Press Briefing with
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U.S. Perspective on Ongoing
Agricultural Negotiations
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in Room B
at the
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Mr. Hafemeister: Thanks, Magda. Good morning to y'all. Good to see you. It's nice to be back in Geneva, again.

We've had a busy couple of weeks leading up to this meeting here. We've been working back in Washington. We've had some important meetings with the APEC countries over there in Vietnam, and of course we've been having some bilateral and small group meetings here in Geneva and elsewhere, as well as the Chairman's process.

We've had some good outcomes from some of that work. We've left at the door there a copy of the APEC statement from the Ministers responsible for trade. And here where you've got 60 percent of the world's population, 50 percent of the world's trade speaking up for concluding the round, for concluding it on an ambitious basis, for highlighting the importance of moving forward, particularly in market access, I think that really puts the issues in pretty stark highlight of what needs to be done.

We also have had some recent statements out of the OECD on agriculture. They've been releasing some of their annual reports. We've highlighted some of the key findings there where they again talk about if we're going to deliver anything meaningful in terms of trade flows and economic growth and welfare gains including, and in particular developing countries, we need to see something happen on the market access side. So those are again, conclusions that follow common sense. We all know that it's only by reducing barriers to trade and increasing trade flows do you get the gains from trade that can generate new economic growth and development.

I think that's really the key point of where we are in the negotiations. Of course the United States is ambitious across all of the pillars in the agriculture negotiations. We are prepared to eliminate our export subsidies. We are discussing substantial reforms of export credit programs. We're looking at ways to improve the delivery of food aid to guard against commercial displacement. We're talking about looking at export state trading monopolies. So that's a big result there on the export competition side with some important contributions from the US.

On domestic support we're down to a discussion of numbers largely amongst the members about how deep the cuts are going to be with some focus on the disciplines in green and blue boxes, but most of the attention's on the numbers. Here, as you know, the United States is very ambitious. The President reiterated again this week our objective of ultimately eliminating all trade distorting domestic support along with tariffs, and in our proposal we'll take a big step in that direction with the cuts in the Amber Box, with the caps in the Blue Box, the caps on the de minimis. So there's certainly a lot to be had in terms of reform in the domestic support area.

Obviously we'd like to see the European Union and Japan and others address some of our interests for deeper cuts here, but the numbers on the table are certainly impressive if we can deliver them.

That leaves, of course, market access as the area that really needs the most attention and where we've spent most of our time this week and the last couple of weeks trying to determine how we can craft formulas for tariff cuts, develop treatment of sensitive products, identify the appropriate disciplines for special products and special safeguard mechanisms so that we really do deliver on our promise in Doha to have substantial improvement in market access for agriculture across all agriculture products.

We're not there. We still have some serious differences in this area of the negotiations. You're all aware of the differences in terms of the level of ambition on the cuts. I'm sure you're aware of the differences in terms of how we deal with sensitive products, whether or not we'll have real compensation through tariff rate quotas for those products, and the concern that we and others have about undermining the results of the tariff cuts through widespread use of special products and special safeguard mechanisms.

So all those issues are out there. The Chairman's reference papers I think have done a good job in highlighting the differences that exist and the importance of resolving those. Certainly from our perspective the importance of resolving them in a way that delivers real market access, expands trade flows and generates economic activity.

So we'll continue our work today. There's another meeting the Chairman's holding to discuss his reference paper on export competition. Once again, he's laid out the issues in his text pretty well, highlighted the key questions that we'll have to solve. We're not there by any means, but we're awfully close compared to where we are in market access. So that will be a good chance for us to take stock on export competition today. But as we prepare for the next several weeks, through the end of the negotiating season here in Geneva, really the question in our mind is whether or not the market access comes together. Without market access we don't deliver on the Doha promise. Without market access we don't create the gains from trade. Without market access we can't have a balanced package in any saleable sense anywhere.

So that's our challenge and we'll keep working on that.

Why don't I stop there with that brief overview. I'm happy to take questions from any and all of you.

Press: You said over the next several weeks. Does that mean that you don't really see the end of June as being the deadline for doing this deal on agriculture?

Mr. Hafemeister: There are no real hard and fast deadlines in front of us. The only real deadline is the end of the year. That's driven largely by, of course, TPA, the negotiating authority that we have.

There are practical deadlines of how you can get everything done by the end of the year. Certainly the conventional wisdom is that means we've got to make substantial progress, certainly past modalities, by the summer. Whether that's June or July, I'm not particular, but I do think we need to get it done in that frame.

Press: I was wondering with regard to the Chairman's suggestion that a final market access deal is likely to center around the G-20 proposal, give that this is less ambitious than the US has been seeking, what focus are you now putting on bilateral negotiations in order to secure market access? Who are you talking with bilaterally? What are your key markets that you have to see open? What are they products in those markets?

Mr. Hafemeister: Janet, could you give him a copy of our schedule, please? No, I'm kidding.

Actually, most of our focus continues to be on the core modalities. It's these modalities that are going to be a reference point that determine the general level of ambition here, and in a couple of ways. First of all, a lot of attention is focused on the developed country modalities. We don't expect developing countries to make the same depth of cut for any individual tariff as developed countries. A 50 percent tariff in the developed countries might be cut 80 percent; developing countries it will be something less. But we need that benchmark of what are developed countries going to do. So that's our first and primary focus. That's a lot of what we've been doing.

Certainly we have been talking with other countries bilaterally about how they can help us move forward on the modalities and how they're going to deal with particular products of interest to ours in terms of sensitive products or special products, so we have a good idea of what's on the table. But we have not engaged in a serious process of improving individual products like you said. I think we really need to have a general sense of the modalities before we can engage in that. So it's really the modalities that have to be the key here for us.

Press: Do you agree with the Chairman's assessment that the likely outcome is the G-20?

Mr. Hafemeister: Sorry, I forgot that part.

I agree with him that the G-20 has really been a focus point in the negotiations. It's a reference point where people are saying I need more or I can't do that much or in the case of the G-20, this is it. So it's been a real reference point.

I think the question of how much more and how much less is still very wide open. The G-20 tiers and thresholds are not that different from ours, they're not that different from the G-10, not too terribly different from the EU, so that structure is probably a good point of departure. We'll have to adjust it some. But do you deliver 75, 80, 85 percent cuts in that top tier or do you only cut by 40 percent as in the G-20 proposal for developing countries? So to say you've got that as a reference point or a benchmark doesn't help us too much when you have that vast gap between the depth of the cut.

Press: I was wondering, Jason, if you could elaborate on negotiations with the European Union on TRQs. Are you looking basically at about 30 key product categories, or is it more?

Mr. Hafemeister: We're not that specific yet. The—

Press: But you're in negotiations with them, I understand.

Mr. Hafemeister: Big time. Around the clock. (laughter)

The framework talks about a number of tariff lines that would be allowed for sensitive products. One percent is what we've said; eight percent is what they've said. Eight percent of tariff lines for them is over 100 tariffs, which is a lot. Now how that translates into actually which products are sensitive and which ones are not, we don't have a good indication—

Press: Let me rephrase my question. Are you negotiating with the Europeans right now on about 30 key product categories of interest to US exporters?

Mr. Hafemeister: No. We're talking about the basic modality of how many sensitive products will there be and what type of compensation. How big will these quotas be? So we're definitely at the general modality discussion with them.

Press: Just a clarification, I didn't quite understand in your answer the G-20, you said the vast gap between the depth of the cut. You're talking about the gap between what they would require the richer states to do and the developing countries? Is that the gap? And does that mean then that for the top level it's 54 percent, there is something that could be a basis for negotiation?

Mr. Hafemeister: Sorry. I'll try and be more clear.

If you look at the G-20 proposal for developed countries, they say the top tier would require a 75 percent tariff cut. We've said we want to see up to 90 percent for the very highest tariffs. The European Union has said for those top tier they want to see only a 60 percent cut. The G-20 proposal for developing countries in that top tier only requires I think a 40 percent cut.

So that's a big range of numbers, even between 60 and 90 that's a lot, but certainly between 40 and 90 you have a very large difference.

Even if you're using the G-20 as a benchmark, it's certainly by no means agreed that their level of cuts are going to be acceptable. In fact they're not even necessarily in the middle ground. For developing countries the G-20 have not offered very much at all.

Press: The question on domestic support. The message has gone out from Mr. Lamy that the US has to move. We haven't seen anything yet. Of course you want more on market access before moving.

I was wondering, there have been some suggestions that one area where the US could move relatively painlessly and increase its offer is in the area of product specific de minimis where you don't spend anything at the moment and where you have something like a four or five billion leeway there.

Why can't the US at least offer to reduce that to zero, which would then increase, improve its offer and make a good show here in Geneva?

Mr. Hafemeister: Good question. I didn't realize you'd been deputized as a negotiator. [Laughter]. You're doing well.

Press: It was just a question.

Mr. Hafemeister: This question of domestic support cuts is one that's been floating around out here. I think you've honed in on the key element, that if you hear some of the discussion, you listen carefully, and what folks are saying is the US has proposed something that doesn't necessarily force reduction in spending on domestic support. I don't hear anyone disputing that our proposal delivers real reforms in Amber Box programs. That's the 19 billion that is being cut to 7.6. I don't hear anyone disputing that we've got a real hard cap now on the counter-cyclical program that would reduce the allowed spending on that program. When you combine those two together, the two most trade distorting boxes, there are real cuts and there's no avoiding that. There's no restructuring. There has to be change.

So the question goes to this so-called water that might exist, largely in the de minimus category. Our response to that I guess is two-fold. One, we put a very strong offer on the table that will force reform and let's not confuse form with reform. This is a reform proposal. We want to see others reciprocate. Others have to step up to the plate here. We've asked for state trading enterprises to be eliminated. Where are the state traders? We've asked for market access. Where is the market access on developed and developing countries? We've asked the EU to stretch beyond what they've done? Where is it? On domestic support?

So certainly in a negotiating process you need to have some complementary movements to make this happen.

Second of all, if you talk about this de minimis support it's not clear at all to us that it's important in terms of trade distorting effects on the global economy.

I'm very interested to see someone describe to me a product specific de minimus program -- by its very name, very nature de minimis -- that is going to have a distorting affect on world trade. Remember, the de minimis and the Amber Box are mutually exclusive categories. If you have support in product specific de minimis you cannot support that commodity through the Amber Box. If you support that commodity through the Amber Box, you cannot support it through product specific de minimis. So by its very nature it's an either/or decision.

So others have suggested that this is a place where it would be appropriate for the US to move, but I think we're at the point in negotiations now where we need to see the market access on the table. We're running out of time. We're not meeting the Doha objective. We're not delivering the trade flows. That's where our attention should be.

Press: If you get that moving on market access, what you're looking for, is that area where you are likely to move on the de minimis products—

Mr. Hafemeister: I'm just focused on market access.

Press: On that very issue, what's your shopping list concerning market access from newly acceded members of the WTO? Do you think China can do a bit more, or do you think Peter Scherr did a good deal back in '99 so you don't need to ask for more?

Mr. Hafemeister: We think all countries have to make a contribution in this negotiation. Everybody's got to help move us towards a balanced result and everybody needs to contribute to the gains from expanded trade. Importing countries benefit, and exporting countries, so we do expect all newly acceded countries to make reasonable contributions as well. Certainly for some of them who have just recently joined there's a reasonable case to be made that they could deal with some transitional mechanisms, but the important thing is that in all of these countries, in all WTO members we need to see a real commitment, except of course, the least developed countries.

Press: What about specifically from China? What would you like to see from the biggest potential export market for the US?

Mr. Hafemeister: We want to see a real contribution. China has already made a big contribution in its accession commitments, but that doesn't mean there's not more progress that can be made. So I'm not going to identify specific products for you, unless you to have been deputized as a negotiator. But no, we're looking for a contribution.

Press: This imbalance between market access and cuts in domestic support, where are the vulnerable areas for US farmers? To me it seems the domestic debate in the US is very much about market access and given the chance everybody's a winner. But the debate in the European Union seems quite different. There is acknowledgement in certain areas which says they aren't going to be able to carry on the way they have done. Where are those areas? Where is that debate in the US? Why does it not seem to have happened?

Mr. Hafemeister: I think if I understand your question correctly, and correct me if I'm wrong, the big question in terms of US reforms here is that we're moving from a very long established series of programs from the 1930s that provide a very clear assurance of income protection to farmers, and under our proposal that would have to change. More income would have to come from the market and there would have to be different types of safety net programs in place. So there's a lot of uncertainty. There's a lot of faith that producers would have to take to adjust to this new system. Some of them, certainly the competitive producers, stand to gain in this environment, but some of them may not. So I think that's the change.

In some sense it may be within individual sectors that some producers may be better off, some may of course may have a more difficult time in a competitive environment. In addition to across-sectors.

But I think the ethos in the US and the specific instructions that we're hearing or the comments we're hearing from our farm groups is that they're willing to move in this more competitive direction if they have a fair shot at competing in the markets. And that's very much the view of the main farm groups, very much the view of the large commodity organizations who represent their views. It's in this more competitive environment, they're willing to take their chances. But if it's a real fair environment.

Press: More Argentine beef or Brazilian orange juice.

Mr. Hafemeister: Yeah. That I think is the general case. Now there may be individual producers or even some sectors where they fear they may not compete at all, but the broad mainstream of agriculture has consistently supported a level playing field, an open, competitive environment. There are always exceptions, for sure, though.

Press: Do you observe from the big developing countries, Brazil or India, and from EU that they are really ready to move on their positions? And in that context are you willing also to move in your position if it is the case?

Mr. Hafemeister: I hope so. When we look back at the promises we've made in Doha, in the framework, and even in Hong Kong where all members committed to substantially improved market access, and that's the standard we're using. So we certainly hope that all countries, including those you've mentioned, are prepared to move in that direction. From some of them we've seen more positive signals than others. From some we haven't seen many positive signals. For our part we have been listening very carefully to their reaction to our proposal in ways that they would like us to improve it. I think across the board everyone recognizes it's a big reform proposal. Some would say they'd like to complete it in some of the details. We've looked at those details, we've consulted domestically with our Congress and with our industry, and so we're trying to find a way to give them some of the assurance they're looking for. But as a practical matter, we still feel that we've made a very strong offer, it hasn't been responded to, and it's not really a good use of our time to continue to explore strengthening our offer when we're still very unbalanced with what's on the table.

But absolutely. We're negotiating in good faith here and trying to address their concerns.

Press: Can you say a little bit more about exports and address this point that the Chairman makes about reconciling the 2004 [inaudible] export produce over six months, [inaudible] proposals that don't meet that?

Mr. Hafemeister: I think there are two things going on here. One is that for some unique products we and others have said there should be a longer repayment period than 180 days.

Press: Livestock?

Mr. Hafemeister: Livestock breeding material, planting seeds, things that are not sold directly into a market and turned over in a commercial sale, but are more of an investment product. So you buy a seed, you don't get your harvest back until the next year. So 180 days may not be the appropriate time for someone to be able to pay off the credit.

So that's one element. I don't think it's a big deal. It's a relatively technical issue. There's not a lot of concern about distortion in this area, but it hasn't been resolved.

The second issue relates to as we phase down to this 180 day rule, we have to do that in parallel with export subsidies. What we still haven't completely agreed in the negotiations is the treatment of credit programs with terms over 180 days during this transition period. So the easiest solution would be to get rid of export subsidies as quickly as possible and move to a world of 180 day credit. If we could do it on day one the issue would be off the table. But the longer we stretch out, backload or not front load export subsidies, the more this question is of how do you deal with phasing in long term credit programs.

So by 2013 that question will be gone as well, but it's an important implementation question.

Press: So a direct parallel between export subsidies and export credits.

Mr. Hafemeister: Yes, that's right. This is strict parallelism.

Press: Is that a political parallel or a practical parallel?

Mr. Hafemeister: I think it's both. The Europeans have been quite clear about strict parallelism in all elements, including implementation. So it's part of the framework we're dealing with. But it's also a practical means. This is an area where we're making a big contribution on our export credits. If export subsidies are not going to be delivered up front, all in day one, then certainly we have difficulty explaining why we're delivering all of our reforms on day one as well.

Press: I was wondering if you could update us on where you think things are going on the cotton brief. How much above the average domestic cuts are you looking at with your trading partners, especially from West Africa?

Secondly, with reference to this punch line of ambitious deal, everyone wants an ambitious deal, some officials are saying what's on the table is already bigger than the Uruguay round, so something less than 50 or between 20 and 40 which was basically what you got in the Uruguay round.

Mr. Hafemeister: Leading the witness. [Laughter].

The first question on cotton, we have not engaged in any specific discussions of cotton sectoral negotiating parameters largely because we don't have a frame of reference to do that. The charge in Hong Kong was to do something more than the general modality. The general modality has not been agreed so we have no reference point to determine how to do that. It could be one dollar more, it could be ten dollars more. One year sooner, one day sooner. Who knows? That's all still very much up in the air, and until we settle on modality, it's practically difficult to have that discussion so we have not had that.

On the question of what is ambitious, I think it's useful to look back at well, there are a couple of standards for that. One, of course, is the Uruguay round. Remember there, the Amber Box cut had been 20 percent and the average tariff cut had been 36 percent. What we've proposed is a 60 percent cut in the Amber Box, and you can do the math yourself to see what kind of tariff cut that would correspond to.

If you've thrown 50 percent as a tariff solution out there, if you compare that to the Uruguay round you get a much smaller domestic support result. I don't think in either market access or domestic support that's the kind of result we want to get out of this negotiation.

Another good framework of what is ambition relates to what the APEC Ministers have said and what World Bank and OECD have talked about, is where do you actually see increased trade flows that generate economic gains? And there some of the simulations that have been done and some of the analytical work suggests that you need quite substantial tariff cuts to get into the water and the tariffs.

So once again, the Uruguay round number doesn't deliver you the kind of results that really we thought had been promised in Doha. So that's why we are not satisfied with the types of proposals that we've seen on the table. They would yield small results across the board.

Press: Jason, how important is it for the United States to have a peace clause in the final agriculture deal? And can you accept a final Doha deal without the peace clause?

Mr. Hafemeister: It's important. We are going to engage in a serious process of domestic reform at home and will lock it in in a Farm Bill, something that is a long term endeavor for our Congress and our producers. So having some certainty about what the allowed support measures are in the WTO is quite important. Consequently we're looking for a type of a peace clause to provide that.

In our opinion, the depth of cut that we're talking about should deal with a lot of the concerns that other people have about trade distorting effects, so with these types of reductions it certainly seems reasonable that we would have some litigation protection.

Press: Is it a condition for a deal for the United States?

Mr. Hafemeister: I don't want to talk about red lines here with you guys.

Press: Is Ambassador Crowder here?

Mr. Hafemeister: Yes, he is. Working hard.

Any more questions? Anything unclear?

All right, there will be a quiz. [Laughter].

One more question.

Press: On this domestic support, [inaudible], you keep telling us how ambitious, it's a big cut and all that sort of stuff, but nevertheless there's still, I think if I remember right in the figures I saw, $21 billion on the table, which is more than you currently spend, so that's a fact.

Now you're reforming your programs you say, and I can't remember, there's something that went from 19 to 7 and somebody else, okay, fair enough, you reformed. But you've still got 21. There's nothing to stop somebody coming out with some new programs in the future that will take it back up to the 21. If a number's there, it's there. It's there to be used, presumably. Or is there something magical about this thing which means you can't ever actually get to that point?

Mr. Hafemeister: That's a good question. I want this on tape because it's a sophisticated question.

You're right. There have been some very superficial, in my view, critiques of our proposal by pointing at the total allowance across all of the categories and saying if they were somehow fully exploited there would be no reform in our proposal. And I'll repeat again, it's similar to the answer I gave before, that the constraints we have on the Amber Box and the Blue Box are going to ration, limit our spending in those two categories. The category where we have not used all of our support is in this de minimis category. There are several important things.

One is, by its very nature you cannot put a corn program in both product specific de minimus and the Amber Box. It's either/or. So we either have to have a very small corn program to put it in de minimis, but then that's all we would get; or we'd have a larger program in the Amber Box but we could not use all of that product specific de minimis. So by its very nature we cannot exploit all of that unused support.

Second is, de minimis are these very small programs. These are not the types of programs that are going to influence production decisions the same way that a $4 billion marketing loan program is going to. It's going to be limited to 2.5 percent of the value of production for that crop. Much different trade distorting affect. Does not circumvent reform.

So that's why you can cite those numbers but when you study the critique people will say they could spend, but I don't think in any critique they would say you would not have reforms. And specifically, for an individual product you either have to have a small program or else you don't use that de minimis.

So I think it's a convenient mathematical relationship to highlight in a negotiating tactic, but I don't see it as being a real problem in terms of trade reform of domestic programs.

Press: So there's no way the US could spend the $21 billion. It's impossible. Congress cannot come up with some new clever scheme, stuff which would occupy, whatever. If the ceiling's there, it's there. But you're saying the ceiling isn't really there. In which case, where is it?

Mr. Hafemeister: I don't see how you could. I'll answer you that way. I don't see how you could.

Press: So where is the ceiling?

Mr. Hafemeister: It's a very hard ceiling on Amber Box programs, 7.6.

Press: What is the overall ceiling?

Mr. Hafemeister: That depends on individual choices. Do you want a de minimis program or do you want to eat up some of the 7.6? So you can't predetermine how that distribution would occur.

Press: That begs the question again of why you want to keep the product specific de minimis. If you can't use it, as you're saying, then what possible justification could you give for keeping that allowance?

Mr. Hafemeister: We might want to use it instead of an Amber Box program. Let's say you're a farmer. I know a big stretch, everyone. [Laughter]. But suspend disbelief for a moment. And you're an apple farmer. We don't have an Amber Box program for apples. But what if you want to have a small program to help apple farmers that's linked to production? It's got to be less than 2.5 percent of the value of production but it doesn't qualify in that Amber Box. So there are uses for it.

Let me answer you this way. This may be the better answer. Why don't you ask the developing countries who do not want to cut de minimis at all, who say zero cut, why they're holding onto it?

Press: What's the answer to that?

Mr. Hafemeister: I'll let them speak for themselves.

Press: What are your suspicions?

Mr. Hafemeister: I'll let them speak for themselves.

Press: What base year would you be comfortable with? Something beyond 2000?

Mr. Hafemeister: We think 1999 to 2001 is a good base year. Remember, the key in the framework said we want to set a base period, we want to set a product specific cap. We did not commit to product specific reductions. The concern is that Japan might reform its rice sector and then translate all of that rice support into dairy. And most of their Amber Box has been rice, so if they moved it all to dairy they could have a big distorting effect, increased support for dairy.

So what we've agreed is we're going to guard against increase of support, but we're not going to force product specific reductions. So the '99 to 2001 period is the fairest period in terms of US support levels because that's when our programs were most active. Prices were the lowest, payments were the highest, that reflects the level of support that we've had in those programs. So that's what a product specific cap should be about in our view.

Thank you very much.

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