

**Remarks by Ambassador Rob Portman
United States Trade Representative
Before the Agribusiness Group of Washington
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Ambassador Portman: -- trade initiative, which [inaudible] to complete a few other trade agreements and to keep the momentum moving in the right direction. When you only win by one vote, which is what we did, everybody can take credit. [Laughter].

One of the bad memories, I suppose, was dragging my wife to the Hill to get votes, it was actually a textile issue in that case. And I'm shameless. My wife is from North Carolina. So -- [Laughter].

She happened to be in town for our anniversary and I had to deal with about a half dozen of my good friends from North Carolina, and South Carolina, Georgia and Alabama in that case on textiles, so who did I take with me? My North Carolina emissary. Don't tell Jane that. She thought it was a date. [Laughter]. But it was an opportunity to also fill her in a little bit about what I do. We kept our family in Cincinnati, which has been a challenge because I'm traveling more than I ever did in Congress, including weekends. I'm learning also, a number of you are former Hill staffers or former Members, as Cal up here in front. Cal has learned this also, by the way. That Tuesday to Thursday schedule was a pretty good deal. [Laughter]. Things are a little more tense now and it's a little more difficult to get home and see the family.

But it's great to be here. I'm glad the Agribusiness Club has now merged itself so we have everybody from the "farm to the fork" as they say, represented here. It's a broad cross-section of people. A lot of friends in the audience who I've worked with over the years. It's a great opportunity for me to give you a sense of where we're headed and also get your input from you, some questions at the end of the presentation.

Let me start by reminding you of what we all know which is how critical trade is to the farmer forward. This is something that you realize being here in Washington. Not all the folks back home realize that, or certainly some of the representatives on the Hill. But in my home state of Ohio, one of every three acres is planted for export, and that's generally true across the nation. Twenty-seven percent of market income is directly from exports.

As I think about it, we have the most productive farmers in the world in this country, thank goodness, and we have some of the best farmland in the world and we have a mature market. We can produce a lot more than we can consume. Someone might ask me a question afterwards about energy. I won't get into energy a whole lot in my discussions here since it's not my purview, but even with the more energy we can produce a lot more than we need to.

So we've got to be able to access 95 percent of the consumers who live outside of our boundaries. That's where the growth is, and it's happening. Diets are changing, which is good for us. People want American products, including American beef by the way. This notion that somehow consumers in Korea or Japan or elsewhere are concerned, let's see what happens when those markets fully open up. What will happen is what happened I'm told in a beef restaurant in

Japan, I believe it was in Tokyo downtown, when they were able to serve their last remnant of their American beef, the line went around a couple of blocks of people trying to get in.

So there's opportunity out there for our products and we have to continue to focus on trade in order for our agriculture economy to be healthy.

One reason Mike Johanns is so critical to me is that he provides me with some great data that USTR would need, and we need it rapidly. Greg Biederhorst, Mike Yost here this afternoon. We're working more closely with Mike. Some of you know that J. B. Penn and Mike Johanns and their team work seamlessly with USTR. I encourage Mike to come with me to every trade negotiation he will attend, which means sometimes we lose a little sleep together because we've been on the run. We've been to West Africa together, we've been to Europe several times together. I think it's very important that USDA and USTR work closely together, and many of you work closely with USDA on your issues.

I'm encouraged by the relationship we have and by our ability to be more effective negotiators, frankly. This is not typical. In many countries, as you know, where you trade in blocs – such as the one across the Atlantic – sometimes the Ag Ministry or Department and the Trade Ministry or Department don't work too closely together. Sometimes they don't work together well at all. We don't have that issue. It's made it easier for us to deal with and negotiate both with regard to the WTO and the multilateral front, but also with regard to our FTAs and other bilateral negotiations.

By way of introducing what our agenda is, let me just say that agriculture is front and center to everything. When I left the Hill I thought this is interesting, I'm going to go back – I was a trade lawyer early in my career. So I'm a recovering trade lawyer, I guess. I didn't realize that I was going to get an Ag-Econ degree as part of this job.

But this morning I was on a phone call, for instance, with two other Trade Ministers arguing on the fine points of the blue box and criteria and the interaction between the blue box and the amber box. I was thinking my gosh, I'm spending a lot of time on these agricultural details. Why? They're incredibly important to trade. Ag is only about six percent of our trade, but I will tell you I spend many times a factor of that, many times more than six percent of my time working on agriculture. And I will continue to.

It's an important export for us -- \$62 billion last year, record exports. And also because, frankly, although as I said earlier trade is very important to your future, all the way from the farmer forward, it's also very important to trade's future. Just as trade is essential to agriculture, agriculture is essential to our trade agenda. Again I look no further than CAFTA. When I was on the Hill on the Ways and Means Committee involved in these trade debates agriculture was always key. In fact arguably the most reliable trade ally in terms of opening markets.

So it's an issue that I take seriously. When Cal was on the Hill the reason he got so involved in trade was because he's so concerned about agriculture. That fit his district, but it also fits with our national interests.

WTO, of course, is a top priority for us right now, and it is for agriculture. We're working hard toward a successful conclusion this year. Why? For one thing it's been going on for four and a

half years and it's time to bring this to a close. It's critical to this once in a generation opportunity to bring the trade negotiations to a resolution that helps global economic growth, helps our individual economies. In this case it helps development move forward.

Second, though, we've got a little time crunch here. Tuckie referred to it earlier. Our Trade Promotion Authority expires in July of 2007. That means we really need to complete the WTO process this year to have the legislation go forward in Congress in time to meet that deadline. You recall [inaudible], consultations for 90 days prior to consideration.

That's a serious deadline. Would we like to see immediate renewal of TPA? Of course. As your Trade Representative and advocate, of course that would be something I'm pushing for. But I think we have to realistically look at what's happened in the past. The track record is not good. The last time it took us eight years to reauthorize the ability for a President to go up to the legislature with a trade agreement for a hunker-down look.

So it's a risk. If we miss our year-end deadline, then we'd be risking not getting it in under the TPA window in the United States, and therefore having a difficult time knowing when we could bring this trade agreement to its implementation stage.

With regard to agriculture, again, the Doha Round. I don't have to tell you all that it's been front and center. I'm sometimes criticized for making it too front and center, but I do so because it is a lynch pin to success in the Round.

Recall, the Doha Round is called a development agenda for a simple reason. That is after 9/11 the WTO members got together and talked about the need to encourage trade, open markets, economic freedom, in order to give developing countries more of a stake in the global trading system and to help address some of the root causes of terrorism. Agriculture was put at the center. Agriculture had been dealt with in the Uruguay Round, but frankly, in eight of the nine previous Rounds agriculture had been left out. As a result, agriculture tariffs and trade distorting subsidies, are the highest in the world. The average tariff in agriculture is 62 percent.

So from a developing country perspective, where often the majority of their employment is in agriculture, living in rural areas, and where often they see they have a comparative advantage in agriculture in order to get on their feet economically, this is very important.

So while it's important to the United States and I'm not there every day fighting for what I think is just fundamental fairness in terms of the WTO which is leveling the playing field, it's also very important to the core of Doha as a development tool to help developing countries.

You may follow this closely and if you do I apologize for going into it in more detail, but for those of you who don't you should know the United States has taken a leadership role in agriculture. Last October we put forward a proposal that was the most ambitious proposal out there across the board in agriculture. Reducing tariffs. This is a matter of fundamental fairness for the United States where we have a 12 percent average tariff compared to that 62 percent I talked about earlier, making us relatively open. We think we ought to be at a level playing field generally in trade, and certainly in agriculture. We'd like to help our farmers and ranchers by having a more level playing field in terms of market access.

So we have an aggressive proposal out there with support from some other countries – the Cairns Group, Australia, New Zealand, Canada, and we’re pushing very hard for that.

Second, export subsidies. Some of you know export subsidies are primarily used by the EU at this point, about 89 percent. And an agreement had been made to eliminate export subsidies which is a very direct trade distorting subsidy, obviously, in the 2004 WTO framework agreement. The United States set a date for that. It’s a pretty aggressive date, 2010. In Hong Kong we were able to agree to a date of 2013. So in the Hong Kong Ministerial we did make progress on that area.

The third area is trade distorting domestic support. The United States has been under some pressure, as many of you know, and in the 2004 framework agreement it was agreed it would be not only new market access, not only the elimination of export subsidies, but also a reduction of trade distorting support. Having made a commitment to do that, [inaudible] this Round to come together, an understanding that for America’s farmers and ranchers if we have a more level playing field we can live with less trade distorting support. The United States put what I think is a very bold and responsible proposal on the table.

It energized the Doha, the Round was energized by our proposal across the board. Frankly, some of that energy is dissipating a little bit. The reason is we haven’t had matching offers. In other words, others have not been willing to step up to the plate and say okay, the United States is going to do its part on domestic support. Therefore we’re going to do our part in the other two pillars. The focus, of course, has been market access. And there other countries, other trading blocs have not been willing to say that they are willing to open their markets by reducing tariffs in ways that match our offer of domestic support.

That’s kind of where we are right now. Again, not the biggest part of world trade or US trade, but it’s incredibly important to the Doha Round coming together.

What we’d like to see is more focus on market access. We’d like to see the Doha Round come together successfully by having real new trade flows in agriculture. Remember I talked about the 2004 framework. It says specifically that there must be a substantial improvement in market access. That deals a little more specifically with domestic support, and we’ve met those requirements, in my view.

With regard to tariffs, we still haven’t gotten to the level of specificity we need in terms of a consensus among the WTO countries. So we push hard on that. I had a conference call already today on that topic with a couple of my trading partners, trading colleagues. I’ve got a couple more coming up this afternoon. We will continue to push and push hard.

We also believe, by the way, that market access in non-agricultural goods, the so-called NAMA discussions, -- non-agricultural market access – also needs to be significant. We agree with the European Union when they say we need to see a coming together here of not just agriculture but also manufactured goods, industrial tariffs. This is where the bulk of world trade is. The United States obviously has a strong interest here. We’re the largest exporter of manufactured products in the world, and we’re pushing hard for that.

So we have I think a very balanced approach and I know a very ambitious and responsible approach on the Doha Round. And I'm proud of that. I'm proud of our President. Because this proposal in October was not an easy one to put forward. We worked very closely with some of you in this room before we put it forward; we worked closely with committees, including with Chairman Goodlatte, Chairman Chambliss. But the President made a decision and he put forward again a proposal that was bold, a proposal that moved the process forward and it was the right thing not just for the United States but also for success of the Doha Round which means success of the global economy and the development, the commitment that we've all made as part of this Doha Round.

I want to personally thank those in this room who have worked with us so constructively. It's been a terrific, very constructive relationship. I mentioned Saxby Chambliss and Bob Goodlatte. They've given me great input and I've spent a lot of time making sure that the Ag Committees know what we're up to, as well as the Finance and Ways and Means Committees, and so the leadership in Congress knows the direction that we're headed. We'll continue to do that. We'll continue to work with folks in this room who represent [inaudible] groups, represent some of the groups that are currently interested in the subsidy side, and represent some groups that are currently interested more in the market access side, and to the extent possible we need to sit together and we need to be sure that at the end of the day we have a fair and balanced package.

The deadline that was talked about earlier by Tuckie of April 30 is one I take seriously. I take it seriously for the reasons I stated before, it really is necessary for us to meet our more important deadline of TPA.

This means that we are right now at a crucial point and that crucial point is trying to be sure that, again, we are following the Doha requirements. Not the United States requirement. We're going to be aggressive on all fronts. We think it's important to have an ambitious result here for the good of our economy and the good of our farmers and ranchers, but we don't think you can meet the Doha mandate without having ambitious resolve.

So thank you for sticking with us up to this point and trying to get a good result. I hope that over the next couple of months I'll have some good news to report in terms of making progress on the so-called modalities by April 30th, which basically is the formulas to move forward to the next step.

Meanwhile we're not slowing down on the bilateral front. In fact we've redoubled our efforts there. I was looking the other day at what we've done so far, and Congress has now passed 15 FTAs, 11 under this President. We've got about 15 out there right now we're negotiating. Some of them we've made progress on even recently, but we are stretching ourselves a little thin sometimes. That's why USDA's helped. We appreciate it. But we're not going to slow down because as important as the WTO is, with our Free Trade Agreements we can truly deepen our economic ties with countries around the world and truly increase our market access.

Let me give you an example. Among our FTA partners which includes Canada and Mexico but also a lot of smaller economies, we comprise about 15 percent of GDP. So our FTA partners together comprise 15 percent of the world's economy. Those FTA partners account for 54 percent of US exports. So the 15 percent of our GDP is 54 percent of our exports. Why? Our export growth, which is about ten percent per year now, which is very healthy, by the way,

despite our trade deficit. We're still growing in terms of exports. Our exports to FTAs are more than double that, or 20 percent. That's our growth per year – 20 percent growth per year.

Recently we concluded an important Free Trade Agreement with Peru. It's on the Hill. It needs your help. It's a great boon for agriculture. That was about two months ago.

About three weeks ago we completed our Free Trade Agreement negotiations with Colombia. Another great benefit to agriculture. We need your help on that as well. When it's considered on the Hill is uncertain. Peru is there and just about ready to go, it's just about through the consultation period.

We completed a few months ago a Free Trade Agreement negotiation with Oman. Not a huge market for agriculture but it's an important next step in our overall effort in the Middle East. We need your help there.

Congress has got lots to chew on right now from the administration's trade agenda. We recently passed through Congress the Ukrainian bilateral agreement which opens up foreign market access opportunities for agriculture as part of Ukraine's accession to the WTO. That happened only a couple of weeks ago and Congress passed it last week, so we're on the move.

In February, as many of you know, we launched Free Trade Agreement talks with the Republic of Korea. This is an exciting one. Korea's the tenth biggest economy in the world. It's our sixth biggest agriculture market in the world now. Despite significant barriers. So you think about that. We're already sending \$2.2 billion worth of agricultural products to Korea annually. There's a tremendous amount of potential to do more.

The formal talks with Korea begin in June. It's going to be a tough negotiation and we know that. It's going to be complex. This will be our biggest Free Trade Agreement since NAFTA. But I think we have the right environment and I think we have the issues pretty well identified. We took our time before we launched this agreement. We made some progress in a number of areas including agriculture. As you may have seen at the launch, which was done on Capitol Hill, the first time we've ever launched a Free Trade talk on Capital Hill. We had a nice bipartisan group of Members represented including some Democrats who couldn't support us on CAFTA but have said they're interested in working with us on Korea. That to me is very exciting.

Following that, just a couple of weeks ago we launched talks with Malaysia. This is another large, growing, dynamic Asian economy where there's terrific potential for agriculture in a number of areas including wheat, soybeans, fruit. Again, we launched on the Hill. We had 18 Members of Congress present, about equally divided between Democrats and Republicans; had some members of the Ways and Means Committee on the other side of the aisle from me, typically who have not been able to be supportive at least recently in some of the bigger agreements. So I'm very hopeful there too.

But we need your help on those. We need to be sure that we are getting your inputs in those agreements subsequently, so you can support us strongly at the end of the day. But also so that you are creating the right environment for us to have a rebuilding of this bipartisan consensus on

trade we seem to be losing. We need to continue to reach out on both sides of the aisle to let people know that trade's important to you.

We are working right now with Panama and Ecuador on possible Free Trade Agreements. Hopefully we'll be able to come together soon with both of those countries. And we are continuing to work with our existing trade partners like Mexico. Mexico, as you know, is our second largest trading partner. We've got some issues we're working on right now with Mexico, like agriculture. We've had some successes of late with Mexico as some of you know in the area of high fructose corn syrup or rice. I'm going to Mexico tomorrow to meet with my counterpart as well as the Trade Minister of Canada. We have a healthy, growing trade relationship there and we continue to work with all these FTAs to try to make sure that they are working well for the United States.

One of my concerns as a Member of Congress was compliance and implementation. It's one thing to pass an agreement, it's another thing to be sure it's working well. This USTR team will be focused on implementation, compliance, and make sure we're doing what we have committed to do.

Along those lines I will tell you that we have not yet fully implemented CAFTA for that reason. During the process of the Central American Free Trade Agreement certain commitments were made with regard to agriculture, as well as other issues, but to be honest, as I said earlier, agriculture has been front and center in our negotiations. The reason we have implemented already with El Salvador but not with other countries in Central America is we're still working through some issues. Primarily it's agriculture. Some have encouraged the United States to go more quickly, go ahead and implement and accept pledges of future compliance. I won't do that. Commitments were made to Members of Congress, to [inaudible] groups and others particularly with regard to SPS, Sanitary and PhytoSanitary standards. I want to be sure they're met. It's the right thing to do with regard to CAFTA DR, to be sure it's an agreement that meets its promise. But also with regard to our future agenda.

We want to be sure that as we take agreements to the Hill Members of Congress know that we're serious. Not just about passing them but about implementing them properly.

So the good news is, I said El Salvador is already on board. We expect Nicaragua and Honduras to be on board soon. I hope by the end of this month. We hope to continue to work through the other six members. Costa Rica is the only country that has yet to ratify the accord, and we're hopeful that ratification can also occur relatively quickly with President Arias' victory.

On the enforcement side as we look at new markets we're also working to make sure we have a level playing field and we haven't hesitated to use what tools we have on hand to do that. The Japan restrictions on apples is an example where we've had great [inaudible] this year. Also I mentioned Mexico, the antidumping duties on rice. Or the recent case on the beverage tax. Six weeks ago, as you know, we had a great decision from the WTO. The WTO has now ruled that [inaudible] moratorium on a rule for products made with biotechnology violated the global trade rules. This is important not just with regard to the European market but to ensure that other countries didn't adopt some of these same European moratoriums either on an EU-wide basis or a country-specific basis. This is good for us. It's good for corn, good for soybeans, good for US agriculture generally.

As you can see, we've got a pretty full plate. We've got a lot going on. Someone asked the other day, can you do all this? Can you have these WTO negotiations and the bilateral negotiations and the accessions and the enforcement? How can you walk and chew gum at the same time? I said it's not like that any more. In our more and more integrated global economy where you see more and more rapid change the United States needs to be a leader and not sitting on the sidelines. So not only do we have to be able to walk and chew gum at the same time, we have to be able to run and chew gum at the same time. We've got to run that marathon at a sprinter's pace. If we don't, we'll be left behind and US agriculture will be left behind.

So in this administration we'll continue to be ambitious, proactive. One of my jobs that typically people don't [do] the USTR for is to be a negotiator, and I'm proud to do that. I'm proud to represent the United States. I'm proud to represent a whole agenda that truly believes in the power of markets and the power of trade to be able to lift people out of poverty. But another job that I think is increasingly important that goes beyond the negotiating is to better explain the importance of trade. I mentioned at the outset, most of you probably agree with the statements I made about the importance of trade to agriculture. Not every guy on a tractor, take my own state of Ohio, understands that or believes that. Part of that is a failure on our part to communicate it. I'll take a little blame for it, but I also think each of you have a responsibility, if you agree with me, to communicate that.

So as a result you'll see me, you'll see my two deputies -- [inaudible] and Susan Schwab -- doing a great job out there communicating about why the United States is taking this proactive approach to trade. Why do we think it's so important? How the United States is a relatively big, open free market, and how it's always going to be in our interest to knock down barriers to trade elsewhere. How we have in the case of agriculture, or manufacturing for that matter, the most productive workers in the world. All we're asking for is a fair shake, the ability for us to play on a more level playing field and how that's going to be beneficial to us and to our kids and our grandkids, and how the alternative, which is pulling up the ladder, protectionism, isolationism, is going to be so detrimental to our economic future.

Sometimes we take for granted the strong economy we have here and the benefits we get from an open trading system.

Today in an interview with a New York Times reporter -- he's not here, because he's in New York, unless he's listening. The question was how about these trade deficits? Does trade really work for us? I said you know, it's interesting, you've got to look at where we are. In the last ten years our economy has grown at twice the rate of our G7 trading partners -- Japan, Germany, France. In the last year we've created over two million jobs in this country, with an unemployment rate now of 4.8 percent, 4.7 percent recently. Historically low numbers in terms of unemployment. Three and a half percent growth. Again, on average double the growth of some of these other developed country economies. Trade is a big reason for that.

The trade deficit is not a barometer of our economic health. If anything, because we are a consuming nation right now with a strong economy as compared to some of our trading partners, we're going to bring in some more imports. It's a sign of the strong economy that we have.

Long term I think it's a problem, one that we need to be sure that we don't have a hard landing with regard to the deficit. We need to be able to improve our savings here at home, and other countries to save less and consume more, like China. We need to be sure that our economies grow. I mentioned the EU and Japan. I believe that's happening this year, by the way. You'll see more growth and that's going to be good for us to have growing markets for our exports, but also for others' exports in terms of the trade deficit.

We need to be sure there's a more level playing field. That goes for everything from currency to the market openings that I talked about a lot today. If those things happen we'll see a growing economy which we want to continue to have, but also a reduction in our trade deficit. We'll be able to do so in a way that's consistent with continued economic growth and job creation.

So let me end where I started, which is to thank you all. Again, trade is central to ag and you're central to our trade agenda. I'm very appreciative of it and again, one reason trade is front and center for us in agriculture is because we know the importance of the ag economy. One reason it's front and center for me to talk about agriculture in each of these negotiations is the fact that I do appreciate and acknowledge the contribution that you all make to our trade agenda.

Thank you all very much.

[Applause].

Question: Ambassador Portman, a quick follow-up on --

Ambassador Portman: I didn't know the media were here. I wouldn't have said any of that. [Laughter].

Question: Two quick follow-ups to two points you raised. You spoke about the Mexican [inaudible] dispute. Mexico sees that as part of a larger sweetener dispute. To what extent are you planning to address their demands for more sugar access to the United States before 2008?

And your comment on Peru being more ready or readier than Colombia in terms of the congressional process. Are you planning to ask [inaudible] to move that separately from Colombia?

Ambassador Portman: Your second question is so sensitive I'm going to answer it first. Sensitive as it relates to my former colleagues. The answer is, it's up to the Congress. I've had a lot of discussions with the leadership of the Ways and Means and Finance Committee about it, and frankly it depends on the progress we make in the hearings and what we find out in terms of the consultations with regard to Colombia. Peru has now been up there I think about 40 days, so we're close to the 60 day period -- 90 days total, 20 more days left.

At that point we can have a hearing, it can move forward in the Ways and Means Committee. We'll see how it goes.

My own view is if we can get Colombia through the process quickly enough it would be great to have a vote this year. But during an election year when Congress is likely to go home at the end of July and perhaps not do a lot of work they are not required to do in the fall, it may be tougher.

So the answer is it's up to Congress and they're going to make that decision and look at both alternatives. We want to move both. They're both good agreements, by the way, for agriculture. Very strong agreements. Some of you worked with us on those agreements. As you see, we met the high bar that was set by CAFTA and in some respects exceeded it.

With regard to your first question on sugar and high fructose corn syrup, I'm sure this issue will be raised when I'm in Mexico, but the fact is we've now gone through the process of not just winning the WTO case but winning the appeal on the effect of the beverage tax, and it's time for Mexico to comply and they know that. I believe they're prepared to do that. They've been good WTO members and we've exercised our rights.

With regard to sugar, the interesting part there is because we've had a shortage here in our market, both late last year and this year, we had increased the allocation of sugar for Mexico as well as other WTO partners, and so the sugar imports from Mexico have increased. What will happen next year? I don't know. It depends on what the market conditions are. But under the North American Free Trade Agreement, we have complied with our obligations and we will continue to. But we don't see those two issues a linked in the short term because it's time for them to comply on high fructose corn syrup.

Question: [inaudible]?

Ambassador Portman: What if the April 30th deadline is not met? I don't want to even consider that, although it would be fair to say gee, haven't a few deadlines been missed in the WTO talks? I'd have to say yes. Just about every one has been missed. [Laughter].

I hope this one is taken more seriously. Why? Because we're really up to the crunch time now. As I said earlier, we've really got to have the modalities which is what they call basically the formula for NAMA and AGNA by April 30th in order by the summer to be able to bring together rules and services, trade facilitation and the other issues, and then actually put down schedules which we will negotiate through the fall and complete by year end. Those who are old hands at this from the Uruguay Round tell me that we are truly at a period now where if we don't make progress on the modalities we will not be able to meet the year-end deadline because it just takes that much time to go through the thousands of tariff lines and make sure that we're all in agreement by year end.

So I hope this one is viewed as a real deadline. I view it as such.

Question: I had a question about [inaudible] subsidies. [Inaudible]. There's been a lot of discussion about food aid in relationship to export subsidies right now, so I wanted to hear what you were thinking about in that area.

Ambassador Portman: Food aid was part of the overall export competition area, [sort of] export credits, slower STEs - State Trade Enterprises, including the [inaudible] and Australian [inaudible]. And all those who are supposed to be dealt with in parallel, the language you read through in Hong Kong. The deadline of that is not April 30th so we have a little more time. And the United States again has been responsibility. We stepped forward with a proposal that deals with the issue on food aid which is commercial displacement. As you know, we agreed to a safe

box in Hong Kong for emergencies. So the United States believes that we have taken our responsibilities seriously and put forward proposals that deal with the trade issue here which is the trade sorting element of food aid which is commercial displacement.

The proposal from some other countries who are opposed to our food aid is that we go to a cash-only system. That's not a requirement in this Round. Nor should it be. So we have held firm and we work with a lot of allies among our WTO member countries, our fellow members, who have also worked with a lot of outside groups including some non-governmental organizations. I'm not saying they all agree with us. Some of them have different views on this. But for the most part the UN food program and those non-governmental organizations, NGOs that work to try to help alleviate the very real hunger that exists in places like Africa, they support our proposal.

The irony to me is that food needs are not being met today. For us to spend a lot of time talking about a small percentage of trade in agriculture, one or two percent, in the context of substantial needs that are not being met, it seems to me to be a lack of balance in terms of market access on some of the bigger issues, being some of the more important for trade in agriculture. So I hope we can resolve it in a way that meets the Doha Requirement and commercial displacement, and the United States [inaudible] for a proposal that works in that regard, and I hope [inaudible] be acceptable to the [inaudible] membership at the end of the day.

The other issue on food aid I just wanted to mention is, this is in the United States a very successful program which has bipartisan support, by the way, because it does marry this strong need of a development basis and true hunger needs in places like Africa with the interests and needs of our agriculture [center]. That's not a bad thing. That's a good thing to encourage [inaudible]

So I think sometimes others look at that and say gee, how can that be an appropriate program if it helps farmers? You know what? There's nothing inconsistent with helping farmers and helping those most in need. How else are you going to get food to the mouths of the hungry?

Let me give you an example where cash only would not be a great idea. The Sudan. If you gave cash to the government of Sudan would it end up in the Darfour region among those people who are most in need? No. How about countries where there might be some element of corruption even less political or obvious than the instance that I've just suggested? Does that make sense to give a corrupt government money to provide food to people most in need? How much of that would be diverted to other purposes?

So I just think the more other WTO members learn about our proposal and learn about our program and learn about the needs out there, I think the more likely it is we can come up with a consensus at the end of the day that will be consistent with the US position.

Thank you all so much. If you have other questions and comments, I hope you will stay in close touch with us. I want to introduce Rob Lehman who some of you know, my chief of staff. Rob was also the chief of staff of Larry Combest back in his days as Ag Committee Chairman and therefore went through the Farm Bill [inaudible], trial by fire.

We also have a great new ag negotiator who's over in Geneva. I was on a videoconference with him today. Dick Crowder. Some of you know Dick. He was President of the Oil Seeds Association. He was the chief negotiator in the Uruguay Round when that responsibility was at the Agriculture Department. He's an experienced hand, got good judgment.

Finally Jason Hafemeister. Some of you know Jason. Again, former USDA, now USTR, who's got an incredible ability to come up with the data quickly while I'm in the middle of negotiations.

We've got a great team and I hope you will not hesitate to work with them and also with USDA and let us know your concerns and give us your input.

Thank you.

[Applause].

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