Remarks by Ambassador Rob Portman
United States Trade Representative
2006 USDA Agricultural Outlook Forum
February 16, 2006
As Delivered

Ambassador Portman: Chuck, thanks very much and it's great to be here. Good to be here with my friend Mike Johanns. As you probably know because many of you have followed these issues closely, the US Trade Representative's office works very closely with this US Department of Agriculture. In fact, some have accused us of being twins sometimes because Johanns and I show up at these trade meetings together and when he's not arguing on behalf of US agriculture, I am. We do the tag team thing. And I just want to say today that I am personally grateful to Mike Johanns because he spends a lot of time and energy on trade. He understands its significance to the US agricultural economy and he's logged a lot of hours with me including literally a trip around the world defending the interests of US agriculture.

So, Mike, it's good to be here with you. Good to be here with J. B. Penn. Good to be here with so many great people from around the country - America's farmers and ranchers, economists and public servants who are looking out for the interests and the essential work of producing and distributing food in this country and around the world.

Last month, I'm told, was Benjamin Franklin's 300th birthday. He once said famously there were three ways for a nation to become wealthy. First was war, which he likened to "robbery." Second was commerce, which he said often involves "cheating." And third was agriculture, which he said, and I'll quote, was "continual miracle" and "the only honest way for a nation to grow rich."

Well, Ben Franklin was a pretty smart guy – and one I might add who made a lot of money from commerce. But, if he were alive today, I'm sure he would be pleased to see how the marriage of honest commerce and agriculture have come together to contribute to America's prosperity. And I think he would see very clearly the fact that America's future prosperity is very much linked to agriculture.

And trade is essential to the success of U.S. agriculture. I assume J. B. has already gone over these statistics, but I hammer them all the time with my staff and also my former colleagues on the Hill. One in every three acres in Ohio, my home state, is planted for export. One in three acres nationally is now planted for export. 27 percent of farm income is directly related to the exports. $62 billions worth of agricultural products were sold last year overseas. Now think about that. 27 percent of the income. Without that income, where would those prices be?

It's absolutely essential to US agriculture. And we have, in my view, the opportunity to increase net farm income by creating new opportunities for trade. When you think about it, 95 percent of the potential consumers of US agriculture live outside of our borders and we have the most productive farmers in the world and we have some of the best farm land in the world. And we ought to have a shot at that.

And that's what I view as one of my primary obligations as US Trade Representative and why I put agriculture at the front whether it's in our bilateral discussions or whether it's in our multilateral discussions.

The Doha round, I think, was talked about a little earlier and let me just touch on it. This is the multilateral or worldwide effort to try to reduce barriers to trade. And as some of you know who've followed this, agriculture has received a lot of attention in the Doha round. In fact, it's received the primary attention – even though it's a relatively small part of trade, maybe six or seven percent of global trade. I think rightfully so for a couple of reasons.

One is this is the Doha Development Round and so it's focused on how to help developing countries. It was started right after 9/11. The focus was on development. And when you look around the world, agriculture is very important to a lot of the poorer countries. 70 percent of the poor in developing countries live in rural areas and agriculture is the largest employer – over 60 percent – for most low-income countries. So, it's important to them.

Second, it is absolutely critical that we reduce the barriers in agriculture because they are the highest barriers of all. When you think about it, globally, there is a 62 percent average tariff on agricultural products. That's the average. Some countries where we trade our products, as some of you know who are involved in the export business, it's over a 100 percent. In some countries, it's over 700 percent for particular products. It's where the highest barriers are.

It's also where the highest subsidies are; the so-called trade distorting subsidies that the World Trade Organization tries to get at. So, it's only appropriate that we focus on agriculture. This happens to be something that's in our interests. Why? Because our average tariff is 12 percent. We're a relatively open market because, again, we have these productive farmers and good farm land and the ability to have exports. There's a lot of concern about China that I'm about to hear about when I go up to the Hill to give some testimony in a few minutes. China's our biggest purchaser of soy beans for instance. And we've increased that over the last several years and we need to continue to increase it.

So, we need to knock down these barriers to trade because it's in our interests. We have an offensive interest in agriculture. And I proudly support American agriculture in trying to knock down those barriers.

In terms of subsidies, yes, we have subsidies in this country. But in terms of trade-distorting support, the European Union continues to use three times the amount of trade-distorting support that we use. And in Japan, if you look at is as a percentage of their production, it's roughly three times what we use.

So yes, the Unites States is willing to do our part, but also in these world trade talks, it's in our interests to what they call "harmonize." In other words, if you have higher amount of support, reducing that support more compared to the United States.

Finally, in terms of export subsidies. The United States does not use a lot of export subsidies. And to the extent that we do, we are willing to deal with it. But 89 percent of export subsidies are European. And if you look at what happened in Hong Kong, one of the good results was that we agreed not just to eliminate export subsidies, but we set a date of 2013 for the elimination and between now and then to make substantial progress.

So, there are a lot of reasons that agriculture needs to be front and center in Doha and one of the main ones is this is where some of the biggest barriers globally are. It's one reason the World Bank has reported that 63 percent of the benefit of the Doha round will come from opening up trade in agriculture. They've also said, by the way, that 93 percent of that benefit will be from increased market access. What does that mean? Lowering tariffs.

And that also is not just in the developed country markets like the European Union, but it's also in the least developed country markets around the world, and in places like Africa, Asia and Latin America where if you could reduce the barriers to south-to-south trade, you would see enormous benefits to those economies.

The United States has led the way, as you know, in seeking to get the Doha round on track. We offered a bold and comprehensive proposal last fall to increase market access, but also to reduce trade-distorting domestic support. It reinvigorated the round. I believe it was the right thing to do. We, of course, conditioned it on the fact that we had to see real market access. We spent a lot of time working on that proposal. We worked with a number of people in this room on that, consulted with all the major agricultural groups, consulted with a lot of members in the House and the Senate. We knew we were putting a lot on the table. But we did it because we thought that it was critical to get the Doha round moving and to get these obvious benefits to US agriculture that come from a successful completion to the round.

I particularly want to thank members of the House and Senate Agriculture Committee for working with us on these issues. Yes they're watching me and Mike Johanns pretty carefully and that's their job. But at this point, they basically told us, "Look. You've laid out a logical case here. You have a rationale now that makes sense to help US agriculture and we're willing to work with you." And Chairman Saxby Chambliss in the Senate and Chairman Bob Goodlatte in the House have been terrific partners. They've provided us a lot of input. They're very candid with us. They have, you know, very strong interest of being sure that we're looking out for the interest of agriculture and that I in particular as a trade negotiator and, again, I am extremely appreciative of willingness to work with us to be sure that we're not going to unilaterally disarm our farmers from unfair competition but we're going to get the benefits of the Doha round.

One thing they focus on and we focus on is the fact that the alternative isn't very good. The alternative is continued exposure with regard to some of our trade-distorting subsidies with cases like the case that was brought by Brazil on cotton and not getting the market access that we deserve and not getting the export subsidies eliminated that, again, was agreed to at the Hong Kong meeting at the end of the year. So, there's a lot of reasons for us to be pushing hard on this. We hope that we'll be able to make some progress in the next month or so. Our proposal, I do believe, re-energized the Doha round. Frankly, I think some of that engery has dissipated because others have not come up with commensurate offers on market access and that's what's necessary now to get this round moving.

WTO Members have, most recently in a meeting in Switzerland, agreed to something that I think could be very helpful to move the round forward that combines agriculture and market access and so-called non-agricultural market access, that's industrial tariffs, and services. And I think this is probably the only logical way to proceed; is that in concert with [inaudible] move all these items together because for some countries, as you know, there's a real trade off here. For the

European Union, for instance, reducing tariffs for industrial products and reducing barriers for services is extremely important as it is for us. And so we need to see these various aspects of the Doha round coming around together at once. There's a lot of work to be done. We have short period of time because our Trade Promotion Authority on Capitol Hill where the President can send the trade legislation forward for yes or no vote – up or down vote – is expiring in 2007, so we need to move quickly. We're hoping we'll have the final outline of an agreement coming together by this summer and be able to finish up by the end of this year. It's going to be tough. It's going to result in a lot of tough political decisions being made by various WTO members, but it's absolutely essential that we not miss this once in a generation opportunity that comes around these trade talks to reduce barriers, to help US agriculture, to help the global economy and to help the developing world.

Of course, we also strive beyond the Doha Round to be sure that our bilateral agreements make sense for agriculture. We continue to work hard to pursue bilateral trade agreements. Many of you in this room were absolutely essential to the passing of Central America – Dominican Republic Free Trade Agreement. I will tell you that we have not fully implemented that agreement yet because on the ground in Central America we're still working on some of the tougher issues, including and foremost agriculture.

It is my commitment to be sure that all pledges that were made in the process of CAFTA, all commitments that were made in terms not just of market access but also SPS – sanitary and phyto-sanitary rules – are met. And so we've been tough but fair. And we will insist on that. I'm hopeful that by the end of this month a couple of the Central American countries will be able to implement the agreement. And we're working with and talking to them every day. But I want you to know your help to get that CAFTA accord passed was absolutely necessary and because of the commitments that you made and because of the blood, sweat and tears put into this agreement, we will be sure that the agreement is properly implemented and that in deed, although that the agriculture benefits are so obvious and estimates as you know are, we could see an increase of up to $1.5 billion a year in new agricultural exports to the region. We want to be sure also that it's just not a matter of reducing tariffs, but that we also have SPS issues handled so we don't have the kind of problems we see in other parts of the world where our agricultural exports are in effect blocked by rules that are not based on good science.

So, we're working through that and I believe we'll be successful here within the next month of bringing some countries on and the rest of the countries later this year.

With regard to other free trade agreements, some of you may have seen that we officially launched talks with Korea recently. Why? Because there is enormous opportunity for America exports and, again, front and center is agriculture. Korea's the tenth biggest economy in the world. It's our seventh biggest trading partner. We already do a good business there in terms of agriculture. We can do a lot more. The $2 billion worth of agricultural products we send to Korea annually can be expanded. Why? Because there are high barriers. And even with that we have a tremendous market there. So, we intend to pursue that agreement. It's going to be a tough and complex negotiation. Korea does guard its agricultural sector carefully. But we've made it clear to the Korean government from the outset that our free trade agreements are comprehensive and that they include all sectors including agriculture.

As you know, we have recently concluded a free trade agreement with Peru. It's up on Capitol Hill. Again, a great agreement for US agriculture. We'll be able to export more to this market of 30 million people. Two-way trade in agricultural goods is already 300 million bucks a year. I'm pleased that the American Sugar Alliance has endorsed our FTA with Peru.

In addition, we are close to completing a trade agreement with Panama and we hope to conclude yet this year agreements with Thailand, Colombia and the United Arab Emirates. I just came out of a meeting with the president of Colombia. What did we talk about? Well, for about three-quarters of the meeting we talked about agriculture. And again, an incredibly good potential market for US agriculture. Already a great market for us. As he informed me today, the second largest market in Latin America for corn as an example after Mexico. Can we do more? Yes we can because, again, there are some significant barriers in place.

In addition, we are hoping to move forward with some of these other countries around that world that have come to us and said they interested in free trade agreements. And we should. We should be open to that. When a country comes to us and says they're interested, we need to do everything we can to try and engage them because reducing these barriers to trade is going to be in our interests, particularly in agriculture where the barriers are so high. One of those other countries with a great agricultural market in terms of potential is Malaysia. And so, we are continuing to put agriculture front and center in these agreements and continuing to be sure that free and fair trade relationships with these countries will mean more opportunities for U.S. farmers and ranchers.

As we open these markets, we are also working to make sure that the level playing field is out there and the WTO dispute resolution process is working.

We've not hesitated to use the tools at hand to address trade barriers, and we have succeeded in a lot of cases recently – from scaling back Japan's restrictions on U.S. apples, challenging Mexico's anti-dumping duties on U.S. rice. In the past few months, our efforts have paid off in getting a number of countries – Hong Kong, Thailand, Taiwan, the Philippines, to resume imports of U.S. beef. In terms of Korea, we got the boneless product agreed to at 30 months which is great news. We have more work to do. Obviously we have more work to do with Japan. I think the Secretary's done a terrific job there and I've seen him in action. But there we do have some more work to do. One step forward, two steps back. We need to get back to where we have a couple steps forward. And I believe that we will.

Just a couple weeks ago many of you saw there was a WTO panel that ruled that Europe's moratorium on approval on products made with biotechnology violated global trade rules. This ruling makes it clear that these products must be evaluated based on science, not politics. It's a great agreement for us. It was a great decision. Biotechnology is already delivering environmental and economic benefits to farmers, and the technology, of course, has tremendous potential to do more to fight poverty and malnutrition. We're going to be following that case carefully. And we're going to be sure that's properly compiled with.

In addition, we've recently prevailed in a dispute with the EU over so-called "geographical indications" which means that U.S. producers of quality regional products, such as Idaho potatoes or Florida oranges, will soon have the same access to protection in Europe as European producers have.

As I said at the start of this, trade is essential to the success of U.S. agriculture. The reverse is also true. Support from the U.S. agricultural community is absolutely essential to expanding trade and to our trade agenda.

So many of you here today have already worked hard over the years to make the case for various bilateral and regional trade agreements that have opened markets. And again, I want to extend my sincere thanks to you for that. It was the right thing to do for America. It was the right thing to do for America's farmers and ranchers.

American agriculture in fact has been at the backbone of our support for trade liberalization over the years. With your help and working closely with USDA, Secretary Mike Johanns and others, we can continue to expand opportunities for America's farmers and ranchers. I look forward to working with you in that noble effort. Thank you all very much.