue to be supporters. We are going to continue to look for the ways that this process can be brought together in terms of the WTO process. We certainly haven't given up in any way, shape or form on that. We still believe in the Doha Round. It has so much promise. And I have to tell you, in the last weeks it was showing so much promise.

I came here very, very hopeful that by the end of this week we would be able to talk to the world about the broad outlines, convergence that we had that had eluded us for so long. And so many positive things were happening, I thought it was possible.

And I must admit today this afternoon I feel like the rug was pulled from underneath us. I feel like the hard work that was being done was totally cast aside, and now we will do our very best to try to bring this to a close.

REPORTER: You mentioned (unclear) subsidies and the fact that will depend on interest (unclear) \$17 billion you (unclear) about (unclear) 50 percent whether you gave (unclear) last year. Can you (unclear) how much more (unclear)? Secondly, do you think after one year of performance (unclear) –

AMB. SCHWAB: Let me respond actually to both items. The United States has shown extensive flexibility in terms of what we're prepared to do in domestic support. This has been a very active "what if" process, but there comes a point where you can't keep negotiating with yourself. I'm not going to confirm or discuss any numbers, because we haven't given up on this negotiation, and we hope to keep negotiating.

What I will say is that if you look at what the United States has spent in domestic support over the last nine years, you are looking, the United States was prepared to make an offer that would have included cuts in 5 to 7 of those years. So I mean we're talking about in most of the years we would have seen real cuts. So I'm not sure what numbers were quoted to you. The United States has shown extensive flexibility.

However, and it's a big however, the whole purpose of a development round – you know what is going to generate development? What will generate development and the alleviation of poverty is new trade flows. And you are not going to get new trade flows unless you have markets opening, and that is markets opening in agriculture, markets opening in manufactured goods, markets opening in services.

And it is markets opening in developed countries and in the advanced developing markets, the fastest-growing markets in the world. Most of the WTO members will not be expected to do anything that they don't want to do voluntarily, so most WTO members certainly the least developed countries and even many of the mid-tier developing countries are not expected to ask. But when it comes to powerhouse trading partners, powerhouse traders, trading superpowers like Brazil in agriculture or China in manufactured goods, or India in services—those are countries that need to be part of the engine of growth as well as just the beneficiaries of this.

So we are very comfortable that we were able to show that we're prepared to do our share. But negotiating trade agreements needs to involve two and three and multiple sides. And if only one side is offering, it's awfully hard to get a deal.

In terms of the transparency question, any type of negotiation, certainly a trade negotiation, is hard to do in a fish bowl. There are transparency aspects of the multilateral process in Geneva that we support, and we'll continue to participate in. But as you know from having followed this, these are very complex issues and can easily be mischaracterized if you're not careful.

SEC. JOHANNIS: Let me just be very candid. I think you've asked a direct question. I believe that Brazil and India moved the goalposts. I've been a part of these discussions for two years. I've been a part of the very formal discussions in a room like this, I've been a part of the informal discussions that oftentimes would occur while we sat down for dinner and negotiated for another three or four hours. And when we finally came down to a point where we were seeing flexibility from the European Union, flexibility from the United States. It just seemed like we were chasing, that we were negotiating with ourselves, that there was no response. It was like throw an offer out on domestic support, and then we'll tell you it's not acceptable –

AMB. SCHWAB: And then throw another offer out.

SEC. JOHANNIS: -- and then throw another offer out! We don't negotiate that way. We said from the very beginning in our proposal of October, look, this is a negotiation!

There were certain things that, quite honestly, over the last couple of days I just was amazed by the response because it wasn't a negotiation at all. And to me that was very, very frustrating because we're literally down to the last days and weeks of this process, and that kind of effort is not going to get us to a result.

Now let me if I might talk about the specific number. We literally got down to a point where we were so frustrated by that kind of talk that one day Susan reached into her notebook and took out charts that were charts that we had for our own personal briefing and handed them across the table. I must admit, I was a little bit surprised by that. And they showed exactly what Susan was saying, that this was a real cut, that this was going to cause pain, that it was going to cause a change in how we do farm policy, that it was less support. And in fact if you compare it to the last nine years five out of those nine years we were exceeding that total.

But even today – and again you'll understand why we're not going to release negotiating strategy -- even today we were saying, we are ready to continue our efforts to try to close this gap. But I will tell you very bluntly again and very directly in response to a direct question, I think I could have done cartwheels off the roof of this building and I'm not sure I would have gotten any response whatsoever. And to me that was very, very disappointing.

REPORTER: Just to follow up, does this mean that was being a breakdown across (unclear) Ambassador Schwab within a week your (unclear). How would that affect your negotiations?

AMB. SCHWAB: I think that's a very good question. You're familiar with fast-track, you know that for purposes of the Doha Round fast-track ran out last July in terms of how fast-track is used and the procedures associated with it. And we had hoped that on the basis of a G4 convergence, we would see action on fast-track.

There is, it's important to note in this case that Fast-track exists because the United States Congress entrusts us in the Executive Branch with the responsibility for negotiating trade agreements that are good for American farmers and ranchers, workers, manufacturers, service providers, and in the case of the Doha Round that really are focused on development in the developing world. Economic growth and the alleviation of poverty in the developing world.

I think that by our willingness to walk away from a potential agreement that would not generate economic growth, that would not generate development, that would not alleviate poverty, that our willingness to walk away from that reinforces I think the relationship that we have with Congress -- and Congress's ability and willingness to trust us as negotiators, to respect their objectives when we're negotiating trade agreements.

So I think you need to touch base with members of Congress, but the initial reactions that we got from key members of Congress, Democrats and Republicans, have been positive in terms of the respect that we've been able to demonstrate for the process.

REPORTER: -- have been complete breakdown of trust.

AMB. SCHWAB: Oh, trust. Trust. You know, it's funny because the six of us basically -- because there are two ministers from the EU and the U.S. -- have spent a lot of time together in the last couple years -- I mean, probably more time than any of us have spent with our respective families. And we've got good relationships. It was hard to know who was in the room in this last day or two. Who were we negotiating with in the last couple days? The rigidity of the position taken by Brazil and India seemed quite distant from the interest that I have seen from developing countries that are members of the G20, members of the G33, even members of the G10 and NAMA 11, I mean countries that want to see a successful trade round and know that the only way that can happen is through compromise on all sides.

So there's nothing personal in it, and I respect and like all of our interlocutors. I can't help it. I've spent a lot of time with them, and as I said, I respect them and like them. I'm not sure the G4 setup, the context is necessarily going to lead to convergence.

And the United States will work through any process and negotiate with any country or group of countries that is serious about trying to get a successful balanced, ambitious outcome to the Doha Round.

REPORTER: What can you expect to happen in Geneva in July? Are you going to convene (unclear) that you can finalize the deal by then (unclear), or (unclear) challenge that Mr. Bartholomie can create a greater role?

AMB. SCHWAB: I think it's much too early to answer that question. Let's let the dust settle a little bit.

REPORTER: Two things. First, coming back to this West (unclear), why aren't you still working? I understand the content (unclear), but (unclear). When do you hope to take the decision on what's a good (unclear). How was this process of decision to finish conversation (unclear)? Seems illogical, putting aside patience and optimism that negotiate must (unclear), it's logical to expect that agreement could be reached (unclear) last three years (unclear) negotiating continued our same partners and the subjects (unclear). Is it logical (unclear) reach agreement (unclear) before five years (unclear)?

SEC. JOHANNIS: If I could offer a couple of thoughts. Our reservations are I think on Sunday, maybe some of us on Monday, and probably some of us not even to go home. Some of us probably to go back to Geneva to continue work. At least that was the plan.

Here's my impression. My impression is that after two years of very difficult, often frustrating work, suspended last July, we heard from the WTO community that they wanted to do everything possible to try to get an agreement and encouraged India and Brazil and the United States and the European Union to return to the table to try to resolve their differences as best we could or as far as we could to try to set up a multilateral agreement.

We took that seriously, and this process was developed with senior officials who worked, like I said, day after day. And then we would convene and say, you're on the right track, or you're not on the right track. And literally this meeting started like other meetings with a briefing by the senior officials as to what could happen.

And again I'll emphasize, even as recently as this morning we got closure on the Food Aid part of the export credit piece of the pillar, or that pillar in the ag negotiations.

So here's my answer. My answer is, if you have people to negotiate with, who are there to give and take and try to find solutions because that in fact is what negotiation is about, you can solve darned near any problem. And I felt we were solving it.

I've been both optimistic and pessimistic over the last couple of years. I don't think I was as optimistic in the last couple of years ever as I was when I returned here just simply because I could see finally after all this time we were talking about real issues. We could specify with a great degree of certainty where the final categories of more

discussion was necessary. And that to me was so encouraging because we spent so many hours at a 50,000 foot level never getting to what this round was about, which was the three pillars in agriculture, NAMA and services and rules and other issues – where I could just see in the last weeks we were getting right down to brass tacks in how this was going to work and what it meant.

I mean, like I said as I was going through all this detail, the progress here was remarkable.

And like I said, we actually led a round of applause for our senior officials as recently as this morning because of the progress we were seeing. But then it did become obvious that we literally were faced with two countries that came here, really did not have anything new to put on the table or to offer, and what was very clear was we were in a situation where there was no response to the negotiation.

AMB. SCHWAB: There were a lot of rigidities and very few flexibilities shown. But you ask a question, who was it – the real question is, who was at the table and who wasn't at the table? When it came to manufactured goods, the NAMA 11 might have been at the table. I mean, you look at the paper, there was a paper put out two weeks ago by the NAMA 11 that is absent any flexibility whatsoever, any sense of responding to those developing countries who pay 70 percent of their tariff, 70 percent of the duties they pay they pay to other developing countries. Responding to those countries that are anxious for cheaper pharmaceutical products, who have high import tariffs on pharmaceuticals or who care about environmental protection, who have high tariffs on environmental goods and services. And so all these elements can and should be part of this negotiation, and yet even though the G20 doesn't actually have a position on manufactured goods, the NAMA 11 was in the room, the NAMA 11 paper was in the room, and there was no string. So without flexibility, with only rigidities, it's really hard to do a deal.

Now we're still here. We're still here. I mean, we've got reservations out on Sunday I think. We may try to get to Geneva, but –

REPORTER: But

REPORTER: But the thing that Brazil and India (unclear) before there was any discussion –

AMB. SCHWAB: I'd say substantively and then physically if you understand the distinction.

REPORTER: Yes. Maybe – okay.

REPORTER: I want to follow up on that and ask a question – that turning point in the meeting where you felt that suddenly they had abandoned – that was during the NAMA discussion (unclear). Then I was also wondering, with this result do you believe this may



spark or fuel a greater push for bilateral agreement and particularly perhaps raising the question here, the EU, of (unclear) some sort of trade relations (unclear)?

AMB. SCHWAB: I cannot speak for the EU. I will say on behalf of the United States we are absolutely totally committed to the multilateral trading system. So our commitment to the WTO and to the multilateral trading system is absolute and is not changed by this. We are committed to the Doha Round, and proceeding with the Doha Round. I think to the extent – again who is going to suffer the hurt of this negotiation not coming together? It's not actually the countries represented in the G4 because they have the ability to go off and negotiate bilateral and regional deals. It's the other 80-plus members of the WTO that may not have that option, and they are the ones who should have been represented better in this room it seems to me.

REPORTER: What is your most optimistic scenario about when this (unclear) election, or is this going to be something that you put off until 2009, 2010?

AMB. SCHWAB: Well, let me state the obvious. When you have 150 members of the WTO, there is no year and probably no quarter when somebody doesn't have an election. So I think that if you look at the history of U.S. trade legislation, whether it is Trade Promotion Authority or implementing trade agreements, those have moved through the United States Congress before, during and after election season. So I mean, there's a history of that. So I'd set that aside. I do think we all need to redouble our efforts and see whether the everyone understands that the only way you get to "yes" in a trade agreement is by a willingness to compromise. And that means compromise in terms of what you want and compromise in terms of what you're willing to give.

Now beyond some set of red lines, no one is going to be able to stretch, but up to that point the United States is clearly ready to stretch. The EU showed this week it was ready to stretch, and we in the EU may not be there yet on agriculture, but last year the accusation that the Doha talks fell apart because the U.S. and the EU were shooting at each other, that's not the case. That's not an accusation that can be leveled.

REPORTER: I have a very difficult question, (unclear) rise in (unclear). (unclear) do you think if (unclear)?

SEC. JOHANNIS: I would say this. There's still a WTO process going on. There's papers being written and challenge papers. This was a process between the G4 to try to see if we could reach agreement on important aspects of the process. So that process will continue. I'm not exactly certain how that unfolds because that's Mr. (audio break). So we are certainly willing and anxious to consult with him, so it's really kind of a different situation.

REPORTER: (off-mike).

AMB. SCHWAB: Of course not. Thank you, Robbie. Let me begin with the obvious irony here which is the U.S. and the EU get the blame if we are targeting each other, if

we're arguing with each other about agriculture. And we get the blame if we're approaching convergence on agriculture. So it's certainly a no-win situation, right? But here's the key. The U.S. has shown and will continue to show flexibility, whether it's in market access or in subsidies.

But the U.S. and the EU alone can't deliver a successful Doha Round, and at some point everybody needs to remember the developing countries that are not physically present in the room, and those developing countries need access in agriculture, they need access in NAMA, they need access in services, and they need access not just from the mature markets but from those markets that are the fastest growing developing country markets in the world.

And I would note, and I am not going to talk about any specific numbers, that what is being asked of the developing countries in terms of market access in manufactured goods and in agriculture by the way but you specifically asked about manufactured goods – is very, very minimal, is really minimal relative to the protections that those countries have.

And the question is, let's go back to the only real question that counts here, Are we going to generate economic growth and development? And if the answer to that question is yes, we have to have new trade flows. Period. Full stop.

If you don't have new trade flows, you don't have development.

SEC. JOHANNIS: Let me draw a comparison. What would you think if I were sitting here today telling you that I had had an opportunity to think about things and I decided to come back to Potsdam and lock in on a position that I needed 30 billion in subsidies? You would have looked at me just like you looked at me now, Like, he must be foolish! This is not a negotiation he's talking about!

Well, I will tell you, NAMA is not the area I negotiate in. Susan handles all those negotiations. But I've sat through two years of those discussions, and I will tell you very bluntly, I thought the goal post moot. I will also tell you that the position adopted was so far to the extreme, it cast a chill over the whole week. It created a situation where literally it was obvious that no matter what we did we weren't going to get a negotiation going. And that's what we ended up with. We ended up with a situation where, and I won't talk numbers either, we hoped these negotiations will continue, we want to have a straightforward negotiation. But I will tell you that the number chosen in NAMA was so far away, so lacking in any market access, that it just literally cast a chill over all the discussions this week. It was a very, very serious problem.

MODERATOR: Thank you, guys.

