

## **Press Briefing**

**with**

**U.S. Trade Representative  
Susan Schwab  
and  
U.S. Secretary of Agriculture  
Mike Johanns**

**Update on WTO Negotiations**

**Friday, June 22, 2007**

**World Trade Organisation  
Centre William Rappard, Geneva**

**AMBASSADOR SCHWAB:** Thank you all for coming today. I must say Secretary Johanns and I did not expect to be here today. In fact we had tickets to return from Potsdam, from Berlin, Germany, to the United States on Monday with the expectation that we would have spent all of this week in G4 negotiations in Potsdam.

When we arrived in Germany in anticipation of the G4 meeting, I think it's safe to say that the Secretary and I for the first time in a long time, quite a number of years actually, really had the sense that we had a chance to succeed in achieving convergence as the G4.

Now G4 convergence alone would not have resolved the Doha Round in its entirety, but the G4 had a role to play, we felt, in helping to facilitate agreement among our colleagues in the WTO.

We got to Potsdam quite excited about the prospect of finally being able to bridge some very serious gaps in ambition that we have struggled with over several years, and in particular, that we've struggled with since last summer.

As you know, when the talks broke down, the Doha talks broke down last July, many called that the death knell of the Doha Round. In fact within a week we were in Brazil reaching out to the Brazilians, Minister Amorim saying we need to be able to figure out how to move this forward. This round is too important to developing countries, to global economic growth and development to let it fall apart.

So we started a process that was to have culminated this week. I must say we've made very significant progress in the Senior Officials meetings, in agriculture in particular. We're not there yet, but we had the sense that if everyone came to the table in Potsdam

ready for serious negotiations, ready for the kind of give and take that characterizes the close of a negotiation, we think that we could have succeeded and we would have had good news to bring to Geneva.

As it is, it was less of a negotiation, and unfortunately more of an auction with the auctioneer saying “put more on the table, put more on the table, put more on the table.” That’s unfortunate.

We have not by any means given up on the Doha Round. The United States and President Bush in particular believes very strongly that the Doha Round is of fundamental importance to the global economy, to developing countries in particular, but also to developed and developing countries alike. We will continue to support the Doha Round and the WTO and the multilateral process to see if we can get to the point again where perhaps we have convergence.

For now I think we go away disappointed, but not prepared to give up.

Secretary Johanns, let me turn to you, then afterwards I’ll be happy to answer questions.

**SECRETARY JOHANNNS:** Thank you, Ambassador.

I’ll offer a few thoughts as the Ambassador did and then as the Ambassador indicated, we’d be happy to answer whatever questions are on your mind.

Let me start out if I might and point out something that is I think very important, especially in view of some of the statements that have been made in the last 12 to 24 hours.

I want to point out that we just didn’t drop into Potsdam. This was not a situation where we called each other up and at the last minute decided to show up there, to spend four or five days together, or six, or whatever.

What led to Potsdam was kicked off really with the discussion that Susan talked about when she went to Brazil and sat down with Celso Amorim and they started trying to figure out where to go from the suspension of talks last July.

Over many months a process was developed where Senior Officials from India and Brazil and the United States and the European Union met on a regular basis. That doesn’t do justice to what they were doing. They were meeting, I said yesterday, hour after hour, day after day, week after week. We had people, as did the other countries, that literally spent more time in the last couple of months together than they spent back at their homes with their families. They literally started working through the difficult issues of the Doha Round piece by piece, and literally testing ideas with each other. What if we would do this? What would that mean to you over here?

Through the process of that testing and fleshing out ideas, a framework started to emerge. Not between the European Union and the United States as some would suggest, but a framework that involved the very good professional work of these officials from all four

countries. Then Ministers from the four countries -- again, I emphasize not just two -- from the four countries got together and we would start our meetings with kind of a download or a briefing by the Senior Officials, passed around. The same country didn't always do the briefing. It was passed around to countries. We would get a briefing about what they had talked about and where the stumbling blocks were, but where there were signs that this was coming together. It was in that vein that a decision was made by all of us to go to Potsdam and to literally set aside time in our schedule, we believed, until agreement would come together.

I will tell you that we went to Potsdam with the hope that this could be resolved. I will also share with you that more progress was made through these Senior Official meetings and Ministers meetings in the last two months of countries working together than in the 22 months before that. It was hopeful.

I will also share with you that nobody went to Potsdam with convergence with another country. To suggest otherwise isn't fair to the process. It just simply isn't fair to the process.

Today I can tell you that we don't have convergence. There are still some very very difficult issues that we have not been able to agree upon, but just hours before Brazil and India pulled out of these talks we were made aware by Senior Officials that they had reached convergence on an important topic, maybe not 100 percent, but at least enough that it looked like that piece of it was coming together.

The last point I want to make here is this. We sit here with the WTO, in the WTO building, and we are here because we believe in the multilateral process. We just believe that the kind of worldwide reform that takes place opening up markets, lifting people out of poverty is going to occur here. Bilateral trade agreements are fine. We all do some of them. But real reform, real poverty reduction is going to occur here. Anybody who wants to suggest that this is somehow a North/South issue, anyone who wants to suggest that somehow countries have picked a fight with each other, I'll just be very blunt, is not doing justice to what this is all about. What this is all about is 150 countries from all over the world working together. We have said we will work with any country to try to bring a Doha Round to a successful conclusion.

The biggest criticism that was leveled about a year ago when these talks were suspended is why can't these countries sit down and resolve their differences? I will tell you, I thought the European Union made a good faith effort. We certainly were not in agreement with them, but we felt they had made a good faith effort. We felt like we had made a good faith effort.

I believe very strongly that Brazil and India came to this Potsdam meeting with an idea that this was not going to come together, and there just simply is a point where as Susan suggested, this can't be an auction. It has to be a negotiation. Unfortunately, they weren't there to negotiate.

With that, I appreciate the opportunity to say a few words. I know we'd be happy to take some questions.

**QUESTION:** We are definitely now in a sort of "blame game" situation where this morning Mr. Amorim said a number of things and you are saying exactly the opposite things. We just have to verify, so my questions will be related to what was being said this morning and what we have also been reading these last days.

The American delegation before going to Potsdam said that you are not very hopeful for a situation, and now you are saying exactly the contrary. You are saying, in your first statement you said that we went to Potsdam expecting to work this whole week, and for the first time you had the feeling there was a chance to succeed. So you very [contracted] to a statement of yours.

This morning you have said that the EU and the U.S. wanted to lower ambitions of the Doha Round. I would like to hear you on this.

I would also like to know if there is convergence, there was convergence between the EU and the U.S. in Potsdam or not in agriculture. Thank you.

**SCHWAB:** Let me start just with a couple of points. One, my statement just now and my statement before Potsdam were fully consistent as in we felt going into Potsdam quite optimistic that we finally had a chance to achieve convergence among the G4, and it was the first time in over a year where, actually it was the first time period, but certainly the first time in a year or the first time in 11 months since the talks broke down here last July where we really felt hopeful that there was a chance. So that was what I said before we got to Potsdam, that's what I just said.

I think we were extremely disappointed when we got to Potsdam and we started down the road of what we thought was going to be a full-fledged negotiation that would last the whole week. The United States came prepared to deal. The United States came prepared to stretch, came prepared to do our share and then some to help convergence happen. But the fact of the matter is no single country or in fact no two countries or even three countries are going to be able to deliver convergence in the Doha Round.

So I think we were really taken aback that having made as much progress as we were making at the Senior Officials level in agriculture, to discover that India and Brazil had extremely rigid positions on NAMA, on market access in manufactured goods. And I might add, even on market access in agricultural products and on domestic support. So all of a sudden where we had had, we'd been making some progress, we'd been getting some traction. It was almost as though two legs of this four-legged stool showed up unwilling to deal, unwilling to negotiate, with extreme rigidities, with red lines about everything. You don't get to "yes", you can't have a negotiation, you can't reach an agreement if one side of the equation is saying I won't deal, or is saying take it or leave it. And it really was, take it or leave it.

Now is this a North/South divide? Absolutely not. Absolutely not for the following reason. There are differences in opinion and obviously differences in ambition among developed countries and among developing countries. Between developed and developing countries.

In the case of, for this round to work, our fundamental objective in this round is development, economic development. It is particularly true with respect to the least developing countries and also mid-tier developing countries. But the only way you're going to succeed in achieving a development objective in this round is for both developed countries and the large emerging countries to make a contribution.

Now obviously the developed countries have to do significantly more than any developing countries, even the emerging markets. But how can we expect the smaller developing countries, the mid-tier developing countries, the least developed countries to have a chance of economic development and growth if the only markets that are genuinely open to them are the developed country markets, the mature markets, as opposed to the fastest growing markets in the world today -- India, China, Brazil?

So they had to be part of the equation and we discovered much to our chagrin they were not prepared to play that kind of a positive role.

Now you asked about convergence between the U.S. and the EU. For those of you who have been following this for a while the principle criticism that has been leveled at the United States and the EU, by the way, has been that we've been at each other's throats for the last several years over market access and domestic support. It's sort of ironic that when we're at each other's throat it threatens the Doha Round and when we're trying to reach convergence it threatens the Doha Round. You can't really win.

I wish we had reached convergence with the EU. We did not. But as I said, we made progress in agriculture. We made progress in terms of domestic support both in terms of what the United States has on the table and what we signaled we were prepared to put on the table. We made progress in terms of developed country agricultural market access, in terms of what the EU signaled it was prepared to put on the table. Did we reach convergence? No, we didn't. But I think it would be safe to say that if India and Brazil had really been there to negotiate and had taken reasonable positions that we really did have a chance of reaching convergence with the EU as well as with India and Brazil. And we know that would not have been the end of it, but gosh, it would have been a really, really good beginning for the multilateral stage of this negotiation.

**JOHANNIS:** Let me, if I might, just add one other piece to that in reference to a question you asked about ambition remaining high.

I will tell you our ambition remains high. We believe that this can still be a successful round. We believed that when we went to Potsdam. We're very mindful of the studies that tell us the market access pillar is going to be where the real success of the round is at. We're going to continue to maintain that we have to have our sights set high. In our

discussions and negotiations with whoever -- Brazil, India, EU, other countries -- we've expressed that over and over again. Why do a round if you don't have ambition?

So our ambition remains high. It was in Potsdam. It will continue to be. We hope it will continue to be a high ambition round.

**QUESTION:** First a question for the Secretary of Agriculture. You mentioned that you've been signaled that there was convergence on one very important topic but you didn't say which one that was. Can you tell us?

And for the Trade Representative, would you be prepared at this stage to support a text or would you be prepared to support the Director General writing a text?

**JOHANNIS:** I'll address the issue of convergence and then I'll let Susan talk about the text.

We had had a briefing right before the lunch where India and Brazil basically signaled that they felt the meeting was over. That briefing was in the export competition area. But the specific briefing related to the food aid issue which has been a point of real debate and discussion and very different positions. We felt that that was going well. We even led a round of applause for Senior Officials. I'm certain if you really started tearing into the detail there were still some other issues to work through, but I think we all felt good that the discussions, the Senior Official discussions, our discussions, were leading to a result in an area that's enormously important to the neediest of the needy in the world, and that's the food aid that we get out there. So that was the topic I was talking about.

**SCHWAB:** Let me respond on the question of text. I think I'll go back to the point I made earlier which is the United States is fully committed to a successful Doha Round. We will work in whatever form with any country or any group that is interested and capable of bringing this together. If the Director General wants to move a text, that's fine. We've been working very actively with the chairs in the different negotiating groups on the agriculture text, on the NAMA text, and so on. So we will continue working and be fully committed to the multilateral process wherever it leads us.

Our assumption had been, and I think the assumption of a number of our trading partners, was that the G4 would be in a position to contribute to that multilateral process and help propel it forward if we were able to reach convergence in some areas where the general membership had not been able to do so. But we will continue to work through the multilateral process and have no qualms about that.

**QUESTION:** Secretary Schwab, you mentioned you're quite prepared for the DG to put forward a text. You might recall Arthur Dunkel put forward a text in 1991 and it tanked. So my question is, is the timing right? And when should Mr. Lamy, if he's going to take this step, do it given what's happened in Potsdam.

My second question is, for us covering the trade talks here in Geneva, what permeates everything in this town is a fear of China, whether it's NAMA, et cetera. So my question

is should China be part of this equation in a more inclusive way? And with reference to subsidies in your proposal, the Chinese said they're not interested in it. Thank you.

**SCHWAB:** I leave it up to the Director General as to the timing and content of a text if any. The text that we have been working on up to this point, as you know are, the texts that the negotiating chairs have been preparing. We will continue to do that.

I don't know if the timing is auspicious or not . Again, I think we need to let the dust settle. We need to talk to Pascal Lamy, we need to talk to some of our other trading partners.

I will tell you, though, what I do think is important and timely and that is countries that recognize how much is out there that could be lost, how much progress has been made that could be lost. If those countries are not speaking up at this point then they're leaving it to too late, because if you take, for example, the 70 percent of tariffs that are paid by developing countries, are paid to other developing countries, tariffs on pharmaceuticals, tariffs on energy and environmental goods, infrastructure services related to communications or financial services or transportation that can help generate development. As well as the things we always talk about in terms of the elimination of agricultural export subsidies, the disciplining of trade distorting agricultural subsidies, and the opening of markets in agriculture and in manufactured goods.

There is a fair amount on the table right now and the prospect of more on the table, and that a couple of countries choose to walk away from what is on the table and what could be on the table I think is a very sad commentary.

Where does China fit into this equation? I have been to China within the last year. I've been to China twice and have hosted my Chinese counterpart in the United States or met with him in two or three other occasions. Every single meeting I have strongly suggested that China needs to play a more positive, proactive and constructive role in the WTO. Because yes, we hear from developing countries and developed countries concerned about further opening their markets because of imports from China.

China is a member of the WTO that has a great deal to gain from a successful Doha Round and a great deal to lose from the failure of the Doha Round. And if China is just looking at its defensive interests then I think that's a very sad state of affairs and I have said that to our Chinese counterparts.

We don't always agree on where we ought to be, but I think China's a member of the WTO and shares a responsibility for making this organization a success.

**QUESTION:** Ambassador, if I could just follow up on that idea. You said yesterday, suggested yesterday that you might try and look to other members of the G20 to push things forward. You've just been talking about China. Have you yet any sense that other members of the G20 might be prepared to go a little bit further, to be a little bit more flexible?

Secondly, as I understand it, you had hoped that a sort of mini agreement, some kind of pre-agreement of this level would have allowed you to go back to Congress and look for a renewal of Fast Track. Where does this Fast Track stand now given that it ends in a few days time?

**SCHWAB:** Having just arrived in Geneva a little while ago and not having had time to schedule all of the meetings that we would like, we haven't been able to touch as many bases yet as we intend to.

I think the Heads of Delegation meeting this afternoon is important and I expect that Ambassador Allgeier in his comments at the Heads of Delegation meeting today, at the TNC today, will be able to articulate what is at stake and the fact that we've made a lot of progress and that there is a lot on the table. Too much on the table to walk away without being willing to contribute, without each country -- say each country in a position to contribute being willing to do so.

In terms of Trade Promotion Authority, I had hoped that convergence, G4 convergence would have helped us gain traction with Trade Promotion Authority in the Congress. As you know, when Trade Promotion Authority expires at the end of next week it really doesn't change anything, because as far as access to Trade Promotion Authority is concerned, with respect to Doha it expired last July. I mean after last July we were never going to be able to use this allocation of Trade Promotion Authority for a Doha Round. The Congress recognizes that.

We're still committed to getting Trade Promotion Authority. I think you will notice that some of the statements out of Capital Hill yesterday after the talks broke down specifically talked about the importance of renewing Trade Promotion Authority.

TPA is an interesting almost contract between Congress and the Executive Branch where by delegating to us the responsibility for negotiating these trade agreements Congress is trusting us to negotiate agreements that are in the U.S. national interest and in the interest of whatever negotiating objective was identified in TPA. In this case the Doha Round objectives related to development, were part of our negotiating mandate.

The fact that we did not betray that trust by signing onto a deal that did not achieve those objectives I think will help reassure Members of Congress that offering a new allocation of Trade Promotion Authority is the right thing to do and that they can be assured that that won't be abused. So I think sadly, developments yesterday will have both hurtful and beneficial implications for moving Trade Promotion Authority.

**QUESTION:** This morning Minister Amorim said here that he did look forward to meet with you, with the G4 again very soon, even in the personal base. He mentioned that. This showed a bit of a lack of confidence perhaps, or some kind of not a very good atmosphere between negotiators.

How can you overcome? How can this situation be overcome?



Secondly, last year when the talks failed in the U.S. there were some congressmen that came with some very negative let's say attitudes towards Brazil and India in the preferential system. Do you expect a reaction like this against Brazil and India in the U.S.?

**SCHWAB:** On the first question of G4 relationships, I must say I really like and respect my negotiating counterparts, our negotiating counterparts in the G4. I have to admit I have spent so much time with each of them over the last year plus. These are individuals who are smart, and who I really have come to respect and like.

I regret that a process that we were all engaged in in good faith over the last year has broken down. I'm not sure why. Some of us seem to take the process more seriously than others this week, and I'm not sure why.

Does that preclude good interpersonal relationships going forward? Absolutely not. Actually, I think Minister Nath is scheduled to be in Washington next week for a U.S.-India business conference or something. Life goes on.

I think it's unfortunate that with all the work that was put in that India and Brazil chose to walk out, in essence, of the process. Again, the biggest losers are the developing countries.

So you asked the question about Congress, there are concerns in Congress about China. You asked the question about China. There have been a number of pieces of legislation. Last year we fought back legislation related to the generalized system of preferences because there are Members of Congress who believe that advanced developing countries, developing countries that are really trade super powers like Brazil, like India, shouldn't have access to a preferential trade program that really should be geared more to poorer countries. So yes, that kind of legislation is possible again. But it would not be in a retaliatory -- We're not talking about any kind of retaliatory mode here. We're talking about what is the fundamental purpose of our preference programs. Our preference programs are geared to helping those countries that need them the most.

**QUESTION:** On logistics, you said you didn't schedule as many meetings as you wanted to here in Geneva. Do you plan on meeting over the weekend? Are you going to meet with Pascal Lamy? Do you have any plans to have any bilaterals? Or are you going back to Washington straight away?

**SCHWAB:** We got here about noon today. We didn't know we were coming to Geneva until late yesterday afternoon, so we sort of got on the first planes we could and came in. We have had a chance to meet with Pascal Lamy, to have a conversation with Pascal Lamy, and we're going to be meeting with a number of delegations. But as we're sitting here, there are staff at our mission who are in the process of scheduling those meetings. At this point we're scheduled to go back to Washington tomorrow, but as I've indicated, at any point where it's useful for me to come back here or go elsewhere, I will certainly be happy to do so.

Next weekend I'm headed to Australia where I will be participating in the annual meeting of the APEC Trade Ministers that's taking place in Cannes, Australia. So a lot of our important trading countries, trading partners in Asia and the Western Hemisphere, Latin America, Canada, are likely to be there. Obviously the Doha Round and prospects for the Doha Round will be an important topic of discussion there as well, at that Ministerial meeting.

**JOHANNES:** One thing I might mention too, we have had an opportunity to meet with the Chair. We just came from that. A very extensive meeting.

One of the purposes, there were many purposes for coming here, but one of the purposes was to try to give the Chairs and to give Mr. Lamy an idea of the progress that had been made through this process that has been going on now for the last few months. Why? We hope it will be helpful as they think about their papers, as they think about next steps in the multilateral process.

The other thing that I would say is we wanted to personally pledge our support for the multilateral process. We've always recognized that this process was kind of a side piece of that, that the multilateral process was ongoing.

So we wanted to make sure there was no misunderstanding that we are very committed to the WTO process and still hopeful that we can get a successful Doha Round.

###